LIFETIME HOAN CORP
Form SC 13G/A
February 12, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 13G
(Rule 13d-102)

INFORMATION TO BE INCLUDED IN STATEMENTS FILED PURSUANT
TO RULES 13d-1(b),(c), AND (d) AND AMENDMENTS THERETO FILED
PURSUANT TO RULE 13d-2(b)
(Amendment No. 4)1

Lifetime Hoan Corporation

(Name of Issuer)

Common Stock

(Title of Class of Securities)

531926103

(CUSIP Number)

12/31/2003

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

[X] Rule 13d-1(b)
[_] Rule 13d-1(c)
[_] Rule 13d-1(d)

---

1 The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 (the "Act") or otherwise subject to the liabilities of that section of the Act, but shall be subject to all other provisions of the Act (however, see the Notes.)

(Continued on following pages)

1.	NAMES OF REPORTING PERSONS I.R.S. IDENTIFICATION NO. OF ABOVE PERSONS (ENTITIES ONLY) Wellington Management Company, LLP 04-2683227	
2.	CHECK THE APPROPRIATE BOX IF THE MEMBER OF A GROUP*	(a) [_] (b) [_]
3.	SEC USE ONLY	
4.	CITIZENSHIP OR PLACE OF ORGANIZATION Massachusetts	

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5.	SOLE VOTING POWER 0
	6.	SHARED VOTING POWER 0
	7.	SOLE DISPOTIVE POWER 0
	8.	SHARED DISPOTIVE POWER 0

9.	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 0	
10.	CHECK BOX IF AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES*	[_]
11.	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9 0.000%	
12.	TYPE OF REPORTING PERSON IA	

Item 1(a). Name of Issuer:

Lifetime Hoan Corporation

Item 1(b). Address of Issuer's Principal Executive Offices:

One Merrick Avenue
Westbury, NY 11590

Item 2(a). Name of Person Filing:

Wellington Management Company, LLP(''WMC'')

Item 2(b). Address of Principal Business Office or, if None, Residence:

75 State St
Boston, MA 02109

Item 2(c). Citizenship:

Massachusetts

Item 2(d). Title of Class of Securities:

Common Stock

Item 2(e). CUSIP Number:

531926103

Item 3. If This Statement is Filed Pursuant to Rule 13d-1(b), or 13d-2(b) or (c), Check Whether the Person Filing is a:

(a) [ ] Broker or dealer registered under Section 15 of the Act.

(b) [ ] Bank as defined in Section 3(a)(6) of the Act.

(c) [ ] Insurance Company as defined in Section 3(a)(19) of the Act.

(d) [ ] Investment Company registered under Section 8 of the Investment Company Act.

(e) [X] An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);

(f) [ ] An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);

(g) [ ] A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G); see item 7;

(h) [ ] A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;

(i) [ ] A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;

(j) [ ] Group, in accordance with Rule 13d-1(b)(1)(ii)(J).

If this statement is filed pursuant to Rule 13d-1(c), check this box [ ]

Item 4. Ownership.
Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

(a) Amount Beneficially Owned: WMC, in its capacity as investment adviser, may be deemed to beneficially own 0 shares of the Issuer which are held of record by clients of WMC.

(b) Percent of Class: 0.000%

(c) Number of shares as to which such person has:

(i)	sole power to vote or to direct the vote	0
(ii)	shared power to vote or to direct the vote	0
(iii)	sole power to dispose or to direct the disposition of	0
(iv)	shared power to dispose or to direct the disposition of	0

Item 5. Ownership of Five Percent or Less of Class.
If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following

[X]

Item 6. Ownership of More than Five Percent on Behalf of Another Person.

The securities as to which this Schedule is filed by WMC, in its capacity as investment adviser, are owned of record by clients of WMC. Those clients have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. No such client is known to have such right or power with respect to more than five percent of this class of securities, except as follows:

Not Applicable

Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company.

Not Applicable

Item 8. Identification and Classification of Members of the Group.

Not Applicable. This schedule is not being filed pursuant to Rule 13d-1(b)(1)(ii)(J) or Rule 13d-1(d).

Item 9. Notice of Dissolution of Group.

Not Applicable

Item 10. Certification.

(a) The following certification shall be included if the statement is filed pursuant to Rule 13d-1(b):

"By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the

effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection withor as a participant in any transaction having that purpose or effect. "

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

By: --//Brian P. Hillery//--

Name: Brian P. Hillery
Title: Vice President
Date: February 13, 2004

*Signed pursuant to a Power of Attorney dated January 17, 2002 and filed with the SEC on February 5, 2002.

ing-bottom:2px;padding-right:2px;border-top:1px solid #000000;">

2018

2017
PassportCard/DavidShield (1)

$
75.0

$
21.0

Kudu

30.7

—

Other unconsolidated entities [1][2]

60.0

62.2

Total unconsolidated entities[1][2]

165.7

83.2

Private equity funds and hedge funds

146.1

125.3

Foreign currency forward contracts

—

(3.7
)
Other

13.8

4.0

Total other long-term investments

$
325.6

$
208.8

(1) See Fair Value Measurements by Level table.
(2) Includes White Mountains's non-controlling interests in certain private common equity securities, limited liability companies and convertible preferred securities.

Private Equity Funds and Hedge Funds
White Mountains invests in private equity funds and hedge funds, which are included in other long-term investments. The fair value of these investments is generally estimated using the NAV of the funds. As of December 31, 2018, White Mountains held investments in 12 private equity funds and one hedge fund. The largest investment in a single fund was $54.3 million as of December 31, 2018 and $54.9 million as of December 31, 2017.
The following table presents investments in private equity funds and hedge funds by investment objective and sector as of December 31, 2018 and 2017:

	December 31, 2018		December 31, 2017	
Millions	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Private equity funds				
Manufacturing/Industrial	$42.9	$ 10.5	$43.3	$ 10.4
Aerospace/Defense/Government	27.6	34.9	15.8	12.9
Direct lending	13.0	17.7	7.1	23.1
Financial services	8.3	13.6	4.2	11.7
Total private equity funds	91.8	76.7	70.4	58.1
Hedge funds				
Long/short banks and financial	54.3	—	54.9	—
Total hedge funds	54.3	—	54.9	—
Total private equity funds and hedge funds included in other long-term investments	$146.1	$ 76.7	$125.3	$ 58.1

F - 26

Investments in private equity funds are generally subject to a lock-up period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments. In addition, certain private equity funds have the option to extend the lock-up period.

The following table presents investments in private equity funds that were subject to lock-up periods as of December 31, 2018:

Millions	1 – 3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private equity funds — expected lock-up period remaining	$ 1.8	$ 5.5	$ 63.2	$ 21.3	$91.8

Investors in private equity funds are generally subject to indemnification obligations outside of the capital commitment period and prior to the winding up of the fund. As of December 31, 2018 and 2017, White Mountains is not aware of any indemnification claims relating to its investments in private equity funds.

Redemption of investments in most hedge funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period. As of December 31, 2018, White Mountains held one active hedge fund with a fair value of $54.3 million. The hedge fund is subject to a semi-annual restriction on redemptions and an advance notice period requirement of 45 days.

Rollforward of Fair Value Measurements by Level

White Mountains uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities and other long-term investments as of December 31, 2018 and 2017 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities.

The following tables present the changes in White Mountains's fair value measurements by level for the years ended December 31, 2018 and 2017:

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments Other Long-term Investments	Unconsolidated Entities, Private Equity Funds and Hedge Funds Measured at NAV [3]	Total
Balance at December 31, 2017	$ 890.4	$ 2,105.4	$ 77.2	$ 135.3	$3,208.3 [1][2]
Net realized and unrealized (losses) gains	(64.9)	(64.4)	16.2	13.3	(99.8) [4]
Amortization/accretion	.2	(2.7)	—	—	(2.5)
Purchases	514.7	783.8	45.3	50.5	1,394.3
Sales	(497.8)	(1,661.6)	—	(12.2)	(2,171.6)
Transfers in	—	—	—	—	—
Transfers out	—	—	—	—	—
Balance at December 31, 2018	$ 842.6	$ 1,160.5	$ 138.7	$ 186.9	$2,328.7 [2]

(1) Excludes carrying value of $(3.7) as of December 31, 2017 associated with foreign currency forward contracts.

(2) Excludes carrying value of $214.2 and $176.1 as of December 31, 2018 and 2017 classified as short-term investments.

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

(4) Excludes realized and unrealized losses associated with foreign currency forward contracts, foreign currency on cash and open trades and short-term investments of $3.5, $4.2 and $0.8 for the year ended December 31, 2018.

F - 27

Millions	Level 1 Investments	Level 2 Investments	Level 3 Investments		Unconsolidated Entities, Private Equity Funds and Hedge Funds Measured at NAV (3)	Total
			Fixed Maturity Investments	Other Long-term Investments		
Balance at December 31, 2016	$ 279.5	$ 2,093.8	$ —	$ 91.4	$ 82.6	$ 2,547.3 [1][2][5]
Net realized and unrealized gains (losses)	82.7	69.6	—	(15.3)	20.4	157.4 [4]
Amortization/accretion	—	(9.1)	—	—	—	(9.1)
Purchases	1,209.3	2,007.9	31.2	3.1	81.0	3,332.5
Sales	(681.1)	(2,070.3)	(12.5)	(2.0)	(48.7)	(2,814.6)
Deconsolidation of SSIE	—	(5.2)	—	—	—	(5.2)
Transfers in	—	18.7	—	—	—	18.7
Transfers out	—	—	(18.7)	—	—	(18.7)
Balance at December 31, 2017	$ 890.4	$ 2,105.4	$ —	$ 77.2	$ 135.3	$ 3,208.3 [1][2]

(1) Excludes carrying value of $(3.7) and $(1.2) as of December 31, 2017 and 2016 associated with foreign currency forward contracts.

(2) Excludes carrying value of $176.1 and $175.0 as of December 31, 2017 and 2016 classified as short-term investments, of which $0.1 is classified as held for sale at December 31, 2016.

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

(4) Excludes realized and unrealized losses associated with foreign currency forward contracts and short-term investments of $23.8 and $0.3 for the year ended December 31, 2017.

(5) Includes carrying value of $6.6 of fixed maturity investments at December 31, 2016 that is classified as assets held for sale related to SSIE.

Fair Value Measurements — Transfers Between Levels - For Years Ended December 31, 2018 and 2017

Transfers between levels are recorded using the fair value measurement as of the end of the quarterly period in which the event or change in circumstance giving rise to the transfer occurred.

During 2018, there were no fixed maturity investments or other long-term investments classified as Level 3 measurements in the prior period that were transferred to Level 2 measurements.

During 2017, three fixed maturity investments classified as a Level 3 measurement in the prior period were transferred to Level 2 measurement because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of December 31, 2017. These measurements comprise "Transfers out" of Level 3 and "Transfers in" to Level 2 of $18.7 million for the period ended December 31, 2017.

Significant Unobservable Inputs

The following tables present significant unobservable inputs used in estimating the fair value of other long-term investments, other than private equity funds and hedge funds, classified within Level 3 as of December 31, 2018 and 2017. The fair value of investments in certain unconsolidated entities, private equity funds and hedge funds are generally estimated using the NAV of the funds.

$ in Millions, Except Share Price	December 31, 2018			
Description	Valuation Technique(s)	Fair Value [1]	Unobservable Input	
PassportCard/DavidShield	Discounted cash flow	$75.0	Discount rate	-18.0%
			Exit multiple	-1.00
Compare.com	Discounted cash flow	$16.9	Discount rate	-22.0%
			Exit multiple	-2.75
YOUSURE Tarifvergleich GmbH (“durchblicker”)	Discounted cash flow	$15.5	Discount rate	-23.0%
			Exit multiple	-2.25
Captricity, Inc.	Discounted cash flow	$14.5	Discount rate	-23.0%
			Exit multiple	-3.75
Galvanic Applied Sciences	Multiple of EBITDA	$3.1	EBITDA multiple	-6.00
Private debt instrument	Discounted cash flow	$10.0	Discount rate	-9.62%

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

$ in Millions, Except Share Price	December 31, 2017			
Description	Valuation Technique(s)	Fair Value [1]	Unobservable Input	
PassportCard	Discounted cash flow	$21.0	Discount rate	-25.0%
			Exit multiple	-1.00
Compare.com	Discounted cash flow	$22.1	Discount rate	-35.0%
			Exit multiple	-1.75
durchblicker	Discounted cash flow	$11.3	Discount rate	-21.0%
			Exit multiple	-1.75
Captricity, Inc.	Discounted cash flow	$14.5	Discount rate	-30.0%
			Exit multiple	-3.50
Galvanic Applied Sciences	Multiple of EBITDA	$0.6	EBITDA multiple	-6.00
OneTitle Holdings LLC	Share price of most recent transaction	$3.6	Share price	-$2.52

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

Note 4. Goodwill and Other Intangible Assets

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

The following table presents the economic lives, acquisition date values, accumulated amortization and net carrying values for other intangible assets and goodwill, by company:

$ in Millions	Weighted Average Economic Life (in Years)	December 31, 2018 Acquisition Date Fair Value	Accumulated Amortization	Net Carrying Value	December 31, 2017 Acquisition Date Fair Value	Accumulated Amortization	Net Carrying Value
Goodwill:							
NSM [1][2]	N/A	$354.3	$ —	$354.3	$—	$ —	$ —
MediaAlpha	N/A	18.3	—	18.3	18.3	—	18.3
Buzz [3]	N/A	7.3	—	7.3	7.6	—	7.6
Total goodwill		379.9	—	379.9	25.9	—	25.9
Other intangible assets:							
NSM [1]							
Customer relationships	9	85.3	6.0	79.3	—	—	—
Trade names	20	51.2	1.8	49.4	—	—	—
Information technology	5	3.7	.5	3.2	—	—	—
Subtotal		140.2	8.3	131.9	—	—	—
MediaAlpha							
Customer relationships	9	26.8	4.9	21.9	26.8	2.4	24.4
Information technology	5	33.3	30.9	2.4	33.3	24.3	9.0
Other	3	9.8	9.0	.8	9.8	7.8	2.0
Subtotal		69.9	44.8	25.1	69.9	34.5	35.4
Buzz							
Trademark	7	.6	.2	.4	.6	.1	.5
Information technology	5	.5	.3	.2	.5	.2	.3
Subtotal		1.1	.5	.6	1.1	.3	.8
Total other intangible assets		211.2	53.6	157.6	71.0	34.8	36.2
Total goodwill and other intangible assets		$591.1	$ 53.6	$537.5	$96.9	$ 34.8	$ 62.1
Goodwill and other intangible assets attributed to non-controlling interests				(40.6)			(21.1)
Goodwill and other intangible assets included in White Mountains's common shareholders' equity				$496.9			$ 41.0

(1) Includes the effect of foreign currency translation from the date of acquisition of $(2.2) for goodwill and $(0.7) for other intangible assets.
(2) The relative fair values of goodwill and other intangible assets recognized in connection with the acquisition of KBK had not yet been determined at December 31, 2018. See Note 2 — “Significant Transactions”.
(3) Includes the effect of foreign currency translation from the date of acquisition of $(0.3) for goodwill.

