WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-K
February 29, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ý ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 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
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value $1.00 per share	New York Stock Exchange Bermuda Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No o

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No ý

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or shorter period that the registrant was required to submit and post such files). Yes ý No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý

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

The aggregate market value of voting shares (based on the closing price of those shares listed on the New York Stock Exchange and the consideration received for those shares not listed on a national or regional exchange) held by non-affiliates of the Registrant as of June 30, 2015, was $3,639,859,832.

As of February 25, 2016, 5,553,407 common shares, par value of $1.00 per share, were outstanding (which includes 66,469 restricted common shares that were not vested at such date).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission ("SEC") pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), relating to the Registrant's Annual General Meeting of Members scheduled to be held May 26, 2016 are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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PART I

Item 1. Business

GENERAL

White Mountains Insurance Group, Ltd. (the “Company” or the “Registrant”) is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance, reinsurance and insurance services subsidiaries and affiliates. Within this report, the term “White Mountains” is used to refer to one or more entities within the consolidated organization, as the context requires. 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, 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 22 - “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 primarily through independent agencies, regional and national brokers, wholesalers and managing general agencies. During 2013, OneBeacon formed Split Rock Insurance, Ltd. (“Split Rock”), a Bermuda-based reinsurance company. As of December 31, 2015 and 2014, White Mountains owned 75.5% and 75.3% of OneBeacon Ltd.’s outstanding common shares. In December 2014, OneBeacon completed the sale of its runoff business. Accordingly, OneBeacon’s runoff business is presented as discontinued operations in White Mountains’s financial statements. (See Note 22 - “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 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 both December 31, 2015 and 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, generally accepted accounting principles in the United States (“GAAP”) require White Mountains to consolidate BAM’s results in its financial statements. BAM’s results do not affect White Mountains’s adjusted book value per share and 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 Life Re Bermuda’s U.S.-based service provider, White Mountains Financial Services LLC (collectively, “WM Life Re”), White Mountains’s ownership positions in Tranzact Holdings, LLC (together with its subsidiaries “Tranzact”), QL Holdings, LLC (together with its subsidiaries “MediaAlpha”) and Wobi Insurance Agency Ltd. (“Wobi”), as well as various other entities and investments. The Other Operations segment also includes Star & Shield Services LLC, Star & Shield Risk Management LLC, 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 December 31, 2015 and 2014, White Mountains held $21 million and $17 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 Star & Shield’s role as the attorney-in-fact to SSIE and the investment in SSIE 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.

In October 2011, White Mountains completed its sale of Esurance Holdings, Inc. and its subsidiaries (“Esurance Insurance”) and Answer Financial Inc. and its subsidiaries (“AFI”) (collectively, “Esurance”) to The Allstate Corporation (“Allstate”) for a cash payment of $1.01 billion, which was equal to $700 million plus the estimated pro forma tangible book value at closing of the legal entities sold of approximately $310 million.

White Mountains’s Operating Principles

White Mountains strives to operate within the spirit of four operating principles. These are:

Underwriting Comes First. An insurance enterprise must respect the fundamentals of insurance. There must be a realistic expectation of underwriting profit on all business written, and demonstrated fulfillment of that expectation over time, with focused attention to the loss ratio and to all the professional insurance disciplines of pricing, underwriting and claims management.

Maintain a Disciplined Balance Sheet. The first concern here is that insurance liabilities must always be fully recognized. Loss reserves and expense reserves must be solid before any other aspect of the business can be solid. Pricing, marketing and underwriting all depend on informed judgment of ultimate loss costs and that can be managed effectively only with a disciplined balance sheet.

Invest for Total Return. Historically, GAAP accounting has tended to hide unrealized gains and losses on the investment portfolio and over reward reported investment income (interest and dividends). Regardless of the accounting, White Mountains must invest for the best growth in value over time. In addition to investing our bond portfolios for total after-tax return, that will mean prudent investment in equities consistent with leverage and insurance risk considerations.

Think Like Owners. Thinking like owners has a value all its own. There are stakeholders in a business enterprise and doing good work requires more than this quarter’s profit. But thinking like an owner embraces all that without losing the touchstone of a capitalist enterprise.

ONEBEACON

OneBeacon, with its U.S. corporate headquarters in Plymouth, Minnesota, is a specialty property and casualty insurance writer that offers a wide range of insurance products in the United States primarily through independent agencies, regional and national brokers, wholesalers and managing general agencies. As a specialty underwriter, OneBeacon believes that it will generate superior returns as compared to an underwriter that takes a more “generalist” underwriting approach and that its knowledge regarding its specialized insurance products, targeted industries, classes of business, risk characteristics and limited number of specialized competitors provides it with a competitive edge when determining the terms and conditions on individual accounts.

Historically, OneBeacon offered a range of specialty, commercial and personal products and services. However, as a result of a series of transactions over the past several years, OneBeacon is now focused exclusively on specialty businesses. The most recent of these transactions was the sale of runoff business consisting of assets, liabilities and capital related principally to OneBeacon’s non-specialty business, including the vast majority of its asbestos and environmental reserves (the “Runoff Business”) to an affiliate of Armour Group Holdings Limited, which closed on December 23, 2014 (the “Runoff Transaction”). See Note 2 - “Significant Transactions” of the accompanying consolidated financial statements.

With the closing of the Runoff Transaction, OneBeacon completed its transformation into a specialty insurance company and its balance sheet and risk profile have changed significantly. Its exposure to claims from policies related to the Runoff Business, such as commercial general liability, including asbestos and environmental exposures and workers compensation policies, is now limited to the value of the surplus notes issued in conjunction with the Runoff Transaction, which have a fair value of $51.5 million as of December 31, 2015. OneBeacon’s total outstanding reserves as of December 31, 2015 for 2004 and prior accident years total $0.1 million and for 2006 and prior accident years total $7.1 million.

As of both December 31, 2015 and 2014, OneBeacon had $3.6 billion of total assets and $1.0 billion of common shareholders’ equity. As of December 31, 2015 and 2014, White Mountains reported $246 million and $259 million of non-controlling interest related to its ownership in OneBeacon. As of December 31, 2015 and 2014, White Mountains owned 75.5% and 75.3% of OneBeacon Ltd.'s outstanding common shares. OneBeacon wrote $1.1 billion, $1.2 billion and $1.1 billion in net written premiums in 2015, 2014 and 2013, respectively.

Business Overview

Generally, property and casualty insurance companies write insurance policies in exchange for premiums paid by their customers (the insureds). An insurance policy is a contract between the insurance company and the insured where the insurance company agrees to pay for losses suffered by the insured or a third party claimant that are covered under the contract. Such contracts are often subject to subsequent legal interpretation by courts, legislative action and arbitration.

Insurance companies incur a significant amount of their total expenses from policy obligations, which are commonly referred to as claims. In settling claims, various loss adjustment expenses ("LAE") are incurred such as insurance adjusters' fees and litigation expenses. Loss and LAE are categorized by the year in which the claim is incurred, or "accident year." In the following calendar years, as OneBeacon increases or decreases its estimate for the ultimate loss and LAE for claims incurred in prior accident years, they will record favorable or unfavorable loss reserve development, which is recorded in the current calendar year period. In addition, insurance companies incur policy acquisition expenses, such as commissions paid to agents and premium taxes, and other expenses related to the underwriting process, including employee compensation and benefits. The key measure of relative underwriting performance for an insurance company is the combined ratio. An insurance company's GAAP combined ratio is calculated by adding the ratio of incurred loss and LAE to earned premiums (the "loss and LAE ratio") and the ratio of policy acquisition and other underwriting expenses to earned premiums (the "expense ratio"). A combined ratio under 100% indicates that an insurance company is generating an underwriting profit. However, when considering investment returns, insurance companies operating at a combined ratio of greater than 100% can be profitable.

OneBeacon writes both property insurance and casualty insurance. Property insurance generally covers the financial consequences of accidental losses to the insured's property, such as a business's building, inventory and equipment or personal property. Premiums from ocean and inland marine, certain commercial multiple peril and fire and allied lines generally represent OneBeacon's property lines of business, and claims from such business are typically reported and settled in a relatively short period of time. Casualty insurance (often referred to as liability insurance) generally covers the financial consequences of a legal liability of an individual or an organization resulting from negligent acts or omissions causing bodily injury and/or property damage to a third party. Premiums from general liability, workers compensation, commercial auto liability and certain commercial multiple peril policies generally represent OneBeacon's casualty lines of business, and claims from such business can take years, even decades, to settle.

OneBeacon's Specialty Products and Specialty Industry divisions each write business in both the property and casualty lines, as well as other lines of business such as accident and health insurance, credit insurance and surety business. In July 2015, OneBeacon exited the multiple peril crop insurance ("MPCI") business and the related crop-hail business (collectively, "Crop Business") and as a result has no material net exposure related to the Crop Business (See "OneBeacon Crop Insurance" on page 6). Additionally, in 2014 OneBeacon exited its lawyers professional liability business.

OneBeacon's net written premiums by line of business for the years ended December 31, 2015, 2014 and 2013 consist of the following:

Net written premiums by line of business	Year Ended December 31,		
Millions	2015	2014	2013
Property lines			
Ocean and inland marine	$ 190.1	$ 201.9	$ 187.1
Commercial multi-peril and auto physical damage	94.6	82.0	72.5
Fire and allied	39.3	44.7	51.9
Total property lines	324.0	328.6	311.5
Casualty lines			
General liability	334.8	402.1	391.8
Automobile liability	88.4	91.4	55.8
Workers compensation	86.1	83.7	79.4
Other casualty	51.8	40.3	38.3
Total casualty lines	561.1	617.5	565.3

Other lines			
Accident and health	151.1	149.8	141.4
Credit and other	59.0	58.0	55.6
Surety	50.7	28.9	10.5
Crop [1]	(9.3)	34.1	4.3
Total other lines	251.5	270.8	211.8
Total	$ 1,136.6	$ 1,216.9	$ 1,088.6

[1] Crop net written premiums for the year ended December 31, 2015 primarily relates to premiums ceded under a 100% quota-share agreement for the remaining net Crop Business exposure for the 2015 reinsurance year.

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OneBeacon derives substantially all of its revenues from premiums, investment income and net realized and unrealized investment gains and losses on investment securities. Premiums received from insureds are recognized as revenue over the period of time that insurance coverage is provided (i.e., ratably over the life of the policy). Unearned premiums represent the portion of premiums written that are applicable to future insurance coverage provided by policies. A significant period of time often elapses between receipt of insurance premiums and payment of insurance claims. During this time, OneBeacon invests the premiums, earns investment income and generates net realized and unrealized gains and losses on investment activities.

Insurance Business

OneBeacon's insurance business is comprised of sixteen underwriting units that are reported in two insurance divisions: Specialty Products and Specialty Industries. OneBeacon has added, and expects to continue to add, new businesses both organically and through acquisition, guided by its focus on profitable growth while prudently managing underwriting risk. OneBeacon's net written premiums by division for the years ended December 31, 2015, 2014 and 2013 consist of the following:

Division	Year Ended December 31,		
Millions	2015	2014	2013
Specialty Products	$ 533.0	$ 606.9	$ 509.6
Specialty Industries	603.6	610.0	579.0
Total	$ 1,136.6	$ 1,216.9	$ 1,088.6

Specialty Products

For the years ended December 31, 2015, 2014 and 2013, OneBeacon's Specialty Products net written premiums by underwriting unit were as follows:

Underwriting Unit	Year Ended December 31,		
Millions	2015	2014	2013
Healthcare	$ 147.1	$ 180.4	$ 178.5
Programs	99.1	50.8	20.5
Tuition Reimbursement	72.1	70.5	65.9
Surety	47.4	28.9	10.5
Other Professional Lines	46.8	80.4	78.1
Management Liability	40.6	50.1	53.5
Other Specialty Products	79.9	145.8	102.6
Total Specialty Products	$ 533.0	$ 606.9	$ 509.6

A description of business written by each underwriting unit in OneBeacon's Specialty Products follows:

OneBeacon Healthcare Group ("Healthcare")

Healthcare provides professional liability and other specialized coverages, including provider excess insurance and excess of loss or HMO reinsurance. Healthcare targets a variety of customer groups, including hospitals, physicians and complex risks, free-standing medical facilities, senior living organizations, and managed care organizations.

OneBeacon Program Group ("Programs")
Programs provides a full range of multi-line package insurance for select specialty programs overseen by dedicated agencies that perform all policy administration functions. Products are available on an admitted and nonadmitted basis. Programs works primarily with managing general agents and managing general underwriters, commonly referred to as program administrators.

Tuition Reimbursement
A.W.G. Dewar, Inc. ("Dewar") has been a leading provider of tuition reimbursement insurance since 1930. Dewar's product, primarily classified within the credit line of business, protects both schools and parents from the financial consequences of a student's withdrawal or dismissal from school. OneBeacon owns 81% of Dewar.

OneBeacon Surety Group ("Surety")
Surety offers a broad range of commercial surety bonds targeting Fortune 2500 and large private companies written through a network of independent agencies, brokers and wholesalers. Business is serviced through eight regions throughout the United States.

Other Professional Lines
Other Professional Lines consists primarily of OneBeacon Architects & Engineers, which offers professional liability coverages for various design customer groups including architects, civil engineers, construction managers, and design/build contractors and OneBeacon Media, which offers professional liability coverages for various customer groups including publishers, broadcasters, advertising agencies, authors and producers, with coverage that is customizable for any company or individual that creates content. Other Professional Lines also includes the results of OneBeacon's lawyers professional liability business which was sold in 2014 to Argo Group US, Inc., a member of Argo Group International Holdings, Ltd., and the renewal rights to OneBeacon's lawyers professional liability business, which included policies expiring on or after January 1, 2015 on approximately $30 million of expiring premium within Other Professional Lines.

OneBeacon Management Liability ("Management Liability")
Management Liability offers directors and officers liability, employment practices liability, fiduciary liability and crime insurance to private for-profit and nonprofit organizations of a wide variety of sizes and types, including private nonprofit healthcare organizations. Coverages are available on a modular form approach, allowing for tailored solutions.

Other Specialty Products:

OneBeacon Financial Services ("Financial Services")
Financial Services offers property and casualty coverages for commercial banks, savings banks, savings and loan institutions, security broker-dealers, investment advisors, insurance companies and credit unions. Specialty coverages, including professional liability, trust errors & omissions, cyber liability and financial institution bond, are also available for institutions with less than $3 billion in assets.

OneBeacon Specialty Property ("Specialty Property")
Specialty Property provides excess property and inland marine solutions for layered insurance policies. Target classes of business include apartments and condominiums, commercial real estate, small-to-medium manufacturing, retail/wholesale, education and public entities. Specialty Property products are provided primarily through surplus lines wholesalers.

OneBeacon Environmental ("Environmental")
Environmental specializes in environmental risk solutions designed to address a variety of exposures for a broad range of businesses, including multiline casualty placements for the environmental industry. The product suite includes

commercial general liability, contractors environmental liability, professional services liability, environmental premises liability, products pollution liability, follow-form excess, environmental excess and business auto.

OneBeacon Financial Institutions (“Financial Institutions”)
Financial Institutions provides a wide range of coverage solutions to address the insurance needs of financial institutions, including, but not limited to, professional and management liability. Target industries include banks (greater than $5 billion in corporate assets), security broker dealers and captive agents, insurance companies, insurance agents and brokers, investment advisors, mutual funds, hedge funds, real estate investment trusts, business development companies, private equity and venture capital firms, and miscellaneous financial institutions. Products include directors and officers liability, professional liability, fiduciary liability, cyber liability, and financial institutions bonds.

OneBeacon Crop Insurance (“Crop”)
Prior to July 2015, through OneBeacon’s exclusive relationship with a managing general agency, CCIA, Crop offered MPCI through the federal crop insurance program administered by the U.S. Department of Agriculture’s Risk Management Agency. OneBeacon and CCIA also offered crop-hail products to supplement the federal crop insurance program. On July 31, 2015, Monsanto Company sold CCIA to an affiliate of AmTrust. As a result of this sale, OneBeacon exited the Crop Business and has no material net exposure related to the Crop Business.

Specialty Industries
For the years ended December 31, 2015, 2014 and 2013, OneBeacon’s Specialty Industries net written premiums by underwriting unit were as follows:

Underwriting Unit	Year Ended December 31,		
Millions	2015	2014	2013
Technology	$ 127.3	$ 133.1	$ 131.8
Ocean Marine	122.7	127.1	125.3
Accident	118.8	113.4	105.9
Entertainment	88.0	88.6	76.8
Government Risks	84.5	82.3	83.4
Inland Marine	62.3	65.5	55.8
Total Specialty Industries	$ 603.6	$ 610.0	$ 579.0

A description of business written by each underwriting unit in OneBeacon’s Specialty Industries follows:

OneBeacon Technology Insurance (“Technology”)
Technology provides all-lines underwriting solutions for the technology, life science and medical technology, and telecommunications industries, as well as content and media companies. The specific capabilities offered include risk control, claims and third-party vendor solutions. Products span property, casualty, cyber, errors & omissions, international, media liability, products liability and professional coverages.

Ocean Marine (“Ocean Marine”)
Ocean Marine traces its roots to the early 1900s, and offers a full range of ocean marine insurance solutions. Ocean Marine products are offered through International Marine Underwriters and include, but are not limited to: commercial hull and marine liabilities at both the primary and excess levels, ocean and air cargo with coverage extensions such as inland transit, warehousing and processing, yachts, and several marine package products with comprehensive property, auto and liability coverage.

OneBeacon Accident Group ("Accident")
Accident focuses on analyzing and developing specialized accident solutions for the transportation, non-subscription and corporate accident marketplace, while also developing specialized accident insurance programs. The Accident product suite includes accidental death and dismemberment, occupational accident, sports accident, non-truckers liability, vehicle physical damage and other accident coverages. Accident also provides employers and affinity groups with access to services including a discounted prescription drug program, identity theft management services and travel assistance services.

OneBeacon Entertainment ("Entertainment")
Entertainment provides specialized commercial insurance, including professional liability protection, for the entertainment, sports and leisure industries. Coverages include film and television portfolio, producers portfolio, theatrical package, event cancellation, premises liability, event liability and participant liability.

OneBeacon Government Risks ("Government Risks")
Government Risks provides solutions for mid-sized municipalities and counties, special districts including water and sanitation, non-rail transit authorities and other publicly funded agencies. Government Risks products include property, casualty, and professional liability (comprised of law enforcement, public officials and employment practices liability coverages) offered on a fully insured, deductible, self-insured retention or assumed reinsurance basis.

Inland Marine ("Inland Marine")
Inland Marine offers a full range of inland marine insurance solutions. Inland Marine products are offered through International Marine Underwriters and include builders risks, contractors equipment, installation floaters, fine arts, motor truck cargo, transportation, miscellaneous articles floaters, warehousemen's legal liability and other inland marine opportunities.

Geographic Concentration
Substantially all of OneBeacon's net written premiums are derived from business produced in the United States. For the years ended December 31, 2015, 2014 and 2013, business was produced in the following states:

	Year Ended December 31,					
Net written premiums by state	2015		2014		2013	
California	18	%	16	%	16	%
New York	10		10		10	
Texas	6		7		7	
District of Columbia	6		5		6	
Florida	5		6		5	
Other	55		56		56	
Total	100	%	100	%	100	%

Marketing and Distribution
OneBeacon offers its products and services through a network of approximately 2,400 independent agents, regional and national brokers, wholesalers and managing general agencies. OneBeacon selectively enters these relationships with producers who demonstrate an understanding of OneBeacon's target markets, capabilities and the specialized needs of their clients. OneBeacon believes this selective distribution approach creates greater insight into the underwriting and management of the risks associated with OneBeacon's particular lines of business. Further, OneBeacon believes that agents and brokers will continue to represent a significant share of the business OneBeacon seeks to write going forward.

Underwriting and Pricing

OneBeacon believes there must be a realistic expectation of attaining an underwriting profit on all the business it writes, as well as a demonstrated fulfillment of that expectation over time. Consistent with the "underwriting comes first" operating principle, adequate pricing is a critical component for achieving an underwriting profit. OneBeacon underwrites its book with a disciplined approach towards pricing its insurance products and is willing to forgo a business opportunity if it believes it is not priced appropriately to the exposure.

OneBeacon actively monitors pricing activity and measures its use of tiers, credits, debits and limits, and expends considerable effort to measure and verify exposures and insured values. In addition, OneBeacon regularly updates base rates to achieve targeted returns on capital and attempts to shift writings away from lines and classes where pricing is inadequate. To the extent changes in premium rates, policy forms or other matters are subject to regulatory approval (see "REGULATION—United States" on page 22 and "Risk Factors—Regulation may restrict our ability to operate" on page 33), OneBeacon proactively monitors its pending regulatory filings to facilitate, to the extent possible, their prompt processing and approval.

Competition

Property and casualty insurance is highly competitive. OneBeacon's businesses each compete against a different subset of companies. In general, OneBeacon competes in one or more of its businesses with most of the large multi-line insurance companies, such as Chubb, AIG, Beazley, CNA, Hartford, Liberty Mutual, Travelers and Zurich. OneBeacon also competes with most of the specialty companies, such as Tokio Marine HCC, The Navigators Group, Inc., Markel Corporation, RLI Corp. and W.R. Berkley Corporation. Lastly, some of OneBeacon's businesses compete with various local and regional insurance companies, and niche carriers such as Axis.

The more significant competitive factors for most insurance products OneBeacon offers are price, product terms and conditions, agency and broker relationships, claims service, company scale and financial stability. OneBeacon's underwriting principles and dedication to independent distribution partners are unlikely to make it the low-cost provider in most markets. While it is often difficult for insurance companies to differentiate their products, OneBeacon believes that by providing superior specialty products to satisfy market needs and relying on agents and brokers who value its targeted expertise, superior claims service, and disciplined underwriting, it establishes a competitive advantage.

Claims Management

Effective claims management is a critical factor in achieving satisfactory underwriting results. OneBeacon maintains an experienced staff of claims handlers and managers strategically located throughout its operating territories. OneBeacon has dedicated claims managers and adjusters for many of its specialty businesses. These individuals ensure that OneBeacon has the appropriate level of expertise to handle claims involving complex issues. Within the claims organization, OneBeacon also uses various shared services to both more efficiently manage costs and ensure the delivery of superior claims results. These shared services include non-specialty property and casualty insurance claims adjusters, operational and information technology support, subrogation and recovery support, legal bill review, a special investigation unit to detect insurance fraud, and dedicated legal support.

OneBeacon has adopted a total claims cost management approach that gives equal importance to controlling claims handling expenses, legal expenses and claim payments. OneBeacon collects and reviews various metrics to analyze claims handling results.

OneBeacon's claims department uses an online claims system to record reserves, payments and adjuster activity. The system also helps claim handlers identify recovery potential, estimate property damage, evaluate claims and identify fraud. OneBeacon maintains a paperless claim file system.

Catastrophe Risk Management and Reinsurance Protection

OneBeacon’s insurance subsidiaries enter into reinsurance contracts from time to time to protect their businesses from losses due to concentration of risk, to manage their operating leverage ratios and to limit losses arising from catastrophic events. Catastrophes are severe losses resulting from a wide variety of events. While its exposure to catastrophe losses has decreased meaningfully as a result of its repositioning in recent years as a specialty-only company, OneBeacon is still exposed to catastrophe losses. The timing and size of catastrophe losses are unpredictable and the level of losses experienced in any year could be material to OneBeacon’s operating results and financial condition. Examples of catastrophes include losses caused by earthquakes, wildfires, hurricanes and other types of storms and terrorist acts. The extent of losses caused by a catastrophic event is a function of severity and the amount and type of insured exposure in the affected area. In the normal course of business, OneBeacon’s insurance subsidiaries seek to limit losses that may arise from catastrophes or other events through individual risk selection, imposing deductibles and limits, limiting its concentration of insurance in catastrophe-prone areas, such as coastal regions, and reinsuring with third-party reinsurers.

OneBeacon uses models (primarily AIR Worldwide (“AIR”) Touchstone version 3.0) to estimate potential losses from catastrophes. OneBeacon uses this model output in conjunction with other data to manage its exposure to catastrophe losses based on a probable maximum loss (“PML”) forecast to quantify its exposure to an extreme catastrophe event.

OneBeacon purchases a general catastrophe reinsurance treaty with unaffiliated reinsurers to manage its exposure to large catastrophe losses. 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, with 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 being reinsured. OneBeacon retains all of the catastrophe loss in excess of $130.0 million. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium. OneBeacon anticipates that the $130.0 million limit is more than sufficient to cover the maximum hurricane and earthquake losses with a modeled 0.4% probability of occurrence (1-in-250-year). This $130.0 million limit is consistent with the limit that OneBeacon’s previous catastrophe reinsurance program provided.

OneBeacon also purchases property-per-risk reinsurance coverage to reduce large loss volatility. The property-per-risk reinsurance program reinsures 100% of losses in excess of $3 million, down from $5 million in the previous property-per-risk reinsurance coverage, up to $100 million. Individual risk facultative reinsurance is purchased above $100 million. The property-per-risk treaty provides one limit of reinsurance protection for losses in excess of $3 million up to $100 million on an individual risk basis for certified acts of foreign terrorism committed on behalf of any foreign person or foreign interest. However, any nuclear events, or biological, chemical or radiological terrorist attacks are not covered.

In addition to the corporate catastrophe and property-per-risk reinsurance protection, OneBeacon also purchases reinsurance protection for certain lines of business. Specialty Property purchases a property catastrophe program providing 100% coverage for $34 million of loss in excess of $6 million of loss, which inures to the benefit of the broader property catastrophe reinsurance program described previously. This treaty limit cannot be reinstated.

OneBeacon’s MPCI portfolio for the 2015 crop year is fully reinsured through a combination of reinsurance programs, mainly the 100% quota share reinsurance agreement with an insurance operating affiliate of AmTrust for the remaining net exposure.

In addition to the coverage provided under these treaties, OneBeacon utilizes a number of other catastrophe and general insurance treaties covering specific lines of business. See Note 4—“Third-Party Reinsurance” of the accompanying consolidated financial statements for descriptions of the significant types of our reinsurance agreements.

As reinsurance contracts do not relieve OneBeacon of its obligation to its policyholders, collectability of balances due from reinsurers is important to OneBeacon’s financial strength.

Terrorism

OneBeacon’s current third party reinsurance programs provide varying degrees of coverage for terrorism events. OneBeacon’s overall terrorism exposure is reduced by the Terrorism Act, which is a federal program administered by the U.S. Department of the Treasury that provides for a shared system of public and private compensation for commercial property and casualty losses resulting from events that reach the threshold for losses ($120 million in 2016 and increasing $20 million per year in subsequent years until the threshold becomes $200 million in 2020) and are certified as an act of terrorism by the U.S. Secretary of the Treasury, in concurrence with the U.S. Secretary of Homeland Security and the Attorney General of the United States. The current program was signed into law on January 12, 2015 and is authorized through December 31, 2020. See Note 4—“Third-Party Reinsurance” of the accompanying consolidated financial statements for a further description of the Terrorism Act, including OneBeacon’s estimated retention level.

All losses that result from a nuclear, biological, chemical or radiological terrorist attack are excluded from the Company's current third party reinsurance program. OneBeacon's property catastrophe treaty also excludes acts of terrorism certified pursuant to the Terrorism Act and committed by an individual or individuals acting on behalf of any foreign person or foreign interest. OneBeacon's casualty clash treaty provides coverage for losses that result from certified and non-certified acts of terrorism, on an aggregated basis, subject to a maximum of one full treaty limit. OneBeacon's property per risk, casualty and workers compensation treaties each provide full coverage for certified acts of terrorism on behalf of a non-foreign person or interest, but are sublimited to one full treaty limit for certified acts of terrorism committed on behalf of any foreign person or foreign interest. OneBeacon's healthcare treaty is sublimited to one full treaty limit of coverage for all acts of terrorism.

OneBeacon closely monitors and manages its concentration of risk for terrorism losses by geographic area. OneBeacon controls its exposures so that the total maximum expected loss from a terrorism event within any half-mile radius in a metropolitan area or around a target risk will not exceed $450 million on a pre-tax basis before considering the federal government participation under the Terrorism Act. Reports monitoring OneBeacon’s terrorism exposures are generated quarterly. In addition, OneBeacon’s underwriting process evaluates all potential new business to determine if it would add exposure to an already existing concentration of risk or would individually add significant risk. As a result, OneBeacon believes that it has appropriately limited its exposure to losses from terrorist attacks. Nonetheless, risks insured by OneBeacon remain exposed to terrorist attacks and, even considering the coverage provided by the Terrorism Act, the possibility remains that losses resulting from future terrorist attacks could prove to be material.

Loss and LAE Reserves

OneBeacon establishes loss and LAE reserves that are estimates of amounts needed to pay claims and related expenses in the future for insured events that have already occurred. The process of estimating reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. See “CRITICAL ACCOUNTING ESTIMATES — Loss and LAE Reserves — OneBeacon” on page 76 for a full discussion regarding OneBeacon’s loss reserving process.

The following information presents (1) OneBeacon’s reserve development over the preceding ten years and (2) a reconciliation of reserves on a regulatory basis to reserves determined in accordance with GAAP, each as prescribed by Securities Act Industry Guide No. 6.

Section I of the 10 year table shows the estimated liability that was recorded at the end of each of the indicated years for all current and prior accident year unpaid loss and LAE. The liability represents the estimated amount of loss and LAE for claims that were unpaid at the balance sheet date, including incurred but not reported (“IBNR”) reserves. In accordance with GAAP, the liability for unpaid loss and LAE is recorded in the balance sheet gross of the effects of reinsurance with an estimate of reinsurance recoverables arising from reinsurance contracts reported separately as an asset. The net balance represents the estimated amount of unpaid loss and LAE outstanding as of the balance sheet date, reduced by estimates of amounts recoverable under reinsurance contracts.

Section II shows the cumulative amount of net loss and LAE paid relating to recorded liabilities as of the end of each succeeding year. Section III shows the re-estimated amount of the previously recorded net liability as of the end of each succeeding year. Estimates of the liability for unpaid loss and LAE are increased or decreased as payments are made and more information regarding individual claims and trends, such as overall frequency (the average number of claims submitted per policy during a given period of time) and severity (the average value per claim during a given period of time) patterns, becomes known. Section IV shows the cumulative net (deficiency)/redundancy representing the aggregate change in the liability from original balance sheet dates and the re-estimated liability through December 31, 2015. Section V shows the re-estimated gross liability and re-estimated reinsurance recoverables through December 31, 2015. Section VI shows the cumulative gross (deficiency)/redundancy representing the aggregate change in the liability from original balance sheet dates and the re-estimated liability through December 31, 2015.

	OneBeacon Loss and LAE[1] Year Ended December 31,								
$ in millions	2005	2006	2007	2008	2009	2010	2011	2012	201
I. Liability for unpaid loss and LAE:									
Gross balance	$376.7	$436.1	$480.2	$627.1	$702.1	$835.1	$868.5	$1,000.0	$1,
Less reinsurance recoverable on unpaid losses and LAE	(46.8)	(30.6)	(24.3)	(49.6)	(43.8)	(53.6)	(61.6)	(107.3)	(80
Net balance	$329.9	$405.5	$455.9	$577.5	$658.3	$781.5	$806.9	$892.7	$9
II. Cumulative amount of net liability paid through:									
1 year later	126.8	96.6	97.8	154.8	219.4	306.3	339.0	332.7	380
2 years later	168.7	132.3	159.4	235.2	357.0	474.4	505.7	561.6	653
3 years later	185.4	167.2	197.3	294.4	436.3	560.1	616.7	716.7	
4 years later	205.1	183.9	230.3	331.4	477.1	611.2	704.4		
5 years later	214.1	195.3	244.7	346.8	501.6	654.2			
6 years later	218.7	199.6	252.6	354.7	515.5				
7 years later	221.4	201.9	256.2	359.1					
8 years later	222.2	202.6	258.8						
9 years later	222.5	203.4							
10 years later	222.8								
III. Net Liability re-estimated as of:									
1 year later	325.9	308.1	391.1	492.9	630.2	751.7	799.5	892.7	1,06
2 years later	269.6	267.8	335.4	459.3	595.8	743.8	806.9	950.0	1,08
3 years later	243.1	243.2	318.8	416.1	589.6	733.2	830.3	963.4	
4 years later	238.8	227.1	297.4	413.5	576.9	733.6	841.2		
5 years later	228.8	224.8	294.3	396.9	567.1	733.8			
6 years later	229.5	221.6	280.8	385.0	560.7				
7 years later	230.2	216.0	272.9	380.4					
8 years later	227.6	211.3	268.9						
9 years later	227.0	207.6							
10 years later	223.1								
IV. Cumulative net redundancy/ (deficiency)	$106.8	$197.9	$187.0	$197.1	$97.6	$47.7	($34.3)	($70.7)	($
Percent redundant/(deficient)	32.4 %	48.8 %	41.0 %	34.1 %	14.8 %	6.1 %	(4.3)%	(7.9)%	(11
V. Reconciliation of net liability re-estimated as of the end of the latest re-estimation period (see III above):									
Gross re-estimated liability	$299.7	$239.6	$306.5	$424.4	$601.7	$772.9	$876.1	$1,111.1	$1
Less: gross re-estimated reinsurance	(76.6)	(32.0)	(37.6)	(44.0)	(41.0)	(39.1)	(34.9)	(147.7)	(11

recoverable									
Net re-estimated liability	$223.1	$207.6	$268.9	$380.4	$560.7	$733.8	$841.2	$963.4	$1
VI. Cumulative gross redundancy/(deficiency)	$77.0	$196.5	$173.7	$202.7	$100.4	$62.2	($7.6)	($111.1)	($
Percent redundant/(deficient)	20.4 %	45.1 %	36.2 %	32.3 %	14.3 %	7.4 %	(0.9)%	(11.1)%	(14

(1) The 10-year table consists of activity related to OneBeacon's loss and LAE reserves from Specialty Products and Specialty Industries, as well as $20.4 in losses ceded to OBIC, one of the entities sold as part of the Runoff Transaction and excludes other balances and activity related to the Runoff Business, AutoOne and loss and LAE reserves related to the personal lines business that OneBeacon sold in 2010, which are treated as Discontinued Operations in the GAAP financial statements.

The following table reconciles loss and LAE reserves determined on a statutory basis to loss and LAE reserves determined in accordance with GAAP as of December 31, as follows:

	December 31,	
Millions	2015	2014
Statutory reserves	$ 1,203.8	$ 1,180.6
Reinsurance recoverable on unpaid losses and LAE[(1)]	186.0	161.6
GAAP reserves	$ 1,389.8	$ 1,342.2

(1) Represents adjustments made to add back reinsurance recoverables on unpaid losses and LAE included with the presentation of reserves under statutory accounting.

OneBeacon's Senior Notes
In November 2012, OneBeacon U.S. Holdings, Inc. ("OBH"), an intermediate holding company of OneBeacon, issued $275 million face value of senior unsecured notes (the "OBH Senior Notes") through a public offering, at an issue price of 99.9%. The net proceeds from the issuance of the OBH Senior Notes were used to repurchase OBH's existing outstanding senior notes that were issued in May 2003. 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 4.6%, payable semi-annually in arrears on May 9 and November 9 until maturity on November 9, 2022. See Note 7 - "Debt" for more details regarding the OBH Senior Notes.

HG GLOBAL/BAM

The first mutual bond insurance company in the United States, BAM is owned by and operated for the benefit of the municipal issuers that use its municipal bond insurance. BAM, which is domiciled in New York, provides insurance on municipal bonds issued to support essential U.S. public purposes such as schools, utilities, core governmental functions and existing transportation facilities. BAM's mission is to deliver market access and substantial interest cost savings for issuers of municipal bonds and durable protection against loss for municipal bondholders. HG Global is domiciled in Bermuda and was established to fund the startup of BAM, and through its subsidiary, HG Re, to provide reinsurance to BAM. In 2012, HG Global was capitalized with $609 million to purchase surplus notes from BAM and to fund HG Re.

BAM charges a premium for the issuance of each municipal bond insurance policy. A portion of the premium is a member's surplus contribution ("MSC"), which gives the issuer the right to receive dividends (subject to regulatory approval), and the remainder is a risk premium to compensate for the cost of risk. In the event of a refunding, MSC from the original issuance will be reutilized and serve as a credit toward the insurance cost on the refunding bonds. White Mountains believes that municipal bonds insured by BAM have strong appeal to retail investors, who buy smaller, less liquid issues, have less portfolio diversification and have fewer credit differentiation skills and analytical resources. BAM focuses on underwriting small-to-medium sized investment grade bonds, primarily in the AA-, A and BBB categories. BAM seeks to provide insurance to the municipal bond market while building a relatively low risk insurance portfolio with conservative single risk limits (initially the aggregate par value of the insured bonds with a common revenue stream is limited to $117 million or less, depending on rating).

BAM launched in July 2012 after securing an "AA/stable" rating from Standard & Poor's Financial Services LLC ("Standard & Poor's") ("AA" is the third highest of twenty-one financial strength ratings assigned by Standard & Poor's). HG Global, together with its subsidiaries, funded the initial capitalization of BAM through the purchase of $503 million of BAM Surplus Notes. BAM and HG Re entered into a first loss reinsurance treaty ("FLRT"), under which HG Re will provide first loss protection up to 15% of par outstanding on each bond insured by BAM in exchange for 60% of the risk premium, net of a ceding commission, charged by BAM.

HG Re's obligations under the FLRT are satisfied by the assets in two collateral trusts: a Regulation 114 Trust and a Supplemental Trust. Losses required to be reimbursed to BAM by HG Re are subject to an aggregate limit equal to the assets held in the collateral trusts at any point in time. The Regulation 114 Trust target balance is equal to ceded unearned premiums and unpaid ceded loss and LAE expenses, if any. The Supplemental Trust target balance is equal to approximately $400 million. The collateral trust balances must be at target levels before excess capital can be distributed out of the Supplemental Trust to HG Re. At any point in time, if the sum of the Regulation 114 Trust balance and the Supplemental Trust balance equal zero, BAM may choose to terminate the FLRT on a runoff basis. However, HG Re can elect to continue the FLRT by depositing into the Regulation 114 Trust assets with a fair market value not less than the greater of (i) $100 million or (ii) 10% of the then Regulation 114 Trust target balance. At inception, the Supplemental Trust contained $300 million of BAM Surplus Notes and $100 million of cash and fixed income securities. As the BAM Surplus Notes are repaid over time, the BAM Surplus Notes will be replaced in the Supplemental Trust by cash and fixed income securities.

The FLRT is perpetual with an initial term of 10 years. The FLRT can be amended after the first 10-year period and after each subsequent 5-year period on a prospective basis. If the parties are unable to mutually agree to amended terms, the dispute is resolved through arbitration, with the arbitrator determining amendments that would best achieve BAM and HG Global's joint expectation of certain basic principles including maintenance of BAM's rating, the provision to BAM of reliable first loss reinsurance, and HG Global achieving an equitable rate of return. Amended contract terms must be approved by the New York State Department of Financial Services ("NYDFS"). Should BAM consider the amended terms to be unacceptable, it has the option to purchase HG Re, or cause another reinsurer to purchase HG Re, at fair value. Pursuant to the FLRT, BAM's underwriting guidelines may only be amended with the consent of HG Re. In addition, HG Global has the right to designate two directors for election to BAM's board of directors.

