**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 September 30, 2015**

**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 ☒ 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 ☒ 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 ☒ 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 ☒

As of November 2, 2015, 5,686,165 common shares with a par value of $1.00 per share were outstanding (which includes 70,674 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) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Assets** | **Unaudited** | |
| Fixed maturity investments, at fair value | **$ 2,602.2** | $ 2,422.0 |
| Short-term investments, at amortized cost (which approximates fair value) | **325.0** | 376.8 |
| Common equity securities, at fair value | **482.1** | 611.7 |
| Convertible fixed maturity and preferred investments, at fair value | **5.6** | 13.9 |
| Other long-term investments | **294.6** | 318.0 |
| Total investments | **3,709.5** | 3,742.4 |
| Cash (restricted: $16.8 and $23.7) | **200.0** | 261.7 |
| Reinsurance recoverable on unpaid losses | **214.6** | 161.7 |
| Reinsurance recoverable on paid losses | **22.6** | 12.2 |
| Insurance premiums receivable | **273.3** | 241.1 |
| Funds held by ceding entities | **4.6** | 37.1 |
| Investments in unconsolidated affiliates | **392.6** | 414.4 |
| Deferred acquisition costs | **110.8** | 107.2 |
| Deferred tax asset | **133.9** | 114.6 |
| Ceded unearned insurance premiums | **41.4** | 17.8 |
| Accrued investment income | **13.7** | 14.3 |
| Accounts receivable on unsettled investment sales | **11.5** | 37.8 |
| Goodwill and intangible assets | **381.7** | 351.2 |
| Other assets | **307.7** | 311.6 |
| Assets held for sale | **4,528.1** | 4,630.6 |
| **Total assets** | **$ 10,346.0** | $ 10,455.7 |
| **Liabilities** | | |
| Loss and loss adjustment expense reserves | **$ 1,433.3** | $ 1,350.0 |
| Unearned insurance premiums | **671.3** | 616.7 |
| Debt | **383.3** | 343.1 |
| Accrued incentive compensation | **121.0** | 108.1 |
| Ceded reinsurance payable | **46.8** | 34.2 |
| Funds held under insurance contracts | **100.3** | 81.0 |
| Accounts payable on unsettled investment purchases | **46.0** | .5 |
| Other liabilities | **304.9** | 278.4 |
| Liabilities held for sale | **3,032.8** | 3,105.3 |
| **Total liabilities** | **6,139.7** | 5,917.3 |
| **Equity** | | |
| **White Mountains's common shareholders' equity** | | |
| White Mountains's common shares at $1 par value per share - authorized 50,000,000 shares; | | |
| issued and outstanding 5,745,002 and 5,986,214 shares | **5.7** | 6.0 |
| Paid-in surplus | **992.3** | 1,028.7 |
| Retained earnings | **2,888.3** | 3,010.5 |
| Accumulated other comprehensive income (loss), after tax: | | |
| Equity in net unrealized gains from investment in Symetra common shares | **5.5** | 34.9 |
| Net unrealized foreign currency translation losses | **(142.4)** | (79.8) |
| Pension liability and other | **(3.9)** | (4.6) |
| **Total White Mountains's common shareholders' equity** | **3,745.5** | 3,995.7 |
| **Non-controlling interests** | | |
| Non-controlling interest - OneBeacon Ltd. | **246.9** | 258.4 |
| Non-controlling interest - SIG Preference Shares | **250.0** | 250.0 |
| Non-controlling interest - mutuals and reciprocals | **(149.4)** | (134.3) |
| Non-controlling interest - other | **113.3** | 168.6 |
| **Total non-controlling interests** | **460.8** | 542.7 |
| **Total equity** | **4,206.3** | 4,538.4 |
| **Total liabilities and equity** | **$ 10,346.0** | $ 10,455.7 |

See Notes to Consolidated Financial Statements

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

| (Millions, except per share amounts) | Three Months Ended September 30, 2015 | Three Months Ended September 30, 2014 | Nine Months Ended September 30, 2015 | Nine Months Ended September 30, 2014 |
|---|---|---|---|---|
| **Revenues:** | | | | |
| Earned insurance premiums | **$ 284.9** | $ 307.2 | **$ 896.0** | $ 879.1 |
| Net investment income | **16.8** | 13.8 | **42.6** | 44.7 |
| Net realized and unrealized investment (losses) gains | **(43.9)** | (27.5) | **(33.9)** | 64.4 |
| Other revenue | **76.9** | 29.7 | **225.4** | 60.3 |
| Total revenues | **334.7** | 323.2 | **1,130.1** | 1,048.5 |
| **Expenses:** | | | | |
| Loss and loss adjustment expenses | **170.0** | 185.5 | **534.1** | 527.3 |
| Insurance acquisition expenses | **55.3** | 55.2 | **166.1** | 153.0 |
| Other underwriting expenses | **56.5** | 51.3 | **165.5** | 152.6 |
| General and administrative expenses | **142.6** | 63.0 | **354.1** | 168.3 |
| Interest expense | **4.9** | 3.7 | **13.5** | 10.6 |
| Total expenses | **429.3** | 358.7 | **1,233.3** | 1,011.8 |
| **Pre-tax (loss) income from continuing operations** | **(94.6)** | (35.5) | **(103.2)** | 36.7 |
| Income tax benefit (expense) | **1.6** | 4.7 | **(.8)** | (11.4) |
| **Net (loss) income from continuing operations** | **(93.0)** | (30.8) | **(104.0)** | 25.3 |
| Gain from sale of discontinued operations, net of tax | **10.3** | 7.0 | **18.2** | 9.7 |
| Net income from discontinued operations, net of tax | **3.9** | 56.9 | **73.3** | 166.8 |
| **(Loss) Income before equity in earnings of unconsolidated affiliates** | **(78.8)** | 33.1 | **(12.5)** | 201.8 |
| Equity in earnings of unconsolidated affiliates, net of tax | **3.9** | 7.0 | **18.0** | 33.3 |
| **Net (loss) income** | **(74.9)** | 40.1 | **5.5** | 235.1 |
| Net loss attributable to non-controlling interests | **16.0** | 11.2 | **24.2** | 7.2 |
| **Net (loss) income attributable to White Mountains's common shareholders** | **(58.9)** | 51.3 | **29.7** | 242.3 |
| **Other comprehensive (loss) income, net of tax:** | | | | |
| Change in equity in net unrealized gains (losses) from investments in Symetra common shares, net of tax | **3.5** | (9.9) | **(29.4)** | 59.5 |
| Change in foreign currency translation, pension liability and other | **—** | (.2) | **.3** | (.1) |
| Change in foreign currency translation and other from discontinued operations | **(18.4)** | (64.1) | **(62.1)** | (99.9) |
| **Comprehensive (loss) income** | **(73.8)** | (22.9) | **(61.5)** | 201.8 |
| Other comprehensive (loss) income attributable to non-controlling interests | **(.1)** | .1 | **(.1)** | .1 |
| **Comprehensive (loss) income attributable to White Mountains's common shareholders** | **$ (73.9)** | $ (22.8) | **$ (61.6)** | $ 201.9 |
| **Income (loss) per share attributable to White Mountains's common shareholders** | | | | |
| **Basic income per share** | | | | |
| Continuing operations | **$ (12.42)** | $ (2.07) | **$ (10.40)** | $ 10.70 |
| Discontinued operations | **2.41** | 10.49 | **15.37** | 28.74 |
| Total consolidated operations | **$ (10.01)** | $ 8.42 | **$ 4.97** | $ 39.44 |
| **Diluted income per share** | | | | |
| Continuing operations | **$ (12.42)** | $ (2.07) | **$ (10.40)** | $ 10.70 |
| Discontinued operations | **2.41** | 10.49 | **15.37** | 28.74 |
| Total consolidated operations | **$ (10.01)** | $ 8.42 | **$ 4.97** | $ 39.44 |
| **Dividends declared per White Mountains's common share** | **$ 1.00** | $ 1.00 | **$ 1.00** | $ 1.00 |

See Notes to Consolidated Financial Statements

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

| | White Mountains's Common Shareholders' Equity | | | | | |
|---|---|---|---|---|---|---|
| **(Millions)** | **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) | — | 29.7 | — | 29.7 | (24.2) | 5.5 |
| Net change in unrealized gains (losses) from investments in unconsolidated affiliates | — | — | (29.4) | (29.4) | — | (29.4) |
| Net change in foreign currency translation | — | — | (62.6) | (62.6) | — | (62.6) |
| Net change in pension liability and other accumulated comprehensive items | — | — | .7 | .7 | .1 | .8 |
| Total comprehensive income (loss) | **—** | **29.7** | **(91.3)** | **(61.6)** | **(24.1)** | **(85.7)** |
| Dividends declared on common shares | — | (6.0) | — | (6.0) | — | (6.0) |
| Dividends to non-controlling interests | — | — | — | — | (35.4) | (35.4) |
| Repurchases and retirements of common shares | (46.0) | (145.9) | — | (191.9) | — | (191.9) |
| Issuances of common shares | .9 | — | — | .9 | — | .9 |
| Redemption of Prospector Offshore Fund | — | — | — | — | (31.5) | (31.5) |
| Acquisition from non-controlling interests | (2.2) | — | — | (2.2) | (2.7) | (4.9) |
| Net contributions from non-controlling interests | — | — | — | — | 12.1 | 12.1 |
| Amortization of restricted share awards | 10.6 | — | — | 10.6 | (.3) | 10.3 |
| **Balance at September 30, 2015** | **$ 998.0** | **$ 2,888.3** | **$ (140.8)** | **$ 3,745.5** | **$ 460.8** | **$ 4,206.3** |

| | White Mountains's Common Shareholders' Equity | | | | | |
|---|---|---|---|---|---|---|
| **(Millions)** | **Common shares and paid-in surplus** | **Retained earnings** | **AOCI, after tax** | **Total** | **Non-controlling interest** | **Total Equity** |
| Balance at January 1, 2014 | $ 1,051.1 | $ 2,801.8 | $ 52.1 | $ 3,905.0 | $ 491.8 | $ 4,396.8 |
| Net income (loss) | — | 242.3 | — | 242.3 | (7.2) | 235.1 |
| Net change in unrealized gains (losses) from investments in unconsolidated affiliates | — | — | 59.5 | 59.5 | — | 59.5 |
| Net change in foreign currency translation | — | — | (100.3) | (100.3) | (.1) | (100.4) |
| Net change in pension liability and other accumulated comprehensive items | — | — | .4 | .4 | — | .4 |
| Total comprehensive income (loss) | — | 242.3 | (40.4) | 201.9 | (7.3) | 194.6 |
| Dividends declared on common shares | — | (6.2) | — | (6.2) | — | (6.2) |
| Dividends to non-controlling interests | — | — | — | — | (26.0) | (26.0) |
| Repurchases and retirements of common shares | (29.6) | (77.3) | — | (106.9) | — | (106.9) |
| Issuances of common shares | 2.9 | — | — | 2.9 | — | 2.9 |
| Net contributions from non-controlling interests | — | — | — | — | 29.4 | 29.4 |
| Amortization of restricted share awards | 12.5 | — | — | 12.5 | .6 | 13.1 |
| Balance at September 30, 2014 | $ 1,036.9 | $ 2,960.6 | $ 11.7 | $ 4,009.2 | $ 488.5 | $ 4,497.7 |

See Notes to Consolidated Financial Statements

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

| | Nine Months Ended September 30, | |
|---|---|---|
| **(Millions)** | **2015** | **2014** |
| **Cash flows from operations:** | | |
| Net income | **$ 5.5** | $ 235.1 |
| Charges (credits) to reconcile net income to net cash used for operations: | | |
| Net realized and unrealized investment losses (gains) | **33.9** | (64.4) |
| Deferred income tax (benefit) expense | **(20.2)** | 5.8 |
| Net income from discontinued operations | **(73.3)** | (166.8) |
| Net gain on sale of discontinued operations | **(18.2)** | (9.7) |
| Gain on sale of subsidiaries - Hamer and Essentia | **(16.1)** | — |
| Amortization and depreciation | **46.8** | 27.6 |
| Undistributed equity in earnings from unconsolidated affiliates, net of tax | **(18.0)** | (33.3) |
| Other operating items: | | |
| Net change in loss and loss adjustment expense reserves | **83.3** | 101.7 |
| Net change in reinsurance recoverable on paid and unpaid losses | **(63.3)** | (23.4) |
| Net change in unearned insurance premiums | **54.6** | 90.8 |
| Net change in variable annuity benefit guarantee liabilities | **(1.7)** | (41.1) |
| Net change in variable annuity benefit guarantee derivative instruments | **19.4** | 3.9 |
| Net change in deferred acquisition costs | **(3.6)** | (19.7) |
| Net change in funds held by ceding entities | **32.5** | (33.3) |
| Net change in ceded unearned premiums | **(23.4)** | (.4) |
| Net change in funds held under insurance treaties | **19.3** | 13.5 |
| Net change in insurance premiums receivable | **(32.0)** | (50.4) |
| Net change in ceded reinsurance payable | **12.6** | 3.3 |
| Net change in restricted cash | **6.9** | 32.3 |
| Net change in other assets and liabilities, net | **35.6** | 2.0 |
| Net cash provided from operations - continuing operations | **80.6** | 73.5 |
| Net cash provided from operations - discontinued operations | **6.7** | 49.8 |
| **Net cash provided from operations** | **87.3** | 123.3 |
| **Cash flows from investing activities:** | | |
| Net change in short-term investments | **26.6** | (104.2) |
| Sales of fixed maturity and convertible fixed maturity investments | **865.0** | 1,734.7 |
| Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments | **249.5** | 241.6 |
| Sales of common equity securities | **370.6** | 312.8 |
| Distributions and redemptions of other long-term investments | **56.6** | 26.2 |
| Sales of consolidated and unconsolidated affiliates, net of cash sold | **24.0** | — |
| Funding from (of) operational cash flows for discontinued operations | **17.5** | (27.6) |
| Purchases of other long-term investments | **(30.5)** | (26.8) |
| Purchases of common equity securities | **(329.4)** | (141.9) |
| Purchases of fixed maturity and convertible fixed maturity investments | **(1,300.2)** | (1,822.6) |
| Purchases of consolidated and unconsolidated affiliates, net of cash acquired | **(33.3)** | (32.2) |
| Net change in unsettled investment purchases and sales | **71.8** | 9.3 |
| Net dispositions (acquisitions) of property and equipment | **37.0** | (3.3) |
| Net cash provided from investing activities - continuing operations | **25.2** | 166.0 |
| Net cash provided from investing activities - discontinued operations | **35.7** | 47.5 |
| **Net cash provided from investing activities** | **60.9** | 213.5 |
| **Cash flows from financing activities:** | | |
| Draw down of debt and revolving line of credit | **134.0** | 40.0 |
| Repayment of debt and revolving line of credit | **(92.9)** | (40.2) |
| Payments on capital lease obligation | **(3.5)** | (4.0) |
| Cash dividends paid to the Company’s common shareholders | **(6.0)** | (6.2) |
| Cash dividends paid to OneBeacon Ltd.’s non-controlling common shareholders | **(14.8)** | (14.8) |
| Common shares repurchased | **(168.6)** | (100.6) |
| OneBeacon Ltd. common shares repurchased and retired | **(1.8)** | (1.8) |
| Capital contributions from non-controlling interest of consolidated LPs | **—** | 2.5 |
| Distribution to non-controlling interest shareholders | **(9.1)** | — |
| Redemptions paid to non-controlling interest of consolidated LPs | **—** | (4.9) |
| Distributions from (contributions to) discontinued operations | **(9.1)** | 40.8 |

| | | |
|---|---|---|
| Acquisition of additional shares from non-controlling interest | **(9.1)** | — |
| Capital contributions from BAM members | **20.3** | 11.6 |
| Net cash used for financing activities - continuing operations | **(160.6)** | (77.6) |
| Net cash used for financing activities - discontinued operations | **(2.4)** | (55.6) |
| **Net cash used for financing activities** | **(163.0)** | (133.2) |
| **Effect of exchange rate changes on cash (excludes ($4.1) and ($10.6) related to discontinued operations)** | **—** | — |
| **Net change in cash during the period - continuing operations** | **(54.8)** | 161.9 |
| **Cash balances at beginning of period (excludes restricted cash balances of $23.7 and $56.1 and discontinued operations cash balances of $111.5 and $93.2)** | **238.0** | 233.5 |
| **Cash balances at end of period (excludes restricted cash balances of $16.8 and $23.8 and discontinued operations cash balances of $147.4 and $124.3)** | **$ 183.2** | $ 395.4 |
| **Supplemental cash flows information:** | | |
| Interest paid | **$ (8.9)** | $ (6.4) |
| Net income tax refund from national governments | **$ 8.0** | $ .3 |

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. During the third quarter of 2015, White Mountains signed a definitive agreement to sell Sirius International Insurance Group, Ltd, an exempted Bermuda limited liability company, and its subsidiaries (collectively, “Sirius Group”) to CM International Holding PTE Ltd., the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. (“CMI”). (See **Note 2 - “Significant Transactions”).** Accordingly, effective for September 30, 2015, Sirius Group has been presented as discontinued operations and assets and liabilities held for sale in the financial statements. Prior year amounts have been reclassified to conform to the current year’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. During the third quarter of 2013, OneBeacon formed Split Rock Insurance, Ltd. (“Split Rock”), a Bermuda-based reinsurance company. As of September 30, 2015 and December 31, 2014, White Mountains owned 75.3% of OneBeacon Ltd.’s outstanding common shares for both periods.

In December 2014, OneBeacon completed the sale of its runoff business (the “Runoff Transaction”). Accordingly, OneBeacon’s runoff business is presented as discontinued operations. In the second quarter of 2015, OneBeacon completed the sale of its building in Canton, MA for $58.0 million. The building was presented as held for sale at December 31, 2014. (See **Note 17 - “Discontinued Operations”)**.

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 September 30, 2015 and December 31, 2014, 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, Wobi Insurance Agency Ltd. (“Wobi”) and QL Holdings, LLC (together with its subsidiaries “MediaAlpha”). 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 September 30, 2015, White Mountains holds $20.0 million of surplus notes issued by SSIE (the “SSIE Surplus Notes”) but does not have an ownership interest in SSIE. However, 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 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 2014 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 2014 Annual Report on Form 10-K for a complete discussion regarding White Mountains's significant accounting policies.

**Recently Adopted Changes in Accounting Principles**

*Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*

On April 10, 2014, the FASB issued ASU 2014-08, *Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity* (ASC 205 and ASC 360) to reduce diversity in practice for reporting discontinued operations. ASU 2014-08 limits discontinued operations treatment to disposals that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation.

As discussed further in Note 2, White Mountains has entered into an agreement to sell Sirius Group, which has been classified as discontinued operations in accordance with ASU 2014-08.

*Qualified Affordable Housing Projects*

Effective January 1, 2015, White Mountains adopted ASU 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects ("QAHP")* (ASC 323). ASU 2014-01 allows investors in QAHP to make a policy election to use the proportional amortization method. Under the proportional amortization method, the investor amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the investment results, net of the related tax benefits, as a component of income tax expense. Prior to adoption, White Mountains accounted for its QAHP investment under the equity method and recognized its share of its QAHP investment's losses in investment income. White Mountains made the policy election to account for its investment in its QAHP investment using the proportional amortization method, applied retrospectively. Under the proportional amortization method, the cumulative loss recognized through December 31, 2014 and December 31, 2013 was $0.9 million and $0.5 million. The retrospective adoption resulted in an increase of $0.4 million and $1.3 million to net investment income and a net increase of $0.6 million and $1.8 million to income tax expense for the three and nine months ended September 30, 2014. Footnote disclosures for prior year amounts have been amended to be consistent with the restated amounts described above.

*Pushdown Accounting*

ASU 2014-17, *Pushdown Accounting, a consensus of the FASB Emerging Issues Task Force* (ASC 805) became effective upon its issuance on November 18, 2014. The new guidance, which is applicable prospectively, gives an acquired non-public company the option to apply pushdown accounting in its separate company financial statements in the period in which it is acquired in a change of control transaction. Once pushdown accounting has been applied, the election is irreversible. Acquired entities that chose not to apply pushdown accounting at the time of acquisition, may apply pushdown accounting in a subsequent period as a change in accounting principle under ASC 250, *Accounting Changes and Error Corrections*. White Mountains has not had any acquisitions for which it has elected to apply pushdown accounting since ASU 2014-17 became effective.

*Unrecognized Tax Benefits*

Effective January 1, 2014, White Mountains adopted ASU 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists* (ASC 740). The new ASU requires balance sheet presentation of an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss ("NOL") carryforward or tax credit carryforward rather than as a liability. The exception is in circumstances where a carryforward is not available to settle the additional taxes that might arise upon disallowance of the tax position under the tax law of the applicable jurisdiction. Prior to the issuance of ASU 2013-11, the guidance for unrecognized tax benefits under ASC 740 did not provide explicit guidance on whether an entity should present an unrecognized tax benefit as a liability or as a reduction of NOL carryforwards or other tax credits. In circumstances where an NOL carryforward is not available to offset settlement of any additional taxes arising from a disallowed tax position, the unrecognized tax benefit should be presented as a liability. The new guidance became effective for White Mountains on January 1, 2014. Adoption did not have any impact on White Mountains's financial condition, results of operations or cash flows or financial statement presentation.

**Recently Issued Accounting Pronouncements**

*Business Combinations - Measurement Period Adjustments*

On September 25, 2015, the FASB issued ASU 2015-16, *Simplifying the Accounting for Measurement-Period Adjustments.* At the date of an acquisition, fair value of certain assets and liabilities may not be accurately determinable and are therefore recognized at the acquirer's best estimate. Such amounts may be updated as additional information becomes available in periods subsequent to the acquisition for up to one year. Prior to the issuance of this new ASU, subsequent adjustments had to be pushed back to the acquisition date, which required retroactive adjustments to prior period amounts. Under the new guidance, adjustments to provisional amounts that are identified during the measurement period are to be recorded in the reporting period in which the adjustment amounts are determined. ASU 2015-16 is effective for fiscal years beginning after December 15, 2015 and is applied prospectively to adjustments to estimated purchase accounting amounts that occur after the effective date. Early application is permitted. White Mountains has not recognized any adjustments to estimated purchase accounting amounts for the year to date period ended September 30, 2015.

*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 disaggregated 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.

*Fair Value Measurements*

On May 1, 2015, the FASB issued 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 and has classified those measurements within Level 3 of the fair value hierarchy. The new guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years.

*Debt Issuance Costs*

On April 7, 2015, the FASB issued ASU 2015-03, *Imputation of Interest* (ASC 835) which requires debt issuance costs related to a recognized debt liability to be presented as a deduction from the carrying amount of the related debt, consistent with the treatment required for debt discounts. On August 18, 2015, the FASB issued ASU 2015-15, *Imputation of Interest* (ASC 835) which addresses the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. ASU 2015-03 and ASU 2-15-15 are effective for annual and interim reporting periods beginning after December 15, 2015. White Mountains does not expect ASU 2015-03 or ASU 2015-15 to impact its financial position, results of operations, cash flows, presentation and disclosures.

*Amendments to Consolidation Analysis*

On February 18, 2015, the FASB issued 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. ASU 2015-02 is effective for annual and interim reporting periods beginning after December 15, 2015 and must be applied retrospectively. White Mountains does not expect ASU 2015-02 to affect the consolidation analysis for any of its existing investments.

*Share-Based Compensation Awards*

On June 19, 2014, the FASB issued 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 is intended to eliminate diversity in practice for employee share-based awards containing performance targets that could be achieved after the requisite service period. Some reporting entities account for performance targets that can be achieved after the requisite service period as performance conditions that affect the vesting of the award while other reporting entities treat those performance targets as non-vesting conditions that affect the grant-date fair value of the award. The updated 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 should be recognized in the period it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which service has been rendered. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. White Mountains does not expect adoption to have a significant effect on its financial position, results of operations, cash flows, presentation or disclosures.

*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, which were $2.0 million and $5.9 million for the three and nine months ended September 30, 2015 and $3.2 million and $9.2 million for the three and nine months ended September 30, 2014. 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. On August 12, 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09 to annual and interim reporting periods beginning after December 15, 2017.

## Note 2. Significant Transactions

### Sale of Sirius Group

On July 27, 2015, White Mountains entered into an agreement to sell Sirius Group to CM International Holding PTE Ltd., the Singapore-based investment arm of CMI. The purchase price will be paid in cash in an amount equal to 127.3% of Sirius Group’s closing date tangible common shareholder’s equity, plus $10.0 million. White Mountains has the option to replenish Sirius’s tangible common shareholder’s equity to its December 31, 2014 level should it be below that level at closing. The transaction is expected to close in the first quarter of 2016 and is subject to regulatory approvals and other customary closing conditions.

As a result of the transaction, 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 Symetra and certain other investments that are in the Sirius Group legal entities as of September 30, 2015 but will be retained by White Mountains subsequent to the sale. As part of the transaction, White Mountains will transfer assets at closing equal to the value of the investments to be retained. The value of these investments, net of related tax effects, is approximately $510.8 million as of September 30, 2015.

In connection with the transaction, White Mountains caused Sirius Group to purchase several industry loss warranty contracts purchased 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 | $25.0 million | $12.5 billion |

### Symetra

During the third quarter of 2015, Symetra Financial Corporation (“Symetra”) announced that it entered into a definitive merger agreement with Sumitomo Life Insurance Company (“Sumitomo Life”) pursuant to which Sumitomo Life will acquire all of the outstanding shares of Symetra. White Mountains expects to receive $32.00 per share in cash at closing. White Mountains also received a special dividend of $.50 per share as part of the transaction that was paid in the third quarter of 2015. The transaction is expected to close in the first quarter of 2016 and is subject to regulatory approval and other customary closing conditions.

### 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. OneBeacon has withdrawn its 2016 Plan of Operations and AmTrust will reinsure OneBeacon’s remaining net Crop Business exposure for the 2015 reinsurance year. As a result of this transaction, OneBeacon has no material net exposure related to the Crop Business. For the three months ended September 30, 2015, OneBeacon recorded ceded written premiums of $35.9 million, ceded earned premiums of $16.8 million, ceded loss and loss adjustment expenses of $15.1 million, ceded insurance acquisition expenses of $2.8 million as a result of this transaction. OneBeacon also received a payment of $3.0 million in connection with the termination of its agreement with CCIA, which has been recorded in other revenue.

### PassportCard

On April 2, 2015, White Mountains closed on its 50/50 joint venture with DavidShield Life Insurance Agency (2000) Ltd. (“DavidShield”) for the development, marketing and distribution of PassportCard travel insurance (“PassportCard”), with White Mountains and DavidShield each contributing $21.0 million of assets to the newly formed entity, PassportCard Limited (formerly PPCI Global Limited).

### OneTitle

On April 22, 2015, White Mountains agreed to provide up to $13.0 million to OneTitle National Guaranty Company, Inc. (“OneTitle”) and will take a minority stake in the company. OneTitle is a licensed New York title insurance underwriter that works directly with attorneys, lenders, developers and homeowners. The transaction will close subject to regulatory approval.

**Tranzact**

On October 10, 2014, White Mountains acquired majority ownership of Tranzact, a leading provider of end-to-end, performance-driven customer acquisition solutions to the insurance sector. 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 in capital 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.

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, representing an enterprise value of $50.2 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 $53.8 million, which includes $20.1 million of goodwill and $28.1 million of other intangible assets, and total liabilities assumed of $3.6 million at their estimated fair values. At September 30, 2015, Tranzact recognized $9.7 million for the purchase price adjustment.

**durchblicker.at**

In July 2014, White Mountains acquired 45% of the outstanding common shares of durchblicker.at, Austria's first independent price comparison portal for insurance, gas/electricity and financial services, for EUR 8.5 million (approximately $11.7 million based upon the foreign exchange spot rate at the date of acquisition).

**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 offering a transparent online exchange and sophisticated analytical tools that facilitate transactions between buyers (advertisers) and sellers (publishers) of insurance media (clicks, leads, and calls). Its exchange operates in four verticals: auto, home, health and life. White Mountains paid an initial purchase price of $28.1 million. The purchase price is subject to adjustment equal to 62.5% of the 2015 gross profit in excess of the 2013 gross profit. As of September 30, 2015 and December 31, 2014, White Mountains has recognized a $7.9 million liability for the contingent purchase price 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.

**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 $8.5 million) 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 the second quarter of 2015, White Mountains increased its ownership interest in Wobi through the purchase of shares from a non-controlling interest shareholder for NIS 35.0 million (approximately $9.1 million) and newly-issued convertible preferred shares for NIS 25.0 million (approximately $6.6 million). As of September 30, 2015, White Mountains’s ownership share was 95.3% on a fully converted basis.

On February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Tnuva Finansit Ltd. (“Cashboard”) for NIS 9.5 million (approximately $2.4 million). 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 fair values. During the second quarter of 2015, Wobi purchased newly issued common shares of Cashboard for NIS 10.0 million (approximately $2.6 million), which increased its ownership interest in Cashboard to 68.3%.

**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 $20.0 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 September 30, 2015 and December 31, 2014, consolidated amounts included total assets of $16.3 million and $13.5 million and total liabilities of $31.5 million and $25.9 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 September 30, 2015 and 2014, SSIE had pre-tax losses of $0.9 million and $1.4 million that were recorded in net loss attributable to non-controlling interests. For the nine months ended September 30, 2015 and 2014, SSIE had pre-tax losses of $2.8 million and $11.1 million that were recorded in net loss attributable to non-controlling interests.

## 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 subsidiaries for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| Millions | 2015 | 2014 | 2015 | 2014 |
| Gross beginning balance | **$ 1,357.0** | $ 1,137.8 | **$ 1,350.0** | $ 1,054.3 |
| Less beginning reinsurance recoverable on unpaid losses | **(147.2)** | (92.1) | **(161.7)** | (80.2) |
| Net loss and LAE reserves | **1,209.8** | 1,045.7 | **1,188.3** | 974.1 |
| Loss and LAE reserves consolidated — SSIE | **—** | — | **—** | 13.6 |
| Loss and LAE incurred relating to: | | | | |
| Current year losses | **170.4** | 178.4 | **536.7** | 511.0 |
| Prior year losses | **(0.4)** | 7.1 | **(2.6)** | 16.3 |
| Total incurred losses and LAE | **170.0** | 185.5 | **534.1** | 527.3 |
| Loss and LAE paid relating to: | | | | |
| Current year losses | **(53.0)** | (55.9) | **(120.2)** | (116.5) |
| Prior year losses | **(108.1)** | (107.3) | **(383.5)** | (330.5) |
| Total loss and LAE payments | **(161.1)** | (163.2) | **(503.7)** | (447.0) |
| Net ending balance | **1,218.7** | 1,068.0 | **1,218.7** | 1,068.0 |
| Plus ending reinsurance recoverable on unpaid losses | **214.6** | 101.5 | **214.6** | 101.5 |
| Gross ending balance | **$ 1,433.3** | $ 1,169.5 | **$ 1,433.3** | $ 1,169.5 |

*Loss and LAE incurred relating to prior year losses for the three and nine months ended September 30, 2015*

For the three and nine months ended September 30, 2015, White Mountains experienced net favorable loss reserve development of $0.4 million and $2.6 million.

During the three months ended September 30, 2015, OneBeacon experienced no net loss and LAE reserve development. For the nine months ended September 30, 2015, OneBeacon had net favorable loss reserve development of $1.8 million. For the three and nine months ended September 30, 2015, SSIE had net favorable loss reserve development of $0.4 million and $0.8 million.

*Loss and LAE incurred relating to prior year losses for the three and nine months ended September 30, 2014*

For the three and nine months ended September 30, 2014, White Mountains experienced net unfavorable loss reserve development of $7.1 million and $16.3 million.

For the three and nine months ended September 30, 2014, OneBeacon had net unfavorable loss reserve development of $7.3 million and $14.3 million primarily related to a few large losses in OneBeacon Other Professional Lines and Management Liability, as well as OneBeacon Entertainment, OneBeacon Government Risks and OneBeacon Accident Group, partially offset by favorable loss reserve development in OneBeacon Specialty Property. For both the three and nine months ended September 30, 2014, SSIE had net favorable loss reserve development of $0.2 million and net unfavorable loss reserve development of $2.0 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 September 30, 2015, OneBeacon had $22.6 million and $214.2 million of reinsurance recoverables on paid and unpaid losses. At December 31, 2014, OneBeacon had $12.2 million and $161.6 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.

Except as discussed below, there have been no material changes to OneBeacon's reinsurance coverage as discussed in Note 4 —"Reinsurance" in White Mountains's 2014 Annual Report on Form 10-K.

Effective January 1, 2015, OneBeacon purchased an aggregate stop loss on its multiple peril crop insurance ("MPCI") portfolio, providing 52.0% coverage in excess of a 98.0% loss ratio on premiums covered by the contract and a separate aggregate stop loss providing 80% coverage in excess of a 100% loss ratio on its crop-hail portfolio. OneBeacon also purchased a new quota share contract on 30% of its MPCI portfolio. On July 31, 2015, OneBeacon reinsured 100% of its net retained losses for both its MPCI and crop-hail business by entering into a quota share reinsurance agreement with an insurance operating affiliate of AmTrust for the remaining net exposure to the 2015 Crop reinsurance year, which coupled with other transfer and assignment agreements as well as communications with policyholders and agents, had the effect of assumption reinsurance. (See **Note 2 -"Significant Transactions")**.

Effective May 1, 2015, OneBeacon renewed its property catastrophe reinsurance program through April 30, 2016. The program provides coverage for OneBeacon's property business as well as certain acts of terrorism. Under the program, the first $20.0 million of losses resulting from any single catastrophe are retained, and 95.0% of the next $10.0 million of losses and 100.0% of the next $100.0 million of losses resulting from the catastrophe are reinsured. The part of the catastrophe loss in excess of $130.0 million would be retained in full. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.

Also effective May 1, 2015, OneBeacon lowered its retention on its property-per-risk reinsurance program from $5.0 million to $3.0 million.

Effective June 1, 2015, OneBeacon lowered its retentions on certain casualty and healthcare treaties from $5.0 million to $3.0 million.

## Note 5. Investment Securities

White Mountains's invested assets consist of 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 convertible fixed maturity and preferred 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.

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 September 30, 2015 and December 31, 2014.

Other long-term investments consist primarily of hedge funds, private equity funds, surplus note investments, private equity securities and limited liability companies and other investments in limited partnerships.

