

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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

The aggregate market value of voting shares (based on the closing price of those shares listed on the New York Stock Exchange and the consideration received for those shares not listed on a national or regional exchange) held by non-affiliates of the Registrant as of June 30, 2016, was \$3,889,471,650.

As of February 24, 2017, 4,561,057 common shares, par value of \$1.00 per share, were outstanding (which includes 48,404 restricted common shares that were not vested at such date).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Definitive Proxy Statement to be filed with the Securities and Exchange Commission ("SEC") pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), relating to the Registrant's Annual General Meeting of Members scheduled to be held May 25, 2017 are incorporated by reference into Part III of this Form 10-K. With the exception of the portions of the Proxy Statement specifically incorporated herein by reference, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

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PART I

Item 1. Business

GENERAL

White Mountains Insurance Group, Ltd. (the “Company” or the “Registrant”) is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance subsidiaries and other affiliates. Within this report, the term “White Mountains” is used to refer to one or more entities within the consolidated organization, as the context requires. The Company’s headquarters is located at 26 Reid Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains’s reportable segments are OneBeacon, HG Global/BAM and Other Operations.

As discussed further in the Company’s consolidated financial statements in Note 2 - “Significant Transactions” on page F-14, on April 18, 2016, White Mountains completed its sale of Sirius International Insurance Group, Ltd., and its subsidiaries (collectively, “Sirius Group”) to CM International Holding PTE Ltd. (“CMI”), the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. Also, on July 21, 2016, White Mountains completed its sale of Tranzact Holdings, LLC (“Tranzact”) to an affiliate of Clayton, Dubilier & Rice, LLC. For the years ended December 31, 2016 and 2015, Sirius Group and Tranzact have been presented as discontinued operations. See Note 22 - “Held for Sale and Discontinued Operations” on page F-87.

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. (“OneBeacon Ltd.”), an exempted Bermuda limited liability company that owns a family of property and casualty insurance companies, and Split Rock Insurance, Ltd. (“Split Rock”), a Bermuda based reinsurance company (collectively, “OneBeacon”). OneBeacon is a specialty property and casualty insurance writer that offers a wide range of insurance products in the United States primarily through independent agencies, regional and national brokers, wholesalers and managing general agencies. As of December 31, 2016 and 2015, White Mountains owned 76.1% and 75.5% of OneBeacon Ltd.’s outstanding common shares. In December 2014, OneBeacon completed the sale of its runoff business. Accordingly, OneBeacon’s runoff business is presented as discontinued operations in White Mountains’s financial statements. See Note 22 - “Held for Sale and Discontinued Operations” on page F-87.

The HG Global/BAM segment consists of HG Global Ltd. (“HG Global”) and the consolidated results of Build America Mutual Assurance Company (“BAM”). BAM is the first and only mutual bond insurance company in the United States. By insuring the timely payment of principal and interest, BAM provides market access to, and lowers interest expense for, issuers of municipal bonds used to finance essential public purposes such as schools, utilities and transportation facilities. BAM is owned by and operated for the benefit of its members, the municipalities that purchase BAM’s insurance for their debt issuances. BAM is domiciled in New York. HG Global was established to fund the startup of BAM and, through its wholly-owned subsidiary, HG Re Ltd. (“HG Re”), to provide 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of \$503 million of surplus notes issued by BAM (the “BAM Surplus Notes”). As of both December 31, 2016 and 2015, White Mountains owned 96.9% of HG Global’s preferred equity and 88.4% of its common equity. White Mountains does not have an ownership interest in BAM. However, generally accepted accounting principles in the United States (“GAAP”) require White Mountains to consolidate BAM’s results in its financial statements. BAM’s results do not affect White Mountains’s adjusted book value per share and are attributed to non-controlling interests.

White Mountains’s Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC (“WM Advisors”) and certain consolidated and unconsolidated private capital investments. The consolidated private capital investments consist of QL Holdings LLC (“MediaAlpha”), Wobi Insurance Agency Ltd. (“Wobi”), Star & Shield Services LLC, Star & Shield Risk Management LLC, and Star & Shield Claims Services LLC (collectively “Star & Shield”) and Removal Stars Ltd. (“Buzzmove”). Star & Shield provides management services for a fee to Star & Shield Insurance Exchange (“SSIE”), a reciprocal that is owned by its members, who are policyholders. On January 13, 2017, White Mountains reached an agreement to sell Star & Shield and its investment in surplus notes issued by SSIE (the “SSIE Surplus Notes”) to K2

Insurance Services LLC. As a result, White Mountains has presented Star & Shield's and SSIE's assets and liabilities as held for sale as of December 31, 2016 and 2015. White Mountains's Other Operations segment also includes its variable annuity reinsurance business ("WM Life Re"), which completed its runoff with all of its contracts maturing by June 30, 2016.

White Mountains's Operating Principles

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

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

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

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

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

ONEBEACON

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

Historically, OneBeacon offered a range of specialty, commercial and personal products and services. However, as a result of a series of transactions over the past several years, OneBeacon is now focused exclusively on specialty businesses. The most recent of these transactions was the sale of runoff business consisting of assets, liabilities and capital related principally to OneBeacon's non-specialty business, including the vast majority of its asbestos and environmental reserves (the "Runoff Business") to an affiliate of Armour Group Holdings Limited ("Armour"), which closed on December 23, 2014 (the "Runoff Transaction"). See Note 2 — "Significant Transactions" on page F-14. With the closing of the Runoff Transaction, OneBeacon completed its transformation into a specialty insurance company and its balance sheet and risk profile have changed significantly. Its exposure to claims from policies related to the Runoff Business, such as commercial general liability, including asbestos and environmental exposures and workers compensation policies, is now limited to the value of the surplus notes issued in conjunction with the Runoff Transaction (the "OneBeacon Surplus Notes"), which have a fair value of \$72 million as of December 31, 2016. OneBeacon's total outstanding reserves as of December 31, 2016 for 2004 and prior accident years total less than \$1 million and for accident years prior to 2007 total \$6.9 million.

As of both December 31, 2016 and 2015, OneBeacon had \$3.6 billion of total assets and \$1.0 billion of common shareholders' equity. As of December 31, 2016 and 2015, White Mountains owned 76.1% and 75.5% of OneBeacon Ltd.'s outstanding common shares and reported \$245 million and \$246 million of non-controlling interest related to its ownership in OneBeacon. OneBeacon wrote \$1.1 billion, \$1.1 billion and \$1.2 billion in net written premiums in

2016, 2015 and 2014, respectively.

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Business Overview

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

Insurance companies incur a significant amount of their total expenses from policy obligations, which are commonly referred to as claims or losses. In settling claims, various loss adjustment expenses (“LAE”) are incurred such as insurance adjusters’ fees and litigation expenses. Loss and LAE are categorized by the year in which the claim is incurred, or “accident year.” In the following calendar years, as OneBeacon increases or decreases its estimate for the ultimate loss and LAE for claims incurred in prior accident years, it will record favorable or unfavorable loss reserve development, which is recorded in the current calendar year period. In addition, insurance companies incur policy acquisition expenses, such as commissions paid to agents and premium taxes, and other expenses related to the underwriting process, including employee compensation and benefits. The key measure of relative underwriting performance for an insurance company is the combined ratio. An insurance company’s GAAP combined ratio is calculated by adding the ratio of incurred loss and LAE to earned premiums (the “loss and LAE ratio”) and the ratio of policy acquisition and other underwriting expenses to earned premiums (the “expense ratio”). A combined ratio under 100% indicates that an insurance company is generating an underwriting profit. However, when considering investment returns, insurance companies operating at a combined ratio of greater than 100% can be profitable. OneBeacon writes both property insurance and casualty insurance in its Specialty Products and Specialty Industries underwriting groups. Property insurance generally covers the financial consequences of accidental losses to the insured’s property, such as a business’s building, inventory and equipment or personal property. Premiums from ocean and inland marine, certain commercial multiple peril and fire and allied lines generally represent OneBeacon’s short-tail property lines of business, and claims from such business are typically reported and settled in a relatively short period of time. Casualty insurance (often referred to as liability insurance) generally covers the financial consequences of a legal liability of an individual or an organization resulting from negligent acts or omissions causing bodily injury, property damages and/or economic damages to a third party. Premiums from general liability, workers compensation, commercial auto liability and certain commercial multiple peril policies generally represent OneBeacon’s long-tail casualty lines of business, and claims from such business can take years, even decades, to settle. In addition, OneBeacon provides some coverages that do not fall into the “Property” or “Casualty” insurance definitions, primarily accident and credit insurance. OneBeacon also provides surety coverage, which typically has a low frequency but high severity of losses. In July 2015, OneBeacon exited the multiple peril crop insurance (“MPCI”) business and the related crop-hail business (collectively, “Crop Business”) and as a result has no material net exposure related to the Crop Business. See “OneBeacon Crop Insurance” on page 5.

OneBeacon’s net written premiums by line of business for the years ended December 31, 2016, 2015 and 2014 consisted of the following:

Net written premiums by line of business Millions	Year Ended December 31,		
	2016	2015	2014
Property lines			
Ocean and inland marine	\$176.0	\$190.1	\$201.9
Commercial multi-peril and auto physical damage	88.9	94.6	82.0
Fire and allied	36.5	39.3	44.7
Total property lines	301.4	324.0	328.6
Casualty lines			
General liability	344.9	334.8	402.1
Workers compensation	78.1	86.1	83.7
Automobile liability	67.6	88.4	91.4
Other casualty	59.9	51.8	40.3
Total casualty lines	550.5	561.1	617.5

Other lines			
Accident and health	131.4	151.1	149.8
Credit and other	62.6	59.0	58.0
Surety	54.6	50.7	28.9
Crop Business ⁽¹⁾	.2	(9.3)) ⁽¹⁾ 34.1
Total other lines	248.8	251.5	270.8
Total	\$1,100.7	\$1,136.6	\$1,216.9

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

OneBeacon derives substantially all of its revenues from earned premiums, investment income and net realized and unrealized investment gains on investment securities. Written premiums represent the amount charged to an insured in order to provide coverage under an insurance contract, which are recognized as earned premiums within revenue over the period of time that insurance coverage is provided (i.e., ratably over the life of the policy). Unearned premiums represent the portion of premiums written that are applicable to future insurance coverage provided by policies. A significant period of time often elapses between receipt of insurance premiums and payment of insurance claims. During this time, OneBeacon invests the premiums, earns investment income and generates net realized and unrealized gains on investment securities.

Insurance Business

OneBeacon's insurance business is comprised of sixteen underwriting units that are reported in two underwriting groups, Specialty Industries and Specialty Products. OneBeacon has added, and expects to continue to add, new businesses both organically and through acquisition, guided by its focus on profitable growth while prudently managing underwriting risk. OneBeacon's net written premiums by underwriting group for the years ended December 31, 2016, 2015 and 2014 consisted of the following:

Underwriting Group	Year Ended December 31,		
Millions	2016	2015	2014
Specialty Industries	\$559.8	\$603.6	\$610.0
Specialty Products	540.9	533.0	606.9
Total	\$1,100.7	\$1,136.6	\$1,216.9

Specialty Products

For the years ended December 31, 2016, 2015 and 2014, OneBeacon's Specialty Products net written premiums by underwriting unit were as follows:

Underwriting Unit	Year Ended December 31,		
Millions	2016	2015	2014
Healthcare	\$ 132.4	\$ 147.1	\$ 180.4
Tuition Reimbursement Programs	76.8	72.1	70.5
Other Professional Lines	66.8	99.1	50.8
Surety	51.8	46.8	80.4
Management Liability	50.3	47.4	28.9
Financial Services	45.3	40.6	50.1
Other Specialty Products	42.0	38.2	40.8
Total Specialty Products	75.5	41.7	105.0
	\$ 540.9	\$ 533.0	\$ 606.9

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

OneBeacon Healthcare Group ("Healthcare")

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

Tuition Reimbursement

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

OneBeacon Program Group ("Programs")

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

Other Professional Lines

Other Professional Lines consists primarily of the OneBeacon Architects & Engineers and OneBeacon Media businesses. OneBeacon Architect & Engineers offers professional liability coverages for various design customer groups including architects, civil engineers, construction managers, and design/build contractors. OneBeacon Media offers professional liability coverages to publishers, broadcasters, advertising agencies, authors, producers and other media professionals, with coverage that is customizable for any company or individual that creates content. Other Professional Lines also includes the results of OneBeacon's exited lawyers professional liability business.

OneBeacon Surety Group ("Surety")

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

OneBeacon Management Liability ("Management Liability")

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

OneBeacon Financial Services ("Financial Services")

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

Other Specialty Products:

OneBeacon Specialty Property ("Specialty Property")

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

OneBeacon Environmental ("Environmental")

Environmental specializes in environmental risk solutions designed to address a variety of exposures for a broad range of businesses, including multiline casualty placements for the environmental industry. The product suite includes commercial general liability, contractors environmental liability, professional services liability, environmental premises liability, products pollution liability, follow-form excess, environmental excess and business auto.