The goodwill recognized for the above acquisitions is attributed to expected future cash flows. The acquisition date fair values of other intangible assets with finite lives are estimated using income approach techniques, which use future expected cash flows to develop a discounted present value amount.
The multi-period-excess-earnings method estimates fair value using the present value of the incremental after-tax cash flows attributable solely to the other intangible asset over its remaining life. This approach was used to estimate the fair value of other intangible assets associated with trademarks, brand names, customer relationships and contracts and information technology.

The relief-from-royalty method was used to estimate fair value for other intangible assets that relate to rights that could be obtained via a license from a third-party owner. Under this method, the fair value is estimated using the present value of license fees avoided by owning rather than leasing the asset. This technique was used to estimate the fair value of domain names, certain trademarks and brand names.

The with-or-without method estimates the fair value of another intangible asset that provides an incremental benefit. Under this method, the fair value of the other intangible asset is calculated by comparing the value of the entity with and without the other intangible asset. This approach was used to estimate the fair value of favorable lease terms.

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

	December 31,			
	2018		2017	
Millions	Goodwill	Other Intangible Assets	Goodwill	Other Intangible Assets
Beginning balance	$25.9	$ 36.2	$25.9	$ 19.3
Acquisitions of businesses [1]	356.5	140.9	—	—
Acquisitions of asset groups [2]	—	—	—	27.6
Foreign currency translation	(2.5)	(.7)	—	—
Acquisitions of other intangible assets	—	—	—	—
Amortization	—	(18.8)	—	(10.7)
Ending balance	$379.9	$ 157.6	$25.9	$ 36.2

[1] During 2018, amounts include acquisitions related to NSM, Fresh Insurance and KBK. See Note 2 — "Significant Transactions".

[2] During 2017, amounts include certain assets associated with the Health, Life and Medicare insurance business of Healthplans.com for an aggregate purchase price of $28.0. See Note 2 — "Significant Transactions".

Amortization expense was $18.8 million, $10.7 million and $10.5 million for the years ended December 31, 2018, 2017 and 2016.

White Mountains expects to recognize amortization expense in each of the next five years as the following table presents:

Millions	Amortization Expense
2019	$ 18.1
2020	16.0
2021	16.0
2022	15.8
2023 and years after	89.5
Total	$ 155.4

Note 5. Debt

The following table presents White Mountains's debt outstanding as of December 31, 2018 and 2017:

Millions	December 31, 2018	Effective Rate [1]	December 31, 2017	Effective Rate [1]
WTM Bank Facility	$ —	N/A	$ —	N/A
NSM Bank Facility	180.4	7.4%	—	
Unamortized issuance cost	(3.8)		—	
NSM Bank Facility, carrying value	176.6	—	—	
MediaAlpha Bank Facility	14.3	7.1%	23.9	5.6%
Unamortized issuance cost	(.1)		(.1)	
MediaAlpha Bank Facility, carrying value	14.2		23.8	
Other NSM debt, carrying value	1.9		—	
Total debt	$ 192.7		$ 23.8	

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

The following table presents a schedule of contractual repayments of White Mountains's debt as of December 31, 2018:

Millions	December 31, 2018
Due in one year or less	$ 5.2
Due in two to three years	10.4
Due in four to five years	9.4
Due after five years	171.9
Total	$ 196.9

WTM Bank Facility

White Mountains had a revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A., which had a total commitment of $425.0 million (the "WTM Bank Facility"). White Mountains terminated the WTM Bank Facility on May 8, 2018.
White Mountains recorded $0.3 million, $0.6 million, and $1.2 million of interest expense on the WTM Bank Facility for the years ended December 31, 2018, 2017 and 2016.

NSM Bank Facility

On May 11, 2018, NSM entered into a secured credit facility (the "NSM Bank Facility") with Ares Capital Corporation in order to refinance NSM's existing debt and to fund the acquisitions of subsidiaries. The NSM Bank Facility is comprised of a term loan of $100.0 million, two delayed-draw term loans of $51.0 million, to fund the Fresh Insurance acquisition, and $30.1 million, to fund the KBK acquisition, and a revolving credit loan commitment of $10.0 million, under which NSM initially borrowed $2.0 million. The term loans under the NSM Bank Facility mature on May 11, 2024, and the revolving loan under the NSM Bank Facility matures on May 11, 2023. During the period from May 11, 2018 through December 31, 2018, NSM repaid $0.8 million on the term loans and $2.0 million on the revolving credit loan. As of December 31, 2018, $180.4 million of the term loans were outstanding and the revolving credit loan was undrawn.
Interest on the NSM Bank Facility accrues at a floating interest rate equal to the three month LIBOR or the Prime Rate, as published by the Wall Street Journal plus, in each case, an applicable margin. The margin over LIBOR may vary between 4.25% and 4.75%, and the margin over the Prime Rate may vary between 3.25% and 3.75%, in each case, depending on the consolidated total leverage ratio of the borrower.

F - 32

On June 15, 2018, NSM entered into an interest rate swap agreement to hedge its exposure to interest rate risk on $151.0 million of its variable rate term loans. Under the terms of the swap agreement, NSM pays a fixed rate of 2.97% and receives a variable rate, which is reset monthly, based on the then-current LIBOR. As of December 31, 2018, the variable rate received by NSM under the swap agreement was 2.52%. As of December 31, 2018, the effective interest rate for the outstanding term loans of $150.2 million that are hedged by the swap was 7.47%. The effective interest on the outstanding term loans of $30.0 million that are unhedged was 6.85%. The effective interest rate on the total outstanding term loans under the NSM Bank Facility of $180.4 million was 7.42%. See Note 7 — "Derivatives — NSM Interest Rate Swap".

NSM recorded $8.0 million of interest expense on the NSM Bank Facility for the 2018 ownership period.

The NSM Bank Facility is secured by all property of the loan parties and contains various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including a maximum consolidated total leverage ratio covenant.

MediaAlpha Bank Facility

On May 12, 2017, MediaAlpha entered into a secured credit facility (the "MediaAlpha Bank Facility") with Western Alliance Bank, which had a total commitment of $20.0 million and had a maturity date of May 12, 2020. On October 5, 2017, MediaAlpha refinanced the MediaAlpha Bank Facility in order to fund the acquisition of certain assets associated with the Health, Life and Medicare insurance business of Healthplans.com. The total commitment of the MediaAlpha Bank Facility was increased to $28.4 million and has a maturity date of October 6, 2020. The MediaAlpha Bank Facility consists of a $18.4 million term loan facility, which has an outstanding balance of $14.3 million as of December 31, 2018, and a revolving loan facility for $10.0 million, which was undrawn as of December 31, 2018. The MediaAlpha Bank Facility replaced MediaAlpha's previous credit facility with Opus Bank, which had a total commitment of $20.0 million.

The MediaAlpha Bank Facility carries a variable interest rate that is based on the Prime Rate, as published by the Wall Street Journal, plus a spread of 1.5% on the term loan facility and 0.25% on the revolving credit facility as of December 31, 2018.

During 2018, under the MediaAlpha Bank Facility, MediaAlpha repaid $3.6 million on the term loan and borrowed $3.0 million and repaid $9.0 million on the revolving loan. In 2017, under the MediaAlpha Bank Facility, MediaAlpha borrowed $20.0 million and repaid $2.1 million on the term loan and borrowed $6.0 million on the revolving loan. During 2017, under the previous MediaAlpha Bank Facility, MediaAlpha repaid $12.9 million.

MediaAlpha recorded $1.2 million, $1.0 million, $0.9 million of interest expense on the MediaAlpha Bank Facility for the years ended December 31, 2018, 2017 and 2016.

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

Other NSM Debt

On December 12, 2016, in connection with the acquisition of a wholly-owned subsidiary, NSM assumed a secured term loan facility with Ageas Insurance Limited, which has a maturity date of May 11, 2024. As of December 31, 2018, the secured term loan facility has an outstanding balance of $2.2 million. The carrying value of the debt includes a purchase accounting adjustment of $(0.3) million to reflect the debt at its acquisition date fair value. The $(0.3) million is being amortized over the remaining term of the loan.

Debt Covenants

As of December 31, 2018, White Mountains was in compliance with all of the covenants under all of its debt facilities.

Interest

Total interest expense incurred by White Mountains for its indebtedness was $9.5 million, $2.3 million and $3.0 million for the periods ended December 31, 2018, 2017 and 2016. Total interest paid by White Mountains for its indebtedness was $8.8 million, $1.4 million, and $2.1 million for the periods ended December 31, 2018, 2017 and 2016.

Note 6. Income Taxes

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

The following table presents the total income tax benefit for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
Millions	2018	2017	2016
Current income tax (expense) benefit:			
U.S. federal	$ (.1)	$ (.3)	$ 21.4
State	(1.4)	(1.3)	(.7)
Non-U.S.	(2.9)	(2.0)	(.3)
Total current income tax (expense) benefit	(4.4)	(3.6)	20.4
Deferred income tax benefit:			
U.S. federal	8.3	11.4	12.5
Non-U.S.	.1	—	—
Total deferred income tax benefit	8.4	11.4	12.5
Total income tax benefit	$ 4.0	$ 7.8	$ 32.9

Effective Rate Reconciliation

The following table presents a reconciliation of taxes calculated for 2018 using the 21% U.S. federal statutory rate and for 2017 and 2016 using the 35% U.S. federal statutory rate (the tax rate at which the majority of White Mountains's worldwide operations are taxed) to the income tax benefit (expense) on pre-tax (loss) income:

	Year Ended December 31,		
Millions	2018	2017	2016
Tax benefit (expense) at the U.S. statutory rate	$ 37.4	$ (2.7)	$ 51.6
Differences in taxes resulting from:			
Change in valuation allowance	(31.0)	42.6	6.9
State taxes	4.0	.6	(1.2)
Non-U.S. earnings, net of foreign taxes	(2.9)	21.5	(19.2)
Withholding tax	(2.7)	(2.0)	(.2)
Member's surplus contributions ("MSC")	(2.6)	(3.0)	(2.3)
Tax rate changes	1.7	(44.3)	(3.9)
Tax reserve adjustments	(.8)	(.3)	—
Tax exempt interest and dividends	.6	.5	.1
Officer compensation	—	(4.1)	—
Other, net	.3	(1.0)	1.1
Total income tax benefit on pre-tax (loss) income	$ 4.0	$ 7.8	$ 32.9

The non-U.S. component of pre-tax (loss) income was $(30.1) million, $71.3 million and $(66.3) million for the years ended December 31, 2018, 2017 and 2016.

Tax Payments and Receipts

Net income tax payments to national governments (primarily the United States) totaled $3.5 million, $2.0 million, and $0.3 million for the years ended December 31, 2018, 2017 and 2016.

Deferred Tax Assets and Liabilities

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes.
The following table presents an outline of the significant components of White Mountains's U.S. federal, state and non-U.S. deferred tax assets and liabilities:

	December 31,	
Millions	2018	2017
Deferred tax assets related to:		
U.S. federal and state net operating and capital loss carryforwards	$ 95.5	$ 73.0
Non-U.S. net operating loss carryforwards	36.6	33.9
Incentive compensation	14.1	20.4
Investment basis difference	11.1	4.9
Net unrealized investment losses	9.5	—
Tax credit carryforwards	4.2	1.3
Deferred acquisition costs	3.5	2.0
Other items	5.8	1.6
Total gross deferred tax assets	180.3	137.1
Less: valuation allowances	139.9	109.6
Total net deferred tax assets	40.4	27.5
Deferred tax liabilities related to:		
MSC	32.8	24.1
Purchase accounting	4.2	.2
Net unrealized investment gains	—	1.0
Other items	1.2	.9
Total deferred tax liabilities	38.2	26.2
Net deferred tax asset	$ 2.2	$ 1.3

White Mountains's deferred tax assets are net of U.S. federal, state and non-U.S. valuation allowances and, to the extent they relate to non-U.S. jurisdictions, they are shown at year-end exchange rates.

Tax Cuts and Jobs Act of 2017

On December 22, 2017, the Tax Cuts and Jobs Act of 2017 (the "TCJA") was enacted. Substantially all of the provisions of the TCJA are effective for taxable years beginning after December 31, 2017. The TCJA includes significant changes to the Internal Revenue Code of 1986 (the "Code"), including amendments which significantly change the taxation of individuals and business entities. The more significant changes in the TCJA that impact White Mountains are reductions in the corporate federal income tax rate from 35% to 21% and several technical provisions including, among others, limiting the utilization of net operating losses arising after December 31, 2017 to 80% of taxable income with an indefinite carryforward.
The TCJA did not have a material impact on White Mountains's financial statements in 2017 due to a full valuation allowance previously having been recorded against its U.S. deferred tax assets. Under U.S. GAAP, specifically ASC Topic 740, Income Taxes, the tax effects of changes in tax laws must be recognized in the period in which the law is enacted, or December 22, 2017 for the TCJA. ASC 740 also requires deferred tax assets and liabilities to be measured at the enacted tax rate expected to apply when temporary differences are to be realized or settled. Thus, at the date of enactment, White Mountains's deferred taxes were re-measured based upon the new tax rate. For White Mountains, a change in deferred taxes was recorded as an adjustment to our deferred tax provision for $43.1 million of federal tax expense, which was offset by a change in the valuation allowance.

F - 35

The staff of the U.S. Securities and Exchange Commission has recognized the complexity of reflecting the impacts of the TCJA and on December 22, 2017 issued guidance in Staff Accounting Bulletin 118 ("SAB 118") which clarifies accounting for income taxes under ASC 740 if information is not yet available or complete and provides for up to a one-year period in which to complete the required analyses and accounting (the measurement period). SAB 118 describes three scenarios associated with a company's status of accounting for income tax reform: (1) a company is complete with its accounting for certain effects of tax reform, (2) a company is able to determine a reasonable estimate for certain effects of tax reform and records that estimate as a provisional amount, or (3) a company is not able to determine a reasonable estimate and therefore continues to apply ASC 740, based on the provisions of the tax laws that were in effect immediately prior to the TCJA being enacted. White Mountains completed its accounting for the effects of the TCJA, which have been reflected in the December 31, 2017 financial statements.

Valuation Allowance

White Mountains records a valuation allowance against deferred tax assets if it becomes more likely than not that all or a portion of a deferred tax asset will not be realized. Changes in valuation allowances from period to period are included in income tax expense in the period of change. In determining whether or not a valuation allowance, or change therein, is warranted, White Mountains considers factors such as prior earnings history, expected future earnings, carryback and carryforward periods and strategies that if executed would result in the realization of a deferred tax asset. It is possible that certain planning strategies or projected earnings in certain subsidiaries may not be sufficient to utilize the entire deferred tax asset, which could result in material changes to White Mountains's deferred tax assets and tax expense.

Of the $139.9 million valuation allowance as of December 31, 2018, $102.6 million related to deferred tax assets on net operating losses in U.S. subsidiaries and other federal and state deferred tax benefits, $21.1 million related to deferred tax assets on net operating losses and net investment unrealized gains and losses in Luxembourg subsidiaries, $14.5 million related to net operating losses and other deferred tax benefits in Israeli subsidiaries and $1.7 million related to net operating losses and other deferred tax benefits in U.K. subsidiaries. Of the $109.6 million valuation allowance as of December 31, 2017, $74.8 million related to deferred tax assets on net operating losses in U.S. subsidiaries and other federal and state deferred tax benefits, $20.3 million related to deferred tax assets on net operating losses and net investment unrealized gains and losses in Luxembourg subsidiaries, $13.5 million related to net operating losses in Israeli subsidiaries and $1.0 million related to net operating losses in a U.K. subsidiary.