As of December 31, 2015 and 2014, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. As of December 31, 2015 and 2014, HG Global had $739 million and $704 million of total assets and $558 million and $583 million of shareholders' equity, $17 million and $18 million of which is included in non-controlling interest.

As of December 31, 2015 and 2014, White Mountains reported $503 million and $488 million of total assets and $(140) million and $(122) million of members' equity related to BAM, all of which is included in non-controlling interest.

Competition

The municipal bond insurance industry is highly competitive. BAM competes for business with Assured Guaranty ("Assured"), National Public Finance Guarantee ("National"), the dedicated municipal insurance subsidiary of MBIA, Inc., and Berkshire Hathaway Assurance, although it has not been active recently.

Pricing is heavily influenced by competition. BAM, Assured and National participate in a competitive marketplace and seek to differentiate themselves from one another in a number of ways, including financial strength ratings, claims paying resources and underwriting strategies. Over time, the strength of the mutual model gives BAM the ability to become the low cost industry utility, serving the municipal market exclusively. BAM believes it has a competitive advantage because unlike its competitors, it has no insured exposure to mortgage-backed bonds, derivatives or other structured financings and its insured portfolio consists only of essential public purpose U.S. municipal bonds issued by municipalities qualifying under Section 115 of the Internal Revenue Code that are within BAM's low single risk limits. In addition, BAM seeks to increase the level of transparency with respect to its insured portfolio and each insured issuer. In order to allow issuers and investors in BAM-insured bonds to monitor financial strength first-hand, BAM periodically publishes Credit Profiles on every insured issuer. Credit Profiles are accessible by CUSIP, obligor, state or sector on BAM's website.

Pricing is also driven by credit spreads. Credit spread is the incremental yield that investors demand for taking credit risk. When the difference in credit spreads is narrow between higher and lower rated bonds, municipal bond insurance provides less cost savings to issuers than it would during periods when the difference in credit spreads between higher and lower rated bonds is wide, which results in decreased demand and/or lower premium levels for municipal bond insurance.

Insured Portfolio

The following tables present BAM's insured portfolio by asset class. It includes all financial guaranty insurance contracts outstanding as of December 31, 2015 and 2014:

Sector	December 31, 2015		December 31, 2014	
Millions	Gross Par Outstanding	Average Credit Rating(1)	Gross Par Outstanding	Average Credit Rating(1)
General Obligation	$ 13,963.6	A	$ 8,188.9	A
Utility	3,032.8	A	1,615.3	A
Dedicated Tax	2,503.6	A	1,222.0	A
General Fund	1,786.6	A	736.4	A

Public Higher Education	630.4	A	311.7	A
Transportation	561.5	A	257.8	A
Other Public Finance	77.5	A	30.4	A
Total gross par outstanding	$ 22,556.0	A	$ 12,362.5	A

(1) The average credit ratings are based on Standard & Poor's credit ratings, or if unrated by Standard & Poor's, the Standard & Poor's equivalent of credit ratings provided by Moody's Investor Service ("Moody's")

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The following tables presents BAM's ten largest direct exposures based upon gross par outstanding, the percentage of total gross par outstanding, and Standard & Poor's credit ratings, or if unrated by Standard & Poor's, credit ratings provided by Moody's, as of December 31, 2015:

$ in millions	Gross Par Outstanding	Percent of Total Gross Par Outstanding		Credit Rating (1) (2)
Town of Hamden, CT (New Haven County)	$ 112.5	0.5	%	A+
Tulsa Airport, OK, (Tulsa County), Airport GARBs	110.3	0.5		BBB+
New Jersey Transportation Trust Fund Authority, Gas Tax - State	110.0	0.5		A-
Val Verde USD, CA (Riverside County)	105.3	0.5		A-
City of Shreveport, LA (Caddo Parish), Water & Sewer	104.0	0.5		BBB+
Sacramento City FA, CA (Sacramento County)	103.6	0.5		A+
City of Chicago, IL (Cook County)	103.0	0.5		BBB+
City of Jersey City, NJ (Hudson County)	99.5	0.4		A1
West Clermont Local SD, OH (Clermont County)	99.3	0.4		A
State of New Jersey	99.2	0.3		A-
Total of top ten exposures	$ 1,046.7	4.6	%	

(1) "A+" is the fifth highest, "A" is the sixth highest, "A-" is the seventh highest, "BBB+" is the eighth highest and "BBB" is th ninth highest of twenty-eight credit ratings assigned by Standard & Poor's.
(2) "A1" is the fifth highest of twenty-one credit ratings assigned by Moody's.

The following table presents the geographic distribution of the BAM's insured portfolio as of December 31, 2015 and 2014:

	December 31, 2015			
$ in millions	Number of Risks	Gross Par Outstanding	Percent of Total Gross Par Outstanding	
California	264	$ 5,204.2	23.1	%
Texas	370	3,751.9	16.6	
Pennsylvania	232	3,323.8	14.7	
New York	177	1,966.6	8.7	
Illinois	118	1,256.7	5.6	
New Jersey	60	902.6	4.0	
Florida	35	623.7	2.8	
Ohio	37	568.2	2.5	
Michigan	49	525.3	2.3	
Louisiana	25	440.7	2.0	
Other States	351	3,992.3	17.7	
Total insured portfolio	1,718	$ 22,556.0	100.0	%

$ in millions	December 31, 2014 Number of Risks	Gross Par Outstanding	Percent of Total Gross Par Outstanding	
California	158	$ 2,701.9	21.9	%
Texas	291	2,370.2	19.2	
Pennsylvania	157	1,894.2	15.3	
New York	124	1,207.9	9.8	
Illinois	70	813.9	6.6	
New Jersey	32	502.5	4.1	
Louisiana	16	325.5	2.6	
Michigan	27	318.3	2.6	
Arizona	17	191.8	1.6	
Florida	10	189.6	1.5	
Other states	180	1,846.7	14.8	
Total insured portfolio	1,082	$ 12,362.5	100.0	%

The following table sets forth BAM's insured portfolio by issue size of exposure as of December 31, 2015 and 2014:

Original Par Amount Per Issue	December 31, 2015			
$ in millions	Number of Risks	Gross Par Outstanding	Percent of Total Gross Par Outstanding	
Less than $10 million	1,099	$ 5,160.6	22.9	%
$10 to $50 million	541	11,777.2	52.2	
$50 to $100 million	69	4,398.5	19.5	
$100 to $200 million	9	1,219.7	5.4	
Total insured portfolio	1,718	$ 22,556.0	100.0	%

Original Par Amount Per Issue	December 31, 2014			
$ in millions	Number of Risks	Gross Par Outstanding	Percent of Total Gross Par Outstanding	
Less than $10 million	734	$ 3,640.6	29.4	%
$10 to $50 million	317	6,543.6	53.0	
$50 to $100 million	27	1,753.2	14.2	
$100 to $200 million	4	425.1	3.4	
Total insured portfolio	1,082	$ 12,362.5	100.0	%

OTHER OPERATIONS

White Mountains's Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary (WM Advisors), its variable annuity reinsurance business (WM Life Re), which is in runoff, its ownership positions in Tranzact, MediaAlpha, Wobi and Star & Shield, as well as various other investments and entities.

WM Advisors

WM Advisors is a registered investment adviser that manages substantially all of White Mountains's investment portfolio, which consists of fixed maturity investments, short-term investments, common equity securities and other long-term investments, including hedge funds and private equity funds. Other long-term investments also include direct investments in privately held common and convertible securities and the OneBeacon surplus notes issued in connection with the Runoff Transaction ("OneBeacon Surplus Notes"). WM Advisors also has investment management agreements with third parties, most notably with Symetra Financial Corporation ("Symetra"). As of December 31, 2015, WM Advisors had approximately $28 billion in assets under management, $6 billion of which related to consolidated subsidiaries of White Mountains and $22 billion of which related to Symetra.

On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life. The sale of Sirius Group is expected to close in the first quarter of 2016 and is subject to regulatory approvals and other customary closing conditions. WM Advisors will continue to manage the investment portfolios of both Symetra and Sirius Group for a transition period after each respective sale. WM Advisors expects that the assets under management for both Symetra and Sirius Group will decrease in multiple stages over time and eventually result in the termination of the investment management agreements with both Symetra and Sirius Group.

Tranzact

In October 2014, White Mountains purchased 63.2% of Tranzact for a purchase price of $178 million. Immediately after the closing, Tranzact completed a recapitalization that allowed for the return of $44 million to White Mountains. Tranzact is a New Jersey-based provider of comprehensive direct-to-consumer customer acquisition solutions for leading insurance carriers. Tranzact has developed a technology-enabled platform to provide sophisticated direct marketing solutions, fully-provisioned sales and/or robust customer management systems to brand-focused insurance companies seeking to target and acquire a large number of customers on a direct basis. Tranzact currently operates in the health, life, and property & casualty insurance verticals. Tranzact generates revenues through commissions and technology licensing, maintenance, and professional fees. In September 2015, Tranzact acquired 100.0% of the outstanding share capital of TruBridge, Inc. and TruBroker, LLC (collectively "TruBridge") for a purchase price of $31 million plus an amount that is contingent on the marketing expense reimbursements expected to be received in 2016 and 2017, which as of December 31, 2015 is equal to $10 million. Tranzact acquired TruBridge primarily to expand its presence in the Medicare Advantage segment of the health insurance vertical.

As of December 31, 2015 and 2014, White Mountains reported total assets of $368 million and $326 million related to Tranzact, including $320 million and $288 million of goodwill and intangible assets ($202 million and $170 million net of non-controlling interests), and common shareholders' equity of $216 million and $224 million ($136 million net of non-controlling interests in both periods).

MediaAlpha

In March 2014, White Mountains acquired 60% of the outstanding Class A common units of MediaAlpha for total consideration of approximately $36 million. MediaAlpha is an advertising technology company that develops programmatic platforms that bring transparency and efficiency to the buying and selling of insurance and other vertical-specific performance media (clicks, calls and leads). MediaAlpha's exchange technology and sophisticated analytical tools facilitate transparent, real-time transactions between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory). MediaAlpha works with over 200 advertisers and 200 publishers across a number of insurance (auto, motorcycle, home, renter, health, and life) and non-insurance (travel, education) verticals.

As of December 31, 2015 and 2014, White Mountains reported total assets of $63 million and $66 million related to MediaAlpha, including $43 million and $51 million of goodwill and intangible assets ($25 million and $30 million net of non-controlling interests), and shareholders' equity of $36 million and $57 million ($22 million and $34 million net of non-controlling interests).

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. In February 2014, White Mountains acquired 54% of the outstanding common shares of Wobi for NIS 14 million ($4 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 32 million ($9 million based upon the foreign exchange spot rates at the dates of acquisition) of newly-issued convertible preferred shares of Wobi.

During 2015, White Mountains purchased NIS 80 million (approximately $21 million based upon the foreign exchange spot rate at the dates of acquisition) of convertible preferred shares of Wobi. In addition, during 2015 White Mountains also purchased NIS 12 million (approximately $3 million based upon the foreign exchange spot rate at the date of acquisition) of common shares of Wobi. As of December 31, 2015 and 2014, White Mountains's ownership share of Wobi was 96.1% and 63.3% on a fully converted basis.

During 2015, Wobi acquired the outstanding share capital of Tnuva Financit Ltd., the owner of Cashboard, an Israeli company that provides online price comparisons of pension products, for total consideration of NIS 36 million (approximately $9 million). The acquisition of Cashboard accelerated Wobi's development of its pension products comparison service.

As of December 31, 2015 and 2014, White Mountains reported total assets of $23 million and $16 million related to Wobi, including $10 million and $8 million of intangible assets ($10 million and $5 million net of non-controlling interests), and shareholders' equity of $15 million and $15 million ($14 million and $9 million net of non-controlling interests).

Star & Shield

In January 2014, White Mountains acquired certain assets and liabilities of Star & Shield Holdings LLC, including Star & Shield Services LLC, Star & Shield Risk Management LLC and Star & Shield Claims Services LLC (collectively "Star & Shield") for a purchase price of $2 million. Star & Shield provides management services for a fee to SSIE, a Florida-domiciled reciprocal insurance exchange that provides private passenger auto insurance to members of the public safety professional community and their families.

During 2015 and 2014, White Mountains also purchased $4 million and $17 million of surplus notes issued by SSIE. Principal and interest on the SSIE Surplus Notes are payable to White Mountains only with approval from the Florida Office of Insurance Regulation. GAAP requires White Mountains to consolidate SSIE's results in its financial statements. However, since SSIE is a reciprocal insurance exchange owned by its policyholders, its results do not affect White Mountains's adjusted book value per share as they are attributed to non-controlling interests. As of December 31, 2015 and 2014, Star & Shield had $1 million and $2 million of total assets and $(1) million and $1 million of common shareholder's equity. In addition, White Mountains reported $14 million and $13 million of assets and $(16) million and $(12) million of members' equity related to SSIE as of December 31, 2015 and 2014, all of which is included in non-controlling interest.

WM Life Re

WM Life Re reinsures death and living benefit guarantees associated with certain variable annuities issued in Japan. WM Life Re is in runoff and all of the underlying annuity contracts mature by June 30, 2016. WM Life Re has assumed the risk related to a shortfall between the account value and the guaranteed value that must be paid by the ceding company to an annuitant or to an annuitant's beneficiary in accordance with the underlying annuity contracts. The guaranteed value of the annuity contracts is equal to the initial single premium paid by the annuitant. The annuity accounts are invested in four index funds: a Japanese government bond fund indexed to the Nomura Bond Performance Index ("Nomura BPI") (roughly 35%), a foreign government bond fund indexed to the Citi World Group Government Bond Index, excluding Japan ("WGBI") (roughly 35%), a Japanese equity fund indexed to the TOPIX Total Return Index (roughly 15%) and a foreign equity fund indexed to the MSCI Kokusai Total Return Index (roughly 15%). The account is rebalanced monthly to maintain these same investment allocations. The guarantee made by the ceding company to its annuitants was economically equivalent to guaranteeing that the underlying investment accounts would earn a return of approximately 2.7% per annum. The average account value of annuity contracts covered by WM Life Re was approximately 104% of their guarantee value at the inception of the reinsurance contracts. Accordingly, the guarantee made in WM Life Re's contracts was economically equivalent to guaranteeing that the underlying investment accounts would earn a return of approximately 2.3% per annum.

WM Life Re reinsured ¥200 billion (approximately $1.7 billion at the then current exchange rate) of guarantees in September 2006 and an additional ¥56 billion (approximately $0.5 billion at the then current exchange rate) in March 2007. WM Life Re has not subsequently written any additional business. During the second quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature. As of December 31, 2015, the total guarantee value was approximately ¥51 billion (approximately $421 million at exchange rates on that date). The average annual premium charged by WM Life Re under these contracts is equal to 109% times the total guarantee value.

WM Life Re uses derivative instruments, including put options, interest rate swaps, total return swaps on bond and equity indices, forward contracts and futures contracts on major equity indices, currency pairs and government bonds, to mitigate the market risks associated with changes in the fair value of the reinsured variable annuity guarantees. WM Life Re measures its net exposure to changes in relevant interest rates, foreign exchange rates, implied volatilities and equity markets on a daily basis and adjusts its economic hedge positions within risk guidelines established by a risk committee that contains members of White Mountains's and WM Life Re's senior management. WM Life Re continually records its liability and the related hedge assets at fair value. The guarantee is economically substantially similar to having sold put options on a basket of the four index funds. WM Life Re also monitors the effects of annuitant related experience against actuarial assumptions (surrender and mortality rates) on a weekly basis and adjusts relevant assumptions and economic hedge positions if required.

Under the terms of its reinsurance contracts, WM Life Re is required to hold eligible assets (generally cash, short-term investments, fixed income securities, and hedge assets such as options and futures) equal to the fair value of the liability, as defined in the reinsurance contracts, for the benefit of the cedant. Increases in the fair value of the liability in excess of the increase in value of the hedge assets, such as occurs in the case of decreases in surrender assumptions or underperformance of the hedging portfolio, must therefore be funded on a current basis while the actual amounts that must be paid to settle the contracts may not be known and generally will not become payable for a number of months. 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. White Mountains contributed $8 million in 2015 and $70 million in 2013 into WM Life Re to fulfill this requirement and did not contribute any capital during 2014. As of December 31, 2015, Life Re Bermuda had $77 million of shareholder's equity and White Mountains's maximum capital commitment under the keep-well agreement was $111 million.

See "CRITICAL ACCOUNTING ESTIMATES - Fair Value Measurements" on page 86 for a discussion of the sensitivity of WM Life Re's results to changes in market and annuitant-related variables.

DISCONTINUED OPERATIONS

On July 24, 2015, White Mountains entered into an agreement to sell Sirius Group to CM International Holding PTE Ltd. ("CMIH"), the Singapore-based investment arm of CMI ("the Sirius Group Transaction"). CMIH has the option to make the purchase through its wholly owned Bermuda subsidiary, CM Bermuda Ltd. 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 Sirius Group Transaction is expected to close in the first quarter of 2016 and is subject to regulatory approval and other customary closing conditions.

In December 2014, OneBeacon completed the Runoff Transaction and sold the Runoff Business to Armour. The sale included the transfer of certain legal entities that contain the assets, liabilities (including gross and ceded loss reserves) and capital supporting the Runoff Business as well as certain infrastructure, such as staff and office space. Additionally, as part of the Runoff Transaction, OneBeacon provided financing in the form of surplus notes.

See Note 22—"Discontinued Operations" of the accompanying consolidated financial statements for details of amounts included in net assets held for sale, net income (loss) from discontinued operations and gains (losses) from sales of discontinued operations.

Sirius Group

Sirius Group provides reinsurance and insurance products for property, accident and health, aviation and space, trade credit, marine, agriculture, and certain other exposures on a worldwide basis through its subsidiary, Sirius International. Sirius International, which is the largest reinsurance company domiciled in Scandinavia based on gross written premiums, owns Sirius America and sponsors Syndicate 1945. Sirius Global Solutions, formerly known as White Mountains Solutions, also specializes in the acquisition and management of runoff liabilities for insurance and reinsurance companies both in the United States and internationally. In 2014, Sirius Group established Sirius Bermuda

Insurance Company Ltd. ("Sirius Bermuda") as a class 3A licensed Bermuda insurer.
Sirius Group has offices in Australia, Belgium, Bermuda, Connecticut, Hamburg, London, Miami, New York, Singapore, Stockholm, Toronto and Zurich.

Classes of Business

The following table shows Sirius Group's net written premiums by class of business for the years ended December 31, 2015, 2014 and 2013:

Business class	Year Ended December 31,		
Millions	2015	2014	2013
Property	$ 282.7	$ 292.5	$ 275.2
Accident and health	262.3	230.3	203.1
Property catastrophe excess	143.0	200.9	231.3
Aviation and space	55.1	51.2	46.4
Marine	46.5	42.3	45.3
Trade credit	37.5	36.2	50.4
Agriculture	15.0	16.1	13.9
Casualty	14.7	1.2	2.2
Contingency	10.6	11.8	8.8
Parent company industry loss warranty covers [1]	(19.8)	—	—
Total	$ 847.6	$ 882.5	$ 876.6

[1] Represents industry loss warranty covers White Mountains required Sirius Group to purchase to mitigate the potential impact of major natural catastrophe events on Sirius Group's balance sheet pending the close of the sale to CMI.

For each of the years ended December 31, 2015, 2014 and 2013, 75%, 78%, and 80%, respectively, of Sirius Group's net written premiums were for reinsurance products, with the remainder being insurance products. Sirius Group expanded its direct business capabilities in the United States for the accident and health line, which has resulted in increased direct insurance business.

Geographic Concentration

The following table shows Sirius Group's net written premiums by geographic region based on the location of the ceding company or reinsurer for the years ended December 31, 2015, 2014 and 2013:

Geographic region	Year Ended December 31,		
Millions	2015	2014	2013
United States	$ 397.5	$ 402.6	$ 371.9
Europe	241.9	277.7	313.0
Canada, the Caribbean, Bermuda and Latin America	101.2	99.8	94.9
Asia and Other	107.0	102.4	96.8
Total	$ 847.6	$ 882.5	$ 876.6

Catastrophe Risk Management

Sirius Group has exposure to losses caused by hurricanes, earthquakes, tornadoes, winter storms, windstorms, floods, tsunamis, terrorist acts and other catastrophic events. In the normal course of business, Sirius Group regularly manages its concentration of exposures to catastrophic events, primarily by limiting concentrations of exposure to what it deems acceptable levels and, if necessary, purchasing reinsurance. In addition, Sirius Group seeks to limit losses that might arise from acts of terrorism in its insurance and reinsurance contracts by exclusionary provisions where available. Sirius Group has significant exposure to European weather-related events and United States windstorms and earthquakes.

Sirius Group licenses third-party global property catastrophe models from AIR, EQECAT, Inc. (“EQE”) and Risk Management Solutions Inc. (“RMS”), which are three of the leading vendors of industry-standard catastrophe modeling software and also utilizes its own proprietary models to calculate expected probable maximum loss estimates (“PML”) from various property natural catastrophe scenarios. Sirius Group prices its property catastrophe contracts using the aforementioned third-party software and internal models and other methods. Sirius Group also uses a proprietary property underwriting and pricing tool (“GPI”), which consolidates and reports on all its worldwide property exposures. GPI is used to calculate individual and aggregate PMLs by statistically blending multiple third-party and proprietary models for property, accident and health, and marine. For business that Sirius Group determines to have exposure to natural catastrophic perils, as part of its underwriting process it models and assesses the exposure to quantify the appropriate premium for the exposure.

The following table provides an estimate of Sirius Group’s three largest PML zones on a per occurrence basis for 1-in-100 and 1-in-250 year events at January 2016 as measured by net after-tax exposure:

			Sirius Group Net After-Tax Loss			
$ in millions	Modeled Industry Loss	Sirius Group Gross Loss	Net After Reinsurance and Reinstatements	Net After Tax	Net After-Tax as % of Adjusted GAAP Capital[1]	Net After-Tax as % of Adjusted GAAP Common Shareholder’s Equity[1]
	1-in-100 year event					
Europe	$ 10,935	$ 342	$ 164	$ 128	5 %	7 %
Southeast U.S.	$ 69,245	$ 322	$ 165	$ 123	5 %	6 %
Northeast U.S.	$ 19,008	$ 206	$ 145	$ 108	4 %	6 %
	1-in-250 year event					
Southeast U.S.	$ 102,416	$ 439	$ 279	$ 211	8 %	11 %
West Coast U.S.	$ 82,537	$ 439	$ 272	$ 204	8 %	10 %
Florida U.S.	$ 223,881	$ 436	$ 268	$ 202	8 %	10 %

(1) Adjusted GAAP capital and common shareholder’s equity as of December 31, 2015 for Sirius Group is determined on a legal-entity basis.

In addition to the above, Sirius Group also has significant exposure to United States Gulf Coast windstorms (i.e., Florida to Texas), California earthquakes, New Madrid earthquakes, and, to a lesser extent, Asia/Pacific, Latin American and Canadian windstorms and earthquakes.

AIR, EQE and RMS provide new versions of their models on a periodic basis, usually annually or every other year. Sirius Group may implement these new versions for use in the underwriting and risk management process after having engaged in appropriate testing and achieving comfort with the model enhancements. With GPI, Sirius Group’s PML reporting methodology for exposures in the United States approximates an averaging of AIR and RMS, further adjusted for each treaty by underwriting judgment regarding the specific exposures underlying each cedant's portfolio. For exposures in countries other than the United States, Sirius Group chooses either AIR, EQE, or RMS for PML reporting based on underwriting and actuarial assessment as to the integrity of the model by territory and underlying data availability. The model of choice is then further adjusted in GPI for each treaty by underwriting judgment regarding the specific exposures underlying each cedant's portfolio.

Catastrophe modeling is dependent upon several broad economic and scientific assumptions, such as storm surge (the water that is pushed toward the shore by the force of a windstorm), demand surge (the localized increase in prices of goods and services that often follows a catastrophe) and zone density (the percentage of insured perils that would be affected in a region by a catastrophe). Third-party modeling software does not provide information for all territories or perils (e.g., tsunami) for which Sirius Group writes business. Sirius Group uses its own proprietary models in these situations.

Catastrophe modeling is inherently uncertain due to process risk (i.e., the probability and magnitude of the underlying event) and parameter risk (i.e. the probability of making inaccurate model assumptions). See “Risk Factors - Unpredictable catastrophic events could adversely affect our results of operations and financial condition” for a further discussion.

Sirius Group does not believe that it can rely solely upon catastrophe modeling to measure its exposure to natural catastrophe risk. For example, the losses arising from hurricane Katrina for both Sirius Group and the industry were substantially in excess of losses previously predicted by third-party models from such an event. This was due to issues such as inadequate storm surge and demand surge assumptions in the models, as well as flooding from levees breaking which was not fully contemplated in these models. Sirius Group monitors gross and net property catastrophe occurrence limits by country and region globally. Occurrence limits for peak zones in Europe, Japan, and the United States are assessed versus modeled catastrophe risk as another measure in understanding total property catastrophe exposure to large events.

Reinsurance Protection

Sirius Group's ongoing reinsurance program primarily consists of proportional, excess of loss and industry loss warranty ("ILW") protections to cover accident & health, aviation, trade credit, energy & marine and property exposures. Attachment points and coverage limits vary by region around the world.

Additionally, in connection with the Sirius Group Transaction, White Mountains required Sirius Group to purchase ILW contracts to mitigate the potential impact of major natural catastrophe 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

INVESTMENTS

White Mountains's investment philosophy is to maximize long-term total returns (after-tax) while taking prudent levels of risk and maintaining a diversified portfolio, subject to White Mountains's investment guidelines and various regulatory restrictions. Under White Mountains's philosophy, each dollar of after-tax investment income or investment gains (realized or unrealized) is valued equally.

White Mountains's investment portfolio as of December 31, 2015 and 2014 consisted in large part of high-quality, short-duration, fixed maturity investments and short-term investments. White Mountains also maintains an equity portfolio that consisted of common equity securities and other long-term investments, including hedge funds, private equity funds, direct investments in privately held common and convertible securities and the OneBeacon surplus notes. White Mountains's management believes that prudent levels of investments in common equity securities and other long-term investments are likely to enhance long-term after-tax total returns. See "Portfolio Composition" on page 62.

White Mountains's fixed maturity investment strategy is to purchase securities that are attractively priced in relation to their investment risks. White Mountains also actively manages the average duration of the portfolio. Duration was about 2.2 years including short-term investments and about 2.4 years excluding short-term investments as of December 31, 2015.

White Mountains looks to enhance long-term after tax total returns by investing a portion of the portfolio in common equity securities and other long-term investments. White Mountains has established relationships with third party registered investment advisers to manage its publicly-traded common equity securities. As of December 31, 2015, the largest of these relationships were with Lateef Investment Management ("Lateef") and Silchester International Investors ("Silchester"). White Mountains also owns exchange traded funds (ETFs) that seek to provide investment results that, before expenses, correspond to the performance of the S&P 500 Index, Russell 1000 and Russell 1000 Value Indices.

Symetra

In 2004, White Mountains, Berkshire Hathaway, Inc. ("Berkshire") and several other private investors capitalized Symetra in order to purchase the life and investment operations of Safeco Corporation for $1.35 billion. Symetra focuses mainly on group insurance, individual life insurance, structured settlements and retirement services. White Mountains invested $195 million in Symetra in exchange for 17.4 million common shares, as adjusted for stock splits, of Symetra. In addition, White Mountains and Berkshire each received warrants to acquire an additional 9.5 million common shares of Symetra at $11.49 per share, as adjusted for stock splits. In June 2013, White Mountains executed a cashless exercise of its Symetra warrants, which resulted in the net issuance of 2.65 million common shares of Symetra in exchange for the warrants. During 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. As of December 31, 2015, White Mountains owned $653.2 million, or 17.7%, of Symetra's outstanding common shares. Symetra's common shares were traded under the symbol “SYA” on the New York Stock Exchange.

In August 2015, Symetra announced it had entered into a definitive merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life") pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains relinquished its representation on Symetra's board of directors. As a result, White Mountains changed its accounting for Symetra common shares from the equity method to fair value. The carrying value per Symetra share used in the calculation of White Mountains's adjusted book value per share rose to $31.77 at December 31, 2015 from $18.65 at December 31, 2014. Including dividends, Symetra produced $264 million of adjusted comprehensive income for White Mountains in 2015, of which $241 million was recognized as an after-tax unrealized investment gain in the fourth quarter. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and White Mountains received proceeds of $658 million, or $32 per common share.

Symetra's total revenues and net income through September 30, 2015 were $1.6 billion and $90 million. As of September 30, 2015, Symetra had total assets of $35.0 billion and shareholders' equity of $3.1 billion. Symetra's total revenues and net income for the year ended December 31, 2014 were $2.2 billion and $254 million. Symetra's total revenues and net income for the year ended December 31, 2013 were $2.1 billion and $221 million. As of December 31, 2014, Symetra had total assets of $33.0 billion and shareholders' equity of $3.4 billion. Symetra's shareholders' equity excluding unrealized gains (losses) from its fixed maturity investments was $2.4 billion as of December 31, 2014. Since inception, White Mountains received a total of $149.0 million in cash dividends recorded as a reduction of White Mountains investment in Symetra under the equity method. White Mountains received a cash dividend of $2.3 million in the fourth quarter of 2015 recorded within net investment income.

REGULATION

United States

White Mountains's U.S.-based insurance and reinsurance operating subsidiaries are subject to regulation and supervision in each of the states where they are domiciled and licensed to conduct business. Generally, state regulatory authorities have broad supervisory and administrative powers over such matters as licenses, standards of solvency, premium rates, policy forms, investments, statutory deposits, methods of accounting, form and content of financial statements, reserves for unpaid loss and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, annual and other report filings and other market conduct. In general, such regulation is for the protection of policyholders rather than shareholders. White Mountains believes that it is in compliance with all applicable laws and regulations pertaining to its business that would have a material effect on its financial position in the event of non-compliance.

State Accreditation and Monitoring

All states have laws establishing standards that an insurer must meet to maintain its license to write business. In addition, all states have enacted laws substantially similar to the National Association of Insurance Commissioners' ("NAIC") risk-based capital ("RBC") standards for property and casualty companies, which are designed to determine minimum capital requirements and to raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for property and casualty insurance companies measures three major areas of risk facing property and casualty insurers: underwriting, which encompasses the risk of adverse loss developments and inadequate pricing; declines in asset values arising from market and/or credit risk; and off-balance sheet risk arising from adverse experience from non-controlled assets, guarantees for affiliates or other contingent liabilities and excessive premium growth. Under laws adopted by individual states, insurers having less total adjusted capital than that required by the RBC calculation will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. The current RBC ratios of White Mountains's active U.S.-based insurance and reinsurance operating subsidiaries are satisfactory and such ratios are not expected to result in any adverse regulatory action. White Mountains is not aware of any current recommendations by regulatory authorities that would be expected to have a material effect on its results of operations or liquidity.

The NAIC has a set of financial relationships or tests known as the Insurance Regulatory Information System ("IRIS") to assist state insurance regulators in monitoring the financial condition of insurance companies and identifying companies that require special regulatory attention. Insurance companies generally submit data annually to the NAIC, which in turn analyzes the data using prescribed financial data ratios (“IRIS ratios”), each with defined "usual ranges." Generally, regulators will begin to investigate or monitor an insurance company if its IRIS ratios fall outside the usual ranges for four or more of the ratios. If an insurance company has insufficient capital, regulators may act to reduce the amount of insurance it can issue or, in severe situations, assume control of the company. White Mountains currently believes that all of its U.S.-based insurance and reinsurance subsidiaries are within an acceptable IRIS range, and is not aware of any IRIS-related regulatory investigations related to its U.S.-based insurance and reinsurance operating subsidiaries.

Many states have laws and regulations that limit an insurer's ability to exit a market. For example, certain states prohibit an insurer from withdrawing from one or more lines of insurance business in the state without providing prior notice to or obtaining the state regulator's approval. State regulators may refuse to approve withdrawal plans on the grounds that they could lead to market disruption, or for other reasons, including political and tax-related reasons. Some states also limit canceling or non-renewing certain policies for specific reasons.

State insurance laws and regulations include numerous provisions governing marketplace activities of insurers, including provisions governing marketing and sales practices, policyholder services, claims management and complaint handling. State regulatory authorities generally test and enforce these provisions through periodic market conduct examinations.

The NAIC’s Annual Financial Reporting Model Regulation, or the Model Audit Rule (“MAR”), which includes provisions that are similar to certain Sarbanes-Oxley requirements for public companies, requires certain insurance companies to appoint audit committees to oversee accounting and financial reporting processes as well as oversee the audit of the insurer’s statutory financial statements. Audit committees also are required to appoint independent auditors, among other things. The appointed audit committee receives reports regarding significant deficiencies, material weaknesses and solvency concerns at the insurance company level. Certain insurance companies are also required to annually file a management report on internal control over financial reporting.

Regulators in states that adopted the NAIC’s 2010 amendment to the Model Insurance Holding Company System Regulatory Act (the “Model Holding Company Act”) have enhanced authority to regulate insurers as well as their affiliated entities. The amendment to the Model Holding Company Act requires the ultimate controlling person in an insurer’s holding company structure to identify and report to state insurance regulators material risks within the structure that could pose enterprise risk to the insurer.

Guaranty Funds and Mandatory Shared Market Mechanisms

As a condition of their license to do business in certain states, White Mountains’s U.S.-based insurance and reinsurance operating subsidiaries are required to participate in guaranty funds, in which licensed insurers within the state bear a portion of the loss suffered by claimants due to the insolvency of other insurers in that state. Certain states also impose mandatory shared market mechanisms, with each state dictating the types of insurance and the level of coverage that must be provided. The most common type of shared market mechanism in which White Mountains is required to participate is an assigned risk plan. These plans require insurers licensed within the applicable state to accept applications for insurance policies from customers who are unable to obtain insurance in the voluntary market. The total number of such policies an insurer is required to accept is based on its market share of voluntary business in the state. Underwriting results related to assigned risk plans are typically adverse. Accordingly, White Mountains may be required to underwrite policies with a higher risk of loss than it would otherwise accept.

Reinsurance facilities are another type of shared market mechanism. Reinsurance facilities require an insurance company to accept all applications submitted by certain state designated agents. The reinsurance facility then allows the insurer to cede some of its business to the reinsurance facility and the facility will reimburse the insurer for claims paid on ceded business. Typically, however, reinsurance facilities operate at a deficit, which is funded through assessments against the same insurers. As a result, White Mountains could be required to underwrite policies with a higher risk of loss than it would otherwise voluntarily accept.

Pricing, Investments and Dividends

Nearly all states have insurance laws requiring property and casualty insurance companies to file their rates, rules and policy or coverage forms with the state’s regulatory authority. In most cases, such rates, rules and forms must be approved prior to use. While pricing laws vary from state to state, their objectives are generally to ensure that rates are not excessive, unfairly discriminatory or used to engage in unfair price competition. The ability and timing of White Mountains’s U.S.-based insurance and reinsurance subsidiaries to increase rates are dependent upon the regulatory requirements in each state.

White Mountains’s U.S.-based insurance and reinsurance operating subsidiaries are subject to state laws and regulations that require investment portfolio diversification and that dictate the quality, quantity and general types of investments they may hold. Non-compliance may cause non-conforming investments to be non-admitted when

measuring statutory surplus and, in some instances, may require divestiture. White Mountains’s investment portfolio as of December 31, 2015 complied with such laws and regulations in all material respects.
One of the primary sources of cash inflows for the Company and certain of its intermediate holding companies is dividends received from its insurance and reinsurance operating subsidiaries. Under the insurance laws of the domiciliary states under which White Mountains’s U.S.-based insurance and reinsurance operating subsidiaries are domiciled, an insurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by regulatory authorities. See “Dividend Capacity” on page 64 for further discussion.

Holding Company Structure

White Mountains is subject to regulation under certain state insurance holding company acts. These regulations contain reporting requirements relating to the capital structure, ownership, financial condition and general business operations of White Mountains's insurance and reinsurance operating subsidiaries. These regulations also contain special reporting and prior approval requirements with respect to certain transactions among affiliates. Since the Company is an insurance holding company, the domiciliary states of its insurance and reinsurance operating subsidiaries impose regulatory application and approval requirements on acquisitions of White Mountains's common shares which may be deemed to confer control over those subsidiaries, as that concept is defined under the applicable state laws. Acquisition of 10% of White Mountains's common shares, or in some states as little as 5%, may be deemed to confer control under the insurance laws of some jurisdictions, and the application process for approval can be extensive and time consuming.

Legislation

Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies impact the industry. In addition, legislation has been introduced in recent years that, if enacted, could result in the federal government assuming a more direct role in the regulation of the insurance industry.

Notably, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") created the Federal Insurance Office ("FIO") within the Treasury Department, which is responsible for gathering information and monitoring the insurance industry to identify gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or U.S. financial system.

White Mountains's U.S.-based insurance and reinsurance subsidiaries are impacted by other federal regulations targeted at the insurance industry, such as the Terrorism Act, which established a federal "backstop" for commercial property and casualty losses. (See "ONEBEACON — Terrorism" on page 10 for a further discussion of the Terrorism Act). For example, the generally applicable levels of reinsurance support that the federal government provides to authorized carriers could be reduced by legislation. A number of additional enacted and pending legislative measures could lead to increased consolidation and increased competition for business and for capital in the financial services industry. White Mountains cannot predict whether any state or federal measures will be adopted to change the nature or scope of the regulation of the insurance business or what effect such measures may have on its insurance and reinsurance operations.

In addition to emerging federal regulation, many states are adopting laws that attempt to strengthen the ability of regulators to understand and regulate the risk management practices of insurers and insurance groups. For example, many states have adopted measures related to the NAIC's Solvency Modernization Initiative ("SMI"), which requires insurers to summarize their key risks and risk management strategies to regulators. The SMI resulted in a 2010 amendment to the NAIC's Model Insurance Holding Company System Regulatory Act (the "Model Holding Company Act"), which requires the ultimate controlling person in an insurer's holding company structure to identify and report material enterprise risks to the state insurance regulator. The SMI also produced the NAIC Risk Management and Own Risk Solvency Model Act ("ORSA"), which requires insurers meeting premium thresholds to: 1) maintain a risk management framework; and 2) annually submit a comprehensive report designed to assess the adequacy of an insurer's risk management practices, including risks related to the insurer's future solvency position. ORSA requirements became effective in 2015 in all of the domiciliary states of White Mountains's U.S.-based insurance company subsidiaries and the first ORSA report was submitted to the relevant domiciliary regulators in 2015.