OneBeacon Financial Institutions ("Financial Institutions")

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

OneBeacon Crop Insurance

Prior to July 2015, through its exclusive relationship with a managing general agency, Climate Crop Insurance Agency ("CCIA"), OneBeacon offered MPCCI through the federal crop insurance program administered by the U.S. Department of Agriculture's Risk Management Agency. OneBeacon and CCIA also offered crop-hail products to

supplement the federal crop insurance program. On July 31, 2015, Monsanto Company sold CCIA to an affiliate of AmTrust. As a result of this sale, OneBeacon exited the Crop Business and has no material net exposure related to the Crop Business.

Specialty Industries

For the years ended December 31, 2016, 2015 and 2014, OneBeacon's Specialty Industries net written premiums by underwriting unit were as follows:

Underwriting Unit Millions	Year Ended December 31,		
	2016	2015	2014
Technology	\$ 124.1	\$ 127.3	\$ 133.1
Ocean Marine	115.7	122.7	127.1
Accident	114.5	118.8	113.4
Government Risks	82.8	84.5	82.3
Entertainment	61.5	88.0	88.6
Inland Marine	61.2	62.3	65.5
Total Specialty Industries	\$ 559.8	\$ 603.6	\$ 610.0

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

OneBeacon Technology Insurance ("Technology")

Technology provides all-lines underwriting solutions for the technology, life science and medical technology, and telecommunications industries. The specific capabilities offered include risk control, claims and third-party vendor solutions. Products span property, casualty, cyber, errors & omissions, international, products liability and professional coverages.

Inland Marine Underwriters ("IMU") - Ocean Marine ("Ocean Marine")

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

OneBeacon Accident Group ("Accident")

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

OneBeacon Entertainment ("Entertainment")

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

OneBeacon Government Risks ("Government Risks")

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

IMU - Inland Marine ("Inland Marine")

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

Geographic Concentration

Substantially all of OneBeacon's net written premiums are derived from business produced in the United States. For the years ended December 31, 2016, 2015 and 2014, business was produced in the following states:

Net written premiums by state	Year Ended December 31,					
	2016		2015		2014	
California	18	%	18	%	16	%
New York	12		10		10	
Texas	7		6		7	
District of Columbia	6		6		5	
Florida	5		5		6	
Other	52		55		56	
Total	100	%	100	%	100	%

Marketing and Distribution

OneBeacon offers its products and services through a network of approximately 2,300 independent agents, regional and national brokers, wholesalers and managing general agencies. OneBeacon selectively enters these relationships with producers who demonstrate an understanding of OneBeacon's target markets, capabilities and the specialized needs of their clients. OneBeacon believes this selective distribution approach creates greater insight into the underwriting and management of the risks associated with OneBeacon's particular lines of business. Further, OneBeacon believes that agents and brokers will continue to represent a significant share of the business OneBeacon seeks to write going forward.

Underwriting and Pricing

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

OneBeacon actively monitors pricing activity and measures its use of tiers, credits, debits and limits, and expends considerable effort to measure and verify exposures and insured values. In addition, OneBeacon regularly updates base rates to achieve targeted returns on capital and attempts to shift writings away from lines and classes where pricing is inadequate. To the extent changes in premium rates, policy forms or other matters are subject to regulatory approval. See "REGULATION—United States" on page 17 and "Risk Factors—Regulation may restrict our ability to operate" on page 27. OneBeacon proactively monitors its pending regulatory filings to facilitate, to the extent possible, their prompt processing and approval.

Competition

Property and casualty insurance is highly competitive. OneBeacon's businesses each compete against a different subset of companies. In general, OneBeacon competes in one or more of its businesses with most of the large multi-line insurance companies, such as Chubb, AIG, Beazley, CNA, Hartford, Liberty Mutual, Travelers and Zurich.

OneBeacon also competes with most of the specialty companies, such as Axis, Tokio Marine, The Navigators Group, Markel, RLI and W.R. Berkley as well as various local and regional insurance companies and niche carriers.

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

Claims Management

Effective claims management is a critical factor in achieving satisfactory underwriting results. OneBeacon maintains an experienced staff of claims handlers and managers located throughout its operating territories.

OneBeacon has dedicated claims managers and adjusters for many of its specialty businesses. These individuals ensure that OneBeacon has the appropriate level of expertise to handle claims involving complex issues. Within the claims organization, OneBeacon also uses various shared services to both more efficiently manage costs and ensure the delivery of superior claims results. These shared services include non-specialty property and casualty insurance claims adjusters, operational and information technology support, subrogation and recovery support, medical and legal bill review, a special investigation unit to detect insurance fraud, and dedicated legal support.

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

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

Catastrophe Risk Management and Reinsurance Protection

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

OneBeacon uses models (primarily AIR Worldwide Touchstone version 4.1) to estimate potential losses from catastrophes. OneBeacon uses this model output in conjunction with other data to manage its exposure to catastrophe losses based on a probable maximum loss forecast to quantify its exposure to an extreme catastrophe event.

OneBeacon's insurance subsidiaries enter into reinsurance contracts to protect their businesses from losses due to concentration of risk and to limit losses arising from catastrophic events. OneBeacon purchases a general catastrophe reinsurance treaty with third-party reinsurers to manage its exposure to large catastrophe losses. Effective May 1, 2016, OneBeacon renewed its property catastrophe reinsurance program through April 30, 2017. The program provides coverage for OneBeacon's property business as well as certain acts of terrorism. Under the program, the first \$20 million of losses resulting from any single catastrophe are retained, with 100.0% of the next \$110 million of losses resulting from the catastrophe being reinsured. Any part of losses from a catastrophe in excess of \$130 million would be retained in full. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium. OneBeacon anticipates that the \$130 million limit is more than sufficient to cover the maximum hurricane and earthquake losses with a modeled 0.4% probability of occurrence (1-in-250-year). This \$130 million limit is consistent with the limit that OneBeacon's previous catastrophe reinsurance program provided.

OneBeacon's property catastrophe reinsurance program does not cover property losses resulting from nuclear events or biological, chemical or radiological terrorist attacks. Also excluded are losses resulting from certified acts of terrorism committed by an individual or individuals acting on behalf of any foreign person or foreign interest as defined under the Terrorism Risk Insurance Program ("the Terrorism Act").

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

In addition to the corporate catastrophe and property-per-risk reinsurance protection, OneBeacon also purchases reinsurance protection for certain lines of business. Specialty Property purchases a property catastrophe program providing 100% coverage for \$34 million of loss in excess of \$6 million of loss, which inures to the benefit of the broader property catastrophe reinsurance program described previously. This treaty limit cannot be reinstated. In addition to the coverage provided under these treaties, OneBeacon utilizes a number of other catastrophe and general insurance treaties covering specific lines of business. See Note 4—“Third-Party Reinsurance” on page F-32 for descriptions of the significant types of our reinsurance agreements.

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

Terrorism

OneBeacon’s current third party reinsurance programs provide varying degrees of coverage for terrorism events. OneBeacon’s overall terrorism exposure is reduced by the Terrorism Act, which is a federal program administered by the U.S. Department of the Treasury that provides for a shared system of public and private compensation for commercial property and casualty losses resulting from events that reach the threshold for losses (\$140 million in 2017 and increasing \$20 million per year in subsequent years until the threshold becomes \$200 million in 2020) and are certified as an act of terrorism by the U.S. Secretary of the Treasury, in concurrence with the U.S. Secretary of Homeland Security and the Attorney General of the United States. The current program was signed into law on January 12, 2015 and is authorized through December 31, 2020. See Note 4 — “Third-Party Reinsurance” on page F-32 for a further description of the Terrorism Act, including OneBeacon’s estimated retention level.

OneBeacon closely monitors and manages its concentration of risk for terrorism losses by geographic area.

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

Loss and LAE Reserves

OneBeacon establishes loss and LAE reserves that are estimates of amounts needed to pay claims and related expenses in the future for insured events that have already occurred. The process of estimating reserves involves a considerable degree of judgment by management and is always inherently uncertain. See “CRITICAL ACCOUNTING ESTIMATES — Loss and LAE Reserves — OneBeacon” on page 66 and Note 3 — “Unpaid Losses and Loss Adjustment Expenses” on page F-17 for a full discussion regarding OneBeacon’s loss reserving process.

OneBeacon’s Senior Notes

In November 2012, OneBeacon U.S. Holdings, Inc. (“OBH”), an intermediate holding company of OneBeacon, issued \$275 million face value of senior unsecured notes (the “OBH Senior Notes”) through a public offering, at an issue price of 99.9%. The net proceeds from the issuance of the OBH Senior Notes were used to repurchase OBH’s existing outstanding senior notes that were issued in May 2003. The OBH Senior Notes, which are fully and unconditionally guaranteed as to the payment of principal and interest by OneBeacon Ltd., bear an annual interest rate of 4.6% and are

payable semi-annually in arrears on May 9 and November 9 until maturity on November 9, 2022. See Note 7 — “Debt” on page F-53 for more details regarding the OBH Senior Notes.

HG GLOBAL/BAM

BAM is the first and only mutual municipal bond insurance company in the United States. By insuring the timely payment of principal and interest, BAM provides market access to, and lowers interest expense for, issuers of municipal bonds used to finance essential public purposes. BAM is owned by and operated for the benefit of its mutual policyholders, the municipalities that purchase BAM's insurance for their debt issuances. BAM is domiciled in New York.

HG Global was established to fund the startup of BAM and, through its subsidiary, HG Re, to provide reinsurance to BAM. HG Global is domiciled in Bermuda.

BAM charges an insurance premium on each municipal bond insurance policy it writes. A portion of the premium is a member's surplus contribution ("MSC" or "Members Surplus Contribution") and the remainder is a risk premium. The MSC conveys to the municipal issuer/policyholder certain interests in BAM, including the right to receive dividends in the future, subject to regulatory approval. In the event of a 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 bonds.

BAM focuses on municipal bonds issued to finance essential public purposes, such as schools, utilities and transportation facilities. BAM focuses on small-to-medium sized investment grade bonds, primarily in the AA-, A and BBB categories. BAM seeks to build a relatively low risk insurance portfolio with conservative single risk limits.

White Mountains believes that municipal bonds insured by BAM have strong appeal to retail investors, who buy smaller, less liquid issues, have less portfolio diversification and have fewer credit differentiation skills and analytical resources than institutional investors.

BAM launched in July 2012 after securing an "AA/stable" rating from Standard & Poor's Financial Services LLC ("Standard & Poor's"). "AA" is the third highest of twenty-one financial strength ratings assigned by Standard & Poor's. At inception in 2012, HG Global was capitalized with \$609 million. HG Global, together with its subsidiaries, funded the initial capitalization of BAM through the purchase of \$503 million of BAM Surplus Notes. See "CRITICAL ACCOUNTING ESTIMATES — Surplus Notes Valuation — BAM Surplus Notes" on page 72 for a discussion on the accounting and risks associated with the BAM Surplus Notes. HG Global contributed the remaining capital and \$300 million of the BAM Surplus Notes in order to capitalize HG Re, its wholly owned reinsurance entity.

At inception in 2012, BAM and HG Re entered into a first loss reinsurance treaty ("FLRT"). HG Re provides first loss protection up to 15% of par outstanding on each bond insured by BAM. In return, BAM cedes 60% of the risk premium on the bond, net of a ceding commission.

HG Re's obligations under the FLRT are satisfied by the assets in two collateral trusts: a Regulation 114 Trust and a Supplemental Trust. Losses required to be reimbursed to BAM by HG Re are subject to an aggregate limit equal to the assets held in the collateral trusts at any point in time. The Regulation 114 Trust target balance is equal to gross ceded unearned premiums and unpaid ceded loss and LAE expenses, if any. The Supplemental Trust target balance is equal to approximately \$400 million. The collateral trust balances must be at target levels before excess capital can be distributed out of the Supplemental Trust to HG Re.

If, at any point in time, the sum of the Regulation 114 Trust balance and the Supplemental Trust balance equals zero, BAM may choose to terminate the FLRT on a runoff basis. However, HG Re can elect to continue the FLRT by depositing into the Regulation 114 Trust assets with a fair market value not less than the greater of (i) \$100 million or (ii) 10% of the then Regulation 114 Trust target balance.

At inception in 2012, the Supplemental Trust contained \$300 million of BAM Surplus Notes and \$100 million of cash and fixed income securities. As the BAM Surplus Notes are repaid over time, the BAM Surplus Notes will be replaced in the Supplemental Trust by cash and fixed income securities.

The FLRT is a perpetuating agreement, with an initial term of 10 years. The FLRT can be amended after the first 10-year period and after each subsequent 5-year period on a prospective basis. If the parties are unable to mutually agree to amended terms, the dispute is resolved through arbitration, according to certain principles agreed to by the parties. Amended contract terms must be approved by the New York State Department of Financial Services (“NYDFS”). Should BAM consider the amended terms to be unacceptable, it has the option to purchase HG Re, or cause another reinsurer to purchase HG Re, at fair value.

Pursuant to the FLRT, BAM’s underwriting guidelines may only be amended with the consent of HG Re. In addition, HG Global has the right to designate two directors for election to BAM’s board of directors.