### Net Investment Income

Pre-tax net investment income for the three and nine months ended September 30, 2015 and 2014 consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Investment income: | | | | |
| Fixed maturity investments | **$ 13.7** | $ 12.7 | **$ 38.5** | $ 38.4 |
| Short-term investments | **—** | .1 | **.1** | .2 |
| Common equity securities | **1.4** | 3.3 | **5.7** | 11.9 |
| Convertible fixed maturity and preferred investments | **.1** | 1.0 | **.4** | 1.5 |
| Other long-term investments | **1.9** | .2 | **2.5** | 2.2 |
| Total investment income | **17.1** | 17.3 | **47.2** | 54.2 |
| External investment expenses | **(.3)** | (3.5) | **(4.6)** | (9.5) |
| Net investment income, pre-tax | **$ 16.8** | $ 13.8 | **$ 42.6** | $ 44.7 |

### Net Realized and Unrealized Investment Gains and Losses

Net realized and unrealized investment gains and losses for the three and nine months ended September 30, 2015 and 2014 consisted of the following:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Net realized investment (losses) gains, pre-tax | **$ (7.4)** | $ 57.9 | **$ 49.7** | $ 97.0 |
| Net unrealized investment (losses), pre-tax | **(36.5)** | (85.4) | **(83.6)** | (32.6) |
| Net realized and unrealized investment (losses) gains, pre-tax | **(43.9)** | (27.5) | **(33.9)** | 64.4 |
| Income tax benefit (expense) attributable to net realized and unrealized investment gains (losses) | **9.4** | 5.6 | **6.9** | (12.2) |
| Net realized and unrealized investment (losses) gains, after tax | **$ (34.5)** | $ (21.9) | **$ (27.0)** | $ 52.2 |

*Net realized investment gains (losses)*

Net realized investment gains (losses) for the three and nine months ended September 30, 2015 and 2014 consisted of the following:

| | Three Months Ended September 30, 2015 | | | Three Months Ended September 30, 2014 | | |
|---|---|---|---|---|---|---|
| **Millions** | **Net realized (losses)** | **Net foreign currency gains** | **Total net realized (losses) reflected in earnings** | **Net realized gains** | **Net foreign currency (losses)** | **Total net realized gains reflected in earnings** |
| Fixed maturity investments | $ (.1) | $ — | $ (.1) | $ 2.3 | $ (.1) | $ 2.2 |
| Short-term investments | — | — | — | — | — | — |
| Common equity securities | (5.9) | — | (5.9) | 51.4 | — | 51.4 |
| Convertible fixed maturity and preferred investments | — | — | — | 1.6 | — | 1.6 |
| Other long-term investments | (1.4) | — | (1.4) | 2.7 | — | 2.7 |
| Net realized investment (losses) gains, pre-tax | **(7.4)** | **—** | **(7.4)** | 58.0 | (.1) | 57.9 |
| Income tax benefit (expense) attributable to net realized investment gains | **1.5** | **—** | **1.5** | (7.0) | — | (7.0) |
| Net realized investment (losses) gains, after tax | **$ (5.9)** | **$ —** | **$ (5.9)** | $ 51.0 | $ (.1) | $ 50.9 |

| | Nine Months Ended September 30, 2015 | | | Nine Months Ended September 30, 2014 | | |
|---|---|---|---|---|---|---|
| **Millions** | **Net realized gains (losses)** | **Net foreign currency gains** | **Total net realized gains (losses) reflected in earnings** | **Net realized gains** | **Net foreign currency (losses)** | **Total net realized gains reflected in earnings** |
| Fixed maturity investments | $ 2.0 | $ — | $ 2.0 | $ 4.7 | $ (.1) | $ 4.6 |
| Short-term investments | — | — | — | — | — | — |
| Common equity securities | 41.6 | .4 | 42.0 | 83.2 | — | 83.2 |
| Convertible fixed maturity and preferred investments | (4.3) | — | (4.3) | 6.5 | — | 6.5 |
| Other long-term investments | 10.0 | — | 10.0 | 2.7 | — | 2.7 |
| Net realized investment gains (losses), pre-tax | **49.3** | **.4** | **49.7** | 97.1 | (.1) | 97.0 |
| Income tax (expense) attributable to net realized investment gains (losses) | **(15.7)** | **—** | **(15.7)** | (13.3) | — | (13.3) |
| Net realized investment gains (losses), after tax | **$ 33.6** | **$ .4** | **$ 34.0** | $ 83.8 | $ (.1) | $ 83.7 |

*Net unrealized investment gains (losses)*

The following table summarizes net unrealized investment gains (losses) for the three and nine months ended September 30, 2015 and 2014:

| Millions | Three Months Ended September 30, 2015 Net unrealized gains (losses) | Net foreign currency (losses) | Total net unrealized gains (losses) reflected in earnings | Three Months Ended September 30, 2014 Net unrealized (losses) | Net foreign currency (losses) | Total net unrealized (losses) reflected in earnings |
|---|---|---|---|---|---|---|
| Fixed maturity investments | $ 3.3 | $ — | $ 3.3 | $ (10.0) | $ — | $ (10.0) |
| Short-term investments | — | — | — | — | — | — |
| Common equity securities | (30.6) | (.2) | (30.8) | (63.9) | (5.3) | (69.2) |
| Convertible fixed maturity and preferred investments | 1.1 | — | 1.1 | (3.4) | — | (3.4) |
| Other long-term investments | (10.1) | — | (10.1) | (2.8) | — | (2.8) |
| Net unrealized investment (losses), pre-tax | **(36.3)** | **(.2)** | **(36.5)** | (80.1) | (5.3) | (85.4) |
| Income tax benefit attributable to net unrealized investment (losses) | **7.9** | **—** | **7.9** | 12.6 | — | 12.6 |
| Net unrealized investment (losses), after tax | **$ (28.4)** | **$ (.2)** | **$ (28.6)** | $ (67.5) | $ (5.3) | $ (72.8) |

| Millions | Nine Months Ended September 30, 2015 Net unrealized gains (losses) | Net foreign currency (losses) | Total net unrealized gains (losses) reflected in earnings | Nine Months Ended September 30, 2014 Net unrealized gains (losses) | Net foreign currency (losses) | Total net unrealized gains (losses) reflected in earnings |
|---|---|---|---|---|---|---|
| Fixed maturity investments | $ 1.3 | $ — | $ 1.3 | $ 12.3 | $ — | $ 12.3 |
| Short-term investments | — | — | — | — | — | — |
| Common equity securities | (56.0) | (2.5) | (58.5) | (43.2) | (5.3) | (48.5) |
| Convertible fixed maturity and preferred investments | 2.0 | — | 2.0 | (5.1) | — | (5.1) |
| Other long-term investments | (27.6) | (.8) | (28.4) | 8.7 | — | 8.7 |
| Net unrealized investment (losses), pre-tax | **(80.3)** | **(3.3)** | **(83.6)** | (27.3) | (5.3) | (32.6) |
| Income tax benefit attributable to net unrealized investment losses | **22.6** | **—** | **22.6** | 1.1 | — | 1.1 |
| Net unrealized investment (losses), after tax | **$ (57.7)** | **$ (3.3)** | **$ (61.0)** | $ (26.2) | $ (5.3) | $ (31.5) |

The following table summarizes the amount of total pre-tax unrealized investment (losses) gains included in earnings for Level 3 investments for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Fixed maturity investments | **$ (1.0)** | $ 2.1 | **$ (.9)** | $ 2.7 |
| Common equity securities | **1.1** | 1.0 | **4.0** | 3.8 |
| Convertible fixed maturity and preferred investments | **1.1** | .1 | **1.8** | 3.3 |
| Other long-term investments | **(10.0)** | (3.5) | **(28.1)** | (5.7) |
| Total unrealized investment (losses) gains, pre-tax - Level 3 investments | **$ (8.8)** | $ (.3) | **$ (23.2)** | $ 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 September 30, 2015 and December 31, 2014 were as follows:

| | September 30, 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 | **$ 99.6** | **$ .2** | **$ —** | **$ —** | **$ 99.8** |
| Debt securities issued by corporations | **998.6** | **8.7** | **(1.5)** | **—** | **1,005.8** |
| Municipal obligations | **145.8** | **1.8** | **(.8)** | **—** | **146.8** |
| Mortgage-backed and asset-backed securities | **1,261.2** | **6.4** | **(2.2)** | **—** | **1,265.4** |
| Foreign government, agency and provincial obligations | **1.0** | **.3** | **—** | **—** | **1.3** |
| Preferred stocks | **78.3** | **4.8** | **—** | **—** | **83.1** |
| Total fixed maturity investments | **$ 2,584.5** | **$ 22.2** | **$ (4.5)** | **$ —** | **$ 2,602.2** |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| **Millions** | **Cost or amortized cost** | **Gross unrealized gains** | **Gross unrealized losses** | **Net foreign currency gains (losses)** | **Carrying value** |
| U.S. Government and agency obligations | $ 105.4 | $ .1 | $ (.3) | $ — | $ 105.2 |
| Debt securities issued by corporations | 1,162.0 | 13.1 | (3.4) | — | 1,171.7 |
| Municipal obligations | 81.0 | 1.4 | (.2) | — | 82.2 |
| Mortgage-backed and asset-backed securities | 967.5 | 2.8 | (2.4) | — | 967.9 |
| Foreign government, agency and provincial obligations | 11.5 | .3 | (1.0) | — | 10.8 |
| Preferred stocks | 78.3 | 5.9 | — | — | 84.2 |
| Total fixed maturity investments | $ 2,405.7 | $ 23.6 | $ (7.3) | $ — | $ 2,422.0 |

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, convertible fixed maturity and preferred investments and other long-term investments as of September 30, 2015 and December 31, 2014 were as follows:

| | September 30, 2015 | | | | |
|---|---|---|---|---|---|
| **Millions** | **Cost or amortized cost** | **Gross unrealized gains** | **Gross unrealized losses** | **Net foreign currency (losses)** | **Carrying value** |
| Common equity securities | **$ 453.0** | **$ 52.0** | **$ (22.9)** | **$ —** | **$ 482.1** |
| Convertible fixed maturity and preferred investments | **$ 3.1** | **$ 2.5** | **$ —** | **$ —** | **$ 5.6** |
| Other long-term investments | **$ 271.9** | **$ 37.7** | **$ (12.9)** | **$ (2.1)** | **$ 294.6** |

| | December 31, 2014 | | | | |
|---|---|---|---|---|---|
| **Millions** | **Cost or amortized cost** | **Gross unrealized gains** | **Gross unrealized losses** | **Net foreign currency (losses)** | **Carrying value** |
| Common equity securities | $ 495.3 | $ 127.4 | $ (3.6) | $ (7.4) | $ 611.7 |
| Convertible fixed maturity and preferred investments | $ 13.4 | $ .8 | $ (.3) | $ — | $ 13.9 |
| Other long-term investments | $ 273.3 | $ 52.5 | $ (6.5) | $ (1.3) | $ 318.0 |

*Other Long-term Investments*

Other long-term investments consist of the following as of September 30, 2015 and December 31, 2014:

| | Carrying Value at | |
|---|---|---|
| **Millions** | **September 30, 2015** | **December 31, 2014** |
| Hedge funds and private equity funds, at fair value[(1)] | $ 148.6 | $ 178.5 |
| Surplus notes investments, at fair value[(1)(4)] | 58.0 | 65.1 |
| Private equity securities and limited liability companies, at fair value[(1)(2)] | 65.3 | 45.3 |
| Tax advantaged federal affordable housing development fund[(3)] | 15.2 | 16.8 |
| Partnership investments accounted for under the equity method | 3.9 | 5.1 |
| Other[(1)] | 3.6 | 7.2 |
| Total other-long term investments | $ 294.6 | $ 318.0 |

(1) See *Fair Value Measurements by Level* table.
(2) On April 2, 2015, White Mountains invested $21.0 in PassportCard. White Mountains has chosen to take the fair value election for its investment.
(3) Fund accounted for using the proportional amortization method.
(4) The decrease in the fair value of the surplus notes during the nine months ended September 30, 2015 was primarily due to widening of non-investment grade credit spreads.

*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 September 30, 2015, White Mountains held investments in 10 hedge funds and 22 private equity funds. The largest investment in a single fund was $22.3 million as of September 30, 2015. The following table summarizes investments in hedge funds and private equity funds by investment objective and sector as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| **Millions** | **Fair Value** | **Unfunded Commitments** | **Fair Value** | **Unfunded Commitments** |
| **Hedge funds** | | | | |
| Long/short equity REIT | $ 20.0 | $ — | $ 20.4 | $ — |
| Long/short credit & distressed | 8.1 | — | 8.4 | — |
| Long/short equity banks and financial | 15.4 | — | 29.9 | — |
| Other | 12.1 | — | 15.7 | — |
| Total hedge funds | 55.6 | — | 74.4 | — |
| **Private equity funds** | | | | |
| Energy infrastructure & services | 26.3 | 4.0 | 33.1 | 4.8 |
| Manufacturing/Industrial | 23.5 | 2.5 | 23.2 | 7.3 |
| Multi-sector | 14.9 | 2.1 | 14.5 | 2.2 |
| Aerospace/Defense/Government | 17.1 | 33.6 | 20.7 | 5.1 |
| Healthcare | 3.9 | .4 | 3.1 | 1.4 |
| Private equity secondaries | 4.5 | 2.1 | 5.7 | 2.1 |
| Insurance | 2.0 | 41.3 | 2.1 | 41.3 |
| Real estate | .8 | .1 | 1.7 | .1 |
| Total private equity funds | 93.0 | 86.1 | 104.1 | 64.3 |
| Total hedge funds and private equity funds included in other long-term investments | $ 148.6 | $ 86.1 | $ 178.5 | $ 64.3 |

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 September 30, 2015 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<br>Redemption frequency | 30-59 days notice | 60-89 days notice | 90-119 days notice | 120+ days notice | Total |
| Monthly | $ — | $ — | $ — | $ — | $ — |
| Quarterly | 16.4 | 8.1 | — | 8.4 | 32.9 |
| Semi-annual | — | 20.0 | — | — | 20.0 |
| Annual | — | — | 2.7 | — | 2.7 |
| Total | $ 16.4 | $ 28.1 | $ 2.7 | $ 8.4 | $ 55.6 |

Certain of the hedge fund investments in which White Mountains is invested 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 September 30, 2015, distributions of $1.0 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 September 30, 2015.

White Mountains has also submitted redemption requests for certain of its investments in active hedge funds. As of September 30, 2015, redemptions of $22.1 million are outstanding and are subject to market fluctuations. The date at which such redemptions will be received is not determinable as of September 30, 2015. 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 September 30, 2015, 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 | $25.8 | $11.1 | $56.1 | $— | $93.0 |

**Fair value measurements as of September 30, 2015**

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").

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 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, hedge funds and private equity funds, as well as certain investments in fixed maturity investments, common equity securities, and convertible fixed and preferred maturity investments where quoted market prices are unavailable or are not considered reasonable. White Mountains determines when transfers between levels have occurred 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 purchases and sales activity to determine whether there are any significant differences between the market price used to value the security prior to purchase or sale and the actual purchase or 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.

***Municipal obligations:*** The fair value of municipal obligations is determined from an evaluated 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.

***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.

***Foreign government obligations:*** The fair value of foreign government 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. Accordingly, the fair values of White Mountains’s investments in hedge funds and private equity funds have been classified as Level 3 measurements. The fair value of White Mountains’s investments in hedge funds and private equity funds has been determined using net asset value.

Prior to the liquidation of the Prospector Offshore Fund, in addition to the investments described above, White Mountains had $31.6 million of investment-related liabilities recorded at fair value and included in other liabilities as of December 31, 2014.  These liabilities relate to securities that have been sold short by limited partnerships in which White Mountains has investments and was required to consolidate under GAAP.  These liabilities have a Level 1 designation.

*Fair Value Measurements by Level*

The following tables summarize White Mountains’s fair value measurements for investments as of September 30, 2015 and December 31, 2014, by major security type and class by level. The major security types were based on the legal form of the securities, with a separate break-out for convertible fixed maturity investments as they may react similar to either debt securities or equity securities, depending on prevailing market conditions. 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 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:

| | September 30, 2015 | | | |
|---|---|---|---|---|
| **Millions** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Fixed maturity investments: | | | | |
| U.S. Government and agency obligations | $ 99.8 | $ 61.8 | $ 38.0 | $ — |
| Debt securities issued by corporations: | | | | |
| Consumer | 223.1 | — | 223.1 | — |
| Financials | 201.3 | — | 201.3 | — |
| Health Care | 177.2 | — | 177.2 | — |
| Industrial | 132.8 | — | 132.8 | — |
| Communications | 52.7 | — | 52.7 | — |
| Energy | 57.8 | — | 57.8 | — |
| Utilities | 62.5 | — | 62.5 | — |
| Technology | 64.7 | — | 64.7 | — |
| Materials | 31.4 | — | 31.4 | — |
| Other | 2.3 | — | 2.3 | — |
| Total debt securities issued by corporations | 1,005.8 | — | 1,005.8 | — |
| Municipal obligations | 146.8 | — | 146.8 | — |
| Mortgage-backed and asset-backed securities | 1,265.4 | — | 1,265.4 | — |
| Foreign government, agency and provincial obligations | 1.3 | .6 | .7 | — |
| Preferred stocks | 83.1 | — | 12.8 | 70.3 |
| Total fixed maturity investments | 2,602.2 | 62.4 | 2,469.5 | 70.3 |
| Short-term investments | 325.0 | 325.0 | — | — |
| Common equity securities: | | | | |
| Exchange traded funds[(1)] | 172.6 | 152.6 | 20.0 | — |
| Financials | 63.2 | 29.0 | — | 34.2 |
| Consumer | 56.5 | 56.5 | — | — |
| Health Care | 34.5 | 34.5 | — | — |
| Industrial | 25.2 | 25.2 | — | — |
| Technology | 22.0 | 22.0 | — | — |
| Communications | 36.0 | 36.0 | — | — |
| Energy | — | — | — | — |
| Materials | — | — | — | — |
| Utilities | — | — | — | — |
| Other | 72.1 | — | 72.1 | — |
| Total common equity securities | 482.1 | 355.8 | 92.1 | 34.2 |
| Convertible fixed maturity and preferred investments | 5.6 | — | — | 5.6 |
| Other long-term investments [(2)] | 275.5 | — | — | 275.5 |
| Total investments | $ 3,690.4 | $ 743.2 | $ 2,561.6 | $ 385.6 |

(1) ETF's 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 $3.9 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $15.2 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

| | December 31, 2014 | | | |
|---|---|---|---|---|
| **Millions** | **Fair Value** | **Level 1** | **Level 2** | **Level 3** |
| Fixed maturity investments: | | | | |
| U.S. Government and agency obligations | $ 105.2 | $ 51.2 | $ 54.0 | $ — |
| Debt securities issued by corporations: | | | | |
| Consumer | 259.2 | — | 259.2 | — |
| Financials | 254.7 | — | 254.7 | — |
| Health Care | 181.8 | — | 181.8 | — |
| Industrial | 107.3 | — | 102.0 | 5.3 |
| Communications | 71.5 | — | 71.5 | — |
| Energy | 65.6 | — | 65.6 | — |
| Utilities | 84.1 | — | 84.1 | — |
| Technology | 88.3 | — | 88.3 | — |
| Materials | 51.7 | — | 51.7 | — |
| Other | 7.5 | — | 7.5 | — |
| Total debt securities issued by corporations | 1,171.7 | — | 1,166.4 | 5.3 |
| Mortgage-backed and asset-backed securities | 967.9 | — | 967.9 | — |
| Foreign government, agency and provincial obligations | 10.8 | .6 | 10.2 | — |
| Preferred stocks | 84.2 | — | 13.1 | 71.1 |
| Municipal obligations | 82.2 | — | 82.2 | — |
| Total fixed maturity investments | 2,422.0 | 51.8 | 2,293.8 | 76.4 |
| Short-term investments | 376.8 | 376.3 | .5 | — |
| Common equity securities: | | | | |
| Financials | 180.7 | 141.2 | — | 39.5 |
| Consumer | 116.0 | 115.9 | .1 | — |
| Health Care | 74.4 | 74.4 | — | — |
| Industrial | 57.1 | 57.1 | — | — |
| Technology | 44.8 | 44.8 | — | — |
| Communications | 28.5 | 28.5 | — | — |
| Energy | 18.1 | 18.1 | — | — |
| Materials | 12.0 | 12.0 | — | — |
| Utilities | 4.9 | 4.9 | — | — |
| Other | 75.2 | 1.9 | 73.3 | — |
| Total common equity securities | 611.7 | 498.8 | 73.4 | 39.5 |
| Convertible fixed maturity and preferred investments | 13.9 | — | 5.7 | 8.2 |
| Other long-term investments [1] | 296.0 | — | — | 296.0 |
| Total investments | $ 3,720.4 | $ 926.9 | $ 2,373.4 | $ 420.1 |

[1] Excludes carrying value of $5.2 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $16.8 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

**Debt securities issued by corporations**

The following table summarizes the ratings of the corporate debt securities held in White Mountains's investment portfolio as of September 30, 2015 and December 31, 2014:

| | Fair Value at | |
|---|---|---|
| Millions | September 30, 2015 | December 31, 2014 |
| AAA | $ — | $ — |
| AA | **112.3** | 144.9 |
| A | **439.7** | 594.9 |
| BBB | **453.8** | 426.5 |
| BB | — | — |
| Other | — | 5.4 |
| Debt securities issued by corporations[1] | **$ 1,005.8** | $ 1,171.7 |

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

**Mortgage-backed, Asset-backed Securities**

White Mountains purchases commercial and residential mortgage-backed securities with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. 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 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).

The following table summarizes mortgage and asset-backed securities as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| Millions | Fair Value | Level 2 | Level 3 | Fair Value | Level 2 | Level 3 |
| Mortgage-backed securities: | | | | | | |
| Agency: | | | | | | |
| GNMA | $ 293.9 | $ 293.9 | $ — | $ 308.7 | $ 308.7 | $ — |
| FNMA | 41.6 | 41.6 | — | 33.4 | 33.4 | — |
| FHLMC | 24.8 | 24.8 | — | 28.9 | 28.9 | — |
| Total Agency[1] | 360.3 | 360.3 | — | 371.0 | 371.0 | — |
| Non-agency: | | | | | | |
| Residential | 123.7 | 123.7 | — | 71.0 | 71.0 | — |
| Commercial | 133.7 | 133.7 | — | 109.3 | 109.3 | — |
| Total Non-agency | 257.4 | 257.4 | — | 180.3 | 180.3 | — |
| Total mortgage-backed securities | 617.7 | 617.7 | — | 551.3 | 551.3 | — |
| Other asset-backed securities: | | | | | | |
| Credit card receivables | 293.3 | 293.3 | — | 218.1 | 218.1 | — |
| Vehicle receivables | 276.4 | 276.4 | — | 152.8 | 152.8 | — |
| Other | 78.0 | 78.0 | — | 45.7 | 45.7 | — |
| Total other asset-backed securities | 647.7 | 647.7 | — | 416.6 | 416.6 | — |
| **Total mortgage and asset-backed securities** | **$ 1,265.4** | **$ 1,265.4** | **$ —** | $ 967.9 | $ 967.9 | $ — |

[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 residential mortgage-backed securities ("RMBS") and non-agency commercial mortgage-backed securities (“CMBS”) as of September 30, 2015 are as follows:

| | | Security Issuance Year | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Millions** | **Fair Value** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** | **2010** | **2011** | **2012** | **2013** | **2014** | **2015** |
| Non-agency RMBS | $ 123.7 | $ 18.3 | $ 2.9 | $ 4.0 | $ — | $ 4.2 | $ — | $ 17.1 | $ 14.6 | $ 13.4 | $ 14.7 | $ 34.5 | $ — |
| Non-agency CMBS | 133.7 | — | — | — | — | — | — | 5.7 | — | 8.6 | 18.4 | 55.6 | 45.4 |
| **Total** | $ 257.4 | $ 18.3 | $ 2.9 | $ 4.0 | $ — | $ 4.2 | $ — | $ 22.8 | $ 14.6 | $ 22.0 | $ 33.1 | $ 90.1 | $ 45.4 |

*Non-agency Residential Mortgage-backed Securities*

White Mountains’s non-agency RMBS portfolio is generally of 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 $44.0 million of non-agency RMBS resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency residential mortgage backed security.

The classification of the underlying collateral quality and the tranche levels of White Mountains’s non-agency RMBS securities are as follows as of September 30, 2015:

| **Millions** | **Fair Value** | **Super Senior [1]** | **Senior [2]** | **Subordinate [3]** |
|---|---|---|---|---|
| Prime | $ 123.7 | $ 35.1 | $ 88.6 | $ — |
| Non-prime | — | — | — | — |
| Sub-prime | — | — | — | — |
| **Total** | $ 123.7 | $ 35.1 | $ 88.6 | $ — |

(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” securities.
(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” securities.
(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” securities.

*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 September 30, 2015. 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 September 30, 2015, 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 September 30, 2015:

| **Millions** | **Fair Value** | **Super Senior [1]** | **Senior [2]** | **Subordinate [3]** |
|---|---|---|---|---|
| Fixed rate CMBS | $ 93.2 | $ 9.6 | $ 41.4 | $ 42.2 |
| Floating rate CMBS | 40.5 | — | — | 40.5 |
| **Total** | $ 133.7 | $ 9.6 | $ 41.4 | $ 82.7 |

(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” securities.
(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” securities.
(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” securities.

**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, convertible fixed maturity and preferred investments and other long-term investments as of September 30, 2015 and 2014 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 September 30, 2015 and 2014:

| | | | Level 3 Investments | | | | | |
|---|---|---|---|---|---|---|---|---|
| Millions | Level 1 investments | Level 2 investments | Fixed maturity investments | Common equity securities | Convertible fixed maturity and preferred investments | Other long-term investments | Total | |
| Balance at January 1, 2015 | $ 550.6 | $ 2,372.9 | $ 76.4 | $ 39.5 | $ 8.2 | $ 296.0 | $ 3,343.6 | (1)(2) |
| Total realized and unrealized (losses) gains | (19.5) | .6 | (.9) | 7.7 | (2.6) | (18.0) | (32.7) | (3) |
| Amortization/Accretion | — | (15.2) | — | — | — | — | (15.2) | |
| Purchases | 550.0 | 1,056.0 | 35.3 | — | — | 30.7 | 1,672.0 | |
| Sales | (618.2) | (894.4) | — | (9.4) | — | (18.9) | (1,540.9) | |
| Effect of redemption of Prospector hedge funds | (43.5) | — | — | (3.6) | — | (14.3) | (61.4) | |
| Transfers in | — | 41.7 | — | — | — | — | 41.7 | |
| Transfers out | (1.2) | — | (40.5) | — | — | — | (41.7) | |
| **Balance at September 30, 2015** | **$ 418.2** | **$ 2,561.6** | **$ 70.3** | **$ 34.2** | **$ 5.6** | **$ 275.5** | **$ 3,365.4** | (1)(2) |

(1) Excludes carrying value of $5.2 and $3.9 at January 1, 2015 and September 30, 2015 associated with other long-term investments accounted for using the equity method. Excludes carrying value of $16.8 and $15.2 at January 1, 2015 and September 30, 2015 million 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 $325.0 at January 1, 2015 and September 30, 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.

| Millions | Level 1 investments | Level 2 investments | Level 3 Investments: Fixed maturity investments | Level 3 Investments: Common equity securities | Level 3 Investments: Convertible fixed maturity and preferred investments | Level 3 Investments: Other long-term investments | Total | |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 997.2 | $ 2,575.4 | $ 81.8 | $ 45.4 | $ 6.1 | $ 183.1 | $ 3,889.0 | (1)(2)(3) |
| Total realized and unrealized gains (losses) | 30.7 | 12.5 | 2.7 | 3.7 | 3.3 | (3.2) | 49.7 | (4) |
| Amortization/Accretion | .1 | (14.3) | (.1) | — | — | — | (14.3) | |
| Purchases | 661.2 | 1,265.3 | 45.5 | — | 1.5 | 42.7 | 2,016.2 | |
| Sales | (926.2) | (1,392.5) | — | (10.9) | — | (11.1) | (2,340.7) | |
| Net change in investments related to purchases of consolidated affiliates | 3.4 | 7.4 | — | — | — | — | 10.8 | |
| Transfers in | — | 42.1 | — | — | — | — | 42.1 | |
| Transfers out | (.2) | — | (41.9) | — | — | — | (42.1) | |
| Balance at September 30, 2014 | $ 766.2 | $ 2,495.9 | $ 88.0 | $ 38.2 | $ 10.9 | $ 211.5 | $ 3,610.7 | (1)(2)(3) |

(1) Excludes carrying value of $6.8 and $5.1 at January 1, 2014 and September 30, 2014 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $19.1 and $17.3 at January 1, 2014 and September 30, 2014 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.
(2) Carrying value includes $236.3 and 203.9 at January 1, 2014 and September 30, 2014 that is classified as assets held for sale relating to discontinued operations.
(3) Excludes carrying value of $310.4 and $402.7 at January 1, 2014 and September 30, 2014 associated with short-term investments.
(4) Excludes $0.5 realized and unrealized gains associated with the Prospector Offshore Fund and Prospector Turtle Fund consolidation of investment-related liabilities.

*Fair Value Measurements — transfers between levels - Nine-month period ended September 30, 2015 and 2014*

During the first nine months of 2015, six fixed maturity investments classified as a Level 3 measurement in the prior period were recategorized as a Level 2 measurement because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of September 30, 2015. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $40.5 million for the period September 30, 2015.

During the first nine months of 2014, four fixed maturity investments classified as Level 3 measurements in the prior period were recategorized as Level 2 measurements because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available at September 30, 2014. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $41.9 million for the period ended September 30, 2014.

## Significant Unobservable Inputs

The following summarizes significant unobservable inputs used in estimating the fair value of investment securities classified within Level 3 other than hedge funds and private equity funds as of September 30, 2015 and December 31, 2014. The fair value of investments in hedge funds and private equity funds, which are classified within Level 3, are estimated using the net asset value of the funds.

| ($ in millions) | | | September 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|---|---|
| **Description** | **Rating[2]** | **Valuation Technique(s)** | **Fair Value[7]** | **Unobservable Input** | | **Fair Value[7]** | **Unobservable Input** | |
| Preferred Stock[1] | NR | Discounted cash flow | $70.3 | Discount yield | 8.4% | $71.1 | Discount yield | 7.1% |
| Private equity security[1][9] | NR | Share price of pending transaction[9] | $34.2 | Share price | $17.16 | $39.5 | Multiple of GAAP book value[9] | 1.10 |
| Private equity security[1] | NR | Share price of most recent transaction | $21.0 | Share price | $1.00 | N/A | N/A | N/A |
| Private equity security[1] | NR | Share price of most recent transaction | $20.1 | Share price | $1.06 | $20.1 | Share price | $1.06 |
| Private equity security[1] | NR | Share price of most recent transaction | $9.6 | Share price | $290.96 | $10.4 | Share price | $290.96 |
| Convertible preferred security[1] | NR | Multiple of EBITDA | $5.6 | EBITDA multiple | 6.00 | $3.8 | EBITDA multiple | 6.00 |
| Convertible preferred security[1] | NR | Share price of most recent transaction | N/A | N/A | N/A | $4.5 | Share price | $0.71 |
| Debt security issued by corporation[1] | NR | Discounted cash flow | N/A | N/A | N/A | $5.3 | Illiquidity discount[3] | 10% |
| Surplus notes[8]: | NR | | | | | | | |
| - Seller priority | | Discounted cash flow | $41.0 | Discount rate [4] | 11.6% | $44.0 | Discount rate [4] | 9.3% |
| | | | | Timing of interest payments[5] | 5 years | | Timing of interest payments[5] | 5 years |
| | | | | Timing of principal payments[5] | 10 years | | Timing of principal payments[5] | 10 years |
| - Pari passu | | Discounted cash flow | $17.0 | Discount rate[5] | 18.3% | $21.1 | Discount rate[5] | 13.5% |
| | | | | Timing of interest payments[6] | 5 years | | Timing of interest payments[6] | 5 years |
| | | | | Timing of principal payments[6] | 15 years | | Timing of principal payments[6] | 10 years |

(1) As of September 30, 2015, consists of 1 security.
(2) Credit ratings are assigned based on the following hierarchy: 1) Standard and Poor's and 2) Moody's.
(3) Judgmentally determined based on the Company's limited trading ability of the issuer.
(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 pari passu 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 principal repayments begin on a graduated basis in year ten for the seller priority note and year fifteen for the pari passu note.
(7) Includes the unrealized gains and losses associated with foreign currency; foreign currency effects based on observable inputs.
(8) The decrease in the fair value of the surplus notes during the nine months ended September 30, 2015 was primarily due to widening of non-investment grade credit spreads.
(9) As of December 31, 2014, the valuation technique for the private equity security was a multiple of GAAP book value. As of September 30, 2015, the valuation technique was the estimated share price from a pending transaction that is expected to close in the fourth quarter of 2015.

## 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 February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Tnuva Finansit Ltd. ("Cashboard") for NIS 9.5 million (approximately $2.4 million based upon the foreign exchange spot rate at the date 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.

On September 1, 2015, Tranzact acquired 100.0% of the outstanding share capital of TruBridge for a purchase price of $31.0 million, representing an enterprise value of $50.2 million. As of the acquisition date, Tranzact recognized total assets acquired of $53.8 million, which includes $20.1 million of goodwill and $28.1 million of other intangible assets, and total liabilities assumed of $3.6 million at their estimated fair values.

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

| | Three Months Ended September 30, | | | |
|---|---|---|---|---|
| **Millions** | **2015** | | **2014** | |
| | **Goodwill** | **Other intangible assets** | **Goodwill** | **Other intangible assets** |
| Beginning balance | **$ 169.2** | **$ 171.2** | $ 23.8 | $ 44.6 |
| Acquisitions of businesses | **20.1** | **28.1** | — | — |
| Dispositions of businesses | **—** | **—** | — | — |
| Amortization, including foreign currency translation | **—** | **(6.9)** | — | (2.6) |
| Ending balance | **$ 189.3** | **$ 192.4** | $ 23.8 | $ 42.0 |

| | Nine Months Ended September 30, | | | |
|---|---|---|---|---|
| **Millions** | **2015** | | **2014** | |
| | **Goodwill** | **Other intangible assets** | **Goodwill** | **Other intangible assets** |
| Beginning balance | **$ 168.9** | **$ 182.3** | $ — | $ 5.1 |
| Acquisitions of businesses | **20.4** | **30.9** | 23.8 | 42.4 |
| Dispositions of businesses | **—** | **—** | — | — |
| Amortization, including foreign currency translation | **—** | **(20.8)** | — | (5.5) |
| Ending balance | **$ 189.3** | **$ 192.4** | $ 23.8 | $ 42.0 |

## Note 7. Debt

White Mountains's debt outstanding as of September 30, 2015 and December 31, 2014 consisted of the following:

| **Millions** | **September 30, 2015** | **December 31, 2014** |
|---|---|---|
| 2012 OBH Senior Notes, at face value | **$ 275.0** | $ 275.0 |
| Unamortized original issue discount | **(.2)** | (.3) |
| 2012 OBH Senior Notes, carrying value | **274.8** | 274.7 |
| WTM Bank Facility | **—** | — |
| OneBeacon Bank Facility | **—** | — |
| Tranzact Bank Facility | **95.8** | 68.7 |
| Unamortized issuance cost | **(2.0)** | (1.3) |
| Tranzact Bank Facility, carrying value | **93.8** | 67.4 |
| MediaAlpha Bank Facility | **15.0** | — |
| Unamortized issuance cost | **(.3)** | — |
| MediaAlpha Bank Facility, carrying value | **14.7** | — |
| Other debt | **—** | 1.0 |
| Total debt | **$ 383.3** | $ 343.1 |

**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 September 30, 2015, White Mountains borrowed and repaid a total of $60.0 million under the WTM Bank Facility at a blended interest rate of 3.65%. As of September 30, 2015, the WTM Bank Facility was undrawn.

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

**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. and also including BMO Harris Bank N.A., which has a total commitment of $65.0 million and has a maturity date of September 29, 2019 (the "OneBeacon Bank Facility"). As of September 30, 2015, 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 the third quarter of 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 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 nine months ended September 30, 2015, Tranzact also borrowed and repaid $13.0 million under the revolving facility. During the three and nine months ended September 30, 2015, Tranzact repaid a total of $1.3 million and $3.9 million under the term loan portion. As of September 30, 2015, the total amount outstanding under the Tranzact Bank Facility was $95.8 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 and its 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 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 September 30, 2015, and a revolving credit facility for an additional $5 million, which was undrawn as of September 30, 2015.

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. The MediaAlpha Bank Facility carries a variable interest rate that is based on the U.S. dollar LIBOR rate.

**Debt**

At September 30, 2015, White Mountains was in compliance with all of the covenants under all of its debt facilities.

**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 Australia, Belgium, Canada, Denmark, Germany, Gibraltar, Israel, Luxembourg, Malaysia, the Netherlands, Peru, Singapore, Sweden, Switzerland, the United Kingdom and the United States.

White Mountains's income tax benefit from continuing operations for the third quarter of 2015 was near zero and White Mountains's income tax benefit from continuing operations for the third quarter of 2014 represented an effective tax rate of 13.0%.  White Mountains's income tax expense from continuing operations for the first nine months of 2015 was near zero and White Mountains's income tax expense from continuing operations for the first nine months of 2014 represented an effective tax rate 31.0%.  The effective tax rates for the nine months ended September 30, 2015 and the three and nine months ended 2014 were lower than the U.S. statutory rate of 35% due to income generated in jurisdictions with lower tax rates than the United States.

In arriving at the effective tax rate for the three and nine months ended September 30, 2015 and 2014, 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, 2015 and 2014.

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.

White Mountains is no longer subject to U.S. federal or state tax examinations by tax authorities for years before 2007. With few exceptions, White Mountains is no longer subject to non-U.S. income tax examinations by tax authorities for years before 2005.

On July 28, 2011, the IRS commenced an examination of the income tax returns for 2007, 2008 and 2009 for certain U.S. subsidiaries of OneBeacon.  On September 1, 2015, OneBeacon received a revised Form 4549-A (Income Tax Discrepancy Adjustments) from the IRS Appeals Office relating to the examination of tax years 2007, 2008 and 2009. The estimated total overpayment, including interest, utilization of alternative minimum and foreign tax credit carryovers and capital loss carrybacks, is $4.0 million. However, $2.7 million of the proposed overpayment relates to items for which the expense deduction was disallowed in an earlier year and is being allowed in a year being examined. White Mountains agrees with the adjustments proposed by the IRS and is awaiting final review by the Joint Committee on Taxation. Although the timing of the resolution of these issues is uncertain, it is reasonably possible that the resolution could occur within the next twelve months. When ultimately settled, White Mountains does not expect the resolution of this examination to result in a material adverse change to its financial position results of operations and cash flows.

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. 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 September 30, 2015 and December 31, 2014, the total guarantee value was approximately ¥76.3 billion (approximately $637.2 million at exchange rates on that date) and ¥134.2 billion (approximately $1.1 billion at exchange rates on that date), respectively. The collective account values of the underlying variable annuities were approximately 107% and 113% of the guarantee value at September 30, 2015 and December 31, 2014. During the second quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature. WMLife Re is in runoff, and all of its contracts will mature by June 30, 2016.

The following table summarizes the pre-tax operating results of WM Life Re for the three and nine months ended September 30, 2015 and 2014.

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Fees, included in other revenue | **$ 2.1** | $ 4.5 | **$ 7.7** | $ 15.0 |
| Change in fair value of variable annuity liability, included in other revenue | **(2.8)** | 19.9 | **(1.7)** | 40.5 |
| Change in fair value of derivatives, included in other revenue | **1.5** | (23.8) | **(6.3)** | (56.5) |
| Foreign exchange, included in other revenue | **.4** | (1.7) | **(.8)** | (1.2) |
| Other investment income and (losses) gains | **(.2)** | (.9) | **(.3)** | (.4) |
| Total revenue | **1.0** | (2.0) | **(1.4)** | (2.6) |
| Change in fair value of variable annuity death benefit liabilities, included in other general and administrative expenses | **—** | .2 | **—** | .6 |
| Death benefit claims paid, included in general and administrative expenses | **—** | — | **—** | (.1) |
| General and administrative expenses | **(.8)** | (.9) | **(3.1)** | (3.3) |
| Pre-tax income (loss) | **$ .2** | $ (2.7) | **$ (4.5)** | $ (5.4) |

The following summarizes realized and unrealized derivative gains (losses) recognized in other revenue for the three and nine months ended September 30, 2015 and 2014 and the carrying values, included in other assets, at September 30, 2015 and December 31, 2014 by type of instrument:

| | Gains (losses) | | | | Carrying Value | |
|---|---|---|---|---|---|---|
| | Three Months Ended September 30, | | Nine Months Ended September 30, | | As of | |
| **Millions** | **2015** | **2014** | **2015** | **2014** | **September 30, 2015** | **December 31, 2014** |
| Fixed income/interest rate | **$ 2.6** | $ (8.4) | **$ 6.0** | $ (20.4) | **$ —** | $ (1.7) |
| Foreign exchange | **(3.1)** | (.4) | **(6.0)** | (13.3) | **27.9** | 44.1 |
| Equity | **2.0** | (15.0) | **(6.3)** | (22.8) | **9.1** | 14.0 |
| Total | **$ 1.5** | $ (23.8) | **$ (6.3)** | $ (56.5) | **$ 37.0** | $ 56.4 |

The following tables summarize the changes in White Mountains's variable annuity reinsurance liabilities and derivative instruments for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, 2015 | | | | |
|---|---|---|---|---|---|
| | Variable Annuity Assets | Derivative Instruments | | | |
| **Millions** | **Level 3** | **Level 3 (1)** | **Level 2 (1)(2)** | **Level 1 (3)** | **Total** |
| Beginning of period | $ 1.8 | $ 8.3 | $ 32.5 | $ (5.1) | $ 35.7 |
| Purchases | — | — | — | — | — |
| Realized and unrealized gains (losses) | (2.8) | 3.4 | 3.2 | (5.1) | 1.5 |
| Transfers in | — | — | — | — | — |
| Sales/settlements | — | (.5) | (7.8) | 8.1 | (.2) |
| End of period | $ (1.0) | $ 11.2 | $ 27.9 | $ (2.1) | $ 37.0 |

| | Nine Months Ended September 30, 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) | (1.7) | (5.5) | (2.7) | 1.9 | (6.3) |
| Transfers in | — | — | — | — | — |
| Sales/settlements | — | (2.2) | (3.2) | (7.7) | (13.1) |
| End of period | $ (1.0) | $ 11.2 | $ 27.9 | $ (2.1) | $ 37.0 |

| | Three Months Ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| | Variable Annuity Assets | Derivative Instruments | | | |
| Millions | Level 3 | Level 3 [1] | Level 2 [1][2] | Level 1 [3] | Total |
| Beginning of period | $ (31.8) | $ 53.3 | $ 22.3 | $ (.8) | $ 74.8 |
| Purchases | — | — | — | — | — |
| Realized and unrealized gains (losses) | 20.1 | (17.4) | (19.8) | 13.4 | (23.8) |
| Transfers in | — | — | — | — | — |
| Sales/settlements | — | — | 22.5 | (8.2) | 14.3 |
| End of period | $ (11.7) | $ 35.9 | $ 25.0 | $ 4.4 | $ 65.3 |

| | Nine Months Ended September 30, 2014 | | | | |
|---|---|---|---|---|---|
| | Variable Annuity (Liabilities) | Derivative Instruments | | | |
| Millions | Level 3 | Level 3 [1] | Level 2 [1][2] | Level 1 [3] | Total |
| Beginning of period | $ (52.8) | $ 63.4 | $ 4.7 | $ 1.1 | $ 69.2 |
| Purchases | — | — | — | — | — |
| Realized and unrealized gains (losses) | 41.1 | (27.5) | (42.1) | 13.1 | (56.5) |
| Transfers in | — | — | — | — | — |
| Sales/settlements | — | — | 62.4 | (9.8) | 52.6 |
| End of period | $ (11.7) | $ 35.9 | $ 25.0 | $ 4.4 | $ 65.3 |

[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 | September 30, 2015 | December 31, 2014 | September 30, 2014 |
|---|---|---|---|
| Cash | **$ 16.8** | $ 23.7 | $ 23.8 |
| Fixed maturity investments | **—** | 9.5 | 10.4 |
| Total | **$ 16.8** | $ 33.2 | $ 34.2 |

Collateral in the form of fixed maturity securities consists of Government of Japan Bonds, which are recorded at fair value. Collateral in the form of short-term investments consists of money-market instruments, carried at amortized cost, which approximates fair value.