United States

During 2018 and 2017, White Mountains recorded income tax expense (benefit) of $22.7 million to establish and $(21.5) million to release a valuation allowance against deferred tax assets of Guilford Holdings, Inc. and subsidiaries ("Guilford"). Guilford consists of MediaAlpha, various service companies and certain investments and other assets that are included in the Other Operations segment. The TCJA reduced the U.S. federal income tax rate from 35% to 21%, which reduced the deferred tax assets of Guilford by $20.4 million. In 2017, White Mountains recorded a $20.4 million tax expense for the reduction, which was offset with a tax benefit due to the release in the valuation allowance against the deferred tax assets. During 2018 and 2017, Guilford continued to have a full valuation allowance recorded against its deferred tax assets as White Mountains management is unsure it will generate sufficient taxable income to utilize the deferred tax assets.

During 2018 and 2017, White Mountains recorded income tax expense (benefit) of $1.5 million to establish and $(18.4) million to release a valuation allowance against deferred tax assets of BAM. The reduction in the U.S. federal income tax rate under the TCJA reduced the deferred tax assets of BAM by $22.7 million. In 2017, White Mountains recorded a $22.7 million income tax expense for the reduction, which was offset with an income tax benefit due to the release in the valuation allowance against the deferred tax assets. Also during 2018 and 2017, BAM had income in equity that was available to offset its loss from continuing operations. As a result, BAM recorded an income tax benefit of $8.7 million and $10.1 million, in continuing operations, with an offsetting tax expense in paid-in surplus. During 2018 and 2017, BAM continued to have a full valuation allowance recorded against its deferred tax assets as White Mountains management is unsure it will generate sufficient taxable income to utilize the deferred tax assets.

During 2018, White Mountains recorded income tax expense of $2.8 million to establish a valuation allowance against a deferred tax asset related to foreign tax credits at White Mountains Catskill Holdings, Inc. as White Mountains management is unsure it will generate sufficient taxable income to utilize the deferred tax asset.

Non-U.S. Jurisdictions

During 2018, White Mountains recorded income tax expense of $1.2 million to establish a full valuation allowance against deferred tax assets which primarily related to unrealized losses on investments held in Luxembourg-domiciled subsidiaries.

During 2017, White Mountains recorded an income tax benefit of $6.4 million in Luxembourg to reduce a full valuation allowance against deferred tax assets due to the recapture of previously deducted losses offset by a loss on the write down of Wobi.

During 2018 and 2017, White Mountains recorded income tax expense of $2.1 million and $3.0 million to establish a full valuation allowance against deferred tax assets at certain Israel-domiciled subsidiaries, as White Mountains management does not currently anticipate sufficient taxable income to utilize the deferred tax assets.

During 2018 and 2017, White Mountains recorded income tax expense of $0.7 million and $0.7 million to establish a full valuation allowance against deferred tax assets at certain U.K.-domiciled subsidiaries, as White Mountains management does not currently anticipate sufficient taxable income to utilize the deferred tax assets.

Net Operating Loss and Capital Loss Carryforwards

The following table presents net operating loss and capital loss carryforwards as of December 31, 2018, the expiration dates and the deferred tax assets thereon:

	December 31, 2018				
Millions	United States	Luxembourg	United Kingdom	Israel	Total
2019-2023	$.4	$ —	$ —	$—	$.4
2024-2028	—	—	—	—	—
2029-2038	342.8	47.0	—	—	389.8
No expiration date	81.5	29.8	14.9	61.1	187.3
Total	$424.7	$ 76.8	$ 14.9	$61.1	$577.5
Gross deferred tax asset	89.7	20.0	2.6	14.0	126.3
Valuation allowance	(87.3)	(20.0)	(1.8)	(14.0)	(123.1)
Net deferred tax asset	$2.4	$ —	$ .8	$—	$3.2

Included in the U.S. net operating loss carryforwards are losses of $3.7 million subject to an annual limitation on utilization under Internal Revenue Code Section 382. These loss carryforwards will begin to expire in 2032. Also included in the U.S. net operating loss carryforwards are losses of $6.8 million due to additional deductions related to equity compensation. These loss carryforwards will begin to expire in 2032. As of December 31, 2018, there are U.S. alternative minimum tax credit carryforwards of $0.7 million, which are refundable under provisions of the TCJA.

Uncertain Tax Positions

Recognition of the benefit of a given tax position is based upon whether a company determines that it is more likely than not that a tax position will be sustained upon examination based upon the technical merits of the position. In evaluating the more-likely-than-not recognition threshold, White Mountains must presume that the tax position will be subject to examination by a taxing authority with full knowledge of all relevant information. If the recognition threshold is met, then the tax position is measured at the largest amount of benefit that is more than 50% likely of being realized upon ultimate settlement. There were no uncertain tax positions for the year ended December 31, 2016.

The following table presents a reconciliation of the beginning and ending amount of unrecognized tax benefits for 2018 and 2017:

Millions	Permanent Differences (1)	Temporary Differences (2)	Interest and Penalties (3)	Total
Balance at January 1, 2017	$ —	$ —	$ —	$ —

Changes in prior year tax positions	.1	—	—	.1
Tax positions taken during the current year	.2	—	—	.2
Balance at December 31, 2017	.3	—	—	.3
Changes in prior year tax positions	.8	—	—	.8
Balance at December 31, 2018	$ 1.1	$ —	$ —	$ 1.1

(1) Represents the amount of unrecognized tax benefits that, if recognized, would impact the effective tax rate.

(2) Represents the amount of unrecognized tax benefits that, if recognized, would create a temporary difference between the reported amount of an item in White Mountains's Consolidated Balance Sheet and its tax basis.

(3) Net of tax benefit.

White Mountains classifies all interest and penalties on unrecognized tax benefits as part of income tax expense. During the years ended December 31, 2018, 2017 and 2016, White Mountains did not recognize any net interest (income) expense. There was no accrued interest as of December 31, 2018 and December 31, 2017.

Tax Examinations

With few exceptions, White Mountains is no longer subject to U.S. federal, state, or non-U.S. income tax examinations by tax authorities for years before 2013.
In the second quarter of 2016, White Mountains recorded an increase in deferred tax assets of $0.6 million and a corresponding increase in valuation allowance of $0.6 million related to the settlement of the IRS audit of Guilford for tax year 2012.
In the first quarter of 2018, the Israeli Tax Authority commenced an examination of the 2013 to 2016 income tax returns for Wobi. White Mountains does not expect the resolution of this examination to result in a material change to its financial condition, results of operations and cash flows.

Note 7. Derivatives

Variable Annuity Reinsurance

White Mountains entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. During the third quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature and were fully runoff by June 30, 2016. The reinsurance agreement was commuted in December 2016. WM Life Re was liquidated in the third quarter of 2017.
The following table presents the pre-tax operating results of WM Life Re for the year ended December 31, 2016:

Millions	Year Ended December 31, 2016
Fees, included in other revenue	$ 1.2
Change in fair value of variable annuity liability, included in other revenue	(.3)
Change in fair value of derivatives, included in other revenue	(2.0)
Foreign exchange, included in other revenue	1.3
Total revenues	.2
Death benefit claims paid, included in general and administrative expenses	(.3)
General and administrative expenses	(2.6)
Pre-tax loss	$ (2.7)

The following table presents realized and unrealized derivative gains (losses) recognized in other revenue for the year ended December 31, 2016 by type of instrument:

Millions	Gains (Losses) Year Ended December 31, 2016
Fixed income/interest rate	$ 1.8
Foreign exchange	(4.8)
Equity	1.0
Total	$ (2.0)

F - 38

The following tables present the changes in White Mountains's variable annuity reinsurance liabilities and derivative instruments for the year ended December 31, 2016:

	Variable Annuity Liabilities	Derivative Instruments			
Millions	Level 3	Level 3 (1)	Level 2 (1)(2)	Level 1 (3)	Total
Balance at January 1, 2016	$ .3	$2.7	$16.5	$ .9	$20.1
Purchases	—	—	—	—	—
Realized and unrealized (losses) gains	(.3)	2.9	(.7)	(4.2)	(2.0)
Transfers in	—	—	—	—	—
Sales/settlements	—	(5.6)	(15.8)	3.3	(18.1)
Balance at December 31, 2016	$ —	$—	$—	$ —	$—

(1) Consists of over-the-counter instruments.

(2) Consists of interest rate swaps, total return swaps, foreign currency forward contracts, and bond forwards. Fair value measurement based upon bid/ask pricing quotes for similar instruments that are actively traded, where available. Swaps for which an active market does not exist have been priced using observable inputs including the swap curve and the underlying bond index.

(3) Consists of exchange traded equity index, foreign currency and interest rate futures. Fair value measurements based upon quoted prices for identical instruments that are actively traded.

All of White Mountains's variable annuity reinsurance liabilities were classified as Level 3 measurements. The fair value of White Mountains's variable annuity reinsurance liabilities were estimated using actuarial and capital market assumptions related to the projected discounted cash flows over the term of the reinsurance agreement. Actuarial assumptions regarding future policyholder behavior, including surrender and lapse rates, were generally unobservable inputs and significantly impacted the fair value estimates. White Mountains used derivative instruments to mitigate the risks associated with changes in the fair value of the reinsured variable annuity guarantees. The types of inputs used to estimate the fair value of these derivative instruments, with the exception of actuarial assumptions regarding policyholder behavior and risk margins, were generally the same as those used to estimate the fair value of variable annuity liabilities.

Foreign Currency Forward Contracts

White Mountains's investment portfolio includes investments denominated in GBP, Euros, Japanese Yen and other foreign currencies. White Mountains previously entered into foreign currency forward contracts to manage its foreign currency exposure related to certain of these investments. The foreign currency forward contracts did not meet the criteria to be accounted for as a hedge. Mismatches between currency driven movements in foreign denominated investments and foreign currency forward contracts may result in net foreign currency positions being outside pre-defined ranges and/or may result in net foreign currency gains (losses). White Mountains's foreign currency forward contracts were traded over-the-counter. The fair value of the foreign currency forward contracts were estimated using OTC quotes for similar instruments and accordingly, the measurements were classified as Level 2 measurements.

During the fourth quarter of 2017, White Mountains closed the foreign currency forward contracts associated with certain non-U.S. common equity securities. In conjunction with the liquidation of the GBP investment grade corporate bond mandate in the first quarter of 2018, White Mountains closed the associated foreign currency forward contract. As of December 31, 2018, White Mountains no longer has any open foreign currency forward contracts. As of December 31, 2017, White Mountains held $206.3 million (GBP 152.0 million) total gross notional value of a foreign currency forward contract.

The derivative (losses) recognized in net realized and unrealized investment gains (losses) for the years ended December 31, 2018, 2017 and 2016 were $(3.5) million, $(23.8) million and $(1.2) million. White Mountains's foreign currency forward contracts were subject to a master netting agreement. As of December 31, 2017 and 2016, the gross liability amount offset under the master netting agreement and the net amount recognized in other long-term investments was $(3.7) million and $(1.2) million.

White Mountains did not hold or provide any collateral under its foreign currency forward contract.

The following table presents the gross notional amounts and carrying values associated with the foreign currency forward contracts as of December 31, 2017:

	December 31, 2017		
Millions	Notional Amount	Carrying Value	Standard & Poor's Rating[1]
Barclays Bank PLC	$206.3	$ (3.7)	A

[1] "A" is the sixth highest of 23 credit ratings assigned by Standard & Poor's.

F - 39

NSM Interest Rate Swap

On May 11, 2018, NSM entered into the NSM Bank Facility. Interest on the NSM Bank Facility accrues at a floating interest rate equal to the three month LIBOR or the Prime Rate, as published by the Wall Street Journal plus, in each case, an applicable margin. The margin over LIBOR may vary between 4.25% and 4.75%, and the margin over the Prime Rate may vary between 3.25% and 3.75%, in each case, depending on the consolidated total leverage ratio of the borrower.

On June 15, 2018, NSM entered into an interest rate swap agreement to hedge its exposure to interest rate risk on $151.0 million of its variable rate term loans. Under the terms of the swap agreement, NSM pays a fixed rate of 2.97% and receives a variable rate, which is reset monthly, based on the then-current LIBOR. As of December 31, 2018, the variable rate received by NSM under the swap agreement was 2.52%. Over the term of the swap, the notional amount decreases in accordance with the principal repayments NSM expects to make on its term loans. As of December 31, 2018, the effective interest rate for the outstanding term loans of $150.2 million that are hedged by the swap was 7.47%. NSM's obligations under the swap are secured by the same collateral securing the NSM Bank Facility on a pari passu basis. NSM does not currently hold any collateral deposits from or provide any collateral deposits to the swap counterparty.

NSM evaluated the effectiveness of the swap to hedge its interest rate risk associated with its variable rate debt and concluded at the swap inception date that the swap was highly effective in hedging that risk. NSM will evaluate the effectiveness of the hedging relationship on an ongoing basis.

For the period from May 11, 2018 through December 31, 2018, NSM recognized net interest expense of $0.7 million for the periodic net settlement payments on the swap. As of December 31, 2018, the estimated fair value of the swap and the accrual of the periodic net settlement payments recorded in other liabilities was $2.7 million. There was no ineffectiveness in the hedge for the period from May 11, 2018 through December 31, 2018. The $(2.7) million change in the fair value of the swap for the period from May 11, 2018 through December 31, 2018 is included within accumulated other comprehensive income (loss).

Note 8. Municipal Bond Guarantee Insurance

In 2012, HG Global was capitalized with $594.5 million from White Mountains and $14.5 million from non-controlling interests to fund the initial capitalization of BAM, a newly formed mutual municipal bond insurer. As of December 31, 2018, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of BAM Surplus Notes. At inception, BAM and HG Re also entered into a first loss reinsurance treaty ("FLRT"). HG Re provides first loss protection up to 15%-of-par outstanding on each municipal bond insured by BAM. For capital appreciation bonds, par is adjusted to the estimated equivalent par value for current interest paying bonds. In return, BAM cedes 60% of the risk premium charged for insuring the municipal bond, net of a ceding commission. During 2017, HG Global and BAM made certain changes to the ceding commission arrangements under the FLRT. These changes serve to accelerate growth in BAM's statutory capital but do not impact the net risk premium ceded from BAM to HG Re.

HG Re's obligations under the FLRT are limited to the assets in two collateral trusts: a Regulation 114 Trust and a supplemental collateral trust (the "Supplemental Trust" and together with the Regulation 114 Trust, the "Collateral Trusts"). Losses required to be reimbursed under the FLRT are subject to an aggregate limit equal to the assets held in the Collateral Trusts at any point in time.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8.0% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which was 3.78%, 4.60% and 5.70% for 2017, 2018 and 2019. In 2018, BAM exercised its option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8.0%. No payment of interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services ("NYDFS"). BAM has stated its intention to seek regulatory approval to pay interest and principal on its surplus notes to the extent that its remaining qualified statutory capital and other capital resources continue to support its outstanding obligations, its business plan and its “AA/stable” rating from Standard & Poor’s. BAM repaid \$17.7 million of the BAM Surplus Notes and \$5.3 million of accrued interest during the year ended December 31, 2018. BAM repaid \$4.0 million of the BAM Surplus Notes and \$1.0 million of accrued interest during the year ended December 31, 2017.