As of December 31, 2016 and 2015, HG Global reported \$787 million and \$739 million of total assets, and \$539 million and \$558 million of shareholders’ equity. As of December 31, 2016 and 2015, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. As of both December 31, 2016 and 2015, White Mountains reported \$17 million of non-controlling interest related to its ownership in HG Global.

As of December 31, 2016 and 2015, White Mountains reported \$533 million and \$503 million of total assets, and \$(151) million and \$(140) million of non-controlling interest related to BAM.

Competition

The municipal bond insurance industry is highly competitive. BAM’s primary competitors are Assured Guaranty (“Assured”) and National Public Finance Guarantee (“National”).

BAM, Assured and National each seeks to differentiate itself through financial strength ratings, claims paying resources and underwriting strategies. BAM believes it has a number of distinct competitive advantages. BAM’s insured portfolio consists only of essential public purpose U.S. municipal bonds, and it has no exposure to mortgage and asset-backed securities, derivatives, non-U.S. structured or sovereign credit or territorial credits, such as Puerto Rico. BAM believes that, over time, its mutual structure will deliver a cost of capital advantage relative to its stock company competitors.

BAM seeks to provide transparency with respect to its insured portfolio and each insured issuer. In order to allow issuers and investors in BAM-insured bonds to monitor financial strength first-hand, BAM periodically publishes Credit Profiles on every insured issuer. Credit Profiles are accessible by CUSIP, obligor, state or sector on BAM’s website.

Pricing (i.e., premium level) is affected by a number of factors, including interest rate levels, credits spreads, trading value, and capture rate (i.e., the % of total interest savings captured in the form of insurance premium). All other things being equal, pricing is higher when interest rates are higher, credit spreads are wider, BAM’s trading value is higher relative to competitors and the capture rate is higher.

Insured Portfolio

The following tables present BAM’s insured portfolio by asset class:

Sector	December 31, 2016		December 31, 2015	
	Gross Par Outstanding	Average Credit Rating ⁽¹⁾	Gross Par Outstanding	Average Credit Rating ⁽¹⁾
Millions				
General Obligation	\$19,821.8	A	\$13,963.6	A
Utility	4,338.9	A+	3,032.8	A
Dedicated Tax	3,752.0	A	2,503.6	A
General Fund	3,016.3	A	1,786.6	A
Public Higher Education	1,334.4	A-	630.4	A
Transportation	716.3	A	561.5	A
Other Public Finance	77.6	A	77.5	A
Total gross par outstanding	\$33,057.3	A	\$22,556.0	A

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

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The following table presents BAM's ten largest direct exposures based upon gross par outstanding as of December 31, 2016:

\$ in millions	Gross Par Outstanding	Percent of Total Gross Par Outstanding	Credit Rating ⁽¹⁾
Municipal Authority of Westmoreland County, PA (Westmoreland County) Water	\$ 198.1	0.6 %	A+
Shreveport, City of, LA (Caddo Parish), Water & Sewer	182.3	0.6	A-
Pennsylvania, Commonwealth of	181.2	0.5	A
Illinois, State of	177.8	0.5	BBB
New Brunswick, City of, NJ (Middlesex County)	163.6	0.5	A+
New Jersey, State Of	151.4	0.5	BBB+
Evansville, City of, IN (Vanderburgh County)	139.2	0.4	A
Hamden, Town of, CT (New Haven County)	132.6	0.4	A+
Monroe County, NY (Monroe County)	125.4	0.4	A
Coachella Valley USD, CA, (Riverside County)	124.9	0.4	BBB+
Total of top ten exposures	\$ 1,576.5	4.8 %	

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

The following table presents the geographic distribution of BAM's insured portfolio as of December 31, 2016 and 2015:

\$ in millions	December 31, 2016		
	Number of Risks	Gross Par Outstanding	Percent of Total Gross Par Outstanding
California	365	\$ 7,446.9	22.5 %
Texas	448	4,940.1	14.9
Pennsylvania	284	4,831.1	14.6
New York	231	2,489.0	7.5
Illinois	179	2,021.0	6.1
New Jersey	81	1,440.0	4.4
Florida	44	917.7	2.8
Arizona	43	883.3	2.7
Ohio	60	865.5	2.6
Michigan	68	773.8	2.3
Other States	521	6,448.9	19.6
Total insured portfolio	2,324	\$ 33,057.3	100.0 %

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

The following table sets forth BAM's insured portfolio by issue size of exposure as of December 31, 2016 and 2015:
Original Par Amount Per Issue December 31, 2016

\$ in millions	Number of Risks	Gross Par Outstanding	Percent of Total Gross Par Outstanding	
Less than \$10 million	1,388	\$ 6,309.2	19.0	%
\$10 to \$50 million	806	16,628.4	50.3	
\$50 to \$100 million	103	6,628.9	20.1	
\$100 to \$200 million	27	3,490.8	10.6	
Total insured portfolio	2,324	\$ 33,057.3	100.0	%

Original Par Amount Per Issue December 31, 2015

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

OTHER OPERATIONS

White Mountains's Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, WM Advisors, WM Capital Investments, which includes the consolidated results of MediaAlpha, Wobi, Star & Shield and Buzzmove, and various other private capital investments. On January 13, 2017, White Mountains reached an agreement to sell Star & Shield and its investment in the SSIE Surplus Notes to K2 Insurance Services LLC. As a result, White Mountains has presented Star & Shield's and SSIE's assets and liabilities as held for sale as of December 31, 2016 and 2015.

WM Advisors

WM Advisors is a registered investment adviser that manages substantially all of White Mountains's investment portfolio, which consists of fixed maturity investments, short-term investments, common equity securities and other long-term investments, including hedge funds and private equity funds. Other long-term investments also include various non-controlling interests in private capital investments and the OneBeacon Surplus Notes. WM Advisors also has investment management agreements with certain third parties that have an affiliation with White Mountains. As of December 31, 2016, WM Advisors had approximately \$5.0 billion in assets under management.

On February 1, 2016, Symetra Financial Corporation ("Symetra") closed its merger agreement with Sumitomo Life Insurance Company ("Sumitomo Life"). On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI. WM Advisors managed the investment portfolios of both Symetra and Sirius Group for a transition period after each respective transaction. As of December 31, 2016, WM Advisors no longer managed any invested assets for Symetra or Sirius Group.

WM Capital Investments

White Mountains, through its wholly-owned subsidiary White Mountains Capital, Inc. ("WM Capital"), sources, executes and monitors private capital investments ("WM Capital Investments"). When making investments, WM Capital seeks to invest in and partner with like-minded owners and management teams. WM Capital tailors the structure of each investment according to the unique needs of the situation. WM Capital believes its long-term approach can be a competitive advantage over traditional private capital investors who often have more rigid holding periods. The investments in which WM Capital holds a controlling ownership interest are consolidated within the Other Operations segment. The investments in which WM Capital holds a non-controlling interest are unconsolidated and are accounted for at fair value within other long-term investments. WM Capital's Investments include:

Consolidated WM Capital Investments

MediaAlpha

In March 2014, White Mountains invested in MediaAlpha, an advertising technology company that develops transparent and efficient platforms for the buying and selling of insurance and other vertical-specific performance media (i.e., clicks, calls and leads). MediaAlpha's exchange technology, machine learning and analytical tools facilitate transparent, real-time transactions between advertisers (buyers of advertising inventory) and publishers (sellers of advertising inventory). MediaAlpha works with over 300 advertisers and 225 publishers across a number of insurance (auto, motorcycle, home, renter, health and life) and non-insurance (travel, education, personal finance and solar) verticals.

As of December 31, 2016 and 2015, White Mountains reported total assets of \$58 million and \$63 million related to MediaAlpha and shareholders' equity of \$29 million and \$36 million (\$18 million and \$22 million net of non-controlling interests). As of December 31, 2016, White Mountains has invested approximately \$36 million in MediaAlpha (\$22 million, net of distributions received) and owns 60% of the company's outstanding Class A common units.

Wobi

In February 2014, White Mountains invested in Wobi, the leading financial-sector price comparison business in Israel. Wobi has built a consumer-facing technology platform to enable price comparison and has assembled a panel of large,

branded insurance carriers. The company sells five insurance lines of business today (auto, home, travel, health and mortgage) and earns commissions on all policy sales. Wobi also offers a pension products comparison service for Israeli customers and earns transaction fees when customers use the service to connect to companies that sell those pension products.

As of December 31, 2016 and 2015, White Mountains reported total assets of \$27 million and \$23 million related to Wobi, and shareholders' equity of \$18 million and \$15 million (\$17 million and \$14 million net of non-controlling interests). White Mountains has made a series of investments in Wobi since its initial investment to (i) support growth, (ii) increase its ownership stake through additional share purchases and (iii) fund the acquisition of Tnuva Finansit Ltd. ("Cashboard"), the core platform for the Wobi pension business. As of December 31, 2016, White Mountains has invested approximately NIS 173 (approximately \$47 million) in Wobi and owns approximately 95% of the company.

Buzzmove

In August 2016, White Mountains invested in Buzzmove, an online price comparison and booking platform for all moving related services in the United Kingdom. Buzzmove manages a panel of over 350 moving company partners that bid in real-time on customers' moving-related jobs through the company's technology platform.

As of December 31, 2016, White Mountains reported total assets of \$10 million related to Buzzmove and shareholders' equity of \$10 million (\$7 million net of non-controlling interests). As of December 31, 2016, White Mountains has invested approximately GBP 6 million (approximately \$8 million) in Buzzmove and owns 71% of the company on a fully converted basis.

Unconsolidated WM Capital Investments

Compare.com

In May 2012, White Mountains invested in Compare.com, a U.S. based online price comparison business for auto insurance. Since 2012, White Mountains has made additional investments in the company to (i) support growth and (ii) increase its ownership stake through additional share purchases. As of December 31, 2016, White Mountains has invested approximately \$34 million in Compare.com and owns approximately 22% of the company.

Captricity

In December 2015, White Mountains invested in Captricity, a company that provides proprietary artificial intelligence technology solutions to modernize legacy workflow for enterprise clients, including insurance clients. As of December 31, 2016, White Mountains has invested approximately \$29 million in Captricity and owns 22% of the company on a fully-converted basis.

PassportCard

In April 2015, White Mountains invested in PassportCard, a global travel insurance business based on a proprietary card-based technology solution that enables real-time travel insurance service and claims. As of December 31, 2016, White Mountains has invested approximately \$21 million in PassportCard and owns 50% of the company.

durchblicker

In July 2014, White Mountains invested in durchblicker, an Austrian online price comparison business for both insurance (auto, home, legal, accident, travel) and non-insurance (energy, telephone, financial products) verticals. As of December 31, 2016, White Mountains has invested approximately EUR 9 million (approximately \$12 million) in durchblicker and owns 45% of the company on a fully converted basis.

Enlightenment Capital

In November 2012, in connection with its limited partnership investment in Enlightenment Capital Fund I, White Mountains acquired a 15% general partner interest in Enlightenment Capital, a private investment firm that provides flexible capital solutions to middle market businesses in the aerospace, defense and government sectors. White Mountains also holds non-controlling limited partnership interests in both Enlightenment Capital Fund I and Enlightenment Capital Fund II. Through December 31, 2016, White Mountains has invested approximately \$30 million in the Enlightenment Capital Funds (\$14 million, net of distributions received).

OneTitle

In December 2015, White Mountains invested in OneTitle, a direct-to-consumer title insurance business based in New York. As of December 31, 2016, White Mountains has invested approximately \$3 million in OneTitle and owns 20% of the company. White Mountains has a contingent commitment to an affiliate of OneTitle through a \$10 million surplus note facility. This facility was undrawn at December 31, 2016.

HELD FOR SALE AND DISCONTINUED OPERATIONS

Sirius Group

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately \$2.6 billion. \$162 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. In 2016, White Mountains reported a \$477 million gain from sale of Sirius Group in discontinued operations. See Note 2 — "Significant Transactions" on page F-14.

While owned by White Mountains, Sirius Group provided reinsurance and insurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its subsidiary, Sirius International Insurance Corporation. Sirius Global Solutions, formerly known as White Mountains Solutions, specialized in the acquisition and management of runoff liabilities for insurance and reinsurance companies both in the United States and internationally.

See Note 22 — "Held for Sale and Discontinued Operations" on page F-87 for details of amounts included in net assets held for sale, net income (loss) from discontinued operations and gains (losses) from sales of discontinued operations.

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 million at closing. While owned by White Mountains, Tranzact was a New Jersey-based provider of comprehensive direct-to-consumer customer acquisition solutions, primarily to insurance companies. Tranzact developed a technology-enabled platform that provides sophisticated direct marketing solutions, fully-provisioned sales and/or robust customer management systems to brand-focused companies seeking to target and acquire a large number of customers on a direct basis. Tranzact operated in the health, life, and property and casualty insurance verticals (as well as several non-insurance verticals). Tranzact generated revenues through commissions and technology licensing, maintenance, and professional fees.

In the third quarter of 2016 White Mountains reported an \$82 million increase to book value and adjusted book value from the sale of Tranzact. See Note 2 — "Significant Transactions" on page F-14.

See Note 22 — "Held for Sale and Discontinued Operations" on page F-87 of the accompanying consolidated financial statements for details of amounts included in net assets held for sale, net income (loss) from discontinued operations and gains (losses) from sales of discontinued operations.