All of White Mountains's variable annuity reinsurance liabilities were classified as Level 3 measurements at September 30, 2015 and 2014. The fair value of White Mountains's variable annuity reinsurance liabilities are estimated using actuarial and capital market assumptions related to the projected discounted cash flows over the term of the reinsurance agreement. Actuarial assumptions regarding future policyholder behavior, including surrender and lapse rates, are generally unobservable inputs and significantly impact the fair value estimates. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates as well as the variations in actuarial assumptions regarding policyholder behavior may result in significant fluctuations in the fair value estimates. Generally, the liabilities associated with these guarantees increase with declines in the equity markets, interest rates and currencies against the Japanese yen, as well as with increases in market volatilities. White Mountains uses derivative instruments, including put options, interest rate swaps, total return swaps on bond and equity indices and forwards and futures contracts on major equity indices, currency pairs and government bonds, to mitigate the risks associated with changes in the fair value of the reinsured variable annuity guarantees. The types of inputs used to estimate the fair value of these derivative instruments, with the exception of actuarial assumptions regarding policyholder behavior and risk margins, are generally the same as those used to estimate the fair value of variable annuity liabilities.

The following summarizes quantitative information about significant unobservable inputs associated with the fair value estimates for variable annuity reinsurance liabilities and derivative instruments that have been classified as Level 3 measurements:

| ($ in Millions) | September 30, 2015 | | | | |
|---|---|---|---|---|---|
| **Description** | **Fair Value** | **Valuation Technique(s)** | **Unobservable Input** | **Range** | **Weighted Average** |
| Variable annuity benefit guarantee liabilities | $ 1.0 | Discounted cash flows | Surrenders | | |
| | | | 0-1 year | 0.1 % - 40.0% | 40.0% |
| | | | Mortality | 0.0 % - 6.4% | 1.0% |
| | | | Foreign exchange volatilities | | |
| | | | 0-1 year | 11.6 % - 18.6% | 12.5% |
| | | | Index volatilities | | |
| | | | 0-1 year | 26.2 % - 29.9% | 28.2% |
| Foreign exchange options | $ 2.6 | Counterparty valuations, adjusted for unwind quote discount | Adjustment to counterparty valuations | 0.5 % - 11.6% | 3.7% |
| Equity index options | $ 8.6 | Counterparty valuations, adjusted for unwind quote discount | Adjustment to counterparty valuations | (0.7)% - 6.5% | 2.0% |

WM Life Re enters into both over-the-counter ("OTC") and exchange traded derivative instruments to economically hedge the liability from the variable annuity benefit guarantee. In the case of OTC derivatives, WM Life Re has exposure to credit risk for amounts that are uncollateralized by counterparties. WM Life Re's internal risk management guidelines establish net counterparty exposure thresholds that take into account OTC counterparties' credit ratings. The OTC derivative contracts are subject to restrictions on liquidation of the instruments and distribution of proceeds under collateral agreements.

In the case of exchange traded instruments, WM Life Re has exposure to credit risk for amounts uncollateralized by margin balances. WM Life Re has entered into master netting agreements with certain of its counterparties whereby the collateral provided (held) is calculated on a net basis. The following summarizes amounts offset under master netting agreements:

| | September 30, 2015 | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| **Millions** | **Gross asset amounts before offsets [1]** | **Gross liability amounts offset under master netting arrangements** | **Net amounts recognized in Other Assets** | **Gross asset amounts before offsets [1]** | **Gross liability amounts offset under master netting arrangements** | **Net amounts recognized in Other Assets** |
| Interest rate contracts | | | | | | |
| OTC | **$ .5** | **$ (.8)** | **$ (0.3)** | $ 1.0 | $ (5.4) | $ (4.4) |
| Exchange traded | **.3** | **(.1)** | **.2** | 2.8 | (.1) | 2.7 |
| Foreign exchange contracts | | | | | | |
| OTC | **27.9** | **—** | **27.9** | 45.5 | — | 45.5 |
| Exchange traded | **.1** | **(.1)** | **—** | — | (1.4) | (1.4) |
| Equity contracts | | | | | | |
| OTC | **11.5** | **—** | **11.5** | 11.7 | (.2) | 11.5 |
| Exchange traded | **—** | **(2.3)** | **(2.3)** | 3.4 | (.9) | 2.5 |
| Total[2] | **$ 40.3** | **$ (3.3)** | **$ 37.0** | $ 64.4 | $ (8.0) | $ 56.4 |

[1] Amount equal to fair value of instrument as recognized in other assets
[2] All derivative instruments held by WM Life Re are subject to master netting arrangements.

The following summarizes the value, collateral held or provided by WM Life Re and net exposure to credit losses on OTC and exchange traded derivative instruments by counterparty recorded within other assets:

| | September 30, 2015 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Millions** | **Net amount of assets reflected in Balance Sheet** | **Collateral provided to counterparty - Cash** | **Collateral provided to counter-party - Financial Instruments** | **Net amount of exposure after effect of collateral provided** | **Excess collateral provided to counter-party- Cash** | **Excess collateral provided - Financial Instruments** | **Counter-party collateral held by WMLife Re - Cash** | **Net amount of exposure to counter-party** | **Standard & Poor's Rating[1]** |
| Bank of America | $ 3.2 | $ — | $ — | $ 3.2 | $ — | $ — | $ — | $ 3.2 | A |
| Barclays | — | — | — | — | — | — | — | — | A - |
| JP Morgan | 15.9 | — | — | 15.9 | — | — | 5.9 | 10.0 | A + |
| Royal Bank of Scotland | 1.5 | — | — | 1.5 | — | — | — | 1.5 | BBB + |
| Nomura | (.1) | .1 | — | — | 1.4 | — | — | 1.4 | BBB + |
| Citigroup - OTC | 18.6 | — | — | 18.6 | — | — | 5.3 | 13.3 | A |
| Citigroup - Exchange Traded | (2.1) | 2.1 | — | — | 12.8 | — | — | 12.8 | A |
| Total | **$ 37.0** | **$ 2.2** | **$ —** | **$ 39.2** | **$ 14.2** | **$ —** | **$ 11.2** | **$ 42.2** | |

| Millions | December 31, 2014<br>Net amount of assets reflected in Balance Sheet | Collateral provided to counter-party - Cash | Collateral provided to counter-party - Financial Instruments | Net amount of exposure after effect of collateral provided | Excess collateral provided to counter-party- Cash | Excess collateral provided - Financial Instruments | Counter-party collateral held by WMLife Re- Cash | Net amount of exposure to counter-party | Standard & Poor's Rating[(1)] |
|---|---|---|---|---|---|---|---|---|---|
| Bank of America | $ 5.6 | $ — | $ — | $ 5.6 | $ — | $ — | $ — | $ 5.6 | A |
| Barclays | .1 | — | — | .1 | — | — | — | .1 | A |
| JP Morgan | 24.3 | — | — | 24.3 | — | — | 8.8 | 15.5 | A + |
| Royal Bank of Scotland | 4.0 | — | — | 4.0 | — | — | — | 4.0 | A - |
| Nomura | (3.5) | 3.5 | — | — | 1.7 | 9.5 | — | 11.2 | BBB + |
| Citigroup - OTC | 22.2 | — | — | 22.2 | — | — | 1.1 | 21.1 | A |
| Citigroup - Exchange Traded | 3.7 | — | — | 3.7 | 16.0 | — | — | 19.7 | A |
| Total | $ 56.4 | $ 3.5 | $ — | $ 59.9 | $ 17.7 | $ 9.5 | $ 9.9 | $ 77.2 | |

(1) Standard & Poor's ratings as detailed above are: "A+" (Strong, which is the fifth highest of twenty-three creditworthiness ratings), "A" (Strong, which is the sixth highest of twenty-three creditworthiness ratings), "A-" (Strong, which is the seventh highest of twenty-three creditworthiness ratings) and "BBB+" (Adequate, which is the eighth highest of twenty-three creditworthiness ratings).

### Tranzact Interest Rate Swap

Tranzact has a $101.0 million term loan facility that carries a variable rate equal to the U.S. dollar LIBOR rate, plus an applicable margin. At September 30, 2015, the variable interest rate on the term loan was 4.70%, including a margin over LIBOR of 4.50%. Effective October 10, 2014, to effectively fix the rate it pays on this term loan, Tranzact entered into an interest rate swap agreement with an initial notional amount of $70.0 million. The notional amount decreases over the term of the swap by amounts equivalent to scheduled principal repayments made on Tranzact's term loan. Under the terms of the swap agreement, Tranzact pays a fixed rate of 1.34% and receives a variable rate, which is reset monthly, based on the then-current U.S. dollar LIBOR rate. The variable rate received by Tranzact under the swap agreement was 0.15% at inception and 0.20% at September 30, 2015. The total current effective rate on Tranzact's debt was 6.04% at September 30, 2015.

The swap is measured at fair value with changes therein recognized within other revenues and is accounted for as a non-hedge derivative instrument. As of September 30, 2015, the estimated fair value of the swap was $(0.8) million. There are no collateral arrangements associated with the swap.

**Note 10. Municipal Bond Guarantee Insurance**

In 2012, HG Global was capitalized with $594.5 million from White Mountains and $14.5 million from non-controlling interests to fund BAM, a newly formed mutual municipal bond insurer. As of September 30, 2015, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of BAM Surplus Notes. Through HG Re, which had statutory capital of $458.3 million at September 30, 2015, HG Global provides first loss reinsurance protection for policies underwritten by BAM of up to 15% of par outstanding, on a per policy basis. HG Re's obligations to BAM are collateralized in trusts, and there is an aggregate loss limit that is equal to the total assets in the collateral trusts at any point in time.

For the three and nine months ended September 30, 2015, HG Global had pre-tax income of $5.2 million and $13.8 million, which included $4.0 million and $11.9 million of interest income on the BAM Surplus Notes. For the three and nine months ended September 30, 2014, HG Global had pre-tax income of $3.8 million and $13.4 million, which included $3.9 million and $11.8 million of interest income on the BAM Surplus Notes.

For the three and nine months ended September 30, 2015, White Mountains reported pre-tax losses of $10.6 million and $33.5 million on BAM that were recorded in net loss attributable to non-controlling interests, which included $4.0 million and $11.9 million of interest expense on the BAM Surplus Notes. For the three and nine months ended September 30, 2014, White Mountains reported pre-tax losses of $13.1 million and $29.7 million on BAM that were recorded in net loss attributable to non-controlling interests, which included $3.9 million and $11.8 million of interest expense on the BAM Surplus Notes.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which is 3.15% and 3.13% for 2015 and 2014. Prior to the end of 2018, BAM has the option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8%. BAM is required to seek regulatory approval to pay interest and principal on its surplus notes only when adequate capital resources have accumulated beyond BAM's initial capitalization and a level that continues to support its outstanding obligations, business plan and ratings.

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

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

| | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Contracts outstanding | **2,733** | 1,750 |
| Remaining weighted average contract period outstanding (in years) | **12.7** | 12.8 |
| Contractual debt service outstanding (in millions): | | |
| Par | **$ 19,841.0** | $ 12,362.5 |
| Interest | **10,574.3** | 7,086.9 |
| Total debt service outstanding | **$ 30,415.3** | $ 19,449.4 |
| Gross unearned insurance premiums | **$ 43.2** | $ 27.6 |

**Note 11. Earnings Per Share**

White Mountains calculates earnings per share on the two-class method and accordingly, the net income allocable to common shareholders, undistributed net earnings and weighted average number of common shares outstanding exclude amounts associated with restricted shares that are considered participating securities. Diluted earnings per share amounts are based on the weighted average number of common shares, net of the effect of unvested restricted shares and potentially dilutive common shares outstanding. For periods where White Mountains has recognized a net loss, unvested restricted shares are excluded from the calculation of basic and diluted earnings per share because they would be anti-dilutive. The following table outlines the Company's computation of earnings per share from continuing operations for the three and nine months ended September 30, 2015 and 2014. (See **Note 17 - "Discontinued Operations"**).

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| **Basic and diluted earnings per share numerators (in millions):** | | | | |
| Net income from continuing operations attributable to White Mountains's common shareholders | **$ (73.1)** | $ (12.6) | **$ (61.8)** | $ 65.8 |
| Allocation of income for unvested restricted common shares | **—** | — | **—** | (.8) |
| Dividends declared on participating restricted common shares[1] | **—** | — | **(.1)** | (.1) |
| Total allocation to restricted common shares | **—** | — | **(.1)** | (.9) |
| Net income attributable to White Mountains's common shareholders, net of restricted common share amounts | **$ (73.1)** | $ (12.6) | **$ (61.9)** | $ 64.9 |
| **Undistributed net earnings (in millions):** | | | | |
| Net income attributable to White Mountains's common shareholders, net of restricted common share amounts | **$ (73.1)** | $ (12.6) | **$ (61.9)** | $ 64.9 |
| Dividends declared net of restricted common share amounts[1] | **—** | — | **(5.9)** | (6.1) |
| Total undistributed net earnings, net of restricted common share amounts | **$ (73.1)** | $ (12.6) | **$ (67.8)** | $ 58.8 |
| **Basic earnings per share denominators (in thousands):** | | | | |
| Total average common shares outstanding during the period | **5,890.1** | 6,091.4 | **5,951.1** | 6,140.9 |
| Average unvested restricted shares[2] | **—** | — | **—** | (77.7) |
| Basic earnings per share denominator | **5,890.1** | 6,091.4 | **5,951.1** | 6,063.2 |
| **Diluted earnings per share denominator (in thousands):** | | | | |
| Total average common shares outstanding during the period | **5,890.1** | 6,091.4 | **5,951.1** | 6,140.9 |
| Average unvested restricted common shares[2] | **—** | — | **—** | (77.7) |
| Average outstanding dilutive options to acquire common shares[3] | **—** | — | **—** | **—** |
| Diluted earnings per share denominator | **5,890.1** | 6,091.4 | **5,951.1** | 6,063.2 |
| **Basic earnings per share (in dollars):** | | | | |
| Net income attributable to White Mountains's common shareholders | **$ (12.42)** | $ (2.07) | **$ (10.40)** | $ 10.70 |
| Dividends declared and paid | **—** | — | **(1.00)** | (1.00) |
| Undistributed earnings | **$ (12.42)** | $ (2.07) | **$ (11.40)** | $ 9.70 |
| **Diluted earnings per share (in dollars):** | | | | |
| Net income attributable to White Mountains's common shareholders | **$ (12.42)** | $ (2.07) | **$ (10.40)** | $ 10.70 |
| Dividends declared and paid | **—** | — | **(1.00)** | (1.00) |
| Undistributed earnings | **$ (12.42)** | $ (2.07) | **$ (11.40)** | $ 9.70 |

(1) Restricted shares issued by White Mountains receive dividends, and therefore, are considered participating securities.
(2) Restricted shares outstanding vest either in equal annual installments or upon a stated date. (See **Note 15 - "Employee Share-Based Compensation Plans"**).
(3) The diluted earnings per share denominator for the three and nine months ended September 30, 2015 and 2014 does not include the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding as they are anti-dilutive to the calculation.

**Note 12. Non-controlling Interests**

The following table details the balance of non-controlling interests included in White Mountains's total equity and the related percentage of each consolidated entity's total equity owned by non-controlling shareholders as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| $ in millions | Non-controlling Percentage | Non-controlling Equity | Non-controlling Percentage | Non-controlling Equity |
| OneBeacon Ltd. | **24.7%** | **$ 246.9** | 24.7% | $ 258.4 |
| SIG Preference Shares | **100.0** | **250.0** | 100.0 | 250.0 |
| Other, excluding mutuals and reciprocals | | | | |
| HG Global | **3.1** | **17.3** | 3.1 | 17.9 |
| MediaAlpha | **40.0** | **15.1** | 40.0 | 22.6 |
| Tranzact | **36.8** | **75.6** | 36.8 | 88.2 |
| Wobi | **4.7** | **1.8** | 36.7 | 5.4 |
| Dewar | **32.2** | **3.5** | 18.0 | 3.4 |
| Prospector Offshore Fund | **—** | **—** | 23.4 | 31.1 |
| Total other, excluding mutuals and reciprocals | | **113.3** | | 168.6 |
| Mutuals and reciprocals | | | | |
| BAM | **100.0** | **(134.2)** | 100.0 | (121.9) |
| SSIE | **100.0** | **(15.2)** | 100.0 | (12.4) |
| Total non-controlling interests | | **$ 460.8** | | $ 542.7 |

**Note 13. Segment Information**

White Mountains has determined that its reportable segments are OneBeacon, HG Global/BAM and Other Operations. As a result of the Sirius sale, the results of operations for Sirius Group have been classified as discontinued operations and are now presented, net of related income taxes, as such in the statement of operations and comprehensive income. Prior year amounts have been reclassified to conform to the current period's presentation (See Note 17).

White Mountains has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company's subsidiaries and affiliates; (ii) the manner in which the Company's subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the chief operating decision makers and the Board of Directors.

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

| | | HG Global/BAM | | | |
|---|---|---|---|---|---|
| Millions | OneBeacon | HG | BAM | Other Operations | Total |
| **Three Months Ended September 30, 2015** | | | | | |
| Earned insurance premiums | $ 281.4 | $ .6 | $ .3 | $ 2.6 | **$ 284.9** |
| Net investment income | 12.4 | .5 | 1.1 | 2.8 | **16.8** |
| Net investment income (loss) - surplus note interest | — | 4.0 | (4.0) | — | **—** |
| Net realized and unrealized investment (losses) gains | (29.9) | .6 | 1.7 | (16.3) | **(43.9)** |
| Other revenue | 3.9 | — | .2 | 72.8 | **76.9** |
| Total revenues | 267.8 | 5.7 | (.7) | 61.9 | **334.7** |
| Losses and LAE | 167.5 | — | — | 2.5 | **170.0** |
| Insurance acquisition expenses | 53.8 | .1 | .4 | 1.0 | **55.3** |
| Other underwriting expenses | 56.4 | — | .1 | — | **56.5** |
| General and administrative expenses | 3.7 | .4 | 9.4 | 129.1 | **142.6** |
| Interest expense | 3.2 | — | — | 1.7 | **4.9** |
| Total expenses | 284.6 | .5 | 9.9 | 134.3 | **429.3** |
| Pre-tax (loss) income | $ (16.8) | $ 5.2 | $ (10.6) | $ (72.4) | **$ (94.6)** |

| Millions | OneBeacon | HG Global/BAM HG | HG Global/BAM BAM | Other Operations | Total |
|---|---|---|---|---|---|
| **Nine Months Ended September 30, 2015** | | | | | |
| Earned insurance premiums | $ 887.3 | $ 1.7 | $ .6 | $ 6.4 | **$ 896.0** |
| Net investment income | 33.0 | 1.4 | 2.9 | 5.3 | **42.6** |
| Net investment income (loss) - surplus note interest | — | 11.9 | (11.9) | — | **—** |
| Net realized and unrealized investment (losses) gains | (29.7) | .3 | 2.8 | (7.3) | **(33.9)** |
| Other (loss) revenue | (.4) | — | .5 | 225.3 | **225.4** |
| Total revenues | 890.2 | 15.3 | (5.1) | 229.7 | **1,130.1** |
| Losses and LAE | 527.9 | — | — | 6.2 | **534.1** |
| Insurance acquisition expenses | 161.2 | .3 | 1.8 | 2.8 | **166.1** |
| Other underwriting expenses | 165.2 | — | .3 | — | **165.5** |
| General and administrative expenses | 12.0 | 1.2 | 26.3 | 314.6 | **354.1** |
| Interest expense | 9.7 | — | — | 3.8 | **13.5** |
| Total expenses | 876.0 | 1.5 | 28.4 | 327.4 | **1,233.3** |
| Pre-tax income (loss) | $ 14.2 | $ 13.8 | $ (33.5) | $ (97.7) | **$ (103.2)** |

| Millions | OneBeacon | HG Global/BAM HG | HG Global/BAM BAM | Other Operations | Total |
|---|---|---|---|---|---|
| Three Months Ended September 30, 2014 | | | | | |
| Earned insurance premiums | $ 305.4 | $ .4 | $ .1 | $ 1.3 | $ 307.2 |
| Net investment income | 10.8 | .4 | 1.4 | 1.2 | 13.8 |
| Net investment income (loss) - surplus note interest | — | 3.9 | (3.9) | — | — |
| Net realized and unrealized investment losses | (16.0) | (.5) | (1.4) | (9.6) | (27.5) |
| Other revenue | 1.3 | — | .2 | 28.2 | 29.7 |
| Total revenues | 301.5 | 4.2 | (3.6) | 21.1 | 323.2 |
| Losses and LAE | 185.2 | — | — | .3 | 185.5 |
| Insurance acquisition expenses | 54.6 | — | .5 | .1 | 55.2 |
| Other underwriting expenses | 51.2 | — | .1 | — | 51.3 |
| General and administrative expenses | 2.4 | .4 | 8.9 | 51.3 | 63.0 |
| Interest expense | 3.2 | — | — | .5 | 3.7 |
| Total expenses | 296.6 | .4 | 9.5 | 52.2 | 358.7 |
| Pre-tax income (loss) | $ 4.9 | $ 3.8 | $ (13.1) | $ (31.1) | $ (35.5) |

| Millions | OneBeacon | HG Global/BAM HG | HG Global/BAM BAM | Other Operations | Total |
|---|---|---|---|---|---|
| Nine Months Ended September 30, 2014 | | | | | |
| Earned insurance premiums | $ 872.8 | $ .9 | $ .3 | $ 5.1 | $ 879.1 |
| Net investment income | 33.4 | 1.0 | 4.2 | 6.1 | 44.7 |
| Net investment income (loss) - surplus note interest | — | 11.8 | (11.8) | — | — |
| Net realized and unrealized investment gains | 24.8 | 1.1 | 5.4 | 33.1 | 64.4 |
| Other revenue (loss) | 3.3 | — | .5 | 56.5 | 60.3 |
| Total revenues | 934.3 | 14.8 | (1.4) | 100.8 | 1,048.5 |
| Losses and LAE | 520.7 | — | — | 6.6 | 527.3 |
| Insurance acquisition expenses | 150.9 | .2 | 1.4 | .5 | 153.0 |
| Other underwriting expenses | 152.3 | — | .3 | — | 152.6 |
| General and administrative expenses | 9.3 | 1.2 | 26.6 | 131.2 | 168.3 |
| Interest expense | 9.7 | — | — | .9 | 10.6 |
| Total expenses | 842.9 | 1.4 | 28.3 | 139.2 | 1,011.8 |
| Pre-tax income (loss) | $ 91.4 | $ 13.4 | $ (29.7) | $ (38.4) | $ 36.7 |

## Note 14. Investments in Unconsolidated Affiliates

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

| Millions | September 30, 2015 | December 31, 2014 |
|---|---|---|
| Symetra common shares | **$ 386.9** | $ 373.8 |
| Unrealized gains from Symetra’s fixed maturity portfolio | **5.7** | 37.6 |
| Carrying value of Symetra common shares | **392.6** | 411.4 |
| Hamer | **—** | 3.0 |
| Total investments in unconsolidated affiliates | **$ 392.6** | $ 414.4 |

**Symetra**

During the third quarter of 2015, Symetra announced that it entered into a definitive merger agreement with Sumitomo Life pursuant to which Sumitomo Life will acquire all of the outstanding shares of Symetra. White Mountains expects to receive $32.00 per share in cash at closing. White Mountains also received a special dividend of $.50 per share as part of the transaction that was paid in the third quarter of 2015. The transaction is expected to close in the first quarter of 2016 and is subject to regulatory approval and other customary closing conditions.

For the nine months ended September 30, 2015, Symetra reported total revenues of $1,605.9 million, total benefits and expenses of $1,543.6 million, pre-tax income of $62.3 million and net income of $89.6 million. For the nine months ended September 30, 2014, Symetra reported total revenues of $1,601.6 million, total benefits and expenses of $1,387.0 million, pre-tax income of $214.6 million and net income of $186.8 million.

On June 30, 2015, pursuant to the redemption of White Mountains's investments in the Prospector Funds, 513,500 common shares of Symetra were distributed to White Mountains. At September 30, 2015 and December 31, 2014, White Mountains owned 20,562,379 and 20,048,879 common shares of Symetra, a 17.70% and 17.31% common share ownership. White Mountains accounts for its investment in common shares of Symetra using the equity method. During the three and nine months ended September 30, 2015, White Mountains received cash dividends from Symetra of $12.5 million and $16.9 million, which included a special dividend of $10.3 million. The dividends were recorded as a reduction of White Mountains’s investment in Symetra. During the three and nine months ended September 30, 2014, White Mountains received cash dividends from Symetra of $2.0 million and $6.0 million.

As of December 31, 2011, White Mountains concluded that its investment in Symetra common shares was other-than-temporarily impaired and wrote down the GAAP book value of the investment to its estimated fair value of $261.0 million or $15 per share. This impairment, as well as the effect of Symetra capital transactions, has resulted in a basis difference between the GAAP carrying value of White Mountains's investment in Symetra common shares and the amount derived by multiplying the percentage of White Mountains common share ownership by Symetra's total GAAP equity. As of September 30, 2015, the pre-tax unamortized basis difference was $160.8 million, of which $32.6 million is attributable to equity in earnings of unconsolidated affiliates and $128.2 million is attributable to equity in net unrealized gains of unconsolidated affiliates. As of December 31, 2014, the pre-tax unamortized basis difference was $170.4 million, of which $36.4 million is attributable to equity in earnings of unconsolidated affiliates and $134.0 million is attributable to equity in net unrealized gains of unconsolidated affiliates.

The pre-tax basis difference is being amortized over a 30-year period with a weighted average of 28-years remaining. The amortization is based on estimated future cash flows associated with Symetra's underlying assets and liabilities to which the basis differences have been attributed. White Mountains continues to record its equity in Symetra's earnings and net unrealized gains (losses). In addition, White Mountains recognizes the amortization of the basis difference through equity in earnings of unconsolidated affiliates and equity in net unrealized gains (losses) from investments in unconsolidated affiliates consistent with the original attribution of the basis differences between equity in earnings and equity in net unrealized gains (losses). For the three and nine months ended September 30, 2015, White Mountains recognized after-tax amortization of $0.6 million and $2.0 million through equity in earnings of unconsolidated affiliates and $2.6 million and $8.1 million through equity in net unrealized gains from investments in unconsolidated affiliates. For the three and nine months ended September 30, 2014, White Mountains recognized after-tax amortization of $0.7 million and $2.1 million through equity in earnings of unconsolidated affiliates and $2.9 million and $8.7 million through equity in net unrealized gains from investments in unconsolidated affiliates.

The following table summarizes amounts recorded by White Mountains relating to its investment in Symetra for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Carrying value of investment in Symetra at beginning of period | **$ 397.2** | $ 415.5 | **$ 411.4** | $ 317.3 |
| Equity in earnings [(1)(2)] | **4.2** | 7.0 | **17.5** | 34.5 |
| Equity in net unrealized gains (losses) from Symetra's fixed maturity portfolio [(3)] | **3.7** | (10.7) | **(31.8)** | 64.0 |
| Dividends received | **(12.5)** | (2.0) | **(16.9)** | (6.0) |
| Distribution from Prospector Offshore Fund | **—** | — | **12.4** | — |
| Carrying value of investment in Symetra at end of period[(4)(5)] | **$ 392.6** | $ 409.8 | **$ 392.6** | $ 409.8 |

(1) For the three months ended September 30, 2015 and 2014, equity in earnings excludes tax expense of $0.3 and $0.5. For the nine months ended September 30, 2015 and 2014, equity in earnings excludes tax expense of $1.1 and $2.4.
(2) For the three months ended September 30, 2015 and 2014, equity in earnings includes $0.7 and $0.7 increase relating to the pre-tax amortization of the Symetra common share basis difference. For the nine months ended September 30, 2015 and 2014, equity in earnings includes $2.1 and $2.2 increase relating to the pre-tax amortization of the Symetra common share basis difference.
(3) For the three months ended September 30, 2015 and 2014, net unrealized gains includes $2.9 and $3.1 increase relating to the pre-tax amortization of the Symetra common share basis difference. For the nine months ended September 30, 2015 and 2014, net unrealized gains includes $8.6 and $9.4 increase relating to the pre-tax amortization of the Symetra common share basis difference.
(4) Includes White Mountains's equity in net unrealized gains from Symetra's fixed maturity portfolio of $5.7 and $20.5 as of September 30, 2015 and 2014, which excludes tax expense of $0.2 and $1.4.
(5) The aggregate value of White Mountains's investment in common shares of Symetra was $650.6 based upon the quoted market price of $31.64 per share at September 30, 2015.

**Hamer**

On May 27, 2015, White Mountains sold its interest in Hamer LLC, which resulted in a gain of $20.0 million recorded in other revenue. Prior to the sale, White Mountains recorded equity in earnings of $1.1 million and $1.6 million for the three and six months ended June 30, 2015 and $0.4 million and $0.8 million for the three and six months ended June 30, 2014.

## Note 15. Employee Share-Based Incentive Compensation Plans

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

### Share-Based Compensation Based on White Mountains Common Shares

*WTM Performance Shares*

Performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. Awards generally vest at the end of a three-year period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of common shares at the time awards are paid. The following table summarizes performance share activity for the three and nine months ended September 30, 2015 and 2014 for performance shares granted under the WTM Incentive Plan:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| Millions, except share amounts | Target Performance Shares Outstanding | Accrued Expense | Target Performance Shares Outstanding | Accrued Expense | Target Performance Shares Outstanding | Accrued Expense | Target Performance Shares Outstanding | Accrued Expense |
| Beginning of period | **109,129** | **$ 28.8** | 116,259 | $ 46.3 | **113,198** | **$ 44.4** | 108,605 | $ 54.9 |
| Shares paid or expired[1] | **(8,958)** | **(5.5)** | — | — | **(42,958)** | **(30.7)** | (33,730) | (24.1) |
| New grants | **—** | **—** | — | — | **29,828** | **—** | 41,580 | — |
| Assumed forfeitures and cancellations[2] | **(3,960)** | **(.8)** | — | (.2) | **(3,857)** | **(.3)** | (196) | — |
| Expense recognized | **—** | **30.0** | — | 6.3 | **—** | **39.1** | — | 21.6 |
| End of period[3] | **96,211** | **$ 52.5** | 116,259 | $ 52.4 | **96,211** | **$ 52.5** | 116,259 | $ 52.4 |

[1] WTM performance share payments in 2015 for the 2012-2014 performance cycle ranged from 91% to 145.5% of target. WTM performance share payments in 2014 for the 2011-2013 performance cycle ranged from 88% to 131.5% of target.
[2] Amounts include changes in assumed forfeitures, as required under GAAP.
[3] Outstanding performance share awards as of September 30, 2015 and 2014 exclude 7,997 and 11,278 performance share awards, net of assumed forfeitures, granted to employees of Sirius Group, which is accounted for as discontinued operations.

For the 2012-2014 performance cycle, all performance shares earned were settled in cash. For the 2011-2013 performance cycle, the Company issued common shares for 1,425 performance shares earned and all other performance shares earned were settled in cash.

If the outstanding WTM performance shares had vested on September 30, 2015, the total additional compensation cost to be recognized would have been $30.2 million, based on accrual factors at September 30, 2015 (common share price and payout assumptions).

*Performance Shares granted under the WTM Incentive Plan*

The following table summarizes performance shares outstanding and accrued expense for performance shares awarded under the WTM Incentive Plan at September 30, 2015 for each performance cycle:

| Millions, except share amounts | Target Performance Shares Outstanding | Accrued Expense |
|---|---|---|
| Performance cycle: | | |
| 2015 – 2017 | 29,828 | **$ 6.3** |
| 2014 – 2016 | 32,557 | **12.3** |
| 2013 – 2015 | 36,293 | **35.4** |
| Sub-total | 98,678 | **54.0** |
| Assumed forfeitures | (2,467) | **(1.5)** |
| **Total at September 30, 2015** | **96,211** | **$ 52.5** |

*Restricted Shares*

The following table summarizes the unrecognized compensation cost associated with the outstanding restricted share awards for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | | | | | | | Nine Months Ended September 30, | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | | 2014 | | | | 2015 | | | | 2014 | | | |
| Millions, except share amounts | Restricted Shares | | Unamortized Issue Date Fair Value | | Restricted Shares | | Unamortized Issue Date Fair Value | | Restricted Shares | | Unamortized Issue Date Fair Value | | Restricted Shares | | Unamortized Issue Date Fair Value | |
| Non-vested, | | | | | | | | | | | | | | | | |
| Beginning of period | **68,303** | **$** | **21.9** | | 79,011 | $ | 20.5 | | **80,050** | **$** | **13.7** | | 90,341 | $ | 16.4 | |
| Issued | **—** | | **—** | | — | | — | | **22,078** | | **14.7** | | 20,400 | | 11.8 | |
| Vested | **(1,200)** | | **—** | | — | | — | | **(35,025)** | | **—** | | (31,730) | | — | |
| Forfeited | **—** | | **—** | | — | | — | | **—** | | **—** | | — | | — | |
| Expense recognized | **—** | | **(3.5)** | | — | | (3.2) | | **—** | | **(10.0)** | | — | | (10.9) | |
| End of period [1] | **67,103** | **$** | **18.4** | | 79,011 | $ | 17.3 | | **67,103** | **$** | **18.4** | | 79,011 | $ | 17.3 | |

[1] Outstanding restricted share awards as of September 30, 2015 and 2014 exclude 3,571 and 2,314 restricted shares issued to employees of Sirius Group, which is accounted for as discontinued operations.

During the first nine months of 2015, White Mountains issued 22,078 restricted shares that vest on January 1, 2018. During the first nine months of 2014, White Mountains issued 20,400 restricted shares that vest on January 1, 2017. The unrecognized compensation cost at September 30, 2015 is expected to be recognized ratably over the remaining vesting periods.

**Share-Based Compensation Based on OneBeacon Ltd. Common Shares**

The OneBeacon Long-Term Incentive Plan (the “OneBeacon Incentive Plan”) provides for grants to key employees of OneBeacon various types of share-based and non share-based incentive awards. OneBeacon’s share-based incentive awards include OneBeacon performance shares and restricted shares.

*OneBeacon Performance Shares*

OneBeacon performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. OneBeacon performance share awards generally vest at the end of a three-year period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of OneBeacon Ltd. common shares at the time awards are paid. The following table summarizes performance share activity for the three and nine months ended September 30, 2015 and 2014 for OneBeacon performance shares granted under the OneBeacon Incentive Plan:

| | Three Months Ended September 30, | | | | | | Nine Months Ended September 30, | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | | | 2014 | | | 2015 | | | 2014 | | |
| Millions, except share amounts | Target Performance Shares Outstanding | | Accrued Expense | Target Performance Shares Outstanding | | Accrued Expense | Target Performance Shares Outstanding | | Accrued Expense | Target Performance Shares Outstanding | | Accrued Expense |
| Beginning of period | **462,147** | **$** | **2.4** | 512,938 | $ | 4.4 | **517,470** | **$** | **3.4** | 493,421 | $ | 4.0 |
| Shares paid or expired[1] | **—** | | **—** | — | | — | **(181,290)** | | **(1.5)** | (142,138) | | (1.0) |
| New grants | **—** | | **—** | — | | — | **154,887** | | **—** | 165,800 | | — |
| Assumed forfeitures and cancellations[2] | **—** | | **—** | — | | — | **(28,920)** | | **—** | (4,145) | | — |
| Expense recognized | **—** | | **(.3)** | — | | 1.1 | **—** | | **.2** | — | | 2.5 |
| End of period | **462,147** | **$** | **2.1** | 512,938 | $ | 5.5 | **462,147** | **$** | **2.1** | 512,938 | $ | 5.5 |

[1] OneBeacon performance share payments in 2015 for the 2012-2014 performance cycle were at 45.7% of target. OneBeacon performance share payments in 2014 for the 2011-2013 performance cycle were at 37.1% of target.
[2] Amounts include changes in assumed forfeitures, as required under GAAP.

If the outstanding OneBeacon performance shares had been vested on September 30, 2015, the total additional compensation cost to be recognized would have been $2.0 million, based on accrual factors at September 30, 2015 (common share price, accumulated dividends and payout assumptions).

The following table summarizes OneBeacon performance shares outstanding awarded under the OneBeacon Incentive Plan at September 30, 2015 for each performance cycle:

| Millions, except share amounts | Target Performance Shares Outstanding | Accrued Expense |
|---|---|---|
| Performance cycle: | | |
| 2015 – 2017 | 154,887 | **$ .5** |
| 2014 – 2016 | 151,810 | **.3** |
| 2013 – 2015 | 167,300 | **1.3** |
| Sub-total | 473,997 | **2.1** |
| Assumed forfeitures | (11,850) | **—** |
| **Total at September 30, 2015** | **462,147** | **$ 2.1** |

*OneBeacon Restricted Shares*

The following table summarizes the unrecognized compensation cost associated with the outstanding OneBeacon restricted stock awards for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | | | Nine Months Ended September 30, | | | |
|---|---|---|---|---|---|---|---|---|
| | 2015 | | 2014 | | 2015 | | 2014 | |
| Millions, except share amounts | Restricted Shares | Unamortized Issue Date Fair Value | Restricted Shares | Unamortized Issue Date Fair Value | Restricted Shares | Unamortized Issue Date Fair Value | Restricted Shares | Unamortized Issue Date Fair Value |
| Non-vested, | | | | | | | | |
| Beginning of period | **390,950** | **$ 3.5** | 612,500 | $ 4.9 | **612,500** | **$ 3.5** | 915,000 | $ 6.5 |
| Issued | **—** | **—** | — | — | **75,950** | **1.1** | — | — |
| Vested | **—** | **—** | — | — | **(296,000)** | **—** | (300,000) | — |
| Forfeited | **—** | **—** | — | — | **(1,500)** | **—** | (2,500) | — |
| Expense recognized | **—** | **(.5)** | — | (.7) | **—** | **(1.6)** | — | (2.3) |
| End of period | **390,950** | **$ 3.0** | 612,500 | $ 4.2 | **390,950** | **$ 3.0** | 612,500 | $ 4.2 |

On February 24, 2015, OneBeacon issued 75,950 restricted shares that vest on January 1, 2018.

On March 1, 2012, OneBeacon issued 300,000 restricted shares that vest in two equal annual installments. The first installment vested on February 28, 2014.

On May 25, 2011, OneBeacon issued 630,000 restricted shares to its CEO that vest in four equal annual installments. The first installment vested on February 22, 2014. Concurrently with the grant of the restricted shares, 35,000 OneBeacon performance shares issued to OneBeacon's CEO for the 2011-2013 performance share cycle were forfeited and performance share awards to OneBeacon's CEO for the subsequent five years have been or will also be reduced by 35,000 shares.

The unrecognized compensation cost at September 30, 2015 is expected to be recognized ratably over the remaining vesting periods.

*OneBeacon Restricted Stock Units*

During the first nine months of 2015, the OneBeacon Compensation Committee awarded to certain employees 214,430 restricted stock units ("RSUs"), of which, net of forfeiture assumptions, 204,179 were outstanding as of September 30, 2015. The RSUs are scheduled to vest on January 1, 2018 and will be paid out in cash or shares at the discretion of the OneBeacon Compensation Committee. For the three and nine months ended September 30, 2015, the expense associated with the RSUs was $0.2 million and $0.6 million.

## Note 16. Fair Value of Financial Instruments

White Mountains accounts for its financial instruments at fair value with the exception of the OBH Senior Notes and the Tranzact Bank Facility, which are recorded as debt at face value less unamortized original issue discount.

The following table summarizes the fair value and carrying value of these financial instruments as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| **Millions** | **Fair Value** | **Carrying Value** | **Fair Value** | **Carrying Value** |
| 2012 OBH Senior Notes | **$ 279.8** | **$ 274.8** | $ 286.0 | $ 274.7 |
| Tranzact Bank Facility | **94.6** | **93.8** | 68.7 | 67.4 |

The fair value estimate for the 2012 OBH Senior Notes has been determined using quoted market prices. The 2012 OBH Senior Notes are considered a Level 2 measurement based upon the volume and frequency of observable transactions. The fair value estimate for the Tranzact Bank Facility has been determined based on a discounted cash flows approach and is considered to be a Level 3 measurement.