WM Advisors is a registered investment adviser and is regulated by the United States Securities and Exchange Commission under the United States Investment Advisers Act of 1940.

Europe

Sweden

Sirius International is subject to regulation and supervision by the Swedish Financial Supervisory Authority (the "Swedish FSA"). As Sweden is a member of the European Union (the "EU"), the Swedish FSA supervision of branches is recognized across all locations within the EU. Generally, the Swedish FSA has broad supervisory and administrative powers over such matters as licenses, governance and internal control, standards of solvency, investments, methods of accounting, form and content of financial statements, minimum capital and surplus requirements, and annual and other report filings. In general, such regulation is for the protection of policyholders rather than shareholders. White Mountains believes that it is in compliance with all applicable laws and regulations pertaining to its business that would have a material effect on its financial position in the event of non-compliance.

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. See Note 15 - “Statutory Capital and Surplus” of the accompanying consolidated financial statements for further description.

United Kingdom

The financial services industry in the United Kingdom is regulated by two agencies, the Financial Conduct Authority and the Prudential Regulation Authority (collectively, the “UK Regulators”). The UK Regulators regulate insurers, insurance intermediaries and Lloyd’s. The UK Regulators and Lloyd’s have common objectives in ensuring that the Lloyd’s market is appropriately regulated. Lloyd’s is required to implement certain rules prescribed by the UK Regulators by the powers it has under the Lloyd’s Act of 1982 (“Lloyd’s Act”) relating to the operation of the Lloyd’s market. In addition, each year the UK Regulators require Lloyd’s to satisfy an annual solvency test that measures whether Lloyd’s has sufficient assets in the aggregate to meet all the outstanding liabilities of its members.

Lloyd’s permits its corporate and individual members (“Members”) to underwrite insurance risks through Lloyd’s syndicates. Members of Lloyd’s may participate in a syndicate for one or more underwriting years by providing capital to support the syndicate’s underwriting. All syndicates are managed by Lloyd’s approved managing agents. Managing agents receive fees and profit commissions in respect of the underwriting and administrative services they provide to the syndicates. Lloyd’s prescribes, in respect of its managing agents and Members, certain minimum standards relating to their management and control, solvency and various other requirements. Sirius Group participates in the Lloyd’s market through the 100% ownership of Sirius International Corporate Member Limited, a Lloyd’s Corporate Member, which in turn provides underwriting capacity to Syndicate 1945.

Solvency II

The European Solvency II regulatory framework for insurance business is effective from January 1, 2016. It will impose economic risk-based solvency requirements across all EU Member States. The aim of the Solvency II framework is to ensure that insurance and reinsurance undertakings are financially sound and can withstand adverse events in order to protect policyholders and the stability of the financial system as a whole. It also aims at the creation of a single European rule book and harmonized supervision. In addition to quantitative requirements, such as capital requirements (Pillar 1), insurance and reinsurance companies will be required to meet qualitative requirements relating to governance and risk-management (Pillar 2), as well as to regularly disclose extensive information to supervisors and to the public (Pillar 3). Sirius International and its wholly-owned insurance subsidiaries, such as Sirius America, Star Re or any other insurance subsidiaries, will be required, when and where applicable, to comply with Solvency II requirements.

The Solvency II framework is set out in a complex structure of regulations headed by an EU Directive. It also includes a Delegated Act and Implementing Technical Standards adopted by the EU Commission and Guidelines issued by the European Insurance and Occupational Pensions Authority (EIOPA). The Solvency II Directive is implemented into local laws and complemented by local regulations and guidelines. Although the Directive was adopted already in 2009, parts of the regulation have not been finalized until late 2015. Sirius International has had an internal project running for many years to prepare for the Solvency II framework.

Bermuda

Insurance Regulation

The Insurance Act 1978 of Bermuda and related regulations, as amended (the “Insurance Act”), regulates the insurance businesses of Sirius Bermuda, Alstead Reinsurance Ltd. (“Alstead Re”), the Bermuda branch of Sirius International, Star Re Ltd., White Shoals, Split Rock, Life Re Bermuda and HG Re, and provides that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority (“BMA”). The BMA, in deciding whether to grant registration, has broad discretion to act as it thinks fit in the public interest. The BMA is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise to operate an insurance business. In addition, the BMA is required by the Insurance Act to determine whether a person who proposes to control 10 percent, 20 percent, 33 percent or 50 percent (as applicable) of the voting powers of a Bermuda registered insurer or its parent company is a fit and proper person to exercise such degree of control.

The continued registration of an applicant as an insurer is subject to the applicant complying with the terms of its registration and such other conditions as the BMA may impose from time to time. The Insurance Act also grants to the BMA powers to supervise, investigate and intervene in the affairs of insurance companies.

The Insurance Act imposes solvency and liquidity standards on Bermuda insurance companies, as well as auditing and reporting requirements. White Mountains believes that it is in compliance with all applicable laws and regulations pertaining to its business that would have a material effect on its financial position in the event of non-compliance.

Certain Other Bermuda Law Considerations

The Company is an exempted company organized under the Companies Act 1981 of Bermuda (the “Companies Act”). As a result, the Company is required to comply with the provisions of the Companies Act regulating the payment of dividends and making of distributions from contributed surplus. A company is prohibited from declaring or paying a dividend, or making a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(1) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
(2) the realizable value of the company’s assets would thereby be less than its liabilities.

Under the Company’s bye-laws, each common share is entitled to dividends if, and when, dividends are declared by its board of directors, subject to any preferred dividend rights of the holders of any preference shares. Issued share capital is the aggregate par value of the company’s issued shares, and the share premium account is the aggregate amount paid for issued shares over and above their par value. Share premium accounts may be reduced in certain limited circumstances. In addition, the Companies Act regulates return of capital, reduction of capital and any purchase or redemption of shares by the Company.

Although the Company is incorporated in Bermuda, it has been designated as a non-resident of Bermuda for exchange control purposes by the BMA. Pursuant to its non-resident status, the Company may hold any currency other than Bermuda dollars and convert that currency into any other currency, other than Bermuda dollars, without restriction. Shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the BMA pursuant to the provisions of the Exchange Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA in its policy dated June 1, 2005 provides that where any equity securities, including the Company’s common shares, of a Bermuda company are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of a company from and/or to a non-resident, for as long as any equity securities of such company remain so listed. The New York Stock Exchange is deemed to be an appointed stock exchange under Bermuda law. Notwithstanding the above general permission, the BMA has granted the Company permission to, subject to its common shares being listed on an appointed stock exchange, (a) issue and transfer its shares, up to the amount of its authorized capital from time to time, to persons resident and non-resident of Bermuda for exchange control purposes; (b) issue and transfer options, warrants, depositary receipts, rights, and other securities; and (c) issue and transfer loan notes and other debt instruments and options, warrants, receipts, rights over loan notes and other debt instruments to persons resident and non-resident of Bermuda for exchange control purposes.

Under Bermuda law, exempted companies are companies formed for the purpose of conducting business outside Bermuda from a principal place in Bermuda. As an exempted company, the Company may not, without the express authorization of the Bermuda legislature or under a license granted by the Bermuda Minister of Finance, participate in various specified business transactions, including

- the acquisition or holding of land in Bermuda, except land held by way of lease or tenancy agreement which is required for the Company’s business and held for a term not exceeding 50 years, or which is used to provide accommodation or recreational facilities for the Company’s officers and employees and held with the consent of the Bermuda Minister of Finance, for a term not exceeding 21 years;
- the taking of mortgages on land in Bermuda in excess of $50,000;
- the acquisition of any bonds or debentures secured by any land in Bermuda, other than certain types of Bermuda government or public authority securities; or
- subject to some exceptions, the carrying on of business of any kind in Bermuda for which the Company is not licensed in Bermuda.

Under Bermuda law, non-Bermudians (other than spouses of Bermudians, holders of permanent resident certificates and holders of working resident certificates) may not engage in any gainful occupation in Bermuda without an appropriate governmental work permit. Work permits may be granted or extended by the Bermuda government upon showing that, after proper public advertisement in most cases, no Bermudian (or spouse of a Bermudian or a holder of a permanent resident's certificate or holder of a working resident's certificate) is available who meets the minimum standard requirements for the advertised position. A waiver from advertising is automatically granted in respect of any chief executive officer position and other chief officer positions.

RATINGS

Insurance companies are evaluated by various rating agencies in order to measure each company's financial strength. Higher ratings generally indicate financial stability and a stronger ability to pay claims. White Mountains believes that strong ratings are important factors in the marketing and sale of insurance products and services to agents and consumers and ceding companies.
The following table presents the financial strength ratings assigned to White Mountains's principal insurance operating subsidiaries within OneBeacon as of February 29, 2016:

	A.M. Best(1)	Fitch(2)	Moody's(3)	Standard & Poor's(4)
OneBeacon				
Rating	"A" (Excellent)	"A" (Strong)	"A3" (Good)	"A-" (Strong)
Outlook	Stable	Negative	Stable	Stable

(1) "A" is the third highest of sixteen financial strength ratings assigned by A.M. Best Company ("A.M. Best").
(2) "A" is the sixth highest of nineteen international financial strength ratings assigned by Fitch Ratings ("Fitch").
(3) "A3" is the seventh highest of twenty-one financial strength ratings assigned by Moody's
(4) "A-" is the seventh highest of twenty-one financial strength ratings assigned by Standard & Poor's.

EMPLOYEES

As of December 31, 2015, White Mountains employed approximately 2,973 people (consisting of 53 people at the Company, its intermediate holding companies and HG Global, 1,150 people at OneBeacon, 433 people at Sirius Group, 1,174 people at Tranzact, 35 people at WM Advisors, 26 people at MediaAlpha, 51 people at Star & Shield, 45 people at Wobi and 6 people at WM Life Re). Management believes that White Mountains has satisfactory relations with its employees.

AVAILABLE INFORMATION

The Company is subject to the informational reporting requirements of the Exchange Act. In accordance therewith, the Company files reports, proxy statements and other information with the SEC. These documents are available at www.whitemountains.com shortly after such material is electronically filed with or furnished to the SEC. In addition, the Company's code of business conduct and ethics as well as the various charters governing the actions of certain of the Company's Committees of its Board of Directors, including its Audit Committee, Compensation Committee and Nominating and Governance Committee, are available at www.whitemountains.com.
The Company will provide to any shareholder, upon request and without charge, copies of these documents (excluding any applicable exhibits unless specifically requested). Written or telephone requests should be directed to the Corporate Secretary, White Mountains Insurance Group, Ltd., 14 Wesley Street, Hamilton, HM 11 Bermuda, telephone number (441) 278-3160. Additionally, all such documents are physically available at the Company's registered office at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda.

Item 1A. Risk Factors

The information contained in this report may contain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See “FORWARD-LOOKING STATEMENTS” (page 96) for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements. The Company’s actual future results and trends may differ materially depending on a variety of factors including, but not limited to, the risks and uncertainties discussed below.

Our investment portfolio may suffer reduced returns or losses, which could adversely affect our results of operations and financial condition. Adverse changes in interest rates, foreign currency exchange rates, equity markets, debt markets or market volatility could result in significant losses to the fair value of our investment portfolio and could generate significant losses in our life reinsurance business.

Our investment portfolio consists of fixed maturity investments, short-term investments, common equity securities and other long-term investments, including hedge funds, private equity funds, direct investments in privately held common and convertible securities and the OneBeacon Surplus Notes. We invest to maximize long-term total returns (after-tax) while taking prudent levels of risk and maintaining a diversified portfolio subject to our investment guidelines and various regulatory restrictions. However, investing entails substantial risks. We may not achieve our investment objectives, and our investment performance may vary substantially over time. Investment returns are an important part of our strategy to grow adjusted book value per share, and fluctuations in the fixed income or equity markets could impair our results of operations and financial condition.

Both the investment income we generate and the fair market value of our investment portfolio are affected by general economic and market conditions, including fluctuations in interest rates, foreign currency exchange rates, debt market levels, equity market levels and market volatility. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions and other factors beyond our control. In particular, a significant increase in interest rates could result in significant losses in the fair value of our investment portfolio and, consequently, could adversely affect our results of operations and financial condition. We are exposed to changes in equity markets. A significant decline in the equity markets such as that experienced from September 2008 to March 2009 could have a material adverse effect on our results of operations and financial condition. Because a portion of our investment portfolio is invested in securities denominated in currencies other than U.S. dollar, the value of our portfolio is sensitive to changes in foreign currency rates. We are also exposed to changes in the volatility levels of various investment markets. The underlying conditions prompting such changes are outside of our control and could adversely affect the value of our investments and our results of operations and financial condition. We also hold investments, such as hedge funds, private equity funds and surplus notes that are not regularly traded in active investment markets and may be illiquid. These investments can experience greater volatility in their returns or valuation, which could impair our financial performance.

Our life reinsurance business has reinsured the risk related to a shortfall between the account value and the guaranteed value that must be paid in respect of certain Japanese variable annuity contracts. We use derivative instruments to mitigate the market risks associated with changes in the fair value of these guarantees. These derivative instruments include put options, interest rate swaps, total return swaps and futures contracts on major equity indices, currency pairs and government bonds. However, these derivatives may not fully mitigate our exposure to the changes in the fair value of the guarantees. For example, WM Life Re reported significant losses in 2008 because the increase in the fair value of its liabilities exceeded the increase in the fair value of the related derivative instruments.

The fair value of our life reinsurance contracts and the related derivative instruments is significantly affected by general economic and market conditions such as equity market returns and volatility, interest rate fluctuations and foreign currency exchange rates. These conditions are outside of our control and could generate significant losses that would adversely affect our results of operations and financial condition.

Unpredictable catastrophic events could adversely affect our results of operations and financial condition.

We write insurance policies that cover unpredictable catastrophic events. Covered unpredictable catastrophic events include natural disasters, such as hurricanes, windstorms, earthquakes, floods, wildfires and severe winter weather, and other disasters such as terrorist attacks, explosions and infrastructure failures. We have significant exposure to a major earthquake or series of earthquakes in California, the Midwestern United States, Japan and Latin America and to windstorm damage in Northern Europe, the Northeast United States, the United States Atlantic Coast (i.e., Massachusetts to Florida) and the United States Gulf Coast (i.e., Florida to Texas) regions. In addition, we are exposed to losses from terrorist attacks, such as the attacks on the United States on September 11, 2001. We are also exposed to losses caused by the same types of catastrophic events in other lines of business such as marine, aviation, trade credit and accident and health.

The extent of catastrophe losses is a function of the number of events, the severity of each event and total amount of insured exposure affected by the event. Increases in the value and concentration of insured property or insured employees, the effects of inflation, changes in weather patterns and increased terrorism could increase the future frequency and/or severity of claims from catastrophic events. Claims from catastrophic events could materially adversely affect our results of operations and financial condition. Our ability to write new insurance policies could also be impacted as a result of corresponding reductions in our capital levels.

We seek to manage our exposure to catastrophic losses by limiting the aggregate insured value of policies in geographic areas with exposure to catastrophic events by estimating a PML for many different catastrophe scenarios and by buying reinsurance. To manage and analyze aggregate insured values and PML, we use a variety of tools, including external and internal catastrophe modeling software packages. Our estimates of PML are dependent on many variables, including assumptions about the demand surge and storm surge, loss adjustment expenses, insurance-to-value and storm intensity in the aftermath of weather- related catastrophes utilized to model the event, the relationship of the actual event to the modeled event and the quality of data provided to us by ceding companies (in the case of our reinsurance operations). Accordingly, if our assumptions about the variables are incorrect, the losses we might incur from an actual catastrophe could be materially higher than our expectation of losses generated from modeled catastrophe scenarios and our results of operations and financial condition could be materially adversely affected.

The property and casualty insurance and reinsurance industries are highly competitive and cyclical and we may not be able to compete effectively in the future.

The property and casualty insurance and reinsurance industries are highly competitive and have historically been cyclical, experiencing periods of severe price competition and less selective underwriting standards (“soft markets”) followed by periods of relatively high prices and more selective underwriting standards (“hard markets”). In general terms, OneBeacon competes in one or more of its businesses with most of the large multi-line insurance companies, most of the specialty insurance companies and various local and regional insurance companies. OneBeacon also competes with new companies formed to enter insurance markets. Increased competition could result in fewer submissions, lower premium rates and less favorable policy terms and conditions, which could adversely impact our profit margins, net income and book value. Sirius Group competes with numerous reinsurance companies throughout the world and Syndicate 1945 also competes with other Lloyd’s syndicates and London Market Companies. In addition, a number of Sirius Group’s competitors have recently announced acquisition and merger plans. These acquisition/merger plans may have effects on the reinsurance market in the future, including items such as the availability of displaced underwriting teams and/or submission line share allocations. We cannot predict how these mergers will impact Sirius Group’s and/or its competitors’ ability to compete in the worldwide reinsurance marketplace.

OneBeacon could fail to build and sustain the kind of business relationships, including distribution relationships that are necessary to compete. OneBeacon competes by offering its products through a select network of independent agents, regional and national brokers, wholesalers and managing general agencies, or “MGA”s.

If OneBeacon’s distribution partners find that its competitor insurers offer better priced coverage, OneBeacon may be unable to maintain a competitive position, which in turn may adversely affect our results of operations and financial condition. Additionally, consolidation among brokers and agents may make it more difficult for OneBeacon to distribute its products. Soft primary insurance market conditions could lead to a significant reduction in reinsurance premium rates, less favorable contract terms and fewer submissions for our reinsurance underwriting capacity. The supply of reinsurance is also related to the level of reinsured losses and the level of industry capital which, in turn, may fluctuate in response to changes in rates of return earned in the reinsurance industry. As a result, the reinsurance business historically has been a cyclical industry characterized by periods of intense price competition due to excess underwriting capacity as well as periods when shortages of capacity permitted improvements in reinsurance rate levels and terms and conditions. For example, the industry experienced soft casualty market conditions of lower prices and less favorable terms from 1997 to 2001 during which profitability suffered, while the losses incurred from the terrorist attacks of September 11, 2001 and the 2005 U.S. hurricanes triggered price increases. In addition, in recent years the persistent low interest rate environment and ease of entry into the reinsurance sector has led to increased competition from third party capital in the property catastrophe excess reinsurance line. This alternative capital provides collateralized property catastrophe protection in the form of catastrophe bonds, industry loss warranties, sidecars and other vehicles that facilitate the ability for non-reinsurance entities, such as hedge funds and pension funds, to compete for property catastrophe excess reinsurance business outside of the traditional treaty market. We have observed reduced pricing and/or reduced shares in certain property catastrophe excess reinsurance markets as a result. We expect to continue to experience the effects of the insurance and reinsurance industries' cyclicality. If we are unable to maintain our competitive position throughout soft and hard market cycles, our insurance and reinsurance businesses may be adversely affected and we may not be able to compete effectively in the future.

Our loss and LAE reserves may be inadequate to cover our ultimate liability for losses and as a result our financial results could be adversely affected.
We must maintain reserves adequate to cover our estimated ultimate liabilities for loss and LAE. Loss and LAE reserves are typically comprised of (1) case reserves for claims reported and (2) IBNR reserves for losses that have occurred but for which claims have not yet been reported and for expected future development on case reserves. Loss and LAE reserves are estimates of what we believe the settlement and administration of claims will cost based on facts and circumstances then known to us. These estimates involve actuarial and claims assessments, and require us to make a number of assumptions about future events that are subject to unexpected changes and are beyond our control, such as future trends in claim severity, frequency, inflation, legislative and judicial changes and other factors. Because of uncertainties associated with estimating ultimate loss and LAE reserves, we cannot be certain that our reserves are adequate. In the event that our reserves become insufficient to cover our actual losses and LAE, we may need to add to our reserves, which could have a material adverse effect on our results of operations and financial condition. For further discussion of our loss and LAE reserves, including our asbestos and environmental reserves, see “CRITICAL ACCOUNTING ESTIMATES - Loss and LAE Reserves” on page 76.

We may not maintain favorable financial strength or creditworthiness ratings, which could adversely affect our ability to conduct business.
Third-party rating agencies assess and rate the financial strength, including claims-paying ability, of insurers and reinsurers. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the agencies. Some of the criteria relate to general economic conditions and other circumstances outside the rated company’s control. These financial strength ratings are used by policyholders, agents and brokers to assess the suitability of insurers and reinsurers as business counterparties, and are an important factor in establishing the competitive position of insurance and reinsurance companies.
The maintenance of an “A-” or better financial strength rating from A.M. Best and/or Standard & Poor’s is particularly important to our ability to write new or renewal property and casualty insurance and reinsurance business in most markets, while the maintenance of an “AA” or better financial strength rating from Standard & Poor’s is particularly important to BAM’s ability to write municipal bond insurance. General creditworthiness ratings are used by existing or potential investors to assess the likelihood of repayment on a particular debt issue. The maintenance of an investment grade creditworthiness rating (e.g., “BBB-” or better from Standard & Poor’s, “Baa3” or better from Moody’s and “BBB-” or better from Fitch) is important to our ability to raise new debt with acceptable terms. We believe that strong creditworthiness ratings are important factors that provide better financial flexibility when issuing new debt or restructuring existing debt.
Rating agencies periodically evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. See “RATINGS” on page 27 for a summary of financial strength ratings on our significant insurance and reinsurance operating subsidiaries. A downgrade, withdrawal or negative watch/outlook of our financial strength ratings could severely limit or prevent our operating subsidiaries from writing new policies or renewing existing policies, which could have a material adverse effect on our results of operations and financial condition. A downgrade, withdrawal or negative watch/outlook of our creditworthiness ratings could limit our ability to raise new debt or could make new debt more costly and/or have more restrictive conditions.

If BAM does not pay some or all of the interest and principal due on the BAM Surplus Notes, our adjusted book value per share, results of operations and financial condition could be materially adversely affected.
As of December 31, 2015, White Mountains owns $503 million in BAM Surplus Notes and has accrued $90 million in interest due thereon. No payment of the interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services. In addition, BAM’s ability to pay the interest and principal on the BAM Surplus Notes is dependent upon, among other things, whether BAM collects sufficient premiums and member surplus contributions (“MSC”). Interest payments on the BAM Surplus Notes are due quarterly but are subject to deferral, without penalty or default and without compounding, for repayment in the future. No principal is due on the BAM Surplus Notes prior to their stated maturity of 2042. BAM has the right at any time to prepay principal in whole or in part.

BAM's premiums and MSC are dependent on several factors, many of which are beyond BAM's control. BAM's premiums and MSC are dependent upon the size of the primary municipal bond market, investors' demand for municipal bond insurance, which generally fluctuates with changes in credit spreads, and BAM's share of the municipal bond insurance market. Pricing is also driven by credit spreads. Credit spread is the incremental yield that investors demand for taking credit risk. When the difference in credit spreads is narrow between higher and lower rated bonds, municipal bond insurance provides less cost savings to issuers than it would during periods when the difference in credit spreads between higher and lower rated bonds is wide, which results in decreased demand and/or lower premium levels for municipal bond insurance. BAM's pricing, and therefore its premiums, are also affected by competition. BAM competes with Assured and National in a highly competitive marketplace.

During 2015, BAM's gross written premiums were $26 million and MSC collected were $29 million. BAM must grow these amounts in the future to be able to pay all of the amounts due on the BAM Surplus Notes. If BAM does not pay some or all of the amounts due on the BAM Surplus Notes for any reason, our adjusted book value per share, results of operations and financial condition could be materially adversely impacted.

Our reinsurance operations are largely dependent upon ceding companies' evaluation of risk.
Sirius Group, like other reinsurance companies that write treaty reinsurance, generally does not evaluate separately each of the assumed individual insurance risks under our reinsurance contracts. As such, we are largely dependent upon the cedants' original underwriting decisions. We are subject to the risk that the cedants may not have adequately or accurately evaluated the risks that they have insured, and we have reinsured, and that the premiums ceded may not adequately compensate us for the risks we assume. If our reserves are insufficient to cover our actual loss and LAE arising from our treaty reinsurance business, we would have to strengthen our reserves and incur charges to our earnings. These charges could be significant and could have a material adverse effect on our results of operations and financial condition.

We have significant foreign operations that expose us to certain additional risks, including foreign currency risks and political risk.
Sirius Group conducts a significant portion of its business outside of the United States. As a result, a significant portion of our assets, liabilities, revenues and expenses are denominated in currencies other than the U.S. dollar and are therefore subject to foreign currency risk. Significant changes in foreign exchange rates may adversely affect our results of operations and financial condition.
Our foreign operations are also subject to legal, political and operational risks that may be greater than those present in the United States. As a result, our operations at these foreign locations could be temporarily or permanently disrupted.

Our debt, preferred stock, unsecured letters of credit and related service obligations could adversely affect our business.
As of December 31, 2015, we had approximately $846 million face value of indebtedness, including $404 million at Sirius Group, and $250 million face value of non-cumulative perpetual preference shares outstanding at Sirius Group. We also had an undrawn $440 million revolving credit facilities at the Company and OneBeacon, and $125 million of issued but undrawn unsecured letters of credit ("LOCs") at Sirius Group. Our ability to meet our debt, preferred stock, unsecured LOCs and related service obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors, many of which are beyond our control.
We are also subject to restrictive financial covenants contained in both White Mountains's and OneBeacon's revolving credit facilities. These covenants require us to maintain specified financial ratios and to satisfy certain financial condition tests. These covenants can restrict us in several ways, including our ability to incur additional indebtedness. An uncured breach of these covenants could result in an event of default under our revolving credit facilities which would allow lenders to declare any amounts owed under our revolving credit facilities to be immediately due and payable. In addition, a default under our revolving credit facilities could occur if certain of our subsidiaries fail to pay principal and interest on a credit facility, mortgage or similar debt agreement (collectively, "covered debt"), or fail to otherwise comply with obligations in such covered debt agreements where such a default gives the holder of the covered debt the right to accelerate at least $75 million of principal amount of covered debt. A failure by OneBeacon Ltd. or its subsidiaries to pay principal and interest on covered debt or to comply with obligations in covered debt agreements that results in the acceleration of at least $75 million of principal amount of covered debt could trigger the acceleration of the OBH Senior Notes. A failure by Sirius Group to pay principal and interest on covered debt or to comply with obligations in covered debt agreements that results in the acceleration of at least $25 million of principal amount of covered debt could trigger the acceleration of Sirius Group's senior notes.
We are also subject to restrictive financial covenants contained in our unsecured LOCs at Sirius Group. These covenants require us to maintain specified financial ratios and to satisfy certain financial condition tests. These covenants can restrict us in several ways, including our ability to incur additional indebtedness and/or issue additional

unsecured LOCs. An uncured breach of these covenants could result in an event of default under our unsecured LOCs, which would allow providers to demand cash collateralization of the unsecured LOCs and/or cancel and return the issued LOCs. In addition, a default under the unsecured LOCs could occur if certain of our subsidiaries fail to pay principal and interest on covered debt, or fail to otherwise comply with obligations in such covered debt agreements where such a default gives the holder of the covered debt the right to accelerate at least $75 million of principal amount of covered debt.

If we do not have enough cash to repay accelerated debt or cash collateralize unsecured LOCs, we may be required to refinance all or part of our existing debt or unsecured LOCs, sell assets, borrow more cash or sell equity. We cannot assure you that we will be able to accomplish any of these alternatives on terms acceptable to us, if at all.

We could incur additional indebtedness or issue additional preferred stock, issue additional unsecured LOCs or other hybrid instruments in the future. To the extent new debt, preferred stock, unsecured LOCs, hybrid instruments or other obligations are added to our and our subsidiaries' current debt, preferred stock and unsecured LOC levels, the risks described in the previous paragraph would increase.

We may not successfully alleviate risk through reinsurance arrangements. Additionally, we may not collect all amounts due from our reinsurers under our existing reinsurance arrangements.

We attempt to limit our risk of loss through reinsurance arrangements. The availability and cost of reinsurance protection is subject to market conditions, which are outside of our control. In addition, the coverage provided by our reinsurance arrangements may be inadequate to cover our future liabilities. As a result, we may not be able to successfully alleviate risk through these arrangements, which could have a material adverse effect on our results of operations and financial condition.

Purchasing reinsurance does not relieve us of our underlying obligations to policyholders or ceding companies, so any inability to collect amounts due from reinsurers could adversely affect our financial condition and results of operations. Inability to collect amounts due from reinsurers can result from a number of scenarios, including: (1) reinsurers choosing to withhold payment due to a dispute or other factors beyond our control; and (2) reinsurers becoming unable to pay amounts owed to us as a result of a deterioration in their financial condition. While we regularly review the financial condition of our reinsurers and currently believe their condition is strong, it is possible that one or more of our reinsurers will be adversely affected by future significant losses or economic events, causing them to be unable or unwilling to pay amounts owed to us.

In addition, due to factors such as the price or availability of reinsurance coverage, we sometimes decide to increase the amount of risk we retain by purchasing less reinsurance. Such determinations have the effect of increasing our financial exposure to losses associated with such risks and, in the event of significant losses associated with a given risk, could have a material adverse effect on our financial condition and results of operations.

We are a holding company with no direct operations, and our insurance and reinsurance subsidiaries' ability to pay dividends and other distributions to us is restricted by law.

As a holding company with no direct operations, we rely in large part on dividends, tax sharing payments and other permitted payments from our subsidiaries to pay our expenses, interest on debt and dividends to shareholders. Our subsidiaries may not be able to generate cash flow sufficient to pay a dividend or distribute funds to us. In addition, under the insurance laws of the jurisdictions in which our insurance and reinsurance subsidiaries are domiciled, an insurer or reinsurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by regulatory authorities.

Our top tier regulated insurance and reinsurance operating subsidiaries have the ability to pay $48 million of dividends to us without prior approval of regulatory authorities during 2016. As of December 31, 2015, the Company and its intermediate holding companies had $74 million of net unrestricted cash, short-term investments and fixed maturity investments, $292 million of common equity securities and $18 million of other long-term investments outside of OneBeacon and Sirius Group and $375 million available to be drawn from our revolving credit facility. In addition, as of December 31, 2015, OneBeacon Ltd. and its intermediate holding companies had $65 million of net unrestricted cash, short-term investments and fixed maturity investments and $55 million of common equity securities outside of its regulated and unregulated operating subsidiaries and $65 million available to be drawn from OneBeacon's credit facility. Sirius Group and its intermediate holding companies had $94 million of net unrestricted cash, short-term investments and fixed maturity investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries. See "Dividend Capacity" on page 64. Management believes that our cash balances, cash flows from operations and cash flows from investments are adequate to meet expected cash requirements for the foreseeable future on both a holding company and operating subsidiary level. However, if our insurance and reinsurance subsidiaries cannot pay dividends, tax sharing and other permitted payments in future periods or if we contribute additional funds to fulfill our obligations under our life reinsurance contracts, we may have difficulty servicing our debt, paying dividends to shareholders and paying our holding company expenses. For additional information relating to insurance and reinsurance regulations governing our operations, see "Regulation" on page 22.

We may suffer losses from unfavorable outcomes from litigation and other legal proceedings.
In the ordinary course of business, we are subject to litigation and other legal proceedings as part of the claims process, the outcomes of which are uncertain. We maintain reserves for claims-related legal proceedings as part of our loss and LAE reserves. Adverse outcomes are possible and could negatively impact our financial condition.
Furthermore, as industry practices and legal, judicial, social and other conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect our results of operations and financial condition by either extending coverage beyond our underwriting intent or by increasing the number and size of claims. In some instances, these changes may not become apparent until sometime after we have issued the affected insurance contracts. Examples of emerging claims and coverage issues include, but are not limited to:

- New theories of liability and disputes regarding medical causation with respect to certain diseases;
- Claims related to data security breaches, information system failures or cyber-attacks; and
- Claims related to blackouts caused by space weather.

In addition, from time to time we are subject to legal proceedings that are not related to the claims process. In the event of an unfavorable outcome in one or more non-claims legal matters, our ultimate liability may be in excess of amounts we have reserved and such additional amounts may be material to our results of operations and financial condition. Furthermore, it is possible that these non-claims legal proceedings could result in equitable remedies or other unexpected outcomes that may materially impact our business or operations.

Regulation may restrict our ability to operate.
Our insurance and reinsurance subsidiaries are subject to extensive regulation under the laws of the jurisdictions in which they operate. The primary goal of the regulation is the protection of policyholders rather than shareholders. For example, in order to protect insurer solvency, state insurance regulations impose restrictions on the amount and type of investments, establish detail minimum capital standards and require the maintenance of reserves. Our insurance underwriting is heavily dependent on information gathered from third parties such as insurance rating bureaus, highly regulated credit report agencies and other data aggregators. Regulatory changes related to the availability or use of this information could materially affect how we underwrite and price premiums.
Changes in laws and regulations may restrict our ability to operate and/or have an adverse effect upon the profitability of our business within a given jurisdiction. For example, as a result of various state, federal and international regulatory efforts to modernize and harmonize insurer solvency regulations in the wake of the recent financial crisis, the states could further restrict allowable investments or increase our capital requirements, both of which could materially impact our business results and results of operations. In addition, U.S. Federal and state legislation has been proposed to establish catastrophe funds and underwriting in coastal areas which could impact our business.

We may be unable to adequately maintain our systems and safeguard the security of our data, which may adversely impact our ability to operate our business and cause reputational harm and financial loss.
Because our business and operations rely on secure and efficient information technology systems, we depend on our ability, and the ability of certain third parties, including vendors and business partners, to access our computer systems to perform necessary functions such as providing quotes and product pricing, billing and processing premiums, administering claims, and reporting our financial results. The functioning of these systems may be impacted by any number of events, including power outages, natural and manmade catastrophes, and cyber-attacks. In the event we are unable to access any of our systems, or any third party system that we rely upon, our ability to operate our business effectively may be significantly impaired.
Our business also depends upon our ability to securely process, store, transmit and safeguard confidential and proprietary information that is in our possession. This information includes confidential information relating to our business, and personally identifiable information (“PII”) and protected health information (“PHI”) belonging to our employees, customers, claimants and business partners. Because our systems may be vulnerable to a variety of forms of unauthorized access that could result in a data breach, including hackers, computer viruses, and other cyber-attacks, as well as breaches that result from dishonest employees, errors by employees or lost or stolen computer devices, we

may not be able to protect the confidentiality of such information.
Third parties present an additional risk of cyber-related events. We outsource certain technological and business process functions to third-party providers. We rely on these third parties to maintain and store PII and PHI and other confidential information on their systems. We also routinely transmit such information by e-mail and other electronic means. Although we attempt to establish sufficient controls and secure capabilities to transmit such information and to prevent unauthorized disclosure, these controls may not be sufficient. Furthermore, third-party providers may not have appropriate controls in place to protect such information.

Our computer systems have been and will continue to be the target of cyber-attacks, although we are not aware that we have experienced a material cybersecurity breach. We are also not aware of any third-party vendor having experienced a material cybersecurity breach that impacted our data. The risk of cyber-attack may increase, and we may experience more significant attacks in the future.
The risks identified above could expose us to data breaches, disruptions of service, financial losses and significant increases in compliance costs and reputational harm to us, any of which could affect our business and results of operations. In addition, a data breach that involves the compromise of PII or PHI, could subject us to legal liability or regulatory action under data protection and privacy laws and regulations enacted by federal, state and foreign governments, or other regulatory bodies. As a result, our ability to conduct our business and our results of operations might be materially and adversely affected.

We have successfully created shareholder value through acquisitions and dispositions of insurance and reinsurance entities. We may not be able to continue to create shareholder value through such transactions in the future.
In past years, we have completed numerous acquisitions and dispositions of insurance and reinsurance entities, many of which have contributed significantly to our growth in adjusted book value. Failure to identify and complete future acquisition and disposition opportunities could limit our ability to achieve our target returns. Even if we were to identify and complete future acquisition or disposition opportunities, there is no assurance that such opportunities will ultimately achieve their anticipated benefits.

We have significant deferred tax assets, which we may be unable to utilize if we do not generate sufficient future taxable income.
We have a deferred tax asset of $131 million (net of a valuation allowance of $122 million) related to net operating loss carryforwards, capital loss carryforwards and tax credit carryforwards as of December 31, 2015 that is subject to carryforward limitations in the United States. We also have a deferred tax asset of $210 million (net of a valuation allowance of $140 million) related to net operating loss carryforwards and unrealized gains and losses in Luxembourg as of December 31, 2015 that is not subject to limitation. Utilization of these assets and other assets included in our worldwide net deferred tax asset of $145 million (net of a valuation allowance of $269 million) is dependent on generating sufficient future taxable income of the appropriate character (i.e. ordinary income or capital gains) in the appropriate jurisdiction. If it is determined that it is more likely than not that sufficient future taxable income will not be generated, we would be required to increase the valuation allowance in future periods, which would have an adverse effect on our results of operations and financial condition.

We have significant deferred tax assets, which we may be unable to utilize pursuant to Swedish tax legislation.
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. Adverse interpretation of the legislation could cause us to write down some or all of the $30 million in deferred tax assets related to intra-group debt instruments in our internal capital structure, which would have an adverse effect on our results of operations and financial condition.

Changes in tax laws or tax treaties may cause more of the income of certain non-U.S. companies in our group to become subject to taxes in the United States.
The taxable income of our U.S. subsidiaries is subject to U.S. federal, state and local income tax and other taxes. The income of the non-U.S. companies in our group is generally subject to a lower effective tax rate than that imposed by the United States. Certain of our non-U.S. companies are eligible for the benefits of tax treaties between the United States and other countries. We believe our non-U.S. companies will continue to be eligible for treaty benefits. However, it is possible that factual changes or changes to U.S. tax laws or changes to tax treaties that presently apply to our non-U.S. companies could increase income subject to tax, or the tax rate on income, in the United States. Similarly, changes to the applicable tax laws, treaties or regulations of other countries could subject the income of members of our group to higher rates of tax outside the United States.

The Company and our non-U.S. subsidiaries may become subject to U.S. tax, which may have an adverse effect on our results of operations and our shareholders' investments.
The Company and our non-U.S. subsidiaries operate in a manner so that none of these companies should be subject to U.S. tax (other than U.S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks and U.S. withholding tax on some types of U.S. source investment income), because none of these companies should be treated as engaged in a trade or business within the United States. However, because there is considerable uncertainty as to the activities that constitute being engaged in a trade or business within the United States, we cannot be certain that the Internal Revenue Service ("IRS") will not contend successfully that the Company or its non-U.S. subsidiaries are engaged in a trade or business in the United States. If the Company or any of its non-U.S. subsidiaries were considered to be engaged in a trade or business in the United States, such entity could be subject to U.S. corporate income and branch profits taxes on the portion of its earnings effectively connected to such U.S. business, which could adversely affect our results of operations and financial condition.

We depend on our key personnel to manage our business effectively and they may be difficult to replace.
Our performance substantially depends on the efforts and abilities of our management team and other executive officers and key employees. Furthermore, much of our competitive advantage is based on the expertise, experience and know-how of our key management personnel. We do not have fixed term employment agreements with any of our key employees or key man life insurance and the loss of one or more of these key employees could adversely affect our business, results of operations and financial condition. Our success also depends on the ability to hire and retain additional personnel. Difficulty in hiring or retaining personnel could adversely affect our results of operations and financial condition.