Star & Shield

On July 1, 2016, SSIE voluntarily ceased writing new policies. As a result, White Mountains wrote off its investment in the SSIE Surplus Notes which resulted in a \$21 million total decrease to net income attributable to White Mountain's common shareholders and a corresponding increase to net income attributable to non-controlling interests.

On August 19, 2016, White Mountains reached an agreement to sell Star & Shield and its investment in the SSIE Surplus Notes to National General Holdings Corp., which was subsequently terminated on December 2, 2016. On January 13, 2017, White Mountains reached an agreement to sell Star & Shield and its investment in the SSIE Surplus Notes to K2 Insurance Services LLC. As a result, White Mountains has presented Star & Shield's and SSIE's assets and liabilities as held for sale as of December 31, 2016 and 2015.

See Note 22 — "Held for Sale and Discontinued Operations" on page F-87 for details of amounts included in net assets held for sale, net income (loss) from discontinued operations and gains (losses) from sales of discontinued operations.

OneBeacon Runoff Business

On December 23, 2014, OneBeacon completed the Runoff Transaction, which included the transfer of certain legal entities that contain the assets, liabilities (including gross and ceded loss reserves) and capital supporting the Runoff

Business as well as certain infrastructure, such as staff and office space. Additionally, as part of the Runoff Transaction, OneBeacon provided financing in the form of the OneBeacon Surplus Notes. See Note 2 — “Significant Transactions” on page F-14.

See Note 22 — “Held for Sale and Discontinued Operations” on page F-87 for details of amounts included in net assets held for sale, net income (loss) from discontinued operations and gains (losses) from sales of discontinued operations.

INVESTMENTS

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

White Mountains's investment portfolio as of December 31, 2016 and 2015 consisted in large part of high-quality, short-duration, fixed maturity investments and short-term investments. During the third quarter of 2016, White Mountains established a portfolio of high-yield fixed maturity investments. White Mountains also maintains an equity portfolio that consisted of common equity securities and other long-term investments, including hedge funds, private equity funds, various non-controlling interests in private capital investments and the OneBeacon Surplus Notes. White Mountains's management believes that prudent levels of investments in high-yield fixed maturity investments, common equity securities and other long-term investments are likely to enhance long-term after-tax total returns. See "Portfolio Composition" on page 54.

White Mountains's fixed maturity investment strategy is to purchase securities that are attractively priced in relation to their investment risks. White Mountains also actively manages the average duration of the portfolio. As of December 31, 2016, the fixed income portfolio duration, including short-term investments but excluding high-yield fixed maturity investments, was approximately 2.6 years. Including both short-term investments and high-yield fixed maturity investments, duration was approximately 2.8 years as of December 31, 2016.

White Mountains looks to enhance long-term after-tax total returns by investing a portion of the portfolio in common equity securities and other long-term investments. White Mountains owns passive exchange traded funds (ETFs) that seek to provide investment results that, before expenses, correspond to the performance of broad market indices.

White Mountains has also established relationships with third party registered investment advisers to manage its high-yield fixed maturity investments and publicly-traded common equity securities. As of December 31, 2016, these relationships were with Principal Global Investors, LLC ("Principal"), Lateef Investment Management ("Lateef") and Silchester International Investors ("Silchester").

Symetra

In 2004, White Mountains, Berkshire Hathaway, Inc. and several other private investors capitalized Symetra in order to purchase the life and investment operations of Safeco Corporation for \$1.35 billion, during which White Mountains invested \$195 million in Symetra. As of February 1, 2016 and December 31, 2015, White Mountains owned 20,562,379 common shares of Symetra, a 17.7% common share ownership. On February 1, 2016, Symetra closed its merger agreement with Sumitomo Life and White Mountains received proceeds of \$658 million, or \$32 per common share. During the period White Mountains held its investment, Symetra focused mainly on group insurance, individual life insurance, structured settlements and retirement services. Symetra's common shares were traded under the symbol "SYA" on the New York Stock Exchange.

Symetra's total revenues and net income through September 30, 2015, which was the last period White Mountains accounted for Symetra common shares under the equity method before changing to fair value, were \$1.6 billion and \$90 million. As of September 30, 2015, Symetra had total assets of \$35.0 billion and shareholders' equity of \$3.1 billion. Symetra's total revenues and net income for the year ended December 31, 2014 was \$2.2 billion and \$254 million. During the period White Mountains held its investment, White Mountains received a total of \$151 million in cash dividends from Symetra.

REGULATION

United States

White Mountains's U.S.-based insurance subsidiaries are subject to regulation and supervision in each of the states where they are domiciled and licensed to conduct business. Generally, state regulatory authorities have broad supervisory and administrative powers over such matters as licenses, standards of solvency, premium rates, policy forms, investments, statutory deposits, methods of accounting, form and content of financial statements, reserves for

unpaid loss and LAE, reinsurance, minimum capital and surplus requirements, dividends and other distributions to shareholders, annual and other report filings and other market conduct. In general, such regulation is for the protection of policyholders rather than shareholders. White Mountains believes that it is in compliance with all applicable laws and regulations pertaining to its business that would have a material effect on its financial position in the event of non-compliance.

State Accreditation and Monitoring

All states have laws establishing standards that an insurer must meet to maintain its license to write business. In addition, all states have enacted laws substantially similar to the National Association of Insurance Commissioners' ("NAIC") risk-based capital ("RBC") standards for property and casualty companies, which are designed to determine minimum capital requirements and to raise the level of protection that statutory surplus provides for policyholder obligations. The RBC formula for property and casualty insurance companies measures three major areas of risk: underwriting, which encompasses the risk of adverse loss developments and inadequate pricing; declines in asset values arising from market and/or credit risk; and off-balance sheet risk arising from adverse experience from non-controlled assets, guarantees for affiliates or other contingent liabilities and excessive premium growth. Under laws adopted by individual states, insurers having less total adjusted capital than that required by the RBC calculation will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. The current RBC ratios of White Mountains's active U.S.-based insurance subsidiaries are satisfactory and such ratios are not expected to result in any adverse regulatory action. White Mountains is not aware of any current recommendations by regulatory authorities that would be expected to have a material effect on its results of operations or liquidity. The NAIC has a set of financial relationships or tests known as the Insurance Regulatory Information System ("IRIS") to assist state insurance regulators in monitoring the financial condition of insurance companies and identifying companies that require special regulatory attention. Insurance companies generally submit data annually to the NAIC, which in turn analyzes the data using prescribed financial data ratios ("IRIS ratios"), each with defined "usual ranges." Generally, regulators will begin to investigate or monitor an insurance company if its IRIS ratios fall outside the usual ranges for four or more of the ratios. If an insurance company has insufficient capital, regulators may act to reduce the amount of insurance it can issue or, in severe situations, assume control of the company. White Mountains currently believes that all of its U.S.-based insurance subsidiaries are within an acceptable IRIS range, and is not aware of any IRIS-related regulatory investigations related to its U.S.-based insurance subsidiaries.

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

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

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

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

Guaranty Funds and Mandatory Shared Market Mechanisms

As a condition of their license to do business in certain states, White Mountains's U.S.-based insurance subsidiaries are required to participate in guaranty funds, in which licensed insurers within the state bear a portion of the loss suffered by claimants due to the insolvency of other insurers in that state. Certain states also impose mandatory shared market mechanisms, such as assigned risk plans, with each state dictating the types of insurance and the level of coverage that

must be provided. Assigned risk plans require insurers licensed within the applicable state to accept applications for insurance policies from customers who are unable to obtain insurance in the voluntary market. The total number of such policies an insurer is required to accept is based on its market share of voluntary business in the state. Underwriting results related to assigned risk plans are typically adverse. Accordingly, White Mountains may be required to underwrite policies with a higher risk of loss than it would otherwise accept.

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

Pricing, Investments and Dividends

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

White Mountains's U.S.-based insurance subsidiaries are subject to state laws and regulations that require investment portfolio diversification and that dictate the quality, quantity and general types of investments they may hold. Non-compliance may cause non-conforming investments to be non-admitted when measuring statutory surplus and, in some instances, may require divestiture. White Mountains's investment portfolio as of December 31, 2016 complied with such laws and regulations in all material respects.

One of the primary sources of cash inflows for the Company and certain of its intermediate holding companies is dividends or distributions received from its insurance subsidiaries. Under the insurance laws of the domiciliary states under which White Mountains's U.S.-based insurance subsidiaries are domiciled, an insurer is restricted with respect to the timing or the amount of dividends it may pay without prior approval by regulatory authorities. See "Dividend Capacity" on page 56 for further discussion.

Holding Company Structure

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

Legislation

Although the federal government does not directly regulate the insurance business, federal legislation and administrative policies impact the industry. In addition, legislation has been introduced in recent years that, if enacted, could result in the federal government assuming a more direct role in the regulation of the insurance industry. Notably, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") created the Federal Insurance Office ("FIO") within the Treasury Department, which is responsible for gathering information and monitoring the insurance industry to identify gaps in the regulation of insurers that could contribute to a systemic crisis in the insurance industry or U.S. financial system.

White Mountains's U.S.-based insurance subsidiaries are impacted by other federal regulations targeted at the insurance industry, such as the Terrorism Act, which established a federal "backstop" for commercial property and casualty losses. See "ONEBEACON — Terrorism" on page 9 for a further discussion of the Terrorism Act. For example, the generally applicable levels of reinsurance support that the federal government provides to authorized carriers under the Terrorism Act could be reduced by legislation. A number of additional enacted and pending legislative measures could lead to increased consolidation and increased competition for business and for capital in the financial

services industry. White Mountains cannot predict whether any state or federal measures will be adopted to change the nature or scope of the regulation of the insurance business or what effect such measures may have on its insurance operations.

In addition to emerging federal regulation, many states are adopting laws that attempt to strengthen the ability of regulators to understand and regulate the risk management practices of insurers and insurance groups. For example, many states have adopted measures related to the NAIC's Solvency Modernization Initiative ("SMI"), which have included model regulations that require insurers to summarize their key risks and risk management strategies to regulators. The SMI resulted in a 2010 amendment to the NAIC's Model Insurance Holding Company System Regulatory Act (the "Model Holding Company Act"), which requires the ultimate controlling person in an insurer's holding company structure to identify and report material enterprise risks to the state insurance regulator.

The SMI also produced the NAIC Risk Management and Own Risk Solvency Model Act (“ORSA”), which requires insurers meeting premium thresholds to: 1) maintain a risk management framework; and 2) annually submit a comprehensive report designed to assess the adequacy of an insurer’s risk management practices, including risks related to the insurer’s future solvency position. ORSA requirements became effective in 2015 in all of the domiciliary states of White Mountains’s U.S.-based insurance company subsidiaries.

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

Bermuda

Insurance Regulation

The Insurance Act 1978 of Bermuda and related regulations, as amended (the “Insurance Act”), regulates the insurance businesses of Split Rock and HG Re, and provides that no person may carry on any insurance business in or from within Bermuda unless registered as an insurer under the Insurance Act by the Bermuda Monetary Authority (“BMA”). The BMA, in deciding whether to grant registration, has broad discretion to act as it thinks fit in the public interest. The BMA is required by the Insurance Act to determine whether the applicant is a fit and proper body to be engaged in the insurance business and, in particular, whether it has, or has available to it, adequate knowledge and expertise to operate an insurance business. In addition, the BMA is required by the Insurance Act to determine whether a person who proposes to control 10 percent, 20 percent, 33 percent or 50 percent (as applicable) of the voting powers of a Bermuda registered insurer or its parent company is a fit and proper person to exercise such degree of control. See “Dividend Capacity” on page 56 for further discussion.

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

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

Certain Other Bermuda Law Considerations

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

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

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

Although the Company is incorporated in Bermuda, it has been designated as non-resident of Bermuda for exchange control purposes by the BMA. Pursuant to its non-resident status, the Company may hold any currency other than Bermuda dollars and convert that currency into any other currency, other than Bermuda dollars, without restriction. Shares may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act 2003 and the Exchange Control Act 1972, and related regulations of Bermuda which regulate the sale of securities in Bermuda. In addition, specific permission is required from the BMA pursuant to the provisions of the Exchange

Control Act 1972 and related regulations, for all issuances and transfers of securities of Bermuda companies, other than in cases where the BMA has granted a general permission. The BMA in its policy dated June 1, 2005 provides that where any equity securities, including the Company's common shares, of a Bermuda company are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of a company from and/or to a non-resident, for as long as any equity securities of such company remain so listed. The New York Stock Exchange is deemed to be an appointed stock exchange under Bermuda law. Notwithstanding the above general permission, the BMA has granted the Company permission to, subject to its common shares being listed on an appointed stock exchange, (a) issue and transfer its shares, up to the amount of its authorized capital from time to time, to persons resident and non-resident of Bermuda for exchange control purposes; (b) issue and transfer options, warrants, depositary receipts, rights, and other securities; and (c) issue and transfer loan notes and other debt instruments and options, warrants, receipts, rights over loan notes and other debt instruments to persons resident and non-resident of Bermuda for exchange control purposes.