The MediaAlpha Bank Facility is a recently issued variable rate instrument. As a result it is considered a Level 2 measurement. As of September 30, 2015, the carrying value of the amount drawn on the MediaAlpha Debt Facility approximates fair value.

## Note 17. Discontinued Operations

### Sirius

On July 27, 2015, White Mountains entered into an agreement to sell Sirius Group to CM International Holding PTE Ltd., the Singapore-based investment arm of CMI. The results of operations for Sirius Group have been classified as discontinued operations in the statement of operations and comprehensive income and the assets and liabilities of Sirius Group have been presented in the balance sheet as held for sale. Prior year amounts have been reclassified to conform to the current period's presentation.

The amounts reflected within discontinued operations differ from amounts previously presented within the Sirius Group segment. The segment results of operations for Sirius Group reported in previous periods included investment income and realized and unrealized investment gains and losses from certain investments that are to be retained by White Mountains after the completion of the sale. For the three and nine month periods of September 30, 2015, $5.5 million and $1.4 million of net investment income and realized and unrealized investment gains and losses that had been previously included in the Sirius Group segment were excluded from net income (loss) from discontinued operations. For the three and nine months ended September 30, 2014, $0.9 million and $1.8 million of net investment income and realized and unrealized investment gains and losses that had been previously included in the Sirius segment were excluded from net income (loss) from discontinued operations.

### OneBeacon Runoff

In December 2014, OneBeacon completed the sale of its runoff business (the “Runoff Transaction”). The results of operations for the Runoff Business have been classified as discontinued operations and are presented, net of related income taxes, in the statement of operations and comprehensive income. The amounts classified as discontinued operations exclude investing and financing activities that are conducted on an overall consolidated level and, accordingly, there were no separately identifiable investments associated with the Runoff Business.

During the second quarter of 2014, OneBeacon amended the Runoff SPA, primarily to increase the cap on seller financing by $6.7 million to $80.9 million, as well as to extend the termination date to December 31, 2014. Consistent with the proposed closing balance sheet, pro forma as of June 30, 2014, OneBeacon expected to provide seller financing at closing in the form of surplus notes with an estimated par value of $80.9 million (the “OBIC Surplus Notes”). As a result, OneBeacon recorded an increase of $8.2 million ($5.3 million after-tax) in the estimated loss on sale of the Runoff Business during the second quarter of 2014 to reflect the estimated difference between the fair value and par value of the surplus notes upon issuance.

Additionally, during the second quarter of 2014, OneBeacon's expectation of the treatment under the Runoff SPA of the $7.4 million reserve charge recorded during the second quarter of 2013 changed. Previously, OneBeacon expected that the Runoff SPA would be amended to provide for the transfer of $7.4 million of additional assets to support the reserve charge. As previously noted, the Runoff SPA was instead revised to increase the cap on seller financing. As a result, the $7.4 million reserve charge ($4.8 million after-tax) was recorded as a reduction to the estimated loss on sale during the second quarter of 2014.

During the third quarter of 2014, OneBeacon updated its estimated loss on sale to reflect the change in the valuation of the surplus notes expected to be issued in conjunction with the closing of the Runoff Transaction. The change in the valuation estimate resulted in a loss of $10.3 million ($6.7 million after-tax), which was a result of widening credit spreads during the quarter, as well as an increase to the estimated discount rate related to the private nature of the notes and the related lack of liquidity.

In the second quarter of 2015, OneBeacon also completed the sale of its building in Canton, MA for $58.0 million. The building was presented as held for sale at December 31, 2014.

**Esurance**

White Mountains recognized $10.3 million and $18.2 million of net income from discontinued operations in the third quarter and first nine months of 2015 related to the final settlement with The Allstate Corporation for favorable development on loss reserves transferred in the sale of Esurance and Answer Financial. (See **Note 18 - “Contingencies”**) For the nine months ended September, 2014, White Mountains recorded a net gain from the sale of discontinued operations of $3.2 million, which primarily related to an installment payment from Allstate for the favorable development on loss reserves.

**Fireman's Fund**

During the third quarter of 2014, White Mountains recorded a gain in discontinued operations of $14.0 million from a payment received from Allianz, the purchaser of White Mountains's former subsidiary Fireman’s Fund Insurance Company (“FFIC”), related to the utilization of alternative minimum tax credits associated with the tax loss on the sale of FFIC in 1991.

*Summary of Reclassified Balances and Related Items*

**Net Assets Held for Sale**

The following summarizes the assets and liabilities associated with the business classified as held for sale, which all relate to Sirius Group with the exception of the building held by OneBeacon at December 31, 2014:

| Millions | September 30, 2015 | December 31, 2014 |
|---|---|---|
| **Assets held for sale** | | |
| Fixed maturity investments | **$ 2,394.3** | $ 2,362.3 |
| Short-term investments | **360.5** | 494.9 |
| Common equity securities | **164.3** | 189.9 |
| Convertible fixed maturity and preferred investments | **—** | 6.6 |
| Other long-term investments | **82.1** | 89.0 |
| Total investments | **3,001.2** | 3,142.7 |
| Cash | **147.4** | 111.5 |
| Reinsurance recoverable on unpaid losses | **276.5** | 322.2 |
| Reinsurance recoverable on paid losses | **11.0** | 11.4 |
| Reinsurance premiums receivable | **416.6** | 306.6 |
| Funds held by ceding entities | **81.1** | 91.9 |
| Deferred acquisition costs | **82.7** | 69.9 |
| Deferred tax asset | **309.6** | 341.5 |
| Ceded unearned reinsurance premiums | **118.4** | 76.2 |
| Goodwill and intangible assets | **10.2** | 15.2 |
| Other assets | **73.4** | 83.4 |
| Other assets - OneBeacon building | **—** | 58.1 |
| **Total assets held for sale** | **$ 4,528.1** | $ 4,630.6 |
| **Liabilities held for sale** | | |
| Loss and loss adjustment expense reserves | **$ 1,662.9** | $ 1,809.8 |
| Unearned insurance premiums | **429.4** | 338.6 |
| Debt | **403.5** | 403.5 |
| Deferred tax liability | **257.8** | 282.8 |
| Accrued incentive compensation | **55.5** | 76.5 |
| Ceded reinsurance payable | **131.4** | 71.5 |
| Funds held under reinsurance treaties | **45.1** | 57.9 |
| Other liabilities | **47.2** | 64.7 |
| **Total liabilities held for sale** | **$ 3,032.8** | $ 3,105.3 |

**Net Income from Discontinued Operations**

The following summarizes the results of operations, including related income taxes associated with the business classified as discontinued operations. The results of Sirius Group through the closing date of the transaction inures to White Mountains.

| | Three Months Ended September 30, 2015 | | | Three Months Ended September 30, 2014 | | |
|---|---|---|---|---|---|---|
| **Millions** | **Sirius Group** | **Other Disc Ops** | **Total** | **Sirius Group** | **Other Disc Ops** | **Total** |
| **Revenues** | | | | | | |
| Earned insurance premiums | **$ 202.8** | **$ —** | **$ 202.8** | $ 231.4 | $ .3 | $ 231.7 |
| Net investment income | **10.5** | **—** | **10.5** | 9.7 | — | 9.7 |
| Net realized and unrealized (losses) gains | **(.9)** | **—** | **(.9)** | 48.3 | — | 48.3 |
| Other revenue | **1.8** | **(.1)** | **1.7** | (22.8) | — | — |
| Total revenues | **214.2** | **(.1)** | **214.2** | 266.6 | .3 | 266.9 |
| **Expenses** | | | | | | |
| Loss and loss adjustment expenses | **121.7** | **—** | **121.7** | 103.6 | — | 103.6 |
| Insurance and reinsurance acquisition expenses | **45.4** | **—** | **45.4** | 50.1 | .1 | 50.2 |
| Other underwriting expenses | **24.8** | **—** | **24.8** | 29.7 | .8 | 30.5 |
| General and administrative expenses | **9.4** | **—** | **9.4** | 6.3 | — | 6.3 |
| Interest expense | **6.6** | **—** | **6.6** | 6.6 | — | 6.6 |
| Total expenses | **207.9** | **—** | **207.9** | 196.3 | .9 | 197.2 |
| **Pre-tax income (loss)** | **6.3** | **(.1)** | **6.2** | 70.3 | (.6) | 69.7 |
| Income tax (expense) benefit | **(2.3)** | **—** | **(2.3)** | (13.1) | .3 | (12.8) |
| **Net income (loss) from discontinued operations** | **4.0** | **(.1)** | **3.9** | 57.2 | (.3) | 56.9 |
| Net gain from sales of discontinued operations - FFIC | **—** | **—** | **—** | — | 14.0 | 14.0 |
| Net losses from sales of discontinued operations - OneBeacon | **—** | **—** | **—** | — | (7.0) | (7.0) |
| Net gain from sales of discontinued operations - Esurance | **—** | **10.3** | **10.3** | — | — | — |
| **Total income from discontinued operations** | **$ 4.0** | **$ 10.2** | **$ 14.2** | $ 57.2 | $ 6.7 | $ 63.9 |
| Change in foreign currency translation and other from discontinued operations | **$ (18.4)** | **$ —** | **$ (18.4)** | $ (64.1) | $ — | $ (64.1) |
| **Comprehensive income from discontinued operations** | **$ (14.4)** | **$ 10.2** | **$ (4.2)** | $ (6.9) | $ 6.7 | $ (.2) |

| Millions | Nine Months Ended September 30, 2015 Sirius Group | Other Disc Ops | Total | Nine Months Ended September 30, 2014 Sirius Group | Other Disc Ops | Total |
|---|---|---|---|---|---|---|
| **Revenues** | | | | | | |
| Earned insurance premiums | **$ 623.3** | **$ —** | **$ 623.3** | $ 656.5 | $ .1 | $ 656.6 |
| Net investment income | **28.6** | **—** | **28.6** | 30.0 | — | 30.0 |
| Net realized and unrealized gains | **31.4** | **—** | **31.4** | 134.1 | — | 134.1 |
| Other revenue | **(20.2)** | **(.4)** | **(20.6)** | (47.3) | — | (47.3) |
| Total revenues | **663.1** | **(.4)** | **662.7** | 773.3 | .1 | 773.4 |
| **Expenses** | | | | | | |
| Loss and loss adjustment expenses | **311.3** | **—** | **311.3** | 273.8 | (.7) | $ 273.1 |
| Insurance and reinsurance acquisition expenses | **135.5** | **—** | **135.5** | 146.3 | .1 | $ 146.4 |
| Other underwriting expenses | **78.0** | **—** | **78.0** | 91.7 | 2.2 | $ 93.9 |
| General and administrative expenses | **22.4** | **—** | **22.4** | 21.6 | — | $ 21.6 |
| Interest expense | **20.0** | **—** | **20.0** | 19.8 | — | $ 19.8 |
| Total expenses | **567.2** | **—** | **567.2** | 553.2 | 1.6 | 554.8 |
| **Pre-tax income (loss)** | **95.9** | **(.4)** | **95.5** | 220.1 | (1.5) | 218.6 |
| Income tax (expense) benefit | **(22.2)** | **—** | **(22.2)** | (52.4) | .6 | $ (51.8) |
| **Net income (loss) from discontinued operations** | **73.7** | **(.4)** | **73.3** | 167.7 | (.9) | 166.8 |
| Net gain from sales of discontinued operations - FFIC | **—** | **—** | **—** | — | 14.0 | $ 14.0 |
| Net losses from sales of discontinued operations - OneBeacon | **—** | **.3** | **.3** | — | (7.5) | $ (7.5) |
| Net gain from sales of discontinued operations - Esurance | **—** | **17.9** | **17.9** | — | 3.2 | $ 3.2 |
| **Total income from discontinued operations** | **$ 73.7** | **$ 17.8** | **$ 91.5** | $ 167.7 | $ 8.8 | $ 176.5 |
| Change in foreign currency translation and other from discontinued operations | **$ (62.1)** | **$ —** | **$ (62.1)** | $ (99.9) | $ — | $ (99.9) |
| **Comprehensive income from discontinued operations** | **$ 11.6** | **$ 17.8** | **$ 29.4** | $ 67.8 | $ 8.8 | $ 76.6 |

### Net Change in Cash from Discontinued Operations

The following summarizes the net change in cash, including income tax (payment to) refund from national governments and interest paid associated with the business classified as discontinued operations:

| (Millions) | Nine Months Ended September 30, 2015 | 2014 |
|---|---|---|
| Net cash provided from operations | **$ 6.7** | $ 49.8 |
| Net cash provided from investing activities | **35.7** | 47.5 |
| Net cash used for financing activities | **(2.4)** | (55.6) |
| Effect of exchange rate changes on cash | **(4.1)** | (10.6) |
| **Net change in cash during the period** | **35.9** | 31.1 |
| **Cash balances at beginning of period** | **111.5** | 93.2 |
| **Cash balances at end of period** | **$ 147.4** | $ 124.3 |
| **Supplemental cash flows information:** | | |
| **Interest paid** | **$ (25.5)** | $ (34.9) |
| **Net income tax (payment to) refund from national governments** | **$ (30.3)** | $ 7.5 |

**Earnings Per Share**

Basic earnings per share amounts are based on the weighted average number of common shares outstanding including unvested restricted shares that are considered participating securities. Diluted earnings per share amounts are based on the weighted average number of common shares including unvested restricted shares and the net effect of potentially dilutive common shares outstanding. The following table outlines the computation of earnings per share for discontinued operations for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| **Basic and diluted earnings per share numerators (in millions):** | | | | |
| Net income attributable to White Mountains's common shareholders | **$ 14.2** | $ 63.9 | **$ 91.5** | $ 176.5 |
| Allocation of income for participating unvested restricted common shares[1] | **(.2)** | (.9) | **(1.0)** | (2.2) |
| Net income attributable to White Mountains's common shareholders, net of restricted common share amounts[2] | **$ 14.0** | $ 63.0 | **$ 90.5** | $ 174.3 |
| **Basic earnings per share denominators (in thousands):** | | | | |
| Total average common shares outstanding during the period | **5,890.1** | 6,091.4 | **5,951.1** | 6,140.9 |
| Average unvested restricted common shares[3] | **(70.9)** | (81.3) | **(67.1)** | (77.7) |
| Basic earnings per share denominator | **5,819.2** | 6,010.1 | **5,884.0** | 6,063.2 |
| **Diluted earnings per share denominator (in thousands):** | | | | |
| Total average common shares outstanding during the period | **5,890.1** | 6,091.4 | **5,951.1** | 6,140.9 |
| Average unvested restricted common shares[3] | **(70.9)** | (81.3) | **(67.1)** | (77.7) |
| Average outstanding dilutive options to acquire common shares[4] | **—** | — | **—** | — |
| Diluted earnings per share denominator | **5,819.2** | 6,010.1 | **5,884.0** | 6,063.2 |
| **Basic and diluted earnings per share (in dollars):** | **$ 2.41** | $ 10.49 | **$ 15.37** | $ 28.74 |

[1] Restricted shares issued by White Mountains contain dividend participation features, and therefore, are considered participating securities.
[2] Net earnings attributable to White Mountains's common shareholders, net of restricted share amounts, is equal to undistributed earnings for the three and nine months ended September 30, 2015 and 2014.
[3] Restricted common shares outstanding vest either in equal annual installments or upon a stated date. (See **Note 15 - "Employee Share-Based Compensation Plans"**).
[4] The diluted earnings per share denominator for the three and nine months ended September 30, 2015 and 2014 does not include the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding as they are anti-dilutive to the calculation.

**Fair Value of Financial Instruments**

The SIG Senior Notes are recorded as debt at face value less unamortized original issue discount, and the SIG Preference Shares are recorded as non-controlling interest at face value.

The following table summarizes the fair value and carrying value of these financial instruments as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | December 31, 2014 | |
|---|---|---|---|---|
| Millions | Fair Value | Carrying Value | Fair Value | Carrying Value |
| SIG Senior Notes | **$ 423.6** | **$ 399.8** | $ 437.8 | $ 399.7 |
| SIG Preference Shares | **252.5** | **250.0** | 260.0 | 250.0 |

The fair value estimates for the SIG Senior Notes and the SIG Preference Shares have been determined based on indicative broker quotes and are considered to be Level 3 measurements.

**Interest Rate Cap**

In May 2007, Sirius International Group, Ltd. (“SIG”), an intermediate holding company of Sirius Group, issued the SIG Preference Shares, with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% and (ii) 3-month LIBOR plus 320 basis points. In July 2013, SIG executed the Interest Rate Cap for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 basis points of the $250.0 million notional value, or approximately $9.9 million for the full notional amount.

The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized within other revenue. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. The fair value of the Interest Rate Cap has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurement at September 30, 2015.

The following tables summarize the changes in the fair value of the Interest Rate Cap for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| Millions | 2015 | 2014 | 2015 | 2014 |
| Beginning of period | **$ 3.3** | **$ 6.2** | **$ 4.1** | **$ 11.1** |
| Net realized and unrealized losses | **(1.1)** | **(.8)** | **(1.9)** | **(5.7)** |
| End of period | **$ 2.2** | **$ 5.4** | **$ 2.2** | **$ 5.4** |

Sirius Group does not provide any collateral to the interest rate counterparties. Under the terms of the Interest Rate Cap, Sirius Group holds collateral in respect of future amounts due. Sirius Group’s liability to return that collateral is based on the amounts provided by the counterparty and investment earnings thereon.

**Foreign Currency Swap**

On April 28, 2015, Sirius Group executed two foreign currency swaps, each with a notional amount of $50.0 million, maturing on March 20, 2017. Under the first swap, Sirius Group pays Swedish krona and receives U.S. dollars. Under the second swap, White Mountains pays Euros and receives U.S. dollars. The swaps, which were executed as part of Sirius Group's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. At September 30, 2015, the fair value of the swaps of $(2.3) million was recorded within other assets. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenues. Sirius Group does not provide or hold any collateral associated with the swaps.

**Stand By Letter of Credit Facilities**

On November 25, 2014, Sirius International entered into two stand by letter of credit facility agreements totaling $200.0 million to provide capital support for its Lloyds Syndicate 1945. One letter of credit is a $125.0 million facility from Nordea Bank Finland plc (the “Nordea facility”), $100.0 million of which is issued on an unsecured basis. The second letter of credit is a $75.0 million facility with Lloyds Bank plc (the “Lloyds Bank facility”), $25.0 million of which is issued on an unsecured basis. The Nordea facility and the Lloyds Bank facility are renewable annually.

The unsecured portions of the Nordea facility and the Lloyds Bank facility are subject to various affirmative, negative and financial covenants that Sirius Group considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

Sirius International has other secured letter of credit and trust arrangements with various financial institutions to support its insurance operations.

At September 30, 2015, Sirius Group was in compliance with all of the covenants under all of its debt and unsecured letter of credit facilities.

## Note 18. Contingencies

**Legal Contingencies**

White Mountains, and the insurance and reinsurance industry in general, are routinely subject to claims related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. White Mountains’s estimates of the costs of settling matters routinely encountered in claims activity are reflected in the reserves for unpaid loss and LAE. (See **Note 3 - “Loss and Loss Adjustment Expense Reserves”)**.

White Mountains considers the requirements of ASC 450 when evaluating its exposure to non-claims related litigation and arbitration. ASC 450 requires that accruals be established for litigation and arbitration if it is probable that a loss has been incurred and it can be reasonably estimated. ASC 450 also requires that litigation and arbitration be disclosed if it is probable that a loss has been incurred or if there is a reasonable possibility that a loss may have been incurred.

Although the ultimate outcome of claims and non-claims related litigation and arbitration, and the amount or range of potential loss at any particular time, is often inherently uncertain, management does not believe that the ultimate outcome of such claims and non-claims related litigation and arbitration will have a material adverse effect on White Mountains’s financial condition, results of operations or cash flows.

The following summarizes significant legal contingencies, ongoing non-claims related litigation or arbitration as of September 30, 2015:

***Esurance***

On October 7, 2011, the Company completed the sale of its Esurance and Answer Financial subsidiaries (the “Transferred Subsidiaries”) to The Allstate Corporation (“Allstate”) pursuant to a Stock Purchase Agreement dated as of May 17, 2011 (filed as an exhibit to the Company’s current report on Form 8-K on May 18, 2011, the “Agreement”). Subject to specified thresholds and limits, the Company remains contingently liable to Allstate for specified matters related to the pre-closing period, including (a) specified litigation matters, (b) losses of the Transferred Subsidiaries arising from extra-contractual claims and claims in excess of policy limits (“ECO/EPL losses”), (c) certain corporate reorganizations effected to remove entities from the Transferred Subsidiaries that were not being sold in the transaction, and (d) certain tax matters, including certain net operating losses being less than stated levels. In addition, the Company retained 90% of positive or negative development in the loss reserves of the Transferred Subsidiaries as of the closing date (net of ECO/EPL losses) through December 31, 2014 (the “Reserve Settlement”). White Mountains recognized $10.3 million and $18.2 million of net income from discontinued operations in the third quarter and first nine months of 2015 related to the final settlement with Allstate for favorable development on loss reserves transferred in the sale of Esurance and Answer Financial. Since the closing of the transaction through September 30, 2015, White Mountains has received a net amount of $28.3 million from Allstate, primarily related to the favorable development on loss reserves.

***Runoff Transaction***

Subsequent to the closing of the Runoff Transaction, on January 22, 2015, three holders of insurance policies issued by the companies OneBeacon sold to Armour filed a Petition for Review with the Commonwealth Court of Pennsylvania (“Commonwealth Court”) requesting that the Commonwealth Court vacate the Pennsylvania Insurance Department’s (“PID”) orders approving the Runoff Transaction and denying their right to intervene in the PID’s regulatory review of the Runoff Transaction. White Mountains believes the claims made by the petitioners are without merit and has intervened in the proceedings before the Commonwealth Court to vigorously defend the propriety of the PID’s orders in their entirety. White Mountains believes that the possibility is remote that these proceedings could result in an adverse outcome or have a material financial impact on the Company’s results of operations or financial position in the future.

***Tribune Company***

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as “Plaintiffs”), in their capacity as trustees for certain senior notes issued by the Tribune Company (“Tribune”), filed lawsuits in various jurisdictions (the “Noteholder Actions”) against numerous defendants including OneBeacon, OneBeacon-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the “LBO”). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the “Bankruptcy Court”). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the United States District Court for the Southern District of New York. Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. OneBeacon has entered into a joint defense agreement with other affiliates of White Mountains that are defendants in the action. OneBeacon received approximately $32.0 million and Sirius Group, which is now included in discontinued operations, received $6.1 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and Plaintiffs appeal is pending.

In addition, OneBeacon, OneBeacon-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the “Committee”), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the “Committee Action”). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. This matter was consolidated for pretrial matters with the Noteholder Actions in the United States District Court for the Southern District of New York and was stayed pending the motion to dismiss in the Noteholder Action. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014. No amount has been accrued in connection with this matter as of June 30, 2015, as the amount of loss, if any, cannot be reasonably estimated.

## Note 19. OneBeacon Pension Plan

OneBeacon sponsors qualified and non-qualified, non-contributory, defined benefit pension plans covering substantially all employees who were employed as of December 31, 2001 and former employees who had met the eligibility requirements, as well as retirees. Current plans include the OneBeacon qualified pension plan (the “Qualified Plan”) and the OneBeacon nonqualified pension plan (the “Non-qualified Plan”) (collectively the “Plans”). OneBeacon's Plans were frozen and curtailed in 2002. The benefits for the Plans are based primarily on years of service and employees’ compensation through December 31, 2002. OneBeacon’s funding policy is consistent with the funding requirements of U.S. federal laws and regulations.

In April 2014, OneBeacon voted to terminate the Qualified Plan as of June 30, 2014 and applied for a determination letter from the Internal Revenue Service (“IRS”) with respect to the Qualified Plan's tax qualified status at termination and received a favorable determination letter from the IRS on July 23, 2015. OneBeacon currently anticipates the majority of plan assets to be distributed within 12 months of the receipt of the favorable determination letter by way of annuity contract purchases and/or lump sum payments to Plan participants. The purchase of annuities is also subject to the availability of such contracts, with creditworthy insurance companies, at negotiated market terms deemed acceptable to the Plan Sponsor. OneBeacon reserves the right to revoke the termination and does not expect the impact of the termination to be material on OneBeacon's financial position.



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

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

*The following discussion also includes four non-GAAP financial measures - adjusted comprehensive income (loss), adjusted book value per share, pro forma adjusted book value per share and total adjusted capital - that have been reconciled to their most comparable GAAP financial measures (see page 83). White Mountains believes these measures to be more relevant than comparable GAAP measures in evaluating White Mountains's financial performance and condition.*

## RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2015 AND 2014

### Overview

During the third quarter of 2015, White Mountains agreed to sell Sirius Group and its investment in Symetra in two separate transactions. On July 27, 2015, White Mountains signed a definitive agreement to sell Sirius Group to CMI, and on August 11, 2015, Symetra announced that it entered into a definitive merger agreement with Sumitomo Life pursuant to which Sumitomo Life will acquire all of the outstanding shares of Symetra. Both transactions are expected to close in the first quarter of 2016 and are subject to regulatory approvals and other customary closing conditions.

White Mountains ended the third quarter of 2015 with an adjusted book value per share of $655, a decrease of 2% and 1% for the third quarter and first nine months of 2015, including dividends. Pro forma for the Sirius Group and Symetra transactions, adjusted book value per share is approximately $780 at September 30, 2015. Declines in the equity markets and foreign currency exchange losses from the strengthening U.S. dollar contributed to the decreases in reported adjusted book value per share. Additionally, adjusted book value per share was reduced by approximately $5 from incentive compensation accruals made in the third quarter related to the agreements to sell Sirius Group and Symetra, and $3 from share repurchases made in the third quarter at prices above reported adjusted book value per share but below pro forma adjusted book value per share. White Mountains reported adjusted comprehensive loss of $77 million and $32 million for the third quarter and first nine months of 2015 compared to adjusted comprehensive loss of $13 million and income of $142 million for the third quarter and first nine months of last year.

OneBeacon's book value per share decreased 1.3% for the third quarter and increased 1.5% for the first nine months of 2015, including dividends. OneBeacon's GAAP combined ratio was 99% for the third quarter of 2015 compared to 95% for the third quarter of last year, while the GAAP combined ratio was 96% for the first nine months of 2015 compared to 94% for the first nine months of last year. During the quarter, OneBeacon transferred its crop insurance exposures to affiliates of AmTrust through a 100% quota share reinsurance agreement, ceding $17 million of earned premiums, $15 million of losses and $3 million of expenses. The combined ratios for the third quarter and first nine months of 2015 reflect higher expense ratios, driven by higher acquisition costs due to changes in business mix and lower net earned premiums from the exit of the crop business. There was no net loss reserve development in either the third quarter or first nine months of 2015, compared to unfavorable net loss reserve development of 2 points in both the third quarter and first nine months of last year.

As a result of the Sirius Group transaction, Sirius Group's results are reported as discontinued operations within White Mountains's GAAP financial statements. Sirius Group's results inure to White Mountains through the closing date of the transaction. Sirius Group reported a GAAP combined ratio of 95% for the third quarter of 2015 compared to 79% for the third quarter of last year, while the GAAP combined ratio was 84% for the first nine months of 2015 compared to 78% for the first nine months of last year. The higher combined ratio for the 2015 periods was driven by a higher frequency of non-catastrophe per risk and pro rata loss events, especially in the third quarter, which primarily impacted the property, aviation, contingency, and marine lines of business. The third quarter results included losses from the Tianjin port explosion, which are estimated at $15 million after reinstatement premiums. Also, the combined ratios for the third quarter and first nine months of 2015 were higher by 3 points and 1 point due to the cost of ILW covers purchased 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"). Catastrophe losses added 2 points to the combined ratios for both the third quarter and first nine months of 2015, primarily from a Chilean earthquake, compared to 6 points and 4 points of catastrophe losses in the third quarter and first nine months of last year. The combined ratios benefited from favorable loss reserve development of 6 points and 4 points in the third quarter and first nine months of 2015, primarily due to reductions in reserves for property and run-off casualty business, compared to favorable loss reserve development of 8 points and 5 points in the third quarter and first nine months of last year.

White Mountains's total net written premiums decreased 14% and 4% to $303 million and $927 million in third quarter and first nine months of 2015, which were driven by declines at OneBeacon. OneBeacon's net written premiums decreased 15% and 5% to $293 million and $901 million in the third quarter and first nine months of 2015. Net written premiums in the third quarter of 2015 included $36 million of ceded written premiums associated with the transfer of OneBeacon's crop business to AmTrust. Excluding the impact of the exited crop and lawyers liability ($23 million) businesses, and the termination of an affiliated reinsurance treaty ($16 million), premiums grew by 3% for the first nine months of 2015.

The GAAP total return on invested assets, including discontinued operations, was -0.5% for the third quarter of 2015, which included -0.1% from currency losses, and -0.3% for the first nine months of 2015, which included -0.7% from currency losses. This compared to a return of -1.0% and 1.6% for the third quarter and first nine months of 2014, which included -1.1% and -1.2% from currency losses.

**Adjusted Book Value Per Share**

The following table presents White Mountains's adjusted book value per share and reconciles this non-GAAP measure to the most comparable GAAP measure. (See **NON-GAAP FINANCIAL MEASURES** on page 83).

| | September 30, 2015 | June 30, 2015 | December 31, 2014 | September 30, 2014 |
|---|---|---|---|---|
| **Book value per share numerators (in millions):** | | | | |
| White Mountains's common shareholders' equity | **$ 3,745.5** | $ 3,974.6 | $ 3,995.7 | $ 4,009.3 |
| Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio, net of applicable taxes | **(5.5)** | (2.0) | (34.9) | (19.1) |
| Adjusted book value per share numerator [1] | **$ 3,740.0** | $ 3,972.6 | $ 3,960.8 | $ 3,990.2 |
| **Book value per share denominators (in thousands of shares):** | | | | |
| Common shares outstanding | **5,745.0** | 5,960.5 | 5,986.2 | 6,028.3 |
| Unearned restricted shares | **(31.4)** | (37.7) | (25.7) | (31.7) |
| Adjusted book value per share denominator [1] | **5,713.6** | 5,922.8 | 5,960.5 | 5,996.6 |
| Book value per share [2] | **$ 651.97** | $ 666.82 | $ 667.48 | $ 665.08 |
| Adjusted book value per share [2] | **$ 654.58** | $ 670.72 | $ 664.50 | $ 665.41 |

[1] Excludes stock options, which are anti-dilutive to book value.
[2] During the first quarter of both 2015 and 2014, White Mountains declared and paid a dividend of $1.00 per common share.

**Pro Forma Adjusted Book Value Per Share**

The following table presents the additional adjustments to reconcile adjusted book value per share to pro forma adjusted book value per share as of September 30, 2015. (See **NON-GAAP FINANCIAL MEASURES** on page 83).

| | |
|---|---|
| **Pro forma adjusted book value per share numerator (in millions):** | |
| Adjusted book value per share numerator | **$ 3,740.0** |
| Pro forma adjustments: | |
| Gain from sale of Sirius Group | **546.1** |
| Gain from sale of Symetra, net of applicable tax | **253.0** |
| Estimated compensation expense and transaction costs, net of applicable tax | **(80.0)** |
| Proceeds from exercising outstanding options | **92.8** |
| Pro forma adjusted book value per share numerator | **$ 4,551.9** |
| **Pro forma adjusted book value per share denominator (in thousands of shares):** | |
| Adjusted book value per share denominator | **5,713.6** |
| Pro forma adjustments: | |
| Shares issued from exercising outstanding options | **125.0** |
| Pro forma adjusted book value per share denominator | **5,838.6** |
| Pro forma adjusted book value per share | **$ 779.62** |

The following table presents the pro forma gain from the sale of Sirius Group as of September 30, 2015:

| **Millions, except per share amounts** | | |
|---|---|---|
| Assets held for sale | **$ 4,528.1** | |
| Liabilities held for sale | **(3,032.8)** | |
| Net assets held for sale | **1,495.3** | |
| Assets to be contributed in exchange for September 30, 2015 carrying value of Symetra and other investments to be retained by White Mountains | **510.8** | (1) |
| Assets to be contributed to reflect Symetra at market value | **207.7** | (2) |
| Less: SIG Preference Shares | **(250.0)** | |
| Total net assets | **1,963.8** | |
| Transaction multiple above total net assets | **27.3%** | |
| | **536.1** | |
| Additional consideration | **10.0** | |
| Gain from the sale of Sirius Group | **546.1** | |
| Estimated compensation expense and transaction costs, net of applicable tax | **(80.0)** | |
| Net gain from the sale of Sirius Group | **$ 466.1** | |
| Net gain from the sale of Sirius Group per share | **$ 81.58** | |

(1) This amount includes Sirius Group's investment in 17,492,800 common shares of Symetra using the equity method of accounting.

(2) This amount reflects Symetra at $32.00 per common share after tax.

## Goodwill and Intangible Assets

The following table is a summary of goodwill and intangible assets that are included in White Mountains's adjusted book value as of September 30, 2015, December 31, 2014, and September 30, 2014:

| Millions | September 30, 2015 | December 31, 2014 | September 30, 2014 |
|---|---|---|---|
| **Goodwill** | | | |
| Tranzact | **$ 165.2** | $ 145.1 | $ — |
| MediaAlpha | **18.3** | 18.3 | 18.3 |
| Wobi | **5.8** | 5.5 | 5.5 |
| **Total goodwill** | **189.3** | 168.9 | 23.8 |
| **Intangible assets** | | | |
| Tranzact | **158.1** | 142.8 | — |
| MediaAlpha | **26.4** | 32.5 | 34.5 |
| Wobi and other | **7.9** | 7.0 | 7.5 |
| **Total intangible assets** | **192.4** | 182.3 | 42.0 |
| **Total goodwill and intangible assets** | **381.7** | 351.2 | 65.8 |
| **Goodwill and intangible assets attributed to non-controlling interests** | **(138.1)** | (141.8) | (25.3) |
| **Goodwill and intangible assets included in adjusted book value** | **$ 243.6** | $ 209.4 | $ 40.5 |

## Review of Consolidated Results

White Mountains's consolidated financial results for the three and nine months ended September 30, 2015 and 2014 follow:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Gross written premiums | **$ 370.9** | $ 375.6 | **$ 1,086.4** | $ 1,057.5 |
| Net written premiums | **$ 302.5** | $ 351.9 | **$ 927.1** | $ 969.4 |
| **Revenues** | | | | |
| Earned insurance premiums | **$ 284.9** | $ 307.2 | **$ 896.0** | $ 879.1 |
| Net investment income | **16.8** | 13.8 | **42.6** | 44.7 |
| Net realized and unrealized investment (losses) gains | **(43.9)** | (27.5) | **(33.9)** | 64.4 |
| Other revenue — foreign currency translation gains (losses) | **—** | — | **—** | — |
| Other revenue — other | **76.9** | 29.7 | **225.4** | 60.3 |
| Total revenues | **334.7** | 323.2 | **1,130.1** | 1,048.5 |
| **Expenses** | | | | |
| Losses and LAE | **170.0** | 185.5 | **534.1** | 527.3 |
| Insurance acquisition expenses | **55.3** | 55.2 | **166.1** | 153.0 |
| Other underwriting expenses | **56.5** | 51.3 | **165.5** | 152.6 |
| General and administrative expenses | **135.7** | 60.4 | **333.3** | 162.8 |
| General and administrative expenses—intangible asset amortization | **6.9** | 2.6 | **20.8** | 5.5 |
| Interest expense | **4.9** | 3.7 | **13.5** | 10.6 |
| Total expenses | **429.3** | 358.7 | **1,233.3** | 1,011.8 |
| **Pre-tax (loss) income from continuing operations** | **(94.6)** | (35.5) | **(103.2)** | 36.7 |
| Income benefit (expense) | **1.6** | 4.7 | **(.8)** | (11.4) |
| **Net (loss) income from continuing operations** | **(93.0)** | (30.8) | **(104.0)** | 25.3 |
| Net (loss) income from discontinued operations, net of tax | **14.2** | 63.9 | **91.5** | 176.5 |
| Equity in earnings of unconsolidated affiliates, net of tax | **3.9** | 7.0 | **18.0** | 33.3 |
| **Net (loss) income** | **(74.9)** | 40.1 | **5.5** | 235.1 |
| Net loss attributable to non-controlling interests | **16.0** | 11.2 | **24.2** | 7.2 |
| **Net (loss) income attributable to White Mountains's common shareholders** | **(58.9)** | 51.3 | **29.7** | 242.3 |
| Change in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of tax | **3.5** | (9.9) | **(29.4)** | 59.5 |
| Change in foreign currency translation and pension liability, net of tax | **—** | (.2) | **.3** | (.1) |
| Change in foreign currency translation and other from discontinued operations, net of tax | **(18.4)** | (64.1) | **(62.1)** | (99.9) |
| **Comprehensive (loss) income** | **(73.8)** | (22.9) | **(61.5)** | 201.8 |
| Comprehensive income (loss) attributable to non-controlling interests | **(.1)** | .1 | **(.1)** | .1 |
| **Comprehensive (loss) income attributable to White Mountains's common shareholders** | **(73.9)** | (22.8) | **(61.6)** | 201.9 |
| Change in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of tax | **(3.5)** | 9.9 | **29.4** | (59.5) |
| **Adjusted comprehensive (loss) income** | **$ (77.4)** | $ (12.9) | **$ (32.2)** | $ 142.4 |

***Consolidated Results** - **Three Months Ended September 30, 2015 versus Three Months Ended September 30, 2014***

White Mountains’s total revenues increased 4% to $335 million in the third quarter of 2015, driven primarily by revenues from Tranzact, which was acquired in the fourth quarter of 2014, somewhat offset by lower earned premiums and higher unrealized losses from the investment portfolio. Other revenue in the third quarter of 2015 includes $39 million from Tranzact and $28 million from MediaAlpha, compared to $24 million from MediaAlpha in the third quarter of 2014. Net investment income increased by 22% to $17 million compared to $14 million in the third quarter of 2014, primarily due to lower investment expenses. Net realized and unrealized investment losses were $44 million in the third quarter of 2015 compared to $28 million in the third quarter of 2014. (See **Summary of Investment Results** on page 67). Earned insurance premiums decreased 7% to $285 million, driven by an 8% decrease at OneBeacon, which was primarily from its exit of the crop business.

White Mountains’s total expenses increased 20% to $429 million in the third quarter of 2015. Losses and LAE decreased 8% in the third quarter of 2015, which was primarily due to OneBeacon's exit from the crop business. Insurance acquisition expenses were flat. Other underwriting expenses were up 10% to $57 million in the third quarter of 2015, which was primarily due to higher compensation and benefit expenses at OneBeacon relative to the prior year period.

OneBeacon. General and administrative expenses in the third quarter of 2015 included $41 million from Tranzact and $26 million from MediaAlpha, compared to $22 million from MediaAlpha in the third quarter of 2014. General and administrative expense also included $36 million of increased incentive compensation expense in the Other Operations segment recorded in connection with the agreements to sell Sirius Group and Symetra.

White Mountains’s income tax benefit from continuing operations for the third quarter of 2015 was near zero and White Mountains’s income tax benefit from continuing operations for the third quarter of 2014 represented an effective tax rate of 13%. The effective tax rate for the third quarter of 2015 and 2014 was lower than the U.S. statutory rate of 35% due primarily to income generated in jurisdictions with lower tax rates than the United States.