We are exposed to credit risk in certain of our business operations.
In addition to exposure to credit risk related to our investment portfolio and reinsurance recoverables, we are exposed to credit risk in other areas of our business operations.
When policyholders purchase insurance policies from us through independent agents and brokers, the premiums are often first received by the independent agents and brokers, who then route premiums to us. In most jurisdictions, the premiums are deemed paid to us whether or not we receive them. Consequently, we assume a degree of credit risk associated with amounts due from independent agents and brokers.
Under many of our policies, our customers are responsible to reimburse us for an agreed-upon amount per claim. In these circumstances, we are exposed to credit risk because we are typically required under these policies to pay covered claims first and then seek reimbursement from our customers.
We are exposed to credit risk in OneBeacon's surety business, where we guarantee to a third party that our customer will satisfy certain performance obligations. We sometimes mitigate the surety customer credit risk by requiring customers to post collateral for some or all of their performance obligations, often in the form of pledged securities such as money market funds or letters of credit provided by banks. However, there is credit risk associated with any collateral - if we are holding collateral other than cash and our customer is unable to honor his or her obligations, we may be exposed to credit risks associated with pledged securities or the banks that issued the letter of credit. Economic downturns generally increase these credit risks. If credit risks materialize and control mechanisms like underwriting guidelines and collateral requirements are unsuccessful, we could be left with collateral that has little or no value.
As a result, our exposure to the above credit risks could materially and adversely affect our results of operations.

Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders.
We are organized under the laws of Bermuda, and a portion of our assets are located outside the United States. As a result, it may not be possible for our shareholders to enforce court judgments obtained in the United States against us based on the civil liability provisions of the federal or state securities laws of the United States, either in Bermuda or in countries other than the United States where we will have assets. In addition, there is some doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of U.S. courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States

or would hear actions against us or those persons based on those laws.

Our corporate affairs are governed by the Companies Act. The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, amalgamations, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Generally, the duties of directors and officers of a Bermuda company are owed to the company only. Shareholders of Bermuda companies generally do not have rights to take action against directors or officers of the company and may only do so in limited circumstances. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against non-controlling shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.
When the affairs of a company are being conducted in a manner that is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company. Additionally, under our bye-laws and as permitted by Bermuda law, each shareholder has waived any claim or right of action against our directors or officers for any action taken by directors or officers in the performance of their duties, except for actions involving fraud or dishonesty. In addition, the rights of our shareholders and the fiduciary responsibilities of our directors under Bermuda law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States, particularly the State of Delaware. Therefore, our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction within the United States.

We could be adversely affected if our controls designed to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.
Our business is highly dependent on our ability to successfully execute a large number of transactions, many of which are complex. These processes are often subject to internal guidelines and policies, and government regulation. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. If controls are not effective, it could lead to financial loss, unanticipated risk exposure, or damage to our reputation.

1B. Unresolved Staff Comments

As of the date of this report, the Company had no unresolved comments from the Commission staff regarding its periodic or current reports under the Exchange Act.

Item 2. Properties

The Company maintains two professional offices in Hamilton, Bermuda, which serve as its headquarters and its registered office. The Company's principal executive office is in Hanover, New Hampshire. In addition, White Mountains maintains professional offices in Guilford, Connecticut, which house its investment and corporate finance functions, and Boston, Massachusetts, which house its corporate accounting, reporting and internal audit functions.
OneBeacon Ltd.'s headquarters are located in Hamilton, Bermuda and the headquarters of its U.S. operations and principal executive office are currently located in Plymouth, Minnesota. OneBeacon also maintains branch offices in various cities throughout the United States.
Sirius International Insurance Group Ltd.'s headquarters are located in Hamilton, Bermuda and its principal executive office is located in New York, New York. Sirius International is headquartered in Stockholm, Sweden with various branch offices in Europe, Australia, Asia and Bermuda. Sirius America is headquartered in New York, New York with various offices in the United States and in Toronto, Canada.

HG Global is headquartered in Hamilton, Bermuda and BAM's headquarters are in New York, New York.

Tranzact is headquartered in Fort Lee, New Jersey with various other offices and call centers throughout the United States. Tranzact has additional offices located in Lima, Peru, Guatemala City, Guatemala and Gothenburg, Sweden.

MediaAlpha's headquarters are located in Los Angeles, California, Wobi's headquarters are located in Tel Aviv, Israel, Star & Shield Services LLC's and Star & Shield Claims Services LLC's headquarters are located in Alpharetta, Georgia and Star & Shield Risk Management LLC's headquarters are located in Orlando, Florida.

The Company's headquarters, registered office, principal executive office, and corporate accounting, reporting and internal audit offices are leased. White Mountains owns its investment and corporate finance office in Connecticut. OneBeacon's headquarters, U.S. corporate headquarters and branch offices are leased. In 2015, OneBeacon completed the sale of their building in Canton, Massachusetts for $58 million. The building was classified as held for sale on White Mountains's December 31, 2014 consolidated balance sheet. Sirius Group's home offices and substantially all of its branch offices are leased. HG Global's and BAM's offices are leased, as are Tranzact's home office and substantially all of its call centers, and MediaAlpha's, Wobi's and Star & Shield's offices. Management considers its office facilities suitable and adequate for its current level of operations.

Item 3. Legal Proceedings

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. Other than those items listed below, White Mountains was not a party to any material litigation or arbitration other than as routinely encountered in claims activity, none of which is expected by management to have a material adverse effect on its financial condition, results of operations or cash flows.

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 in the Runoff Transaction filed a Petition for Review with the Commonwealth Court of Pennsylvania (Commonwealth Court) requesting that the Commonwealth Court vacate the Pennsylvania Insurance Department's (Department) orders approving the Runoff Transaction and denying their right to intervene in the Department's regulatory review of the Runoff Transaction. On January 14, 2016, the Commonwealth Court upheld the Department's December 23, 2014 order approving the Runoff Transaction. The objectors did not appeal the Commonwealth Court's decision and the time for appeal has expired.

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. Certain subsidiaries of White Mountains received approximately $32 million and Sirius Group, which is now included in discontinued operations, received $6 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 December 31, 2015, as the amount of loss, if any, cannot be reasonably estimated.

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 $18.2 million of net income from discontinued operations in 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 December 31, 2015, White Mountains has received a net amount of $28.3 million from Allstate, primarily related to the favorable development on loss reserves.

Item 4. Mine Safety Disclosures

None.

Executive Officers of the Registrant and its Subsidiaries (As of February 29, 2016)

Name	Position	Age	Executive Officer since
Raymond Barrette	Chairman and CEO	65	2007
Reid T. Campbell	Managing Director of White Mountains Capital, Inc. and President of WM Advisors	48	2007
David T. Foy	Executive Vice President and Chief Financial Officer	49	2003
T. Michael Miller	President and CEO of OneBeacon Ltd.	57	2005
Kernan V. Oberting	Managing Director of White Mountains Capital, Inc. and President of Sirius Capital Markets	46	2013
J. Brian Palmer	Managing Director and Chief Accounting Officer	43	2001
G. Manning Rountree	Managing Director of White Mountains Capital, Inc.	43	2009
Robert L. Seelig	Managing Director and General Counsel	47	2002
Allan L. Waters	President and CEO of Sirius International Insurance Group, Ltd.	58	2007

All executive officers of the Company and its subsidiaries are elected by the Board for a term of one year or until their successors have been elected and have duly qualified. Information with respect to the principal occupation and relevant business experience of the Executive Officers follows:

Mr. Barrette has served as Chairman and CEO of the Company since January 2007. He served as a director of the Company from 2000 to 2005 and was re-appointed as a director in August 2006. He previously served as President and CEO of the Company from 2003 to 2005, as CEO of OneBeacon from 2001 to 2002, as President of the Company from 2000 to 2001 and as Executive Vice President and Chief Financial Officer of the Company from 1997 to 2000. Mr. Barrette also serves as a director of OneBeacon Ltd.

Mr. Campbell has served as a Managing Director of White Mountains Capital, Inc. since January 2004 and as the President of WM Advisors since January 2015. He joined White Mountains in 1994 and has served in a variety of financial management positions with the Company and its subsidiaries. Prior to joining White Mountains, Mr. Campbell spent three years with KPMG LLP. Mr. Campbell also serves as a director of OneBeacon Ltd.

Mr. Foy was appointed Executive Vice President and Chief Financial Officer of the Company in April 2003. Prior to joining White Mountains in 2003, Mr. Foy served as Senior Vice President and Chief Financial Officer of Hartford Life Inc. and joined that company in 1993. Prior to joining Hartford Life, Mr. Foy was with Milliman and Robertson, an actuarial consulting firm. Mr. Foy also serves as a director of OneBeacon Ltd.

Mr. Miller was appointed President and CEO of OneBeacon in July 2005 and joined OneBeacon as its Chief Operating Officer in April 2005. Mr. Miller also serves as a director of OneBeacon Ltd. Prior to joining White Mountains, Mr. Miller spent 10 years at St. Paul Travelers, most recently as Co-Chief Operating Officer. Prior to joining St. Paul Travelers, Mr. Miller spent 14 years with The Chubb Corporation.

Mr. Oberting has served as a Managing Director of White Mountains Capital, Inc. since July 2012 and as the President of Sirius Capital Markets since January 2015. From 2008 to 2012, Mr. Oberting was the founder and Managing Member of Oakum Bay Capital (f/k/a KVO Capital Management). From 2004 to 2008, Mr. Oberting served as Executive Vice President and Chief Financial Officer of Montpelier Re Holdings, Ltd. Mr. Oberting previously worked for White Mountains entities from 1995 to 2004 in various capacities. Prior to White Mountains, Mr. Oberting was a trader at CS First Boston (Japan) from 1993 to 1995.

Mr. Palmer has served as Chief Accounting Officer of the Company since 2001 and previously served as Controller of a subsidiary of White Mountains from 1999 to 2001. Prior to joining White Mountains in 1999, Mr. Palmer spent four years with PricewaterhouseCoopers LLP.

Mr. Rountree is a Managing Director of White Mountains Capital, Inc. Mr. Rountree served as the President of WM Advisors from 2009 to 2014. He joined White Mountains in 2004. Prior to joining White Mountains, Mr. Rountree worked with both Putnam Investments and McKinsey & Company.

Mr. Seelig is Managing Director and General Counsel of the Company. Prior to joining White Mountains in September 2002, Mr. Seelig was with the law firm of Cravath, Swaine & Moore.

Mr. Waters was appointed President and CEO of Sirius Group in March 2007. Mr. Waters served as a director of White Mountains from 2003 to 2004 and was re-elected as a director in November 2005. From 1998 to 2007, Mr. Waters was the founder and Managing Member of Mulherrin Capital Advisors, LLC. Mr. Waters formerly served as Senior Vice President and Chief Financial Officer of White Mountains from 1993 to 1997, and originally joined the Company in 1985.

PART II

Item 5. Market for the Company’s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

White Mountains’s common shares are listed on the New York Stock Exchange (symbol “WTM”) and the Bermuda Stock Exchange (symbol “WTM-BH”). As of February 23, 2016, there were 283 registered holders of White Mountains common shares, par value $1.00 per share. The quarterly range of the high and low sales price for common shares during 2015 and 2014 is presented below:

	2015		2014	
Quarter ended:	High	Low	High	Low
December 31	$808.00	$721.00	$682.87	$610.00
September 30	778.19	645.00	645.00	599.35
June 30	704.50	635.00	608.63	583.51
March 31	696.48	618.00	603.88	557.26

For information on securities authorized for issuance under the Company’s equity compensation plans, see “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters” on page 100.

The following graph shows the five-year cumulative total return for a shareholder who invested $100 in common shares as of January 1, 2010, assuming re-investment of dividends. Cumulative returns for the five-year period ended December 31, 2015 are also shown for the Standard & Poor's 500 Stocks (Property & Casualty) Capitalization Weighted Index ("S&P P&C") and the Standard & Poor's 500 Stocks Capitalization Weighted Index ("S&P 500") for comparison.

Purchases of Equity Securities by the Company

The following table provides information regarding common shares repurchased by the Company during the fourth quarter of 2015:

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)]
October 1 - 31, 2015	58,837	$753.72	57,530	538,636
November 1 - 30, 2015	37,715	$767.58	37,715	500,921
December 1 - 31, 2015	24,715	$769.18	24,668	476,253
Total	121,267	$761.18	119,913	476,253

(1) 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. Most recently, in February 2016, White Mountains's Board of Directors authorized the Company to repurchase an additional 1 million common shares. The repurchase authorization does not have a stated expiration.

Item 6. Selected Financial Data

Selected consolidated income statement data and ending balance sheet data for each of the five years ended through December 31, 2015, follows:

	Year Ended December 31,				
$ in millions, except share and per share amounts	2015	2014	2013	2012	2011
Income Statement Data:					
Revenues [(a)]	$1,809	$1,454	$1,362	$1,358	$1,152
Expenses	1,654	1,483	1,204	1,260	1,097
Pre-tax income	155	(29)	158	98	55
Income tax (expense) benefit	1	15	(33)	(121)	74
Non-controlling interest	18	22	13	14	(42)
Equity in earnings (losses) of unconsolidated affiliates	25	45	37	29	(20)
Discontinued operations, net of tax[(b)]	99	259	147	187	701
Net income attributable to White Mountains's common shareholders	$298	$312	$322	$207	$768
Earnings (loss) attributable to White Mountains's common shareholders per share:					
Basic — continuing operations	$33.80	$8.77	$28.22	$3.03	$8.51
Basic — discontinued operations	16.80	42.36	23.63	27.47	88.93
Diluted — continuing operations	$33.80	$8.77	$28.22	$3.03	$8.51
Diluted — discontinued operations	16.80	42.36	23.63	27.47	88.93
Balance Sheet Data:					
Total assets	$10,285	$10,456	$12,144	$12,895	$14,064
Debt [(c)]	442	343	275	350	276
Non-controlling interests[(d)]	455	543	492	526	580
White Mountains's common shareholders' equity	3,913	3,996	3,905	3,732	4,088
Book value per share[(e)]	$695.84	$667.48	$632.22	$593.16	$539.40
Adjusted book value per share[(f)]	$698.95	$664.50	$642.20	$587.60	$542.09
Share Data:					
Cash dividends paid per common share	$1.00	$1.00	$1.00	$1.00	$1.00
Ending common shares (000's)[(g)]	5,624	5,986	6,177	6,291	7,578
Ending equivalent common shares (000's)[(h)]	(25)	(26)	(33)	(39)	(38)
Ending common and equivalent common shares (000's)	5,599	5,961	6,144	6,252	7,540

(a) In 2015, White Mountains changed the accounting for its investment in Symetra from the equity method to fair value and recognized $259 of unrealized investment gains through net income. See Note 17 - "Investments in Unconsolidated Affiliates".

(b) As a result of the Sirius Group Sale, Esurance Sale, the AutoOne Sale, and the Runoff Transaction, White Mountains has reclassified the results from these businesses for the past five years in the table above to discontinued operations, net of tax. In 2013, discontinued operations, net of tax, includes a $47 gain related to the sale of the Runoff Business and a net loss of $42 related to the operations of the Runoff Business. In 2012, discontinued operations, net of tax, includes a $91 loss related to the sale of the Runoff Business and a net loss of $24 related to the operations of the Runoff Business. In 2011, discontinued operations, net of tax, includes a $678 gain related to the Esurance Sale, a $19 loss related to the AutoOne Sale, and a $37 net loss related to the Runoff Business.

(c) As of December 31, 2012, White Mountains had $75 outstanding under its credit facility, which was repaid in January 2013. During 2011 and 2010, OneBeacon repurchased $150 and $187 face value of the OBH Senior Notes.

(d) See Note 14 - "Common Shareholders' Equity and Non-controlling Interests" for a detailed breakdown of non-controlling interests by consolidated entity.

(e)

Includes the dilutive effects of outstanding incentive options to acquire common shares, the last of which were exercised in 2010. Non-qualified options were not included in the diluted earnings per share denominator as their inclusion would be anti-dilutive for the periods presented.

(f) Adjusted book value per share is a non-GAAP measure which is derived by expanding the GAAP book value per share calculation to include the effects of assumed conversion of all in-the-money convertible securities and to exclude the net unrealized gains (losses) from Symetra's fixed maturity portfolio and unearned restricted common shares. See the reconciliation of adjusted book value per share to book value per share on page 43.

(g) During 2015, 2014, 2013, 2012 and 2011, White Mountains repurchased 387,495, 217,879, 141,535, 1,329,640 and 646,502, respectively, of its common shares through a combination of tender offers, open market transactions and other transactions.

(h) Includes outstanding options to acquire common shares, when applicable, and excludes unearned shares of restricted stock, the compensation of which, at the date of calculation, has yet to be amortized.

Item 7. 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” on page 96 for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.

The following discussion also includes five non-GAAP financial measures, adjusted comprehensive income, adjusted book value per share, adjusted capital, consolidated portfolio returns excluding Symetra and common equity securities and other long-term investment returns excluding Symetra that have been reconciled to their most comparable GAAP financial measures (see page 75). 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 YEARS ENDED December 31, 2015, 2014 and 2013

Overview—Year Ended December 31, 2015 versus Year Ended December 31, 2014

White Mountains ended 2015 with an adjusted book value per share of $699, an increase of 5.3% during the year, including dividends, compared to an increase of 3.6% during 2014, including dividends. During 2015, White Mountains signed a definitive agreement to sell Sirius Group to CMI, and 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. Substantially all of the benefit from the Symetra transaction was recorded in 2015, while the benefit from the Sirius Group transaction will be recorded at closing, which is expected in the first quarter of 2016. Including dividends, Symetra produced $264 million of adjusted comprehensive income for White Mountains in 2015, of which $241 million was recognized as an after-tax unrealized investment gain in the fourth quarter. Including the estimated gain of $84 per share for the Sirius Group sale, adjusted book value per share is approximately $783, an increase of 18.0% for the year ended December 31, 2015, including dividends. See page 44 for the calculation of the estimated gain per share from the Sirius Group transaction.

White Mountains reported adjusted comprehensive income of $232 million in 2015 compared to $135 million in 2014. The increase is driven by $264 million of adjusted comprehensive income from Symetra and lower foreign currency losses, partially offset by lower investment returns excluding Symetra and increased incentive compensation expense recorded in connection with the agreements to sell Sirius Group and Symetra.

OneBeacon’s book value per share increased 3.8% during 2015, including dividends, compared to an increase of 2.1% during 2014, including dividends. OneBeacon’s GAAP combined ratio was 96% for 2015 compared to 102% for 2014. The lower combined ratio is primarily the result of the $109 million loss reserve charge in the fourth quarter of 2014, partially offset by higher expense ratios driven by higher incentive compensation expense, changes in business mix and the impact of exiting the crop business. OneBeacon’s net written premiums decreased 7% to $1.1 billion in 2015, primarily due to the exit from crop and lawyers liability businesses, a decrease in the Healthcare business and the termination of an affiliated reinsurance treaty, partially offset by increases in OneBeacon’s newer Programs and Surety businesses.

As a result of the agreement to sell Sirius Group, its results are reported as discontinued operations within White Mountains’s GAAP financial statements. Sirius Group’s results continue to inure to White Mountains through the closing date of the sale. Sirius Group’s GAAP combined ratio was 85% for 2015 compared to 76% for 2014. The increase was primarily due to lower favorable net loss reserve development and a significantly higher frequency of non-catastrophe per risk and pro rata loss events, including $18 million in losses from the Tianjin port explosions, partially offset by lower catastrophe losses. Additionally, the combined ratio for the year ended December 31, 2015 included 1 point from 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.

White Mountains's GAAP pre-tax total return on invested assets was 3.6% for year ended December 31, 2015. Excluding the returns from Symetra, the GAAP pre-tax total return on invested assets was -0.2% for year ended December 31, 2015, which included 0.9% of currency losses, compared to a return of 1.9% for the year ended December 31, 2014, which included 1.9% of currency losses. In local currencies, the fixed income portfolio was up 1.1% for 2015, a decent absolute result for the year and essentially in-line with the Barclays Intermediate Aggregate Index. In local currencies and including Symetra, the equity (common equity securities and other long-term investments) portfolio was up 19.6% for the year; excluding Symetra, the equity portfolio was down 1.4% for the year. White Mountains's portfolio of common stocks and ETFs, excluding Symetra, was up 3.3%, which was a good result and ahead of the S&P 500 while other long-term investments were down 10.1% reflecting unfavorable mark-to-market adjustments to the OneBeacon runoff surplus notes and losses in energy exposed private equity funds.

In 2015, White Mountains deployed approximately $400 million of capital, including $284 million through share repurchases and approximately $120 million through the purchase of insurance service businesses, both in new investments and additional financings in existing investments to support growth in acquisitions.

Overview—Year Ended December 31, 2014 versus Year Ended December 31, 2013

White Mountains ended 2014 with an adjusted book value per share of $665, an increase of 3.6% during the year, including dividends, compared to an increase of 9.5% during 2013, including dividends. White Mountains reported adjusted comprehensive income of $136 million in 2014 compared to adjusted comprehensive income of $340 million in 2013. The decrease was driven by $87 million of after-tax foreign currency exchange losses, $58 million of after-tax adverse prior year loss reserve development at OneBeacon and lower investment returns.

OneBeacon's book value per share increased 2.1% during 2014, including dividends, compared to an increase of 17.2% during 2013, including dividends. OneBeacon's GAAP combined ratio was 102% for 2014 compared to 92% for 2013. OneBeacon's 2014 results reflect a $109 million pre-tax increase to loss reserves in the fourth quarter of 2014, of which $75 million is related to prior accident years and $34 million related to the current accident year. Full year 2014 results reflect a $90 million pre-tax increase to prior accident year reserves. The reserve increases were driven primarily by professional liability (including lawyers' professional liability) and management liability within Professional Insurance, and to a lesser extent the Entertainment and Government Risks businesses. In 2015, Professional Insurance was reorganized into Other Professional Lines, Management Liability, Financial Services and Healthcare. OneBeacon's net written premiums increased 12% to $1.2 billion in 2014, primarily related to OneBeacon's newer businesses, particularly Crop, Programs and Surety.

Sirius Group's GAAP combined ratio was 76% for 2014 compared to 82% for 2013. The improvement in the combined ratio for 2014 was driven by lower catastrophe losses and higher favorable loss reserve development, partially offset by higher acquisition expenses. Sirius Group's combined ratio includes 7 points of catastrophe losses in 2014 compared to 10 points in 2013 and includes 11 points of favorable loss reserve development in 2014 compared to 6 points in 2013.

White Mountains's GAAP pre-tax total return on invested assets was 1.9% for 2014, compared to 4.1% for 2013. 2014 included 1.9% of foreign currency losses, while foreign currency translation did not meaningfully impact investment returns in 2013. In local currencies, the fixed income portfolio was up 2.7% for 2014, a decent absolute result for the year but behind the longer duration Barclays Intermediate Aggregate Index as interest rates fell. In local currencies, the fixed income portfolio was up 0.5% for 2013. In local currencies, the equity portfolio (common equity securities and other long-term investments) was up 8.0% for 2014, a strong absolute result for the year but mixed against benchmarks, underperforming the S&P 500 and outperforming the small-cap Russell 2000. In local currencies, the equity portfolio was up 19.0% for 2013.

During 2014, White Mountains completed the acquisitions of four insurance service businesses: (i) Tranzact, a provider of end-to-end direct-to-consumer customer acquisition solutions to leading insurance carriers, (ii) MediaAlpha, an advertising technology company that develops platforms for the buying and selling of insurance and other vertical-specific performance media, (iii) Wobi, the only price comparison/aggregation business in Israel, and (iv) Star & Shield, which includes the attorney-in-fact for SSIE, a Florida-domiciled reciprocal insurance exchange providing private passenger auto insurance to members of the public safety community and their families. In 2014, White Mountains deployed almost $400 million of capital, including approximately $235 million through the purchase of insurance service businesses and $134 million through share repurchases.

Adjusted Book Value Per Share

The following table presents White Mountains's adjusted book value per share, a non-GAAP financial measure, for the years ended December 31, 2015, 2014 and 2013 and reconciles this non-GAAP measure to the most comparable GAAP measure. (See "NON-GAAP FINANCIAL MEASURES" on page 75.)

	December 31,		
	2015	2014	2013
Book value per share numerators (in millions):			
White Mountains's common shareholders' equity(1)	$ 3,913.2	$ 3,995.7	$ 3,905.1

Equity in net unrealized (gains) losses from Symetra's fixed maturity portfolio	—	(34.9)	40.4
Adjusted book value per share numerator[1]	$3,913.2	$3,960.8	$3,945.5
Book value per share denominators (in thousands of shares):			
Common shares outstanding[1]	5,623.7	5,986.2	6,176.7
Unearned restricted shares	(25.0)	(25.7)	(33.0)
Adjusted book value per share denominator[1]	5,598.7	5,960.5	6,143.7
Book value per share	$695.84	$667.48	$632.22
Adjusted book value per share	$698.95	$664.50	$642.20
Dividends paid per share	$1.00	$1.00	$1.00

(1) Excludes stock options, which are anti-dilutive to book value.

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The following table presents the estimated net gain from the sale of Sirius Group as of December 31, 2015:

Millions, except per share amounts		
Assets held for sale	$4,407.0	
Liabilities held for sale	(2,884.0)	
Net assets held for sale	1,523.0	
Assets to be contributed in exchange for December 31, 2015 carrying value of Symetra and other amounts to be retained by White Mountains	702.8	
Assets to be contributed to reflect Symetra at transaction value	3.7	(1)
Less: SIG Preference Shares	(250.0)	
Total net assets	1,979.5	
Transaction multiple above total net assets	27.3	%
	540.4	
Additional consideration	10.0	
Gain from the sale of Sirius Group	550.4	
Estimated compensation expense, transaction costs and other, net of applicable tax	(80.0)	
Net gain from the sale of Sirius Group	$470.4	
Net gain from the sale of Sirius Group per share	$84.02	

(1) The is amount reflects the after-tax increase from the market value of Symetra at December 31, 2015 of $31.77 per share to the transaction value of Symetra of $32.00 per share.

The following table is a summary of goodwill and intangible assets that are included in White Mountains's adjusted book value as of December 31, 2015, 2014 and 2013:

	December 31,		
Millions	2015	2014	2013
Goodwill			
Tranzact	$163.8	$145.1	$—
MediaAlpha	18.3	18.3	—
Wobi	5.8	5.5	—
Total goodwill	187.9	168.9	—
Intangible assets			
Tranzact	156.1	142.8	—
MediaAlpha	24.4	32.5	—
Wobi and Other	7.3	7.0	5.1
Total intangible assets	187.8	182.3	5.1
Total goodwill and intangible assets (1)	375.7	351.2	5.1
Goodwill and intangible assets attributed to non-controlling interests	(135.8)	(141.8)	(1.3)
Goodwill and intangible assets included in adjusted book value	$239.9	$209.4	$3.8

(1) See Note 6 - "Goodwill and Other Intangible Assets" for details of other intangible assets.

Review of Consolidated Results

A summary of White Mountains's consolidated financial results for the years ended December 31, 2015, 2014 and 2013 follows:

	Year Ended December 31,		
Millions	2015	2014	2013
Gross written premiums	$1,361.7	$1,362.2	$1,176.5
Net written premiums	$1,172.6	$1,239.0	$1,102.2
Revenues			
Earned insurance premiums	$1,188.2	$1,185.0	$1,120.9
Net investment income	60.8	59.5	59.8
Net realized and unrealized investment gains	225.4	78.5	133.9
Other revenue — Symetra warrants	—	—	10.8
Other revenue — other	334.2	131.1	36.2
Total revenues	1,808.6	1,454.1	1,361.6
Expenses			
Losses and LAE	708.9	824.0	622.1
Insurance acquisition expenses	220.1	206.2	210.4
Other underwriting expenses	218.6	179.6	205.2
General and administrative expenses	458.9	246.0	147.7
General and administrative expenses — amortization of intangible assets	28.6	11.7	1.4
Interest expense	18.6	15.6	16.2
Total expenses	1,653.7	1,483.1	1,203.0
Pre-tax income	154.9	(29.0)	158.6
Income tax benefit (expense)	.7	14.8	(32.6)
Net income from continuing operations	155.6	(14.2)	126.0
Net gain (loss) on sale of discontinued operations, net of tax	18.2	(1.6)	46.6
Net gain from discontinued operations, net of tax	80.6	260.2	99.9
Equity in earnings of unconsolidated affiliates, net of tax	25.1	45.6	36.6
Net income	279.5	290.0	309.1
Net loss attributable to non-controlling interests	18.1	22.2	12.5
Net income attributable to White Mountains's common shareholders	297.6	312.2	321.6
Change in equity in net unrealized gains (losses) from investments in Symetra common shares, net of tax	(34.9)	75.3	(98.1)
Change in foreign currency translation and pension liability	(.5)	(10.7)	17.4
Change in foreign currency translation and other items from discontinued operations	(65.0)	(169.5)	6.1
Comprehensive income	197.2	207.3	247.0
Comprehensive loss (income) attributable to non-controlling interests	—	3.3	(5.2)
Comprehensive income attributable to White Mountains's common shareholders	197.2	210.6	241.8
Change in net unrealized (losses) gains from Symetra's fixed maturity portfolio, net of tax	34.9	(75.3)	98.1
Adjusted comprehensive income(1)	$232.1	$135.3	$339.9

(1) Adjusted comprehensive income is a non-GAAP measure. For a description of the most comparable GAAP measure (see NON-GAAP FINANCIAL MEASURES on page 75).

Consolidated Results—Year Ended December 31, 2015 versus Year Ended December 31, 2014
White Mountains's total revenues increased 24% to $1.8 billion in 2015, which was driven by the $259 million unrealized investment gain from Symetra and increases in other revenues from the recently-acquired insurance service businesses. Earned insurance premiums in 2015 were in line with 2014. Net investment income increased 2% to $61 million, as lower investment expenses were mostly offset by lower common stock dividends. White Mountains reported net realized and unrealized investment gains of $225 million in 2015, which included $259 million from Symetra, compared to $79 million of gains in 2014. See "Summary of Investment Results" on page 58 for a discussion and analysis of White Mountains's investment returns. Other revenue increased to $334 million in 2015 from $131 million in 2014. Other revenue in 2015 included $187 million from Tranzact and $106 million from MediaAlpha compared to $43 million from Tranzact and $65 million from MediaAlpha in 2014. Other revenues also included third-party investment management fee income at WM Advisors of $13 million in 2015, compared to $17 million in 2014. Other revenue included $1 million of WM Life Re's losses in 2015 compared to $4 million of WM Life Re's losses in 2014. See Note 9 - "Derivatives" for details regarding WM Life Re's total impact on White Mountains's statement of operations. Other revenue also included a $20 million pre-tax gain in 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.
White Mountains's total expenses increased 11% to $1.7 billion in 2015, which was driven by increases in other expenses from the recently-acquired insurance services businesses, partially offset by lower expenses in OneBeacon's insurance business. Losses and LAE decreased 14%, primarily due to the $109 million reserve charge recorded by OneBeacon related to the actuarial analysis performed in the fourth quarter of 2014, while insurance acquisition expenses and other underwriting expenses increased 7% and 22% in 2015 due to changes in business mix and higher incentive compensation expense (see "Summary of Operations by Segment" on page 47). General and administrative expenses in 2015 included $167 million from Tranzact and $99 million from MediaAlpha compared to $37 million from Tranzact and $61 million from MediaAlpha in 2014.

Consolidated Results—Year Ended December 31, 2014 versus Year Ended December 31, 2013
White Mountains's total revenues increased 7% to $1.5 billion in 2014, which was driven by other revenues from the newly-acquired insurance services businesses, offset by a decrease in net unrealized gains from the investment portfolio. Earned insurance premiums increased 6%, driven by an increase from OneBeacon's newer businesses, particularly OneBeacon Crop Insurance, OneBeacon Program Group and OneBeacon Surety Group. Net investment income was in line with 2013 while net realized and unrealized investment gains decreased to $79 million in 2014 from $134 million in 2013. See "Summary of Investment Results" on page 58 for a discussion and analysis of White Mountains's investment returns. Other revenue increased to $131 million in 2014 from $47 million in 2013. Other revenue in 2014 included $65 million from MediaAlpha and $43 million from Tranzact. Other revenue in 2013 included transaction gains of $27 million, composed of a $23 million gain on OneBeacon's sale of Essentia and a $4 million gain from the extension of the transition service agreement for services provided by OneBeacon on business sold to Tower in the personal lines transaction in 2010. In addition, 2013 included $11 million of mark-to-market gains on the Symetra warrants, which were exercised in June 2013. Other revenue included $4 million of WM Life Re's losses in 2014 compared to $13 million of WM Life Re's losses in 2013. See Note 9 — "Derivatives" for details regarding WM Life Re's total impact on White Mountains's statement of operations. Other revenues in 2014 also included third-party investment management fee income at WM Advisors of $17 million, compared to $16 million in 2013.
White Mountains's total expenses increased 23% to $1.5 billion in 2014, driven by higher loss and LAE expenses at OneBeacon. Losses and LAE increased 32%, while insurance acquisition expenses and other underwriting expenses decreased 2% and 12% in 2014. The increase in loss and LAE includes the $109 million reserve charge recorded by OneBeacon related to the actuarial analysis performed in the fourth quarter of 2014, which was partially offset by lower incentive compensation expense accruals, contributing to the decrease in other underwriting expenses in 2014 (see "Summary of Operations by Segment" on page 47). General and administrative expenses in 2014 included $61 million from MediaAlpha and $37 million from Tranzact.

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.

White Mountains reported income tax benefit of $1 million in 2015 on pre-tax income of $155 million. White Mountains's effective tax rate for 2015 was near zero, which 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.

White Mountains reported income tax benefit of $15 million in 2014 on pre-tax loss of $29 million. White Mountains's effective tax rate for 2014 was 51%, which was higher than the U.S. statutory rate of 35% due primarily to losses generated in the U.S. and income generated in jurisdictions with lower tax rates than the United States.

White Mountains reported an income tax expense of $33 million in 2013 on pre-tax income of $159 million. White Mountains's effective tax rate for 2013 was 21%, which 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. In addition, the effective tax rate reflects a $7 million release of a valuation allowance at OneBeacon related to the restructuring of a surplus note issued to a consolidated insurance reciprocal exchange.

I. Summary of Operations By Segment

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 16 —"Segment Information" to the Consolidated Financial Statements.

As a result of the Sirius Group 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 22 - "Discontinued Operations".)

OneBeacon

Financial results and GAAP combined ratios for OneBeacon for the years ended December 31, 2015, 2014 and 2013 follow:

	Year Ended December 31,		
$ in millions	2015	2014	2013
Gross written premiums	$ 1,315.9	$ 1,323.4	$ 1,162.9
Net written premiums	$ 1,136.6	$ 1,216.9	$ 1,088.6
Earned insurance premiums	$ 1,176.2	$ 1,177.1	$ 1,120.4
Net investment income	45.9	43.4	43.0
Net realized and unrealized investment (losses) gains	(35.1)	40.4	49.4
Other revenue	(.6)	5.8	31.2
Total revenues	1,186.4	1,266.7	1,244.0
Losses and LAE	700.7	815.1	622.1
Insurance acquisition expenses	213.8	203.3	208.9
Other underwriting expenses	218.2	179.2	204.8
General and administrative expenses	14.1	12.4	10.6
Amortization of intangible assets	1.3	1.4	1.4
Interest expense on debt	13.0	13.0	13.0
Total expenses	1,161.1	1,224.4	1,060.8
Pre-tax income	$ 25.3	$ 42.3	$ 183.2
GAAP Ratios:			
Losses and LAE	60 %	69 %	56 %
Expense	36	33	36
Combined	96 %	102 %	92 %

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

	December 31,		
Millions, except per share amounts	2015	2014	2013
OneBeacon's common shareholders' equity	$ 1,000.9	$ 1,045.8	$ 1,103.7
OneBeacon common shares outstanding	95.1	95.3	95.4
OneBeacon book value per common share	$ 10.53	$ 10.97	$ 11.57
Dividends paid per common share	$ .84	$ .84	$ .84

OneBeacon Results—Year Ended December 31, 2015 versus Year Ended December 31, 2014

OneBeacon ended 2015 with a book value per share of $10.53, an increase of 3.8% during 2015, including dividends, compared to an increase of 2.1% during 2014, including dividends. Improved underwriting results drove the increase in OneBeacon's book value per share growth for 2015.

OneBeacon's GAAP combined ratio decreased to 96% for 2015 from 102% for 2014. The decrease was primarily driven by a 9 point decrease in the loss ratio from non-recurrence of adverse prior accident year loss reserve development in 2015, partially offset by an increase in the expense ratio and the impact of increasingly competitive markets on the current year accident loss ratio. There was no net loss reserve development in 2015, primarily attributable to favorable net loss reserve development from the Technology, Collector Cars and Boats, Specialty Property and Financial Services lines of business, offset by unfavorable net loss reserve development from the Entertainment and Ocean Marine lines of business. In 2014, there was $90 million, or 8 points, of unfavorable net prior accident year adverse loss reserve development (described below in "2014 Fourth Quarter Loss and LAE Reserve Increase."). The increase in the expense ratio for 2015 was primarily due to higher incentive compensation expense, higher acquisition costs due to changes in business mix and the impact of exiting the crop business.

During 2015, OneBeacon recognized a 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 previously recognized a pretax gain of $23 million in 2013 on its sale of Essentia, an indirect wholly-owned subsidiary which wrote legacy collector cars and boats business, to Markel Corporation.

OneBeacon's net written premiums decreased 7% in 2015 to $1.1 billion, primarily due to the exit from crop ($44 million) and lawyers liability ($28 million) businesses, a decrease in the Healthcare business ($33 million) and the termination of an affiliated reinsurance treaty ($20 million), partially offset by increases in OneBeacon's newer Programs and Surety businesses ($67 million). Excluding the impact of OneBeacon's exit from the Crop and lawyers liability businesses and the affiliated reinsurance treaty termination, consolidated net written premiums increased $13 million, or 1.1%.

Reinsurance protection. OneBeacon purchases reinsurance in order to minimize the 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.

For 2015 and 2014, OneBeacon's net combined ratio was higher than the gross combined ratio by 1 point and 2 points as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses.

OneBeacon Results—Year Ended December 31, 2014 versus Year Ended December 31, 2013

OneBeacon ended 2014 with a book value per share of $10.97, an increase of 2.1% during 2014, including dividends, compared to an increase of 17.2% during 2013, including dividends. During 2014, OneBeacon's book value per share was significantly impacted by (1) a fourth quarter increase in loss and LAE reserves of $109 million ($71 million after-tax) resulting from an actuarial and claims analysis of its ongoing specialty loss reserves, as further described below; (2) a $21 million after-tax loss from discontinued operations, driven primarily by valuation adjustments related to the surplus notes provided in conjunction with the seller financing of the Runoff Transaction; and (3) an after-tax other comprehensive loss of $12 million, primarily due to a decrease in the weighted average discount rate (from 4.7% to 3.9%), as well as a change in the mortality assumptions, used for the annual remeasurement of OneBeacon's legacy pension plan.