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

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

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

RATINGS

Insurance companies are evaluated by various rating agencies in order to measure each company’s financial strength. Higher ratings generally indicate financial stability and a stronger ability to pay claims. White Mountains believes that strong ratings are important factors in the marketing and sale of insurance products and services to agents and consumers and ceding companies.

The following table presents the financial strength ratings assigned to White Mountains’s principal insurance subsidiaries within OneBeacon as of February 27, 2017:

A.M. Best ⁽¹⁾	Fitch ⁽²⁾	Moody’s ⁽³⁾	Standard & Poor’s ⁽⁴⁾
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OneBeacon

Rating “A” (Excellent) “A” (Strong) “A3” (Good) “A-” (Strong)

Outlook Stable Stable Stable Stable

(1) “A” is the third highest of sixteen financial strength ratings assigned by A.M. Best Company (“A.M. Best”).

(2) “A” is the sixth highest of nineteen international financial strength ratings assigned by Fitch Ratings (“Fitch”).

(3) “A3” is the seventh highest of twenty-one financial strength ratings assigned by Moody’s

(4) “A-” is the seventh highest of twenty-one financial strength ratings assigned by Standard & Poor’s.

As of February 27, 2017 BAM is rated “AA/stable” by Standard & Poor’s. “AA” is the third highest of twenty-one financial strength ratings assigned by Standard & Poor’s.

EMPLOYEES

As of December 31, 2016, White Mountains employed approximately 1,400 people (consisting of 52 people at the Company, its intermediate holding companies and HG Global, approximately 1,100 people at OneBeacon, 102 people at Wobi, 36 people at MediaAlpha, 31 people at Star & Shield, 30 people at WM Advisors and 21 people at

Buzzmove). Management believes that White Mountains has satisfactory relations with its employees.

AVAILABLE INFORMATION

The Company is subject to the informational reporting requirements of the Exchange Act. In accordance therewith, the Company files reports, proxy statements and other information with the SEC. These documents are available at www.whitemountains.com shortly after such material is electronically filed with or furnished to the SEC. In addition, the Company's code of business conduct and ethics as well as the various charters governing the actions of certain of the Company's Committees of its Board of Directors, including its Audit Committee, Compensation Committee and Nominating and Governance Committee, are available at www.whitemountains.com.

The Company will provide to any shareholder, upon request and without charge, copies of these documents (excluding any applicable exhibits unless specifically requested). Written or telephone requests should be directed to the Corporate Secretary, White Mountains Insurance Group, Ltd., 26 Reid Street, Hamilton, HM 11 Bermuda, telephone number (441) 278-3160. Additionally, all such documents are physically available at the Company's registered office at Clarendon House, 2 Church Street, Hamilton, HM 11 Bermuda.

Item 1A. Risk Factors

The information contained in this report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. See "FORWARD-LOOKING STATEMENTS" on page 75 for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements. The Company's actual future results and trends may differ materially depending on a variety of factors including, but not limited to, the risks and uncertainties discussed below.

Our investment portfolio may suffer reduced returns or losses, which could materially adversely affect our results of operations and financial condition. Adverse changes in interest rates, debt markets, equity markets, market volatility or foreign currency exchange rates could result in significant losses to the fair value of our investment portfolio. Our investment portfolio consists of fixed maturity investments, short-term investments, common equity securities and other long-term investments, including hedge funds, private equity funds, various non-controlling interests in private capital investments and the OneBeacon Surplus Notes. We invest to maximize long-term total returns (after tax) while taking prudent levels of risk and maintaining a diversified portfolio subject to our investment guidelines and various regulatory restrictions. However, investing entails substantial risks. We may not achieve our investment objectives, and our investment performance may vary substantially over time. Investment returns are an important part of our strategy to grow adjusted book value per share, and fluctuations in the fixed income or equity markets could adversely affect our results of operations and financial condition.

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

If BAM does not pay some or all of the interest and principal due on the BAM Surplus Notes, White Mountains's adjusted book value per share, results of operations and financial condition could be materially adversely affected. As of December 31, 2016, White Mountains owns \$503 million in BAM Surplus Notes and has accrued \$108 million in interest due thereon. BAM has not yet made any cash payments to White Mountains for amounts owed under the BAM Surplus Notes. No payment of interest or principal on the BAM Surplus Notes may be made (1) without the approval of the New York State Department of Financial Services and (2) unless BAM maintains Qualified Statutory Capital of at least \$500 million. Under its agreements with HG Global, 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 support its outstanding obligations, business plan and ratings. It is unlikely that BAM will pay interest and principal on the BAM Surplus Notes if such payments could lead to a ratings downgrade.

Interest payments on the BAM Surplus Notes are due quarterly but are subject to deferral, without penalty or default and without compounding, for payment in the future. No principal is due on the BAM Surplus Notes prior to the stated maturity date of 2042.

BAM's premiums are dependent on a number of factors, many of which are beyond BAM's control, including primary municipal bond issuance levels, insured penetration rates, interest rate levels, credit spreads, trading value, capture rate and market share.

During 2016, BAM's total premiums were \$77 million, of which \$38 million were MSC and \$39 million were risk premiums. BAM must increase these premium levels in the future in order to be able to pay the amounts due on the BAM Surplus Notes. If BAM does not pay some or all of the amounts due on the BAM Surplus Notes, our adjusted book value per share, results of operations and financial condition could be materially adversely impacted.

Our loss and LAE reserves may be inadequate to cover our ultimate liability for losses, and as a result, our results of operations and financial condition could be adversely affected.

We must maintain reserves adequate to cover our estimated ultimate liabilities for loss and LAE. Loss and LAE reserves are typically comprised of (1) case reserves for claims reported and (2) IBNR reserves for losses that have occurred but for which claims have not yet been reported and for expected future development on case reserves. Loss and LAE reserves are estimates of what we believe the settlement and administration of claims will cost based on facts and circumstances then known to us. These estimates involve actuarial and claims assessments, and require us to make a number of assumptions about future events that are subject to unexpected changes and are beyond our control, such as future trends in claim severity, emerging coverage issues, frequency, inflation, legislative and judicial changes and other factors. Because of uncertainties associated with estimating ultimate loss and LAE reserves, we cannot be certain that our reserves are adequate. In the event that our reserves become insufficient to cover our actual losses and LAE, we may need to add to our reserves, which could have a material adverse effect on our results of operations and financial condition. For further discussion of our loss and LAE reserves, see "CRITICAL ACCOUNTING ESTIMATES - Loss and LAE Reserves" on page 66.

The segments of the insurance industry in which White Mountains participates are highly competitive and cyclical and we may not be able to compete effectively in the future.

The property and casualty insurance industry is highly competitive and has historically been cyclical, experiencing periods of severe price competition and less selective underwriting standards ("soft markets") followed by periods of relatively high prices and more selective underwriting standards ("hard markets"). Cyclicity may adversely affect our results of operations and financial condition by reducing the rates we can charge for property and casualty insurance during soft markets. We expect to continue to experience the effects of cyclicity and may not be able to successfully manage the associated risks.

Insurance markets are highly competitive. In general terms, OneBeacon competes in one or more of its businesses with most of the large multi-line insurance companies, most of the specialty insurance companies and various local and regional insurance companies. OneBeacon also competes with new companies formed to enter insurance markets. Recent consolidation in the U.S. property and casualty insurance industry may increase the size and/or financial strength of some of OneBeacon's competitors. Increased competition could result in fewer submissions, lower premium rates and less favorable policy terms and conditions, which could adversely impact our results of operations

and financial condition.

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

If OneBeacon’s distribution partners find that its competitor insurers offer better priced coverage, OneBeacon may be unable to maintain a competitive position, which in turn may adversely affect our results of operations and financial condition. Additionally, consolidation among brokers and agents may make it more difficult for OneBeacon to distribute its products.

The municipal bond insurance industry is also highly competitive. BAM’s primary competitors are Assured and National. BAM, Assured and National each seeks to differentiate itself through financial strength ratings, claims paying resources and underwriting strategies. If BAM does not differentiate itself from Assured and National it could result in fewer policies issued, lower premium levels and less favorable policy terms and conditions, which could adversely impact our results of operations and financial condition.

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

We write insurance policies that cover unpredictable catastrophic events. Covered unpredictable catastrophic events include natural disasters, such as hurricanes, windstorms, earthquakes, floods, wildfires and severe winter weather, and other disasters such as terrorist attacks, explosions, infrastructure failures, political instability and wide-impact pandemics.

Our exposure to hurricanes and earthquakes is the largest natural catastrophe risk to our business. Key exposures include:

(1) hurricane or windstorm damage in the U.S. Northeast Atlantic Coast and Gulf Coast regions, (2) a major California earthquake, (3) convective storms, and (4) losses from terrorist attacks in the United States, such as the attacks on September 11, 2001. The extent of catastrophe losses is a function of the number of events, the severity of each event and total amount of insured exposure affected by the event. Increases in the value and concentration of insured property or insured employees, the effects of inflation, changes in weather patterns and increased terrorism could increase the future frequency and/or severity of claims from catastrophic events. Claims from catastrophic events could materially adversely affect our results of operations and financial condition. Our ability to write new insurance policies could also be impacted as a result of corresponding reductions in our capital levels.

Our efforts to mitigate our exposure to catastrophes, which include analyzing possible catastrophe losses through a variety of tools such as catastrophe modeling software and purchasing reinsurance, may be unsuccessful. Loss estimates produced by catastrophe models depend on many variables, including assumptions about demand surge, storm surge, loss adjustment expenses and event intensity. If the assumptions defining our modeling variables are incorrect, or the model itself is incorrect, the losses we might incur from an actual catastrophe could be materially higher than our expectation of losses generated from modeled catastrophe scenarios. To the extent these losses are not covered by reinsurance, our results of operations and financial condition could be materially adversely affected.

Terrorism risk presents unique challenges because of the unpredictability of targets, the frequency and severity of potential terrorist attacks, the limited availability of terrorism reinsurance, and the limited protection provided by government programs. Furthermore, we cannot predict the extent to which our future insurance contracts will be prohibited from excluding terrorism coverage from insurance offered to certain classes of business. Under the Terrorism Act, the U.S. federal government is required to provide assistance to insurers for certain terrorism events. However, the benefits to insurers are limited, the law is untested, and it is possible that Congress will terminate or modify the Terrorism Act, which could adversely affect our business by increasing our exposure to terrorism losses. There is a possibility that losses resulting from future terrorist attacks could prove to be material to our results of operations and financial condition.

Changes in tax laws or tax treaties could adversely affect our results of operations and financial condition.

The taxable income of our U.S. subsidiaries is subject to U.S. federal, state and local income tax and other taxes. Potential changes to these laws, for example, disallowing the deduction for reinsurance purchased from a reinsurer outside the U.S. or disallowing deductions for interest expense, could adversely affect the Company.

The income of the non-U.S. companies in our group is generally subject to a lower tax rate than that imposed by the United States. Certain of our non-U.S. companies are eligible for the benefits of tax treaties between the United States and other countries. We believe our non-U.S. companies will continue to be eligible for treaty benefits. However, it is possible that factual changes or changes to U.S. tax laws or changes to tax treaties that presently apply to our non-U.S. companies could increase income subject to tax, or the tax rate on income, in the United States. Similarly, changes to the applicable tax laws, treaties or regulations of other countries could subject the income of members of our group to higher rates of tax outside the United States. Additionally, the base erosion and profit shifting (“BEPS”) project currently being undertaken by the Organization for Economic Cooperation and Development (“OECD”) and the European Commission’s investigation into illegal state aid may result in changes to long standing tax principles, which could adversely affect our results of operations and financial condition.

The Company and our non-U.S. subsidiaries may become subject to U.S. tax, which may have an adverse effect on our results of operations and financial condition and our shareholders’ investments.

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

We have significant deferred tax assets, which we may be unable to utilize if we do not generate sufficient future taxable income.

We have a deferred tax asset of \$93 million (net of a valuation allowance of \$117 million) related to net operating loss carryforwards, capital loss carryforwards and tax credit carryforwards as of December 31, 2016 that is subject to carryforward limitations in the United States. Utilization of these assets and other assets included in our worldwide net deferred tax asset of \$127 million (net of a valuation allowance of \$147 million) is dependent on generating sufficient future taxable income of the appropriate character (i.e. ordinary income or capital gains) in the appropriate jurisdiction. If it is determined that it is more likely than not that sufficient future taxable income will not be generated, we would be required to increase the valuation allowance in future periods, which could have a material adverse effect on our results of operations and financial condition. Additionally, future tax law changes that reduce the U.S. corporate tax rate would have an adverse effect on our deferred tax assets. A reduction in the federal income tax rate to between 20% and 15% would reduce the Company's net deferred tax asset by \$54 million to \$72 million.

We may not maintain favorable financial strength or creditworthiness ratings, which could adversely affect our ability to conduct business.

Third-party rating agencies assess and rate the financial strength of insurers, including claims-paying ability. These ratings are based upon criteria established by the rating agencies and are subject to revision at any time at the sole discretion of the agencies. Some of the criteria relate to general economic conditions and other circumstances outside the rated company's control. These financial strength ratings are used by policyholders, agents and brokers to assess the suitability of insurers as business counterparties, and are an important factor in establishing the competitive position of insurance companies.