***Consolidated Results** - **Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014***

White Mountains’s total revenues increased 8% to $1,130 million in the first nine months of 2015, driven by revenues from Tranzact, which was acquired in the fourth quarter of 2014, higher revenues from MediaAlpha, which was acquired in March 2014, a gain from the sale of Hamer LLC and higher earned premiums, partially offset by higher net realized and unrealized investment losses. Other revenue in the first nine months of 2015 includes $111 million from Tranzact and $81 million from MediaAlpha, compared to $44 million from MediaAlpha in the first nine months of 2014. Other revenue in the first nine months of 2015 also includes a gain of $20 million from the second quarter sale of Hamer LLC, a small manufacturing company that White Mountains received in 2012 in connection with the liquidation of a limited partnership fund. Earned insurance premiums increased 2% to $896 million. Net investment income decreased 5% to $43 million compared to $45 million during the the first nine months of 2014, primarily due to lower dividend income on common equity securities, partially offset by lower investment expenses. White Mountains reported net realized and unrealized investment losses of $34 million in the first nine months of 2015 compared to $64 million of net realized and unrealized investment gains in the first nine months of 2014. (See **Summary of Investment Results** on page 67).

White Mountains’s total expenses increased 22% to $1,233 million in the first nine months of 2015. General and administrative expenses in the first nine months of 2015 included $110 million from Tranzact and $76 million from MediaAlpha, compared to $40 million from MediaAlpha in the first nine months of 2014. General and administrative expenses also included $36 million of increased compensation expense in the Other Operations segment recorded in connection with the agreement to sell Sirius Group and Symetra. Losses and LAE increased 1% in the first nine months of 2015, roughly in line with the increase in earned premiums. Insurance acquisition expenses increased 9% to $166 million primarily due to higher commissions resulting from a change in business mix at OneBeacon. Other underwriting expenses increased by 8%, driven by the first nine months of 2014 benefiting from a transition services agreement that terminated on June 30, 2014.

White Mountains’s income tax expense from continuing operations for the first nine months of 2015 was near zero and White Mountains's income tax expense from continuing operations for the first nine months of 2014 represented an effective tax rate 31.0%. The effective tax rate for the first nine months of 2015 and 2014 was lower than the U.S. statutory rate of 35% due primarily to income generated in jurisdictions with lower tax rates than the United States.

**I. Summary of Operations By Segment**

White Mountains has determined that its reportable segments are OneBeacon, HG Global/BAM and Other Operations. As a result of the Sirius sale, the results of operations for Sirius Group have been classified as discontinued operations and are now presented separately, net of related income taxes, in the statement of comprehensive income. Prior year amounts have been reclassified to conform to the current period's presentation (See Note 17).

White Mountains conducts its operations through three segments: (1) OneBeacon, (2) HG Global/BAM and (3) Other Operations. While investment results are included in these segments, because White Mountains manages the majority of its investments through its wholly-owned subsidiary, WM Advisors, a discussion of White Mountains's consolidated investment operations is included after the discussion of operations by segment. White Mountains's segment information is presented in **Note 13 — "Segment Information"** to the Consolidated Financial Statements.

**<u>OneBeacon</u>**

Financial results and GAAP ratios for OneBeacon for the three and nine months ended September 30, 2015 and 2014 follow:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| **Millions** | **2015** | **2014** | **2015** | **2014** |
| Gross written premiums | **$ 358.8** | $ 365.3 | **$1,053.0** | $ 1,028.7 |
| Net written premiums | **$ 292.9** | $ 345.6 | **$ 901.2** | $ 952.6 |
| Earned insurance premiums | **$ 281.4** | $ 305.4 | **$ 887.3** | $ 872.8 |
| Net investment income | **12.4** | 10.8 | **33.0** | 33.4 |
| Net realized and unrealized investment (losses) gains | **(29.9)** | (16.0) | **(29.7)** | 24.8 |
| Other revenue | **3.9** | 1.3 | **(.4)** | 3.3 |
| Total revenues | **267.8** | 301.5 | **890.2** | 934.3 |
| Losses and LAE | **167.5** | 185.2 | **527.9** | 520.7 |
| Insurance acquisition expenses | **53.8** | 54.6 | **161.2** | 150.9 |
| Other underwriting expenses | **56.4** | 51.2 | **165.2** | 152.3 |
| General and administrative expenses | **3.4** | 2.0 | **11.0** | 8.3 |
| General and administrative expenses—intangible asset amortization | **.3** | .4 | **1.0** | 1.0 |
| Interest expense | **3.2** | 3.2 | **9.7** | 9.7 |
| Total expenses | **284.6** | 296.6 | **876.0** | 842.9 |
| **Pre-tax (loss) income** | **$ (16.8)** | $ 4.9 | **$ 14.2** | $ 91.4 |
| ***GAAP ratios:*** | | | | |
| Losses and LAE | **60%** | 61% | **60%** | 60% |
| Expense | **39%** | 34% | **36%** | 34% |
| Combined | **99%** | 95% | **96%** | 94% |

The following table presents OneBeacon's book value per share:

| **(Millions, except per share amounts)** | **September 30, 2015** | **June 30, 2015** | **December 31, 2014** | **September 30, 2014** |
|---|---|---|---|---|
| **OneBeacon book value per share:** | | | | |
| OneBeacon's common shareholders' equity | **$ 1,000.4** | $ 1,033.2 | $ 1,045.8 | $ 1,114.5 |
| OneBeacon common shares outstanding | **95.3** | 95.3 | 95.3 | 95.3 |
| OneBeacon book value per common share [(1)] | **$ 10.50** | $ 10.85 | $ 10.97 | $ 11.71 |

[(1)] OneBeacon declared and paid a regular quarterly dividend of $.21 per common share in each of the first three quarters of 2015 and in each quarter during 2014.

OneBeacon ended the third quarter of 2015 with a book value per share of $10.50, a decrease of 1.3% for the quarter and an increase of 1.5% for the first nine months of 2015, including dividends.

*Crop Exit.* 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. AmTrust will reinsure OneBeacon’s remaining net Crop Business exposure for the 2015 reinsurance year. As a result of this transaction, OneBeacon has no material net exposure related to the Crop Business. For the three months ended September 30, 2015, OneBeacon recorded ceded written premiums of $36 million, ceded earned premiums of $17 million, ceded loss and loss adjustment expenses of $15 million and ceded insurance acquisition expenses of $3 million as a result of the transaction. OneBeacon also received a payment of $3 million in connection with the termination of its agreement with CCIA, which has been recorded in other revenue.

***OneBeacon Results—Three Months Ended September 30, 2015 versus Three Months Ended September 30, 2014***

OneBeacon's GAAP combined ratio was 99% for the third quarter of 2015 compared to 95% for the third quarter of 2014. The exit from the crop business favorably impacted the loss ratio by 2 points, which was mostly offset by a 2 point increase to the expense ratio. The combined ratio also reflects higher losses from the Entertainment, Programs, and Ocean Marine lines of businesses and higher other underwriting expenses, primarily due to higher compensation and benefit expenses relative to the prior year period. There was no material net loss reserve development in the third quarter of 2015 compared to 2 points of unfavorable loss reserve development in the third quarter of 2014.

Net written premiums decreased 15% in the third quarter of 2015 to $293 million, primarily due to the decrease from the exit of the Crop Business ($36 million) and decreases in the Healthcare ($20 million) and Other Professional Lines ($6 million) businesses, offset by increases at the newer Programs and Surety businesses ($10 million).

*Reinsurance protection.* OneBeacon purchases reinsurance in order to minimize loss from large risks or catastrophic events. OneBeacon also purchases individual property reinsurance coverage for certain risks to reduce large loss volatility through property-per-risk excess of loss reinsurance programs and individual risk facultative reinsurance. OneBeacon also maintains excess of loss casualty reinsurance programs that provide protection for individual risk or catastrophe losses involving workers compensation, general liability, automobile liability, professional liability or umbrella liability. The availability and cost of reinsurance protection is subject to market conditions, which are outside of management’s control. Limiting risk of loss through reinsurance arrangements serves to mitigate the impact of large losses; however, the cost of this protection in an individual period may exceed the benefit.

OneBeacon's net combined ratio was lower than the gross combined ratio by 7 points for the third quarter of 2015 as a result of the benefit from ceded losses more than offsetting the cost of the reinsurance programs. OneBeacon's net combined ratio was higher than the gross combined ratio by less than one point for the third quarter of 2014 as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses.

***OneBeacon Results—Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014***

OneBeacon's GAAP combined ratio was 96% for the first nine months of 2015 compared to 94% for the first nine months of 2014. The increase to the combined ratio reflects higher losses from the Inland Marine, Ocean Marine and Entertainment lines of business and a higher expense ratio, driven primarily by higher commissions resulting from a change in business mix and the first nine months of 2014 benefiting from a transition services agreement that terminated on June 30, 2014. There was no material net loss reserve development in the first nine months of 2015 compared to 2 points of unfavorable loss reserve development in the third quarter of 2014.

OneBeacon’s net income for the nine months ended September 30, 2015 was adversely impacted by a $4 million negative adjustment to the pre-tax gain on the sale of Essentia Insurance Company (Essentia). OneBeacon previously recognized a pre-tax gain of $23 million on its sale of Essentia, an indirect wholly-owned subsidiary which wrote legacy collector cars and boats business, to Markel Corporation during the first quarter of 2013. During the first quarter of 2015, OneBeacon recognized the loss of $4 million in other revenues 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. OneBeacon's net income for the first nine months of 2015 benefited from its receipt of a $3 million payment related to the exit from the Crop Business, recorded as a gain in other revenues, offset by a $2 million write-off of capitalized software recorded as a loss in other revenues.

OneBeacon's net written premiums decreased 5% to $901 million in the first nine months of 2015, driven primarily by the exits from crop ($36 million) and lawyers liability ($23 million) businesses, a decrease in the Healthcare business ($26 million), and the termination of an affiliated reinsurance treaty ($16 million), offset by increases in the newer Programs and Surety businesses ($54 million).

OneBeacon’s net combined ratio was higher than the gross combined ratio by 1 point for the first nine months of 2015 and 3 points for the first nine months of 2014. In both periods, the net combined ratio was higher than the gross combined ratio as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses.

**HG Global/BAM**

The following table presents the components of pre-tax income included in White Mountains's HG Global/BAM segment related to the consolidation of HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, 2015 | | | |
|---|---|---|---|---|
| **Millions** | **HG Global** | **BAM** | **Eliminations** | **Total** |
| Gross written premiums | $ — | $ 7.0 | $ — | **$ 7.0** |
| Assumed (ceded) written premiums | 5.2 | (5.2) | — | **—** |
| Net written premiums | $ 5.2 | $ 1.8 | $ — | **$ 7.0** |
| | | | | |
| Earned insurance premiums | $ .6 | $ .3 | $ — | **$ .9** |
| Net investment income | .5 | 1.1 | — | **1.6** |
| Net investment income - BAM Surplus Notes | 4.0 | — | (4.0) | **—** |
| Net realized and unrealized investment gains | .6 | 1.7 | — | **2.3** |
| Other revenue | — | .2 | — | **.2** |
| Total revenues | 5.7 | 3.3 | (4.0) | **5.0** |
| Insurance acquisition expenses | .1 | .4 | — | **.5** |
| Other underwriting expenses | — | .1 | — | **.1** |
| General and administrative expenses | .4 | 9.4 | — | **9.8** |
| Interest expense—BAM Surplus Notes | — | 4.0 | (4.0) | **—** |
| Total expenses | .5 | 13.9 | (4.0) | **10.4** |
| **Pre-tax income (loss)** | $ 5.2 | $ (10.6) | $ — | **$ (5.4)** |

| | Three Months Ended September 30, 2014 | | | |
|---|---|---|---|---|
| **Millions** | **HG Global** | **BAM** | **Eliminations** | **Total** |
| Gross written premiums | $ — | $ 4.2 | $ — | **$ 4.2** |
| Assumed (ceded) written premiums | 3.1 | (3.1) | — | **—** |
| Net written premiums | $ 3.1 | $ 1.1 | $ — | **$ 4.2** |
| | | | | |
| Earned insurance premiums | $ .4 | $ .1 | $ — | **$ .5** |
| Net investment income | .4 | 1.4 | — | **1.8** |
| Net investment income - BAM Surplus Notes | 3.9 | — | (3.9) | **—** |
| Net realized and unrealized investment gains | (.5) | (1.4) | — | **(1.9)** |
| Other revenue | — | .2 | — | **.2** |
| Total revenues | 4.2 | .3 | (3.9) | **.6** |
| Insurance acquisition expenses | — | .5 | — | **.5** |
| Other underwriting expenses | — | .1 | — | **.1** |
| General and administrative expenses | .4 | 8.9 | — | **9.3** |
| Interest expense—BAM Surplus Notes | — | 3.9 | (3.9) | **—** |
| Total expenses | .4 | 13.4 | (3.9) | **9.9** |
| **Pre-tax income (loss)** | $ 3.8 | $ (13.1) | $ — | **$ (9.3)** |

| | Nine Months Ended September 30, 2015 | | | |
|---|---|---|---|---|
| Millions | HG Global | BAM | Eliminations | Total |
| Gross written premiums | $ — | $ 17.8 | $ — | **$ 17.8** |
| Assumed (ceded) written premiums | 13.3 | (13.3) | — | **—** |
| Net written premiums | $ 13.3 | $ 4.5 | $ — | **$ 17.8** |
| | | | | |
| Earned insurance premiums | $ 1.7 | $ .6 | $ — | **$ 2.3** |
| Net investment income | 1.4 | 2.9 | — | **4.3** |
| Net investment income - BAM Surplus Notes | 11.9 | — | (11.9) | **—** |
| Net realized and unrealized investment (losses) gains | .3 | 2.8 | — | **3.1** |
| Other revenue | — | .5 | — | **.5** |
| Total revenues | 15.3 | 6.8 | (11.9) | **10.2** |
| Insurance acquisition expenses | .3 | 1.8 | — | **2.1** |
| Other underwriting expenses | — | .3 | — | **.3** |
| General and administrative expenses | 1.2 | 26.3 | — | **27.5** |
| Interest expense—BAM Surplus Notes | — | 11.9 | (11.9) | **—** |
| Total expenses | 1.5 | 40.3 | (11.9) | **29.9** |
| **Pre-tax income (loss)** | $ 13.8 | $ (33.5) | $ — | **$ (19.7)** |

| | Nine Months Ended September 30, 2014 | | | |
|---|---|---|---|---|
| Millions | HG Global | BAM | Eliminations | Total |
| Gross written premiums | $ — | $ 11.4 | $ — | $ 11.4 |
| Assumed (ceded) written premiums | 8.7 | (8.7) | — | — |
| Net written premiums | $ 8.7 | $ 2.7 | $ — | $ 11.4 |
| | | | | |
| Earned insurance premiums | $ .9 | $ .3 | $ — | $ 1.2 |
| Net investment income | 1.0 | 4.2 | — | 5.2 |
| Net investment income—BAM Surplus Notes | 11.8 | — | (11.8) | — |
| Net realized and unrealized investment gains | 1.1 | 5.4 | — | 6.5 |
| Other revenue | — | .5 | — | .5 |
| Total revenues | 14.8 | 10.4 | (11.8) | 13.4 |
| Insurance acquisition expenses | .2 | 1.4 | — | 1.6 |
| Other underwriting expenses | — | .3 | — | .3 |
| General and administrative expenses | 1.2 | 26.6 | — | 27.8 |
| Interest expense—BAM Surplus Notes | — | 11.8 | (11.8) | — |
| Total expenses | 1.4 | 40.1 | (11.8) | 29.7 |
| **Pre-tax income (loss)** | $ 13.4 | $ (29.7) | $ — | $ (16.3) |

***HG Global/BAM Results—Three Months Ended September 30, 2015 versus Three Months Ended September 30, 2014***

In the third quarter of 2015, BAM insured $2.23 billion of municipal bonds, $1.95 billion of which were in the primary market. As of September 30, 2015, BAM's total claims paying resources were $593 million on total par insured of $19.8 billion.

HG Global reported pre-tax income of $5 million in the third quarter of 2015, compared to $4 million in the third quarter of 2014. Results for both periods were driven by $4 million of interest income on the BAM Surplus Notes. The increase in pre-tax income was primarily due to investment results.

White Mountains reported $11 million of pre-tax loss from BAM in the third quarter of 2015, compared to $13 million in the third quarter of 2014. Results for both periods were driven by $4 million of interest expense on the BAM Surplus Notes and $9 million of operating expenses. The decrease in pre-tax loss in the third quarter of 2015 was primarily due to higher mark-to-market results from BAM's investment portfolio.

BAM's affairs are managed on a statutory accounting basis, and it does not report stand-alone GAAP financial results. BAM's statutory net loss was $8 million in both the third quarter of 2015 and 2014.

***HG Global/BAM Results—Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014***

In the first nine months of 2015, BAM insured $7.76 billion of municipal bonds, $7.29 billion of which were in the primary market, up 45% from the first nine months of 2014.

HG Global reported pre-tax income of $14 million in the first nine months of 2015, compared to $13 million in the first nine months of 2014. Results for both periods were driven by $12 million of interest income on the BAM Surplus Notes. The increase in pre-tax income was due to higher investment returns.

White Mountains reported $34 million of pre-tax loss on BAM in the first nine months of 2015, driven by $12 million of interest expense on the BAM Surplus Notes and $26 million of operating expenses. Pre-tax loss was $30 million in the first nine months of 2014, driven by $12 million of interest expense on the BAM Surplus Notes and $27 million of operating expenses. The increase in pre-tax loss in the first nine months of 2015 was primarily due to lower net investment income and mark-to-market results from BAM's investment portfolio.

BAM's affairs are managed on a statutory accounting basis, and it does not report stand-alone GAAP financial results. BAM's statutory net loss was $24 million in both the first nine months of 2015 and 2014.

The following table presents amounts from HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM that are contained within White Mountains's consolidated balance sheet as of September 30, 2015:

| | As of September 30, 2015 | | | |
|---|---|---|---|---|
| **Millions** | **HG Global** | **BAM** | **Eliminations** | **Total** |
| **Assets** | | | | |
| Fixed maturity investments | $ 126.5 | $ 336.9 | $ — | **$ 463.4** |
| Short-term investments | 21.1 | 130.4 | — | **151.5** |
| Total investments | 147.6 | 467.3 | — | **614.9** |
| Cash | .1 | 11.9 | — | **12.0** |
| BAM Surplus Notes | 503.0 | — | (503.0) | **—** |
| Accrued interest receivable on BAM Surplus Notes | 86.2 | — | (86.2) | **—** |
| Other assets | 11.5 | 24.4 | (.6) | **35.3** |
| Total assets | $ 748.4 | $ 503.6 | $ (589.8) | **$ 662.2** |
| **Liabilities** | | | | |
| BAM Surplus Notes[(1)] | $ — | $ 503.0 | $ (503.0) | **$ —** |
| Accrued interest payable on BAM Surplus Notes[(2)] | — | 86.2 | (86.2) | **—** |
| Preferred dividends payable to White Mountains's subsidiaries[(3)] | 124.6 | — | — | **124.6** |
| Preferred dividends payable to non-controlling interests | 4.0 | — | — | **4.0** |
| Other liabilities | 55.0 | 48.6 | (.6) | **103.0** |
| Total liabilities | 183.6 | 637.8 | (589.8) | **231.6** |
| **Equity** | | | | |
| White Mountains's common shareholders' equity | 547.5 | — | — | **547.5** |
| Non-controlling interests | 17.3 | (134.2) | — | **(116.9)** |
| **Total equity** | 564.8 | (134.2) | — | **430.6** |
| **Total liabilities and equity** | $ 748.4 | $ 503.6 | $ (589.8) | **$ 662.2** |

(1) Under GAAP, the BAM Surplus Notes are classified as debt by the issuer. Under U.S. Statutory accounting, they are classified as Surplus.
(2) Under GAAP, interest accrues daily on the BAM Surplus Notes. Under U.S. Statutory accounting, interest is not accrued on the BAM Surplus Notes until it has been approved for payment by insurance regulators.
(3) Dividends on HG Global preferred shares payable to White Mountains's subsidiaries are eliminated in White Mountains's consolidated financial statements.

The following table presents the gross par value of policies priced and closed by BAM for the three and nine months ended September 30, 2015 and 2014:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| Millions | 2015 | 2014 | 2015 | 2014 |
| Gross par value of primary market policies priced | **$ 2,228.6** | $ 1,761.3 | **$ 7,660.3** | $ 5,209.8 |
| Gross par value of secondary market policies priced | **298.3** | 125.7 | **481.6** | 381.0 |
| Total gross par value of market policies priced | **2,526.9** | 1,887.0 | **8,141.9** | 5,590.8 |
| Less: Gross par value of policies priced yet to close | **(762.7)** | (335.1) | **(762.7)** | (335.1) |
| Gross par value of policies closed that were previously priced | **469.3** | 691.3 | **379.6** | 97.5 |
| Total gross par value of market policies closed | **$ 2,233.5** | $ 2,243.2 | **$ 7,758.8** | $ 5,353.2 |

The following table presents BAM's total claims paying resources as of September 30, 2015 and December 31, 2014:

| Millions | As of September 30, 2015 | As of December 31, 2014 |
|---|---|---|
| Policyholders' surplus | $ 438.6 | $ 448.7 |
| Contingency reserve | 10.1 | 4.7 |
| Qualified statutory capital | 448.7 | 453.4 |
| Net unearned premiums | 10.6 | 6.4 |
| Present value of future installment premiums | 1.8 | 1.4 |
| Collateral trusts | 131.5 | 120.0 |
| Claims paying resources | $ 592.6 | $ 581.2 |

**Other Operations**

A summary of White Mountains's financial results from its Other Operations segment for the three and nine months ended September 30, 2015 and 2014 follows:

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| Millions | 2015 | 2014 | 2015 | 2014 |
| Earned insurance premiums | **$ 2.6** | $ 1.3 | **$ 6.4** | $ 5.1 |
| Net investment income | **2.8** | 1.2 | **5.3** | 6.1 |
| Net realized and unrealized investment (losses) gains | **(16.3)** | (9.6) | **(7.3)** | 33.1 |
| Other revenue—Tranzact | **38.6** | — | **111.0** | — |
| Other revenue—MediaAlpha | **28.3** | 23.6 | **81.2** | 43.9 |
| Other revenue | **5.9** | 4.6 | **33.1** | 12.6 |
| Total revenues | **61.9** | 21.1 | **229.7** | 100.8 |
| Loss and loss adjustment expenses | **2.5** | .3 | **6.2** | 6.6 |
| Insurance acquisition expenses | **1.0** | .1 | **2.8** | .5 |
| Other underwriting expenses | **—** | — | **—** | — |
| General and administrative expenses | **55.4** | 27.2 | **109.5** | 86.4 |
| General and administrative expenses—Tranzact | **40.9** | — | **109.5** | — |
| General and administrative expenses—MediaAlpha | **26.2** | 21.9 | **75.8** | 40.3 |
| General and administrative expenses—amortization of intangible assets | **6.6** | 2.2 | **19.8** | 4.5 |
| Interest expense | **1.7** | .5 | **3.8** | .9 |
| Total expenses | **134.3** | 52.2 | **327.4** | 139.2 |
| **Pre-tax loss** | **$ (72.4)** | $ (31.1) | **$ (97.7)** | $ (38.4) |

***Other Operations Results—Three and Nine Months Ended September 30, 2015 versus Three and Nine Months Ended September 30, 2014***

White Mountains's Other Operations segment reported pre-tax loss of $72 million and $98 million in the third quarter and first nine months of 2015, compared to pre-tax loss of $31 million and $38 million in the in the third quarter and first nine months of 2014. White Mountains's Other Operations segment reported net realized and unrealized investment losses of $16 million and $7 million in the third quarter and first nine months of 2015 compared to net realized and unrealized investment losses of $10 million and gains of $33 million in the third quarter and first nine months of 2014. (See **Summary of Investment Results** on page 67). Other revenue in the third quarter and first nine months of 2015 includes $39 million and $111 million from Tranzact and $28 million and $81 million from MediaAlpha compared to $24 million and $44 million from MediaAlpha for the third quarter and first nine months of 2014. White Mountains acquired its stake in Tranzact in October 2014 and acquired its stake in MediaAlpha in March 2014. Other revenue also includes a $20 million pre-tax gain in the first nine months of 2015 from the sale of Hamer LLC, a small manufacturing company that White Mountains received in 2012 in connection with the liquidation of a limited partnership fund.

General and administrative expenses increased to $129 million and $315 million in the third quarter and first nine months of 2015 from $51 million and $131 million in the third quarter and first nine months of 2014. General and administrative expenses in the third quarter and first nine months of 2015 includes $41 million and $110 million from Tranzact and $26 million and $76 million from MediaAlpha compared to $22 million and $40 million from MediaAlpha in the third quarter and first nine months of 2014. General and administrative expenses also included $36 million of increased incentive compensation expense recorded in connection with the agreements to sell Sirius Group and Symetra.

WM Life Re reported $1 million of pre-tax income and $4 million of pre-tax loss in the third quarter and first nine months of 2015 compared to $3 million and $5 million of pre-tax loss in the third quarter and first nine months of 2014. During the second quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature.  At September 30, 2015, $637 million of guarantee value on annuities covered by WM Life Re's reinsurance contracts remains, all of which will run-off by June 30, 2016. (See **Note 9 —** “**Derivatives**” for a summary of WM Life Re's results.)

## Discontinued Operations

On July 27, 2015, White Mountains entered into an agreement to sell Sirius Group to CM International Holding PTE Ltd., the Singapore-based investment arm of CMI. The purchase price will be paid in cash in an amount equal to 127.3% of Sirius Group’s closing date tangible common shareholder’s equity, plus $10 million. The transaction is expected to close in the first quarter of 2016 and is subject to regulatory approval and other customary closing conditions. As a result of the transaction, Sirius Group’s results are reported as discontinued operations within White Mountains’s GAAP financial statements. Sirius Group’s results inure to White Mountains through the closing date of the transaction.

***Sirius Group Results—Three Months Ended September 30, 2015 versus Three Months Ended September 30, 2014***

Sirius Group's GAAP combined ratio was 95% for the third quarter of 2015 compared to 79% for the third quarter of 2014. The higher combined ratio for the 2015 period was primarily due to a higher frequency of non-catastrophe per risk and pro rata loss events, which primarily impacted the property, aviation, contingency, and marine lines of business. The third quarter result included losses from the Tianjin port explosion, which are estimated at $15 million, after reinstatement premiums. Also, the combined ratio for the third quarter of 2015 was higher by 3 points due to the cost of the ILW Covers. Included in the third quarter of 2015 were 2 points of catastrophe losses, primarily from a Chilean earthquake, compared to 6 points of catastrophe losses in the third quarter of 2014. Favorable loss reserve development was 6 points in the third quarter of 2015, primarily due to reductions for property and run-off casualty business, compared to 8 points in the third quarter of 2014.

*Reinsurance protection.* In addition to the ILW Covers, Sirius Group’s reinsurance protection primarily consists of pro-rata and excess of loss protections to cover aviation, trade credit, and certain accident and health and property exposures. Sirius Group’s proportional reinsurance programs provide protection for part of the non-proportional treaty accounts written in Europe, the Americas, Asia, the Middle East and Australia. This reinsurance is designed to increase underwriting capacity where appropriate, and to reduce exposure both to large catastrophe losses and to a frequency of smaller loss events. Attachment points and coverage limits vary by region around the world.

Sirius Group's net combined ratio was 11 points higher than the gross combined ratio for the third quarter of 2015 and was 1 point lower than the gross combined ratio for the third quarter of 2014. For the third quarter of 2015, the net combined ratio was higher than the gross combined ratio due to property retrocessional coverage, including the ILW Covers, with limited or no loss recoveries. For the third quarter of 2014, the net combined ratio was lower than the gross combined ratio because ceded loss recoveries in the aviation and accident and health lines more than offset the cost of reinsurance protection.

***Sirius Group Results—Nine Months Ended September 30, 2015 versus Nine Months Ended September 30, 2014***

Sirius Group's GAAP combined ratio was 84% for the first nine months of 2015 compared to 78% for first nine months of 2014. The increase in the combined ratio was driven by a higher frequency of non-catastrophe per risk and pro rata loss events, which primarily impacted the property (including the Tianjin loss), aviation, contingency, and marine lines of business. Also, the combined ratio for the first nine months of 2015 was higher by 1 point due to the cost of the ILW Covers. The first nine months of 2015 included 2 points of catastrophe losses, primarily from a Chilean earthquake and winter storms in the Northeastern United States, compared to 4 points in the first nine months of last year. Favorable prior period loss development was 4 points the first nine months of 2015 primarily due to decreases in casualty and property loss reserves, compared to 5 points of favorable loss reserve development in the first nine months of last year.

*Reinsurance protection.* Sirius Group's net combined ratio was 7 points higher than the gross combined ratio for the first nine months of 2015 and was 1 point lower than the gross combined ratio for the first nine months of 2014. For the first nine months of 2015, the higher net combined ratio was primarily due to an increase in property retrocessional coverage, including the ILW Covers, with limited or no loss recoveries. For the first nine months of 2014, the net combined ratio was lower than the gross combined ratio because ceded loss recoveries in the accident and health line more than offset the cost of Sirius Group's reinsurance protection programs.

***Esurance***

White Mountains recognized $10 million and $18 million of net income from discontinued operations in the third quarter and first nine months of 2015 related to the final settlement with The Allstate Corporation for favorable development on loss reserves transferred in the sale of Esurance and Answer Financial.

## II. Summary of Investment Results - Total Operations

White Mountains's total operations investment results include continuing operations and discontinued operations. During the third quarter of 2015, White Mountains signed a definitive agreement to sell Sirius Group. Sirius Group's results inure to White Mountains through the closing date of the transaction. White Mountains will continue to manage Sirius Group's investment portfolio for a transition period after the sale.

For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a better comparison to benchmark returns, while all dollar amounts are presented net of management fees and trading expenses. A summary of White Mountains's consolidated total operations' pre-tax investment results, including the returns from discontinued operations, for the three and nine months ended September 30, 2015 and 2014 follows:

*Gross investment returns and benchmark returns*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Fixed maturity investments | **0.4 %** | (0.9)% | **0.6 %** | 1.0 % |
| Short-term investments | **(0.3)%** | (1.2)% | **(0.8)%** | (0.9)% |
| Total fixed income investment returns: | | | | |
| In U.S. dollars | **0.3 %** | (0.9)% | **0.4 %** | 0.7 % |
| In local currencies | **0.5 %** | 0.3 % | **1.2 %** | 2.1 % |
| *Barclays U.S. Intermediate Aggregate Index* | **1.1 %** | 0.0 % | **1.7 %** | 2.9 % |
| Common equity securities | **(6.9)%** | (1.5)% | **(2.8)%** | 5.1 % |
| Convertible fixed maturity and preferred investments | **23.8 %** | (1.3)% | **(12.1)%** | 3.8 % |
| Other long-term investments | **(2.1)%** | (1.2)% | **(6.0)%** | 4.2 % |
| Total common equity securities, convertible fixed maturity and preferred investments and other long-term investment returns: | | | | |
| In U.S. dollars | **(5.1)%** | (1.4)% | **(4.0)%** | 4.9 % |
| In local currencies | **(5.1)%** | (0.8)% | **(3.8)%** | 5.5 % |
| *S&P 500 Index (total return)* | **(6.4)%** | 1.1 % | **(5.3)%** | 8.3 % |
| Total consolidated portfolio returns | | | | |
| In U.S. dollars | **(0.5)%** | (1.0)% | **(0.3)%** | 1.6 % |
| In local currencies | **(0.4)%** | 0.1 % | **0.4 %** | 2.8 % |

***Investment Returns—Three and Nine Months Ended September 30, 2015 versus Three and Nine Months Ended September 30, 2014***

White Mountains's GAAP pre-tax total return on invested assets was -0.5% and -0.3% for the third quarter and first nine months of 2015, which included -0.1% and -0.7% from foreign currency losses, respectively. White Mountains's GAAP pre-tax total return on invested assets was -1.0% and 1.6% for the third quarter and first nine months of 2014, which included -1.1% and -1.2% from foreign currency losses, respectively. White Mountains's total operations after tax realized and unrealized investment (losses) gains were $(34.2) million and $(1.6) million for the third quarter and first nine months of 2015 compared to $14.2 million and $153.1 million for the third quarter and first nine months of last year.

*Fixed income results*

White Mountains maintains a high-quality, short-duration fixed income portfolio. As of September 30, 2015, the fixed income portfolio duration was approximately 2.1 years, including short-term investments, compared to 2.0 years as of December 31, 2014 and 2.3 years as of September 30, 2014.

In U.S. dollars, the fixed income portfolio returned 0.3% and 0.4% for the third quarter and first nine months of 2015. In local currencies, the fixed income portfolio returned 0.5% and 1.2% for the third quarter and first nine months of 2015, underperforming the longer duration Barclays U.S. Intermediate Aggregate Index returns of 1.1% and 1.7% as rates declined in both periods. In U.S. dollars, the fixed income portfolio returned -0.9% and 0.7% for the third quarter and first nine months of 2014. In local currencies, the fixed income portfolio returned 0.3% for the third quarter of 2014, outperforming a flat return for the longer duration Barclays Intermediate Aggregate Index. In local currencies, the fixed income portfolio returned 2.1% for the first nine months of 2014, underperforming the longer duration Barclays U.S. Intermediate Aggregate Index return of 2.9% as rates declined in the period.

*Common equity securities, convertible fixed maturity and preferred investments and other long-term investments results*

White Mountains generally maintains a value-oriented equity portfolio that consists of common equity securities, convertibles and other long-term investments, including hedge funds and private equity funds. White Mountains's management believes that prudent levels of investments in common equity securities, convertibles and other long-term investments are likely to enhance long-term after-tax total returns. White Mountains's portfolio of common equity securities, convertibles and other long-term investments represented approximately 15%, 18%, and 19% of GAAP invested assets as of September 30, 2015, December 31, 2014, and September 30, 2014.

In U.S. dollars, the equity portfolio returned -5.1% and -4.0% for the third quarter and first nine months of 2015, outperforming the S&P 500 Index return of -6.4% and -5.3% for the comparable periods. The outperformance for the third quarter of 2015 was primarily due to the impact of other long-term investments, which tend to outperform indices in a down equity market, while the outperformance for the first nine months of 2015 was due to favorable publicly traded common equity securities results during the first half of 2015.

In U.S. dollars the equity portfolio returned -1.4% and 4.9% for the third quarter and first nine months of 2014, underperforming the S&P 500 Index returns of 1.1% and 8.3% for the comparable periods.

White Mountains has established separate accounts with third party registered investment advisers to manage publicly-traded common equity securities and convertibles. The largest of these separate account relationships have been with Prospector Partners LLC ("Prospector"), Lateef Investment Management ("Lateef") and Silchester International Investors ("Silchester"). White Mountains's equity investment style has generally been value-oriented with a significant portion of the assets managed by Prospector. During the second quarter of 2015, White Mountains instructed Prospector to liquidate its separate account portfolios and redeemed its investments in the Prospector Funds with the intention to reallocate a portion of its equity exposure to passive equity investment vehicles. White Mountains has since terminated its investment management agreements with Prospector. White Mountains continues to have publicly-traded common equity securities actively managed by Lateef and Silchester.

During the second quarter of 2015, White Mountains purchased exchange traded funds (ETFs) that seek to provide investment results that, before expenses, generally correspond to the performance of the S&P 500, Russell 1000 and Russell 1000 Value Indices. As of September 30, 2015, White Mountains had $335.1 million invested in ETFs (including discontinued operations). The following summarizes White Mountains's investments in ETFs by exposure to each index:

| Index | Market Value September 30, 2015 | |
|---|---|---|
| S&P 500 | $ | **279.5** |
| Russell 1000 Value | | **38.9** |
| Russell 1000 | | **16.7** |
| Total | $ | **335.1** |

In the third quarter and for the first nine months of 2015, the ETFs earned the effective market return, before expenses, over the period in which White Mountains was invested in each respective fund. The Lateef separate account is a highly concentrated portfolio of high quality mid- and large-cap growth companies. Lateef is a growth at a reasonable price manager focused on investing in high return on invested capital businesses at reasonable valuations. Lateef uses a bottom up, fundamental research-driven investment process that is focused on absolute returns, low turnover and a long-term investment horizon. As a highly concentrated portfolio of 15 to 20 positions, relative performance to the S&P 500 Index return is often driven, positively or negatively, by individual positions, especially in the short-term. In U.S. dollars, the Lateef separate account returned -7.5% and -3.8% for the third quarter and first nine months of 2015, underperforming the S&P 500 Index return of -6.4% for the third quarter of 2015 but outperforming the S&P 500 Index return of -5.3% for the first nine months of 2015. Lateef's outperformance relative to the S&P 500 Index return in the first nine months of 2015 reflects positive contributions from merger and acquisition activity in the healthcare sector. In U.S. dollars, Lateef's separate account returned -3.1% and 0.6% for the third quarter and first nine months of 2014, underperforming the S&P 500 Index returns of 1.1% and 8.3% for the comparable periods.

White Mountains has an investment in the Calleva Trust, an open-ended unit trust established as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the European Communities Regulations that is managed by Silchester. Silchester invests primarily in value-oriented non-U.S. equity securities. Silchester's investment strategy focuses on companies with low market multiples of earnings, cash flow, asset value or dividends. In U.S. dollars, the Silchester portfolio returned -9.6% and -1.9% for the third quarter and first nine months of 2015, underperforming the S&P 500 Index return of -6.4% for the third quarter of 2015 but outperforming the S&P 500 Index return of -5.3% for the first nine months of 2015. In U.S. dollars, the Silchester portfolio returned -4.1% and 2.3% for the third quarter and first nine months of 2014, underperforming the S&P 500 Index returns of 1.1% and 8.3%, for the comparable periods. In local currencies, the Silchester portfolio returned -8.0% and 1.9% for the third quarter and first nine months of 2015, outperforming the MCSI EAFE Index returns of -9.0% and -1.0% for the comparable periods. In local currencies, the Silchester portfolio returned 2.2% and 7.2% for the third quarter and first nine months of 2014, outperforming the MCSI EAFE Index returns of 0.9% and 4.1% for the comparable periods.

As of December 31, 2014, White Mountains had investments in TaClaro Holdings B.V., which owns TaCerto.com ("TaCerto"), in the form of convertible preferred shares ($4.5 million), loans ($1.7 million) and common shares ($0.3 million). During the first quarter of 2015, TaCerto initiated a wind-down of its business. As a result, White Mountains reduced the carrying value of these investments to $0. The impact of this write-off is reflected in White Mountains's convertible fixed maturity and preferred investments and other long-term investments, which returned -12.1% in the first nine months of 2015. During the second quarter of 2015 the TaCerto shares were sold for a nominal amount.

White Mountains also maintains a portfolio of other long-term investments that consists primarily of hedge funds, private equity funds, surplus note investments, private equity securities and other investments in limited partnerships. As of September 30, 2015, approximately 68% of these long-term investments were in private equity funds, with a general emphasis on narrow, sector-focused funds, and hedge funds, with a general emphasis on long-short equity funds.

In U.S. dollars, the other long-term investments portfolio returned -2.1% and -6.0% for the third quarter and first nine months of 2015, outperforming the HFRX Equal Weighted Strategies Index return of -2.4% for the third quarter of 2015 but underperforming the HFRX Equal Weighted Strategies Index return of -0.9% for the first nine months of 2015. The portfolio's outperformance relative to the HFRX Equal Weighted Strategies Index return for the third quarter of 2015 was primarily attributable to improved results in certain private equity funds. The portfolio's underperformance relative to the HFRX Equal Weighted Strategies Index return for the first nine months of 2015 was primarily due to the write-off of TaCerto and unfavorable results from a long/short credit and distressed hedge fund and certain energy exposed private equity funds. In U.S. dollars, the other long-term investments portfolio returned -1.2% and 4.2% for the third quarter and first nine months of 2014, underperforming the HFRX Equal Weighted Strategies Index return of -0.6% for the third quarter of 2014 but outperforming the HRFX Equal Weighted Strategies Index return of 1.3% for the first nine months of 2014.