At inception, the Supplemental Trust contained the original $300 million of Series B Notes and $100 million of cash and fixed income securities. During 2017, in order to further support BAM's long-term capital position and business prospects, HG Global agreed to contribute the original $203.0 million of Series A Notes into the Supplemental Trust. At the same time HG Global and BAM also changed the payment terms of the Series B Notes, so that payments will reduce principal and accrued interest on a pro rata basis, consistent with the payment terms on the Series A Notes. The terms of the Series B Notes had previously stipulated that payments would first reduce interest owed, then reduce principal owed once all accrued interest had been paid. The NYDFS approved the change during 2017. In connection with the contribution and change in payment terms of the Series B Notes, the Series A Notes were merged into the Series B Notes to become the Series S-1 Surplus Notes.

On December 3, 2018, the Series S-1 Surplus Notes were exchanged for Series S-2 Surplus Notes, which reflect all of the unpaid principal and accrued interest from the Series S-1 Surplus Notes. The Series S-2 Surplus Notes are held in an HG Re sponsored vehicle within the Supplemental Trust.

The Regulation 114 Trust target balance is equal to gross ceded unearned premiums and unpaid ceded loss and LAE expenses, if any. The Supplemental Trust target balance is equal to $603.0 million. 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 Collateral Trust balances must be at target levels before excess funds can be distributed out of the Supplemental Trust.

Under GAAP, if the terms of a debt instrument are amended, unless there is a greater than 10% change in the expected discounted future cash flows of such instrument, a change in the instrument's carrying value is not permitted. White Mountains has determined that the impact of the changes made during 2017 to the terms of the BAM Surplus Notes on the expected discounted future cash flows was not greater than 10%.

As of December 31, 2018 and 2017, the Collateral Trusts held assets of $757.4 million and $715.1 million, which included $481.3 million and $499.0 million of BAM Surplus Notes. As of December 31, 2018 and 2017, HG Global has accrued $143.7 million and $126.0 million of interest receivable on the BAM Surplus Notes.

The following table presents a schedule of BAM's insured obligations as of December 31, 2018 and 2017:

	December 31, 2018	December 31, 2017
Contracts outstanding	7,525	6,371
Remaining weighted average contract period (in years)	10.7	10.9
Contractual debt service outstanding (in millions):		
Principal	$52,201.6	$42,090.6
Interest and capital appreciation	26,560.3	21,057.1
Total debt service outstanding	$78,761.9	$63,147.7
Gross unearned insurance premiums	$176.0	$136.8

The following table presents a schedule of BAM's future premium revenues as of December 31, 2018:

Millions	December 31, 2018
January 1, 2019 - March 31, 2019	$ 4.1
April 1, 2019 - June 30, 2019	4.0
July 1, 2019 - September 30, 2019	4.0
October 1, 2019 - December 31, 2019	3.8
	15.9
2020	15.0
2021	14.0
2022	13.2
2023	12.3
2024 and thereafter	105.6
Total gross unearned insurance premiums	$ 176.0

F - 41

The following table presents a schedule of net written premiums and net earned premiums included in White Mountains's HG Global/BAM segment for the years ended December 31, 2018, 2017 and 2016:

Millions	December 31, 2018	December 31, 2017	December 31, 2016
Written premiums:			
Direct	$ 44.8	$ 63.2	$ 38.6
Assumed	8.1	—	—
Net written premiums	$ 52.9	$ 63.2	$ 38.6
Earned premiums:			
Direct	$ 13.6	$ 9.4	$ 5.9
Assumed	.3	—	—
Net earned premiums	$ 13.9	$ 9.4	$ 5.9

In April 2018, BAM entered into a collateralized financial guarantee excess of loss reinsurance agreement with Fidus Re, Ltd. ("Fidus Re"), a Bermuda based special purpose insurer created solely to provide reinsurance protection to BAM. Fidus Re was capitalized by the issuance of $100.0 million of insurance linked securities. The proceeds from issuance were placed in a collateral trust supporting Fidus Re's obligations to BAM. The insurance linked securities were issued by Fidus Re with an initial term of twelve years and are callable five years after the date of issuance. Under the agreement, BAM retains the first $165.0 million of aggregate losses, before giving effect to HG's reinsurance coverage, on the ceded business. Fidus Re reinsures 90% of aggregate losses exceeding $165.0 million on a portion of BAM's financial guarantee portfolio up to a total reimbursement of $100 million. The aggregate loss limit under the agreement is $276.1 million. The agreement is accounted for using deposit accounting and any related financing expenses are recorded in general and administrative expenses as the agreement does not meet the risk transfer requirements necessary to be accounted for as reinsurance.

In November 2018, BAM entered into a 100% quota share facultative reinsurance agreement under which it assumed a portfolio of municipal bond guarantee contracts with a par value of $2.2 billion. None of the contracts assumed were non-performing and no loss reserves have been established for any of the contracts, either at the transaction date or subsequent thereto. The agreement, which covers future claims exposure only, meets the risk transfer criteria under ASC 944-20, Insurance Activities and accordingly has been accounted for as reinsurance.

Note 9. Earnings Per Share

White Mountains calculates earnings per share using the two-class method, which allocates earnings between common shares and unvested restricted common shares. Both classes of shares participate equally in dividends and earnings on a per share basis. Basic earnings per share amounts are based on the weighted average number of common shares outstanding adjusted for unvested restricted common shares.
The following table presents the Company's computation of earnings per share from continuing operations for the years ended December 31, 2018, 2017 and 2016. See Note 19 — "Held for Sale and Discontinued Operations".

	Year Ended December 31,		
	2018	2017	2016
Basic and diluted earnings per share numerators (in millions):			
Net (loss) income attributable to White Mountains's common shareholders	$(141.2)	$627.2	$401.8
Less: total (loss) income from discontinued operations, net of tax	(17.2)	577.5	523.4
Net (loss) income from continuing operations attributable to White Mountains's common shareholders	(124.0)	49.7	(121.6)
Allocation of earnings (losses) to participating restricted common shares [1]	1.4	(.7)	1.5
Basic and diluted (losses) earnings per share numerators	$(122.6)	$49.0	$(120.1)
Basic earnings per share denominators (in thousands):			
Total average common shares outstanding during the period	$3,382.5	$4,293.8	$5,014.9
Average unvested restricted common shares [2]	(40.1)	(54.3)	(64.8)
Basic (losses) earnings per share denominator	$3,342.4	$4,239.5	$4,950.1
Diluted earnings per share denominator (in thousands):			
Total average common shares outstanding during the period	$3,382.5	$4,293.8	$5,018.1
Average unvested restricted common shares [2]	(40.1)	(54.3)	(64.8)
Diluted (losses) earnings per share denominator [3]	$3,342.4	$4,239.5	$4,953.3
Basic and diluted earnings per share (in dollars) - continuing operations:			
Distributed earnings - dividends declared and paid	$1.00	$1.00	$1.00
Undistributed (losses) earnings	$(37.67)	$10.56	$(25.26)
Basic and diluted (losses) earnings per share	$(36.67)	$11.56	$(24.26)

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

(2) Restricted shares outstanding vest either in equal annual installments or upon a stated date. See Note 10 — "Employee Share-Based Incentive Compensation Plans".

(3) The diluted earnings (loss) per share denominator for the year ended December 31, 2016, includes the impact of 40,000 common shares issuable upon exercise of the non-qualified options outstanding, which resulted in 3,217 incremental shares outstanding over the period.

The following table presents the undistributed net earnings (losses) from continuing operations for the years ended December 31, 2018, 2017 and 2016. See Note 19 — "Held for Sale and Discontinued Operations".

	Year Ended December 31,		
Millions	2018	2017	2016
Undistributed net earnings - continuing operations:			
Net (loss) income attributable to White Mountains's common shareholders, net of restricted common share amounts	$(122.6)	$49.0	$(120.1)
Dividends declared, net of restricted common share amounts [1]	(3.7)	(4.5)	(5.4)
Total undistributed net (losses) earnings, net of restricted common share amounts	$(126.3)	$44.5	$(125.5)

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

F - 43

Note 10. Employee Share-Based Incentive Compensation Plans

White Mountains's share-based incentive compensation plans are designed to incentivize key employees to maximize shareholder value over long periods of time. White Mountains believes that this is best pursued by utilizing a pay-for-performance program that closely aligns the financial interests of management with those of its shareholders. White Mountains accomplishes this by emphasizing highly variable long-term compensation that is contingent on performance over a number of years rather than entitlements. White Mountains expenses all its share-based compensation. As a result, White Mountains's calculation of its owners' returns includes the expense of all outstanding share-based compensation awards.

Incentive Compensation Plans

White Mountains's Long-Term Incentive Plan (the "WTM Incentive Plan") provides for grants of various types of share-based and non-share-based incentive awards to key employees and directors of White Mountains. The WTM Incentive Plan was adopted by the Board, was approved by the Company's sole shareholder in 1985 and was subsequently amended by its shareholders in 1995, 2001, 2003, 2005, 2010 and 2013. Share-based incentive awards that may be granted under the plan include performance shares, restricted shares, incentive stock options and non-qualified stock options ("Non-Qualified Options").

Performance Shares

Performance shares are designed to reward employees for meeting company-wide performance targets. Performance shares are conditional grants of a specified maximum number of common shares or an equivalent amount of cash. Awards generally vest at the end of a three-year service period, are subject to the attainment of pre-specified performance goals, and are valued based on the market value of common shares at the time awards are paid. Performance shares earned under the WTM Incentive Plan are typically paid in cash but may be paid in common shares. Compensation expense is recognized for the vested portion of the awards over the related service periods. The level of payout ranges from zero to two times the number of shares initially granted, depending on White Mountains's financial performance. Performance shares become payable at the conclusion of a performance cycle (typically three years) if pre-defined financial targets are met. The performance measures used for determining performance share payouts are growth in White Mountains's adjusted book value per share and intrinsic value per share. Intrinsic value per share is generally calculated by adjusting adjusted book value per share for differences between the adjusted book value of certain assets and liabilities and White Mountains's estimate of their underlying intrinsic values.
The following table presents performance share activity for the years ended December 31, 2018, 2017 and 2016 for performance shares granted under the WTM Incentive Plan:

	Year Ended December 31,					
	2018		2017		2016	
$ in Millions	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense	Target Performance Shares Outstanding	Accrued Expense
Beginning of period	50,515	$ 45.8	80,353	$ 42.4	93,654	$ 57.7
Shares paid or expired [(1)]	(23,186)	(28.4)	(30,838)	(21.9)	(36,294)	(41.0)
New grants	14,105	—	17,710	—	22,615	—
Forfeitures [(2)]	(818)	.1	(16,710)	(9.3)	378	.5
Expense recognized	—	14.2	—	34.6	—	25.2
End of period [(3)]	40,616	$ 31.7	50,515	$ 45.8	80,353	$ 42.4

(1) WTM performance share payments in 2018 for the 2015-2017 performance cycle, which were paid in March 2018 ranged from 145% to 147% of target. WTM performance share payments in 2017 for the 2014-2016 performance cycle, which were paid in March 2017 ranged from 34% to 76% of target. WTM performance shares payments in

2016 for the 2013-2015 performance cycle ranged from 140% to 142% of target.

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

(3) Outstanding performance share awards as of December 31, 2018, 2017 and 2016 exclude 0, 2,195 and 7,315 unvested performance shares awards for employees of discontinued operations.

For the 2015-2017 and 2014-2016 performance cycle, all performance shares earned were settled in cash. For the performance shares earned in the 2013-2015 performance cycle, the Company issued 5,000 common shares and settled the remainder in cash. If the outstanding performance shares had vested on December 31, 2018, the total additional compensation cost to be recognized would have been $13.8 million, based on accrual factors as of December 31, 2018 (common share price and payout assumptions).

The following table presents performance shares outstanding and accrued expense for performance shares awarded under the WTM Incentive Plan as of December 31, 2018 for each performance cycle:

$ in Millions	Target Performance Shares Outstanding	Accrued Expense
Performance cycle:		
2018 – 2020	13,450	$ 3.8
2017 – 2019	14,070	11.9
2016 – 2018	13,715	16.5
Sub-total	41,235	32.2
Assumed forfeitures	(619)	(.5)
Total	40,616	$ 31.7

For the 2018-2020 performance cycle, the targeted performance goal for full payment of outstanding performance shares granted under the WTM Incentive Plan is 6% average growth in adjusted book value per share and intrinsic value per share. Average growth of 2% or less would result in no payout and average growth of 10% or more would result in a payout of 200%.

For the 2017-2019 performance cycle, the targeted performance goal for full payment of outstanding performance shares granted under the WTM Incentive Plan to non-investment personnel is 5% average growth in adjusted book value per share and intrinsic value per share. Average growth of 1% or less would result in no payout and average growth of 9% or more would result in a payout of 200%.

For the 2016-2018 performance cycle, the targeted performance goal for full payment of outstanding performance shares granted under the WTM Incentive Plan to non-investment personnel is 4% average growth in adjusted book value per share and intrinsic value per share. Average growth of 0% or less would result in no payout and average growth of 8% or more would result in a payout of 200%.

For investment personnel, for the periods ended December 31, 2016 and 2017, the targeted performance goals for full payment of outstanding performance shares granted under the WTM Incentive Plan are based one-third on average growth in adjusted book value per share and intrinsic value per share (as described above) and two-thirds on achieving a total return on invested assets as measured against metrics based on the 10-year U.S. Treasury Note. For periods after December 31, 2017, the targeted performance goals for full payment of outstanding performance shares granted under the WTM Incentive Plan are based on the same performance goals described above for non-investment personnel.

Restricted Shares

Restricted shares are grants of a specified number of common shares that generally vest at the end of a three-year service period. The following table presents the unrecognized compensation cost associated with the outstanding restricted share awards under the WTM Incentive Plan for the years ended December 31, 2018, 2017 and 2016:

$ in Millions	Year Ended December 31, 2018 Restricted Shares	2018 Unamortized Issue Date Fair Value	2017 Restricted Shares	2017 Unamortized Issue Date Fair Value	2016 Restricted Shares	2016 Unamortized Issue Date Fair Value
Non-vested,						
Beginning of period	53,755	$ 14.3	70,620	$ 19.7	70,675	$ 15.7
Issued	14,105	11.4	17,985	16.3	25,365	20.2
Vested	(25,381)	—	(28,846)	—	(24,620)	—
Forfeited	(969)	(.2)	(6,004)	(3.5)	(800)	(.3)
Expense recognized	—	(13.0)	—	(18.2)	—	(15.9)
End of period [(1)]	41,510	$ 12.5	53,755	$ 14.3	70,620	$ 19.7

(1) Outstanding restricted share awards as of December 31, 2018, 2017 and 2016 include 0, 2,195, and 5,235 unvested restricted shares for employees of Sirius Group.