The maintenance of an "A-" or better financial strength rating from A.M. Best and/or Standard & Poor's is particularly important to our ability to write new or renewal property and casualty insurance business in most markets, while the maintenance of an "AA" or better financial strength rating from Standard & Poor's is particularly important to BAM's ability to write municipal bond insurance or meet its debt service obligations under the BAM Surplus Notes. General creditworthiness ratings are used by existing or potential investors to assess the likelihood of repayment on a particular debt issue. The maintenance of an investment grade creditworthiness rating (e.g., "BBB-" or better from Standard & Poor's, "Baa3" or better from Moody's or "BBB-" or better from Fitch) is important to our ability to raise new debt with acceptable terms. We believe that strong creditworthiness ratings are important factors that provide better financial flexibility when issuing new debt or restructuring existing debt.

Rating agencies periodically evaluate us to confirm that we continue to meet the criteria of the ratings previously assigned to us. See "RATINGS" on page 21 for a summary of financial strength ratings on our principal insurance subsidiaries. A downgrade, withdrawal or negative watch/outlook of our financial strength ratings could severely limit or prevent our insurance subsidiaries ability to write new policies or renew existing policies, which could have a material adverse effect on our results of operations and financial condition. A downgrade, withdrawal or negative watch/outlook of our creditworthiness ratings could limit our ability to raise new debt or could make new debt more costly and/or have more restrictive conditions.

We may be unable to adequately maintain our systems and safeguard the security of our data, which may adversely impact our ability to operate our business and cause reputational harm and financial loss.

Because our business and operations rely on secure and efficient information technology systems, we depend on our ability, and the ability of certain third parties, including vendors and business partners, to access our computer systems to perform necessary functions such as providing quotes and product pricing, billing and processing premiums, administering claims, and reporting our financial results. The functioning of these systems may be impacted by any number of events, including power outages, natural and manmade catastrophes, and cyber-attacks. In the event we are unable to access any of our systems, or any third party system that we rely upon, our ability to operate our business effectively may be significantly impaired.

Our business also depends upon our ability to securely process, store, transmit and safeguard confidential and proprietary information that is in our possession. This information includes confidential information relating to our business, and personally identifiable information ("PII") and protected health information ("PHI") belonging to our

employees, customers, claimants and business partners. Because our systems may be vulnerable to a variety of forms of unauthorized access that could result in a data breach, including hackers, computer viruses, and other cyber-attacks, as well as breaches that result from dishonest employees, errors by employees or lost or stolen computer devices, we may not be able to protect the confidentiality of such information.

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

Our computer systems have been and will continue to be the target of cyber-attacks, although we are not aware that we have experienced a material cybersecurity breach. We are also not aware of any third-party vendor having experienced a material cybersecurity breach that impacted our data. The risk of cyber-attack may increase, and we may experience more significant attacks in the future.

The risks identified above could expose us to data breaches, disruptions of service, financial losses and significant increases in compliance costs and reputational harm to us, any of which could adversely affect our business and results of operations and financial condition. In addition, a data breach that involves the compromise of PII or PHI, could subject us to legal liability or regulatory action under data protection and privacy laws and regulations enacted by federal, state and foreign governments, or other regulatory bodies. As a result, our ability to conduct our business and our results of operations and financial condition might be adversely affected.

Our debt and related service obligations could adversely affect our business.

As of December 31, 2016, we had approximately \$288 million face value of indebtedness. We also had a total of \$490 million of undrawn revolving credit facilities at the Company and OneBeacon. Our ability to meet our debt related service obligations will depend on our future performance, which will be affected by financial, business, economic, regulatory and other factors, many of which are beyond our control.

We are also subject to restrictive financial covenants contained in both White Mountains's and OneBeacon's revolving credit facilities. These covenants require us to maintain specified financial ratios and to satisfy certain financial condition tests. These covenants can restrict us in several ways, including our ability to incur additional indebtedness. An uncured breach of these covenants could result in an event of default under our revolving credit facilities which would allow lenders to declare any amounts owed under our revolving credit facilities to be immediately due and payable. In addition, a default under our revolving credit facilities could occur if certain of our subsidiaries fail to pay principal and interest on a credit facility, mortgage or similar debt agreement (collectively, "covered debt"), or fail to otherwise comply with obligations in such covered debt agreements where such a default gives the holder of the covered debt the right to accelerate at least \$75 million of principal amount of covered debt. A failure by OneBeacon Ltd. or its subsidiaries to pay principal and interest on covered debt or to comply with obligations in covered debt agreements that results in the acceleration of at least \$75 million of principal amount of covered debt could trigger the acceleration of the OBH Senior Notes.

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

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

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

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

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

risk, could have a material adverse effect on our financial condition and results of operations.

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

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

As of December 31, 2016, our top tier regulated insurance subsidiaries have the ability to pay \$60 million of dividends to us without prior approval of regulatory authorities. As of December 31, 2016, the Company and its intermediate holding companies had \$1.7 billion of net unrestricted cash, short-term investments and fixed maturity investments, \$286 million of common equity securities and \$67 million of other long-term investments outside of OneBeacon and \$425 million available to be drawn from our revolving credit facility. In addition, as of December 31, 2016, OneBeacon Ltd. and its intermediate holding companies had \$65 million of net unrestricted cash, short-term investments and fixed maturity investments and \$12 million of common equity securities outside of its regulated and unregulated insurance subsidiaries and \$65 million available to be drawn from OneBeacon's credit facility. See "Dividend Capacity" on page 56. If our insurance subsidiaries cannot pay dividends, tax sharing and other permitted payments in future periods, we may have difficulty servicing our debt, paying dividends to shareholders and paying our holding company expenses. For additional information relating to regulations governing our operations, see "Regulation" on page 17.

We may suffer losses from unfavorable outcomes from litigation and other legal proceedings.

In the ordinary course of business, we are subject to litigation and other legal proceedings as part of the claims process, the outcomes of which are uncertain. We maintain reserves for claims-related legal proceedings as part of our loss and LAE reserves. Adverse outcomes are possible and could negatively impact our results of operations and financial condition.

Furthermore, as industry practices and legal, judicial, social and other conditions change, unexpected issues related to claims and coverage may emerge. These issues may adversely affect our results of operations and financial condition by either extending coverage beyond our underwriting intent or by increasing the number and size of claims. In some instances, these changes may not become apparent until sometime after we have issued the affected insurance contracts. Examples of emerging claims and coverage issues include, but are not limited to:

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

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

Regulation may restrict our ability to operate.

The insurance industry is subject to extensive regulation under federal, state and Bermuda law. The primary goal of the regulation is the protection of policyholders rather than shareholders. For example, in order to protect insurer solvency, state insurance regulations impose restrictions on the amount and type of investments, establish detail minimum capital standards and require the maintenance of reserves. Our insurance underwriting is heavily dependent on information gathered from third parties such as insurance rating bureaus, highly regulated credit report agencies and other data aggregators. Regulatory changes related to the availability or use of this information could materially affect how we underwrite and price premiums.

Changes in laws and regulations may restrict our ability to operate and/or have an adverse effect upon the profitability of our business within a given jurisdiction. For example, as a result of various state, federal and international regulatory efforts to modernize and harmonize insurer solvency regulations in the wake of the recent financial crisis, the states could further restrict allowable investments or increase our capital requirements, both of which could materially impact our results of operations and financial condition.

We have successfully created shareholder value through acquisitions and dispositions. We may not be able to continue to create shareholder value through such transactions in the future.

In past years, we have completed numerous acquisitions and dispositions, many of which have contributed significantly to our growth in adjusted book value. Failure to identify and complete future acquisition and disposition opportunities could limit our ability to achieve our target returns. Even if we were to identify and complete future acquisition or disposition opportunities, there is no assurance that such opportunities will ultimately achieve their anticipated benefits.

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

We are exposed to credit risk in certain of our business operations.

In addition to exposure to credit risk related to our investment portfolio and reinsurance recoverables, we are exposed to credit risk in other areas of our business operations.

When policyholders purchase insurance policies from us through independent agents and brokers, the premiums are often first received by the independent agents and brokers, who then route premiums to us. In most jurisdictions, the premiums are deemed paid to us whether or not we receive them. Consequently, we assume a degree of credit risk associated with amounts due from independent agents and brokers.

Under many of our policies, our customers are responsible to reimburse us for an agreed-upon amount per claim. In these circumstances, we are exposed to credit risk because we are typically required under these policies to pay covered claims first and then seek reimbursement from our customers.

We are exposed to credit risk in OneBeacon's surety business, where we guarantee to a third party that our customer will satisfy certain performance obligations. We sometimes mitigate the surety customer credit risk by requiring customers to post collateral for some or all of their performance obligations, often in the form of pledged securities such as money market funds or letters of credit provided by banks. However, there is credit risk associated with any collateral - if we are holding collateral other than cash and our customer is unable to honor his or her obligations, we may be exposed to credit risks associated with pledged securities or banks that issued letters of credit. Economic downturns generally increase these credit risks. If credit risks materialize and control mechanisms like underwriting guidelines and collateral requirements are unsuccessful, we could be left with collateral that has little or no value. As a result, our exposure to the above credit risks could materially adversely affect our results of operations and financial condition.

Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders.

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

Our corporate affairs are governed by the Companies Act. The Companies Act differs in some material respects from laws generally applicable to U.S. corporations and shareholders, including the provisions relating to interested directors, amalgamations, mergers and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. Generally, the duties of directors and officers of a Bermuda company are owed to the company only. Shareholders of

Bermuda companies generally do not have rights to take action against directors or officers of the company and may only do so in limited circumstances. Class actions and derivative actions are generally not available to shareholders under Bermuda law. The Bermuda courts, however, would ordinarily be expected to permit a shareholder to commence an action in the name of a company to remedy a wrong to the company where the act complained of is alleged to be beyond the corporate power of the company or illegal, or would result in the violation of the company's memorandum of association or bye-laws. Furthermore, consideration would be given by a Bermuda court to acts that are alleged to constitute a fraud against non-controlling shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

When the affairs of a company are being conducted in a manner that is oppressive or prejudicial to the interests of some part of the shareholders, one or more shareholders may apply to the Supreme Court of Bermuda, which may make such order as it sees fit, including an order regulating the conduct of the company's affairs in the future or ordering the purchase of the shares of any shareholders by other shareholders or by the company. Additionally, under our bye-laws and as permitted by Bermuda law, each shareholder has waived any claim or right of action against our directors or officers for any action taken by directors or officers in the performance of their duties, except for actions involving fraud or dishonesty. In addition, the rights of our shareholders and the fiduciary responsibilities of our directors under Bermuda law are not as clearly established as under statutes or judicial precedent in existence in jurisdictions in the United States, particularly the State of Delaware. Therefore, our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction within the United States.

We have foreign operations that expose us to certain additional risks.

Our foreign operations are subject to legal, political and operational risks that may be greater than those present in the United States. As a result, our operations at these foreign locations could be temporarily or permanently disrupted. Additionally, a portion of our assets, liabilities, revenues and expenses are denominated in currencies other than the U.S. dollar and are therefore subject to foreign currency risk. Significant changes in foreign exchange rates may adversely affect our results of operations and financial condition.

We could be adversely affected if our controls designed to ensure compliance with guidelines, policies, and legal and regulatory standards are not effective.

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

1B. Unresolved Staff Comments

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

Item 2. Properties

The Company maintains two professional offices in Hamilton, Bermuda, which serve as its headquarters and its registered office. The Company's principal executive office is in Hanover, New Hampshire. In addition, White Mountains maintains professional offices in Guilford, Connecticut, which house its investment and corporate finance functions, and Boston, Massachusetts, which house its corporate accounting, reporting and internal audit functions. OneBeacon Ltd.'s headquarters are located in Hamilton, Bermuda and the headquarters of its U.S. operations and principal executive office are located in Plymouth, Minnesota. OneBeacon also maintains branch offices in various cities throughout the United States.

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

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

The Company's headquarters, registered office, principal executive office, and corporate accounting, reporting and internal audit offices are leased. White Mountains owns its investment and corporate finance office in Guilford, Connecticut. OneBeacon's headquarters, U.S. corporate headquarters and branch offices are leased. HG Global's and

BAM's offices are leased, as are MediaAlpha's, Wobi's, Star & Shield's and Buzzmove's offices. Management considers its office facilities suitable and adequate for its current level of operations.

Item 3. Legal Proceedings

White Mountains, and the insurance industry in general, are routinely subject to claims-related litigation and arbitration in the normal course of business, as well as litigation and arbitration that do not arise from, or are directly related to, claims activity. Other than those items listed below, White Mountains was not a party to any material litigation or arbitration other than as routinely encountered in claims activity, none of which is expected by management to have a material adverse effect on its financial condition, results of operations or cash flows.