**Foreign Currency Translation**

White Mountains's holds non-U.S. dollar-denominated assets and liabilities, primarily within discontinued operations, which are valued using period-end exchange rates. White Mountains has non-U.S. dollar-denominated foreign revenues and expenses, primarily within discontinued operations, which are valued using average exchange rates over the period. Foreign currency exchange rate risk is the risk that White Mountains will incur losses on a U.S. dollar basis due to adverse changes in foreign currency exchange rates.

The following table illustrates the pre-tax effect that a hypothetical 10% increase (i.e. U.S. dollar strengthening) or decrease (i.e. U.S. dollar weakening) in the rate of exchange from the British pound sterling, the Canadian dollar, the Swedish krona and the euro to the U.S. dollar would have on the carrying value of White Mountains's total operations net assets, continuing operations net assets, and discontinued operations net assets denominated in the respective currencies as of September 30, 2015 and December 31, 2014:

| | September 30, 2015 | | | | | |
|---|---|---|---|---|---|---|
| | 10% increase | | | 10% decrease | | |
| Millions | Continuing Operations | Discontinued Operations | Total Operations | Continuing Operations | Discontinued Operations | Total Operations |
| British pound sterling to U.S. dollar | $ (1.1) | $ (19.4) | $ (20.5) | $ 1.1 | $ 19.4 | $ 20.5 |
| Canadian dollar to U.S. dollar | — | (4.8) | (4.8) | — | 4.8 | 4.8 |
| Swedish krona to U.S. dollar | (0.1) | (4.8) | (4.9) | 0.1 | 4.8 | 4.9 |
| Euro to U.S. dollar | (5.8) | .2 | (5.6) | 5.8 | (.2) | 5.6 |

| | December 31, 2014 | | | | | |
|---|---|---|---|---|---|---|
| | 10% increase | | | 10% decrease | | |
| Millions | Continuing Operations | Discontinued Operations | Total Operations | Continuing Operations | Discontinued Operations | Total Operations |
| British pound sterling to U.S. dollar | $ (1.6) | $ (15.0) | $ (16.6) | $ 1.6 | $ 15.0 | $ 16.6 |
| Canadian dollar to U.S. dollar | — | (4.9) | (4.9) | — | 4.9 | 4.9 |
| Swedish krona to U.S. dollar | — | (24.8) | (24.8) | — | 24.8 | 24.8 |
| Euro to U.S. dollar | (2.5) | (2.3) | (4.8) | 2.5 | 2.3 | 4.8 |

**Investment in Symetra Common Shares**

During the third quarter of 2015, Symetra announced that it entered into a definitive merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") pursuant to which Sumitomo Life will acquire all of the outstanding shares of Symetra. White Mountains received a special dividend of $.50 per share in the third quarter of 2015 and expects to receive $32.00 per share in cash at closing. The transaction is expected to close in the first quarter of 2016 and is subject to regulatory approval and other customary closing conditions.

During the third quarter and first nine months of 2015, White Mountains recorded $4 million and $16 million in equity in earnings from its investment in Symetra's common shares. The value used in the calculation of White Mountains's adjusted book value per share was $18.81 per Symetra common share at September 30, 2015.

**Summary of Investment Results - Continuing Operations**

White Mountains's continuing operations pre-tax investment results, as presented in the consolidated statement of operations for the three and nine months ended September 30, 2015 and 2014 are presented below.

| **Pre-tax investment results**<br>**Millions** | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Net investment income | **$ 16.8** | $ 13.8 | **$ 42.6** | $ 44.7 |
| Net realized and unrealized investment (losses) gains [1] | **(43.9)** | (27.5) | **(33.9)** | 64.4 |
| Total GAAP continuing operations pre-tax investment (losses) gains | **$ (27.1)** | **$ (13.7)** | **$ 8.7** | **$ 109.1** |

[1] Includes foreign currency (losses) gains of $(0.2), $(5.4), $(2.9), and $(5.2).

A summary of White Mountains's continuing operations returns for the three and nine months ended September 30, 2015 and 2014 follows:

*Gross investment returns and benchmark returns*

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Total fixed income investment returns: | | | | |
| In U.S. dollars | **0.6 %** | 0.2 % | **1.5 %** | 1.9% |
| In local currencies | **0.6 %** | 0.2 % | **1.5 %** | 1.9% |
| *Barclays U.S. Intermediate Aggregate Index* | **1.1 %** | 0.0 % | **1.7 %** | 2.9% |
| Total common equity securities, convertible fixed maturity and preferred investments and other long-term investment returns: | | | | |
| In U.S. dollars | **(5.4)%** | (1.3)% | **(3.2)%** | 5.2% |
| In local currencies | **(5.3)%** | (0.8)% | **(2.9)%** | 5.6% |
| *S&P 500 Index (total return)* | **(6.4)%** | 1.1 % | **(5.3)%** | 8.3% |
| Total consolidated portfolio returns | | | | |
| In U.S. dollars | **(0.7)%** | (0.3)% | **0.4 %** | 2.9% |
| In local currencies | **(0.7)%** | (0.1)% | **0.4 %** | 3.0% |

**Summary of Investment Results - Discontinued Operations**

A summary of White Mountains's discontinued operations' pre-tax investment results for the three and nine months ended September 30, 2015 and 2014 follows:

*Gross investment returns and benchmark returns*

| | **Three Months Ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| Total fixed income investment returns: | | | | |
| In U.S. dollars | **0.0 %** | (1.9)% | **(0.6)%** | (0.5)% |
| In local currencies | **0.5 %** | 0.4 % | **0.9 %** | 2.3 % |
| *Barclays U.S. Intermediate Aggregate Index* | **1.1 %** | 0.0 % | **1.7 %** | 2.9 % |
| Total common equity securities, convertible fixed maturity and preferred investments and other long-term investment returns: | | | | |
| In U.S. dollars | **(4.1)%** | (1.1)% | **(6.3)%** | 4.4 % |
| In local currencies | **(4.3)%** | (0.6)% | **(6.4)%** | 4.7 % |
| *S&P 500 Index (total return)* | **(6.4)%** | 1.1 % | **(5.3)%** | 8.3 % |
| Total consolidated portfolio returns | | | | |
| In U.S. dollars | **(0.3)%** | (1.8)% | **(1.1)%** | 0.0 % |
| In local currencies | **0.1 %** | 0.4 % | **0.3 %** | 2.5 % |

## LIQUIDITY AND CAPITAL RESOURCES

### Operating Cash and Short-term Investments

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

*Operating subsidiary level.* The primary sources of cash for White Mountains's insurance, reinsurance and other operating subsidiaries are expected to be premium and fee collections, net investment income, proceeds from sales and maturities of investments, contributions from holding companies, capital raising activities and, from time to time, proceeds from the sales of operating subsidiaries. The primary uses of cash are expected to be claim payments, policy acquisition costs, purchases of investments, payments on and repurchases/retirements of its debt obligations, distributions and tax sharing payments made to holding companies, distributions to non-controlling interest holders, operating expenses and, from time to time, purchases of operating subsidiaries.

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

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

### Dividend Capacity

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

***OneBeacon:***

OneBeacon's top-tier regulated U.S. insurance operating subsidiary, Atlantic Specialty Insurance Company ("ASIC"), has the ability to pay dividends to its immediate parent during any 12-month period without the prior approval of regulatory authorities in an amount set by formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus and subject to dividends paid in prior periods. Based upon the formula above, most recently calculated as of June 30, 2015, ASIC has the ability to pay $13 million of dividends without prior approval of regulatory authorities. As of June 30, 2015, ASIC had $689 million of statutory surplus and $64 million of earned surplus. During the first nine months of 2015, ASIC paid $45 million of dividends to its immediate parent.

Split Rock has the ability to declare or pay dividends or make capital distributions to its immediate parent during any 12-month period without the prior approval of Bermuda regulatory authorities on the condition that any such declaration or payment of dividends or capital distributions does not cause a breach of any of its regulatory solvency and liquidity requirements. During 2015, Split Rock has the ability to pay dividends or make capital distributions without the prior approval of regulatory authorities, subject to meeting all appropriate liquidity and solvency requirements, of $19 million, which is equal to 15% of its December 31, 2014 statutory capital (excluding earned surplus). During the first nine months of 2015, Split Rock did not pay any dividends to its immediate parent.

During the first nine months of 2015, OneBeacon's unregulated insurance operating subsidiaries paid $5 million of dividends to their immediate parent. As of September 30, 2015, OneBeacon's unregulated insurance operating subsidiaries had $146 million of net unrestricted cash, short-term investments, and fixed maturity investments and also had $101 million in par value of the OBIC Surplus Notes, with a carrying value of $58 million, classified as other long-term investments.

During the first nine months of 2015, OneBeacon Ltd. paid $60 million of regular quarterly dividends to its common shareholders. White Mountains received $45 million of these dividends.

As of September 30, 2015, OneBeacon Ltd. and its intermediate holding companies had $97 million of net unrestricted cash, short-term investments and fixed maturity investments and $75 million of common equity securities and other long-term investments outside of its regulated and unregulated insurance operating subsidiaries.

***HG Global/BAM:***

At September 30, 2015, HG Global had $613 million face value of preferred shares outstanding, of which White Mountains owned 96.9%. Holders of the HG Global preferred shares receive cumulative dividends at a fixed annual rate of 6.0% on a quarterly basis, when and if declared by HG Global. HG Global did not declare or pay any preferred dividends in the first nine months of 2015. As of September 30, 2015, HG Global has accrued $129 million of dividends payable to holders of its preferred shares, $125 million of which is payable to White Mountains and eliminated in consolidation.

HG Re is a Special Purpose Insurer subject to regulation and supervision by the BMA, but does not require regulatory approval to pay dividends. However, HG Re's dividend capacity is limited by amounts held in the collateral trusts pursuant to the first loss reinsurance treaty ("FLRT") with BAM. As of December 31, 2014, HG Re had statutory capital of $445 million, of which $44 million primarily relates to accrued interest on the BAM Surplus Notes held by HG Re, and $403 million was held as collateral in the Supplemental Trust pursuant to the FLRT with BAM.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which is 3.15% for 2015. Prior to the end of 2018, BAM has the option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8%. BAM is required to seek regulatory approval to pay interest and principal on its surplus notes only when adequate capital resources have accumulated beyond BAM's initial capitalization and a level that continues to support its outstanding obligations, business plan and ratings.

***Other Operations:***

During the first nine months of 2015, WM Advisors did not pay any dividends to its immediate parent. At September 30, 2015, WM Advisors had $13 million of net unrestricted cash, short-term investments and fixed maturity investments.

During the first nine months of 2015, White Mountains paid a $6 million common share dividend. At September 30, 2015, the Company and its intermediate holding companies had $156 million of net unrestricted cash, short-term investments and fixed maturity investments, $169 million of common equity securities and $55 million of other long-term investments included in its Other Operations segment.

*WM Life Re Keep-Well Agreement*

Sirius Group initially fronted the reinsurance contracts covering guaranteed living and death benefits of Japanese variable annuity contracts for, and was 100% reinsured by, WM Life Re. In October 2013, White Mountains and Tokio Marine completed a novation whereby Sirius Group's obligations on the reinsurance contracts were transferred to WM Life Re. As a result, Sirius Group no longer has any obligation or liability relating to these agreements. In connection with this novation agreement, White Mountains and Life Re Bermuda entered into a keep-well agreement, which obligates White Mountains to make capital contributions to Life Re Bermuda in the event that Life Re Bermuda's shareholder's equity falls below $75 million, provided however that in no event shall the amount of all capital contributions made by White Mountains under this agreement exceed $127 million. During the first nine months of 2015, White Mountains contributed $8 million to Life Re Bermuda. At September 30, 2015, Life Re Bermuda had $79 million of shareholder's equity and White Mountains's maximum capital commitment under the keep-well agreement was $111 million. WM Life Re is in runoff and all of its contracts will mature by June 30, 2016.

The summary balance sheet below presents Life Re Bermuda's net assets at September 30, 2015 reported to Tokio Marine as required under the terms of the novation agreement:

| Millions | | September 30, 2015 |
|---|---|---|
| Cash and short-term investments | $ | 54.0 |
| Direct obligations of the government of Japan | | — |
| Reinsurance premium receivable | | .7 |
| Settlements due from brokers and dealers | | .4 |
| Derivative instruments | | 37.0 |
| Total assets | | 92.1 |
| Variable annuity liabilities | | 1.0 |
| Counterparty collateral held | | 11.1 |
| Intercompany line of credit outstanding | | — |
| Accounts payable and accrued expenses | | 1.4 |
| Total liabilities | | 13.5 |
| Total shareholder's equity | $ | 78.6 |

***Discontinued Operations - Sirius Group:***

Sirius Bermuda Insurance Ltd. ("Sirius Bermuda"), a class 3A licensed Bermuda insurer which owns Sirius International, has the ability to declare or pay dividends or make capital distributions to its immediate parent during any 12-month period without the prior approval of Bermuda regulatory authorities on the condition that any such declaration or payment of dividends or capital distributions does not cause a breach of any of its regulatory solvency and liquidity requirements. During 2015, Sirius Bermuda has the ability to pay dividends or make capital distributions without the prior approval of regulatory authorities, subject to meeting all appropriate liquidity and solvency requirements, of $350 million, which is equal to 15% of its December 31, 2014 statutory capital (excluding earned surplus). The amount of dividends available to be paid by Sirius Bermuda in any given year is also subject to cash flow and earnings generated by Sirius Bermuda's business, as well as to dividends received from its subsidiaries, including Sirius International. During the first nine months of 2015, Sirius Bermuda paid $85 million of dividends to its immediate parent.

Sirius International has the ability to pay dividends to Sirius Bermuda subject to the availability of unrestricted equity, calculated in accordance with the Swedish Act on Annual Accounts in Insurance Companies and the Swedish Supervisor Authorities ("Swedish FSA"). Unrestricted equity is calculated on a consolidated group account basis and on a parent account basis. Differences between the two include but are not limited to accounting for goodwill, subsidiaries (with parent accounts stated at original foreign exchange rates), taxes and pensions. Sirius International's ability to pay dividends is limited to the "lower of" unrestricted equity as calculated within the group and parent accounts. As of December 31, 2014, Sirius International had $467 million (based on the December 31, 2014 SEK to USD exchange rate) of unrestricted equity on a parent account basis (the lower of the two) available to pay dividends in 2015. The amount of dividends available to be paid by Sirius International in any given year is also subject to cash flow and earnings generated by Sirius International's business, as well as to dividends received from its subsidiaries, including Sirius America. Earnings generated by Sirius International's business that are allocated to the Safety Reserve are not available to pay dividends (see "*Safety Reserve*" on the next page). During the first nine months of 2015, Sirius International paid $95 million of dividends to its immediate parent.

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer certain portions of its pre-tax income to its Swedish parent companies to minimize taxes (referred to as a group contribution). On January 1, 2013, new tax legislation became effective in Sweden that limits the deductibility of interest paid on certain intra-group debt instruments. Uncertainty exists with respect to the interpretation of the legislation on existing intra-group debt instruments within the Sirius Group structure. During the first nine months of 2015, Sirius International did not transfer any of its 2014 pre-tax income to its Swedish parent companies.

Sirius America has the ability to pay dividends to its immediate parent during any 12-month period without the prior approval of regulatory authorities in an amount set by formula based on the lesser of net investment income, as defined by statute, or 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus and subject to dividends paid in prior periods. Based upon the formula above, most recently calculated as of June 30, 2015, Sirius America does not currently have the ability to pay dividends without prior approval of regulatory authorities. As of June 30, 2015, Sirius America had $630 million of statutory surplus and $121 million of earned surplus. During the first nine months of 2015, Sirius America did not pay any dividends to its immediate parent. In October 2015, Sirius America received approval from the regulators to make a special dividend and return of capital distribution totaling $125 million.

As of September 30, 2015, Sirius Group and its intermediate holding companies had $67 million of net unrestricted cash, short-term investments and fixed maturity investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries. During the first nine months of 2015, Sirius Group did not pay any dividends to its immediate parent.

*Capital Maintenance*

There is a capital maintenance agreement between Sirius International and Sirius America, which obligates Sirius International to make contributions to Sirius America's surplus in order for Sirius America to maintain surplus equal to at least 125% of the company action level risk based capital as defined in the NAIC Property/Casualty Risk-Based Capital Report. The agreement provides for a maximum contribution to Sirius America of $200 million. During 2015, Sirius International has not made any contributions to the surplus of Sirius America. Sirius International also provides Sirius America with accident year stop loss reinsurance, which protects Sirius America's accident year loss and allocated loss adjustment expense ratio in excess of 70%, with a limit of $90 million. This stop loss contract was in effect for all of 2014 and has been renewed for all of 2015 with the same terms.

*Safety Reserve*

Subject to certain limitations under Swedish law, Sirius International is permitted to transfer pre-tax income amounts into an untaxed reserve referred to as a safety reserve. At September 30, 2015, Sirius International's safety reserve amounted to SEK 10.4 billion, or $1.2 billion (based on the September 30, 2015 SEK to USD exchange rate). Under GAAP, an amount equal to the safety reserve, net of a related deferred tax liability established at the Swedish tax rate of 22.0%, is classified as shareholder's equity. Generally, this deferred tax liability is only required to be paid by Sirius International if it fails to maintain prescribed levels of premium writings and loss reserves in future years. As a result of the indefinite deferral of these taxes, Swedish regulatory authorities apply no taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve ($273 million at September 30, 2015) is included in solvency capital. Access to the safety reserve is restricted to coverage of insurance and reinsurance losses. Access for any other purpose requires the approval of Swedish regulatory authorities. Similar to the approach taken by Swedish regulatory authorities, most major rating agencies generally include the $1.2 billion balance of the safety reserve, without any provision for deferred taxes, in Sirius International's regulatory capital when assessing Sirius International's financial strength.

**Insurance Float**

Insurance float is an important aspect of White Mountains's insurance operations. Insurance float represents funds that an insurance or reinsurance company holds for a limited time. In an insurance or reinsurance operation, float arises because premiums are collected before losses are paid. This interval can extend over many years. During that time, the insurer or reinsurer invests the funds. When the premiums that an insurer or reinsurer collects do not cover the losses and expenses it eventually must pay, the result is an underwriting loss, which can be considered as the cost of insurance float. One manner to calculate insurance float is to take insurance liabilities and subtract insurance assets. Although insurance float can be calculated using numbers determined under GAAP, insurance float is not a GAAP concept and, therefore, there is no comparable GAAP measure.

Insurance float can increase in a number of ways, including through acquisitions of insurance and reinsurance operations, organic growth in existing insurance and reinsurance operations and recognition of losses that do not immediately cause a corresponding reduction in investment assets. Conversely, insurance float can decrease in a number of other ways, including sales of insurance and reinsurance operations, shrinking or runoff of existing insurance and reinsurance operations, the acquisition of operations that do not have substantial investment assets (e.g., an agency) and the recognition of gains that do not cause a corresponding increase in investment assets. It is White Mountains's intention to generate low-cost float over time through a combination of acquisitions and organic growth in its existing insurance and reinsurance operations. However, White Mountains seeks to increase overall profitability, which sometimes reduces insurance float, such as in the Sirius Group transaction and the Runoff Transaction.

Certain operational leverage metrics can be measured with ratios that are calculated using insurance float. There are many activities that do not change the amount of insurance float at an insurance or reinsurance company but can have a significant impact on the company's operational leverage metrics. For example, investment gains and losses, foreign currency gains and losses, debt issuances and repurchases/retirements, common and preferred share issuances and repurchases and dividends paid to shareholders are all activities that do not change insurance float but that can meaningfully impact operational leverage metrics that are calculated using insurance float.

The following table illustrates White Mountains's consolidated insurance float position as of September 30, 2015 and December 31, 2014:

| | **September 30, 2015** | | | December 31, 2014 | | |
|---|---|---|---|---|---|---|
| **($ in millions)** | **Continuing Operations** | **Discontinued Operations** | **Total** | Continuing Operations | Discontinued Operations | Total |
| Loss and LAE reserves | **$ 1,433.3** | **$ 1,662.9** | **$ 3,096.2** | $ 1,350.0 | $ 1,809.8 | $ 3,159.8 |
| Unearned insurance and reinsurance premiums | **671.3** | **429.4** | **1,100.7** | 616.7 | 338.6 | 955.3 |
| Ceded reinsurance payable | **46.8** | **131.4** | **178.2** | 34.2 | 71.5 | 105.7 |
| Funds held under insurance and reinsurance contracts | **100.3** | **45.1** | **145.4** | 81.0 | 57.9 | 138.9 |
| Deferred tax on safety reserve [(1)] | **—** | **273.3** | **273.3** | — | 295.7 | 295.7 |
| Insurance liabilities | **2,251.7** | **2,542.1** | **4,793.8** | 2,081.9 | 2,573.5 | 4,655.4 |
| | | | | | | |
| Cash in regulated insurance and reinsurance subsidiaries | **$ 10.4** | **$ 130.3** | **$ 140.7** | $ 17.4 | $ 102.6 | $ 120.0 |
| Reinsurance recoverable on paid and unpaid losses | **237.2** | **287.5** | **524.7** | 173.9 | 333.6 | 507.5 |
| Insurance and reinsurance premiums receivable | **273.3** | **416.6** | **689.9** | 241.1 | 306.6 | 547.7 |
| Funds held by ceding entities | **4.6** | **81.1** | **85.7** | 37.1 | 91.9 | 129.0 |
| Deferred acquisition costs | **110.8** | **82.7** | **193.5** | 107.2 | 69.9 | 177.1 |
| Ceded unearned insurance and reinsurance premiums | **41.4** | **118.4** | **159.8** | 17.8 | 76.2 | 94.0 |
| Insurance assets | **677.7** | **1,116.6** | **1,794.3** | 594.5 | 980.8 | 1,575.3 |
| | | | | | | |
| Insurance float | **$ 1,574.0** | **$ 1,425.5** | **$ 2,999.5** | $ 1,487.4 | $ 1,592.7 | $ 3,080.1 |
| Insurance float as a multiple of total adjusted capital | **0.3x** | **N/A** | **0.6x** | 0.3x | N/A | 0.6x |
| Insurance float as a multiple of White Mountains's common shareholders' equity | **0.4x** | **N/A** | **0.8x** | 0.4x | N/A | 0.8x |

[(1)] While classified as a liability for GAAP purposes, as a result of the indefinite deferral of these taxes, Swedish regulatory authorities apply no taxes to the safety reserve when calculating solvency capital under Swedish insurance regulations. Accordingly, under local statutory requirements, an amount equal to the deferred tax liability on Sirius International's safety reserve is included in solvency capital (see "Safety Reserve" on page 75).

During the first nine months of 2015, insurance float from continuing operations increased by $87 million, primarily due to growth in loss reserves from new business at OneBeacon. During the first nine months of 2015, insurance float from discontinued operations decreased by $167 million, primarily due to reduced loss and LAE reserve balances at the Sirius Group resulting from payments.

**Financing**

The following table summarizes White Mountains's capital structure as of September 30, 2015 and December 31, 2014:

| ($ in millions) | September 30, 2015 | December 31, 2014 |
|---|---|---|
| 2012 OBH Senior Notes, carrying value | **$ 274.8** | $ 274.7 |
| WTM Bank Facility | **—** | — |
| OneBeacon Bank Facility | **—** | — |
| Tranzact Bank Facility, carrying value | **93.8** | 67.4 |
| MediaAlpha Bank Facility, carrying value | **14.7** | — |
| Other debt | **—** | 1.0 |
| Total debt in continuing operations | **383.3** | 343.1 |
| Debt included in discontinued operations [(1)] | **403.5** | 403.5 |
| Total debt | **786.8** | 746.6 |
| Non-controlling interest—OneBeacon Ltd. | **246.9** | 258.4 |
| Non-controlling interest—SIG Preference Shares | **250.0** | 250.0 |
| Non-controlling interests—other, excluding mutuals and reciprocals | **113.3** | 168.6 |
| Total White Mountains's common shareholders' equity | **3,745.5** | 3,995.7 |
| Total capital [(2)] | **5,142.5** | 5,419.3 |
| Equity in net unrealized gains from Symetra's fixed maturity portfolio, net of applicable taxes | **(5.5)** | (34.9) |
| Total adjusted capital | **$ 5,137.0** | $ 5,384.4 |
| Total debt to total adjusted capital | **15%** | 14% |
| Total debt and SIG Preference Shares to total adjusted capital | **20%** | 19% |

(1) See Note 17 - Discontinued Operations.
(2) Total capital only includes non-controlling interests that White Mountains (i) benefits from the return on or (ii) has the ability to utilize the net assets supporting the non-controlling interest.

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

White Mountains has an unsecured revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A., which has a total commitment of $425 million and a maturity date of August 14, 2018 (the "WTM Bank Facility"). During the first nine months of 2015, White Mountains borrowed and subsequently repaid $75 million under the WTM Credit Facility. As of September 30, 2015, the WTM Bank Facility was undrawn.

On September 29, 2015, OneBeacon Ltd. and OBH, as co-borrowers and co-guarantors, entered into a revolving credit facility administered by U.S. Bank N.A. and also including BMO Harris Bank N.A., which has a total commitment of $65 million and has a maturity date of September 29, 2019 (the "OneBeacon Bank Facility"). As of September 30, 2015 the OneBeacon Bank Facility was undrawn.

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

Tranzact has 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 the third quarter of 2015, Tranzact amended the The Tranzact Bank Facility, which now consists of a $101 million term loan facility, which had an outstanding balance of $96 million as of September 30, 2015, and a revolving credit facility for an additional $15 million, which was undrawn as of September 30, 2015. The amendment increased the term loan facility by $31 million, the proceeds of which were used by Tranzact to finance its acquisition of TruBridge. During the first nine months of 2015, Tranzact repaid $4 million under the term loan portion and borrowed and repaid $13 million under the revolving portion of the Tranzact Bank Facility.

The Tranzact Bank Facility is secured by intellectual property and the common stock of Tranzact and its subsidiaries and 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. The Tranzact Bank Facility carries a variable interest rate, based on the U.S. dollar LIBOR rate. Tranzact has entered into an interest rate swap agreement to effectively fix the rate it pays on $70 million of the $101 million term loan portion of the facility. (See **Note 9 - "Derivatives"**).

On July 23, 2015, MediaAlpha entered into a credit facility with Opus Bank, which has a total commitment of $20 million and has a maturity date of July 23, 2019 (the "MediaAlpha Bank Facility"). The MediaAlpha Bank Facility consists of a $15 million term loan facility, which was fully drawn as of September 30, 2015, and a revolving credit facility for an additional $5 million, which was undrawn as of September 30, 2015.

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 which White Mountains considers to be customary for such borrowings, including a maximum leverage ratio. The MediaAlpha Bank Facility carries a variable interest rate, based on the U.S. dollar LIBOR rate.

In November 2012, OBH issued $275 million face value of senior unsecured debt through a public offering, at an issue price of 99.9% (the "OBH Senior Notes"). The net proceeds from the issuance of the OBH Senior Notes were used to repurchase OBH's previously issued Senior Notes. The OBH Senior Notes, which are fully and unconditionally guaranteed as to the payment of principal and interest by OneBeacon Ltd., bear an annual interest rate of 4.60%, payable semi-annually in arrears on May 9 and November 9, until maturity on November 9, 2022.

The 2012 OBH Senior Notes were issued under indentures that contain restrictive covenants which, among other things, limit the ability of OneBeacon Ltd., OBH and their respective subsidiaries to create liens and enter into sale and leaseback transactions and limits the ability of OneBeacon Ltd., OBH and their respective subsidiaries to consolidate, merge or transfer their properties and assets. The indentures do not contain any financial ratios or specified levels of net worth or liquidity to which OneBeacon Ltd. or OBH must adhere.

It is possible that, in the future, one or more of the rating agencies may lower White Mountains's existing ratings. If one or more of its ratings were lowered, White Mountains could incur higher borrowing costs on future borrowings and its ability to access the capital markets could be impacted.

*Discontinued Operations*

In March 2007, SIG issued $400 million face value of senior unsecured notes at an issue price of 99.715% (the "SIG Senior Notes"). The SIG Senior Notes bear an annual interest rate of 6.375%, payable semi-annually in arrears on March 20 and September 20, until maturity in March 2017.

On November 25, 2014, Sirius International entered into two stand by letter of credit facility agreements totaling $200 million to provide capital support for its Lloyds Syndicate 1945. One letter of credit is a $125 million facility from Nordea Bank Finland plc ("the Nordea facility"), $100 million of which is issued on an unsecured basis. The second letter of credit is a $75 million facility with Lloyds Bank plc ("the Lloyds Bank facility"), $25 million of which is issued on an unsecured basis. The Nordea facility and the Lloyds Bank facility are renewable annually. The unsecured portions of the Nordea and Lloyds Bank facilities are subject to various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards.

Sirius International has other secured letter of credit and trust arrangements with various financial institutions to support its insurance operations.

*Covenant Compliance*

At September 30, 2015, White Mountains was in compliance with all of the covenants under all of its debt and unsecured letter of credit facilities and expects to remain in compliance with these covenants for the foreseeable future.

**Share Repurchases**

During the past several years, White Mountains's board of directors has authorized the Company to repurchase its common shares, from time to time, subject to market conditions. The repurchase authorizations do not have a stated expiration date. As of September 30, 2015, White Mountains may repurchase an additional 596,166 shares under these board authorizations. In addition, from time to time White Mountains has also repurchased its common shares through tender offers that were separately approved by its board of directors.

The following table presents common shares repurchased by the Company during the third quarter, first nine months and first ten months of 2015 and 2014, as well as the average price per share as a percent of the adjusted book value per share as of September 30, 2015 and 2014. For the 2015 periods, the average price per share as a percent of proforma adjusted book value per share is presented. The calculation of proforma adjusted book value per share appears on page 56.

| Dates | Shares Repurchased | Cost (millions) | Average price per share | Average price per share as % of: Adjusted book value per share [1] | Average price per share as % of: Proforma adjusted book value per share |
|---|---|---|---|---|---|
| 3rd quarter 2015 | **215,540** | **$ 159.2** | **$ 738.51** | **113%** | **95%** |
| Year-to-date September 30, 2015 | **266,228** | **191.9** | **720.70** | **110** | **92** |
| October 2015 | **58,837** | **44.3** | **753.72** | **115** | **97** |
| Year-to-date October 31, 2015 | **325,065** | **$ 236.2** | **$ 726.68** | **111%** | **93%** |
| 3rd quarter 2014 | 122,264 | $ 76.6 | $ 626.13 | 94% | N/A |
| Year-to-date September 30, 2014 | 173,853 | 106.9 | 614.78 | 92 | N/A |
| October 2014 | 27,768 | 17.4 | 627.00 | 94 | N/A |
| Year-to-date October 31, 2014 | 201,621 | $ 124.3 | $ 616.46 | 93% | N/A |

[1] Average price per share is expressed as a percentage of White Mountains's adjusted book value per share as of September 30, 2015 for the 2015 periods presented and as of September 30, 2014 for the 2014 periods presented.

**Cash Flows**

Detailed information concerning White Mountains's cash flows during the nine months ended September 30, 2015 and 2014 follows:

***Cash flows from continuing operations for the nine months ended September 30, 2015 and September 30, 2014***

Net cash provided from continuing operations increased $8 million to $81 million in the first nine months of 2015 from $74 million in the first nine months of 2014. An increase in cash provided from continuing operations at WM Life Re, due to lower net derivative purchases in 2015 relative to the first nine months of 2014, was partially offset by a decrease in cash provided from continuing operations at OneBeacon, due to an increase in claim payments in 2015 relative to the first nine months of 2014.

*Other items affecting cash flows from operations:*

During the first nine months of 2015 and 2014, White Mountains made long-term incentive payments totaling $57 million and $27 million.

During the first nine months of 2015, OneBeacon paid a total of $6 million of interest on the 2012 OBH Senior Notes and Tranzact paid $3 million of interest on the Tranzact Bank Facility. During the first nine months of 2014, OneBeacon paid a total of $6 million of interest on the 2012 OBH Senior Notes.

White Mountains does not believe that these trends will have a meaningful impact on its future liquidity or its ability to meet its future cash requirements.

***Cash flows from investing and financing activities for the nine months ended September 30, 2015***

*Financing and Other Capital Activities*

During the first quarter of 2015, the Company declared and paid a $6 million cash dividend to its common shareholders.

During the first nine months of 2015, the Company repurchased and retired 266,228 of its common shares for $192 million, which included 10,802 common shares repurchased under employee benefit plans and 13,500 common shares from the Prospector Offshore Fund redemption.

During the first nine months of 2015, White Mountains borrowed and subsequently repaid a total of $75 million under the WTM Bank Facility.

During the first nine months of 2015, OneBeacon Ltd. declared and paid $60 million of cash dividends to its common shareholders. White Mountains received a total of $45 million of these dividends.

During the first nine months of 2015, White Mountains contributed $8 million to WM Life Re.

During the first nine months of 2015, WM Life Re repaid $23 million under an internal revolving credit facility with an intermediate holding company of White Mountains.

During the first nine months of 2015, BAM received $20 million in surplus contributions from its members.

During the first nine months of 2015, MediaAlpha paid $3 million of dividends, of which $2 million was paid to White Mountains. During the first nine months of 2015, MediaAlpha borrowed $15 million under the term loan portion of the MediaAlpha Bank Facility and used the proceeds to make a $15 million return of capital payment to its shareholders, of which White Mountains received $9 million.

During the first nine months of 2015, Tranzact paid $5 million of dividends, of which $3 million was paid to White Mountains. During the first nine months of 2015, Tranzact borrowed $31 million and repaid a total of $4 million under the term loan portion and borrowed and repaid $13 million under the revolving portion of the Tranzact Bank Facility.

*Acquisitions and Dispositions*

On September 1, 2015, Tranzact acquired 100% of the outstanding share capital of TruBridge for a purchase price of $31 million in cash.

On May 27, 2015, White Mountains sold its interest in Hamer LLC and received cash proceeds of $24 million.

On April 2, 2015, White Mountains closed on PassportCard, a 50/50 joint venture with DavidShield and contributed $21 million of assets to a newly formed entity, PassportCard Limited (formerly PPCI Global Limited).

During the second quarter of 2015, White Mountains increased its ownership interest in Wobi through the purchase of shares from a non-controlling interest shareholder for NIS 35 million (approximately $9 million) and newly-issued convertible preferred shares for NIS 25 million (approximately $7 million). As of September 30, 2015, White Mountains’s ownership share was 95.3% on a fully converted basis.

On February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Cashboard for NIS 9.5 million (approximately $2.4 million based upon the foreign exchange spot rate at the date of acquisition). During the second quarter of 2015, Wobi purchased newly issued common shares of Cashboard for NIS 10 million (approximately $3 million), which increased its ownership interest in Cashboard to 68.3%.

During the first nine months of 2015, White Mountains purchased $3 million of surplus notes issued by SSIE.

***Cash flows from investing and financing activities for the nine months ended September 30, 2014***

*Financing and Other Capital Activities*

During the first quarter of 2014, the Company declared and paid a $6 million cash dividend to its common shareholders.

During the first nine months of 2014, the Company repurchased and retired 173,853 of its common shares for $107 million, which included 10,475 common shares repurchased under employee benefit plans.

During the first nine months of 2014, White Mountains borrowed and repaid a total of $40 million under the WTM Bank Facility.

During the first nine months of 2014, OneBeacon Ltd. declared and paid $60 million of cash dividends to its common shareholders. White Mountains received a total of $45 million of these dividends.

During the first nine months of 2014, WM Life Re borrowed a total of $52 million and repaid $52 million under an internal revolving credit facility with an intermediate holding company of White Mountains.

During the first nine months of 2014, White Mountains contributed $15 million to WM Advisors.

During the first nine months of 2014, BAM received $12 million in surplus contributions from its members.

*Acquisitions and Dispositions*

In July 2014, White Mountains acquired approximately 45% of the outstanding common shares of durchblicker.at, for EUR 9 million (approximately $12 million based upon the foreign exchange spot rate at the date of acquisition).

On March 14, 2014, White Mountains acquired 60% of the outstanding Class A common units of MediaAlpha for an initial purchase price of $28 million.

On February 19, 2014, White Mountains acquired 54% of the outstanding common shares of Wobi for NIS 14 million (approximately $4 million based upon the foreign exchange spot rate at the date of acquisition). In addition to the common shares, White Mountains also purchased NIS 13 million (approximately $4 million based upon the foreign exchange spot rate at the date of acquisition) of newly-issued convertible preferred shares of Wobi.

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 $2 million. White Mountains also purchased $17 million of surplus notes issued by SSIE during the first nine months of 2014.

## FAIR VALUE CONSIDERATIONS

### General

White Mountains records certain assets and liabilities at fair value in its consolidated financial statements, with changes therein recognized in current period earnings. In addition, White Mountains discloses estimated fair value for certain liabilities measured at historical or amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants (an exit price) at a particular measurement date. 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 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").

Assets and liabilities carried at fair value include substantially all of the investment portfolio; derivative instruments, both exchange traded and over the counter instruments; and reinsurance assumed liabilities associated with variable annuity benefit guarantees. Valuation of assets and liabilities measured at fair value require management to make estimates and apply judgment to matters that may carry a significant degree of uncertainty. In determining its estimates of fair value, White Mountains uses a variety of valuation approaches and inputs. Whenever possible, White Mountains estimates fair value using valuation methods that maximize the use of observable prices and other inputs. Where appropriate, assets and liabilities measured at fair value have been adjusted for the effect of counterparty credit risk.

### Invested Assets

White Mountains's invested assets that are measured at fair value include fixed maturity securities, common and preferred equity securities, convertible fixed maturity and preferred investments and interests in hedge funds and private equity funds.

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

As of September 30, 2015, approximately 93% of the investment portfolio (including investments in discontinued operations) recorded at fair value was priced based upon quoted market prices or other observable inputs. Investments valued using Level 1 inputs include fixed maturity securities, 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 comprise fixed maturity securities including corporate debt, state and other governmental debt, convertible fixed maturity securities and mortgage and asset-backed securities. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Investments valued using Level 2 inputs also include certain ETFs that track US 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 hedge funds and private equity funds, as well as investments in certain debt securities, including asset-backed securities, where quoted market prices are unavailable. White Mountains determines when transfers between levels have occurred 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 used by White Mountains have indicated that if no observable inputs are available for a security, they will not provide a price.

In those circumstances, White Mountains estimates the fair value using industry standard pricing models and observable inputs such as benchmark interest rates, market comparables, broker quotes, issuer spreads, bids, offers, credit rating prepayment speeds and other relevant inputs. White Mountains performs procedures to validate the market prices obtained from the outside pricing sources. Such procedures, which cover substantially all of its fixed maturity investments include, but are not limited to, evaluation of model pricing methodologies and 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 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that have not changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains's review process do not appear to support the market price provided by the pricing services, White Mountains challenges the price. The fair values of such securities are considered to be Level 3 measurements.

**Variable Annuity Reinsurance Liabilities**

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. White Mountains carries the benefit guarantees at fair value. The fair value of the guarantees is estimated using actuarial and capital market assumptions related to the projected discounted cash flows over the term of the reinsurance agreement. The valuation uses assumptions about surrenders rates, market volatilities and other factors, and includes a risk margin which represents the additional compensation a market participant would require to assume the risks related to the business. The selection of surrender rates, market volatility assumptions, risk margins and other factors require the use of significant management judgment. Assumptions regarding future policyholder behavior, including surrender and lapse rates, are generally unobservable inputs and significantly impact the fair value estimate. Market conditions including, but not limited to, changes in interest rates, equity indices, market volatility and foreign currency exchange rates as well as variations in actuarial assumptions regarding policyholder behavior may result in significant fluctuations in the fair value of the liabilities associated with these guarantees that could materially affect results of operations. White Mountains's variable annuity reinsurance liability of $1.0 million is classified as a Level 3 measurement at September 30, 2015.