OneBeacon's GAAP combined ratio increased to 102% for 2014 from 92% for 2013. The increase was primarily driven by a 13 point increase in the loss ratio (primarily due to the fourth quarter reserve increase described below), partially offset by a 3 point improvement in the expense ratio. Net unfavorable loss and LAE reserve development was 8 points ($90 million) for 2014, driven primarily by professional liability, especially lawyers' liability claims, which OneBeacon put into runoff and sold the renewal rights to in December 2014, and management liability businesses. Net loss reserve development for 2013 was negligible. A large loss in Specialty Property and elevated Crop losses due to lower corn prices also contributed to the increase in OneBeacon's 2014 loss ratio. Catastrophe losses contributed 1 point to OneBeacon's GAAP combined ratios for both 2014 and 2013. The decrease in the expense ratio was driven by lower incentive compensation expenses.

OneBeacon's net written premiums increased 12% in 2014 to $1.2 billion, primarily due to an $80 million increase from its newer businesses, particularly OneBeacon Crop Insurance, OneBeacon Program Group and OneBeacon Surety Group.

2014 Fourth Quarter Loss and LAE Reserve Increase

Through the first nine months of 2014, OneBeacon recorded $14.3 million of unfavorable loss and LAE reserve development, driven by greater-than-expected large losses in several underwriting units, primarily in the professional and management liability lines within Professional Insurance. In 2015, Professional Insurance was reorganized into Other Professional Lines, Management Liability, Financial Services and Healthcare. This large loss activity, which occurred mostly during the second and third quarters of 2014, also impacted the current accident year loss and LAE estimates. Additionally, OneBeacon incurred higher-than-usual claim coverage determination costs, a component of LAE expenses, during the first nine months of 2014. Other underwriting units also reported increased claim activity, including Entertainment, Government Risks, and Accident.

Since the increased level of loss and LAE activity continued into the early part of the fourth quarter, the high level of activity in the second and third quarters no longer seemed to be isolated occurrences. As such, during the fourth quarter of 2014, OneBeacon enhanced its actuarial and claims review in several areas. OneBeacon isolated the recent large loss activity in each of its underwriting units and examined the emergence of large losses relative to the timing and amounts of expected large losses. OneBeacon also conducted additional analyses in the lawyers' professional liability line within Professional Insurance. These new analyses included a claim level review and the application of additional actuarial methods and loss development assumptions. The results of these analyses indicated that the assumed tail risk included in the loss development patterns used to record IBNR reserves for this line were insufficient and needed to be increased for remaining long-tail exposures. OneBeacon's claims and actuarial staff also conducted an in-depth review of coverage determination, litigation and other claim-specific adjusting expenses as a result of an emerging trend of increased expenses in these areas over recent quarters, particularly coverage determination expenses. This review concluded that the ultimate costs of these loss adjustment expenses were larger than previously estimated, causing management to record an increase in estimated LAE expenses, primarily in Professional Insurance. Finally, OneBeacon also recorded unfavorable prior year development in other underwriting units, including Entertainment and Government Risks. The unfavorable loss development in Entertainment and Government Risks resulted from heavier than expected claim activity during the fourth quarter, predominantly in the general liability and commercial auto liability lines.

In order to fully reflect these recent trends, OneBeacon recorded a $109 million increase in loss and LAE reserves, which included a $75 million increase in prior accident year loss and LAE reserves and a $34 million increase in the current accident year loss and LAE reserves recorded at September 30, 2014. The components of the 2014 fourth quarter loss and LAE reserve increase and the net loss and LAE development for the full year are provided below:

Underwriting Unit	2014 Fourth Quarter Reserve Increases			Full Year 2014
Millions	Current Accident Year	Prior Accident Year	Total	Net Prior Year Development
Professional Insurance	$22.9	$46.4	$69.3	$ 59.1
Specialty Property	(1.1)	5.7	4.6	1.1
Crop	3.8	—	3.8	—
Other	2.8	(.4)	2.4	1.6
Specialty Products	28.4	51.7	80.1	61.8
Entertainment	1.5	11.6	13.1	13.5
Government Risks	1.2	7.1	8.3	8.5
Accident	—	3.5	3.5	6.0
Other	2.6	1.6	4.2	—
Specialty Industries	5.3	23.8	29.1	28.0
Total	$33.7	$75.5	$109.2	$ 89.8

As noted above, OneBeacon increased its provision for current accident year losses and LAE by $33.7 million in the fourth quarter of 2014. In making its loss and LAE reserve picks for the 2014 accident year, OneBeacon considered the results of the enhanced actuarial and claim review and the fact that reported large claims were approaching estimated ultimate held reserves for large losses sooner than originally expected. $3.8 million of the increase is related to higher-than-expected reports of crop losses that emerged in the fourth quarter. The remaining $29.9 million of the increase reflects an increase in management's best estimate of current losses and LAE as of December 31, 2014 from those recorded in the first nine months of 2014. This increase primarily affected the Professional Insurance underwriting unit, which represented $22.9 million of the total provision.

Reinsurance protection. OneBeacon's net combined ratio was higher than the gross combined ratio by 2 points for both 2014 and 2013 as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses.

OneBeacon Discontinued Operations - Runoff Transaction

In October 2012, OneBeacon entered into a definitive agreement to sell its Runoff Business to Armour. The Runoff Transaction closed in the fourth quarter of 2014. See Note 22 — "Discontinued Operations" for more details regarding the Runoff Transaction. During 2014, OneBeacon reported a $21 million after-tax net loss in discontinued operations related to the Runoff Transaction, which included a $19 million after-tax loss from sale of the Runoff Business (further described below) and a $2 million after-tax loss from the underwriting results of the Runoff Business.

As part of closing the Runoff Transaction on December 23, 2014, OneBeacon provided financing in the form of surplus notes with a par value of $101 million issued by OneBeacon Insurance Company ("OBIC"), one of the entities that were transferred from OneBeacon to Armour as part of the transaction (the "OneBeacon Surplus Notes"). As of December 31, 2014, the OneBeacon Surplus Notes had a fair value of $65 million, based on a discounted cash flow model, resulting in a total valuation adjustment of $36 million pre-tax ($23 million after tax) included in loss from sale of discontinued operations. Subsequent to closing, the OneBeacon Surplus Notes are included in OneBeacon's investment portfolio, categorized within other long-term investments, and subsequent changes in value thereon will be reflected in continuing operations. See "Critical Accounting Estimates" on page 76 for a sensitivity analysis of potential changes in these key variables that can impact the estimated fair value of the OneBeacon Surplus Notes.

Also during 2014, OneBeacon's expectation of the treatment of a $7 million reserve charge related to the Runoff Business and recorded during 2013 changed. Previously, OneBeacon had expected that the Runoff SPA would be amended to provide for the transfer of $7 million of additional assets to support this reserve charge; the Runoff SPA was instead revised, in part, to increase the cap on seller financing. As a result, the $7 million reserve charge ($5 million after-tax) was recorded as a reduction to the estimated loss on sale of discontinued operations.

These changes, along with certain other adjustments, resulted in a net increase in the estimated loss on the sale of the Runoff Business of $29 million ($19 million after tax) for the full year 2014, resulting in a pre-tax loss on sale at closing of $98 million ($64 million after tax) recognized since the third quarter of 2012.

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 years ended December 31, 2015, 2014 and 2013:

	Year Ended December 31, 2015			
Millions	HG Global	BAM	Eliminations	Total
Gross written premiums	$—	$25.9	$—	$25.9
Assumed (ceded) written premiums	19.3	(19.3)	—	—
Net written premiums	$19.3	$6.6	$—	$25.9
Earned insurance and reinsurance premiums	$2.5	$.8	$—	$3.3
Net investment income	1.9	4.2	—	6.1
Net investment income - BAM Surplus Notes	15.8	—	(15.8)	—
Net realized and unrealized investment (losses) gains	(.3)	.9	—	.6
Other revenue	—	.7	—	.7
Total revenues	19.9	6.6	(15.8)	10.7
Insurance and reinsurance acquisition expenses	.6	2.3	—	2.9
Other underwriting expenses	—	.4	—	.4
General and administrative expenses	1.4	35.4	—	36.8
Interest expense - BAM Surplus Notes	—	15.8	(15.8)	—
Total expenses	2.0	53.9	(15.8)	40.1
Pre-tax income (loss)	$17.9	$(47.3)	$—	$(29.4)

	Year Ended December 31, 2014			
Millions	HG Global	BAM	Eliminations	Total
Gross written premiums	$—	$16.2	$—	$16.2
Assumed (ceded) written premiums	12.3	(12.3)	—	—
Net written premiums	$12.3	$3.9	$—	$16.2
Earned insurance and reinsurance premiums	$1.4	$.4	$—	$1.8
Net investment income	1.4	5.7	—	7.1
Net investment income - BAM Surplus Notes	15.7	—	(15.7)	—
Net realized and unrealized investment gains	1.7	6.6	—	8.3
Other revenue	—	.6	—	.6
Total revenues	20.2	13.3	(15.7)	17.8
Insurance and reinsurance acquisition expenses	.3	1.8	—	2.1
Other underwriting expenses	—	.4	—	.4
General and administrative expenses	1.6	35.9	—	37.5
Interest expense - BAM Surplus Notes	—	15.7	(15.7)	—
Total expenses	1.9	53.8	(15.7)	40.0
Pre-tax income (loss)	$18.3	$(40.5)	$—	$(22.2)

	Year Ended December 31, 2013			
Millions	HG Global	BAM	Eliminations	Total
Gross written premiums	$—	$13.6	$—	$13.6
Assumed (ceded) written premiums	10.6	(10.6)	—	—
Net written premiums	$10.6	$3.0	$—	$13.6
Earned insurance and reinsurance premiums	$.4	$.1	$—	$.5
Net investment income	1.0	4.7	—	5.7
Net investment income - BAM Surplus Notes	40.2	—	(40.2)	—
Net realized and unrealized investment losses	(2.0)	(9.3)	—	(11.3)
Other revenue	—	.4	—	.4
Total revenues	39.6	(4.1)	(40.2)	(4.7)
Insurance and reinsurance acquisition expenses	.1	1.4	—	1.5
Other underwriting expenses	—	.4	—	.4
General and administrative expenses	1.4	32.5	—	33.9
Interest expense - BAM Surplus Notes	—	40.2	(40.2)	—
Total expenses	1.5	74.5	(40.2)	35.8
Pre-tax income (loss)	$38.1	$(78.6)	$—	$(40.5)

HG Global/BAM Results-Year Ended December 31, 2015 versus Year Ended December 31, 2014

BAM is a mutual insurance company whose affairs are managed on a statutory accounting basis, and it does not report stand-alone GAAP financial results. BAM is owned by its members. Each municipal issuer insured by BAM becomes a “member” of BAM. The cost of policies issued by BAM is comprised of a risk premium and a contribution to BAM’s qualified statutory capital (a “Member Surplus Contribution”).

In 2015, BAM insured $10.6 billion of municipal bonds, $10.0 billion of which were in the primary market, up 36% from 2014. The average total premium (including both risk premiums and Member Surplus Contributions), weighted by insured par, of insurance provided by BAM in the primary markets in 2015 was 48 basis points, up from 36 basis points in 2014.

BAM’s “claims-paying resources” represent the capital BAM has available to pay claims and, as such, is a key indication of BAM’s financial strength. BAM’s claims-paying resources include BAM’s qualified statutory capital, including Member Surplus Contributions, net unearned premiums and the first loss reinsurance protection provided by HG Re, which is collateralized and held in trusts. BAM expects Member Surplus Contributions and HG Re’s reinsurance protection to be the primary drivers of continued growth of its claims-paying resources.

In 2015, BAM’s claims paying resources increased 3% to $601.3 million at December 31, 2015. The increase was primarily driven by $29 million of Member Surplus Contributions and a $17 million increase in the HG Re collateral trusts, partially offset by BAM’s 2015 statutory net loss of $32 million.

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

	As of December 31,	
Millions	2015	2014
Qualified statutory capital	$449.6	$453.4
Net unearned premiums	12.5	6.4
Present value of future installment premiums	2.6	1.4
Collateral trusts	136.6	120.0
Claims paying resources	$ 601.3	$ 581.2

As a mutual insurance company that is owned by its members, BAM’s results do not affect White Mountains’s adjusted book value per share. However, White Mountains is required to consolidate BAM’s results in its GAAP financial statements and its results are attributed to non-controlling interests.

HG Global reported GAAP pre-tax income of $18 million in both 2015 and 2014, which was driven by $16 million of interest income on the BAM Surplus Notes in both periods.

White Mountains reported $47 million of GAAP pre-tax losses on BAM in 2015, driven by $16 million of interest expense on the BAM Surplus Notes and $35 million of operating expenses, compared to $41 million in pre-tax losses in 2014, driven by $16 million of interest expense on the BAM Surplus Notes and $36 million of operating expenses, partially offset by $7 million of net realized and unrealized investment gains.

HG Global/BAM Results-Year Ended December 31, 2014 versus Year Ended December 31, 2013

In 2014, BAM insured $7.8 billion of municipal bonds, $7.4 billion of which were in the primary market, up 66% from 2013. The average total premium (including both risk premium and Member Surplus Contributions), weighted by insured par, of insurance provided by BAM in the primary markets in 2014 was 36 basis points, down from 59 basis points in 2013.

BAM’s claims paying resources as of December 31, 2014 increased $3 million from December 31, 2013. The increase was primarily driven by $16 million of Member Surplus Contributions, a $15 million increase in the HG Re collateral trusts and a $3 million increase in net unearned premiums, offset by BAM’s 2014 statutory net loss of $32 million.

The following table presents BAM’s total claims paying resources as of December 31, 2014 and 2013:

	As of December 31,	
Millions	2014	2013
Qualified statutory capital	$453.4	$470.1
Net unearned premiums	6.4	3.0
Present value of future installment premiums	1.4	--
Collateral trusts	120.0	105.4
Claims paying resources	$ 581.2	$ 578.5

HG Global reported pre-tax income of $18 million in 2014, which was driven by $16 million of interest income on the BAM Surplus Notes, compared to $38 million in 2013, which was driven by $40 million of interest income on the BAM Surplus Notes. The decrease in interest income on the BAM Surplus Notes was due to a change in the interest rate. (See “LIQUIDITY AND CAPITAL RESOURCES, HG Global/BAM”, on page 65.)

White Mountains reported $41 million of pre-tax losses on BAM in 2014, driven by $16 million of interest expense on the BAM Surplus Notes and $36 million of operating expenses, partially offset by $7 million of net realized and unrealized investment gains, compared to $79 million in pre-tax losses in 2013, driven by $40 million of interest expense on the BAM Surplus Notes, $33 million of operating expenses and $9 million of net realized and unrealized investment losses.

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 December 31, 2015 and 2014:

	As of December 31, 2015			
Millions	HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	$130.6	$417.0	$—	$547.6
Short-term investments	5.6	43.3	—	48.9
Total investments	136.2	460.3	—	596.5
Cash	.1	15.8	—	15.9
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	90.2	—	(90.2)	—
Other assets	9.5	26.8	(.8)	35.5
Total assets	$739.0	$502.9	$(594.0)	$647.9
Liabilities				
BAM Surplus Notes[1]	$—	$503.0	$(503.0)	$—
Accrued interest payable on BAM Surplus Notes[2]	—	90.2	(90.2)	—
Preferred dividends payable to White Mountains's subsidiaries[3]	135.4	—	—	135.4
Preferred dividends payable to non-controlling interests	4.3	—	—	4.3
Other liabilities	41.5	49.7	(.8)	90.4
Total liabilities	181.2	642.9	(594.0)	230.1
Equity				
White Mountains's common shareholders' equity	540.7	—	—	540.7
Non-controlling interests	17.1	(140.0)	—	(122.9)
Total equity	557.8	(140.0)	—	417.8
Total liabilities and equity	$739.0	$502.9	$(594.0)	$647.9

	As of December 31, 2014			
Millions	HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	$114.4	$419.4	$—	$533.8
Short-term investments	6.6	34.8	—	41.4
Total investments	121.0	454.2	—	575.2
Cash	.3	17.3	—	17.6
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	74.4	—	(74.4)	—
Other assets	5.7	17.0	(.5)	22.2
Total assets	$704.4	$488.5	$(577.9)	$615.0
Liabilities				
BAM Surplus Notes[1]	$—	$503.0	$(503.0)	$—
Accrued interest payable on BAM Surplus Notes[2]	—	74.4	(74.4)	—
Preferred dividends payable to White Mountains's subsidiaries[3]	93.3	—	—	93.3
Preferred dividends payable to non-controlling interests	2.9	—	—	2.9
Other liabilities	24.8	33.0	(.5)	57.3
Total liabilities	121.0	610.4	(577.9)	153.5

Equity				
White Mountains's common shareholders' equity	565.5	—	—	565.5
Non-controlling interests	17.9	(121.9)	—	(104.0)
Total equity	583.4	(121.9)	—	461.5
Total liabilities and equity	$704.4	$488.5	$(577.9)	$615.0

(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) For segment reporting, the HG Global preferred dividend receivable at White Mountains is reclassified from the Other Operations segment to the HG Global/BAM segment. 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 years ended December 31, 2015 and 2014:

	Year Ended December 31,	
Millions	2015	2014
Gross par value of primary market policies priced	$ 9,911.8	$ 7,641.1
Gross par value of secondary market policies priced	611.1	470.9
Total gross par value of market policies priced	10,522.9	8,112.0
Less: Gross par value of policies priced yet to close	(298.6)	(379.5)
Gross par value of policies closed that were previously priced	381.7	97.5
Total gross par value of market policies closed	$ 10,606.0	$ 7,830.0

Other Operations

A summary of White Mountains's financial results from its Other Operations segment for the years ended December 31, 2015, 2014 and 2013 follows:

	Year Ended December 31,		
Millions	2015	2014	2013
Earned insurance premiums	$ 8.7	$ 6.1	$ —
Net investment income	8.8	9.0	11.1
Net realized and unrealized investment gains	259.9	29.8	95.8
Other revenue—MediaAlpha	105.5	65.3	—
Other revenue—Tranzact	186.9	43.2	—
Other revenue—Symetra warrants	—	—	10.8
Other revenue	41.7	16.2	4.6
Total revenues	611.5	169.6	122.3
Losses and LAE	8.2	8.9	—
Insurance and reinsurance acquisition expenses	3.4	.8	—
General and administrative expenses—MediaAlpha	99.0	60.6	—
General and administrative expenses—Tranzact	167.3	37.4	—
General and administrative expenses—amortization of intangible assets	27.3	10.3	—
General and administrative expenses	141.7	98.1	103.2
Interest expense on debt	5.6	2.6	3.2
Total expenses	452.5	218.7	106.4
Pre-tax income (loss)	$ 159.0	$ (49.1)	$ 15.9

Other Operations Results—Year Ended December 31, 2015 versus Year Ended December 31, 2014

White Mountains's Other Operations segment reported pre-tax income of $159 million in 2015 compared to a pre-tax loss of $49 million in 2014. White Mountains's Other Operations segment reported net realized and unrealized investment gains of $260 million in 2015 compared to $30 million in 2014, primarily related to the $259 million unrealized gain from the investment in Symetra common shares. (See "Summary of Investment Results" on page 58.) The Other Operations segment reported net investment income of $9 million in both 2015 and 2014. Other revenues in 2015 includes $187 million from Tranzact and $106 million from MediaAlpha compared to $43 million from Tranzact and $65 million from MediaAlpha in 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 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. In addition, other revenues in 2015 included third-party investment management fee income at WM Advisors of $13 million, compared to $17 million in 2014.

General and administrative expenses in 2015 included $167 million from Tranzact and $99 million from MediaAlpha compared to $37 million from Tranzact and $61 million from MediaAlpha in 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 losses of $6 million in 2015 compared to $9 million in 2014. See Note 9 - “Derivatives” for details regarding WM Life Re’s total impact on White Mountains’s statement of operations.

White Mountains’s Other Operations segment reported a $4 million GAAP pre-tax loss relating to SSIE in 2015 compared to $12 million in 2014. As a reciprocal insurance exchange that is owned by its policyholders, SSIE’s results are attributed to non-controlling interests and do not affect White Mountains’s adjusted book value per share.

Share repurchases. White Mountains repurchased and retired 387,495 of its common shares for $284 million in 2015 at an average price per share of $733.37, or approximately 105% of White Mountains’s December 31, 2015 adjusted book value per share. The average share price paid was approximately 94% of White Mountains’s December 31, 2015 adjusted book value per share including the estimated gain from the Sirius Group transaction.

Other Operations Results—Year Ended December 31, 2014 versus Year Ended December 31, 2013

White Mountains’s Other Operations segment reported pre-tax loss of $49 million in 2014 compared to pre-tax income of $16 million in 2013. White Mountains’s Other Operations segment reported net realized and unrealized investment gains of $30 million in 2014 compared to $96 million in 2013. (See “Summary of Investment Results” on page 58.) The Other Operations segment reported net investment income of $9 million in 2014 compared to $11 million in 2013.

Other revenues in 2014 included $65 million from MediaAlpha and $43 million from Tranzact, which are revenues recorded since their acquisition in 2014. Other revenues in 2014 also included third-party investment management fee income at WM Advisors of $17 million, compared to $16 million in 2013. Other revenue in 2013 included $11 million of mark-to-market gains on the Symetra warrants prior to their exercise in the second quarter of 2013. (See “Investment in Symetra Common Shares” on page 63.)

General and administrative expenses increased in 2014 primarily due to expenses related to MediaAlpha and Tranzact, including amortization of intangible assets, which substantially offset their revenues in pre-tax income. The increase from these new businesses was partially offset by a decrease in incentive compensation accruals in 2014. General and administrative expenses in 2013 included a $10 million reduction related to an adjustment to the fair value of variable annuity death benefit expenses at WM Life Re, which was mostly offset in other revenues by a component of the change in the fair value of WM Life Re's derivative assets and liabilities. WM Life Re reported losses of $9 million in 2014 compared to $17 million in 2013. WM Life Re’s results in 2013 included $7 million of gains associated with changes in projected surrender assumptions, partially offset by increased trading expenses. See Note 9 — “Derivatives” for details regarding WM Life Re’s total impact on White Mountains’s statement of operations.

White Mountains’s Other Operations segment reported $12 million of GAAP pre-tax losses relating to SSIE in 2014, which included $2 million of unfavorable loss reserve development reported in the second quarter, as well as a $3 million goodwill impairment charge. As a reciprocal insurance exchange that is owned by its policyholders, SSIE’s results are attributed to non-controlling interests and do not affect White Mountains’s adjusted book value per share.

Share repurchases. White Mountains repurchased and retired 217,879 of its common shares for $134 million in 2014 at an average price per share of $617.29, or approximately 93% of White Mountains’s December 31, 2014 adjusted book value per share.

Discontinued Operations

Sirius Group

On July 24, 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 approvals and other customary closing conditions. As a result of the agreement to sell Sirius Group, its results are reported as discontinued operations within White Mountains’s GAAP financial statements. Sirius Group’s results continue to inure to White Mountains through the closing date of the sale.

Sirius Group Results—Year Ended December 31, 2015 versus Year Ended December 31, 2014

Sirius Group's GAAP combined ratio was 85% for the year ended December 31, 2015 compared to 76% for 2014. Loss and expense ratios for the 2015 periods were increased by 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, as well as continued pressure on rates and terms due to continued competitive market conditions. The 2015 results included $18 million of losses after reinstatement premiums from the Tianjin port explosion. Also, the combined ratios for the year ended December 31, 2015 were higher by 1 point due to the cost of ILW Covers. The 2015 period included 3 points of catastrophe losses, primarily from the Chennai flood in Southern India and winter storms in the Northeastern United States, compared to 7 points in 2014. Favorable net loss reserve development was 6 points in 2015 primarily due to decreases in casualty and property loss reserves, compared to 11 points of favorable net loss reserve development in 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 and line of business around the world.

Sirius Group's net combined ratio was 6 points higher than the gross combined ratio for the year ended December 31, 2015 and 1 point lower than the gross combined ratio for 2014. In 2015, the net combined ratio was higher than the gross combined ratio primarily due to the cost of property retrocessional coverage, including the ILW Covers, with limited or no loss recoveries. In 2014, the net combined ratio was lower than the gross combined ratio because ceded loss recoveries, primarily in the accident and health and aviation lines, mostly offset the premiums ceded under Sirius Group's reinsurance protection programs.

Sirius Group Results—Year Ended December 31, 2014 versus Year Ended December 31, 2013

Sirius Group's GAAP combined ratio was 76% for 2014 compared to 82% for 2013. The decrease was due to lower catastrophe losses and higher favorable loss reserve development, partially offset by higher acquisition and incentive compensation expenses. The 2014 combined ratio included 7 points ($59 million) of catastrophe losses, including $18 million from flooding in the Jammu and Kashmir regions in India and $8 million from Cyclone Hudhud in eastern India and Nepal, compared to 10 points ($85 million) of catastrophe losses in 2013. Favorable loss reserve development was 11 points ($98 million) in 2014 primarily due to decreases in property loss reserves, including reductions for prior period catastrophe losses, in addition to decreases in aviation, accident and health, and casualty loss reserves. Favorable loss reserve development was 6 points ($48 million) in 2013 primarily due to reductions in property loss reserves, including $24 million of favorable loss reserve development on prior year's catastrophe losses.

Reinsurance protection. Sirius Group's net combined ratio was 1 point lower than the gross combined ratio for 2014 and equaled the gross combined ratio for 2013. For 2014, the net combined ratio was lower than the gross combined ratio as ceded loss recoveries, primarily in the accident and health and aviation lines, mostly offset the premiums ceded under Sirius Group's reinsurance protection programs. The net and gross combined ratios were the same for 2013 as the cost of property retrocessions was offset by loss recoveries on catastrophe losses in Europe and Asia and profit commissions on ceded business.

OneBeacon Runoff

During 2014, OneBeacon recorded a $19 million net loss on sale of discontinued operations on the Runoff Transaction, which included a $24 million after-tax loss from the change in the estimated value of the surplus notes issued with the Runoff Transaction, partially offset by a reduction in the loss on sale from the Runoff Transaction related to the change in the treatment of the $7 million pre-tax ($5 million after-tax) reserve charge recorded during the second quarter of 2013 (as described below). Previously, OneBeacon expected that the Runoff Business Stock Purchase Agreement ("Runoff SPA") would be amended to provide for the transfer of $7 million of additional assets to support the reserve charge. The Runoff SPA was instead revised to increase the cap on seller financing.

During 2013, OneBeacon recorded a $79 million pre-tax loss and LAE provision for the Runoff Business. This reserve charge included a $7 million increase in loss and LAE reserves recorded in the second quarter of 2013, which partially offset $8 million of other revenue associated with a settlement award in the second quarter of 2013 in the Safeco v. American International Group, Inc. (“AIG”) class action related to AIG's alleged underreporting of workers compensation premiums to the National Workers Compensation Reinsurance Pool. The $71 million pre-tax ($46 million after-tax) of net losses from discontinued operations were fully offset by a $46 million after-tax reduction in the loss on sale of discontinued operations, as prescribed by the terms of the Runoff SPA, which stated that the buyer assumed the risk that loss and LAE reserves develop unfavorably from September 30, 2012 onward.

Esurance

During 2015 and 2014, White Mountains recognized $18 million and $3 million of net income from discontinued operations 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 million from Allstate, primarily related to the favorable development on loss reserves.

Fireman's Fund

During 2014, White Mountains recorded a gain in discontinued operations of $14 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.

II. Summary of Investment Results - Total Operations

White Mountains's total operations investment results include continuing operations and discontinued operations. As a result of the agreement to sell Sirius Group, its results are reported in discontinued operations within White Mountains's GAAP financial statements. Sirius Group's results continue to inure to White Mountains through the closing date of the sale. 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 any management fees and trading expenses. A summary of White Mountains's consolidated pre-tax investment results, including the returns from discontinued operations, for the years ended December 31, 2015, 2014 and 2013 follows:

Gross investment returns and benchmarks returns

	Year Ended December 31,					
	2015		2014		2013	
Fixed maturity investments	0.3	%	0.9	%	0.5	%
Short-term investments	(0.9	)%	(2.0	)%	0.1	%
Total fixed income investment returns:						
In U.S. dollars	0.2	%	0.5	%	0.4	%
In local currencies	1.1	%	2.7	%	0.5	%
Barclays U.S. Intermediate Aggregate Index	1.2	%	4.1	%	(1.0	)%
Common equity securities	33.2	%	7.5	%	23.2	%
Other long-term investments	(10.1	)%	6.5	%	7.6	%
Total common equity securities and other long-term investments returns:						
In U.S. dollars	19.3	%	7.2	%	18.9	%
In local currencies	19.6	%	8.1	%	19.0	%
In local currencies - excluding Symetra	(1.4	)%	8.1	%	19.0	%
S&P 500 Index (total return)	1.4	%	13.7	%	32.4	%
Total consolidated portfolio						
In U.S. dollars	3.6	%	1.9	%	4.1	%
In local currencies	4.5	%	3.8	%	4.2	%
In local currencies - excluding Symetra	0.7	%	3.8	%	4.2	%

Investment Returns—Year Ended December 31, 2015 versus Year Ended December 31, 2014

White Mountains's GAAP pre-tax total return on invested assets was 3.6% for 2015, compared to 1.9% for 2014. The 2015 results were primarily driven by $259 million in pre-tax unrealized investment gains recognized in the fourth quarter of 2015 resulting from the Symetra transaction. The 2015 and 2014 returns included 0.9% and 1.9% of foreign currency losses. Excluding the results from Symetra, the GAAP total return on invested assets was 0.7% in local currencies for the year ended December 31, 2015. White Mountains's total operations after tax realized and unrealized investment gains were $203 million and $214 million for 2015 and 2014.

Fixed income results

White Mountains maintains a high-quality, short-duration fixed income portfolio. As of December 31, 2015, the fixed income portfolio duration was approximately 2.2 years, including short-term investments, compared to 2.0 years as of December 31, 2014.

In local currencies, the fixed income portfolio returned 1.1% for 2015, a decent absolute result for the year and essentially in-line with the longer duration Barclays U.S. Intermediate Aggregate Index return of 1.2%. Including foreign currency losses, the fixed income portfolio returned 0.2% for 2015. In local currencies, the fixed income portfolio returned 2.7% for 2014, a decent absolute result for the year but behind the longer duration Barclays U.S. Intermediate Aggregate Index return of 4.1%. The portfolio’s short duration positioning contributed to the underperformance versus the benchmark as interest rates fell in 2014. Including foreign currency losses, the fixed income portfolio returned 0.5% for 2014.

Common equity securities and other long-term investments results

White Mountains maintains an equity portfolio that consists of common equity securities and other long-term investments, including hedge funds, private equity funds, direct investments in privately held common and convertible securities and the OneBeacon surplus notes. White Mountains’s management believes that prudent levels of investments in common equity securities and other long-term investments are likely to enhance long-term after-tax total returns. White Mountains’s portfolio of common equity securities and other long-term investments represented approximately 23% and 18% of GAAP invested assets as of December 31, 2015 and December 31, 2014. When reflecting the closing of the Symetra sale on February 1, 2016, White Mountains’s portfolio of common equity securities and other long-term investments represented approximately 14% of GAAP invested assets as of December 31, 2015.

In local currencies, the equity portfolio, including the Symetra gain, returned 19.6% for 2015. In local currencies, excluding the Symetra gain, the equity portfolio returned -1.4% for 2015, underperforming the S&P 500 Index return of 1.4%. The underperformance versus the benchmark for 2015 was primarily due to unfavorable mark-to-market adjustments to the OneBeacon runoff surplus notes, losses from energy exposed private equity funds, the write-off of TaCerto and unfavorable results from a distressed hedge fund. Within the equity portfolio, White Mountains’s portfolio of common equity securities, excluding Symetra, returned 3.3% in local currencies for 2015, a good absolute result for the year and ahead of the S&P 500 Index return of 1.4%. Including foreign currency losses and the Symetra gain, the equity portfolio returned 19.3% for 2015.

In local currencies, the equity portfolio returned 8.1% for 2014, a strong absolute result but mixed against benchmarks, underperforming the S&P 500 Index return of 13.7% and outperforming the small-cap Russell 2000 return of 4.9%. Including foreign currency losses, the equity portfolio returned 7.2% for 2014.

White Mountains has established relationships with third party registered investment advisers to manage publicly-traded common equity securities and convertibles. The largest of these relationships have been with Prospector Partners LLC (“Prospector”), Lateef Investment Management (“Lateef”) and Silchester International Investors (“Silchester”). During the second quarter of 2015, White Mountains instructed Prospector to liquidate its separate account portfolios and redeemed its investments in the Prospector Funds. 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 Index, Russell 1000 and Russell 1000 Value Indices. As of December 31, 2015, White Mountains had $355.8 million invested in ETFs (including discontinued operations). The following summarizes White Mountains's investments in ETFs by exposure to each index:

Index	Market Value
Millions	December 31, 2015
S&P 500	$ 297.3
Russell 1000 Value	40.8

Russell 1000	17.7
Total	$ 355.8

In 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 and local currencies, the Lateef separate account returned 3.6% for 2015, outperforming the S&P 500 Index return of 1.4% for 2015. In U.S. dollars and local currencies, the Lateef separate account returned 6.5% for 2014, lagging the S&P 500 Index return of 13.7%.

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 local currencies, the Silchester investment returned 6.5% for 2015, outperforming the MCSI EAFE Index return of 5.3%. Including currency losses, the Silchester investment returned 1.2% for 2015, underperforming the S&P 500 Index return of 1.4%. In 2014, the Silchester investment returned 8.6% in local currencies, outperforming the MCSI EAFE Index return of 5.9%. Including currency losses, the Silchester investment returned -1.7% in U.S. dollars, underperforming the S&P 500 Index return of 13.7%.

White Mountains also maintains a portfolio of other long-term investments that consists primarily of hedge funds, private equity funds, direct investments in privately held common and convertible securities, the OneBeacon surplus notes and various other investments in limited partnerships. As of December 31, 2015, approximately 49% of these other 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.

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.

In U.S. dollars, the other long-term investments portfolio returned -10.1% for 2015 underperforming the HFRX Equal Weighted Strategies Index return of -1.5% for 2015. The portfolio’s underperformance relative to the HFRX Equal Weighted Strategies Index return for 2015 was primarily due to unfavorable mark-to-market adjustments to the OneBeacon surplus notes, losses from energy exposed private equity funds, the write-off of TaCerto and unfavorable results from a distressed hedge fund. In U.S. dollars, the other long-term investments portfolio returned 6.5% for 2014, outperforming the HFRX Equal Weighted Strategies Index return of -0.5%.

Investment Returns—Year Ended December 31, 2014 versus Year Ended December 31, 2013

White Mountains’s GAAP pre-tax total return on invested assets was 1.9% for 2014, compared to 4.1% for 2013. The 2014 results included 1.9% of foreign currency losses, while foreign currency translation did not meaningfully impact investment returns in 2013.

Fixed income results

White Mountains maintains a high-quality, short-duration fixed income portfolio. As of December 31, 2014, the fixed income portfolio duration was approximately 2.0 years, including short-term investments, compared to 2.1 years as of December 31, 2013. In local currencies, the fixed income portfolio returned 2.7% for 2014, a decent absolute result for the year but behind the longer duration Barclays U.S. Intermediate Aggregate Index return of 4.1%. The portfolio’s short duration positioning contributed to the underperformance versus the benchmark as interest rates fell in 2014. Including foreign currency losses, the fixed income portfolio returned 0.5% for 2014. In local currencies, the fixed income portfolio returned 0.5% for 2013, outperforming the Barclays U.S. Intermediate Aggregate Index return of -1.0%. Including foreign currency losses, the fixed income portfolio returned 0.4% for 2013.

Common equity securities and other long-term investments results

White Mountains's portfolio of common equity securities and other long-term investments represented approximately 18% and 20% of GAAP invested assets as of December 31, 2014 and December 31, 2013. In local currencies, the equity portfolio returned 8.1% for 2014, a strong absolute result for the year but mixed against benchmarks, underperforming the S&P 500 Index return of 13.7% and outperforming the small-cap Russell 2000 return of 4.9%. In U.S. dollars, the equity portfolio returned 7.2% for 2014.

In local currencies, the equity portfolio returned 19.0% for 2013, a strong absolute result for the year but behind the S&P 500 Index return of 32.4% The shortfall against the benchmark was due primarily to an underperformance in White Mountains's value oriented common equity security portfolio, which returned 23.2%. Foreign currency translation did not meaningfully impact equity returns in 2013.

The Prospector portfolio accounted for approximately 30% of White Mountains's common equity securities and other long-term investments as of December 31, 2014. In local currencies, the Prospector portfolio returned 6.6% for 2014, underperforming the S&P 500 Index return of 13.7%. Prospector's underperformance relative to the S&P 500 Index in 2014 reflected an underweight position and underperformance in the technology and healthcare sectors. Like many managers, Prospector's underweight position in large cap stocks also negatively impacted its performance relative to the S&P 500 Index in 2014. As of December 31, 2013, the Prospector portfolio accounted for approximately 50% of White Mountains's common equity securities and other long-term investments. In local currencies, the Prospector portfolio returned 23.2% for 2013, underperforming the S&P 500 Index return of 32.4%. Prospector's underperformance relative to the S&P 500 Index return in 2013 reflected an overweight position in gold mining, an underweight position in the consumer discretionary, technology and industrial sectors and the impact of convertible fixed maturity positions (as opposed to common equity securities), which tend to lag the index in strong up markets.

In local currencies and U.S. dollars, the Lateef separate account returned 6.5% for 2014, underperforming the S&P 500 Index return of 13.7%. In local currencies and U.S. dollars, the Lateef separate account returned 30.5% for 2013, slightly underperforming the S&P 500 Index return of 32.4%.

In local currencies, the Silchester investment returned 8.6% for 2014, outperforming the MCSI EAFE Index return of 5.9%. Including currency losses, the Silchester investment returned -1.7% for 2014, underperforming the S&P 500 Index return of 13.7%. In 2013, the Silchester investment returned 32.6 % in local currencies, outperforming the MCSI EAFE index of 26.9%. Including currency losses, the Silchester investment returned 28.4%, underperforming the S&P 500 Index return of of 32.4%.

In U.S. dollars, the other long-term investments returned 6.5% for 2014, outperforming the HFRX Equal Weighted Strategies Index return of -0.5%. In U.S. dollars, other long-term investments returned 7.6% for 2013, outperforming the HFRX Equal Weighted Strategies Index return of 6.3%.

Summary of Investment Results - Continuing Operations

White Mountains's continuing operations pre-tax investment results, as presented in the consolidated statement of operations for 2015, 2014, and 2013 are presented below.