During 2018, White Mountains issued 13,450 restricted shares that vest on January 1, 2021, 290 restricted shares that vest on January 1, 2020 and 365 restricted shares that vest on January 1, 2019. During 2017, White Mountains issued 17,485 restricted shares that vest on January 1, 2020, 250 restricted shares that vest on January 1, 2019 and 250 restricted shares that vest on January 1, 2018. During 2016, White Mountains issued 24,615 restricted shares that vest on January 1, 2019 and 750 restricted shares that vest on January 1, 2018. The unrecognized compensation cost as of December 31, 2018 is expected to be recognized ratably over the remaining vesting periods.

Non-Qualified Options

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

MediaAlpha Class B Unit Awards

MediaAlpha has issued Class B unit awards to certain employees. The units entitle the award recipient to participate in distributions from MediaAlpha, subject to a cumulative distribution threshold, which is a performance condition, and a service period. The grant date fair value of the awards is determined when it is deemed probable that the distribution threshold will be met. The service period ranges from 36 months to 48 months. For 2018, MediaAlpha recognized $11.7 million of compensation expense for the vested portion of the awards for which achievement of the performance award was deemed probable, and $3.3 million of unearned compensation expense for unvested awards, which will be recognized over the remaining service periods of the awards.

F - 46

Note 11. Common Shareholders' Equity and Non-controlling Interests

Common Shares Repurchased and Retired

During the past several years, White Mountains's board of directors authorized the Company to repurchase its common shares, from time to time, subject to market conditions. Shares may be repurchased on the open market or through privately negotiated transactions. The repurchase authorizations do not have a stated expiration date. As of December 31, 2018, White Mountains may repurchase an additional 635,705 shares under these board authorizations. In addition, from time to time White Mountains has also repurchased its common shares through tender offers that were separately authorized by its board of directors.
During 2018, the Company repurchased 592,458 common shares for $519.4 million at an average share price of $877, which were comprised of 582,493 common shares repurchased under the board authorizations for $511.0 million at an average share price of $877 and 9,965 common shares repurchased pursuant to employee benefit plans. Shares repurchased pursuant to employee benefit plans do not fall under the board authorizations referred to above.
During 2017, the Company repurchased 832,725 common shares for $723.9 million at an average share price of $869, which were comprised of 821,732 common shares repurchased under the board authorizations for $713.1 million at an average share price of $870 and 10,993 common shares repurchased pursuant to employee benefit plans.
During 2016, the Company repurchased 1,106,145 common shares for $887.2 million at an average share price of $802, which were comprised of 1,098,123 common shares repurchased under the board authorizations for $881.4 million at an average share price of $803 and 8,022 common shares repurchased pursuant to employee benefit plans.

Common Shares Issued

During 2018, the Company issued a total of 16,377 common shares, which consisted of 14,105 restricted shares to key personnel and 2,272 shares issued to directors of the Company.
During 2017, the Company issued a total of 25,086 common shares, which consisted of 17,985 restricted shares to key personnel, 5,142 shares issued to the Company's former Chairman and CEO as a result of exercised options, and 1,959 shares issued to directors of the Company.
During 2016, the Company issued a total of 47,030 common shares, which consisted of 25,365 restricted shares issued to key personnel, 14,930 shares issued to the Company's former Chairman and CEO as a result of exercised options, 5,000 shares issued in satisfaction of performance shares and 1,735 shares issued to directors of the Company.

Dividends on Common Shares

For the years ended December 31, 2018, 2017 and 2016, the Company declared and paid cash dividends totaling $3.8 million, $4.6 million and $5.4 million (or $1.00 per common share).

Non-controlling Interests
Non-controlling interests consist of the ownership interests of non-controlling shareholders in consolidated entities and are presented separately on the balance sheet.
The following table presents the balance of non-controlling interests included in White Mountains's total equity and the related percentage of each consolidated entity's total equity owned by non-controlling shareholders as of December 31, 2018 and 2017:

$ in Millions	December 31, 2018 Non-controlling Percentage		Non-controlling Equity	December 31, 2017 Non-controlling Percentage		Non-controlling Equity
Other, excluding BAM						
HG Global	3.1	%	$ 14.5	3.1	%	$ 15.9
NSM	4.5		13.6	—		—
MediaAlpha	39.0		16.2	35.7		13.1

Buzz	22.9	1.1	22.9	2.5
Other NSM	13.4	.3	—	—
Total other, excluding BAM		45.7		31.5
BAM	100.0	(170.6)	100.0	(163.2)
Total non-controlling interests		$ (124.9)		$ (131.7)

F - 47

Note 12. Statutory Capital and Surplus

White Mountains's insurance operations are subject to regulation and supervision in each of the jurisdictions where they are domiciled and licensed to conduct business. Generally, regulatory authorities have broad supervisory and administrative powers over such matters as licenses, standards of solvency, premium rates, policy forms, investments, security deposits, methods of accounting, form and content of financial statements, minimum capital and surplus requirements, dividends and other distributions to shareholders, periodic examinations and annual and other report filings. In general, such regulation is for the protection of policyholders rather than shareholders.
The Insurance Act 1978 of Bermuda and related regulations, as amended ("Insurance Act"), regulates the insurance business of Bermuda-domiciled insurers. Under the Insurance Act, insurers are required to maintain available statutory capital and surplus at a level equal to or in excess of its enhanced capital requirement which is established by reference to either a Bermuda Solvency Capital Requirement ("BSCR") model or an approved internal capital model. Generally, the Bermuda Monetary Authority ("BMA") has broad supervisory and administrative powers over such matters as licenses, standards of solvency, investments, methods of accounting, form and content of financial statements, minimum capital and surplus requirements, and annual and other report filings.

HG Global/BAM

HG Re is a Special Purpose Insurer under Bermuda insurance regulations and is subject to regulation and supervision by the BMA. As of December 31, 2018, HG Re had statutory capital and surplus of $698.9 million. As a Special Purpose Insurer, HG Re has a nominal minimum regulatory capital requirement of $1.
BAM is domiciled in New York and is subject to regulation by the NYDFS. New York financial guarantee insurance law establishes single risk and aggregate limits with respect to insured obligations insured by financial guarantee insurers. BAM's statutory net loss for the years ended December 31, 2018, 2017 and 2016 was $34.6 million, $25.4 million and $32.7 million. BAM's members' surplus, as reported to regulatory authorities as of December 31, 2018, was $413.7 million, which exceeds the minimum members' surplus necessary for BAM to maintain its New York State financial guarantee insurance license of $66.0 million.

Dividend Capacity

There are no restrictions under Bermuda law or the law of any other jurisdiction on the payment of dividends from retained earnings by White Mountains, provided that after the payment of any dividend, the Company would continue to be able to pay its liabilities as they become due and the realizable value of the Company's assets would remain greater that its liabilities. Following is a description of the dividend capacity of White Mountains's reinsurance and other operating subsidiaries:

HG Global/BAM
As of December 31, 2018, HG Global had $619.0 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 2018. As of December 31, 2018, HG Global has accrued $288.1 million of dividends payable to holders of its preferred shares, $278.5 million of which is payable to White Mountains and eliminated in consolidation. As of December 31, 2018, HG Global and its subsidiaries had $2.2 million of cash outside of HG Re.
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 to amounts held outside of the Collateral Trusts pursuant to the FLRT with BAM. As of December 31, 2018, HG Re had statutory capital and surplus of $698.9 million, $757.4 million of assets held in the Collateral Trusts pursuant to the FLRT with BAM and $3.0 million of cash and investments outside the Collateral Trusts.
Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8.0% to a variable rate equal to the one-year U.S. treasury

rate plus 300 basis points, set annually, which was 4.6% for 2018 and is 5.7% for 2019. During 2018, BAM exercised its option to extend the variable rate period on the BAM Surplus Notes for three years to December 31, 2021. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8.0%. BAM is required to seek regulatory approval to pay interest and principal on the BAM Surplus Notes only to the extent that its capital resources continue to support its outstanding obligations, business plan and rating. No payment of interest or principal on the BAM Surplus Notes may be made without the approval of the New York State Department of Financial Services (“NYDFS”).

During 2017, HG Global and BAM agreed to change the payment terms of the Series B Notes, so that payments will reduce principal and accrued interest on a pro rata basis, consistent with the payment terms on the Series A Notes. The terms of the Series B Notes had previously stipulated that payments would first reduce interest owed, then reduce principal owed once all accrued interest had been paid. The NYDFS approved the change during the third quarter of 2017. During 2018 and 2017, BAM repaid $17.7 million and $4.0 million of the BAM Surplus Notes and $5.3 million and $1.0 million of accrued interest.

NSM
During the period from May 11, 2018, the date of White Mountains's acquisition of NSM, through December 31, 2018, NSM did not pay any dividends to its shareholders. As of December 31, 2018, NSM had $16.2 million of net unrestricted cash.

MediaAlpha
During 2018, MediaAlpha paid $15.9 million of dividends, of which $9.8 million was paid to White Mountains. As of December 31, 2018, MediaAlpha had $5.7 million of net unrestricted cash.

Other Operations
During 2018, White Mountains paid a $3.8 million common share dividend. As of December 31, 2018, the Company and its intermediate holding companies held $536.0 million of net unrestricted cash, short-term investments and fixed maturity investments, $925.6 million of common equity securities and $67.3 million of other long-term investments included in its Other Operations segment.

Note 13. Segment Information

White Mountains has determined that its reportable segments are HG Global/BAM, NSM, MediaAlpha and Other Operations.
As a result of the OneBeacon, Sirius Group and Tranzact transactions, the results of operations for OneBeacon and Sirius Group, previously reported in their own respective segments, and Tranzact, previously reported in the Other Operations segment, have been classified as discontinued operations and are now presented, net of related income taxes, as such in the statement of operations and comprehensive income. See Note 19 — "Held for Sale and Discontinued Operations".
Beginning in the second quarter of 2017, MediaAlpha's results have been presented as a separate segment within White Mountains's consolidated financial statements. Prior year amounts have been reclassified to conform to the current period's presentation.
White Mountains has made its segment determination based on consideration of the following criteria: (i) the nature of the business activities of each of the Company's subsidiaries and affiliates; (ii) the manner in which the Company's subsidiaries and affiliates are organized; (iii) the existence of primary managers responsible for specific subsidiaries and affiliates; and (iv) the organization of information provided to the chief operating decision makers and the Board of Directors.
The HG Global/BAM segment consists of White Mountains's investment in HG Global and the consolidated results of BAM. BAM is a municipal bond insurer domiciled in New York that was established to provide insurance on municipal 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 BAM Surplus Notes. HG Global also provides up to 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. For capital appreciation bonds, par is adjusted to the estimated equivalent par value for current interest paying bonds. BAM's results are attributed to non-controlling interests.
NSM is a full-service MGU and program administrator for specialty property and casualty insurance. The company places insurance in niche sectors such as specialty transportation, social services and real estate. On behalf of its insurance carrier partners, NSM manages all aspects of the placement process, including product development,

marketing, underwriting, policy issuance and claims. NSM earns commissions based on the volume and profitability of the insurance that it places. NSM does not take insurance risk.

MediaAlpha is a leading marketing technology company that develops technology that enables the programmatic buying and selling of vertical-specific, performance-based media between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory) through cost-per-click, cost-per-call and cost-per-lead pricing models. MediaAlpha's media buying platform enables advertisers to create and automate data-driven bidding strategies designed to improve the efficiency and enhance overall performance of their marketing campaigns that target high-intent consumers at the time and place they are ready to purchase. MediaAlpha’s publisher platform is used by publishers to sell their vertical-specific, performance-based media to advertisers through transparent, programmatic, auction-based marketplaces.

White Mountains’s Other Operations segment consists of the Company and its wholly-owned subsidiary, WM Capital, its other intermediate holding companies, its investment management subsidiary, WM Advisors, investment assets managed by WM Advisors, its interests in PassportCard/DavidShield and Kudu, certain other consolidated and unconsolidated entities and certain other strategic investments. The consolidated entities consist of Wobi and Buzz. White Mountains’s Other Operations segment also includes its variable annuity reinsurance business, WM Life Re.

Significant intercompany transactions among White Mountains's segments have been eliminated herein.
The following tables present the financial information for White Mountains's segments:

Millions	HG Global/BAM (1)	NSM	MediaAlpha	Other Operations	Total
Year Ended December 31, 2018					
Earned insurance premiums	$ 13.9	$—	$ —	$—	$13.9
Net investment income	16.7	—	—	42.3	59.0
Net realized and unrealized investment losses	(7.5)	—	—	(100.8)	(108.3)
Advertising and commission revenues (2)	—	94.7	295.5	4.1	394.3
Other revenues	1.2	6.9	1.6	.5	10.2
Total revenues	24.3	101.6	297.1	(53.9)	369.1
Insurance acquisition expenses	5.3	—	—	—	5.3
Other underwriting expenses	.4	—	—	—	.4
Cost of sales	—	—	245.0	3.7	248.7
General and administrative expenses	48.0	61.6	31.7	94.4	235.7
Broker commission expense	—	28.9	—	—	28.9
Amortization of other intangible assets	—	8.3	10.3	.2	18.8
Interest expense	—	8.0	1.2	.3	9.5
Total expenses	53.7	106.8	288.2	98.6	547.3
Pre-tax (loss) income	$ (29.4)	$(5.2)	$ 8.9	$(152.5)	$(178.2)

(1) BAM manages its affairs on a statutory accounting basis. BAM's statutory surplus includes the BAM Surplus Notes and is not reduced by accruals of interest expense on the BAM Surplus Notes. BAM's statutory surplus is reduced only after a payment of principal or interest has been approved by the NYDFS.

(2) As of December 31, 2018, approximately 29% of MediaAlpha's advertising revenue was associated with one customer. As of December 31, 2018, approximately 33% of NSM's commission revenue was associated with one single carrier.

Millions	HG Global/BAM (1)	MediaAlpha	Other Operations	Total
Year Ended December 31, 2017				
Earned insurance premiums	$ 9.4	$ —	$ 1.0	$10.4
Net investment income	12.3	—	43.7	56.0
Net realized and unrealized investment gains	.6	—	132.7	133.3
Advertising and commission revenues (2)	—	163.2	3.8	167.0
Other revenues	1.0	—	6.1	7.1
Total revenues	23.3	163.2	187.3	373.8
Losses and LAE	—	—	1.1	1.1
Insurance acquisition expenses	4.0	—	.1	4.1
Other underwriting expenses	.4	—	—	.4
Cost of sales	—	135.9	3.5	139.4
General and administrative expenses	42.9	16.2	148.9	208.0
Amortization of other intangible assets	—	10.5	.2	10.7
Interest expense	—	1.0	1.3	2.3
Total expenses	47.3	163.6	155.1	366.0
Pre-tax (loss) income	$ (24.0)	$ (.4)	$ 32.2	$7.8

(1) BAM manages its affairs on a statutory accounting basis. BAM's statutory surplus includes the BAM Surplus Notes and is not reduced by accruals of interest expense on the BAM Surplus Notes. BAM's statutory surplus is reduced only after a payment of principal or interest has been approved by the NYDFS.

(2) As of December 31, 2017, approximately 27% of MediaAlpha's advertising revenue was associated with one customer.