WM Life Re projects future surrender rates by year for policies based on a combination of actual experience and expected policyholder behavior. Actual policyholder behavior, either individually or collectively, may differ from projected behavior as a result of a number of factors such as the level of the account value versus guarantee value and applicable surrender charge, views of the primary insurance company's financial strength and ability to pay the guarantee at maturity, annuitants' need for money in a prolonged recession and time remaining to receive the guarantee at maturity. Policyholder behavior is especially difficult to predict given that WM Life Re's reinsurance contracts are relatively new and the market turmoil seen over the last several years is unprecedented for this type of product in the Japanese market. Actual policyholder behavior may differ materially from WM Life Re's projections.

At the account value levels as of September 30, 2015, the average assumed surrender rate was approximately 40% per annum. The potential change in the fair value of the liability due to a change in current surrender assumptions is as follows:

| | Change in fair value of liability | |
|---|---|---|
| **Millions** | **September 30, 2015** | **December 31, 2014** |
| Decrease 100% (to zero surrenders) | $ .2 | $ (.2) |
| Increase 100% | $ .1 | $ (.1) |

The amounts in the table above could increase in the future if the fair value of the variable annuity guarantee liability changes due to factors other than the surrender assumptions (e.g., a decline in the ratio of the annuitants' aggregate account values to their aggregate guarantee values).

**NON-GAAP FINANCIAL MEASURES**

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

Adjusted comprehensive income is a non-GAAP financial measure that excludes the change in equity in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of applicable taxes, from comprehensive income. In the calculation of comprehensive income under GAAP, fixed maturity investments are marked-to-market while the liabilities to which those assets are matched are not. Symetra attempts to earn a "spread" between what it earns on its investments and what it pays out on its products. In order to try to fix this spread, Symetra invests in a manner that tries to match the duration and cash flows of its investments with the required cash outflows associated with its life insurance and structured settlements products. As a result, Symetra typically earns the same spread on in-force business whether interest rates fall or rise. Further, at any given time, some of Symetra's structured settlement obligations may extend 40 or 50 years into the future, which is further out than the longest maturing fixed maturity investments regularly available for purchase in the market (typically 30 years). For these long-dated products, Symetra is unable to fully match the obligation with assets until the remaining expected payout schedule comes within the duration of securities available in the market. If at that time, these fixed maturity investments have yields that are lower than the yields expected when the structured settlement product was originally priced, the spread for the product will shrink and Symetra will ultimately harvest lower returns for its shareholders. GAAP comprehensive income increases when rates decline, which would suggest an increase in the value of Symetra - the opposite of what is happening to the intrinsic value of the business. Therefore, White Mountains's management and Board of Directors use adjusted comprehensive income when assessing Symetra's quarterly financial performance. In addition, this measure is typically the predominant component of change in adjusted book value per share, which is used in calculation of White Mountains's performance for both short-term (annual bonus) and long-term incentive plans. The reconciliation of adjusted comprehensive income to comprehensive income is included on page 58.

Adjusted book value per share is a non-GAAP measure which is derived by expanding the GAAP calculation of book value per White Mountains common share to exclude equity in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of applicable taxes. In addition, the number of common shares outstanding used in the calculation of adjusted book value per share is adjusted to exclude unearned restricted common shares, the compensation cost of which, at the date of calculation, has yet to be amortized. The reconciliation of adjusted book value per share to GAAP book value per share is included on page 56.

Pro forma adjusted book value per share as of September 30, 2015 is a non-GAAP financial measure that further adjusts book value per share to include the gains associated with the Sirius Group and Symetra transactions, which have been shown net of compensation expenses and transaction costs expected to be recorded when the transactions close. Pro forma adjusted book value per share also includes the dilution from outstanding stock options caused when adjusted book value per share exceeds the strike price of the options. The term "pro forma" as used in "pro forma adjusted book value per share" is not intended to have the same context as the term "pro forma" used in Article 11 of Regulation S-X. The reconciliation of adjusted book value per share to pro forma adjusted book value per share is is included on page 56.

Total capital at White Mountains is comprised of White Mountains's common shareholders' equity, debt and non-controlling interests other than non-controlling interests attributable to mutuals and reciprocals. Total adjusted capital excludes the equity in net unrealized gains and losses from Symetra's fixed maturity portfolio, net of applicable taxes from total capital. The reconciliation of total capital to total adjusted capital is included on page 77.

**CRITICAL ACCOUNTING ESTIMATES**

Refer to the Company's 2014 Annual Report on Form 10-K for a complete discussion regarding White Mountains's critical accounting estimates.

**FORWARD-LOOKING STATEMENTS**

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

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

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

- the risks associated with Item 1A of White Mountains's 2014 Annual Report on Form 10-K;
- claims arising from catastrophic events, such as hurricanes, earthquakes, floods, fires, terrorist attacks or severe winter weather;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to White Mountains, its competitors or its customers;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond White Mountains's control.

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



**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

On April 28, 2015, White Mountains executed a swap of $100 million of the cash flows related to the $400 million SIG Senior Notes from U.S. dollars to Swedish kronor ($50 million) and euro ($50 million) in an effort to further reduce overall net foreign currency exposure. See **"Foreign Currency Translation"** on page 70.

Refer to White Mountains's 2014 Annual Report on Form 10-K and in particular **Item 7A. - "Quantitative and Qualitative Disclosures About Market Risk"**.

**Item 4. Controls and Procedures**.

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

There were no significant changes with respect to the Company's internal control over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, internal control over financial reporting during the quarter ended September 30, 2015.

**Part II. OTHER INFORMATION**

**Item 1. Legal Proceedings**.

Refer to White Mountains's 2014 Annual Report on Form 10-K and in particular **Item 3. - "Legal Proceedings"**. As of September 30, 2015, there were no material changes in the legal proceedings as described in White Mountains's most recent Annual Report.

**Item 1A. Risk Factors.**

There have been no material changes to any of the risk factors previously disclosed the Registrant's 2014 Annual Report on Form 10-K.

**Item 2. Issuer Purchases of Equity Securities.**

| Months | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan [1] | Maximum Number of Shares that May Yet Be Purchased Under the Plan [1] |
|---|---|---|---|---|
| July 1-July 31, 2015 | — | $ — | — | 311,706 |
| August 1-August 31, 2015 | 127,879 | $ 728.03 | 127,879 | 683,827 |
| September 1-September 30, 2015 | 87,661 | $ 753.81 | 87,661 | 596,166 |
| Total | 215,540 | $ 738.51 | 215,540 | 596,166 |

[1] On May 25, 2012, White Mountains's board of directors authorized the Company to repurchase up to 1 million of its common shares, from time to time, subject to market conditions. On August 27, 2015, White Mountains's board of directors authorized the Company to purchase an additional 500,000 common shares. Shares may be repurchased on the open market or through privately negotiated transactions. The repurchase authorization does not have a stated expiration.

**Item 3. Defaults Upon Senior Securities**.

None.

**Item 4. Mine Safety Disclosures.**

None.

**Item 5. Other Information**.

None.



**Item 6. Exhibits**.

| (a) | Exhibits | |
|---|---|---|
| 10.1 | — | Stock Purchase Agreement dated July 24, 2015 between Lone Tree Holdings Ltd., Sirius International Insurance Group, Ltd., CM International Holding Pte. Ltd. and CM Bermuda Limited (incorporated by reference herein to Exhibit 10.1 of the Company's Report on Form 8-K dated July 24, 2015) |
| 10.2 | — | Sabbatical Agreement dated June 1, 2015 between White Mountains Capital, Inc. and G. Manning Rountree (incorporated by reference herein to Exhibit 10.2 of the Company's Report on Form 10-Q dated August 3, 2015) |
| 10.3 | — | Employment Agreement dated as of July 24, 2015 between Sirius International Insurance Group, Ltd. and Allan L. Waters* |
| 11 | — | Statement Re Computation of Per Share Earnings. ** |
| 31.1 | — | Principal Executive Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended. * |
| 31.2 | — | Principal Financial Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934, as Amended. * |
| 32.1 | — | Principal Executive Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * |
| 32.2 | — | Principal Financial Officer Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * |
| 101.1 | — | The following financial information from White Mountains's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015 formatted in XBRL: (i) Consolidated Balance Sheets, September 30, 2015 and December 31, 2014; (ii) Consolidated Statements of Operations and Comprehensive Income, Three and Nine Months Ended September 30, 2015 and 2014; (iii) Consolidated Statements of Changes in Equity, Nine Months Ended September 30, 2015 and 2014; (iv) Consolidated Statements of Cash Flows, Nine Months Ended September 30, 2015 and 2014; and (v) Notes to Consolidated Financial Statements. * |

* Included herein

** Not included as an exhibit as the information is contained elsewhere within this report. See **Note 11 - "Earnings Per Share"** of the Notes to Consolidated Financial Statements.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Registrant)

Date: November 2, 2015

By: /s/ J. Brian Palmer
J. Brian Palmer
Managing Director and Chief Accounting Officer

Exhibit 10.3

EMPLOYMENT AGREEMENT

This Employment Agreement (this "Agreement") is dated as of July 24, 2015, between Sirius International Insurance Group, Ltd., a Bermuda corporation (the "Company"), and Allan L. Waters ("Executive"). All capitalized terms used but not defined herein shall have the meanings set forth in the Amended and Restated Sirius Group Long Term Incentive Plan as in effect on the date hereof (the "Sirius LTIP"), which is attached hereto as Exhibit A.

WHEREAS, the Company desires to employ Executive, and Executive desires to remain in such employment with the Company, subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the covenants and agreements hereinafter set forth and other good and valuable consideration, and intending to be legally bound hereby, the parties hereto agree as follows:

1. Term. The Company agrees to employ Executive, and Executive agrees to remain in the employ of the Company, subject to the terms and conditions of this Agreement, for the period commencing on the date hereof and ending upon the third anniversary of the date hereof (the "Initial Term"). At the expiration of the Initial Term (and each succeeding one year term), the term will automatically extend for an additional 12 months unless either party gives written notice to the other party of its intention not to extend the Term at least 90 days prior to the end of the then current term (the Initial Term and each succeeding one year term, collectively the "Term"). In the event that the Purchase Agreement is terminated in accordance with its terms prior to the closing of the transaction (the "Closing") contemplated by the Stock Purchase Agreement (the "Purchase Agreement"), dated as of July 24, 2015, among Lone Tree Holdings Ltd., CM International Holding Pte. Ltd., CM Bermuda Limited and the Company, this Agreement shall be null and void ab initio.

2. Position, Duties and Responsibilities.

(a) During the Term, Executive shall serve as the President and Chief Executive Officer of the Company. Executive's principal work location shall be in the general Hanover, New Hampshire area. During the portion of the Term prior to the Closing, Executive shall report directly to the Chief Executive Officer of WTM (as defined below), and thereafter Executive shall report directly to Laurence Feng Liao, sole Director, CM Bermuda Ltd. During the Term, Executive will oversee the day-to-day operations of the Company.

(b) During the Term, Executive shall devote substantially all of his working time, attention and best efforts to the business of the Company and shall use his best efforts to perform faithfully and efficiently Executive's duties and responsibilities as set forth herein.

3. Compensation and Benefits.

(a) Base Salary. During the Term, Executive shall be paid an annual base salary ("Base Salary") of not less than $500,000. The Base Salary shall be payable in accordance with the Company's regular payroll practices as then in effect. During the Term, the Base Salary will be reviewed annually.

(b) Bonus. During the Term, Executive shall have an opportunity to earn a cash bonus ("Annual Bonus") for each fiscal year during the Term targeted ("Target Bonus") at not less than 50% of Executive's Base Salary for such fiscal year. The Annual Bonus actually paid for each such fiscal year as a percentage of Executive's Target Bonus shall not be less than the overall Company bonus pool awarded as a percentage of the Company's total annual target bonus pool for such fiscal year. The Annual Bonus payable to Executive for any fiscal year shall be paid to him in the next following fiscal year at the same time annual bonuses for the preceding fiscal year are paid to the Company's other bonus-eligible employees but in any event by no later than the 15th day of the third month following the close of such preceding fiscal year.

(c) Long-Term Incentive Awards. Executive currently has outstanding awards of Performance Units issued pursuant to the Sirius LTIP. Executive also currently has outstanding awards of performance shares ("Performance Shares") and restricted shares ("Restricted Shares") issued pursuant to the White Mountains Long-Term Incentive Plan (as amended) (the "WTM LTIP"). The number and principal terms of Executive's existing awards under the Sirius LTIP and the WTM LTIP are set out in Exhibit B hereto. Pursuant to the Sirius LTIP or a successor plan thereto (the WTM LTIP, Sirius LTIP and any such successor plan, an "LTIP"), Executive shall receive during the Term future annual awards of long-term incentives at an aggregate target payout value not less than the aggregate target payout value of awards granted to Executive in February 2015 pursuant to both the Sirius LTIP and the WTM LTIP.

(d) Retirement, Savings and Welfare Plans. During the Term, Executive shall be eligible to participate in the retirement, savings and welfare benefit plans, programs, policies and practices applicable to employees of the Company.

(e) Vacation. During the Term, Executive shall be entitled in accordance with Company policies to take twenty five (25) days of vacation per calendar year or such greater number provided under applicable Company policies.

(f) Reimbursement of Expenses. During the Term, the Company shall reimburse Executive for all reasonable expenses, including travel expenses, incurred by Executive in the performance of Executive's duties hereunder that comply with the applicable policies of the Company, including the presentation of appropriate statements of such expenses.

4. Termination of Employment During the Term.

(a) Cause. The Company may terminate Executive's employment immediately during the Term for Cause. For purposes of this Agreement, "Cause" means (i) material and continued failure of Executive to perform Executive's duties which failure has continued for more than 30 days following written notice of such non-performance from the Board of Directors of the Company; (ii) commission of an act of fraud, embezzlement, or misappropriation of assets or property (tangible or intangible) of the Company or any subsidiary or affiliate thereof; (iii) a material breach of the provisions set forth in Section 7 of this Agreement; (iv) commission of a felony, including a plea of guilty or nolo contendere, or an indictment or written admission thereof; or (v) gross negligence or willful misconduct in the performance by Executive of his duties that is reasonably likely to have an adverse effect on the business or reputation of the Company or its subsidiaries or affiliates. Notwithstanding anything to the contrary in this Section 4(a), Cause shall not result from Executive's death or Disability.

(b) Death or Disability. Executive's employment during the Term shall terminate automatically upon Executive's death. The Company may terminate Executive's employment during the Term for Disability as defined in Section 7 of the Sirius LTIP.

(c) Termination Without Cause. The Company may terminate Executive's employment during the Term without Cause upon ten (10) days prior notice. In addition, in the event that the Company exercises its right not to extend the Term pursuant to Section 1, the Company shall be deemed to have terminated Executive's employment, and Executive's employment shall so terminate, on the last day of the Term without Cause for all purposes of this Agreement.

(d) Voluntary Termination. Executive may terminate his employment during the Term for Good Reason (in accordance with Section 5(c)(vi)) or without Good Reason upon ninety (90) days prior notice.

(e) Notice of Termination. Any termination of Executive's employment by either party during the Term shall be communicated by written notice given in accordance with Section 14. The Term will expire upon any termination of employment pursuant to this Section 4.

5. Obligations of the Company Upon Termination. Following any termination of Executive's employment during the Term, Executive shall not be otherwise compensated for the loss of employment or the loss of any rights or benefits under this Agreement or any other plans and programs, except as provided below:

(a) In the event Executive's employment is terminated for Cause pursuant to Section 4(a), Executive shall be entitled to receive (i) any unpaid Base Salary through his date of termination, (ii) payment for any accrued but unused vacation or other similar paid time-off, (iii) payment of any vested benefit payable under the Company's employee benefit plans in accordance with the terms thereof, and (iv) reimbursement for any reasonable business expenses incurred prior to such termination for which Executive has complied with the Company's reimbursement policies (collectively, the "Accrued Rights").

(b) In the event Executive's employment terminates pursuant to Section 4(b) due to Executive's death or Disability, Executive (or his estate or representatives, as applicable) shall be entitled to receive:

(i) The Accrued Rights.

(ii) A pro rata Annual Bonus for the year in which such termination occurs based on the number of days Executive was employed during the year of termination, which shall be calculated based on actual performance through the end of such year and on the same basis as other bonus-eligible employees. Such pro rata Annual Bonus shall be paid to Executive in the fiscal year next following the year in which his employment terminates, at the same time annual bonuses for such preceding year are paid to the Company's other bonus-eligible employees but in any event by no later than the 15th day of the third month following the close of such preceding year.

(iii) With respect to any Eligible Award (as defined below) outstanding at the time of such termination, such award shall be treated in the manner described in Section 5(e) of the Sirius LTIP or Section 7(e)(i) of the WTM LTIP, as applicable, or to the extent granted under a successor plan thereto, shall be treated in a manner set forth in such plan. For avoidance of doubt, in the case of any Eligible Award that becomes so payable in accordance with the provisions of the plans referred to in the preceding sentence, payment shall be made by no later than the 15th day of the third month following the end of the year in which such awards become earned based on the achievement of the applicable performance objectives.

(c) In the event Executive's employment is terminated by the Company without Cause pursuant to Section 4(c) or is terminated by Executive for Good Reason pursuant to Section 4(d) (in each case, other than due to death or Disability), Executive shall be entitled to receive:

(i) The Accrued Rights.

(ii) Subject to Executive's executing and delivering (and not revoking) the Release as described in Section 8, (x) a lump sum cash payment equal to 100% of the then-current Base Salary, which shall be paid on the 60th day following such termination, and (y) an Annual Bonus (without pro ration for time) for the year in which such termination occurs, which shall be calculated based on actual performance through the end of such year and on the same basis as other bonus eligible employees except that such Annual Bonus shall not be less than the applicable Target Bonus for such fiscal year, and which shall be paid to Executive in the fiscal year next following the year in which his employment terminates, at the same time annual bonuses for the preceding fiscal year are paid to the Company's other bonus-eligible employees, but in any event by no later than the 15th day of the third month following the close of such preceding fiscal year and no earlier than the 60th day following such termination.

(iii) Subject to the occurrence of the Closing, payment of the Retention Bonuses (as defined in Section 7(g)), to the extent then unpaid, with the amount of such payment being determined in the same manner specified in the Purchase Agreement in the case of "Bonus Recipients" terminated without cause, and payable within 10 days of Executive's termination of employment.

(iv) Continued employment under the Advisory Relationship pursuant to Section 6.

(v) To the extent such termination occurs during the 24 month period following the Closing, and notwithstanding anything to the contrary in the applicable LTIP, Executive's Pre-Closing Awards (as defined in Section 6(f)) shall be treated in the manner described in Section 5(f) of the Sirius LTIP as in effect on the date hereof or Section 7(f) of the WTM LTIP as in effect on the date hereof, as applicable, except that, notwithstanding anything in the Sirius LTIP or WTM LTIP to the contrary, the amounts payable to Executive with respect to such Pre-Closing Awards shall not be subject to pro ration for time or similar reduction; provided that the treatment described in this Section 5(c)(v) shall apply in lieu of the treatment described in Section 6(f); provided further, that in the event Executive's employment terminates for Good Reason, (x) Executive's Pre-Closing Awards shall only be treated as described in this Section 5(c)(v) to the extent Executive rejects continued employment under the Advisory Relationship pursuant to Section 6 and (y) in the event that Executive accepts (and does not reject) continued employment under the Advisory Relationship pursuant to Section 6, Executive's Pre-Closing Awards shall be treated in the manner described in Section 6(f) in lieu of the treatment described in this Section 5(c)(v). For avoidance of doubt, in the case of any of Executive's Pre-Closing Awards that are to be treated in the manner described in Section 5(f) of the Sirius LTIP, any payment required to be made thereunder with respect to such awards shall be made by no later than the 15th day of the third month following the end of the year in which such awards become earned based on the achievement of the applicable performance objectives.

(vi) For purposes of this Agreement, "Good Reason" shall mean that Executive has complied with the Good Reason Process (as defined below) following the occurrence of any of the following events: (i) a material diminution in Executive's responsibilities, authority or duties without Executive's written consent; (ii) a diminution in Executive's Base Salary, Target Bonus or aggregate target payout level of annual long-term incentive awards, except for across-the-board base salary reductions based on the Company's financial performance similarly affecting all or substantially all senior management employees of the Company; (iii) a material change in the geographic location at which Executive provides services to the Company without Executive's written consent; or (iv) the material breach of this Agreement by the Company. For purposes of this

Agreement, “Good Reason Process” shall mean that (i) Executive reasonably determines in good faith that a “Good Reason” condition has occurred; (ii) Executive notifies the Company in writing of the occurrence of the Good Reason condition within 60 days of Executive having knowledge of the occurrence of such condition; (iii) Executive cooperates in good faith with the Company’s efforts, for a period not less than 30 days following such notice (the “Cure Period”), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) Executive terminates Executive’s employment at least 10 days, but no more than 60 days, after the end of the Cure Period. If the Company cures the Good Reason condition during the Cure Period, a Good Reason shall be deemed not to have occurred.

(d) In the event Executive’s employment is terminated by Executive pursuant to Section 4(d) other than for Good Reason (or death or Disability), Executive shall be entitled to receive:

(i) The Accrued Rights.

(ii) To the extent such termination occurs as a result of Executive’s retirement following the second anniversary of the Closing with the prior consent of the Company (not to be unreasonably withheld, delayed or conditioned) (a “Retirement”), continued employment under the Advisory Relationship pursuant to Section 6.

6. Advisory Relationship.

(a) Commencement; Term. Upon a termination of Executive’s employment during the Term (i) by the Company without Cause, (ii) by Executive for Good Reason or (iii) by Executive upon Retirement (a “Qualifying Termination of Executive Services”), subject to Executive’s executing and delivering (and not revoking) the Release as described in Section 8, the Company shall offer to hire and employ Executive, and Executive may agree to be employed and to perform, periodic advisory and transition services for the Company and its subsidiaries pursuant to this Section 6 (the “Advisory Services”). The Advisory Services will include, among other things, advising senior executives of the Company and assisting with the transition of Executive’s executive duties to his successor.

(b) Timing; Location. The performance by Executive of the Advisory Services hereunder shall be at such times and at such locations as Executive and the Company may mutually agree from time to time, it being understood that Executive’s primary work location shall be his primary residence.

(c) Advisory Period. The term of the Advisory Services shall commence upon Executive’s Qualifying Termination of Executive Services and shall continue until the later of (i) the COBRA Bridge Date and (ii) the LTIP Earn Out Date, unless earlier terminated as provided in Section 6(d) below (such period, the “Advisory Period”). For purposes of this Agreement, (i) “COBRA Bridge Date” shall mean the first date on which, if Executive began health insurance continuation coverage under the Company’s applicable health plans pursuant to COBRA on such date, Executive would be eligible for Medicare insurance coverage immediately following the expiration of such COBRA coverage and (ii) "LTIP Earn Out Date" shall mean the last date on which the Eligible Awards (as defined in Section 6(f)) are eligible to vest pursuant to Section 6(f) in accordance with their terms. In the event that Executive does not execute and deliver the Release (or revokes the Release) required under Section 8, the Advisory Period shall terminate on the 60th day after Executive's Qualifying Termination of Executive Services.

(d) Termination. The Advisory Period may be terminated (i) by the Company solely for Cause (as defined in Section 4(a)) or upon the material breach by Executive of his obligations under Section 7, (ii) due to Executive's death or Disability (within the meaning of Section 4(b)) or (iii) by Executive for any reason (and shall be deemed to have terminated voluntarily upon his commencement of full-time employment with any employer other than the Company and its affiliates).

(e) Compensation; Benefits. During the Advisory Period, the Company shall pay Executive a salary in accordance with its regular payroll practices at an annual rate of thirty thousand dollars ($30,000) (the "Advisory Salary"). During the Advisory Period, Executive shall not receive additional annual or long-term incentive opportunities or accrue additional paid vacation. In addition to the Advisory Salary, the Company shall reimburse Executive for all reasonable and necessary expenses (including without limitation travel and meal expenses) incurred or paid by Executive during the Advisory Period, in connection with, or related to, the performance of the Advisory Services reasonably promptly after receipt of an itemization and documentation of such expenses. During the portion of the Advisory Period ending on the COBRA Bridge Date, provided that Executive is not then eligible for coverage from another employer, Executive shall be entitled to receive health insurance coverage through the Company for himself and his eligible dependents to the same extent as then made available to other employees of the Company. During such period, Executive will be responsible for an amount equal to all premium costs toward any insurance coverage elected by Executive for him and his eligible dependents. The Company is hereby authorized to deduct from Executive's compensation hereunder any amounts required to be withheld or deducted by law. The health insurance coverage reimbursement under this Section 6(e) does not constitute a "COBRA event", and upon termination or expiration of the Advisory Period, Executive shall have all available rights to elect COBRA continuation coverage, and Executive hereby agrees that he will be responsible for any and all premium costs applicable thereto and acknowledges that any COBRA continuation coverage is subject to the applicable plan's eligibility and premium payment requirements.

(f) Treatment of LTIP Awards. In the event Executive has a Qualifying Termination of Executive Services and at such time holds Eligible Awards, such Eligible Awards shall be governed by this Section 6(f) during the Advisory Period. The Eligible Awards shall not be terminated as a result of the termination of the Term and his employment as an executive. Instead, during the Advisory Period, Executive's service as an advisor shall be treated as continued employment for all purposes of the LTIPs and

Executive shall continue to vest in such Eligible Awards on their regular schedule and be paid out in the same manner as other participants in such plans; provided that, should Executive materially breach his obligations to the Company under Section 7 of this Agreement, the Company may determine in its sole discretion to terminate for no consideration any Eligible Awards that are not fully vested at such time. Upon a termination of the Advisory Period pursuant to Section 6(d), all then unvested Eligible Awards shall immediately terminate for no consideration, except that, in the event such termination is due to Executive's death or Disability, the Eligible Awards will be treated in the manner described in Section 5(b)(iii). For purposes of this Agreement, "Eligible Award" shall mean any award held by Executive as of his date of termination of employment that was granted or assumed by the Company under any LTIP (any such awards granted to Executive prior to the Closing, the "Pre-Closing Awards"; and any such awards granted to Executive thereafter, the "Post-Closing Awards"). In the case of any Eligible Awards that become payable to executive under the LTIPs pursuant to this Section 6(f), payment shall be made by no later than the 15th day of the third month following the end of the year in which such awards become earned based on the achievement of the applicable performance objectives.

(g) Work Requirements. In exchange for the consideration described in Section 6(e) and 6(f), Executive will provide Advisory Services (i) during the portion of the Advisory Period ending on the LTIP Earn Out Date, equivalent to no more than 50% of Executive's regular work hours as of the date hereof and (ii) during the remaining portion of the Advisory Period (if any), equivalent to no more than 5% of the Executive's regular work hours as of the date hereof or such additional work hours (and compensation) as mutually agreed by the Company and Executive from time to time.

7. Covenants.

(a) Non Competition. Executive agrees that during the Term and the Advisory Period (if any), and for a one year period following the later of the expiration of the Term and, if it commences, the Advisory Period (such period, the "Restriction Period"), he shall not, directly or indirectly, own any interest in, manage, control, finance, participate in, consult with, or render any services to any activity or business, for himself or any other person or entity, or affiliate, whether or not for remuneration, direct or indirect, contingent or otherwise, which (i) may result in a conflict of interest or otherwise adversely affect the proper discharge of Executive's duties with and responsibilities to the Company hereunder or (ii) in any way competes with, or interferes with, any operation of the Company or any of its subsidiaries (the "Company Group"), provided that this provision shall not prohibit Executive from being a passive owner of not more that 1% of the outstanding stock of any company which is publically traded as long as Executive has no active participation in the business of such company. Anything herein to the contrary notwithstanding, it shall not be a violation of this Section 7(a) for Executive to provide services to a subsidiary, division or affiliate of a business that competes with the Company Group provided that such subsidiary, division or affiliate is not itself engaged, directly or indirectly, in competition with the Company Group and

Executive does not himself, directly or indirectly, provide services to, or have responsibilities regarding, such business that competes with the Company Group.

(b) Non Solicitation. Executive further agrees during the Restriction Period not to, directly or indirectly, for himself or for any other person or entity, or affiliate: (i) hire any employee of the Company Group or induce or attempt to induce any employee of the Company Group to leave the employ of the Company Group; (ii) hire any person who was an employee of the Company Group at any time during the twelve-month period preceding such hiring; or (iii) induce or attempt to induce any former, existing or prospective customer, supplier, licensee, lender, licensor or other business relation of the Company Group to cease doing business with the Company Group, or to reduce the level of business conducted with the Company Group. Anything herein to the contrary notwithstanding, it shall not be a violation of this Section 7(b) if (x) Executive furnishes to a third party a reference as to any employee or former employee of the Company Group or (y) an entity with which Executive is associated hires or engages any employee of the Company Group provided Executive was not, directly or indirectly, involved in hiring or identifying such person as a potential recruit or assisting in the recruitment of such employee.

(c) Confidential Information.

(i) Executive shall use best efforts and diligence both during and after any employment with the Company, regardless of how, when or why such employment ends, to protect the confidential, trade secret and/or proprietary character of all Confidential Information (as defined below). Executive shall not, directly or indirectly, use (for Executive's benefit or for the benefit of any other person) or disclose any Confidential Information, except as may be necessary for the performance of Executive's duties for the Company. For purposes of this Agreement, "Confidential Information" means all information concerning trade secrets, knowhow, software, developments, inventions, processes, technology, designs, financial data, strategic business plans or any other proprietary or confidential information of any member of the Company Group, in any form or media, including any of the foregoing relating to research, operations, finances, current and proposed products and services, vendors, customers, advertising and marketing. Executive understands that Confidential Information may or may not be labeled as such, and Executive shall treat all information that appears to be Confidential Information as confidential.

(ii) Anything herein to the contrary notwithstanding, the restrictions of this Section 7(c) shall not apply (w) when disclosure is required by law or by any court, arbitrator, mediator or administrative or legislative body (including any committee thereof) with apparent jurisdiction to order Executive to disclose or make accessible any information, provided that Executive shall have, to the extent permitted by applicable law, first provided the Company with reasonable notice of such potential disclosure and a reasonable opportunity to exercise any legal remedies available to the Company to limit such disclosure, (x) with respect to any other litigation, arbitration or mediation involving this Agreement, (y) as to Confidential Information that becomes generally known to the public or within the relevant trade or industry other than due to Executive's violation of this Section 7(c) or (z) disclosing this Agreement to members of his immediate family and legal or financial advisers or the provisions of this Section 7 to any prospective or future employer.

(iii) Upon termination of Executive's employment with the Company for any reason, Executive shall promptly destroy, delete, or, if Executive is so notified in writing by the Company prior to such termination, return to the Company all originals and copies in any form or medium (including memoranda, books, papers, plans, computer files, letters and other data) in Executive's possession or control at the time of such termination (including any of the foregoing stored or located in Executive's office, home, laptop or other computer, whether or not Company property) that contain Confidential Information. Anything to the contrary notwithstanding, nothing in this Section 7(c)(iii) shall prevent Executive from retaining a computer, papers and other materials of a personal nature, including personal diaries, calendars and Rolodexes, information relating to his compensation or relating to reimbursement of expenses, information that he reasonably believes may be needed for tax purposes, and copies of plans, programs and agreements relating to his compensation. For the sake of clarity, if Executive retains a computer he shall delete any information contained therein that he is not permitted to retain under this Section 7(c)(iii).

(d) Non-Disparagement. During and after the Term and the Advisory Period (if any), regardless of how, when or why such employment ends, (i) Executive shall not make, either directly or indirectly, any oral or written negative, disparaging or adverse statements or representations of or concerning any member of the Company Group, any of their clients, customers or businesses, or any of their current or former officers, directors, employees or shareholders and (ii) Company Parties (as defined below) shall not make any oral or written negative, disparaging or adverse statements or representations of or concerning Executive; provided, however, that nothing herein shall prohibit (A) critical communications between Executive and the Company during the Term and any Advisory Period and in connection with Executive's employment, (B) Executive or any Company Party from disclosing truthful information if legally required (whether by oral questions, interrogatories, requests for information or documents, subpoena, civil investigative demand or similar process) or (C) either party from acting in good faith to enforce such party's rights under this Agreement. For purposes of this Agreement, the term "Company Parties" shall mean the executive officers of the Company, acting in their capacity as representatives of the Company.

(e) Intellectual Property.

(i) If, prior to the date hereof, Executive has created, invented, designed, developed, contributed to or improved any works of authorship, inventions, intellectual property, materials, documents or other work product (including without limitation, research, reports, software, databases, systems, applications, presentations, textual works, content, or audiovisual materials) ("Works"), either alone or with third parties by such employment ("Prior Works"), Executive hereby grants each member of the Company

Group, to the extent of any rights he possesses therein, a perpetual, non-exclusive, royalty-free, worldwide, assignable, sublicensable license under all rights and intellectual property rights (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) therein for all purposes in connection with the Company Group's current and future business.

(ii) If Executive creates, invents, designs, develops, contributes to or improves any Works, either alone or with third parties, at any time during Executive's employment by the Company and within the scope of such employment ("Company Works"), Executive shall promptly and fully disclose same to the Company and hereby irrevocably assigns, transfers and conveys, to the extent he then possesses and to the maximum extent permitted by applicable law, all rights and intellectual property rights therein (including rights under patent, industrial property, copyright, trademark, trade secret, unfair competition and related laws) to each member of the Company Group to the extent ownership of any such rights does not vest originally in a member of the Company Group.

(iii) Executive agrees to keep and maintain reasonable records of all Company Works. The records will be available to and remain the sole property and intellectual property of the Company at all times.

(iv) Executive shall, to the extent reasonable, take all actions and execute all requested documents (including any licenses or assignments required by a government contract) at the Company's expense (but without further remuneration) to assist the Company in validating, maintaining, protecting, enforcing, perfecting, recording, patenting or registering any of the Company's rights in the Prior Works and Company Works. If to the extent the Company is unable to secure Executive's signature on any document for this purpose, then Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as Executive's agent and attorney in fact, to act for and on Executive's behalf and stead to execute any documents and to do all other lawfully permitted acts in connection with the foregoing.

(v) The provisions of this Section 7 shall survive the termination of Executive's employment for any reason.

(f) Specific Performance. Executive acknowledges and agrees that the Company's remedies at law for a breach or threatened breach of any of the provisions of Section 7 would be inadequate and the Company would suffer irreparable damages as a result of such breach or threatened breach. In recognition of this fact, Executive agrees that, in the event of such a breach or threatened breach, in addition to any remedies at law, the Company shall be entitled to seek equitable relief in the form of specific performance, temporary restraining order, temporary or permanent injunction or any other equitable remedy which may then be available.

(g) Consideration. Executive acknowledges that, in connection with the Closing, (i) Executive will receive a transaction bonus within 10 business days after the

Closing in accordance with the Purchase Agreement (the "Transaction Bonus") as consideration for Executive's significant services and efforts to White Mountains Insurance Group, Ltd. ("WTM") and the Company provided during 2014 and 2015 and (ii) Executive will be eligible to receive two retention bonuses as provided in the Purchase Agreement (the "Retention Bonuses"), subject to his continued employment after the Closing through the twelve-month and twentieth-month anniversaries, respectively, of Closing (except as provided in Section 5), as consideration for his continued essential services to the Company and Executive's agreement to be bound by the provisions of this Section 7. Each Retention Bonus payable to Executive pursuant to the clause (ii) of the preceding sentence shall be paid to him as soon as practicable after the 12 or the 20 month anniversary of the Closing Date, respectively, but in any event no later than by December 31 of the year in which such anniversary occurs or, if later, by the 15th day if the third calendar month following the date of such anniversary, except as other wise provided in Section 5(c)(iii) above. Exhibit C hereto sets forth the Company's good faith estimate, as of the date hereof, of the amount of the Transaction Bonus and the Retention Bonuses.

8. Release. Executive shall not be entitled to receive any of the payments or benefits set forth in Section 5(c)(ii) or Section 6, as the case may be, unless Executive executes a release and waiver of claims in the form of Exhibit D hereto (the "Release") in favor of the Company and certain other parties as set forth therein relating to all claims or liabilities of any kind relating to Executive's employment with the Company or any of its affiliates and the termination of such employment as an executive, and, on or prior to the 55th day following Executive's termination of employment pursuant to Section 4, the Release becomes effective and irrevocable in accordance with the terms thereof.

9. Certain Additional Payments by the Company.

(a) Notwithstanding anything in this Agreement to the contrary and subject to the terms and conditions of this Section 9, in the event that (i) Executive's employment terminates without Cause pursuant to Section 4(c) or for Good Reason as described in Section 5(c)(vi) and (ii) it shall be determined that any Payment (as defined below) that is paid or payable to Executive would be subject to the Excise Tax (as defined below), Executive shall be entitled to receive an additional payment (an "Additional Payment") in an amount such that, after payment by Executive of all taxes (and any interest or penalties imposed with respect to such taxes), including any income and employment taxes and Excise Taxes imposed upon the Additional Payment, Executive retains an amount of the Additional Payment equal to the Excise Tax imposed upon such Payments.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when an Additional Payment is required, the amount of such Additional Payment and the assumptions to be utilized in arriving at such determination, shall be made in accordance with the terms of this Section 9 by a nationally recognized certified public accounting firm that shall be designated by the Company, subject to the approval of the Executive which shall not be unreasonably withheld (the "Accounting Firm"). The Accounting Firm shall be a firm that has not, during the two years immediately preceding the date of its designation, performed any services for the Company, for CMI (as defined in the Purchase Agreement), or for their respective affiliates. The Company shall direct the Accounting Firm to make such determinations, and to provide a written report of its determinations with detailed supporting calculations both to the Company and Executive by no later than 15 days prior to the date on which the first Payment payable to the Executive is scheduled to be made to him, and as necessary, by no later than 15 days prior to the date on which any subsequent Payment is scheduled to be made to him. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Additional Payment, as determined pursuant to this Section 9, shall be paid by the Company to Executive, or to the applicable taxing authorities on his behalf, by no later than the date by which the Excise Tax and other taxes to which the Additional Payment relates are required to be remitted, and in no event later than the last day of the calendar year following the calendar year in which the applicable taxes are due. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall so indicate to Executive in writing. Subject to any determinations subsequently made by the IRS or the courts as to the amount of Excise Tax payable with respect to any Payment, any determination by the Accounting Firm shall be binding upon the Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), at the time of the initial determination by the Accounting Firm hereunder, it is possible that Additional Payments that will not have been made by the Company should have been made (an "Underpayment"), consistent with the calculations required to be made hereunder. In the event the Company exhausts its remedies pursuant to Section 9(c) and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be paid by the Company to Executive, or to the applicable tax authorities on his behalf, by no later than the date by which the additional Excise Tax and other taxes to which such Additional Payment relates are required to be remitted, and in no event later than the last day of the calendar year following the calendar year in which the applicable taxes are due.