Pre-tax investment results	Year Ended December 31		
Millions	2015	2014	2013
Net investment income	$ 60.8	$ 59.5	$ 59.8
Net realized and unrealized investment gains [1]	225.4	78.5	133.9
Total GAAP continuing operations pre-tax investment gains	$ 286.2	$ 138.0	$ 193.7

[1] Includes foreign currency losses of $4.4, $9, and $2.1.

A summary of White Mountains's continuing operations pre-tax investment results for the years ended December 31, 2015, 2014 and 2013 follows:

	Year Ended December 31,		
	2015	2014	2013
Total fixed income investment returns:			
In U.S. dollars	1.4 %	2.4 %	0.0 %
In local currencies	1.4 %	2.3 %	0.2 %
Barclays U.S. Intermediate Aggregate Index	1.2 %	4.1 %	(1.0)%
Total common equity securities and other long-term investments returns:			
In U.S. dollars	25.6 %	7.1 %	17.0 %
In local currencies	26.1 %	7.9 %	17.2 %
In local currencies - excluding Symetra	(0.5)%	7.9 %	17.2 %

S&P 500 Index (total return)	1.4 %	13.7 %	32.4 %
Total consolidated portfolio			
In U.S. dollars	7.5 %	3.7 %	4.8 %
In local currencies	7.6 %	3.9 %	5.1 %
In local currencies - excluding Symetra	0.9 %	3.9 %	5.1 %

Portfolio Composition

The following table presents the composition of White Mountains's continuing operations investment portfolio as of December 31, 2015 and 2014:

$ in millions	As of December 31, 2015 Carrying value	% of total		As of December 31, 2014 Carrying value[1]	% of total	
Fixed maturity investments	$ 2,639.7	61.7	%	$ 2,422.0	64.7	%
Short-term investments	211.3	4.9		376.8	10.1	
Common equity securities	1,113.9	26.0		611.7	16.3	
Other long-term investments	315.8	7.4		331.9	8.9	
Total investments	$ 4,280.7	100	%	$ 3,742.4	100	%

The breakdown of White Mountains's fixed maturity investment as of December 31, 2015 by credit class, based upon issue credit ratings provided by Standard & Poor's, or if unrated by Standard & Poor's, long term obligation ratings provided by Moody's, is as follows:

$ in millions	As of December 31, 2015 Amortized cost	% of total		Carrying Value	% of total	
U.S. government and government-sponsored entities[1]	$491.1	18.6	%	$490.5	18.6	%
AAA/Aaa	443.0	16.8		441.9	16.7	
AA/Aa	421.3	16.0		420.5	15.9	
A/A	551.5	20.9		553.2	21.0	
BBB/Baa	575.3	21.8		576.8	21.9	
Other/not rated	156.9	5.9		156.8	5.9	
Total fixed maturity investments	$2,639.1	100	%	$2,639.7	100	%

(1) Includes 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).

The cost or amortized cost and carrying value of White Mountains's fixed maturity investments as of December 31, 2015 is presented below by contractual maturity. Actual maturities could differ from contractual maturities because certain borrowers may call or prepay their obligations with or without call or prepayment penalties.

Millions	As of December 31, 2015 Amortized cost	Carrying Value
Due in one year or less	$241.6	$242.0
Due after one year through five years	982.3	981.5
Due after five years through ten years	96.4	96.1
Due after ten years	69.9	70.4
Mortgage-backed and asset-backed securities	1,170.6	1,167.0
Preferred stocks	78.3	82.7
Total fixed maturity investments	$2,639.1	$2,639.7

Summary of Investment Results - Discontinued Operations

A summary of White Mountains's discontinued operations' pre-tax investment results years ended December 31, 2015, 2014 and 2013 follows:

Gross investment returns and benchmark returns

	Year Ended December 31,		
	2015	2014	2013
Total fixed income investment returns:			
In U.S. dollars	(1.1)%	(1.3)%	0.9%
In local currencies	0.9%	3.0%	0.7%
Barclays U.S. Intermediate Aggregate Index	1.2%	4.1%	(1.0)%
Total common equity securities and other long-term investments returns:			
In U.S. dollars	(4.4)%	7.7%	25.8%
In local currencies	(4.5)%	8.0%	25.7%
S&P 500 Index (total return)	1.4%	13.7%	32.4%
Total consolidated portfolio			
In U.S. dollars	(1.4)%	(0.5)%	3.1%
In local currencies	0.4%	3.5%	3.0%

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 (see "Foreign Currency Exchange Risk" on page 98).

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. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains relinquished its representation on Symetra's board of directors. As a result, White Mountains changed its accounting for Symetra common shares from the equity method to fair value. The carrying value per Symetra share used in the calculation of White Mountains's adjusted book value per share rose to $31.77 at December 31, 2015 from $18.65 at December 31, 2014. Including dividends, Symetra produced $264 million of adjusted comprehensive income for White Mountains in 2015, of which $241 million was recognized as an after-tax unrealized investment gain in the fourth quarter. On February 1, 2016, Symetra closed its definitive merger agreement with Sumitomo Life and White Mountains received proceeds of $658 million, or $32 per common share. Symetra's total revenues and net income through September 30, 2015 were $1.6 billion and $90 million. As of September 30, 2015, Symetra had total assets of $35.0 billion and shareholders' equity of $3.1 billion. Symetra's total revenues and net income for the years ended December 31, 2014 and 2013 were $2.2 billion, $254 million and $2.1 billion and $221 million. As of December 31, 2014, Symetra had total assets of $33.0 billion and shareholders' equity of $3.4 billion. Symetra's shareholders' equity excluding unrealized gains (losses) from its fixed maturity investments was $2.4 billion as of December 31, 2014. Since inception, White Mountains received a total of $149.0 million in cash dividends recorded as a reduction of White Mountains investment in Symetra under the equity method. White Mountains received a cash dividend of $2.3 million in the fourth quarter of 2015 recorded within net investment income.

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 and reinsurance 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 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 White Mountains's revolving credit facility (the "WTM Bank Facility") and other revolving credit facilities are adequate to meet expected cash requirements for the foreseeable future on both a holding company and insurance and reinsurance operating subsidiary level.

Dividend Capacity

Under the insurance laws of the states and jurisdictions 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 December 31, 2015, ASIC has the ability to pay $27 million of dividends during 2016 without prior approval of regulatory authorities. As of December 31, 2015, ASIC had $622 million of statutory surplus and $68 million of earned surplus. During 2015, ASIC paid $45 million of dividends to its immediate parent and redeemed and retired common shares held by its immediate parent at an aggregate price of $66 million.

OneBeacon is in the process of seeking regulatory approval of the redomestication of ASIC from New York to Pennsylvania. Under the exiting dividend capacity formula for the Commonwealth of Pennsylvania, which is the greater of 10% of policyholder surplus or net income of the previous year, ASIC would have the ability to pay $62 million in dividends in 2016. OneBeacon expects that any distributions paid by ASIC prior to its redomestication to Pennsylvania would reduce the $62 million allowed under the dividend capacity formula.

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 2016, 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 $37 million, which is equal to 15% of its December 31, 2015 statutory capital (excluding earned surplus). During 2015, Split Rock did not pay any dividends or make any capital distributions to its immediate parent. During 2015, OneBeacon contributed $85 million to Split Rock.

During 2015, OneBeacon's unregulated insurance operating subsidiaries paid $5 million of dividends to their immediate parent. As of December 31, 2015, OneBeacon's unregulated insurance operating subsidiaries had $104 million of net unrestricted cash, short-term investments, and fixed maturity investments and surplus notes classified as other long-term investments that had a par value of $101 million and a fair value of $52 million.

During 2015, OneBeacon Ltd. paid $80 million of regular quarterly dividends to its common shareholders. White Mountains received $60 million of these dividends.

As of December 31, 2015, OneBeacon Ltd. and its intermediate holding companies had $65 million of net unrestricted cash, short-term investments and fixed maturity investments and $55 million of common equity securities and $52 million of other long-term investments outside of its regulated and unregulated insurance operating subsidiaries.

HG Global/BAM:

As of December 31, 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 2015 or 2014. As of December 31, 2015, HG Global has accrued $140 million of dividends payable to holders of its preferred shares, $135 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, 2015, HG Re had statutory capital of $461 million, of which $54 million primarily relates to accrued interest on the BAM Surplus Notes held by HG Re, and $402 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 was 3.15% for 2015 and is 3.54% for 2016. 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. BAM did not pay any interest on the BAM Surplus Notes in 2015, 2014 or 2013.

Other Operations:

During 2015, WM Advisors did not pay any dividends to its immediate parent. As of December 31, 2015, WM Advisors had $14 million of net unrestricted cash, short-term investments and fixed maturity investments.

During 2015, White Mountains paid a $6 million common share dividend. As of December 31, 2015, the Company and its intermediate holding companies had $74 million of net unrestricted cash, short-term investments and fixed maturity investments, $292 million of common equity securities and $18 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. At December 31, 2015, Life Re Bermuda had $77 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.

In addition, from time to time WM Life Re borrows funds under an internal revolving credit facility with an intermediate holding company of White Mountains. There was no outstanding balance under this facility as of December 31, 2015.

The summary balance sheet below presents Life Re Bermuda's net assets as of December 31, 2015 reported to Tokio Marine as required under the terms of the novation agreement:

Millions	December 31, 2015
Cash and short-term investments	$ 63.8
Direct obligations of the government of Japan	—
Reinsurance premium receivable	.5
Settlements due from brokers and dealers	.2
Derivative instruments	20.1
Total assets	84.6
Variable annuity liabilities	(.3)
Counterparty collateral held	6.9
Intercompany line of credit outstanding	—
Accounts payable and accrued expenses	.5
Total liabilities	7.1
Total shareholder's equity	$ 77.5

Discontinued Operations - Sirius Group:

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 2016, 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 $635 million, which is equal to 25% of its December 31, 2015 regulatory capital available for distribution. 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 2015, Sirius Bermuda paid $123 million of dividends to its immediate parent.

Sirius International has the ability to pay dividends up 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, 2015, Sirius International had $334 million (based on the December 31, 2015 SEK to USD exchange rate) of unrestricted equity on a parent account basis (the lower of the two approaches) available to pay dividends in 2016. 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. 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 2015, Sirius International paid $195 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 2015, Sirius International did not transfer any of its 2014 pre-tax income via group contributions to its Swedish parent companies.

Sirius America has the ability to pay dividends up to its immediate parent during any twelve-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 December 31, 2015, Sirius America does not currently have the ability to pay dividends during 2016 without prior approval of regulatory authorities. As of December 31, 2015, Sirius America had $518 million of statutory surplus and $37 million of earned surplus. During 2015, Sirius America paid an $85 million special dividend and a $40 million return of capital distribution totaling $125 million after receiving regulatory approval.

During 2015, Sirius Group did not pay any dividends to its immediate parent. As of December 31, 2015, Sirius Group and its intermediate holding companies had $94 million of net unrestricted cash, short-term investments and fixed maturity investments outside of its regulated and unregulated insurance and reinsurance operating subsidiaries.

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 2015 and has been renewed for all of 2016 with the same attachment point and limits.

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. As of December 31, 2015, Sirius International’s safety reserve amounted to SEK 10.7 billion, or $1.3 billion (based on the December 31, 2015 SEK to USD exchange rate). During 2015, Sirius International transferred SEK 243 million or $28 million to the Safety reserve. 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 ($279 million as of December 31, 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 $1.3 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.

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 December 31, 2015 and 2014:

$ in millions	December 31, 2015 Continuing Operations	Discontinued Operations	Total	December 31, 2014 Continuing Operations	Discontinued Operations	Total
Loss and LAE reserves	$ 1,395.8	$ 1,644.4	$ 3,040.2	$ 1,350.0	$ 1,809.8	$ 3,159.8
Unearned insurance and reinsurance premiums	612.6	342.2	954.8	616.7	338.6	955.3
Ceded reinsurance payable	30.5	67.1	97.6	34.2	71.5	105.7
Funds held under insurance and reinsurance contracts	137.8	52.9	190.7	81.0	57.9	138.9
Deferred tax on safety reserve (1)	—	279.2	279.2	—	295.7	295.7
Insurance liabilities	2,176.7	2,385.8	4,562.5	2,081.9	2,573.5	4,655.4
Cash in regulated insurance and reinsurance subsidiaries	$ 43.9	$ 129.2	$ 173.1	$ 17.4	$ 102.6	$ 120.0
Reinsurance recoverable on paid and unpaid losses	194.0	293.3	487.3	173.9	333.6	507.5
Insurance and reinsurance premiums receivable	223.3	323.6	546.9	241.1	306.6	547.7
Funds held by ceding entities	—	90.6	90.6	37.1	91.9	129.0
Deferred acquisition costs	107.6	74.6	182.2	107.2	69.9	177.1
Ceded unearned insurance and reinsurance premiums	29.5	87.7	117.2	17.8	76.2	94.0
Insurance assets	598.3	999.0	1,597.3	594.5	980.8	1,575.3
Insurance float	$ 1,578.4	$ 1,386.8	$ 2,965.2	$ 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 67).

During 2015, insurance float from continuing operations increased by $91 million, primarily from an increase at OneBeacon of unrestricted collateral held relating to the growth of its Surety business. During 2015, insurance float from discontinued operations decreased by $206 million, primarily due to reduced loss and LAE reserve balances at Sirius Group resulting from payments.

Financing

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

	December 31,	
$ in millions	2015	2014
WTM Bank Facility	$ 50.0	$ —
OBH Senior Notes, carrying value	274.8	274.7
OneBeacon Bank Facility	—	—
Tranzact Bank Facility, carrying value	102.9	67.4
MediaAlpha Bank Facility, carrying value	14.7	—
Other debt	—	1.0
Total debt in continuing operations	442.4	343.1
Total debt in discontinued operations (1)	403.5	403.5
Total debt	845.9	746.6
Non-controlling interest - OneBeacon Ltd.	245.6	258.4
Non-controlling interest - SIG Preference Shares	250.0	250.0
Non-controlling interests - other, excluding mutuals and reciprocals (2)	115.2	168.6
Total White Mountains's common shareholders' equity	3,913.2	3,995.7
Total capital (2)	5,369.9	5,419.3
Equity in net unrealized gains from Symetra's fixed maturity portfolio, net of applicable taxes	—	(34.9)
Total adjusted capital	$ 5,369.9	$ 5,384.4
Total debt to total adjusted capital	16 %	14 %
Total debt and SIG Preference Shares to total adjusted capital	20 %	19 %

(1) See Note 22 - "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. During 2015, White Mountains borrowed $125 million and subsequently repaid $75 million under the WTM Bank Facility, resulting in a $50 million outstanding balance as of December 31, 2015.

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 December 31, 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 2015, Tranzact amended the Tranzact Bank Facility, which now consists of a $101 million term loan facility, which had an outstanding balance of $94 million as of December 31, 2015, and a revolving credit facility for an additional $15 million, which had an outstanding balance of $11 million as of December 31, 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 2015, Tranzact repaid $7 million under the term loan portion and borrowed $24 million and repaid $13 million under the revolving portion of the Tranzact Bank Facility.

The Tranzact Bank Facility is secured by the intellectual property and the common stock of Tranzact's 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 December 31, 2015, and a revolving credit facility for an additional $5 million, which was undrawn as of December 31, 2015.

The MediaAlpha Bank Facility is secured by the 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 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. In addition, a failure by OneBeacon Ltd. or its subsidiaries to pay principal and interest on covered debt or to comply with obligations in covered debt agreements that results in the acceleration of at least $75 million of principal amount of covered debt could trigger the acceleration of the OBH Senior Notes.

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.

Capital Lease

In December 2011, OneBeacon sold the majority of its fixed assets and capitalized software. OneBeacon entered into lease financing arrangements with US Bancorp Equipment Finance, Inc. ("US Bancorp") and Fifth Third Equipment Finance Company ("Fifth Third") whereby OneBeacon sold furniture and equipment and capitalized software, respectively, at a cost equal to net book value. OneBeacon then leased the fixed assets back from US Bancorp for a lease term of five years and leased the capitalized software back from Fifth Third for a lease term of four years. OneBeacon received cash proceeds of $23 million as a result of entering into the sale-leaseback transactions.

In December 2015 the lease agreement with Fifth Third expired and OneBeacon purchased the leased assets under the agreement with a remaining book value of $1 million for a nominal amount. At the end of the lease term with US Bancorp on December 31, 2016, OneBeacon will purchase the leased furniture and equipment assets for a nominal amount, and all rights, title and interest will transfer back to it. As of December 31, 2015, OneBeacon had a capital lease obligation of $2 million included within other liabilities and a capital lease asset of $2 million included within other assets.

Discontinued Operations

In March 2007, Sirius Group 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 December 31, 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.

Contractual Obligations and Commitments

Below is a schedule of White Mountains's material contractual obligations and commitments as of December 31, 2015:

Millions	Due in Less Than One Year	Due in One to Three Years	Due in Three to Five Years	Due After Five Years	Total
Loss and LAE reserves(1)	$481.3	$ 513.2	$229.6	$171.7	$1,395.8
Debt	74.9	43.3	51.5	275.0	444.7
Interest on debt	18.0	32.3	27.2	25.4	102.9
Long-term incentive compensation	54.4	80.1	1.9	4.7	141.1
Pension and other benefit plan obligations	13.3	6.6	6.2	28.0	54.1
Operating leases	14.3	24.8	17.3	33.3	89.7
Capital leases	1.7	—	—	—	1.7
Total contractual obligations	$657.9	$ 700.3	$333.7	$538.1	$2,230.0

(1) Represents expected future cash outflows resulting from loss and LAE payments. The amounts presented are gross of reinsurance recoverables on unpaid losses of $187 and net of the discount on OneBeacon's workers compensation loss and LAE reserves of $1 as of December 31, 2015.

White Mountains's loss reserves do not have contractual maturity dates. However, based on historical payment patterns, the preceding table includes an estimate of when management expects White Mountains's loss reserves to be paid. The timing of claim payments is subject to significant uncertainty. White Mountains maintains a portfolio of marketable investments with varying maturities and a substantial amount of short-term investments to provide adequate liquidity for the payment of claims.

The SIG Preference Shares are not included in the table above, as these perpetual preferred shares have no stated maturity date and are redeemable only at the option of Sirius Group.

The balances included in the table above regarding White Mountains's long-term incentive compensation plans include amounts payable for performance shares and units, as well as deferred compensation balances. Exact amounts to be paid for performance shares cannot be predicted with certainty, as the ultimate amounts of these liabilities are based on the future performance of White Mountains and in some cases the market price of the Company's and OneBeacon Ltd.'s common shares at the time the payments are made.

The estimated payments reflected in the table are based on current accrual factors (including performance relative to targets and common share price) and assume that all outstanding balances were 100% vested as of December 31, 2015.

There are no provisions within White Mountains's operating leasing agreements that would trigger acceleration of future lease payments. The capital lease that OneBeacon entered into in conjunction with the sale-leaseback of certain of OneBeacon's fixed assets and capitalized software contains provisions that could trigger an event of default, including a failure to make payments when due under the capital lease. If an event of default were to occur, the lessor would have a number of remedies available including the acceleration of future lease payments or the possession of the property covered under the lease agreement.

White Mountains does not finance its operations through the securitization of its trade receivables, through special purpose entities or through synthetic leases. Further, White Mountains has not entered into any material arrangements requiring it to guarantee payment of third-party debt or lease payments or to fund losses of an unconsolidated special purpose entity.

White Mountains also has future binding commitments to fund certain other long-term investments. These commitments, which total approximately $82 million, do not have fixed funding dates and are therefore excluded from the table above.

WM Life Re reinsures death and living benefit guarantees associated with certain variable annuities issued in Japan. WM Life Re has assumed the risk related to a shortfall between the account value and the guaranteed value that must be paid by the ceding company to an annuitant or to an annuitant's beneficiary in accordance with the underlying annuity contracts. WM Life Re uses derivative instruments, including put options, interest rate swaps, total return swaps 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. As of December 31, 2015, the total guarantee value was approximately ¥50.7 billion (approximately $0.4 billion) and the related account values were approximately 109% of this amount.

Based on current account value to guaranty value ratio in the annuities reinsured by WM Life Re as of December 31, 2015, WM Life Re expects $3 million of future cash outflows related to its reinsurance contracts through June 2016. White Mountains purchases derivative instruments, including futures and over-the-counter option contracts on interest rates, major equity indices, and foreign currencies, to mitigate the risks associated with changes in the fair value of the reinsured variable annuity guarantees. As of December 31, 2015, the fair value of these derivative instruments was $20 million. In addition, WM Life Re held approximately $6 million of cash and fixed maturity investments as of December 31, 2015 posted as collateral to its reinsurance and derivatives counterparties.

Share Repurchase Programs

The Company:
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. Most recently, in February 2016, White Mountains's Board of Directors authorized the Company to repurchase an additional 1 million common shares. The repurchase authorizations do not have a stated expiration date. As of February 25, 2016, White Mountains may purchase an additional 1,393,532 shares under the 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, as well as the average price per share as a percent of the adjusted book value per share. For 2016 and 2015, the average price per share as a percent of adjusted book value per share including the estimated gain from the Sirius Group transaction is presented. See page 44 for the estimated gain on Sirius Group transaction.

				Average price per share as % of	
Dates	Shares Repurchased	Cost (millions)	Average price per share	Adjusted book value per share	Adjusted book value per share, including estimated gain on Sirius sale
Year-to-date February 25, 2016	90,743	$66.3	$730.76	105%	93%
Year ended December 31, 2015	387,495	$284.2	$733.37	105%	94%
Year ended December 31, 2014	217,879	$134.5	$617.29	93%	N/A
Year ended December 31, 2013	141,535	$79.8	$563.91	88%	N/A

OneBeacon Ltd.:
In 2007, OneBeacon Ltd.'s board of directors authorized the repurchase of up to $200 million of OneBeacon's Class A common shares from time to time, subject to market conditions. This authorization does not have a stated expiration date. During 2015, 166,368 shares were repurchased under the share repurchase authorization for $2 million at an average share price of $12.62. Since the inception of this authorization, OneBeacon has repurchased and retired 5.8 million of its Class A common shares. During 2014 and 2013, no shares were repurchased under the share repurchase authorization. The amount of authorization remaining is $86 million as of December 31, 2015.

Cash Flows
Detailed information concerning White Mountains's cash flows during 2015, 2014 and 2013 follows:

Cash flows from continuing operations for the years ended 2015, 2014 and 2013
Net cash flows provided from (used for) continuing operations was $161 million, $59 million and $(40) million in 2015, 2014 and 2013, respectively. Cash flows from continuing operations increased $102 million in 2015 compared to 2014 primarily due to increased cash collateral received from OneBeacon's Surety business and from higher amounts of cash provided by WTM Life Re from the sale and settlement of derivative instruments as its business runs off. Cash flows from continuing operations increased $99 million in 2014 compared to 2013 primarily due to lower amounts of cash used for the settlement and purchase of derivative instruments at WM Life Re in 2014 compared to 2013. 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.

Other items affecting cash flows from operations:

During 2015, 2014 and 2013 White Mountains made long-term incentive payments totaling $57 million, $27 million and $11 million.

OneBeacon paid a total of $13 million of interest on the OBH Senior Notes during each of 2015, 2014 and 2013.

During 2015, Tranzact paid $4 million of interest on the Tranzact Bank Facility.

Cash flows from investing and financing activities for the year ended December 31, 2015
Financing and Other Capital Activities
During 2015, the Company declared and paid a $6 million cash dividend to its common shareholders.
During 2015, the Company repurchased and retired 387,495 of its common shares for $284 million, which included 12,156 common shares repurchased under employee benefit plans and 13,500 common shares from the Prospector Offshore Fund redemption.
During 2015, White Mountains borrowed a total of $125 million and subsequently repaid a total of $75 million under the WTM Bank Facility.
During 2015, OneBeacon Ltd. declared and paid $80 million of cash dividends to its common shareholders. White Mountains received a total of $60 million of these dividends.
During 2015, OneBeacon contributed $85 million to Split Rock.
During 2015, White Mountains contributed $8 million to WM Life Re.
During 2015, WM Life Re repaid $23 million under an internal revolving credit facility with an intermediate holding company of White Mountains.
During 2015, BAM received $29 million in surplus contributions from its members.
During 2015, MediaAlpha paid $4 million of dividends, of which $2 million was paid to White Mountains. During 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 2015, Tranzact paid $7 million of dividends, of which $4 million was paid to White Mountains. During 2015, Tranzact borrowed $31 million and repaid a total of $7 million under the term loan portion and borrowed $24 million and repaid $13 million under the revolving portion of the Tranzact Bank Facility.

Acquisitions and Dispositions
On December 22, 2015, White Mountains purchased a non-controlling interest in Captricity for $27 million.
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 2015, White Mountains increased its ownership interest in Wobi through (i) the purchase of common and convertible preferred shares from a non-controlling interest shareholder for NIS 35 million (approximately $9 million) and (ii) the purchase of newly-issued convertible preferred shares for NIS 56 million (approximately $15 million). As of December 31, 2015, White Mountains’s ownership share of Wobi was 96.1% 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) and during the fourth quarter of 2015, Wobi purchased all of the remaining shares from non-controlling interest holders for NIS 16 million (approximately $4 million).
During 2015, White Mountains purchased $4 million of surplus notes issued by SSIE, which increased its investment in surplus notes issued by SSIE to $21 million as of December 31, 2015.

Cash flows from investing and financing activities for the year ended December 31, 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 2014, the Company repurchased and retired 217,879 of its common shares for $134 million, which included 10,475 common shares repurchased under employee benefit plans.
During 2014, White Mountains borrowed and repaid a total of $65 million under the WTM Bank Facility.

During 2014, OneBeacon Ltd. declared and paid $80 million of cash dividends to its common shareholders. White Mountains received a total of $60 million of these dividends.
During 2014, OneBeacon contributed $67 million to ASIC.
During 2014, White Mountains contributed $15 million to WM Advisors.
During 2014, WTM Life Re borrowed a total of $82 million and repaid a total of $89 million under an internal revolving credit facility with an intermediate holding company of White Mountains.
During 2014, BAM received $16 million in surplus contributions from its members.
During 2014, MediaAlpha paid $2 million of dividends, of which $1 million was paid to White Mountains.

Acquisitions and Dispositions
During 2014, White Mountains purchased 63% of Tranzact for a purchase price of $178 million. Immediately after the closing, Tranzact completed a recapitalization that allowed for the return of $44 million to White Mountains.
During 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).
During 2014, White Mountains acquired 60% of the outstanding Class A common units of MediaAlpha for an initial purchase price of $28 million.
During 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 32 million (approximately $9 million based upon the foreign exchange spot rates at the dates of acquisition) of newly-issued convertible preferred shares of Wobi.
During 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 2014.
During 2014, OneBeacon transferred $51 million of cash in connection with the sale of the Runoff Business.
During 2014, WM Solutions completed the shell sale of Citation and received $13 million as consideration.

Cash flows from investing and financing activities for the year ended December 31, 2013
Financing and Other Capital Activities
During the first quarter of 2013, the Company declared and paid a $6 million cash dividend to its common shareholders.
During 2013, the Company repurchased and retired 141,535 of its common shares for $80 million, which included 1,535 common shares repurchased under employee benefit plans.
During the first quarter of 2013, White Mountains repaid $75 million that was outstanding under a previous revolving credit facility as of December 31, 2012. In addition, during 2013, White Mountains borrowed and repaid a total of $200 million under its revolving credit facilities.
During 2013, OneBeacon Ltd. declared and paid $80 million of cash dividends to its common shareholders. White Mountains received a total of $60 million of these dividends.
During 2013, OneBeacon contributed $135 million to Split Rock and $35 million to OBIC.
During 2013, White Mountains contributed $70 million to WM Life Re.
During 2013, WTM Life Re borrowed a total of $145 million and repaid a total of $115 million under an internal revolving credit facility with an intermediate holding company of White Mountains.
During 2013, BAM received $17 million in surplus contributions from its members.

Acquisitions and Dispositions
During 2013, OneBeacon completed the sale of Essentia and received $31 million as consideration.

TRANSACTIONS WITH RELATED PERSONS

See Note 20—“Transactions with Related Persons” in the accompanying Consolidated Financial Statements.

NON-GAAP FINANCIAL MEASURES

This report includes five 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 45.

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 are 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 43.

Total capital at White Mountains is comprised of White Mountains's common shareholders' equity, debt and 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. As such, non-controlling interests attributable to mutuals and reciprocals are excluded from total adjusted capital. Total adjusted capital also 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 69.

Total consolidated portfolio returns excluding Symetra and total common equity securities and long-term investments returns excluding Symetra are non-GAAP financial measures that remove the $259 million pre-tax unrealized gain recognized in the fourth quarter of 2015 that was the result of the change in accounting for Symetra common shares from the equity method to fair value. White Mountains believes these measures to be more relevant by making the returns in the current year comparable to the prior periods which did not contain any investment returns from Symetra.

	For the year ended December 31, 2015		
	GAAP returns	Remove Symetra	Returns - excluding Symetra
In local currencies:			
Total consolidated portfolio returns	4.5 %	(3.8)%	0.7 %
Total common equity securities and other long-term investments returns	19.6 %	(21.0)%	(1.4)%

CRITICAL ACCOUNTING ESTIMATES

Management’s Discussion and Analysis of Financial Condition and Results of Operations discuss the Company’s consolidated financial statements, which have been prepared in accordance with GAAP. The financial statements presented herein include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains.

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 as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Certain of these estimates are considered critical in that they involve a higher degree of judgment and are subject to a significant degree of variability. On an ongoing basis, management evaluates its estimates, including those related to fair value measurements of investments and other financial instruments, valuation of liabilities associated with an assumed reinsurance agreement covering benefit guarantees on variable annuities in Japan, its property-casualty loss and LAE reserves and its property-casualty reinsurance contracts. Management bases it estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

1. Loss and LAE Reserves

General

White Mountains establishes loss and LAE reserves that are estimates of amounts needed to pay claims and related expenses in the future for insured events that have already occurred. The process of estimating reserves involves a considerable degree of judgment by management and, as of any given date, is inherently uncertain. See Note 3—“Reserves for Unpaid Loss and Loss Adjustment Expenses” for a description of White Mountains’s loss and LAE reserves and actuarial methods.

White Mountains performs an actuarial review of its recorded reserves each quarter. White Mountains’s actuaries compare the previous quarter’s estimates of paid loss and LAE, case reserves and IBNR to amounts indicated by actual experience. Differences between previous estimates and actual experience are evaluated to determine whether a given actuarial method for estimating loss and LAE should be relied upon to a greater or lesser extent than it had been in the past. While some variance is expected each quarter due to the inherent uncertainty in loss and LAE, persistent or large variances would indicate that prior assumptions and/or reliance on certain reserving methods may need to be revised going forward.

OneBeacon

The process of establishing loss reserves is complex and imprecise as it must consider many variables that are subject to the outcome of future events. As a result, informed subjective estimates and judgments as to OneBeacon’s ultimate exposure to losses are an integral component of the loss reserving process. OneBeacon, like other insurance companies, categorize and track its insurance reserves by "line of business", such as general liability, automobile liability and workers compensation. Furthermore, OneBeacon regularly reviews the appropriateness of reserve levels at the line of business level, considering the variety of trends that impact the ultimate settlement of claims for the subsets of claims in each particular line of business.

Upon completion of each quarterly review, OneBeacon’s actuaries select indicated reserve levels based on the results of the actuarial methods described previously, which are the primary consideration in determining management’s best estimate of required reserves. However, in making its best estimate, management also considers other qualitative factors that may lead to a difference between held reserves and actuarially indicated reserve levels. Typically, these factors exist when management and OneBeacon’s actuaries conclude that there is insufficient historical incurred and paid loss information or that there is particular uncertainty about whether trends included in the historical incurred and paid loss information are unlikely to repeat in the future. Such factors include, among others, recent entry into new markets or new products, improvements in the claims department that are expected to lessen future ultimate loss costs, legal and regulatory developments, or other volatilities that may arise.

Loss and LAE Reserves by Line of Business

OneBeacon's loss and LAE reserves, net of reinsurance recoverables, as of December 31, 2015 and 2014 were as follows:

	December 31, 2015			December 31, 2014		
Millions	Case	IBNR	Total	Case	IBNR	Total
Automobile liability	$49.8	$57.7	$107.5	$42.2	$45.4	$87.6
General liability - occurrence	68.5	198.7	267.2	50.8	184.2	235.0
General liability - claims made	88.0	182.5	270.5	89.8	205.1	294.9
Medical malpractice	84.4	94.5	178.9	86.8	102.7	189.5
Other casualty	52.8	38.7	91.5	44.3	36.3	80.6
Workers compensation	54.1	62.2	116.3	47.1	65.2	112.3
Property	33.9	37.6	71.5	53.4	38.3	91.7
Other	23.8	76.6	100.4	27.7	61.3	89.0
Total	$455.3	$748.5	$1,203.8	$442.1	$738.5	$1,180.6

For loss and allocated LAE reserves, the key assumption as of December 31, 2015 was that the impact of the various reserving factors, as described below, on future paid losses would be similar to the impact of those factors on the historical loss data with the exception of severity trends. Severity trends have been relatively stable over the relevant historical period. The actuarial methods used would project losses assuming continued stability in severity trends. Management has considered a range of assumptions regards future increases in loss severity trends, including the impact of inflation, in making its reserve selections.

The major causes of material uncertainty ("reserving factors") generally will vary for each product line, as well as for each separately analyzed component of the product line. The following section details reserving factors by product line. There could be other reserving factors that may impact ultimate claim costs. Each reserving factor presented will have a different impact on estimated reserves. Also, reserving factors can have offsetting or compounding effects on estimated reserves. For example, in workers compensation, the use of expensive medical procedures that result in medical cost inflation may enable workers to return to work faster, thereby lowering indemnity costs. Thus, in almost all cases, it is impossible to discretely measure the effect of a single reserving factor and construct a meaningful sensitivity expectation. Actual results will likely vary from expectations for each of these assumptions, resulting in an ultimate claim liability that is different from that being estimated currently.

Additional causes of material uncertainty exist in most product lines and may impact the types of claims that could occur within a particular operating segment or book of business. Examples where reserving factors, within an underwriting unit or book of business, are subject to change include changing types of insured (e.g., type of insured vehicle, size of account, industry insured, jurisdiction, etc.), changing underwriting standards, or changing policy provisions (e.g., deductibles, policy limits, or endorsements).

General liability

General liability policies are written on a claims made or occurrence form.

General liability claims made policies provide professional and management liability coverage. Professional liability policies cover the defense expenses and damages related to negligence claims brought against the insured professional services firm or government entity. The coverage focuses on damages resulting from an alleged failure to perform, error or omission in the product or service provided by the policyholder. Management liability policies cover the defense expenses and damages related to alleged wrongful acts committed by the directors and officers of the insured organization.

General liability occurrence policies cover businesses for any liability resulting from bodily injury and property damage arising from general business operations, accidents on a premises and the products manufactured or sold. General liability–occurrence reserves generally include two components: bodily injury and property damage. Bodily injury payments reimburse the claimant for damages pertaining to physical injury as a result of the policyholder's legal obligation arising from nonintentional acts such as negligence, subject to the insurance policy provisions. In some cases the damages can include future wage loss (which is a function of future earnings power and wage inflation) and future medical treatment costs. Property damage payments result from damages to the claimant's private property arising from the policyholder's legal obligation for non-intentional acts. In most cases, property damage losses are a function of costs as of the loss date, or soon thereafter. Defense costs are also a part of the insured costs covered by liability policies and can be significant, sometimes greater than the cost of the actual paid claims, though for some products this risk is mitigated by policy language such that the insured portion of defense costs erodes the amount of policy limit available to pay the claim.
General liability is generally considered a long tail line of business, as it takes a relatively long period of time to finalize and settle claims from a given accident year. The speed of claim reporting and claim settlement is a function of the specific coverage provided and the jurisdiction, among other factors. There are numerous components underlying the general liability product line. Some of these have relatively moderate payment patterns (with most of the claims for a given accident year closed within 5 to 7 years), while others can have extreme lags in both reporting and payment of claims (e.g., a reporting lag of a decade for “construction defect” claims).
Examples of common reserving factors that can change and, thus, affect estimated general liability reserves include:

- Changes in claim handling philosophies (e.g., case reserving standards), including the use of third-party claims administrators
- Changes in policy provisions or court interpretations of such provisions
- New theories of liability (e.g., cyber-related claims)
- Trends in litigation or jury awards
- Changes in the propensity to sue, in general with specificity to particular issues
- Changes in statutes of limitations
- Changes in the underlying court system
- Distortions from losses resulting from large single accounts or single issues
- Changes in tort or case law
- Subrogation opportunities
- Shifts in lawsuit mix between federal and state courts
- Changes in settlement patterns, including frequency and severity

Property
Property covers losses to a business' premises, inventory and equipment as a result of weather, fire, theft and other causes. For property coverage, it generally takes a relatively short period of time to close claims. The relatively high attachment points and insured values of the property policies underwritten in the Specialty Property underwriting unit present a potentially longer tail and greater uncertainty than our standard property business.

Commercial multiple peril
The general liability occurrence and property coverages described above are often provided under a multiple peril package policy, which includes both general liability and property insurance. Because commercial multiple peril provides a combination of property and liability coverage, typically for small businesses, it includes both short- and long-tail coverages. The reserving risk for this line is dominated by the liability coverage portion of this product, except occasionally in the event of catastrophic or large single losses.

Medical malpractice
Medical professional liability policies cover the defense expenses and damages related to negligence claims brought against the insured health care institution or provider. The coverage focuses on damages resulting from an alleged

failure to perform, error or omission in the service provided by the policyholder. See the above discussions with regard to reserving factors for general liability, which are similar to the reserving factors for medical malpractice.

Workers compensation

Workers compensation covers an employer's liability for injuries, disability or death of employees, without regard to fault, as prescribed by state workers compensation law and other statutes. Workers compensation is generally considered a long tail coverage, as it takes a relatively long period of time to finalize claims from a given accident year. While certain payments such as initial medical treatment or temporary wage replacement for the injured worker are made quickly, some other payments are made over the course of several years, such as awards for permanent partial injuries. In addition, some payments can run as long as the injured worker's life, such as permanent disability benefits and ongoing medical care. Despite the possibility of long payment tails, the reporting lags are generally short, settlements are generally not complex, and most of the liability can be considered high frequency with moderate severity. The largest reserve risk generally comes from the low frequency, high severity claims providing lifetime coverage for medical expense arising from a worker's injury.