Millions	HG Global/BAM[1]	MediaAlpha	Other Operations	Total
Year Ended December 31, 2016				
Earned insurance premiums	$ 5.9	$ —	$ 7.5	$ 13.4
Net investment income	9.0	—	23.1	32.1
Net realized and unrealized investment gains (losses)	.7	—	(28.1)	(27.4)
Advertising and commission revenues [2]	—	116.5	1.8	118.3
Other revenues	1.1	—	20.2	21.3
Total revenues	16.7	116.5	24.5	157.7
Losses and LAE	—	—	8.0	8.0
Insurance acquisition expenses	3.4	—	2.2	5.6
Other underwriting expenses	.4	—	—	.4
Cost of sales	—	97.8	4.2	102.0
General and administrative expenses	39.6	11.8	124.1	175.5
Amortization of other intangible assets	—	10.1	.4	10.5
Interest expense	—	.9	2.1	3.0
Total expenses	43.4	120.6	141.0	305.0
Pre-tax loss	$ (26.7)	$ (4.1)	$ (116.5)	$ (147.3)

(1) BAM manages its affairs on a statutory accounting basis. BAM's statutory surplus includes the BAM Surplus Notes and is not reduced by accruals of interest expense on the BAM Surplus Notes. BAM's statutory surplus is reduced only after a payment of principal or interest has been approved by the NYDFS.

(2) As of December 31, 2016, approximately 24% of MediaAlpha's advertising revenue was associated with one customer.

Millions Selected Balance Sheet Data	HG Global/BAM	NSM	MediaAlpha	Other Operations	Held for Sale	Total
December 31, 2018:						
Total investments	$ 768.3	$ 1.7	$ —	$ 1,772.9	$ —	$ 2,542.9
Total assets	$ 816.2 [1]	$ 627.0	$ 88.4	$ 1,827.7 [2]	$ 3.3	$ 3,362.6
Total liabilities	$ 212.5 [2]	$ 314.8	$ 46.9	$ 70.2	$ —	$ 644.4
Total White Mountains's common shareholders' equity	$ 759.8 [2]	$ 298.3	$ 25.3	$ 1,756.4 [2]	$ 3.3	$ 2,843.1
Non-controlling interest	$ (156.1)	$ 13.9	$ 16.2	$ 1.1	$ —	$ (124.9)
December 31, 2017:						
Total investments	$ 693.4	$ —	$ —	$ 2,687.3	$ —	$ 3,380.7
Total assets	$ 747.4 [1]	$ —	$ 96.5	$ 2,812.0 [2]	$ 3.3	$ 3,659.2
Total liabilities	$ 167.0 [2]	$ —	$ 59.8	$ 71.6	$ —	$ 298.4
Total White Mountains's common shareholders' equity	$ 727.7 [2]	$ —	$ 23.6	$ 2,737.9 [2]	$ 3.3	$ 3,492.5
Non-controlling interest	$ (147.3)	$ —	$ 13.1	$ 2.5	$ —	$ (131.7)

(1) As of December 2018 and 2017, BAM's total assets reflected the elimination of $481.3 and $499.0 of BAM Surplus Notes issued to HG Global and its subsidiaries, and $143.7 and $126.0 in accrued interest related to the BAM Surplus Notes.

(2) HG Global preferred dividends payable to White Mountains's subsidiaries is eliminated in White Mountains's consolidated financial statements. For segment reporting, the HG Global preferred dividends payable to White Mountains's subsidiaries included within the HG Global/BAM segment are eliminated against the offsetting receivable included within the Other Operations segment and therefore added back to White Mountains's common shareholders' equity within the HG Global/BAM segment. As of December 31, 2018 and 2017, the HG Global

preferred dividends payable to White Mountains’s subsidiaries was $278.5 and $227.9.

Note 14. Investments in Unconsolidated Entities

White Mountains's investments in unconsolidated entities are included within other long-term investments and consist of investments in common equity securities or similar instruments, which give White Mountains the ability to exert significant influence over the investee's operating and financial policies ("equity method eligible unconsolidated entities"). Such investments may be accounted for under either the equity method or, alternatively, White Mountains may elect to account for them under the fair value option.
The following table presents the carrying values of investments in equity method eligible unconsolidated entities recorded within other long-term investments:

	December 31,	
Millions	2018	2017
Equity method eligible unconsolidated entities, at fair value	$138.1	$58.0
Investments accounted for under the equity method	1.3	4.6
Total investments in equity method eligible unconsolidated entities	139.4	62.6
Other unconsolidated investments [1]	186.2	146.2
Total other long-term investments	$325.6	$208.8

[1] Consists of other long-term investments that are not equity method eligible.

The following table presents White Mountains's investments in equity method eligible unconsolidated entities as of December 31, 2018 and 2017:

	Ownership Interest		
Investee	December 31, 2018	December 31, 2017	Instrument Held
PassportCard/DavidShield [1]	50.0%	50% / 0%	Common shares
Kudu	49.5%	—	Units
durchblicker	45.0%	45.0%	Common shares
Tuckerman Capital Fund III, L.P.	18.5%	21.3%	Limited partnership interest
Compare.com	18.4%	22.1%	Common shares

[1] As of December 31, 2018, White Mountains's ownership interest in DavidShield comprised a 50% direct interest and White Mountains's ownership interest in PassportCard comprised a 25% direct ownership interest and a 25% indirect interest through DavidShield. As of December 31, 2017, White Mountains had no ownership in DavidShield and White Mountains's ownership interest in PassportCard comprised a 50% direct interest. See Note 2 — "Significant Transactions".

The following tables presents aggregated summarized financial information for White Mountains's investments in equity method eligible unconsolidated entities:

	December 31,	
Millions	2018	2017
Balance sheet data [1]:		
Total assets	$218.8	$75.4
Total liabilities	$46.7	$24.2

[1] Financial data for durchblicker, Compare.com and Tuckerman Capital Fund III, L.P. is on a one-quarter lag.

	Year Ended December 31,		
Millions	2018	2017	2016
Income statement data [1]:			
Revenues	$134.1	$60.0	$32.9
Expenses	$(110.1)	$(66.8)	$(76.4)

[1] Financial data for durchblicker, Compare.com and Tuckerman Capital Fund III, L.P. is on a one-quarter lag.

F - 52

Note 15. Variable Interest Entities

BAM

As a mutual insurance company, BAM is owned by its members. BAM charges an insurance premium on each municipal bond insurance policy it writes. A portion of the premium is a MSC and the remainder is a risk premium. In the event of a municipal bond refunding, the MSC from the original issuance can be reutilized, in effect serving as a credit against the total insurance premium on the refunding of the municipal bond. Issuers of debt insured by BAM are members of BAM so long as any of their BAM-insured debt is outstanding, and as members they have certain interests in BAM, including the right to vote for BAM's directors and to receive dividends in the future, if declared. The equity at risk funded by BAM's members is not sufficient to fund its operations without the additional financial support provided by the BAM Surplus Notes and accordingly, BAM is considered to be a VIE.
At inception, BAM and HG Re also entered into the FLRT. HG Re provides first loss protection up to 15%-of-par outstanding on each municipal bond insured by BAM. For capital appreciation bonds, par is adjusted to the estimated equivalent par value for current interest paying bonds. In return, BAM cedes 60% of the risk premium charged for insuring the municipal bond, net of a ceding commission. HG Re's obligations under the FLRT are limited to the assets in the Regulation 114 Trust and the Supplemental Trust. Losses required to be reimbursed under the FLRT are subject to an aggregate limit equal to the assets held in the Collateral Trusts at any point in time. In addition, under the FLRT, HG Holdings Ltd, a subsidiary of HG Global, has the right to designate two directors for election to BAM's board of directors.
Since BAM is owned by its members, its equity and results of operations are included in non-controlling interests. However, White Mountains is required to consolidate BAM's results in its financial statements because BAM is a VIE for which White Mountains is the primary beneficiary.

Kudu

On February 5, 2018, White Mountains entered into an agreement to fund up to $125.0 million in Kudu Investment Management, LLC ("Kudu"), a capital provider to asset management and wealth management firms. Kudu specializes in providing capital solutions to asset managers and registered investment advisers, for purposes including generational ownership transfers, management buyouts, acquisition and growth finance, and legacy partner liquidity.
White Mountains has determined that Kudu is a VIE but that White Mountains is not the primary beneficiary. White Mountains's ownership interest gives White Mountains the opportunity to exert significant influence over the significant financial and operating activities of Kudu. Accordingly, Kudu meets the criteria to be accounted for under the equity method. White Mountains has taken the fair value option for its investment in Kudu. White Mountains's investment in Kudu is measured at fair value using NAV as a practical expedient. Changes in the fair value of Kudu have been recorded in realized and unrealized investment gains. White Mountains's maximum loss in Kudu is limited to the amount invested. As of December 31, 2018, Kudu is recorded within other long-term investments at a carrying amount of $30.7 million.

Note 16. Fair Value of Financial Instruments

White Mountains records its financial instruments at fair value with the exception of the NSM Bank Facility and the MediaAlpha Bank Facility, which are recorded as debt at face value less unamortized original issue discount.
The following tables presents the fair value and carrying value of these financial instruments as of December 31, 2018 and December 31, 2017:

Millions	December 31, 2018		December 31, 2017	
	Fair Value	Carrying Value	Fair Value	Carrying Value
NSM Bank Facility	$176.1	$ 176.6	$—	$ —

MediaAlpha Bank Facility	$14.6	$ 14.2	$23.9	$ 23.8

The fair value estimates for the NSM Bank Facility and the MediaAlpha Bank Facility have been determined based on a discounted cash flows approach and are considered to be Level 3 measurements.

F - 53

Note 17. Transactions with Related Persons

During 2017, the Company repurchased shares from Franklin Mutual Advisers, a beneficial owner of the Company. On July 13, 2017, the Company repurchased 235,000 White Mountains common shares for $850.00 per share, the market price at the time the agreement was reached.
During 2016, the Company repurchased shares from Franklin Mutual Advisers in two transactions. On April 19, 2016, the Company repurchased 325,000 White Mountains common shares for $807.00 per share, the market price at the time the agreement was reached. On September 15, 2016, the Company repurchased 305,000 White Mountains common shares for $820.00 per share, the market price at the time the agreement was reached.

Note 18. Commitments and Contingencies

White Mountains leases certain office spaces under non-cancellable operating leases that expire on various dates through 2022. Rental expense for all of White Mountains's locations was $5.5 million, $3.5 million and $3.4 million for the years ended December 31, 2018, 2017 and 2016. White Mountains also has various other lease obligations that are immaterial in the aggregate. White Mountains's future annual minimum rental payments required under non-cancellable leases, which are primarily for office space, are $6.6 million, $4.9 million, $4.2 million, and $12.0 million for the years 2019, 2020, 2021 and 2022 and thereafter.
White Mountains also has future binding commitments to fund certain other long-term investments. These commitments, which totaled $170.2 million as of December 31, 2018, do not have fixed funding dates.

Legal Contingencies

White Mountains is subject to litigation and arbitration in the normal course of business. White Mountains considers the requirements of ASC 450 when evaluating its exposure to litigation and arbitration. ASC 450 requires that accruals be established for litigation and arbitration if it is probable that a loss has been incurred and it can be reasonably estimated. ASC 450 also requires that litigation and arbitration be disclosed if it is probable that a loss has been incurred or if there is a reasonable possibility that a loss may have been incurred. White Mountains does not have any current litigation that may have a material adverse effect on White Mountains's financial condition, results of operations or cash flows.
The following description presents significant legal contingencies, ongoing non-claims related litigation or arbitration as of December 31, 2018:

Esurance
On October 7, 2011, the Company completed the sale of its Esurance Holdings, Inc. and its subsidiaries and Answer Financial Inc. and its subsidiaries (collectively, "Esurance") to The Allstate Corporation ("Allstate") pursuant to a Stock Purchase Agreement dated as of May 17, 2011. Subject to specified thresholds and limits, the Company remains contingently liable to Allstate for specified matters related to the pre-closing period, including (a) losses of Esurance arising from extra-contractual claims and claims in excess of policy limits, (b) certain corporate reorganizations effected to remove entities from Esurance that were not being sold in the transaction, and (c) certain tax matters, including certain net operating losses being less than stated levels.

Sirius Tax Contingency
A subsidiary of Sirius Group, which was sold by White Mountains in 2016, has been denied interest deductions by the Swedish Tax Authority ("STA") for tax years 2013-2016. In October 2018, the Swedish Administrative Court ruled against Sirius Group on its appeal of the Swedish Tax Agency's denial of certain interest deductions relating to periods prior to the sale of Sirius Group to CMI. In connection with the sale, White Mountains indemnified Sirius Group against the loss of certain tax attributes, including those related to these interest deductions. As a result, for the year ended December 31, 2018, White Mountains recorded a loss of $17.3 million within net (loss) gain on sale of discontinued operations reflecting the value of these interest deductions. Sirius Group has appealed the decision to the

Swedish Administrative Court of Appeal.

NSM Contingent Liability
In connection with White Mountains’s acquisition of NSM, White Mountains and NSM entered into an agreement with American International Group, Inc. (“AIG”) to facilitate a sale of NSM’s U.S. collector car renewal rights owned by AIG to a third party by December 31, 2019. Under the terms of the agreement, if White Mountains and NSM are unable to facilitate a sale by December 31, 2019, AIG has the right to require NSM to purchase the renewal rights for $82.5 million. The Company has guaranteed NSM’s obligations under the agreement with AIG. The manner in which these obligations are ultimately discharged depends on a number of factors, including the market value of the renewal rights, the number of potential buyers and the current and prospective environment for U.S. collector car insurance. White Mountains believes that the estimated fair value of the renewal rights is equal to or greater than $82.5 million and, accordingly, no accrual of a liability is necessary at December 31, 2018.

Note 19. Held for Sale and Discontinued Operations

OneBeacon

On September 28, 2017, Intact Financial Corporation completed its acquisition of OneBeacon in an all-cash transaction for $18.10 per share. White Mountains received total proceeds of $1.3 billion and recorded a gain of $554.6 million, net of transaction costs. For 2017 through the closing date of the transaction, net income from discontinued operations related to OneBeacon was $20.5 million. Net income from discontinued operations related to OneBeacon was $108.6 million for the year ended December 31, 2016.

Star & Shield

On March 7, 2017, White Mountains completed the sale of Star & Shield and its investment in SSIE surplus notes to K2 Insurances LLC. White Mountains did not recognize any gain or loss on the sale.

Tranzact

On July 21, 2016, White Mountains completed the sale of Tranzact to an affiliate of Clayton, Dubilier & Rice, LLC and received net proceeds of $221.3 million at closing. On October 5, 2016, White Mountains received additional proceeds of $1.2 million following the release of the post-closing purchase price adjustment escrow. For the year ended December 31, 2016, White Mountains recorded $51.9 million of gain from the sale of Tranzact in discontinued operations in the statement of operations.
Through July 21, 2016, Tranzact's results of operations are reported as discontinued operations and assets and liabilities held for sale within White Mountains's GAAP financial statements. For the year ended December 31, 2016, White Mountains recorded net income from discontinued operations of $6.1 million from Tranzact. White Mountains recognized a $21.4 million income tax benefit in continuing operations related to the reversal of a valuation allowance that resulted from the gain on the sale of Tranzact recognized within discontinued operations. This income tax benefit was recorded in continuing operations with an offsetting amount of net income tax expense recorded in discontinued operations, including $30.2 million of income tax expense recorded to gain from sale of Tranzact in discontinued operations and $8.8 million of income tax benefit recorded to net income from discontinued operations.
During 2017, White Mountains recorded a $3.2 million increase to the gain from sale of Tranzact in discontinued operations as a result of state income tax expense.