(c) Executive shall notify the Company in writing of any written claim by the Internal Revenue Service that, if successful, would require the payment by the Company of an Additional Payment. Such notification shall be given as soon as practicable, but no later than fifteen business days after Executive receives such claim in writing. Executive shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim without permitting the Company to contest such claim. If the Company notifies Executive in writing prior to the expiration of such period that the Company desires to contest such claim, Executive shall: (i) give the Company any information reasonably requested by the Company relating to such claim, (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including accepting legal representation with respect to such claim by an attorney reasonably selected by the Company, (iii) cooperate with the Company in good faith in order effectively to contest such claim and (iv) permit the Company to control any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional income or other taxes, interest and penalties) incurred in connection with such contest, and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income or employment tax (including interest or penalties) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest, and, at its sole discretion, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the applicable taxing authority in respect of such claim and may, at its sole discretion, either pay the tax claim on behalf of Executive and direct Executive to sue for a refund or contest the claim in any permissible manner, and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that (A) if the Company pays the tax claim on behalf of Executive and directs Executive to sue for a refund, the Company shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income or employment tax (including interest or penalties) imposed with respect to such payment and (B) if such contest results in any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due, such extension must be limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which the Additional Payment would be payable hereunder, and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority. Any indemnification payment to be made to Executive pursuant to this Section 9(c) shall be made to him by no later than the date by which the Excise Tax, income or employment taxes, interest or penalties to which the indemnification relates are due and payable to the applicable taxing authorities.

(d) If, after the payment by the Company of any tax claim pursuant to Section 9(c), Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund received (together with any interest paid or credited thereon after taxes applicable thereto). If, after the payment by the Company of any tax claim pursuant to Section 9(c), a determination is made that Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of the 30-day period after such determination, then the amount the Company paid in respect of such claim shall offset, to the extent thereof, the amount of Additional Payment required to be paid.

(e) For purposes of this Agreement, (i) "Excise Tax" means the excise tax imposed by Section 4999 of the Code, together with any interest or penalties imposed with respect to such tax, and (ii) "Payment" means any payment, benefit or distribution (or other amount in the nature of compensation) provided by the Company, any of its affiliates or any other person, to or for the benefit of Executive, whether paid, payable, distributed, distributable or provided pursuant to this Agreement or otherwise, that constitutes a "parachute payment" within the meaning of Section 280G of the Code and the regulations issued thereunder.

10. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof, and except as otherwise set forth herein, supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral, with respect to the subject matter hereof. For the sake of clarity, nothing in this paragraph is intended to negate or otherwise adversely affect your rights under compensation and benefit plans, programs and agreements at, or with, WTM and/or the Company including, without limitation, the LTIPs.

11. Assignment; Successors.

(a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive, and any assignment in violation of this Agreement shall be void. This Agreement shall inure to the benefit of and be enforceable by Executive's heirs, successors, assigns and legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns.

(c) The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place.

12. Withholding. All payments to be made to Executive hereunder will be subject to all applicable required withholding of federal, state, local and foreign taxes, including income and employment taxes.

13. Cooperation. For the period ending 60 months after the end of the Term or, if later, the end of the Advisory Period, Executive shall make himself available to assist the Company at mutually convenient times and places with respect to pending and future litigation, arbitrations, governmental investigations or other dispute resolutions relating to or in connection with matters that arose during Executive's employment with the Company provided that in no event shall Executive be required under this Section 13 to provide cooperation that would be materially adverse to his legal interests or to act against the best interests of any new employer or new business venture in which he is a partner or active participant. The Company will reimburse Executive for the reasonable expenses he may incur as a result of providing such assistance, including travel costs and legal fees to the extent Executive reasonably believes that separate representation is warranted, provided the Company receives proper documentation with respect to all such

claimed expenses. Executive's entitlement to reimbursement of expenses, including legal fees, pursuant to this Section 13 shall in no way affect Executive's right to be indemnified and/or advanced expenses in accordance with the Company's corporate documents and/or in accordance with this Agreement provided he shall not be entitled to any duplication of reimbursements. From and after the end of the Term, or, if later, the end of the Advisory Period, Executive shall be entitled to a fee of $1,500 per hour for furnishing such cooperation (including travel time required in connection with such cooperation) for up to ten hours and $3,000 per hour thereafter. Executive shall submit to the Company a written request for the payment of any fees earned by him during any calendar month pursuant to the preceding sentence, accompanied with proper documentation of the number of hours spent by him, by no later than 30 days following the close of that month. The fees payable to Executive for such month shall be paid to him as soon as practicable after, but in any event by no later than 30 days following, the date on which his written request was received by the Company.

14. Notices. All documents, notices, requests, demands and other communications that are required or permitted to be delivered or given under this Agreement shall be in writing to (a) Sirius International Insurance Group Ltd., 5 Wesley St., Hamilton HR 11 Bermuda, Atention General Counsel, or (b) Executive, at the address for Executive most recently on file with the Company's human resources department, and shall be deemed to have been duly delivered or given when received.

15. Amendment. No provisions of this Agreement may be modified, waived or discharged unless such modification, waiver or discharge is agreed to in writing signed by the parties hereto.

16. No Waiver. The provisions of this Agreement may be waived only in writing signed by the party or parties entitled to the benefit thereof. A waiver or any breach or failure to enforce any provision of this Agreement shall not in any way affect, limit or waive a party's rights hereunder at any time to enforce strict compliance thereafter with every provision of this Agreement.

17. Severability. If any term, provision, covenant or condition of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable in any jurisdiction, then such provision, covenant or condition shall, as to such jurisdiction, be modified or restricted to the minimum extent necessary to make such provision valid, binding and enforceable, or, if such provision cannot be modified or restricted, then such provision shall, as to such jurisdiction, be deemed to be excised from this Agreement and any such invalidity, illegality or unenforceability with respect to such provision shall not invalidate or render unenforceable such provision in any other jurisdiction, and the remainder of the provisions hereof shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

18. Survival. The rights and obligations of the Company and Executive under the provisions of this Agreement shall survive and remain binding and

enforceable, notwithstanding any termination of Executive's employment with the Company, to the extent necessary to preserve the intended benefits of such provisions.

19. Governing Law. This Agreement and any disputes arising hereunder or related hereto (whether for breach of contract, tortious conduct or otherwise) shall be governed by and construed in accordance with the laws of the State of New York, without reference to its conflicts of law principles.

20. Jurisdiction. Each party irrevocably agrees that any legal action, suit or proceeding against it arising out of or in connection with this Agreement or the transactions contemplated by this Agreement or disputes relating hereto (whether for breach of contract, tortious conduct or otherwise) shall be brought exclusively in New York, New York, and hereby irrevocably accepts and submits to the exclusive jurisdiction and venue of the aforesaid courts in personam, with respect to any such action, suit or proceeding. The parties hereby waive, to the fullest extent permitted by applicable law, any objection that they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in such court. The parties agree not to commence any action arising out of or relating to this Agreement in a forum other than the forum described in this Section 20.

21. Headings. The headings in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

22. Counterparts. This Agreement may be executed in two or more counterparts (including by facsimile of PDF), each of which shall be deemed an original but all of which together shall constitute one and the same instrument. If any signature is delivered by facsimile transmission or by PDF, such signature shall create a valid and binding obligation of the party executing (or on whose behalf the signature is executed) with the same force and effect as if such facsimile or PDF signature were an original thereof.

23. Construction. The headings in this Agreement are for convenience only and shall not control or affect the meaning or construction of any provision of this Agreement. As used in this Agreement, words such as "herein", "hereinafter", "hereby" and "hereunder", and words of like import, refer to this Agreement, unless the context requires otherwise. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation".

24. Section 409A of the Code.

(a) It is intended that the provisions of this Agreement comply with, or be exempt from, the requirements of Section 409A of the Code and the regulations promulgated thereunder ("Section 409A"), and all provisions of this Agreement shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A.

(b) Neither Executive nor any of his creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Agreement or under any other plan, policy, arrangement or agreement of or with the Company or any of its affiliates (this Agreement and such other plans, policies, arrangements and agreements, the "Company Plans") to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to Executive or for Executive's benefit under any Company Plan may not be reduced by, or offset against, any amount owing by Executive to the Company or any of its affiliates.

(c) If, at the time of Executive's separation from service (within the meaning of Section 409A), (i) Executive is a "specified employee" (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time, to the extent the methodology so selected is permitted under Section 409A) and (ii) the Company shall make a good faith determination that an amount payable under the Company Plans constitutes deferred compensation (within the meaning of Section 409A and after taking into account all exemptions thereunder) the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company shall not pay such amount on the otherwise scheduled payment date, but shall instead accumulate such amount and pay it, without interest, on the first business day after the expiration of such six-month period. To the extent required by Section 409A, any payment or benefit that would be considered deferred compensation subject to, and not exempt from, Section 409A, payable or provided upon a termination of Executive's employment, shall only be paid or provided to Executive upon his separation from service (within the meaning of Section 409A).

(d) For purposes of Section 409A, each payment hereunder will be deemed to be a separate payment as permitted under Treasury Regulation Section 1.409A-2(b)(2)(iii).

(e) Except as specifically permitted by Section 409A or as otherwise specifically set forth in this Agreement, the benefits and reimbursements provided to Executive under this Agreement and any Company Plan during any calendar year shall not affect the benefits and reimbursements to be provided to Executive under the relevant section of this Agreement or any Company Plan in any other calendar year, and the right to such benefits and reimbursements cannot be liquidated or exchanged for any other benefit and shall be provided in accordance with Treas. Reg. Section 1.409A-3(i)(1)(iv) or any successor thereto. Further, in the case of reimbursement payments, reimbursement payments shall be made to Executive as soon as practicable following the date that the applicable expense is incurred, but in no event later than the last day of the calendar year following the calendar year in which the underlying expense is incurred.

(f) To the extent necessary to qualify for the short-term deferral exception under Section 457A(d)(3)(B) of the Code, and subject to Section 409A, any Ineligible

Compensation that is attributable to services performed by Executive for a “nonqualified entity” (within the meaning of Section 457A(b) of the Code, such entity a “Nonqualified Entity”), as adjusted for any earnings and losses attributable thereto, shall be paid to Executive no later than the last day of the 12th month after the end of the taxable year of such Nonqualified Entity during which Executive’s right to the payment of such Ineligible Compensation is no longer subject to a “substantial risk of forfeiture” within the meaning of Section 457A(d)(1) of the Code. For purposes of this agreement, “Ineligible Compensation” means compensation relating to services performed for the benefit or on behalf of a Nonqualified Entity as determined by the Company in its sole discretion regardless of whether the cost of such compensation is actually borne by the Company. To the extent Executive performs such services for a Nonqualified Entity, and any subsidiary or affiliate of the Company, the determination of what portion of such compensation shall be considered Ineligible Compensation shall also be made by the Company in its sole discretion.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as of the date first above written.

SIRIUS INTERNATIONAL INSURANCE GROUP, LTD.

By: /s/ Brian E. Kensil
Name: Brian E. Kensil
Title: CFO

EXECUTIVE

By: /s/ Allan L. Waters
Name: Allan L. Waters

Exhibit A

**AMENDED AND RESTATED**

**SIRIUS GROUP LONG TERM INCENTIVE PLAN**

1. **PURPOSE**

The purpose of the Sirius Group Long Term Incentive Plan (the “Plan”) is to advance the interests of Sirius International GroASup, Ltd. (the “Company”) by providing long-term incentives to certain executives and key employees of the Company and certain of its affiliates.

2. **ADMINISTRATION**

The Plan shall be administered by the Chairman of the Company with oversight by the Chairman of the ultimate parent, White Mountains Insurance Group, Ltd. (“Management Committee”).
The Plan will govern the administration of all outstanding Awards, as defined below, as of the date of Plan adoption and all future Awards through the date of Plan termination.

The Management Committee shall have exclusive authority to select the employees to be granted awards under the Plan (“Awards”) and to determine the size and terms of the Awards. The Management Committee shall be authorized to interpret the Plan and the Awards granted under the Plan, to establish, amend and rescind any rules and regulations relating to the Plan and to make any other determinations which it believes necessary or advisable for the administration of the Plan. The Management Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award in the manner and to the extent the Management Committee deems desirable to carry it into effect.

All decisions pertaining to the Plan reached by the Management Committee, as described herein, and, if required, the compensation committee of the White Mountains Insurance Group, Ltd. (the “WTM Group”) Board of Directors (the “WTM Comp Committee”) shall in all cases be final and binding.

3. **PARTICIPATING AFFILIATES**

If certain affiliates of the Company wish to participate in the Plan and their participation shall have been approved by the Board, the Board of Directors of the affiliate shall adopt a resolution in form and substance satisfactory to the Management Committee authorizing participation by the affiliate in the Plan.

Certain affiliates may cease to participate in the Plan at any time by action of the Board or by action of the Board of Directors of such affiliate, which latter action shall be effective not earlier than the date of delivery to the Secretary of the Company of a certified copy of a resolution of such affiliate's Board of Directors taking such action. Termination of participation in the Plan shall not relieve such affiliate of any obligations theretofore incurred by it under the Plan.

4. **AWARDS**

(a) *Eligible Participants.* Any employee of the Company or certain of its affiliates is eligible to receive an Award. The Management Committee shall select which employees shall be granted Awards hereunder ("Participants"). No employee shall have a right to receive an Award hereunder and the grant of an Award to a Participant shall not obligate the Management Committee to continue to grant Awards to such Participant in subsequent periods.

(b) *Type of Award.* Awards shall be in performance units ("Performance Units") and phantom performance shares ("Phantom Shares").

5. **PERFORMANCE UNITS**

The grant of a Performance Unit Award to a Participant will entitle the Participant to receive, without payment to the Company, all or part of a specified amount determined by the Management Committee, if the terms and conditions specified herein and in the Award are satisfied. Each Performance Unit Award shall be subject to the following terms and conditions:

(a) The Management Committee shall determine the target number of Performance Units to be granted to a Participant after receiving recommendations from the Company's Chief Executive Officer and the Company or certain affiliate's management team. Performance Unit Awards may be granted in different classes or series having different terms and conditions.

(b) The period (the "Award Period") in respect of any grant of a Performance Unit Award shall be a three year cycle or as the Management Committee shall otherwise determine.

(c) Participants are awarded Performance Units at a value of $1,000 per Performance Unit or the foreign currency equivalent at the beginning of each Award Period (the "Initial Value"). For each Award Period, the value of each Performance Unit shall be compounded forward from its Initial Value through the end of the Award Period based on the weighted average underwriting return on deployed capital ("UROC") produced by the Company during the Award Period (the "Payment Value"). For each Award Period the percentage of Performance Units paid (the "Payment Percentage") at the end of the Award Period may vary between 0% and 200% of the initially awarded Performance Units based upon the actual annual compounded UROC achieved by the Company and/or one or more affiliates of the Company during the Award

Period as compared to minimum, target and maximum UROC goals established as of the date such Performance Units were awarded. The Payment Percentage shall be (i) 0% if actual UROC is less than or equal to the minimum goal, (ii) 100% if actual UROC is equal to target, (iii) 200% if actual UROC is equal to or greater than the maximum goal and (iv) determined by linear interpolation for actual UROC results between minimum and target or for actual UROC results between target and maximum.

(d) For each Award Period, the amount payable to a Participant who is qualified to receive such payment at the end of the Award Period shall be equal to the product of (i) the number of Performance Units awarded to the Participant for the Award Period, (ii) the Payment Value and (iii) the Payment Percentage.

(e) Except as otherwise determined by the Management Committee, Performance Units shall be cancelled if the Participant's continuous employment with the Company or certain of its affiliates shall terminate for any reason prior to the end of the Award Period, except solely by reason of a period of Related Employment as defined in Section 8.

Notwithstanding the foregoing, if prior to the end of an Award Period a Participant while in such employment shall (i) retire at age 65 or older with not less than five (5) years of service, (ii) die or (iii) become disabled as described in Section 7, then such Participant's Performance Units that are then outstanding for such Award Period shall be immediately canceled and the Participant, or the Participant's legal representative, as the case may be, shall, following the end of the year in which the death, disability or retirement occurred, receive a cash payment in respect of such canceled Performance Units equal to the product of
(a) ) the number of Performance Units awarded to the Participant for the Award Period, (b) the Payment Value calculated through the end of the year that the death, disability or retirement occurred, (c) the Payment Percentage calculated through the end of the year that the death, disability or retirement occurred and (d) a fraction equal to (x) the number of months from the beginning of the Award Period through the end of the year in which the death, disability or retirement occurred divided by (y) the total number of months in the Award Period.

The Management Committee, in its sole discretion, may alter the terms of the retirement qualifications and calculations without the consent of any Participant.

(f) If within 24 months after a Change in Control as defined in Section 9:

i. there is a Termination Without Cause, as defined in section 10, of the employment of a Participant;

ii. there is Constructive Termination, as defined in section 11, of the employment of a Participant; or

iii. there is Adverse Change in the LTIP, as defined in section 12, in respect of a Participant;

(any such occurrence following a Change in Control under the above clauses (i), (ii) and (iii) is a “Trigger Event”), then such Participant’s Performance Units that are then outstanding shall be immediately canceled and the Participant, or the Participant’s legal representative, as the case may be, shall receive a cash payment in respect of such canceled Performance Units equal to the product of (a) the number of Performance Units awarded to the Participant for the Award Period,
(b) the Payment Value calculated through the end of the quarter preceding the

Trigger Event, (c) the Payment Percentage calculated through the end of the quarter preceding the Trigger Event and (d) a fraction equal to (x) the number of whole months from the beginning of the Award Period through the Trigger Event divided by (y) the total number of months in the Award Period. For purposes of this Section 5 (f), the Payment Value calculated as of the date of the Trigger Event shall include any gain or loss related to the Change in Control recognized or to be recognized in the consolidated financial statements prepared in accordance with United States Generally Accepted Accounting Principles (“GAAP”) of the WTM Group. For purposes of this Section 5 (f), the Payment Percentage calculated as of the end of the quarter preceding the Trigger Event shall be the greater of 100% or the Payment Percentage calculated using actual financial results achieved through the end of the quarter preceding the Trigger Event and including any gain or loss related to the Change in Control as it relates to the Company, recognized or to be recognized in the consolidated financial statements prepared in accordance with GAAP of the WTM Group.

(g) Except as otherwise provided in Section 5(f), as soon as practicable after the end of each Award Period or such earlier date as the Management Committee in its sole discretion may designate, the Management Committee shall determine, based on the extent to which the applicable performance objectives have been achieved,
(i) the Payment Value applicable to an Award of Performance Units and (ii) the Payout Percentage of the Performance Unit Award, and shall certify all of the foregoing to the Board. The Management Committee shall cause an amount equal to the earned value of the Performance Units earned by the Participant to be paid to him or his beneficiary.

(h) Unless payment is deferred in accordance with an election made by the Participant in accordance with procedures adopted by the Company, or certain affiliates payment of any amount in respect of the Performance Units shall be made by the Company as soon as administratively feasible and in any event no later than 2 ½ months after the end of the Company or certain affiliates' fiscal year in which the Award Period ends for such Performance Units. Payment for Performance Units shall be made in cash.

## 6. PHANTOM PERFORMANCE SHARES

The grant of a Phantom Shares Award to a Participant will entitle him to receive, without payment to the Company, all or part of a specified amount (the "Actual Value") determined by the Management Committee, if the terms and conditions specified herein and in the Award are satisfied. Each Phantom Share shall be subject to the following terms and conditions:

(a) The Management Committee shall determine the target number of Phantom Shares to be granted to a Participant. The maximum number of Phantom Shares that may be earned by a Participant for any single Award Period of one year or longer shall not exceed 50,000. Phantom Shares may be granted in different classes or series having different terms and conditions. The Actual Value of a Phantom Share Award shall be the product of (i) the target number of Phantom

Shares subject to the Phantom Share Award, (ii) the Performance Percentage (as determined below) applicable to the Phantom Share Award and (iii) the market value of a common share of the WTM Group, par value $1 per share ("Share"), on the date the Award is paid or becomes payable to the Participant. The "Performance Percentage" applicable to a Phantom Share Award shall be a percentage of no less than 0% and no more than 200%, which percentage shall be determined by the Management Committee based upon the extent to which the Performance Objectives (as determined below) established for such Award are achieved during the Award Period. The method for determining the applicable Performance Percentage shall also be established by the Management Committee.

(b) At the time each Phantom Share Award is granted, the Management Committee shall establish performance objectives ("Performance Objectives") to be attained within the Award Period as the means of determining the Performance Percentage applicable to such Award. The Performance Objectives established with respect to a Phantom Share Award shall be specific performance targets established by the Management Committee with respect to one or more of the following criteria selected by the Management Committee: (i) consolidated earnings before or after taxes (including earnings before interest, taxes, depreciation and amortization);
(ii) net income; (iii) operating income; (iv) earnings per Share; (v) book value per Share; (vi) return on stockholders' equity; (vii) expense management; (viii) return on investment; (ix) improvements in capital structure; (x) stock price; (xi) combined ratio; (xii) operating ratio; (xiii) profitability of an identifiable business unit or product; (xiv) maintenance or improvement of profit margins; (xv) market share; (xvi) revenues or sales; (xvii) costs; (xviii) cash flow; (xix) working capital; (xx) return on assets; (xxi) customer satisfaction; (xxii) employee satisfaction; and (xxiii) economic value per Share (computed based on book value per Share

determined in accordance with GAAP adjusted for changes in the intrinsic value of assets and liabilities whose value differs from their GAAP carrying value).The foregoing criteria may relate to WTM Group or one or more of its subsidiaries or one or more of its divisions, units, partnerships, joint ventures or minority investments, product lines or products or any combination of the foregoing, and may be applied on an absolute basis and/ or be relative to one or more peer group companies or indices, or any combination thereof, as the Management Committee shall determine. In addition, the Performance Objectives may be calculated without regard to extraordinary items.

(c) The Award Period in respect of any grant of a Phantom Share Award shall be such period as the Management Committee shall determine commencing as of the beginning of the fiscal year of the Company in which such grant is made. An Award Period may contain a number of performance periods; each performance period shall commence on or after the first day of the Award Period and shall end no later than the last day of the Award Period. If the Management Committee does not specify in a Phantom Share Award agreement or elsewhere the performance periods contained in an Award Period, each 12-month period beginning with the first day of such Award Period shall be deemed to be a performance period.

(d) Except as otherwise determined by the Management Committee, Phantom Shares shall be canceled if the Participant's continuous employment with the Company or any of its subsidiaries shall terminate for any reason prior to the end of the Award Period, except by reason of a period of Related Employment as defined in Section 10 of the White Mountains Insurance Group Long Term Incentive Plan ("WTM LTIP"), and except as otherwise specified in this Section or in Section 7
(a) ) of the WTM LTIP.

Notwithstanding the foregoing and without regard to Section 7 (g) of the WTM LTIP, if a Participant shall:

i. while in such employment, die or become disabled as described in Section 9 of the WTM LTIP prior to the end of an Award Period, the Phantom Shares for such Award Period shall be immediately canceled and he, or his legal representative, as the case may be, shall receive as soon as administratively feasible a payment in respect of such canceled Phantom Shares equal to the product of (1) the target number of Phantom Shares for such Award, (2) the market value of a Share at the time of the death or disability and (3) a fraction, the numerator of which is equal to the number of performance periods within the Award Period during which the Participant was continuously employed by WTM Group or its subsidiaries (including, for this purpose, the performance period in which the death or disability occurs), and the denominator of which is equal to the total number of performance periods within such Award Period; provided, however, that no such continuation shall be deemed to have occurred for purposes of applying

Section 7(f) in the WTM LTIP in the event of an Adverse Change in the Plan as defined in the WTM LTIP in respect of the Participant following a Change in Control, as defined in section 11 (a) of the WTM LTIP ("WTM Group Change in Control"); or

ii. retire prior to the end of the Award Period the Phantom Shares shall be immediately canceled and any payments made to the participant in respect of such canceled Phantom Shares shall be in the sole discretion of the Management Committee, and

(e) If within 24 months after a WTM Group Change in Control of the WTM Group LTIP:

i. there is a Termination Without Cause, as defined in Section 12 of the WTM LTIP Plan, of the employment of a Participant;

ii. there is a Constructive Termination, as defined in Section 13 of the WTM LTIP Plan, of the employment of a Participant; or

iii. there occurs an Adverse Change in the Plan, as defined in Section 14 of the WTM LTIP Plan, in respect of a participant (any such occurrence under the above clauses (i), (ii) or (iii), a "WTM Group Trigger Event"),

then with respect to Phantom Share Awards that were outstanding on the date of the WTM Group Change of Control each, an "Applicable Award", each such Award, to the extent still outstanding at the time of the WTM Group Trigger Event, shall be canceled and, in respect of each Applicable Award (including those not still outstanding), such Participant shall be entitled to receive a cash payment equal to the sum of the amounts calculated under (A) and (B) below, <u>less</u> any amounts, if any, previously paid in respect of such Applicable Award (i.e., payments in respect of Awards outstanding as of the WTM Group Change of Control and subsequently paid out by the Company prior to the applicable WTM Group Trigger Event ):

(A) A Participant shall be entitled to receive the following with respect to each Applicable Award: the product of (i) the Applicable Phantom Shares (as determined below), (ii) 200% (representing the applicable Performance Percentage) and (iii) the Applicable Share Value (as determined below). For this purpose, (i) "Applicable Phantom Shares" is equal to the number of target Phantom Shares for each Applicable Award multiplied by a fraction, the numerator of which is the number of full months elapsed since the first day of the applicable Award Period to the end of the first month in which the applicable WTM Group Trigger Event occurs and the denominator of which is the total number of months in the Award Period (but which fraction shall not in any event be greater than 1), and (ii) the

"Applicable Share Value" is equal to the greater of the market value of a Share immediately prior to the Change in Control and the market value, if any, of a Share on the date of the applicable WTM Group Trigger Event, and

(B) For Awards outstanding on the date of the WTM Group Trigger Event, the Company shall, in addition to the amounts payable under (A) above, pay to the Participant an amount equal to the product of (i) (x) the total number of target Phantom Shares in the Award less (y) the Applicable Phantom Shares in the Award (as determined above), (ii) the Applicable Share Value (as determined above) and (iii) the applicable Performance Percentage determined as follows:

(1) Prior to the consummation of any WTM Group Change in Control, the Management Committee shall determine a Performance Percentage for each then outstanding Award Period based on the extent to which the applicable Performance Objectives were being achieved for each such Award Period to the date of the WTM Group Change in Control, and

(2) If the Performance Percentage for an Award Period was determined by the Management Committee (pursuant to

subsection (1) above) to be greater than 100%, then the Performance Percentage applicable to the remaining Phantom Shares of such Award Period shall be such determined Performance Percentage, and

(3) If the Performance Percentage for an Award Period was determined by the Management Committee (pursuant to subsection (1) above) to be less than or equal to 100%, then the Performance Percentage applicable to the remaining Phantom Shares of such Award Period shall be the greater of (x) such other Performance Percentage which may be specified by the Management Committee (or any sub- committee of the Board which performs duties comparable to the Committee) for such Award Period at the time of the WTM Group Trigger Event and (y) 100%.

(f) Except as otherwise provided in Section 7(f) of the WTM LTIP Plan as soon as practicable after the end of the Award Period or such earlier date as the Management Committee in its sole discretion may designate, the Management

Committee shall determine, based on the extent to which the applicable Performance Objectives have been achieved, the Performance Percentage applicable to an Award of Phantom Shares, (i) calculate the Actual Value of the Phantom Share Award and (ii) shall certify the foregoing to the Board and shall cause an amount equal to the Actual Value of the Phantom Shares earned by the Participant to be paid to him or his beneficiary.

(g) Unless payment is deferred in accordance with an election made by the Participant in accordance with procedures adopted by the Company, payment of any amount in respect of the Phantom Shares shall be made by the Company no later than 2 1/2 months after the end of the Company's or certain affiliate's fiscal year in which such Phantom Shares are earned, and shall be made in cash.

7. **DISABILITY**

For the purposes of this Plan, a Participant shall be deemed to be disabled if the Management Committee shall determine that the physical or mental condition of the Participant is such as would entitle him to payment of long-term disability benefits under any disability plan of the Company, or certain affiliates in which the Participant participates.

8. **RELATED EMPLOYMENT**

For the purposes of this Plan, Related Employment shall mean the employment of a Participant by an employer which is neither the Company nor a certain affiliate provided:
(i) such employment is undertaken by the Participant and continued at the request of the Company or a certain affiliate; (ii) immediately prior to undertaking such employment, the Participant was an officer or employee of the Company or affiliate, or was engaged in

Related Employment as herein defined; and (iii) such employment is recognized by the Management Committee, in its sole discretion, as Related Employment for the purposes of this Section 6. The death or disability of a participant during a period of Related Employment as herein defined shall be treated, for purposes of this Plan, as if the death or onset of disability had occurred while the participant was an officer or employee of the Company.

9. **CHANGE IN CONTROL**

For purposes of this Plan, a "Change in Control" within the meaning of this Section 9 shall occur if:

(a) Any person or group (within the meaning of Section 13(d) of the Securities

Exchange Act of 1934, other than the WTM Group of any of its wholly owned subsidiaries, becomes the beneficial owner of 20% or more of the outstanding common stock of the entity for which the Participant's services are principally performed (or any intermediate operating or holding company in the ownership chain between the WTM Group and the entity for which the Participant's services are principally performed) and such percentage exceeds the beneficial ownership percentage of the WTM Group; or

(b) the business for which the Participant's services are principally performed is disposed of by the WTM Group pursuant to a sale or other disposition of all or substantially all of the business or business related assets of the business for which the participant's services are principally performed; or

(c) there occurs a Change of Control of the WTM Group as defined in the WTM LTIP Plan or any similar or successor long-term incentive compensation plan of the WTM Group.

## 10. TERMINATION WITHOUT CAUSE

For purposes of this Plan, "Termination Without Cause" shall mean a termination of the Participant's employment with the Company or a Company affiliate other than (i) for death or disability as described in Section 5 or (ii) for Cause. "Cause" shall mean (a) an act or omission by the Participant that constitutes a felony or any crime involving moral turpitude; or (b) willful gross negligence or willful gross misconduct by the Participant in connection with his employment by the Company or by a certain affiliate which causes, or is likely to cause, material loss or damage to the Company. Notwithstanding anything herein to the contrary, if the Participant's employment with the Company or one of its certain affiliates shall terminate due to a Change in Control as described in Section 7 where the purchaser, as described in such subsections, formally assumes the Company's obligations under this Plan or places the Participant in a similar or like plan with no diminution of the value of the awards, such termination shall not be deemed to be a "Termination Without Cause."

## 11. CONSTRUCTIVE TERMINATION

"Constructive Termination" shall mean a termination of employment with the Company or an affiliate at the initiative of the Participant that the Participant declares by prior written notice delivered to the Company to be a Constructive Termination by the Company or a subsidiary and which follows (a) a material decrease in his total compensation opportunity or (b) a material diminution in the authority, duties or responsibilities of his position with the result that the Participant makes a determination in good faith that he cannot continue to carry out his job in substantially the same manner as it was intended to be carried out immediately before such diminution. Notwithstanding anything herein to the contrary, Constructive Termination shall not occur within the meaning of this Section 9 until and unless 30 days have elapsed from the date the Company receives such written notice without the Company curing or causing to be cured the circumstance or circumstances described in this Section 9 on the basis of which the declaration of Constructive Termination is given.

## 12. ADVERSE CHANGE IN THE PLAN

An “Adverse Change in the Plan” shall mean

(a) Termination of the Plan pursuant to Section 14; or

(b) Amendment of the Plan pursuant to Section 14 that materially diminishes the value of Awards that may be granted under the Plan, either to individual Participants or in the aggregate, unless there is substituted concurrently authority to grant long-term incentive awards of comparable value to individual Participants in the Plan or in the aggregate, as the case may be; or

(c) In respect of any holder of an Award a material diminution in his rights held under such Award (except as may occur under the terms of the Award as originally granted) unless there is substituted concurrently a long-term incentive award with a value at least comparable to the loss in value attributable to such diminution in rights.

## 13. DESIGNATION OF BENEFICIARY BY PARTICIPANT

A Participant may name a beneficiary to receive any payment to which he may be entitled in respect Performance Units under the Plan in the event of his death, on a form to be provided by the Management Committee. A Participant may change his beneficiary from time to time in the same manner. If no designated beneficiary is living on the date on which any amount becomes payable to a participant’s executors or administrators, the term “beneficiary” as used in the Plan shall include such person or persons.

## 14. MISCELLANEOUS PROVISIONS

(a) No employee or other person shall have any claim or right to be granted an Award under the Plan. Neither the Plan nor any action taken hereunder shall be construed as giving an employee any right to be retained in the employ of the Company and certain affiliates.

(b) A Participant’s rights and interest under the Plan may not be assigned or transferred in whole or in part either directly or by operation of law or otherwise (except in the event of a Participant’s death), including but not limited to, execution, levy, garnishment, attachment, pledge, bankruptcy or in any other manner and no such right or interest of any Participant in the Plan shall be subject to any obligation or liability or such participant.

(c) The Company and certain affiliates shall have the right to deduct from any payment made under the Plan any federal, state or local income or other taxes required by law to be withheld with respect to such payment. It shall be a condition to the obligation of the Company upon payment of a Performance Unit that the Participant (or any beneficiary or person entitled to payment under this Plan) pay to the Company, upon its demand, such amount as may be required by the Company for the purpose of satisfying any liability to withhold Federal, state or local income or other taxes. If the amount requested is not paid, the Company may refuse to issue such Units.

(d) The Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of any Award under the Plan.

(e) By accepting any Award or other benefit under the Plan, each Participant and each person claiming under or through him shall be conclusively deemed to have indicated his acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Management Committee.

(f) The expenses of the Plan shall be borne by the Company. However, if an Award is made to an employee of an affiliate:

i. there is a Termination Without Cause, as defined in section 10, of the employment of a Participant;

ii. if such Award results in payment of cash to the Participant, such affiliate shall pay to the WTM Group an amount equal to such cash payment; and

iii. if the Award results in the issuance to the Participant of Shares, such subsidiary shall pay to the WTM Group an amount equal to fair market value thereof, as determined by the WTM Comp Committee, on the date such Shares are issued.

## 15. AMENDMENT

The Plan may be amended at any time and from time to time by the Board. Except as otherwise provided herein, no amendment of the Plan shall adversely affect any right of any Participant with respect to any Award previously granted without such Participant's written consent.

## 16. TERMINATION

This Plan shall terminate upon the adoption of a resolution of the Board terminating the Plan. No termination of the Plan shall alter or impair any of the rights or obligations of any person, without his consent, under any Award previously granted under the Plan.

Exhibit D

RELEASE

Pursuant to the terms of the Employment Agreement (the "Employment Agreement") entered into on July 24, 2015, between Sirius International Insurance Group, Ltd., a Bermuda corporation (the "Company"), and Allan L. Waters ("Executive"), and in exchange for certain payments and benefits provided under the Employment Agreement, Executive, on behalf of himself, his successors, representatives, heirs, assigns, attorneys, agents, executors and administrators, hereby irrevocably and unconditionally releases and forever discharges each member of the Company Group (as defined in the Employment Agreement) and each of its successors, assigns, partners, officers, stockholders, managers, supervisors, employees, representatives, agents, attorneys, insurers, divisions, affiliates, subsidiaries, and parent corporations or entities, and all persons acting by, through, under, or in concert with the Company Group or any of them (the "Releasees"), from any and all charges, complaints, claims, liabilities, causes of action, or demands of whatever kind or nature, known or unknown claims, more especially on account of, but not limited to, any and all claims, known or unknown, based upon any allegation of employment discrimination, discrimination on the basis of race, color, sex, sexual orientation, age (including any claim pursuant to the Federal Age Discrimination in Employment Act, 29 U.S.C. Sec. 621 et seq.), religion, disability, national origin or any other classification protected under applicable law, as well as any claim for tortious injury, breach of contract, and wrongful discharge (including constructive discharge), all claims for infliction of emotional distress, slander, libel or defamation of character, all claims for reinstatement, back pay, front pay, vacation pay, compensatory or punitive damages, severance pay, attorneys' fees, or costs, or any matters in any way relating to, stemming from or arising out of Executive's prior employment with or separation from the Company Group, parent and affiliated companies of the Company Group or any of them, or the acceptance of benefits under the Employment Agreement, which Executive now has or claims to have, or which he previously had or claimed to have, or which he ever may have or claim to have, against the Releasees, except that which arises from conduct occurring after the execution of this Release. Notwithstanding the foregoing, Executive further reserves all rights to pursue any workers' compensation benefits to which he may be entitled as a result of his former employment by the Company. Further, the parties agree that Executive is not releasing his rights with respect to: (1) his vested interest or entitlement to benefits, if any, in any pension plan, deferred compensation plan, or incentive compensation plan of any member of the Company Group or any of their former parents, (2) any interest in any restricted stock award issued by WTM (as defined in the Employment Agreement), (3) his vested interest in any 401(k) savings plan of any member of the Company Group, (4) any claims and elections Executive may have pursuant to COBRA, (5) any obligation of the Company under this Agreement (including any right to continued vesting of long-term incentive awards and continued health insurance coverage) that by its terms survives termination of employment, or (6) any act or omission that may occur after the date of execution of this Release. Any distributions from a pension plan to Executive will be made in accordance with that plan's procedures. In addition, nothing contained herein shall prevent Executive from bringing a claim against the Company to enforce any claim for indemnification he may have under applicable laws, under the applicable constituent documents (including bylaws and certificates of incorporation) of any entity that is included in the Company Group, under any applicable insurance policy any such entity may maintain or under any other agreement with any such entity, with respect to any liability, costs or expenses that he incurs or has incurred as a director, officer or employee of any such entity.

Pursuant to the requirements of the Older Workers Benefit Protection Act, Sec. 201, 29 U.S.C. Sec. 626, et seq., Executive will have a period of forty-five (45) days to consider this Release after his receipt of the same (but may execute this Release at any time). If Executive elects not to take the full forty-five (45) days, he agrees that he has done so knowingly, voluntarily, and with full understanding that he is waiving a statutory right to consider this Release for forty-five (45). Executive may revoke this Release within the seven (7) day period following his execution of the same (the "Revocation Period"). This Release shall not become effective or enforceable until the Revocation Period expires. In order to revoke this Release, Executive must notify the Company in writing c/o 5 Wesley St., Hamilton HR 11 Bermuda, Atention General Counsel before the end of the Revocation Period of the decision to revoke.

Executive represents and agrees that: (a) he has thoroughly reviewed all aspects of this Release; (b) he was given a period of forty-five (45) days within which to consider this Release; (c) the Company advised him in writing to consult with an attorney before executing this Release; (d) he has had an adequate opportunity to review this Release with an attorney; (e) he fully understands its terms; (f) he was not coerced into signing it, (g) he is knowingly and voluntarily entering into this Release; and (h) he has not filed any complaints or charges against any member of the Company Group.

This Release shall not be construed as an admission of any wrongdoing by any member of the Company Group, or any of their affiliates, officers, or employees, or that any of them violated any legal or other obligation to Executive.

By: __

Name: Allan L. Waters

**Exhibit 31.1**

**PRINCIPAL EXECUTIVE OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a)**
**OF THE SECURITIES EXCHANGE ACT OF 1934**

I, Raymond Barrette, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2015
By:

/s/ Raymond Barrette
Chairman and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**PRINCIPAL FINANCIAL OFFICER CERTIFICATION PURSUANT TO RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934**

I, David T. Foy, certify that:

1. I have reviewed this quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

November 2, 2015
By:

/s/ David T. Foy
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

**PRINCIPAL EXECUTIVE OFFICER**
**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the "Company"), for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raymond Barrette, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ Raymond Barrette

Chairman and Chief Executive Officer
(Principal Executive Officer)

November 2, 2015

**Exhibit 32.2**

**PRINCIPAL FINANCIAL OFFICER
CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report on Form 10-Q of White Mountains Insurance Group, Ltd. (the "Company"), for the period ending September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David T. Foy, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and,

- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

/s/ David T. Foy

Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

November 2, 2015