Tribune Company

In June 2011, Deutsche Bank Trust Company Americas, Law Debenture Company of New York and Wilmington Trust Company (collectively referred to as “Plaintiffs”), in their capacity as trustees for certain senior notes issued by the Tribune Company (“Tribune”), filed lawsuits in various jurisdictions (the “Noteholder Actions”) against numerous defendants including OneBeacon, OneBeacon-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune seeking recovery of the proceeds from the sale of common stock of Tribune in connection with Tribune's leveraged buyout in 2007 (the “LBO”). Tribune filed for bankruptcy in 2008 in the Delaware bankruptcy court (the “Bankruptcy Court”). The Bankruptcy Court granted Plaintiffs permission to commence these LBO-related actions, and in 2011, the Judicial Panel on Multidistrict Litigation granted a motion to consolidate the actions for pretrial matters and transferred all such proceedings to the U.S. District Court for the Southern District of New York (the “SDNY”). Plaintiffs seek recovery of the proceeds received by the former Tribune shareholders on a theory of constructive fraudulent transfer asserting that Tribune purchased or repurchased its common shares without receiving fair consideration at a time when it was, or as a result of the purchases of shares, was rendered, insolvent. OneBeacon has entered into a joint defense agreement with other affiliates of White Mountains that are defendants in the action. OneBeacon received approximately \$32 million for Tribune common stock tendered in connection with the LBO.

The Court granted an omnibus motion to dismiss the Noteholder Actions in September 2013 and the plaintiffs appealed. On March 29, 2016, a three judge panel of the U.S. Second Circuit Court of Appeals affirmed the dismissal of the Noteholder Actions. On July 22, 2016, the Plaintiff's petition to the Second Circuit for reconsideration or for a rehearing en banc was denied in full. On September 9, 2016, the Plaintiffs filed for a writ of certiorari, seeking review in the U.S. Supreme Court.

In addition, OneBeacon, OneBeacon-sponsored benefit plans and other affiliates of White Mountains in their capacity as former shareholders of Tribune, along with thousands of former Tribune shareholders, have been named as defendants in an adversary proceeding brought by the Official Committee of Unsecured Creditors of the Tribune Company (the “Committee”), on behalf of the Tribune Company, which seeks to avoid the repurchase of shares by Tribune in the LBO on a theory of intentional fraudulent transfer (the “Committee Action”). Tribune emerged from bankruptcy in 2012, and a litigation trustee replaced the Committee as plaintiff in the Committee Action. This matter was consolidated for pretrial matters with the Noteholder Actions in the SDNY and was stayed pending the motion to dismiss in the Noteholder Actions. An omnibus motion to dismiss the shareholder defendants in the Committee Action was filed in May 2014 and the motion was granted on January 6, 2017. The plaintiff has requested permission to move the SDNY to certify the decision as a final judgment capable of immediate appeal. No amount has been accrued in connection with this matter as of December 31, 2016, as the amount of loss, if any, cannot be reasonably estimated.

Item 4. Mine Safety Disclosures

None.

Executive Officers of the Registrant and its Subsidiaries (As of February 27, 2017)

Name	Position	Age	Executive Officer since
Raymond Barrette	Chairman and CEO	66	2007
Reid T. Campbell	Managing Director of WM Capital and President of WM Advisors	49	2007
David T. Foy	Executive Vice President and Chief Financial Officer	50	2003
David B. Linker	Chief Investment Officer of WM Advisors	54	2016
T. Michael Miller	President and CEO of OneBeacon Ltd.	58	2005
J. Brian Palmer	Managing Director and Chief Accounting Officer	44	2001
G. Manning Rountree	Executive Vice President of the Company and President of WM Capital	44	2009
Robert L. Seelig	Managing Director and General Counsel	48	2002

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

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

Mr. Barrette also serves as a director of OneBeacon Ltd and BAM.

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

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

Mr. Linker was appointed Chief Investment Officer of WM Advisors in May 2015. Prior to this, he served as Managing Director and Head of Fixed Income of WM Advisors. Mr. Linker joined WM Advisors in 2001. Prior to joining WM Advisors, Mr. Linker held positions with Imperial Credit Industries, Inc., Koch Investments, Inc. and Merrill Lynch, having begun his career with L.F. Rothschild & Co, Inc. in 1987.

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

Mr. Palmer is Managing Director and Chief Accounting Officer of the Company. Prior to joining White Mountains in 1999, Mr. Palmer spent four years with PricewaterhouseCoopers LLP.

Mr. Rountree is an Executive Vice President of the Company and President of WM Capital. He joined White Mountains in 2004 and served as the President of White Mountains Advisors from February 2009 until December 2014. Prior to joining White Mountains, Mr. Rountree was a Senior Vice President at Putnam Investments for two years. Prior to joining Putnam Investments, Mr. Rountree spent 3 years with McKinsey & Company. Mr. Rountree also serves as a director of BAM.

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

PART II

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

White Mountains's common shares are listed on the New York Stock Exchange (symbol "WTM") and the Bermuda Stock Exchange (symbol "WTM-BH"). As of February 24, 2017, there were 274 registered holders of White Mountains common shares, par value \$1.00 per share. The quarterly range of the high and low sales price for common shares during 2016 and 2015 is presented below:

	2016		2015	
Quarter ended:	High	Low	High	Low
December 31	\$874.69	\$815.04	\$808.00	\$721.00
September 30	852.58	804.44	778.19	645.00
June 30	845.37	786.33	704.50	635.00
March 31	809.99	689.31	696.48	618.00

For information on securities authorized for issuance under the Company's equity compensation plans, see "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" on page 78.

The following graph shows the five-year cumulative total return for a shareholder who invested \$100 in common shares as of December 31, 2011, assuming re-investment of dividends. Cumulative returns for the five-year period ended December 31, 2016 are also shown for the Standard & Poor's 500 Stocks (Property & Casualty) Capitalization Weighted Index ("S&P P&C") and the Standard & Poor's 500 Stocks Capitalization Weighted Index ("S&P 500") for comparison.

Purchases of Equity Securities by the Company

The following table provides information regarding common shares repurchased by the Company during the fourth quarter of 2016:

Months	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan ⁽¹⁾	Maximum Number of Shares that May Yet Be Purchased Under the Plan ⁽¹⁾
October 1 - 31, 2016	13,458	\$ 824.48	13,458	389,480
November 1 - 30, 2016	11,350	\$ 823.90	11,350	878,130
December 1 - 31, 2016	—	\$ —	—	878,130
Total	24,808	\$ 824.22	24,808	878,130

⁽¹⁾ During the past several years, White Mountains's board of directors has authorized the Company to repurchase its common shares, from time to time, subject to market conditions. Most recently, in November 2016, White Mountains's Board of Directors authorized the Company to repurchase up to an additional 500,000 common shares. The repurchase authorization does not have a stated expiration.

Item 6. Selected Financial Data

Selected consolidated income statement data and ending balance sheet data for each of the five years ended through December 31, 2016, follows:

\$ in millions, except share and per share amounts	Year Ended December 31,				
	2016	2015	2014	2013	2012
Income Statement Data:					
Revenues ^(a)	\$1,361	\$1,622	\$1,411	\$1,362	\$1,358
Expenses	1,401	1,464	1,440	1,204	1,260
Pre-tax (loss) income	(40)	158	(29)	158	98
Income tax benefit (expense)	45	—	15	(33)	(121)
Non-controlling interest	(7)	18	22	13	14
Equity in earnings of unconsolidated affiliates	—	25	45	37	29
Discontinued operations, net of tax ^(b)	415	97	259	147	187
Net income attributable to White Mountains's common shareholders	\$413	\$298	\$312	\$322	\$207
Income attributable to White Mountains's common shareholders per share:					
Basic — continuing operations	\$(0.47)	\$34.12	\$8.70	\$28.22	\$3.03
Basic — discontinued operations	82.71	16.48	42.43	23.63	27.47
Total basic income per share	\$82.24	\$50.60	\$51.13	\$51.85	\$30.50
Diluted — continuing operations	\$(0.47)	\$34.12	\$8.70	\$28.22	\$3.03
Diluted — discontinued operations	82.66	16.48	42.43	23.63	27.47
Total diluted income per share	\$82.19	\$50.60	\$51.13	\$51.85	\$30.50
Balance Sheet Data:					
Total assets	\$6,545	\$10,283	\$10,456	\$12,144	\$12,895
Debt ^(c)	286	338	276	275	350
Non-controlling interests ^(d)	134	455	543	492	526
White Mountains's common shareholders' equity	3,603	3,913	3,996	3,905	3,732
Book value per share	\$789.53	\$695.84	\$667.48	\$632.22	\$593.16
Adjusted book value per share ^{(e)(f)}	\$793.58	\$698.95	\$664.50	\$642.20	\$587.60
Share Data:					
Cash dividends paid per common share	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
Ending common shares (000's) ^(g)	4,564	5,624	5,986	6,177	6,291

In 2015, White Mountains changed the accounting for its investment in Symetra from the equity method to fair value and recognized \$259 of unrealized investment gains through net income. See Note 17 — “Investments in Unconsolidated Affiliates” on page F-81.

As a result of the Sirius Group Sale, the Tranzact sale, Esurance and the Runoff Transaction, White Mountains has reclassified the results from these businesses for the past five years in the table above to discontinued operations, net of tax. In 2016, discontinued operations, net of tax, includes a gain from sale of Sirius and Tranzact of \$363 and \$52. In 2015, discontinued operations, net of tax, includes a gain from sale of Esurance of \$18 and net income of \$79. In 2014, discontinued operations, net of tax, includes a loss on sale of other discontinued operations of \$19, ^(b) mostly offset by a gain from sale of Fireman's Fund Insurance Company (“FFIC”) of \$14, and net income of \$261, primarily related to the operations of Sirius Group. See Note 22 — “Held for Sale and Discontinued Operations” on page F-87. In 2013, discontinued operations, net of tax, includes a gain from sale of the Runoff Business of \$47 and a net loss of \$42 related to the operations of the Runoff Business. In 2012, discontinued operations, net of tax, includes a gain from sale of the Runoff Business \$91 and a net loss of \$24 related to the operations of the Runoff Business.

^(c) As of December 31, 2015, White Mountains had \$50 outstanding under its credit facility, which was repaid in April 2016. As of December 31, 2012, White Mountains had \$75 outstanding under its credit facility, which was

repaid in January 2013.

(d) See Note 14 — “Common Shareholders’ Equity and Non-controlling Interests” on page F-74 for a detailed breakdown of non-controlling interests by consolidated entity.

(e) Adjusted book value per share as of December 31, 2016 includes the impact of 40,000 non-qualified options exercisable for \$742 per common share. Prior periods exclude the non-qualified stock options, which were anti-dilutive to adjusted book value.

(f) Adjusted book value per share is a non-GAAP measure which is derived by expanding the GAAP book value per share calculation to include the effects of assumed conversion of all in-the-money convertible securities and to exclude the net unrealized investment gains (losses) from Symetra’s fixed maturity portfolio and unearned restricted common shares. See the reconciliation of book value per share to adjusted book value per share on page 36.

(g) During 2016, 2015, 2014, 2013 and 2012, White Mountains repurchased 1,106,145, 387,495, 217,879, 141,535 and 1,329,640, respectively, of its common shares through a combination of tender offers, open market transactions and other transactions.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion contains “forward-looking statements”. White Mountains intends statements that are not historical in nature, which are hereby identified as forward-looking statements, to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. White Mountains cannot promise that its expectations in such forward-looking statements will turn out to be correct. White Mountains’s actual results could be materially different from and worse than its expectations. See “FORWARD-LOOKING STATEMENTS” on page 75 for specific important factors that could cause actual results to differ materially from those contained in forward-looking statements.

The following discussion also includes four non-GAAP financial measures, adjusted comprehensive income, adjusted book value per share, consolidated portfolio returns excluding Symetra and common equity securities and other long-term investment returns excluding Symetra, and the return on common equity and other long-term investments including high-yield fixed maturity investments that have been reconciled to their most comparable GAAP financial measures on page 64. White Mountains believes these measures to be useful in evaluating White Mountains’s financial performance and condition.

RESULTS OF OPERATIONS FOR THE YEARS ENDED December 31, 2016, 2015 and 2014

Overview—Year Ended December 31, 2016 versus Year Ended December 31, 2015

White Mountains ended 2016 with book value per share of \$790 and adjusted book value per share of \$794, an increase of 13.6% and 13.7% for the year, including dividends. Comprehensive income attributable to common shareholders increased to \$558 million in 2016 compared to \$197 million in 2015. The increases in 2016 are driven by larger transaction related gains. In 2016, a gain of \$477 million from the sale of Sirius Group increased book value per share and adjusted book value per share by \$90, while \$82 million of comprehensive income generated from the sale of Tranzact increased book value per share and adjusted book value per share by \$16. In 2015, White Mountains recognized \$241 million of comprehensive income that increased book value per share and adjusted book value per share by \$43, which was the result of a change in accounting for the investment in Symetra from the equity method to fair value, caused by White Mountains’s relinquishment of its representation on Symetra’s board of directors subsequent to Symetra entering into a merger agreement with Sumitomo Life. See Note 2 - “Significant Transactions” on page F-14 for a description of each transaction.

For the year ended December 31, 2016, White Mountains repurchased and retired 1,106,145 of its common shares for \$887 million at an average share price of \$802.08, approximately 101% of White Mountains’s December 31, 2016 adjusted book value per share.