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately $2.6 billion. Of this amount, $161.8 million of this amount was used to purchase certain assets to be retained by White Mountains out of Sirius Group, including shares of OneBeacon. The amount paid at closing was based on an estimate of Sirius Group's closing date tangible common shareholder's equity. During 2016, White Mountains recorded $363.2 million of gain from sale of Sirius Group in discontinued operations in the statement of operations and $113.3 million in other comprehensive income from discontinued operations. During 2017, White Mountains recorded a $0.7 million reduction to the gain from sale of Sirius Group as a result of a change to the valuation of the accrued incentive compensation payable to Sirius Group employees.

Through April 18, 2016, Sirius Group's results are reported as discontinued operations within White Mountains's GAAP financial statements. Net income (loss) from discontinued operations did not include investment gains (losses) from White Mountains's investment in OneBeacon and certain other investments that were held in the Sirius Group legal entities. For the year ended December 31, 2016, $3.7 million of net investment income and net realized and unrealized investment gains (losses), net of related tax effects, that were included in the Sirius Group legal entities have been excluded from net income (loss) from discontinued operations. For the years ended December 31, 2016, White Mountains recorded $4.3 million of net loss from discontinued operations and $32.0 million of other comprehensive income from Sirius Group.

In October 2018, the Swedish Administrative Court ruled against Sirius Group on its appeal of the Swedish Tax Agency's denial of certain interest deductions relating to periods prior to the sale of Sirius Group to CMI. In connection with the sale, White Mountains indemnified Sirius Group against the loss of certain tax attributes, including those related to these interest deductions. As a result, for the year ended December 31, 2018, White Mountains recorded a $17.3 million loss on sale of discontinued operations reflecting the value of these interest deductions. See Note 18 — "Commitments and Contingencies".

Other

As of December 31, 2017, White Mountains has classified its Guilford, Connecticut property, which consists of an office building and adjacent land, as held for sale. As of December 31, 2018 and 2017, the property has been measured at its estimated fair value net of disposal costs of $3.3 million. The related write down of $3.7 million was recorded within other expenses during 2017.

Net Income (Loss) from Discontinued Operations

The following tables present the results of operations, including related income taxes associated with the business classified as discontinued operations. For the year ended December 31, 2017 and 2016, the amounts presented relate to OneBeacon, Sirius Group and Tranzact. The results of discontinued operations from Sirius Group and Tranzact up to the closing date of the transaction inure to White Mountains.

	Year Ended December 31, 2017			
Millions	OneBeacon	Sirius Group	Tranzact	Total
Revenues				
Earned insurance premiums	$807.6	$ —	$ —	$807.6
Net investment income	39.7	—	—	39.7
Net realized and unrealized investment gains	38.8	—	—	38.8
Other revenues	7.7	—	—	7.7
Total revenues	893.8	—	—	893.8
Expenses				
Loss and loss adjustment expenses	546.0	—	—	546.0
Insurance and reinsurance acquisition expenses	145.6	—	—	145.6
Other underwriting expenses	156.2	—	—	156.2
General and administrative expenses	21.2	—	—	21.2
Interest expense	10.0			10.0
Total expenses	879.0	—	—	879.0
Pre-tax income	14.8	—	—	14.8
Income tax benefit	5.7	—	—	5.7
Net income from discontinued operations	20.5	—	—	20.5
Gain (loss) from sale of discontinued operations, net of tax	554.5	(.7)	3.2	557.0
Total income (loss) from discontinued operations	575.0	(.7)	3.2	577.5
Change in foreign currency translation and other comprehensive income from discontinued operations, net of tax	.3	—	—	.3
Recognition of benefit plan assets and obligations from the sale of OneBeacon, net of tax	2.9	—	—	2.9
Comprehensive income (loss) from discontinued operations	$578.2	$ (.7)	$ 3.2	$580.7

F - 57

Millions	Year Ended December 31, 2016 OneBeacon	Sirius Group	Tranzact	Total
Revenues				
Earned insurance premiums	$1,100.6	$240.1	$—	$1,340.7
Net investment income	50.6	14.4	—	65.0
Net realized and unrealized investment gains (losses)	37.7	(1.5)	—	36.2
Other revenues	5.5	.6	119.6	125.7
Total revenues	1,194.4	253.6	119.6	1,567.6
Expenses				
Loss and loss adjustment expenses	656.0	154.9	—	810.9
Insurance and reinsurance acquisition expenses	206.0	59.0	—	265.0
Other underwriting expenses	209.0	30.9	—	239.9
General and administrative expenses	14.2	10.4	116.7	141.3
Interest expense	13.1	7.9	3.2	24.2
Total expenses	1,098.3	263.1	119.9	1,481.3
Pre-tax income (loss)	96.1	(9.5)	(.3)	86.3
Income tax benefit	12.5	3.1	6.4	22.0
Net income (loss) from discontinued operations	108.6	(6.4)	6.1	108.3
Gain from sale of discontinued operations, net of tax	—	363.2	51.9	415.1
Total income from discontinued operations	108.6	356.8	58.0	523.4
Change in foreign currency translation and other comprehensive income from discontinued operations, net of tax	1.0	32.0	—	33.0
Recognition of foreign currency translation from sale of Sirius Group, net of tax	—	113.3	—	113.3
Comprehensive income from discontinued operations	$109.6	$502.1	$ 58.0	$669.7

Net Change in Cash from Discontinued Operations

The transactions to purchase the investments in OneBeacon and other investments held by Sirius Group prior to the closing are presented in the statement of cash flows as net settlement of investment cash flows with discontinued operations. The following table presents the net change in cash associated with the businesses classified as discontinued operations:

	Year Ended December 31,	
Millions	2017	2016
Net cash provided from operations	$157.0	$23.6
Net cash provided from (used for) investing activities	3.0	241.4
Net cash used for financing activities	(61.9)	(93.8)
Net change in cash during the period	98.1	171.2
Cash balances at beginning of period	70.5	245.4
Net change in cash held for sale	(.9)	(.3)
Cash sold as part of sale of consolidated subsidiaries	(167.7)	(345.8)
Cash balances at end of period	$—	$70.5

Earnings Per Share from Discontinued Operations

White Mountains calculates earnings per share using the two-class method, which allocates earnings between common and unvested restricted common shares. Both classes of shares participate equally in earnings on a per share basis. Basic earnings per share amounts are based on the weighted average number of common shares outstanding adjusted for unvested restricted common shares. Diluted earnings per share amounts are also impacted by the net effect of potentially dilutive common shares outstanding.

The following table presents the Company's computation of earnings per share for discontinued operations for the years ended December 31, 2018, 2017 and 2016:

	Year Ended December 31,		
	2018	2017	2016
Basic and diluted earnings per share numerators (in millions):			
Net (loss) income attributable to White Mountains's common shareholders	$(141.2)	$627.2	$401.8
Less: total (loss) income from continuing operations, net of tax	(124.0)	49.7	(121.6)
Net (loss) income from discontinued operations attributable to White Mountains's common shareholders	(17.2)	577.5	523.4
Allocation of earnings (losses) to participating restricted common shares (1)	0.2	(7.3)	(6.8)
Basic and diluted (losses) earnings per share numerators	$(17.0)	$570.2	$516.6
Basic earnings per share denominators (in thousands):			
Total average common shares outstanding during the period	$3,382.5	$4,293.8	$5,014.9
Average unvested restricted common shares (3)	(40.1)	(54.3)	(64.8)
Basic earnings (losses) per share denominator	$3,342.4	$4,239.5	$4,950.1
Diluted earnings per share denominator (in thousands):			
Total average common shares outstanding during the period	$3,382.5	$4,293.8	$5,018.1
Average unvested restricted common shares (3)	(40.1)	(54.3)	(64.8)
Diluted earnings (losses) per share denominator (4)	$3,342.4	$4,239.5	$4,953.3
Basic (losses) earnings per share (in dollars) - discontinued operations:	$(5.09)	$134.50	$104.37
Diluted (losses) earnings per share (in dollars) - discontinued operations:	$(5.09)	$134.50	$104.32

(1) Restricted shares issued by White Mountains contain dividend participation features, and therefore, are considered participating securities.

(2) Net earnings attributable to White Mountains's common shareholders, net of restricted share amounts, is equal to undistributed earnings for the years ended December 31, 2018, 2017 and 2016.

(3) Restricted common shares outstanding vest either in equal annual installments or upon a stated date. See Note 10 — "Employee Share-Based Compensation Plans".

(4) The diluted earnings per share denominator for the year ended December 31, 2016 includes the impact of 40,000 common shares issuable upon exercise of the non-qualified options outstanding, which resulted in 3,217 incremental shares outstanding over the period.

Note 20. Subsequent Events

MediaAlpha

On February 26, 2019, MediaAlpha completed the sale of a significant minority stake to Insignia Capital Group in connection with a recapitalization and cash distribution to existing equityholders. MediaAlpha also repurchased a portion of the holdings of existing equityholders. The transaction valued MediaAlpha at approximately $350.0 million. White Mountains retained a 42% ownership interest in MediaAlpha on a fully-diluted basis, and received a net cash distribution of approximately $88.0 million. As a result of the transaction, White Mountains also expects that it will no longer consolidate MediaAlpha in its financial statements and will mark its interest in MediaAlpha to fair value at the transaction closing date and in subsequent periods.

Kudu

On February 14, 2019, White Mountains entered into a definitive agreement to buy all of the interests in Kudu held by certain funds managed by Oaktree Capital Management, L.P. ("Oaktree") for approximately $50.0 million. In connection with the transaction, White Mountains will assume all of Oaktree's unfunded capital commitments to Kudu, increasing White Mountains's total unfunded Kudu capital commitment to approximately $167.0 million. If Kudu calls additional capital from Oaktree prior to the closing of the transaction, the purchase price would increase by the amount of the capital called, and White Mountains's assumed unfunded capital commitment would decrease by an equal amount.
As a result of the transaction, White Mountains's ownership of Kudu will increase from 49.5% to 99.0%, and it expects to consolidate Kudu in its financial statements after closing.

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements included in this report. The financial statements have been prepared in conformity with GAAP in the United States. 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. Actual results could differ from those estimates.

The Audit Committee of the Board, which is comprised entirely of independent, qualified directors, is responsible for the oversight of our accounting policies, financial reporting and internal control including the appointment and compensation of our independent registered public accounting firm. The Audit Committee meets periodically with management, our independent registered public accounting firm and our internal auditors to ensure they are carrying out their responsibilities. The Audit Committee is also responsible for performing an oversight role by reviewing our financial reports. Our independent registered public accounting firm and internal auditors have full and unlimited access to the Audit Committee, with or without management present, to discuss the adequacy of internal control over financial reporting and any other matters which they believe should be brought to their attention.

MANAGEMENT’S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. There are inherent limitations in the effectiveness of any internal control over financial reporting, including the possibility of human error and the circumvention or overriding of internal control. Accordingly, even effective internal control over financial reporting can provide only reasonable assurance with respect to financial statement preparation. Further, an effective internal control environment as of a point in time may become inadequate in the future because of changes in conditions, or deterioration in the degree of compliance with the policies and procedures.

We assessed the effectiveness of White Mountains’s internal control over financial reporting as of December 31, 2018. On May 11, 2018 White Mountains acquired NSM Insurance Group. Our assessment did not include an assessment of the internal control over financial reporting for NSM Insurance Group and its subsidiaries. NSM Insurance Group’s total assets and total revenues excluded from our assessment of internal control over financial reporting represented 4.2% and 27.5%, respectively, of White Mountains’s total consolidated assets and total consolidated revenues as of and for the year ended December 31, 2018. In making our assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on this assessment, we have concluded that White Mountains maintained effective internal control over financial reporting as of December 31, 2018.

PricewaterhouseCoopers LLP, the Company’s independent registered public accounting firm, has audited the effectiveness of White Mountains’s internal control over financial reporting as of December 31, 2018 as stated in their report which appears on page F-62.

February 27, 2019

/s/ G. MANNING ROUNTREE	/s/ REID T. CAMPBELL
Chief Executive Officer	Executive Vice President and Chief Financial Officer
(Principal Executive Officer)	(Principal Financial Officer)

F - 61

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of White Mountains Insurance Group, Ltd.:

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of White Mountains Insurance Group, Ltd. and its subsidiaries (the “Company”) as of December 31, 2018 and 2017, and the related consolidated statements of operations, statements of comprehensive income, statements of shareholders’ equity and statements of cash flows for each of the three years in the period ended December 31, 2018, including the related notes and financial statement schedules listed in the accompanying index (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2018 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

As described in Management's Annual Report on Internal Control over Financial Reporting, management has excluded NSM Insurance Group and its subsidiaries from its assessment of internal control over financial reporting as of December 31, 2018 because it was acquired by the Company in a purchase business combination during 2018. We have also excluded NSM Insurance Group from our audit of internal control over financial reporting. NSM Insurance Group is a majority-owned subsidiary whose total assets and total revenues excluded from management’s assessment and our audit of internal control over financial reporting represent 4.2% and 27.5%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2018.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
February 27, 2019
We have served as the Company’s auditor since 1999.

SELECTED QUARTERLY FINANCIAL DATA
(Unaudited)

The following table presents selected quarterly financial data for 2018 and 2017. The quarterly financial data includes, in the opinion of management, all recurring adjustments necessary for a fair presentation of the results of operations for the interim periods. As a result of the OneBeacon, Sirius Group and Tranzact transactions, the results of operations for OneBeacon, Tranzact and Sirius Group have been classified as discontinued operations and are now presented, net of related income taxes, as such in the statement of comprehensive income. See Note 19 — “Held for Sale and Discontinued Operations”.
Prior year amounts have been reclassified to conform to the current period’s presentation. Prior year amounts have also been adjusted for the impact of White Mountains’s financial statement revisions.