Examples of common reserving factors that can change and, thus, affect the estimated workers compensation reserves include:

- Changes in the type, frequency of utilization or cost of medical treatments (e.g., changes in the use of pharmaceutical drugs, types of health providers used, use of preferred provider networks and other medical cost containment practices)
- Availability of new medical processes and equipment
- Degree of patient responsiveness to treatment
- Mortality trends of injured workers with lifetime indemnity and medical treatment benefits
- Degree of cost shifting between workers compensation and health insurance
- Time required to recover from the injury and return to regular or transitional work
- Future wage inflation for states that index benefits
- Changes in claims handling philosophies (e.g., case reserving standards)

Commercial automobile liability

The commercial automobile product line is a mix of property and liability coverages and, therefore, includes both short and long tail coverages. The payments that are made quickly typically pertain to automobile physical damage (included in the property line) claims and property damage (liability) claims. The payments that take longer to finalize and are more difficult to estimate relate to bodily injury claims. Commercial automobile reserves are typically analyzed in two components; liability and collision/comprehensive claims. This second component has minimum reserve risk and fast payouts and, accordingly, separate reserving factors are not presented. The liability component includes claims for both bodily injury and property damage. In general, claim reporting lags are minor, claim complexity is not a major issue, and the line is viewed as high frequency, low to moderate severity.

In addition to the examples of common reserving factors related to general liability described above, other examples of common reserving factors that can change and, thus, also affect estimated commercial automobile liability reserves include:

- Frequency of claims with payment capped by policy limits
- Change in average severity of accidents, or proportion of severe accidents
- Frequency of visits to health providers
- Number of medical procedures given during visits to health providers
- Types of health providers used
- Types of medical treatments received
- Changes in cost of medical treatments
- Degree of patient responsiveness to treatment

Surety

Surety is generally considered a short tailed coverage. As a new business, lack of historical data means external data is heavily relied upon where available and applicable. Surety reserving factors that can change and, thus, affect estimated surety reserves include probability of default of the bond which can be impacted by general economic conditions, size of payment (severity) which is impacted by the bond limit, or amount and collectability of assets or other collateral available to mitigate loss.

OneBeacon Loss and LAE Development

Loss and LAE development—2015
Net favorable loss reserve development was $2 million during the year ended December 31, 2015. The net favorable loss reserve development was primarily attributable to favorable loss reserve development from the Technology, Collector Cars and Boats, Specialty Property and Financial Services lines of business, offset by unfavorable net loss reserve development from the Entertainment and Ocean Marine lines of business. See “RESULTS OF OPERATIONS - OneBeacon” on page 47.

Loss and LAE development—2014
During 2014, OneBeacon experienced $90 million of net unfavorable loss and LAE reserve development on prior accident year reserves, of which $75 million related to the 2014 fourth quarter reserving increase and the remaining amount primarily driven by unfavorable development in the professional liability and management liability businesses included within Professional Insurance. In 2015, Professional Insurance was reorganized into Other Professional Lines, Management Liability, Financial Services and Healthcare.

Loss and LAE development—2013
During 2013, OneBeacon experienced no net loss and LAE reserve development on prior accident year reserves. OneBeacon experienced unfavorable development primarily related to its property, general liability and accident and health lines, which was offset by favorable development in its other liability and ocean marine lines.

Range of Reserves

OneBeacon’s range of loss and LAE reserve estimates was evaluated to consider the strengths and weaknesses of the various actuarial methods applied against OneBeacon’s historical claims experience data. The following table shows the recorded loss and LAE reserves and the high and low ends of OneBeacon’s range of reasonable loss reserve estimates, net of reinsurance recoverable on unpaid losses, as of December 31, 2015 and 2014. The high and low ends of the range of reserve estimates in the table below are based on the results of various actuarial methods described above.

	December 31, 2015			December 31, 2014		
Millions	Low	Recorded	High	Low	Recorded	High
Total	$1,009	$1,203.8	$1,356	$970	$1,180.6	$1,308

The recorded reserves represent management’s best estimate of unpaid loss and LAE reserves. OneBeacon uses the results of several different actuarial methods to develop its estimate of ultimate reserves. While it has not determined the statistical probability of actual ultimate paid losses falling within the range, OneBeacon believes that it is reasonably likely that actual ultimate paid losses will fall within the ranges noted above because the ranges were developed by using several different generally accepted actuarial methods.
Although OneBeacon believes its reserves are reasonably stated, ultimate losses may deviate, perhaps materially, from the recorded reserve amounts and could be above the high end of the range of actuarial projections. This is because the ranges are developed based on known events as of the valuation date, whereas the ultimate disposition of losses is subject to the outcome of events and circumstances that may be unknown as of the valuation date.

Sensitivity Analysis

The following discussion includes disclosure of possible variations from current estimates of loss reserves due to changes in a few of the many key assumptions. Each of the impacts described below is estimated individually, without consideration for any correlation among key assumptions. Further, there is uncertainty around other assumptions not explicitly quantified in the discussion below. Therefore, it would be inappropriate to take each of the amounts described below and add them together in an attempt to estimate volatility for OneBeacon's reserves in total. It is important to note that the volatilities and variations discussed below are not meant to be a worst-case scenarios or an all-inclusive list, and therefore it is possible that future volatilities and variations may be more than amounts discussed below.

- Various sources of inflation volatility impact all of OneBeacon's reserves in different ways. Using its internal economic capital model, OneBeacon has derived a distribution of future loss payments under the range of inflation scenarios and related claim cost trends in its economic scenario set, holding all other sources of reserve volatility constant. At the 75th percentile of modeled outcomes, the estimated impact of claim cost inflation above OneBeacon's actuarially indicated reserves is $38 million, net of reinsurance.
- The volatility associated with the frequency and severity of large losses, defined as claims greater than or equal to $2.5 million, can have a material impact on OneBeacon's results. The frequency and severity of large claims is driven primarily by the random nature of the insurance process but also by claim cost inflation and parameter risk. These large losses often emerge over a long time period potentially leading to a material impact on OneBeacon's reserves. One way OneBeacon considers this sensitivity is by examining the volatility of large losses in the current accident year using its economic capital model. At the 75th percentile of modeled outcomes, OneBeacon estimates that large losses could exceed the mean by $19 million gross of reinsurance and $8 million, net of reinsurance.
- As OneBeacon starts up new businesses, its initial loss estimates and development patterns are often based on industry data. As actual losses develop OneBeacon will revise its initial expectations with its actual experience. However, depending on the tail for the specific business, it can be a few years before OneBeacon has sufficient internal data to rely on. As of December 31, 2015, OneBeacon has $259 million of inception-to-date premium from its newer businesses (Programs, Environmental and Surety). A 10% error in OneBeacon's initial loss ratio estimates could result in approximately $26 million adverse net variance in loss reserves.

OneBeacon also considers variations and sensitivities for certain lines of business, such as:

- Professional liability: Recorded loss and allocated LAE reserves, net of reinsurance recoverable, for professional liability were $483 million as of December 31, 2015. A key assumption for professional liability is the implicit loss cost trend, particularly the severity inflation trend component of loss costs. Across the entire reserve base, a 5 point change in assumed annual severity trend would have changed the estimated net reserve by approximately $74 million as of December 31, 2015, in either direction.
- Multiple peril liability: Recorded loss and LAE reserves, net of reinsurance recoverable for multiple peril were $66 million as of December 31, 2015. Reported loss development patterns are a key assumption for this line of business, particularly for more mature accident years. Historically, assumptions on reported loss development patterns have been impacted by, among other things, emergence of new types of claims (e.g. construction defect claims) or a shift in the mixture between smaller, more routine claims and larger, more complex claims. If case reserve adequacy for multiple peril claims changed by 10 points this would have changed the estimated net reserve by approximately $2 million as of December 31, 2015, in either direction.
- Workers compensation: Recorded workers compensation loss and LAE reserves, net of reinsurance recoverable, were $116 million as of December 31, 2015. The two most important assumptions for workers compensation reserves are loss development factors and loss cost trends, particularly medical cost inflation. Loss development patterns are dependent on medical cost inflation. Approximately half of the workers compensation net reserves are related to future medical costs. Across the entire reserve base, a 1 point change in calendar year medical inflation would have changed the estimated net reserve by approximately $34 million as of December 31, 2015, in either direction.

Discontinued Operations - Sirius Group

The estimation of net reinsurance loss and LAE reserves is subject to the same risk as the estimation of insurance loss and LAE reserves. In addition to those risk factors which give rise to inherent uncertainties in establishing insurance loss and LAE reserves, the inherent uncertainties of estimating such reserves are even greater for the reinsurer, due primarily to: (1) the claim-tail for reinsurers and insurers working through MGUs being further extended because claims are first reported to either the original primary insurance company or the MGU and then through one or more intermediaries or reinsurers, (2) the diversity of loss development patterns among different types of direct insurance contracts, reinsurance treaties or facultative contracts, (3) the necessary reliance on the ceding companies, intermediaries and MGUs for information regarding reported claims and (4) the differing reserving practices among ceding companies and MGUs.

Loss and LAE Reserves by Class of Business

Sirius Group’s net loss and LAE reserves by class of business as of December 31, 2015 and 2014 were as follows:

Net loss and LAE reserves by class of business	December 31, 2015			December 31, 2014		
Millions	Case	IBNR	Total	Case	IBNR	Total
Casualty (excluding A&E)	$114.3	$161.5	$275.8	$139.0	$193.3	$332.3
Property (excluding catastrophe excess)	156.6	99.0	255.6	170.9	92.4	263.3
A&E[(1)]	60.4	129.3	189.7	69.4	140.8	210.2
Property catastrophe excess	74.2	18.3	92.5	111.2	20.5	131.7
Aviation and space	89.4	28.3	117.7	85.0	34.0	119.0
Accident and health	31.4	81.3	112.7	38.3	61.4	99.7
Marine	57.6	31.8	89.4	65.5	28.6	94.1
Trade Credit	48.3	25.4	73.7	57.4	22.0	79.4
Contingency	5.9	5.9	11.8	2.5	3.1	5.6
Agriculture	2.4	5.9	8.3	1.2	3.4	4.6
Runoff[(2)]	66.2	67.9	134.1	73.9	73.8	147.7
Total	$706.7	$654.6	$1,361.3	$814.3	$673.3	$1,487.6

(1) Sirius Group’s A&E exposures are principally the result of runoff of businesses acquired in the 1990s.
(2) Included in this class are primarily the runoff exposures from various acquisitions.

In order to reduce the potential uncertainty of loss reserve estimation, Sirius Group obtains information from numerous sources to assist in the reserving process. Sirius Group’s underwriters and pricing actuaries devote considerable effort to understanding and analyzing each ceding company’s operations and loss history during the underwriting of the business, using a combination of client and industry statistics. Such statistics normally include historical premium and loss data by class of business, individual claim information for larger claims, distributions of insurance limits provided and the risk characteristics of the underlying insureds, loss reporting and payment patterns, and rate change history. This analysis is used to project expected loss ratios for each treaty during the upcoming contract period. These expected ultimate loss ratios are aggregated across all treaties and are input directly into the loss reserving process. For primary insured business, a similar portfolio analysis is performed for each managing general underwriter (“MGU”) program taking into account expected changes in the aggregated risk profile of the policyholders within each program. The aggregation of risks yields a more stable indication of expected losses that is used to estimate ultimate losses and thus IBNR for recently written business.

Sirius Group’s expected annual loss reporting assumptions are updated at least once a year. Expected loss ratios underlying the recent underwriting years are updated quarterly.

Sirius Group relies heavily on information reported by MGUs and ceding companies, as discussed above. In order to determine the accuracy and completeness of such information, Sirius Group underwriters, actuaries, and claims personnel perform audits of certain MGUs and ceding companies where customary. Generally, ceding company audits are not customary outside the United States. In such cases, Sirius Group reviews information from ceding companies for unusual or unexpected results. Any material findings are discussed with the ceding companies. Sirius Group sometimes encounters situations where it is determined that a claim presentation from a ceding company is not in accordance with contract terms. Most situations are resolved amicably and without the need for litigation or arbitration. However, in the infrequent situations where a resolution is not possible, Sirius Group will vigorously defend its position in such disputes.

Sirius Group also obtains reinsurance whereby another reinsurer contractually agrees to indemnify Sirius Group for all or a portion of the risks underwritten by Sirius Group. Such arrangements, where one reinsurer provides reinsurance to another reinsurer, are usually referred to as “retrocessional reinsurance” arrangements. Sirius Group establishes estimates of amounts recoverable from reinsurers on its direct business and retrocessional reinsurance on its reinsurance business in a manner consistent with the loss and LAE liability associated with reinsurance contracts offered to its customers, net of an allowance for uncollectible amounts, if any. Net reinsurance loss reserves represent loss and LAE reserves reduced by ceded reinsurance recoverable on unpaid losses.

Sirius Group Loss and LAE Development

Loss and LAE development—2015
In 2015, Sirius Group had net favorable loss reserve development of $51 million. The major reductions in loss reserve estimates were recognized in the property ($26 million), casualty and other runoff lines ($14 million). The remaining reductions were recognized across accident & health, aviation, credit, and marine lines of business. The decrease in property was driven primarily by reductions in the ultimate loss estimates for natural catastrophes that occurred between 2010 and 2014 due to less than expected claims activity.

Loss and LAE development—2014
In 2014, Sirius Group had net favorable loss reserve development of $98 million. The major reductions in loss reserve estimates were recognized in property ($54 million), aviation and space ($13 million), accident and health ($13 million) lines and casualty ($13 million). The casualty reduction is net of a $10 million increase in asbestos and environmental loss reserves. For the property loss estimates decrease, $24 million represented reduction of loss reserves previously held above the actuarial central estimate. This amount represented an IBNR provision established between 2010-2012 in response to the large catastrophe events, including the 2010 earthquake in Chile, the 2010/2011 earthquakes in New Zealand, the 2011 earthquake in Japan, and hurricane Sandy in 2012, and the inherent uncertainty associated with deriving initial loss estimates. When examined in 2014, the loss estimates for these events had stabilized and had proven to be redundant in aggregate; as a result, the additional amount above the actuarial central estimate was reversed.

Loss and LAE development—2013
In 2013, Sirius Group had net favorable loss reserve development of $48 million, which included $24 million of favorable loss reserve development on prior years’ catastrophe losses. Other major reductions in loss reserve estimates recognized included property ($17 million), aviation and space ($10 million), and accident and health ($9 million) lines, partially offset by a $12 million increase in asbestos loss reserves.

Range of Reserves

The actuarial methods described above are used to calculate a point estimate of loss and LAE reserves for each company within Sirius Group. These point estimates are then aggregated to produce an actuarial point estimate for the entire segment. Once a point estimate is established, Sirius Group’s actuaries estimate loss reserve ranges to measure the sensitivity of the actuarial assumptions used to set the point estimates. These ranges are calculated from historical variations in loss ratios, payment and reporting patterns by class and type of business.
The actuarial analysis is a primary consideration for management in determining its best estimate of loss and LAE reserves. Management records reserves in the upper portion of the actuarial range of central estimates in response to potential volatility in the actuarial indications and estimates for large claims.
The following table illustrates Sirius Group’s recorded net loss and LAE reserves and high and low estimates as of December 31, 2015 and 2014.

Net loss and LAE reserves	December 31, 2015			December 31, 2014		
Millions	Low	Recorded	High	Low	Recorded	High
Total	$ 1,229	$ 1,361.3	$ 1,447	$ 1,351	$ 1,487.6	$ 1,572

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The probability that ultimate losses will fall outside of the range of estimates by class of business is higher for each class of business individually than it is for the sum of the estimates for all classes taken together due to the effects of diversification. Management believes that it is reasonably likely that actual ultimate losses will fall within the total range noted above because the ranges were developed by using generally accepted actuarial methods supplemented with input of underwriting and claims staff. However, due to the inherent uncertainty, ultimate losses may deviate, perhaps materially, from the recorded reserve amounts and could be above or below the range of actuarial projections.

Sensitivity Analysis

The following discussion includes disclosure of possible variations from current estimates of loss reserves due to changes in a few of the many key assumptions. Each of the impacts described below is estimated individually, without consideration for any correlation among key assumptions. Further, there is uncertainty around other assumptions not explicitly quantified in the discussion below. Therefore, it would be inappropriate to take each of the amounts described below and add them together in an attempt to estimate volatility for Sirius Group's reserves in total. It is important to note that the volatilities and variations discussed below are not meant to be best-case or worst-case scenarios, and therefore it is possible that future volatilities and variations may be more than amounts discussed below.

- Sustained Economic and Tort Inflation. Future inflation beyond the recent historical levels could impact the required reserves. For example, Sirius America has loss reserves of roughly $725 million including asbestos and environmental at the end of fourth quarter 2015. The estimated additional claim payments for Sirius America due to hypothetical increases in the inflation rate of 200 to 800 basis points beginning in 2019 and continuing through 2023 is estimated to be $31 to $160 million.
- Asbestos and Environmental (A&E). The internal actuarial and claims analysis suggests that Sirius Group's A&E losses are covered by its previous paid activity and current reserves. However, the ongoing nature of the litigation surrounding these complex exposures can significantly affect Sirius Group's liabilities. Sirius Group ended 2015 with $190 million in net reserves for A&E claims. Applying varying assumptions and industry benchmarks yielded a net range of A&E reserves from $164 million to $213 million. Further information is detailed below about Sirius Group's A&E exposure.

Sirius Group A&E Reserves

Included in Sirius Group's liabilities held for sale are A&E loss reserves. Sirius Group's A&E exposure is primarily from reinsurance contracts written between 1974 through 1985. The exposures are mostly higher layer excess of loss treaty and facultative coverages with relatively low limits exposed for each claim. In 2014, Sirius Group increased its net A&E exposure through incoming runoff portfolios acquired by Sirius Global Solutions. These acquisitions added $23 million in net asbestos reserves and $2 million in net environmental reserves in 2014. The acquisition of companies having modest portfolios of A&E exposure has been typical of several prior Sirius Global Solutions transactions and is likely to be an element of at least some future acquisitions. However, the acquisition of new A&E liabilities is undertaken only after careful due diligence and utilizing conservative reserving assumptions in relation to industry benchmarks. In the case of the portfolios acquired during 2014, the exposures arise almost entirely from old assumed reinsurance contracts having small limits of liability.

Sirius Group recorded $8 million of asbestos-related net incurred losses and LAE on its already existing asbestos reserves in 2014 that was primarily the result of management's monitoring of a variety of metrics including actual paid and reported claims activity. No amount was recorded in 2015.

Sirius Group recorded an increase of $3 million and an increase of $2 million of environmental net losses in 2015 and 2014 on its already existing reserves.

Net incurred loss activity for asbestos and environmental in the last two years was as follows:

Net incurred loss and LAE activity	Year Ended December 31,	
Millions	2015	2014
Asbestos	$(.4)	$8.0

Environmental	3.0	1.6
Total	$2.6	$9.6

Sirius Group’s net reserves for A&E losses were $190 million and $210 million as of December 31, 2015 and 2014, respectively. Sirius Group’s A&E three-year net paid survival ratio was approximately 8.9 years and 8.8 years as of December 31, 2015 and 2014, which is fairly consistent with industry survival ratios.

The following tables show gross and net loss and LAE payments for A&E exposures for the years ending December 31, 2006 through December 31, 2015:

Millions	Asbestos paid loss and LAE		Environmental paid loss and LAE	
Year Ended December 31,	Gross	Net	Gross	Net
2006	$ 9.8	$ 7.9	$ .6	$ .5
2007	12.3	10.7	2.0	1.7
2008	19.7	14.3	2.2	1.6
2009	11.4	10.3	1.5	1.5
2010	14.5	12.1	.8	.9
2011	20.4	15.6	3.2	3.6
2012	34.7	29.4	2.3	1.5
2013	25.9	20.3	1.9	1.8
2014	21.9	16.9	1.4	1.6
2015	22.0	19.4	4.3	3.6

Sirius Group A&E Claims Activity

Sirius Group utilizes specialized claims handling processes on A&E exposures. The issues presented by these types of claims require expertise and an awareness of the various trends and developments in relevant jurisdictions. Generally, Sirius Group sets up claim files for each reported claim by each cedant for each individual insured. In many instances, a single claim notification from a cedant could involve several years and layers of coverage resulting in a file being set up for each involvement. Precautionary claim notices are submitted by the ceding companies in order to preserve their right to pursue coverage under the reinsurance contract. Such notices do not contain an incurred loss amount. Accordingly, an open claim file is not established. As of December 31, 2015, Sirius Group had 2,348 open claim files for asbestos and 462 open claim files for environmental exposures.

Sirius Group’s A&E claim activity for the last two years is illustrated in the table below.

	Year Ended December 31,	
A&E Claims Activity	2015	2014
Asbestos		
Total asbestos claims at the beginning of the year	2,492	2,023
Asbestos claims acquired during the year	—	304
Asbestos claims reported during the year	180	416
Asbestos claims closed during the year	(324)	(251)
Total asbestos claims at the end of the year	2,348	2,492
Environmental		
Total environmental claims at the beginning of the year	490	399
Environmental claims acquired during the year	—	64
Environmental claims reported during the year	69	61
Environmental claims closed during the year	(97)	(34)
Total environmental claims at the end of the year	462	490
Total		
Total A&E claims at the beginning of the year	2,982	2,422
A&E claims acquired during the year	—	368
A&E claims reported during the year	249	477
A&E claims closed during the year	(421)	(285)
Total A&E claims at the end of the year	2,810	2,982

The costs associated with administering the underlying A&E claims by Sirius Group's clients tend to be higher than non-A&E claims due to generally higher legal costs incurred by ceding companies in connection with A&E claims ceded to Sirius Group under the reinsurance contracts.

2. Fair Value Measurements

General

White Mountains measures certain assets and liabilities at estimated 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 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").

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 used quoted market prices or other observable inputs to determine fair value for the 91% of its investment portfolio. 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 hedge funds and private equity funds, surplus notes, 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 sales activity to determine whether there are any significant differences between the market price used to value the security prior to sale and the actual sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that haven’t changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains's review process does not appear to support the market price provided by the pricing services, White Mountains challenges the price. During the past year, 8 securities fell outside White Mountains’s expected results, thereby triggering the challenge with the pricing service. If White Mountains cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.
The valuation process above is generally applicable to all of White Mountains’s fixed maturity investments. The techniques and inputs specific to asset classes within White Mountains’s fixed maturity investments for Level 2 securities that use observable inputs are as follow:

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

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

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

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.

The following table summarizes White Mountains's continuing operations fair value measurements and the percentage of Level 3 investments as of December 31, 2015. The major security types were based on the legal form of the securities. White Mountains has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing asset-backed securities vary depending on the nature of the issuing entity type:

	December 31, 2015			
$ in millions	Fair value	Level 3 Inputs	Level 3 Inputs as a % of total fair value	
U.S. Government and agency obligations	$ 160.0	$ —	—	
Debt securities issued by industrial corporations	1,000.0	—	—	
Municipal obligations	228.8	—	—	
Mortgage-backed and asset-backed securities	1,167.0	—	—	
Foreign government, agency and provincial obligations	1.2	—	—	
Preferred stocks	82.7	70.0	85	%
Fixed maturity investments	2,639.7	70.0	3	%
Common equity securities	1,113.9	—	—	%
Short-term investments	211.3	—	—	
Other long-term investments[1]	297.3	297.3	100	%
Total investments	$ 4,262.2	$ 367.3	9	%

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

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 as of December 31, 2015 include securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities. See Note 5 - "Investment Securities" for tables that summarize the changes in White Mountains's fair value measurements by level for the years ended December 31, 2015 and 2014 and for amount of total gains (losses) included in earnings attributable to unrealized investment gains (losses) for Level 3 investments for years ended December 31, 2015, 2014 and 2013.

Other Long-Term Investments

White Mountains's continuing operations other long-term investments accounted for at fair value as of December 31, 2015 include $37 million in hedge funds and $91 million in private equity funds. As of December 31, 2015, White Mountains held investments in 5 hedge funds and 22 private equity funds. The largest investment in a single fund was $23 million and $22 million as of December 31, 2015 and 2014.

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

In circumstances where the underlying investments are publicly traded, such as the investments made by hedge funds, the fund manager uses current market prices to determine fair value. In circumstances where the underlying investments are not publicly traded, such as the investments made by private equity funds, the private equity fund managers generally consider the need for a liquidity discount on each of the underlying investments when determining the fund's net asset value. In the event White Mountains believes that the valuation provided by the fund manager differs from its expectations due to illiquidity or other factors associated with its investment in the fund, White Mountains will adjust the fund manager's net asset value to more appropriately represent the fair value of its interest in the investment. As of December 31, 2015, White Mountains determined that circumstances relating to certain underlying investments held in four separate private equity funds required an adjustment to the fund manager's net asset value. The total adjustment relating to these underlying investments resulted in a $5 million valuation adjustment to the private equity fund managers' net asset value as of December 31, 2015.

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

White Mountains's continuing operations investment portfolio includes investments in hedge funds and private equity funds. As of December 31, 2015, the value of investments in hedge funds and in private equity funds was $37 million and $91 million, respectively. The underlying investments are typically publicly traded and private common equity securities and investments, and, as such, are subject to market risks that are similar to White Mountains's common equity securities. The following illustrates the estimated effect on December 31, 2015 fair value resulting from a 10% change and a 30% change in market value:

	December 31, 2015			
	Change in fair value		Change in fair value	
Millions	10% decline	10% increase	30% decline	30% increase
Hedge funds	$(3.7)	$3.7	$(11.1)	$11.1
Private equity funds	$(9.1)	$9.1	$(27.3)	$27.3

Hedge fund and private equity fund returns are commonly measured against the benchmark returns of hedge fund indices and/or the S&P 500 Index. The historical returns for each index in the past five years are listed below:

	Year Ended December 31,				
	2015	2014	2013	2012	2011
HFRX Equal Weighted Strategies Index	(1.5)%	(0.5)%	6.3%	2.5%	(6.2)%
S&P 500 Index	1.4%	13.7%	32.4%	16.0%	2.1%

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. All of White Mountains's variable annuity reinsurance liabilities of $(.3) million were classified as Level 3 measurements as of December 31, 2015.

Generally, the liabilities associated with these guarantees increase with declines in the equity markets and currencies against the Japanese yen, as well as with increases in market volatilities. Currently, declines in interest rates generally have a positive impact on bond values and are associated with a decrease in liabilities. The collective account values were approximately 109% and 113% of the guarantee value as of December 31, 2015 and 2014. In 2008, particularly in the fourth quarter, as a result of worldwide declines in equity markets, interest rates and the strengthening of the Japanese yen, the underlying investment accounts declined substantially and the collective account values were significantly lower than the guarantee value for several years. The liability is also affected by annuitant related behavioral and actuarial assumptions, including surrender and mortality rates. WM Life Re lowered its projected surrender rates in 2011 and 2010 to reflect the behavior observed during the turbulent markets experienced throughout those years. During 2014, policyholder account values rallied, as surrender charges in the underlying annuities expired and observed surrender rates increased to higher than expected levels. WM Life Re, as a result, increased its projected surrender rates used in the valuation of its variable annuity reinsurance liability at the end of 2014.

WM Life Re 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 the variable annuity liabilities.

As of December 31, 2015, the value of bond funds tracking the WGBI was approximately ¥18.6 billion ($154.3 million). By country, the largest exposures, together comprising approximately 92% of the WGBI, were the United States (43%), France (10%), Italy (10%), Germany (8%), the United Kingdom (8%), Spain (5%), the Netherlands (3%), Belgium (3%) and Canada (2%). Eurozone countries together comprised approximately 41%. To reduce hedging basis risk (i.e., the risk that changes in the WGBI will cause WM Life Re's variable annuity guarantee liabilities to change in value at a different rate than the derivative hedges), in December 2009 WM Life Re entered into a series of total return swap contracts on the performance of the WGBI. As of December 31, 2010, approximately 49% of WM Life Re's WGBI-related liability was hedged with WGBI swaps. Because these swaps were denominated in US dollars, WM Life Re continued to hedge the results into Japanese yen to match the benchmark denominated in Japanese yen. In 2011, driven in large part by instability of Eurozone markets, WM Life Re significantly increased coverage of its WGBI exposure. Because the market for WGBI total return swaps was, and continues to be illiquid, WM Life Re entered into a series of total return swaps on the JP Morgan European Government Bond Index (JPM European GBI). Although the JPM European GBI is not an exact match for the European component of the WGBI, its structure and holdings are substantially similar. These swaps are denominated in Japanese yen. As of December 31, 2015, the total notional amounts of JPM European GBI swaps were ¥4.1 billion ($34 million). At that date, over 100% of the total exposure the European component of the WGBI was hedged with total return swaps. The JPM European GBI total return swaps have maturities laddered to approximate the maturities of the policies reinsured.

Under the terms of these swap contracts, WM Life Re receives cash flows based on a fixed return, reset at the beginning of each month based on current LIBOR and is required to pay cash flows based on the performance of the JPM European GBI during that month plus a fixed amount.

WM Life Re hedges the residual WGBI-related liability exposure with the limited types of available derivatives that most closely fit the country and term exposures of the WGBI. Since liability exposures are determined by the performance of the overall account value, including the funds that track the Nomura BPI, TOPIX, and MSCI Kokusai, periodic portfolio rebalancing may be required. At such times and within limits, exchange-traded futures may be used to maintain overall neutral exposure as opposed to entering into new, or unwinding existing, swaps.

As of December 31, 2015, the value of bond funds tracking the Nomura BPI was approximately ¥20.2 billion ($168 million). In January 2010, because the types and tenors of liquid Japanese bond futures are extremely limited, to more closely track the performance of bond funds tracking the Nomura BPI, WM Life Re entered into its first total return swap contract on the performance of that index and subsequently hedged the majority of its Japan bond exposure with total return swaps. As of December 31, 2015, all of these contracts had matured and were not renewed due to what is deemed to be minimal remaining risk. Nomura BPI exposure is hedged with liquid Japanese bond futures and is subject to basis risk relating to the difference between the tenor of the bond futures and the tenor of the assets in the annuity funds covered by WM Life Re’s variable annuity guarantees.

As of December 31, 2015, the value of equity funds tracking the MSCI Kokusai was approximately ¥8.2 billion ($68.4 million). To reduce hedging basis risk, in 2011 WM Life Re entered into a series of total return swaps on the MSCI Kokusai, denominated in Japanese yen with maturities laddered during 2015 and 2016 to approximate the maturities of the policies reinsured. As of December 31, 2015, the total notional amount of MSCI Kokusai swaps was ¥5.6 billion ($46.7 million) and the percent of MSCI Kokusai fund exposure hedged by these swaps was over 100%. Residual MSCI Kokusai exposure is hedged with a variety of more liquid instruments, including exchange-traded futures.

During 2009, WM Life Re entered into long term Japanese interest rate swaps, largely replacing its use of short-term Japanese Government Bond (“JGB”) futures to hedge its discount rate exposure. By doing so, WM Life Re better matched the term structure of its discount rate exposure, substantially reduced its exposure to changes in Japanese interest rate swap spreads and significantly reduced the potential costs associated with rolling JGB futures contracts during times of relative market illiquidity. During December 2012, after the relevant Japanese interest rate swap rates fell to their lowest level in many years, the resulting potential benefit, net of cost, to WM Life Re of maintaining its Japanese interest rate swap hedge portfolio was deemed to be limited. Therefore, the decision was made to unwind or offset these Japanese interest rate swaps. During December 2012, approximately 24% of the notional amount of Japanese interest rate swap contracts was unwound and during January 2013 the remaining 76% was unwound or offset. Because the valuation of WM Life Re’s put options and foreign exchange forwards incorporate Japanese interest rates, WM Life Re does continue to have minimal exposure to Japanese swap rates.

The following table summarizes the estimated financial impact on WM Life Re's derivatives and benefit guarantee liabilities of instantaneous changes in individual market variables as of December 31, 2015. The table below assumes that all other market variables are constant and does not reflect the inter-dependencies between individual variables.

	Equity Market Returns		Foreign Currency Exchange(1)		Interest Rates(2)		Market Volatility(3)	
Millions	20%	(20)%	15%	(15)%	Favorable	Unfavorable	Decrease	Increase
Liabilities	$—	$4	$—	$6	$—	$1	$—	$2
Hedge Assets	(1)	5	1	7	—	—	(1)	3
Net	$(1)	$1	$1	$1	$—	$(1)	$(1)	$1

(1) The value of foreign currencies in Japanese yen terms.

(2) In the unfavorable scenario, Japanese interest rates are decreased 70 bps, Japanese swap spreads are tightened by 25 bps, and foreign bond fund yields are increased 70 bps. Conversely, in the favorable scenario, Japanese interest rates are increased 70 bps, Japanese swap spreads are widened 25 bps and foreign bond fund yields are decreased 70 bps.

(3) White Mountains’s sensitivities for market implied volatilities vary by term. For equity implied volatilities, White Mountains changes implied volatilities by 15%. For foreign currency implied volatilities, White Mountains changes implied volatilities by 6%.

To test the impact of multiple variables moving simultaneously, WM Life Re performs capital market “shock” testing. Prior to 2009, in performing this testing, WM Life Re had not incorporated basis risk and other hedge underperformance relative to expectations in its models; it had assumed that its hedges would behave as modeled. However, the financial market turmoil of late 2008 and early 2009 demonstrated that, in periods of severe financial market disruption, various aspects of WM Life Re’s hedging program may underperform or over-perform. As a result, WM Life Re now also estimates the efficacy of its hedging program in its “shock” testing. Estimated hedge effectiveness is based on actual results during the recent stressed market environment encompassing the fourth quarter of 2008 and the first quarter of 2009. Hedge effectiveness assumptions also incorporate any subsequent changes to the hedging program that were not in place during this stress period. Although this period captures a historically volatile period that included large market movements over short time periods, hedges may be less effective than the current assumptions to the extent future market movements of the magnitude of these "shocks" occur more quickly than during this recent stress period.

The table below summarizes as of December 31, 2015 and 2014, the estimated financial impact of simultaneous market events. Unlike the individual sensitivity analysis illustrated above, the analysis in the table below reflects the inter-dependencies between individual variables.

	As of December 31, 2015		As of December 31, 2014	
Change in millions	Down Market	Up Market	Down Market	Up Market
Liabilities	$ 37	$ —	$ 96	$ (6)
Hedge Assets[1]	34	—	87	(6)
Net	$ (3)	$ —	$ (9)	$ —

(1) Assumed hedge effectiveness in down and up markets of 93% and 106%, respectively, as of December 31, 2015 and 2014, adjusted for the unhedged portion of Japanese discount rate exposure. Some Japanese discount rate coverage remains primarily through WM Life Re's put option portfolio.

WM Life Re applies shocks to the Japanese interest rates and foreign bond fund yields in opposite directions. In the down market scenario, Japanese interest rates are decreased 70 bps, Japanese interest rate swap spreads are tightened by 25 bps, and foreign bond fund yields are increased 70 bps. The “up market” scenario assumes opposite movements in the same variables. For other variables, the “down market” scenario assumes equity indices decrease 20%, foreign currencies depreciate by 15% against the Japanese yen and implied market volatility increases as described in footnote 3 on page 91. The “up market” scenario assumes opposite movements in the same variables. The size of the estimated impact on the liability of simultaneous market events, in both the “up market” and “down market” scenarios, is impacted by several factors, including the applicable account value to guaranty value ratios, term to maturity and surrender assumptions of policies reinsured. The increase in magnitude of the “down market” shock as of December 2015 versus the prior year was driven by the decrease in account values owing to market conditions.

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. During 2013, improved markets led to significantly higher ratios of annuitants’ account values to guarantee values and, as a result, annuitants surrendered their policies at higher rates than WM Life Re has observed in the past. In response to this trend, WM Life Re adjusted the projected surrender assumptions used in the valuation of its variable annuity reinsurance liability upward in the second quarter of 2013, which resulted in a gain of $2 million and again in the fourth quarter of 2013, which resulted in a gain of $5 million. In 2014 surrender rates continued to outpace assumptions and another adjustment was made in the fourth quarter of 2014. This adjustment resulted in a loss of $0.2 million because the policies most impacted had account values that were significantly higher than their guaranty values.

At the account value levels as of December 31, 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 December 31,	
Millions	2015	2014
Decrease 100% (to zero surrenders)	$ (.1)	$ —
Increase 100%	$ —	$ —

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).

As of December 31, 2011, WM Life Re increased the variable annuity guaranty liability by $6 million to partially reflect a "basis swap" implied by foreign exchange rates which results in lower projected returns (in Japanese yen) for the portion of funds invested in countries outside of Japan. Since the financial crisis in 2008, there has been a break in expected arbitrage free relationships between swap interest rates and foreign exchange rates (in particular, between the U.S. and Japan). This adjustment recognizes that this anomaly of trading values may be more than temporary. The balance of this reserve was $0 million as of December 31, 2015.
The following table summarizes the changes in White Mountains's variable annuity reinsurance liabilities and derivative instruments for the year ended December 31, 2015 and 2014:

	Variable Annuity (Liabilities)	Derivative Instruments			
Millions	Level 3	Level 3[1]	Level 2[1][2]	Level 1[3]	Total[4]
Balance at January 1, 2015	$ .7	$ 18.9	$ 33.8	$ 3.7	$ 56.4
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	(.4)	(9.7)	(7.5)	8.4	(8.8)
Transfers in (out)	—	—	—	—	—
Sales/settlements	—	(6.5)	(9.8)	(11.2)	(27.5)
Balance at December 31, 2015	$ .3	$ 2.7	$ 16.5	$ 0.9	$ 20.1

	Variable Annuity (Liabilities)	Derivative Instruments			
Millions	Level 3	Level 3[1]	Level 2[1][2]	Level 1[3]	Total[4]
Balance at January 1, 2014	$ (52.8)	$ 63.4	$ 4.7	$ 1.1	$ 69.2
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	53.5	(38.6)	(71.0)	37.2	(72.4)
Transfers in (out)	—	—	—	—	—
Sales/settlements	—	(5.9)	100.1	(34.6)	59.6
Balance at December 31, 2014	$ .7	$ 18.9	$ 33.8	$ 3.7	$ 56.4

(1) Includes over-the-counter instruments.

(2) Includes interest rate swaps, total return swaps and foreign currency forward contracts. 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) Includes exchange traded equity index, foreign currency and interest rate futures. Fair value measurements based upon quoted prices for identical instruments that are actively traded.

(4) In addition to derivative instruments, WM Life Re held cash, short-term and fixed maturity investments of $5.8 and $33.2 as of December 31, 2015 and 2014 posted as collateral to its counterparties.

3. Surplus Note Valuation

BAM Surplus Notes

As of December 31, 2015, White Mountains owned $503 million of surplus notes issued by BAM and has accrued $90 million in interest due thereon. Because BAM is consolidated in White Mountains's financial statements, the BAM Surplus Notes and accrued interest are classified as intercompany notes, carried at face value and eliminated in consolidation. However, the BAM Surplus Notes and accrued interest are carried as assets at HG Global, of which White Mountains owns 97% of the equity, while the BAM Surplus Notes are carried as liabilities at BAM, which White Mountains has no ownership interest in and is completely attributed to non-controlling interests.
Periodically, White Mountains's management reviews the recoverability of amounts recorded from the BAM Surplus Notes and, as of December 31, 2015, believes such notes and interest thereon to be fully recoverable. However, the determination of future recoverability is judgmental, as BAM was recently established and the ability of BAM to repay the principal and interest due on the BAM Surplus Notes is dependent upon BAM's expected results, particularly premium and MSC collections, years into the future. Any write-off of the carried amount of the BAM Surplus Notes

and/or the accrued interest thereon would adversely impact White Mountains’s adjusted book value per share. See Item 1A., Risk Factors, “If BAM does not pay some or all of the interest and principal due on the BAM Surplus Notes, our adjusted book value per share, results of operations and financial condition could be materially adversely affected.” on page 30.

No payment of the interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services. 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. In addition, BAM's ability to pay the interest and principal on the BAM Surplus Notes is dependent upon, among other things, whether BAM collects sufficient premiums and member surplus contributions. Interest payments on the BAM Surplus Notes are due quarterly but are subject to deferral, without penalty or default and without compounding, for repayment in the future. BAM has the right at any time to prepay principal in whole or in part.

OneBeacon Runoff Transaction

In the fourth quarter of 2014, in conjunction with the Runoff Transaction, OneBeacon provided financing in the form of surplus notes with a par value of $101 million, which had a fair value of $65 million at the date of closing. As of December 31, 2015 and 2014 the surplus notes has a fair value of $52 million and $65 million. The OneBeacon surplus notes, issued by one of the transferred entities, OBIC, since renamed Bedivere ("Issuer"), were in the form of both seller priority and pari passu notes.

Under the contractual terms of both the seller priority and pari passu notes, scheduled interest payments accrue at 6.0% until the scheduled maturity date of March 15, 2020 and at a floating interest rate thereafter, should any principal remain outstanding. As required by the PID, interest on the notes does not compound. The notes restrict the Issuer's ability to make distributions to holders of its equity interest. All such distributions are prohibited while the seller priority note is outstanding, and while the pari passu note is outstanding, distributions are permitted only if the Issuer concurrently repays a pro rata amount of any outstanding principal on the pari passu note.

Pursuant to the notes, the Issuer shall seek to redeem the notes annually each March 15 at a requested redemption amount such that the Issuer's total adjusted capital following the proposed redemption payment would equal 200% of the Issuer's "authorized control level RBC", as such term is defined by the insurance laws of the Commonwealth of Pennsylvania and as prescribed by the PID. All redemptions or repayments of principal and payments of interest on the notes are subject to approval by the PID.

Below is a table illustrating the valuation adjustments taken to arrive at the estimated fair value of the OneBeacon Surplus Notes as of December 31, 2015 and December 31, 2014:

	Type of Surplus Note		Total as of	Total as of
Millions	Seller Priority	Pari Passu	December 31, 2015	December 31, 2014
Par Value	$57.9	$43.1	$101.0	$101.0
Fair value adjustments to reflect:				
Current market rates on public debt and contract-based repayments[1]	(.4)	(14.7)	(15.1)	(6.6)
Regulatory approval [2]	(11.7)	(12.5)	(24.2)	(12.6)
Liquidity adjustment [3]	(7.8)	(2.4)	(10.2)	(16.7)
Total adjustments	(19.9)	(29.6)	(49.5)	(35.9)
Fair value[4]	$38.0	$13.5	$51.5	$65.1

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

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

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

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

The internal valuation model used to estimate the fair value is based on discounted expected cash flows using information as of the measurement date. The estimated fair value of the OneBeacon Surplus Notes is sensitive to changes in treasury rates and public debt credit spreads, as well as changes in estimates with respect to other variables including a discount to reflect the private nature of the notes (and the related lack of liquidity), the credit quality of the notes - based on the financial performance of the Issuer relative to expectations, and the timing, amount, and likelihood of interest and principal payments on the notes, which are subject to regulatory approval and therefore may vary from the contractual terms. As of December 31, 2015 and 2014, OneBeacon has assumed for estimating the fair value that interest payouts begin in year five (2020) and principal repayments begin on a graduating basis in year ten (2025) for the seller priority note and year fifteen (2030) for the pari passu note. Although these variables involve considerable judgment, the Company does not currently expect any resulting changes in the estimated value of the surplus notes to be material to its financial position.

As a means to provide the degree of variability for each of the key assumptions that affect the fair value of the OneBeacon Surplus Notes, below is a table of sensitivities which measure hypothetical changes in such variables and the resulting pre-tax increase (or decrease) impact on the valuation of the OneBeacon surplus notes as of December 31, 2015.

Estimates affecting fair value Millions	Pre-tax increase (decrease) in fair value			
Liquidity Spread [1]	-100 bp	-50 bp	+50 bp	+100 bp
Seller priority note	$ 2.8	$ 1.4	$ (1.4)	$ (2.6)
Pari passu note	1.0	0.4	(.4)	(0.8)
Total OneBeacon Surplus Notes	$ 3.8	$ 1.8	$ (1.8)	$ (3.4)
Credit Assignment [2]	+2 Notches	+1 Notch	-1 Notch	-2 Notches
Seller priority note	$ 8.7	$ 4.1	$ (3.6)	$ (6.8)
Pari passu note	2.7	1.3	(1.1)	(2.1)
Total OneBeacon Surplus Notes	$ 11.4	$ 5.4	$ (4.7)	$ (8.9)
Principal Repayments [3]	-3 Years	-1 Year	+1 Year	+3 Years
Seller priority note	$ 2.5	$ 0.7	$ (.9)	$ (2.3)
Pari passu note	.9	.3	(.1)	(.4)
Total OneBeacon Surplus Notes	$ 3.4	$ 1.0	$ (1.0)	$ (2.7)
Interest Repayments [4]	-3 Years	-1 Year	+1 Year	+3 Years
Seller priority note	$ 6.6	$ 2.8	$ (4.2)	$ (11.8)
Pari passu note	6.0	2.6	(2.7)	(6.8)
Total OneBeacon Surplus Notes	$ 12.6	$ 5.4	$ (6.9)	$ (18.6)

[1] Represents the sensitivity to changes in the estimate of the liquidity spread added to account for OneBeacon’s sole ownership of the OneBeacon Surplus Notes, lack of a liquid trading market, and ongoing regulatory approval risk.

[2] Represents the sensitivity to changes in the estimate of the underlying equivalent credit quality of the OneBeacon Surplus Notes. Such credit quality is approximated by comparing the expected percentage of discounted payments missed, as calculated in a proprietary Stochastic simulation, to a series of benchmarks derived from data published by Standard & Poor’s. Note that “notch” is defined as the difference between, for example. a “B” and “B+” rated instrument.

[3] Represents the sensitivity to changes in the estimate of timing of the first principal payment received by OneBeacon. The fair value model assumes a delay in the receipt of principal cash flows as a result of the regulatory approval required before such payments may occur; and assuming repayments are made with a graduated impact on statutory surplus.

[4] Represents the sensitivity to changes in the estimate of timing of the first interest payment received by OneBeacon. The fair value model assumes a delay in the receipt of interest cash flows as a result of the regulatory approval required before such payments may occur; and assuming repayments are made with a graduated impact on statutory surplus.

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’:

- change 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 to 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 this 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 7A. Quantitative and Qualitative Disclosures About Market Risk

White Mountains’s consolidated balance sheet includes a substantial amount of assets and liabilities whose fair values are subject to market risk. The term market risk refers to the risk of loss arising from adverse changes in interest rates, credit spreads, equity markets prices and other relevant market rates and prices. Due to White Mountains’s sizable investment portfolio market risk can have a significant effect on White Mountains’s consolidated financial position.

Interest Rate and Credit Spread Risk

Fixed Maturity Investments. In connection with the Company's consolidated insurance and reinsurance subsidiaries, White Mountains invests in interest rate sensitive securities, primarily debt securities. White Mountains generally manages the interest rate risk associated with its portfolio of fixed maturity investments by monitoring the average duration of the portfolio. White Mountains's fixed maturity investments are comprised primarily of investment grade corporate securities; U.S. government and agency securities; foreign government, agency and provincial obligations; preferred stocks; asset-backed and mortgage-backed securities; and municipal obligations.

Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of fixed maturity investments, respectively. Additionally, fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other market factors.

The table below summarizes the estimated effects of hypothetical increases and decreases in market interest rates on White Mountains's continuing operations fixed maturity investments. Size of interest rate decreases may be limited in order to floor interest rates at a de minimis level.

$ in millions	Fair Value at December 31, 2015	Assumed Change in Relevant Interest Rate	Estimated Fair Value After Change in Interest Rate	After-Tax Increase (Decrease) in Carrying Value
Fixed maturity investments	$ 2,639.7	100 bp decrease	$ 2,692.0	$ 35.1
		50 bp decrease	2,669.2	19.8
		50 bp increase	2,608.6	(20.9)
		100 bp increase	2,577.4	(42.0)

The magnitude of the fair value decrease in rising rates scenarios may be more significant than the fair value increase in comparable falling rates scenarios. This can occur because (a) the analysis floors interest rates at a de minimis level in falling rate scenarios, muting price increases, (b) portions of the fixed maturity investment portfolio may be callable, muting price increases in falling interest rate scenarios and or (c) portions of the fixed maturity investment portfolio may experience cash flow extension in higher interest rate environments, which generally results in lower prices.

White Mountains's overall fixed maturity investment strategy is to purchase securities that are attractively priced in relation to their investment risks. Widening and tightening of credit spreads translate into decreases and increases in fair values of fixed maturity investments, respectively. The table below summarizes the estimated pre-tax effects of hypothetical widening and tightening of credit spreads on White Mountains's continuing operations fixed maturity investment portfolio.

	December 31, 2015				
Millions	Fair Value	Tighten 50	Tighten 25	Widen 25	Widen 50
U.S. Government and agency obligations	$ 160.0	$—	$—	$—	$—
Foreign government, agency and provincial obligations	1.2	—	—	—	—
		Tighten 100	Tighten 50	Widen 50	Widen 100
Agency mortgage-backed	330.5	7.6	4.2	(5.2)	(10.3)
Asset-backed	562.9	5.0	3.6	(4.4)	(8.7)
		Tighten 200	Tighten 100	Widen 100	Widen 200
Debt securities issued by corporations	1,000.0	32.8	21.7	(24.6)	(48.4)
Municipal obligations	228.8	16.1	8.8	(9.9)	(19.4)
		Tighten 400	Tighten 200	Widen 200	Widen 400
Non-agency commercial mortgage-backed	140.4	14.4	10.5	(10.7)	(20.3)
		Tighten 600	Tighten 300	Widen 300	Widen 600
Preferred stocks	82.7	3.6	3.5	(4.7)	(7.1)

Non-agency residential mortgage-backed	133.2	9.4	9.3	(11.8	)	(21.5	)

The magnitude of the fair value decrease in wider credit spread scenarios may be more significant than the fair value increase in comparable tighter credit spread scenarios. This can occur because the analysis limits the credit spread tightening in order to floor yields of non-government bonds above short government bond yields, muting price increases.

Common Equity Securities and Other Long-term Investments Price Risk

The carrying values of White Mountains's common equity securities and other long-term investments are based on quoted market prices or management's estimates of fair value as of the balance sheet date. Market prices of equity securities, in general, are subject to fluctuations. These fluctuations could cause the amount realized upon sale or exercise of these instruments to differ significantly from the current reported value. The fluctuations may result from perceived changes in the underlying economic characteristics of the investment, the relative price of alternative investments, supply and demand imbalances for a particular security, or other market factors. Assuming a hypothetical 10% and 30% increase or decrease in the value of White Mountains's continuing operations common equity securities and other long-term investments as of December 31, 2015, the carrying value of White Mountains's common equity securities and other long-term investments would have increased or decreased by approximately $143 million and $429 million pre-tax. Excluding Symetra, the carrying value of White Mountains's common equity securities and other long-term investments would have increased or decreased by approximately $78 million and $233 million pre-tax.

Long-term obligations

White Mountains carries its financial instruments on its balance sheet at fair value with the exception of its fixed-rate, long-term indebtedness, the Tranzact and MediaAlpha Bank Facilities, and the SIG Preference Shares, which are recorded as non-controlling interest.

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

	December 31, 2015		December 31, 2014	
Millions	Fair Value	Carrying Value	Fair Value	Carrying Value
OBH Senior Notes	$ 276.4	$ 274.8	$ 286.0	$ 274.7
Tranzact Bank Facility	102.8	102.9	68.7	67.4
MediaAlpha Bank Facility	15.0	14.7	—	—
SIG Senior Notes	410.0	399.8	437.8	399.7
SIG Preference Shares	255.0	250.0	260.0	250.0

The fair value estimate for the OBH Senior Notes has been determined using quoted market prices and is considered a Level 2 measurement. The fair value estimate for the Tranzact Bank Facility and MediaAlpha Bank Facility have been determined based on a discounted cash flows approach and are considered to be Level 3 measurements. 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.

Foreign Currency Exchange Risk

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 December 31, 2015 and December 31, 2014:

	December 31, 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)	$(17.1)	$(18.2)	$1.1	$ 17.1	$ 18.2
Swedish krona to U.S. dollar	—	(6.4)	(6.4)	—	6.4	6.4
Canadian dollar to U.S. dollar	—	(4.8)	(4.8)	—	4.8	4.8
Euro to U.S. dollar	(2.4)	—	(2.4)	2.4	—	2.4

	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
Swedish krona to U.S. dollar	—	(24.8)	(24.8)	—	24.8	24.8
Canadian dollar to U.S. dollar	—	(4.9)	(4.9)	—	4.9	4.9
Euro to U.S. dollar	(2.5)	(2.3)	(4.8)	2.5	2.3	4.8

Variable Annuity Guarantee Risk

White Mountains entered into an agreement to reinsure death and living benefit guarantees associated with certain variable annuities issued in Japan. The reinsurance agreement assumes risk related to a shortfall between the account value and the guaranteed value that must be paid by the ceding company to an annuitant or to an annuitant's beneficiary in accordance with the underlying annuity contracts. 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. The liability is also affected by annuitant-related actuarial assumptions, including surrender and mortality rates. As of December 31, 2015, the total asset for the reinsured variable annuity guarantees was $0.3 million.

WM Life Re uses derivative instruments, including put options, interest rate swaps, total return swaps on bond indices and forward and futures contracts on currency pairs and government bonds to mitigate the risks associated with changes in the fair value of the reinsured variable annuity guarantees. As of December 31, 2015, the fair value of these derivative instruments was $20 million. In addition, WM Life Re held approximately $6 million of cash and fixed maturity investments as of December 31, 2015 posted as collateral to its reinsurance and derivatives counterparties. WM Life Re measures its net exposure to changes in relevant interest rates, foreign exchange rates and equity markets on a daily basis and adjusts its economic hedge positions within risk guidelines established by senior management. WM Life Re also monitors the effects of annuitant-related experience against actuarial assumptions (including surrender and mortality rates) on a weekly basis and adjusts relevant assumptions and economic hedge positions if required. While WM Life Re actively manages its economic hedge positions, several factors, including policyholder behavior and mismatches between underlying variable annuity funds and the hedge indices, may result in the failure of economic hedges to perform as intended. See discussion of fair value measurement of reinsured variable annuity liabilities and derivative instruments and sensitivity analyses of significant inputs in "CRITICAL ACCOUNTING ESTIMATES — Fair Value Measurements" on page 86.

Item 8. Financial Statements and Supplementary Data

The financial statements and supplementary data have been filed as a part of this Annual Report on Form 10-K as indicated in the Index to Consolidated Financial Statements and Financial Statement Schedules appearing on page 105 of this report.

The financial statements of Symetra for the years ended December 31, 2014 and 2013 and the interim period ended September 30, 2015 have been filed as a part of this Annual Report on Form 10-K (see Exhibits 99.1 and 99.2 on page 103 of this report).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. 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) of the Exchange Act) as of December 31, 2015. Based on that evaluation, the PEO and PFO have concluded that White Mountains's disclosure controls and procedures are adequate and effective.

The PEO and the PFO of White Mountains have evaluated the effectiveness of its internal control over financial reporting as of December 31, 2015. Based on that evaluation, the PEO and PFO have concluded that White Mountains's internal control over financial reporting is effective. Management's annual report on internal control over financial reporting is included on page F-82 of this report. The attestation report on the effectiveness of our internal control over financial reporting by PricewaterhouseCoopers LLP is included on page F-83 of this report.

There has been no change in White Mountains's internal controls over financial reporting that occurred during the fourth quarter of 2015 that has materially affected, or is reasonably likely to materially affect White Mountains's internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Reported under the captions "The Board of Directors", "Section 16(a) Beneficial Ownership Reporting Compliance" and "Corporate Governance—Committees of the Board—Audit Committee" in the Company's 2016 Proxy Statement, herein incorporated by reference, and under the caption "Executive Officers of the Registrant" of this Annual Report on Form 10-K.

The Company's Code of Business Conduct, which applies to all directors, officers and employees in carrying out their responsibilities to and on behalf of the Company, is available at www.whitemountains.com and is also included as Exhibit 14 on the Form 10-K. The Company's Code of Business Conduct is also available in print free of charge to any shareholder upon request.

There have been no material changes to the procedures by which shareholders may recommend nominees to the Company's Board of Directors. The procedures for shareholders to nominate directors are reported under the caption "Corporate Governance—Committees of the Board—Nominating and Governance Committee" in the Company's 2016 Proxy Statement, herein incorporated by reference.

Item 11. Executive Compensation

Reported under the captions "Executive Compensation" and "Corporate Governance—Compensation Committee Interlocks and Insider Participation" in the Company's 2016 Proxy Statement, herein incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Reported under the captions "Voting Securities and Principal Holders Thereof" and "Equity Compensation Plan Information" in the Company's 2016 Proxy Statement, herein incorporated by reference.

Item 13. Certain Relationships, Related Transactions and Director Independence

Reported under the caption "Transactions with Related Persons, Promoters and Certain Control Persons" and "Corporate Governance—Director Independence" in the Company's 2016 Proxy Statement, herein incorporated by reference.

Item 14. Principal Accountant Fees and Services

Reported under the caption "Principal Accountant Fees and Services" in the Company's 2016 Proxy Statement, herein incorporated by reference.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

a. Documents Filed as Part of the Report

The financial statements and financial statement schedules and reports of independent auditors have been filed as part of this Annual Report on Form 10-K as indicated in the Index to Consolidated Financial Statements and Financial Statement Schedules appearing on page 105 of this report. A listing of exhibits filed as part of the report appear on pages 101 through 103 of this report.

b. Exhibits

Exhibit number	Name
2	Plan of Reorganization (incorporated by reference herein to the Company's Registration Statement on S-4 (No. 333-87649) dated September 23, 1999)
3.1	Memorandum of Continuance of the Company (incorporated by reference herein to Exhibit (3)(i) of the Company's Current Report on Form 8-K dated November 1, 1999)
3.2	Amended and Restated Bye-Laws of the Company (incorporated by reference herein to Exhibit 3.2 of the Company's 2012 Annual Report on Form 10-K)
4.1	Fiscal Agency Agreement between White Mountains Re Group, Ltd. as Issuer and The Bank of New York as Fiscal Agent governing the SIG Senior Notes (incorporated by reference herein to Exhibit 4.1 of the Company's Report on Form 8-K dated March 14, 2007)
4.2	Certificate of Designation, setting forth the designations, powers, preferences and rights of the SIG Preference Shares (incorporated by reference herein to Exhibit 3.1 of the Company's Report on Form 8-K dated May 29, 2007)
4.3	Indenture, dated as of November 9, 2012, among OneBeacon U.S. Holdings, Inc., the Company, and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference herein to Exhibit 4.3 of the Company's 2012 Annual Report on Form 10-K)
4.4	First Supplemental Indenture, dated as of November 9, 2012, among OneBeacon U.S. Holdings, Inc., the Company and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference herein to Exhibit 4.4 of the Company's 2012 Annual Report on Form 10-K)
10.1	$425,000,000 Credit Agreement, dated August 14, 2013 among the Company, as the Borrower, Wells Fargo Bank, N.A., as Administrative Agent, Swing Line Lender and Issuing Lender, and the other lenders party hereto (incorporated by reference herein to Exhibit 10.1 of the Company's Report on Form 10-Q dated October 28, 2013)
10.2	Amendment No.1 to the $425,000,000 Credit Agreement, dated August 14, 2013 among the Company, as the Borrower, Wells Fargo Bank, N.A., as Administrative Agent, Swing Line Lender and Issuing Lender, and the other lenders party hereto.(incorporated by reference herein to Exhibit 10.1 of the Company's Report on Form 10-Q dated October 29, 2014)
10.3	Investment Management Agreement between Prospector Partners, LLC and White Mountains Advisors LLC (incorporated by reference herein to Exhibit 99.1 of the Company's Report on Form 8-K dated June 20, 2005)
10.4	Amendment to the Investment Management Agreement between Prospector Partners, LLC and White Mountains Advisors, LLC dated February 23, 2006 (incorporated by reference herein to the Company's Report on Form 8-K dated February 28, 2006)
10.5	Amended and restated Investment Management Agreement between White Mountains Advisors, LLC and OneBeacon dated December 23, 2014 (incorporated by reference herein to Exhibit 10.6 of the Company's 2014 Annual Report on Form 10-K)

10.6	Investment Management Agreement between Prospector Partners, LLC and OneBeacon dated February 25, 2015 (incorporated by reference herein to Exhibit 10.7 of the Company's 2014 Annual Report on Form 10-K)

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Exhibit number	Name
10.7	Consulting Letter Agreement between Prospector Partners, LLC and White Mountains Advisors LLC (incorporated by reference herein to Exhibit 99.2 of the Company's Report on Form 8-K dated June 20, 2005)
10.8	White Mountains Long-Term Incentive Plan, as amended, (incorporated by reference to Appendix A of the Company's Notice of 2010 Annual General Meeting of Members and Proxy Statement dated March 29, 2010)
10.9	White Mountains Long-Term Incentive Plan, as amended, (incorporated by reference to Appendix A of the Company's Notice of 2013 Annual General Meeting of Members and Proxy Statement dated April 10, 2013)
10.10	White Mountains Bonus Plan*
10.11	White Mountains Re Long Term Incentive Plan (incorporated by reference herein to Exhibit 10.12 of the Company's 2009 Annual Report on Form 10-K)
10.12	OneBeacon Deferred Compensation Plan (incorporated by reference herein to Exhibit 10.16 of the Company's 2012 Annual Report on Form 10-K)
10.13	OneBeacon Long-Term Incentive Plan (2007) (incorporated by reference herein to Exhibit 10.15 of the Company's 2014 Annual Report on Form 10-K)
10.14	OneBeacon's 2015 Management Incentive Plan (*)
10.15	Restricted Share Award Agreement by and between OneBeacon Insurance Group, Ltd. And T. Michael Miller dated as of May 27, 2011(incorporated by reference herein to Exhibit 10.22 of the Company's 2011 Annual Report on Form 10-K)
10.16	Amended and Restated Revenue Sharing Agreement among John D. Gillespie, Fund American Companies, Inc. and Folksamerica Reinsurance Company (incorporated by reference herein to Exhibit 10.26 of the Company's 2004 Annual Report on Form 10-K)
10.17	Nonqualified Stock Option Agreement made as of the 6th day of March 2007, by and between the Company and Raymond Barrette (incorporated by reference herein to Exhibit 99.1 of the Company's Report on Form 8-K/A dated March 7, 2007)
10.18	Amendment No. 1 to Nonqualified Stock Option Agreement made as of the 10th day of August 2010, by and between the Company and Raymond Barrette (incorporated by reference herein to Exhibit 10.1 of the Company's Report on Form 10-Q dated October 29, 2010)
10.19	Restricted Share Award Agreement made as of the 6th day of March 2007, by and between the Company and Raymond Barrette (incorporated by reference herein to Exhibit 99.2 of the Company's Report on Form 8-K/A dated March 7, 2007)
10.20	Amendment No.1 to Restricted Share Award Agreement made as of the 10th day of August 2010, by and between the Company and Raymond Barrette (incorporated by reference herein to Exhibit 10.2 of the Company's Report on Form 10-Q dated October 29, 2010)
10.21	Stock Purchase Agreement, dated May 17, 2011, between White Mountains Holdings (Luxembourg) S.à r.l. and The Allstate Corporation (incorporated by reference herein to Exhibit 10.1 of the Company's Report on Form 8-K dated May 18, 2011)
10.22	Stock Purchase Agreement by and among the OneBeacon Insurance Group Ltd., OneBeacon Insurance Group LLC, Trebuchet and Armour Group Holdings Limited dated as of October 18, 2012. (incorporated by reference herein to Exhibit 10.1 of the Company's Report on 10-Q dated October 30, 2012)
10.23	Amendment No.1 dated as of February 1, 2013 to Stock Purchase Agreement by and among OneBeacon Insurance Group Ltd., OneBeacon Insurance Group LLC, Trebuchet US Holdings, Inc. and Armour Group Holdings Limited (incorporated by reference herein to Exhibit 10.25 of the Company's 2014 Annual Report on Form 10-K)
10.24	Amendment No. 2 dated as of October 25, 2013 to Stock Purchase Agreement by and among OneBeacon Insurance Group Ltd., OneBeacon Insurance Group LLC, Trebuchet US Holdings, Inc. and Armour Group Holdings Limited (incorporated by reference herein to Exhibit 10.30 of the Company's Annual Report on

	10-K dated February 28, 2014)
10.25	Amendment No. 3 dated as of June 19, 2014 to Stock Purchase Agreement by and among OneBeacon Insurance Group Ltd., OneBeacon Insurance Group LLC, Trebuchet US Holdings, Inc. and Armour Group Holdings Limited (incorporated by reference herein to Exhibit 10.1 of the Company's Report on 10-Q dated July 29, 2014)
10.26	Amendment No. 4 dated as of November 3, 2014 to Stock Purchase Agreement by and among OneBeacon Insurance Group Ltd., OneBeacon Insurance Group LLC, Trebuchet US Holdings, Inc. and Armour Group Holdings Limited (incorporated by reference herein to Exhibit 10.28 of the Company's 2014 Annual Report on Form 10-K)

Exhibit number	Name
10.27	Regulation 114 Trust Agreement by and among Build America Mutual Assurance Company, HG Re Ltd. and The Bank of New York Mellon, dated as of July 20, 2012. (incorporated by reference herein to Exhibit 10.2 of the Company’s Report on 10-Q dated October 30, 2012)
10.28	Supplemental Trust Agreement by and among Build America Mutual Assurance Company, HGR Patton (Luxembourg) S.à r.l., United States of America Branch, and The Bank of New York Mellon, dated as of July 20, 2012. (incorporated by reference herein to Exhibit 10.3 of the Company’s Report on 10-Q dated October 30, 2012)
10.29	Surplus Note Purchase Agreement between Build America Mutual Assurance Company, as Issuer and HG Holdings Ltd. and HG Re Ltd. as Purchasers dated as of July 17, 2012.(incorporated by reference herein to Exhibit 10.4 of the Company’s Report on 10-Q dated October 30, 2012)
10.30	Amended and Restated Surplus Note Purchase Agreement between Build America Mutual Assurance Company, as Issuer and HG Holdings Ltd. and HG Re Ltd. as Purchasers dated as of January 1, 2014.(incorporated by reference herein to Exhibit 10.1 of the Company’s Report on 10-Q dated April 28, 2014)
10.31	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)
10.32	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)
10.33	Employment Agreement dated as of July 24, 2015 between Sirius International Insurance Group, Ltd. and Allan L. Waters (incorporated by reference herein to Exhibit 10.3 of the Company's Report on Form 10-Q dated November 2, 2015)
11	Statement Re Computation of Per Share Earnings (**)
12	Statement Re Computation of Ratio of Earnings to Fixed Charges (*)
14	The Company’s Code of Business Conduct, which applies to all directors, officers and employees in carrying out their responsibilities to and on behalf of the Company (*)
21	Subsidiaries of the Registrant (*)
23.1	Consent of PricewaterhouseCoopers LLP dated February 29, 2016 (*)
23.2	Consent of Ernst & Young LLP dated February 29, 2016 (*)
24	Powers of Attorney (*)
31.1	Principal Executive Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934 (*)
31.2	Principal Financial Officer Certification Pursuant to Rule 13a-14 (a) of the Securities Exchange Act of 1934 (*)
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 (*)
99.1	Symetra Financial Corporation’s financial statements for the years ended December 31, 2014 and 2013 (incorporated by reference herein from Symetra Financial Corporation’s 2014 Annual Report on Form 10-K dated February 26, 2015 and Form 10-K/A dated April 22, 2015, Commission file number: 001-33808) (***)
99.2	Symetra Financial Corporation’s financial statements for the interim period ended September 30, 2015 (incorporated by reference herein from Symetra Financial Corporation’s Report on Form 10-Q dated November 6, 2015, Commission file number: 001-33808) (***)
101.1	The following financial information from White Mountains’s Annual Report on Form 10-K for the year ended December 31, 2015 formatted in XBRL: (i) Consolidated balance sheets as of December 31, 2015

and December 31, 2014; (ii) Consolidated statements of operations and comprehensive income for each of the years ended December 31, 2015, 2014 and 2013; (iii) Consolidated statements of shareholders' equity for each of the years ended December 31, 2015, 2014 and 2013; (iv) Consolidated statements of cash flows for each of the years ended December 31, 2015, 2014 and 2013; and (v) Notes to consolidated financial statements (*).

(*) Included herein.

(**) Not included herein as the information is contained elsewhere within report. See Note 11—"Earnings Per Share" of the accompanying consolidated financial statements.

(***) Exhibits 99.1 and 99.2 to this Annual Report on Form 10-K are being filed to provide audited and unaudited financial statements and the related footnotes of Symetra in accordance with SEC Rule 3-09 of Regulation S-X. The management of Symetra is solely responsible for the form and content of the Symetra financial statements. White Mountains has no responsibility for the form or content of the Symetra financial statements since it does not control Symetra.

c. Financial Statement Schedules

The financial statement schedules and report of independent registered public accounting firm have been filed as part of this Annual Report on Form 10-K as indicated in the Index to Consolidated Financial Statements and Financial Statement Schedules appearing on page 105 of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WHITE MOUNTAINS INSURANCE GROUP, LTD.

Date: February 29, 2016

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Company and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ RAYMOND BARRETTE Raymond Barrette	Chairman, CEO (Principal Executive Officer) and Director	February 29, 2016
YVES BROUILLETTE* Yves Brouillette	Director	February 25, 2016
MORGAN W. DAVIS* Morgan W. Davis	Director	February 25, 2016
A. MICHAEL FRINQUELLI* A. Michael Frinquelli	Director	February 25, 2016
/s/ DAVID T. FOY David T. Foy	Executive Vice President and CFO (Principal Financial Officer)	February 29, 2016
EDITH E. HOLIDAY* Edith E. Holiday	Director	February 25, 2016
/s/ J. BRIAN PALMER Brian Palmer	Managing Director and Chief Accounting Officer (Principal Accounting Officer)	February 29, 2016
LOWNDES A. SMITH* Lowndes A. Smith	Director	February 25, 2016
GARY C. TOLMAN* Gary C. Tolman	Director	February 25, 2016

By: /s/ RAYMOND BARRETTE
Raymond Barrette, Attorney-in-Fact

WHITE MOUNTAINS INSURANCE GROUP, LTD.
Index to Consolidated Financial Statements and Financial Statement Schedules

CONSOLIDATED BALANCE SHEETS

	December 31,	
Millions, except share and per share amounts	2015	2014
Assets		
Fixed maturity investments, at fair value	$2,639.7	$2,422.0
Short-term investments, at amortized cost (which approximates fair value)	211.3	376.8
Common equity securities, at fair value	1,113.9	611.7
Other long-term investments	315.8	331.9
Total investments	4,280.7	3,742.4
Cash (restricted $5.8 and $23.7)	179.3	261.7
Reinsurance recoverable on unpaid losses	186.5	161.7
Reinsurance recoverable on paid losses	7.5	12.2
Insurance premiums receivable	223.3	241.1
Investments in unconsolidated affiliates	—	414.4
Deferred acquisition costs	107.6	107.2
Deferred tax asset	112.8	114.6
Ceded unearned insurance premiums	29.5	17.8
Accrued investment income	14.0	14.3
Accounts receivable on unsettled investment sales	41.9	37.8
Goodwill and intangible assets	375.7	351.2
Other assets	318.7	348.7
Assets held for sale	4,407.0	4,630.6
Total assets	$10,284.5	$10,455.7
Liabilities		
Loss and loss adjustment expense reserves	$1,395.8	$1,350.0
Unearned insurance premiums	612.6	616.7
Debt	442.4	343.1
Deferred tax liability	7.0	—
Accrued incentive compensation	141.7	108.1
Ceded reinsurance payable	30.5	34.2
Funds held under insurance contracts	137.8	81.0
Accounts payable on unsettled investment purchases	—	.5
Other liabilities	264.7	278.4
Liabilities held for sale	2,884.0	3,105.3
Total liabilities	5,916.5	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	5.6	6.0
shares; issued and outstanding 5,623,735 and 5,986,214 shares		
Paid-in surplus	972.6	1,028.7
Retained earnings	3,084.9	3,010.5
Accumulated other comprehensive income (loss), after-tax:		
Equity in net unrealized gains from investments in Symetra common shares	—	34.9
Net unrealized foreign currency translation losses	(145.6)	(79.8)
Pension liability and other	(4.3)	(4.6)
Total White Mountains’s common shareholders’ equity	3,913.2	3,995.7
Non-controlling interests	454.8	542.7
Total equity	4,368.0	4,538.4
Total liabilities and equity	$10,284.5	$10,455.7

See Notes to Consolidated Financial Statements including Note 14 for non-controlling interests and Note 21 for Commitments and Contingencies.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

	Year Ended December 31,		
Millions, except per share amounts	2015	2014	2013
Revenues			
Earned insurance premiums	$1,188.2	$1,185.0	$1,120.9
Net investment income	60.8	59.5	59.8
Net realized and unrealized investment gains	225.4	78.5	133.9
Other revenue	334.2	131.1	47.0
Total revenues	1,808.6	1,454.1	1,361.6
Expenses			
Loss and loss adjustment expenses	708.9	824.0	622.1
Insurance and reinsurance acquisition expenses	220.1	206.2	210.4
Other underwriting expenses	218.6	179.6	205.2
General and administrative expenses	487.5	257.7	149.1
Interest expense on debt	18.6	15.6	16.2
Total expenses	1,653.7	1,483.1	1,203.0
Pre-tax income (loss)	154.9	(29.0)	158.6
Income tax (expense) benefit	.7	14.8	(32.6)
Net income (loss) from continuing operations	155.6	(14.2)	126.0
Gain (loss) on sale of discontinued operations, net of tax	18.2	(1.6)	46.6
Net income from discontinued operations, net of tax	80.6	260.2	99.9
Income before equity in earnings of unconsolidated affiliates	254.4	244.4	272.5
Equity in earnings of unconsolidated affiliates, net of tax	25.1	45.6	36.6
Net income	279.5	290.0	309.1
Net loss attributable to non-controlling interests	18.1	22.2	12.5
Net income attributable to White Mountains's common shareholders	297.6	312.2	321.6
Other comprehensive income, net of tax:			
Change in equity in net unrealized (losses) gains from investments in Symetra common shares, net of tax	(34.9)	75.3	(98.1)
Change in foreign currency translation, net of tax	(65.8)	(168.5)	2.7
Net change in pension liability and other, net of tax	.3	(11.7)	20.8
Comprehensive income	197.2	207.3	247.0
Comprehensive loss (income) attributable to non-controlling interests	—	3.3	(5.2)
Comprehensive income attributable to White Mountains's common shareholders	$197.2	$210.6	$241.8
Earnings per share attributable to White Mountains's common shareholders			
Basic earnings per share			
Continuing operations	$33.80	$8.77	$28.22
Discontinued operations	16.80	42.36	23.63
Total consolidated operations	$50.60	$51.13	$51.85
Diluted earnings per share			
Continuing operations	$33.80	$8.77	$28.22
Discontinued operations	16.80	42.36	23.63
Total consolidated operations	$50.60	$51.13	$51.85
Dividends declared and paid per White Mountains's common share	$1.00	$1.00	$1.00

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Millions	White Mountains's Common Shareholders' Equity					
	Common shares and paid-in surplus	Retained earnings	AOCI, after-tax	Total	Non-controlling Interests	Total Equity
Balances at December 31, 2012	$1,057.2	$2,542.5	$131.9	$3,731.6	$ 526.3	$4,257.9
Net income (loss)	—	321.6	—	321.6	(12.5)	309.1
Net change in unrealized losses from investments in unconsolidated affiliates	—	—	(98.1)	(98.1)	—	(98.1)
Net change in foreign currency translation	—	—	2.7	2.7	—	2.7
Net change in pension liability and other accumulated comprehensive items	—	—	15.6	15.6	5.2	20.8
Comprehensive income (loss)	—	321.6	(79.8)	241.8	(7.3)	234.5
Dividends declared on common shares	—	(6.2)	—	(6.2)	—	(6.2)
Dividends/distributions to non-controlling interests	—	—	—	—	(39.7)	(39.7)
Issuances of common shares	1.0	—	—	1.0	—	1.0
Repurchases and retirements of common shares	(23.8)	(56.0)	—	(79.8)	—	(79.8)
Net contributions from non-controlling interests	—	—	—	—	11.5	11.5
Amortization of restricted share and option awards	16.7	—	—	16.7	.9	17.6
Balances at December 31, 2013	1,051.1	2,801.9	52.1	3,905.1	491.7	4,396.8
Net income (loss)	—	312.2	—	312.2	(22.2)	290.0
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	75.3	75.3	—	75.3
Net change in foreign currency translation	—	—	(168.2)	(168.2)	(.3)	(168.5)
Net change in pension liability and other accumulated comprehensive items	—	—	(8.7)	(8.7)	(3.0)	(11.7)
Comprehensive income (loss)	—	312.2	(101.6)	210.6	(25.5)	185.1
Dividends declared on common shares	—	(6.2)	—	(6.2)	—	(6.2)
Dividends/distributions to non-controlling interests	—	—	—	—	(40.7)	(40.7)
Issuances of common shares	4.8	—	—	4.8	—	4.8
Repurchases and retirements of common shares	(37.1)	(97.4)	—	(134.5)	—	(134.5)
Net contributions from non-controlling interests	—	—	—	—	8.3	8.3

Non-controlling interest from acquisitions	—	—	—	—	122.1	122.1
Redemptions of Prospector Turtle Fund	—	—	—	—	(14.0)	(14.0)
Amortization of restricted share and option awards	15.9	—	—	15.9	.8	16.7
Balances at December 31, 2014	1,034.7	3,010.5	(49.5)	3,995.7	542.7	4,538.4
Net income (loss)	—	297.6	—	297.6	(18.1)	279.5
Net change in unrealized losses from investments in unconsolidated affiliates	—	—	(34.9)	(34.9)	—	(34.9)
Net change in foreign currency translation	—	—	(65.8)	(65.8)	—	(65.8)
Net change in pension liability and other accumulated comprehensive items	—	—	.3	.3	—	.3
Comprehensive income (loss)	—	297.6	(100.4)	197.2	(18.1)	179.1
Dividends declared on common shares	—	(6.0)	—	(6.0)	—	(6.0)
Dividends/distributions to non-controlling interests	—	—	—	—	(51.1)	(51.1)
Issuances of common shares	.9	—	—			