	2018 Three Months Ended				2017 Three Months Ended			
Millions, Except Per Share Amounts	Dec. 31	Sept. 30	June 30	Mar. 31	Dec. 31	Sept. 30	June 30	Mar. 31
Revenues	$6.0	$198.7	$122.3	$42.1	$114.0	$87.5	$83.5	$88.8
Expenses	150.1	154.4	134.7	108.1	108.8	79.1	85.7	92.4
Pre-tax income (loss)	(144.1)	44.3	(12.4)	(66.0)	5.2	8.4	(2.2)	(3.6)
Tax benefit (expense)	3.6	3.6	(2.5)	(.7)	2.5	4.0	1.0	0.3
Income (loss) from continuing operations	(140.5)	47.9	(14.9)	(66.7)	7.7	12.4	(1.2)	(3.3)
Income (loss) from discontinued operations, net of tax	—	(17.3)	—	.1	4.3	539.1	2.8	31.3
Non-controlling interest in consolidated subsidiaries	3.0	10.2	18.4	18.6	10.5	10.6	12.0	1.0
Income (loss) attributable to White Mountains’s common shareholders	$(137.5)	$40.8	$3.5	$(48.0)	$22.5	$562.1	$13.6	$29.0
Income (loss) attributable to White Mountains’s common shareholders per share:								
Basic								
Continuing operations	$(43.24)	$18.27	$1.02	$(12.85)	$4.85	$5.36	$2.36	$(0.52)
Discontinued operations	—	(5.44)	—	.03	1.15	125.45	.61	6.86
Total consolidated operations	$(43.24)	$12.83	$1.02	$(12.82)	$6.00	$130.81	$2.97	$6.34
Diluted								
Continuing operations	$(43.24)	$18.27	$1.02	$(12.85)	$4.85	$5.36	$2.36	$(0.52)
Discontinued operations	—	(5.44)	—	.03	1.15	125.45	.61	6.86
Total consolidated operations	$(43.24)	$12.83	$1.02	$(12.82)	$6.00	$130.81	$2.97	$6.34

SCHEDULE I

WHITE MOUNTAINS INSURANCE GROUP, LTD.
SUMMARY OF INVESTMENTS—OTHER THAN
INVESTMENTS IN RELATED PARTIES
At December 31, 2018

Millions	Cost	Carrying Value	Fair Value
Fixed maturity investments:			
U.S. Government and government agencies and authorities	$154.0	$153.2	$153.2
Debt securities issued by corporations	519.0	510.5	510.5
States, municipalities and political subdivisions	279.0	280.3	280.3
Mortgage and asset-backed securities	136.1	133.5	133.5
Total fixed maturity investments	1,088.1	1,077.5	1,077.5
Short-term investments	214.2	214.2	214.2
Common equity securities:			
Exchange traded funds	681.8	675.3	675.3
Banks, trust and insurance companies	11.8	13.5	13.5
Industrial, miscellaneous and other	211.1	236.8	236.8
Total common equity securities	904.7	925.6	925.6
Other long-term investments	330.3	325.6	325.6
Total investments	$2,537.3	$2,542.9	$2,542.9

Schedules of the Registrant should be read in conjunction with the Consolidated Financial Statements and Notes.

SCHEDULE II

CONDENSED FINANCIAL INFORMATION OF THE REGISTRANT

CONDENSED BALANCE SHEETS[1]

Millions	December 31, 2018	2017
Assets:		
Cash	$.7	$14.9
Fixed maturity investments, at fair value	—	869.6
Common equity securities, at fair value	335.6	641.8
Other long-term investments [2]	—	(3.7)
Short-term investments, at amortized cost	28.0	57.2
Other assets	1.8	30.9
Investments in consolidated subsidiaries	2,533.2	1,914.8
Total assets	$2,899.3	$3,525.5
Liabilities:		
Payable to subsidiary	$15.8	$11.8
Other liabilities	25.9	21.2
Total liabilities [3]	41.7	33.0
White Mountains's common shareholders' equity	2,843.1	3,492.5
Non-controlling interests	14.5	—
Total liabilities and equity	$2,899.3	$3,525.5

[1] These condensed unconsolidated financial statements reflect the results of operations, financial condition and cash flows for the Company. Investments in controlling subsidiaries are accounted for using the equity method. Under the equity method, investments in subsidiaries are recorded on the condensed balance sheets at the amount of the Company's ownership percentage of the subsidiary's GAAP book value. The income from subsidiaries is reported on a net of tax basis as equity in earnings from consolidated and unconsolidated subsidiaries on the condensed statements of operations and comprehensive income. Capital contributions to and distributions from subsidiaries are presented within investing activities on the condensed statements of cash flows.

[2] As of December 31, 2017, other long-term investments includes $(3.7) related to foreign currency forward contracts. See Note 7 — "Derivatives—Foreign Currency Forward Contracts".

[3] As of December 31, 2018, White Mountains other liabilities includes $17.3 related to the Sirius tax contingency. See Note 18 — "Commitments and Contingencies".

Schedules of the Registrant should be read in conjunction with the Consolidated Financial Statements and Notes.

CONDENSED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME[1]

Millions	Year Ended December 31, 2018	2017	2016
Revenues (loss) (including realized and unrealized gains and losses)	$(47.7)	$27.3	$(1.0)
Expenses	45.9	99.7	68.2
Pre-tax loss	(93.6)	(72.4)	(69.2)
Income tax expense	(2.5)	(1.4)	(.5)
Net loss	(96.1)	(73.8)	(69.7)
Net loss from discontinued operations, net of tax [2]	(17.2) [2]	— [3]	— [4]
Equity in earnings from consolidated and unconsolidated subsidiaries, net of tax	(27.4)	701.0 [3]	471.5 [4]
Net loss (income) attributable to non-controlling interests	(.5)	—	—
Net (loss) income attributable to White Mountains's common shareholders	(141.2)	627.2	401.8
Other comprehensive (loss) income items, net of tax	(4.5)	3.3	145.3
Comprehensive (loss) income attributable to White Mountains's common shareholders	$(145.7)	$630.5	$547.1

[1] These condensed unconsolidated financial statements reflect the results of operations, financial condition and cash flows for the Company. Investments in which White Mountains holds a controlling financial interest are accounted for using the equity method. Under the equity method, investments in subsidiaries are recorded on the condensed balance sheets at the amount of the Company's ownership percentage of the subsidiary's GAAP book value. The income from subsidiaries is reported on a net of tax basis as equity in earnings of subsidiaries on the condensed statements of operations and comprehensive income. Capital contributions to and distributions from subsidiaries are presented within investing activities on the condensed statements of cash flows.

[2] During 2018, net loss from discontinued operations includes $17.3 arising from the tax contingency on the sale of Sirius Group. See Note 18 — "Commitments and Contingencies".

[3] Equity in earnings from consolidated subsidiaries for the year ended December 31, 2017 includes $577.5 of income from discontinued operations associated primarily with the dispositions of OneBeacon, Sirius Group and Tranzact. See Note 19 — "Held for Sale and Discontinued Operations".

[4] Equity in earnings from consolidated subsidiaries for the year ended December 31, 2016 includes $523.4 of income from discontinued operations associated primarily with the dispositions of OneBeacon, Sirius Group and Tranzact. See Note 19 — "Held for Sale and Discontinued Operations".

Schedules of the Registrant should be read in conjunction with the Consolidated Financial Statements and Notes.

SCHEDULE II (continued)
CONDENSED STATEMENTS OF CASH FLOWS [1][2]

Millions	Year Ended December 31, 2018	2017	2016
Net income attributable to White Mountains's common shareholders	$(141.2)	$627.2	$401.8
Charges (credits) to reconcile net income to net cash from operations:			
Net realized and unrealized investment (gains) losses on sales of investments	57.8	(18.5)	1.1
Undistributed earnings from subsidiaries	27.4	(701.0)	(471.5)
Net loss on sale of other discontinued operations [3]	17.2	—	—
Other non-cash reconciling items, primarily amortization of restricted share and option awards [4]	34.6	31.1	17.9
Accumulated earnings distributed from subsidiary in cash [5]	—	1,256.7	—
Net change in other assets and liabilities [6]	16.7	(4.9)	(5.6)
Net cash provided from (used for) operations	12.5	1,190.6	(56.3)
Cash flows from investing activities:			
Net change in short-term investments[7]	134.0	(24.7)	10.9
Purchases of investment securities [8]	(321.2)	(474.7)	—
Sales and maturities of investment securities[9]	967.6	367.1	—
Issuance of debt (to) from subsidiaries [10]	(55.2)	382.0	992.0
Repayment of debt to (from) subsidiaries[11]	31.0	—	(5.0)
(Contributions to) distributions from subsidiaries [12][13]	(258.2)	(700.0)	—
Net cash provided from (used for) investing activities	498.0	(450.3)	997.9
Cash flows from financing activities:			
Draw down of revolving line of credit [14]	—	350.0	350.0
Repayment of revolving line of credit [14]	—	(350.0)	(400.0)
Proceeds from issuances of common shares	—	—	3.7
Repurchases and retirement of common shares [10]	(510.9)	(714.6)	(881.3)
Dividends paid on common shares	(3.8)	(4.6)	(5.4)
Payments of restricted shares withholding taxes	(10.0)	(9.3)	(5.8)
Net cash used for financing activities	(524.7)	(728.5)	(938.8)
Net (decrease) increase in cash during the year	(14.2)	11.8	2.8
Cash balance at beginning of year	14.9	3.1	.3
Cash balance at end of year	$.7	$14.9	$3.1
Supplemental cash flow information: interest paid	$—	$(.6)	$(1.2)

(1) These condensed unconsolidated financial statements reflect the results of operations, financial condition and cash flows for the Company. Investments in which White Mountains holds a controlling financial interest are accounted for using the equity method. Under the equity method, investments in subsidiaries are recorded on the condensed balance sheets at the amount of the Company's ownership percentage of the subsidiary's GAAP book value. The income from subsidiaries is reported on a net of tax basis as equity in earnings of subsidiaries on the condensed statements of operations and comprehensive income. Capital contributions to and distributions from subsidiaries are presented within investing activities on the condensed statements of cash flows.

(2) During 2017, Lone Tree Holdings, Ltd. ("LTH"), a wholly-owned subsidiary of the Company, merged into the Company. The merger was treated as a liquidation for financial statement purposes. As part of the liquidation, significant non-cash balances that were transferred from LTH to the Company included ending net equity of $2,810.4, intercompany balances of $1,863.1, investments in its subsidiaries of $964.4, short-term investments of $13.0 and other liabilities of $14.1.

(3) During 2018, Net loss from discontinued operations includes $17.3 arising from the tax contingency on the sale of Sirius Group. See Note 18 — "Commitments and Contingencies".

(4) For the years ended December 31, 2018, 2017 and 2016, amortization of restricted share and option awards was $13.0, $14.8 and $18.5.

(5) During 2017, as part of its liquidation into the Company, LTH transferred $1,256.7 of cash, which included $1,037.6 of the proceeds from the sale of OneBeacon, to the Company.

(6) For 2018, 2017 and 2016, net change in other assets and liabilities also included a $4.0, $11.6, and $0.2 net change in payables to the Company's subsidiaries.

(7) During 2018, the Company had non-cash (purchases) and sales of short-term investments of ($284.6) and $179.2.

(8) During 2018, the Company had non-cash purchases of investment securities of $603.9, which included $170.5 of fixed maturity securities, $148.8 of common equity securities and $22.7 of other long term investments.

(9) During 2018, the Company had non-cash sales of investment securities of $1,065.4, which included $373.4 of fixed maturity securities, $490.1 of common equity securities and $22.7 of other long term investments.

(10) During 2018, the Company had non-cash issuance of debt of $349.5 to its wholly-owned subsidiary, Guilford Holding, Inc. ("GHI"). Proceeds of the debt, which included $170.4 of fixed maturity securities and $179.2 of short-term investments, were transferred to GHI. During 2017, the Company had non-cash issuance of debt from LTH of $94.2. During 2017 and 2016, the Company used cash proceeds received from the issuance of debt from LTH, primarily to fund repurchases of its common shares.

(11) During 2018, the Company received non-cash repayments of $22.7 from its wholly-owned subsidiary, Bridge Holdings ("Bridge") in the form of other long term investments.

(12) During 2018, the Company made non-cash contributions of $350.0 by transferring intercompany debt receivable from GHI to Bridge. Also during 2018, the Company made a non-cash contribution of $1.0 by transferring intercompany debt receivable from White Mountains Investment (Luxembourg), a wholly-owned subsidiary of Bridge, to Bridge. During 2018, the Company made cash contributions of $255.3 and $2.9 to its wholly-owned subsidiaries, Bridge and White Mountains Investment, Ltd. During 2017, the Company contributed $700.0 to its wholly-owned subsidiary, GHI.

(13) During 2017, the Company received non-cash distributions of $1,238.9 from LTH, prior to its liquidation. The distribution was completed through the transfer of fixed maturity investments and common equity securities. During 2016, the Company received a non-cash distribution of $80.0 from LTH. The distribution was completed through the transfer of fixed maturity investments.

(14) The WTM Bank Facility was a direct obligation of the Registrant as of December 31, 2017 and was terminated on May 8, 2018. See Note 5 — "Debt".

Schedules of the Registrant should be read in conjunction with the Consolidated Financial Statements and Notes.

SCHEDULE III

WHITE MOUNTAINS INSURANCE GROUP, LTD.
SUPPLEMENTARY INSURANCE INFORMATION [(1)]

Column A Millions	Column B	Column C	Column D	Column E	Column F	Column G	Column H	Column I	Column J	Column K
	Deferred Acqui-sition Costs	Future Policy Benefits, Losses, Claims and Loss Expenses	Unearned Premiums	Other Policy Claims and Benefits Payable	Premiums Earned	Net Investment Income [(2)]	Benefits, Claims, Losses and Settlement Expenses	Amortization of Deferred Policy Acquisition Costs	Other Operating Expenses	Premiums Written
Segment										
Years ended:										
December 31, 2018										
HG Global/ BAM	$ 19.0	$ —	$ 176.0	$ —	$ 13.9	$ 16.7	$ —	$ 5.3	$ .4	$ 52.9
Other Operations	—	—	—	—	—	—	—	—	—	—
December 31, 2017										
HG Global/ BAM	14.8	—	136.8	—	9.4	12.3	—	4.0	.4	63.2
Other Operations[(3)]	—	—	—	—	1.0	—	1.1	.1	—	.9
December 31, 2016										
HG Global/ BAM	10.6	—	82.9	—	5.9	9.0	—	3.4	.4	38.6
Other Operations[(3)]	—	—	—	—	7.5	.2	8.0	2.2	.1	6.5

[(1)] Schedule excludes activity related to OneBeacon and Sirius Group for the years ended December 31, 2017 and 2016. See Note 19 — "Held for Sale and Discontinued Operations".
[(2)] The amounts shown exclude net investment income relating to non-insurance operations of $0.0, $43.7 and $22.9 for the twelve months ended December 31, 2018, 2017 and 2016, respectively.
[(3)] The Other Operations amounts shown relate to SSIE. White Mountains completed the sale of SSIE on March 7, 2017. See Note 19 — "Held for Sale and Discontinued Operations".

Schedules of the Registrant should be read in conjunction with the Consolidated Financial Statements and Notes.

SCHEDULE IV

WHITE MOUNTAINS INSURANCE GROUP, LTD.
REINSURANCE [1]

Column A $ in Millions Premiums Earned	Column B Gross Amount	Column C Ceded to Other Companies	Column D Assumed from Other Companies	Column E Net Amount	Column F Percentage of Amount Assumed to Net
Year ended:					
December 31, 2018					
HG Global/BAM	$ 13.6	$ —	$ .3	$ 13.9	2.2 %
Other Operations	—	—	—	—	—
December 31, 2017					
HG Global/BAM	9.4	—	—	9.4	—
Other Operations [2]	1.0	—	—	1.0	—
December 31, 2016					
HG Global/BAM	5.9	—	—	5.9	—
Other Operations [2]	15.2	(7.7)	—	7.5	—

(1) Schedule excludes activity related to OneBeacon and Sirius Group for the years ended December 31, 2017 and 2016. See Note 19 — “Held for Sale and Discontinued Operations”.

(2) The Other Operations amounts shown relate to SSIE. White Mountains completed the sale of SSIE on March 7, 2017. See Note 19 — “Held for Sale and Discontinued Operations”.

Schedules of the Registrant should be read in conjunction with the Consolidated Financial Statements and Notes.