OneBeacon’s book value per share increased 11.1% during 2016, including dividends, compared to an increase of 3.8% during 2015, including dividends. OneBeacon’s GAAP combined ratio was 97% for 2016 compared to 96% for 2015. OneBeacon’s current accident year loss ratio was 58% for the year ended December 31, 2016, compared to 60% for year ended December 31, 2015. OneBeacon had one point of net unfavorable loss reserve development in the year ended December 31, 2016 compared to insignificant loss reserve development in the year ended December 31, 2015. The decrease in the current accident year loss ratio reflects improved relative performance across most business units. The expense ratio was 38% for the year ended December 31, 2016, compared to 36% for the year ended December 31, 2015. The increase in the expense ratio was primarily due to lower earned premium volume and changing business mix. The increase in book value per share for the year ended December 31, 2016 included a \$16 million tax benefit related to the settlement of IRS examinations for tax years 2007-2012. OneBeacon’s net written premiums were \$1.1 billion for both the year ended December 31, 2016 and the year ended December 31, 2015.

BAM insured municipal bonds with par value of \$11.3 billion in 2016, compared to \$10.6 billion in 2015. The average total premium (including both risk premiums and Member Surplus Contributions), weighted by insured par, of insurance provided by BAM in the primary and secondary markets in 2016 was 68 basis points, up from 52 basis points in 2015. As of December 31, 2016, BAM’s total claims paying resources were \$644 million on total par insured of \$33 billion. Total claims paying resources increased \$43 million from December 31, 2015, reflecting positive cashflow building in the BAM system. The GAAP pre-tax total return on invested assets was 2.7% for 2016,

compared to 3.6% for 2015. In local currencies, the fixed income portfolio, excluding high yield investments, returned 2.1% for 2016, essentially in-line with the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index. The portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments returned 4.0% for 2016, underperforming the S&P 500 Index return of 12.0%. The underperformance versus the S&P 500 Index return was primarily attributable to the overall conservative positioning of the risk asset portfolio, including the new high-yield mandate, which we do not expect to keep pace with strong up markets. The underperformance was also due to unfavorable results from publicly-traded common equity securities managed by third party investment advisers and pockets of poor performance in other long-term investments, including unfavorable results from private equity funds and non-controlling interests in private capital investments.

Sirius Group's results inured to White Mountains until April 18, 2016, the closing date of the sale to CMI. For the 2016 period, White Mountains reported Sirius Group's comprehensive income of \$27 million and a combined ratio of 102%, which was driven by \$17 million of recorded losses from the Ecuador earthquake that occurred on April 16, 2016.

In 2016, White Mountains returned approximately \$900 million of capital to shareholders, primarily through share repurchases.

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

White Mountains ended 2015 with book value per share of \$696 and adjusted book value per share of \$699, an increase of 4.4% and 5.3% for the year, including dividends. During 2015, White Mountains signed an agreement to sell Sirius Group to CMI, and Symetra announced that it entered into a merger agreement with Sumitomo Life pursuant to which Sumitomo Life will acquire all of the outstanding shares of Symetra. Substantially all of the benefit from the Symetra transaction was recorded in 2015, while the benefit from the Sirius Group transaction was recorded at closing in the second quarter of 2016. Including dividends, Symetra produced \$264 million of adjusted comprehensive income for White Mountains in 2015, of which \$241 million was recognized as an after-tax unrealized investment gain in the fourth quarter.

White Mountains reported comprehensive income attributable to common shareholders of \$197 million and adjusted comprehensive income of \$232 million in 2015 compared to comprehensive income attributable to common shareholders of \$211 million and adjusted comprehensive income of \$135 million in 2014. The increase in adjusted comprehensive income was driven by \$264 million from Symetra and lower foreign currency losses, partially offset by lower investment returns excluding Symetra and increased incentive compensation expense recorded in connection with the agreements to sell Sirius Group and Symetra. Comprehensive income attributable to common shareholders was also affected by the change in net unrealized investment gains (losses) from White Mountains's share of Symetra's fixed maturity portfolio prior to the accounting change. Net unrealized investment losses from Symetra's fixed maturity portfolio were \$35 million in 2015 compared to net unrealized gains of \$75 million in 2014.

For the year ended December 31, 2015, White Mountains repurchased and retired 387,495 of its common shares for \$284 million at an average share price of \$733, approximately 105% of White Mountains's December 31, 2015 adjusted book value per share. The average share price paid was approximately 94% of White Mountains's December 31, 2015 adjusted book value per share including the estimated gain on the Sirius Group transaction, which was announced previous to when the vast majority of the 2015 share repurchases were completed but prior to the recording of the gain in adjusted book value per share, which occurred at closing on April 18, 2016.

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

Sirius Group's GAAP combined ratio was 85% for 2015 compared to 76% for 2014. The increase was primarily due to lower favorable net loss reserve development and a significantly higher frequency of non-catastrophe per risk and pro rata loss events, including \$18 million in losses from the Tianjin port explosions, partially offset by lower catastrophe losses. Additionally, the combined ratio for the year ended December 31, 2015 included 1 point from the cost of ILW covers purchased to mitigate the potential impact of major events on Sirius Group's balance sheet pending the close of the sale to CMI.

BAM insured municipal bonds with par value of \$10.6 billion in 2015, compared to \$7.8 billion in 2014. The average total premium (including both risk premiums and Member Surplus Contributions), weighted by insured par, of insurance provided by BAM in the primary and secondary markets in 2015 was 52 basis points, up from 43 basis points in 2014. As of December 31, 2015, BAM's total claims paying resources were \$601 million on total par insured of \$22.6 billion. Total claims paying resources increased \$20 million from December 31, 2014.

The GAAP pre-tax total return on invested assets was 3.6% for 2015. Excluding the results from Symetra, the GAAP pre-tax total return on invested assets was -0.2% for 2015, which included 0.9% of currency losses, compared to a return of 1.9% for 2014, which included 1.9% of currency losses. In local currencies, the fixed income portfolio returned 1.1% for 2015, essentially in-line with the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index. The portfolio of common equity securities and other long-term investments returned 19.3% for 2015.

Excluding the results from Symetra, the portfolio of common equity securities and other long-term investments returned -1.8% for 2015, underperforming the S&P 500 Index return of 1.4%. The underperformance versus the S&P 500 Index return was primarily due to unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and losses in energy exposed private equity funds and a distressed hedge fund.

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

Adjusted Book Value Per Share

The following table presents White Mountains's adjusted book value per share, a non-GAAP financial measure, for the years ended December 31, 2016, 2015 and 2014 and reconciles this non-GAAP measure to the most comparable GAAP measure. See "NON-GAAP FINANCIAL MEASURES" on page 64.

	December 31,		
	2016	2015	2014
Book value per share numerators (in millions):			
White Mountains's common shareholders' equity	\$3,603.3	\$3,913.2	\$3,995.7
Equity in net unrealized investment losses from Symetra's fixed maturity portfolio ⁽²⁾	—	—	(34.9)
Future proceeds from options ⁽¹⁾	\$29.7	—	—
Adjusted book value per share numerator	\$3,633.0	\$3,913.2	\$3,960.8
Book value per share denominators (in thousands of shares):			
Common shares outstanding	4,563.8	5,623.7	5,986.2
Unearned restricted shares	(25.9)	(25.0)	(25.7)
Options assumed issued ⁽¹⁾	40.0	—	—
Adjusted book value per share denominator	4,577.9	5,598.7	5,960.5
Book value per share	\$789.53	\$695.84	\$667.48
Adjusted book value per share	\$793.58	\$698.95	\$664.50
Dividends paid per share	\$1.00	\$1.00	\$1.00

Adjusted book value per share at December 31, 2016 includes the impact of 40,000 non-qualified stock options

⁽¹⁾ exercisable for \$742 per common share. Prior periods exclude the non-qualified stock options, which were anti-dilutive to book value.

⁽²⁾ For the year ended December 31, 2014, equity in net unrealized investment losses from Symetra's fixed maturity portfolio includes tax expense of \$2.6.

The following table is a summary of goodwill and intangible assets that are included in White Mountains's adjusted book value as of December 31, 2016, 2015 and 2014:

	December 31,		
Millions	2016	2015	2014
Goodwill			
MediaAlpha	18.3	18.3	18.3
Wobi	5.8	5.8	5.5
Buzzmove	7.6	—	—
Total goodwill	31.7	24.1	23.8
Intangible assets			
MediaAlpha	18.3	24.4	32.5
Wobi and Other	5.9	6.9	6.2
Total intangible assets	24.2	31.3	38.7
Total goodwill and intangible assets ⁽¹⁾	55.9	55.4	62.5
Goodwill and other intangible assets held for sale	—	331.9	303.9
Goodwill and intangible assets attributed to non-controlling interests	(17.6)	(136.4)	(141.8)
Goodwill and intangible assets included in adjusted book value	\$38.3	\$250.9	\$224.6

⁽¹⁾ See Note 6 - "Goodwill and Other Intangible Assets" on page F-52 for details of other intangible assets.

Review of Consolidated Results

A summary of White Mountains's consolidated financial results for the years ended December 31, 2016, 2015 and 2014 follows:

Millions	Year Ended December 31,		
	2016	2015	2014
Gross written premiums	\$1,273.2	\$1,361.7	\$1,362.2
Net written premiums	\$1,145.8	\$1,172.6	\$1,239.0
Revenues			
Earned insurance premiums	\$1,114.0	\$1,188.2	\$1,185.0
Net investment income	86.8	60.8	59.5
Net realized and unrealized investment gains	10.3	225.4	78.5
Other revenue	149.6	147.3	88.1
Total revenues	1,360.7	1,621.7	1,411.1
Expenses			
Losses and LAE	664.0	708.9	824.0
Insurance acquisition expenses	211.6	220.1	206.2
Other underwriting expenses	209.5	218.6	179.6
General and administrative expenses	287.4	291.6	208.2
General and administrative expenses — amortization of intangible assets	12.5	10.6	8.3
Interest expense	16.1	14.6	14.2
Total expenses	1,401.1	1,464.4	1,440.5
Pre-tax (loss) income	(40.4)	157.3	(29.4)
Income tax benefit	45.4	.2	14.8
Net income (loss) from continuing operations	5.0	157.5	(14.6)
Net gain from sale of Sirius Group, net of tax	363.2	—	—
Net gain from sale of Tranzact, net of tax	51.9	—	—
Net gain (loss) from sale of discontinued operations, net of tax	—	18.2	(1.6)
Net (loss) gain from discontinued operations, net of tax	(.3)	78.7	260.6
Equity in earnings of unconsolidated affiliates, net of tax	—	25.1	45.6
Net income	419.8	279.5	290.0
Net (loss) gain attributable to non-controlling interests	(7.3)	18.1	22.2
Net income attributable to White Mountains's common shareholders	412.5	297.6	312.2
Change in equity in net unrealized investment (losses) gains from investments in Symetra common shares	—	(34.9)	75.3
Change in foreign currency translation and pension liability	.3	(.5)	(10.7)
Change in foreign currency translation and other items from discontinued operations	32.0	(65.0)	(169.5)
Change in foreign currency translation and other items from sale of Sirius Group	113.3	—	—
Comprehensive income	558.1	197.2	207.3
Comprehensive (income) loss attributable to non-controlling interests	(.3)	—	3.3
Comprehensive income attributable to White Mountains's common shareholders	557.8	197.2	210.6
Change in net unrealized investment gains (losses) from Symetra's fixed maturity portfolio ⁽²⁾	—	34.9	(75.3)
Adjusted comprehensive income ⁽¹⁾	\$557.8	\$232.1	\$135.3

(1) Adjusted comprehensive income is a non-GAAP measure. For a description of the most comparable GAAP measure. See NON-GAAP FINANCIAL MEASURES on page 64.

(2) Change in equity in net unrealized investment losses from investments in Symetra common shares includes tax benefit of \$2.6 and tax expense of \$5.8 for the years ended December 31, 2015 and 2014.

Consolidated Results—Year Ended December 31, 2016 versus Year Ended December 31, 2015

White Mountains's total revenues decreased 16% to \$1.4 billion in 2016, which was driven by lower net realized and unrealized investment gains, primarily from \$259 million of net unrealized investment gains recognized in 2015 related to Symetra that did not recur in 2016. Earned insurance premiums decreased by 6% in 2016, primarily due to OneBeacon writing less premiums in several lines of business. Net investment income increased 43% to \$87 million, driven by a higher invested asset base resulting primarily from the sale of Sirius Group. White Mountains reported net realized and unrealized investment gains of \$10 million in 2016, compared to gains of \$225 million in 2015, which included the gain from Symetra. See "Summary of Investment Results" on page 50 for a discussion and analysis of White Mountains's investment returns. Other revenue increased to \$150 million in 2016 from \$147 million in 2015. Other revenue in 2016 included \$117 million from MediaAlpha compared to \$106 million in 2015. Other revenue also included a \$20 million pre-tax gain in 2015 from the sale of Hamer LLC, a small manufacturing company that White Mountains received in 2012 in connection with the liquidation of a limited partnership fund.

White Mountains's total expenses decreased 4% to \$1.4 billion in 2016, which was driven by lower expenses in OneBeacon's insurance business. Losses and LAE decreased 6% in 2016, which is in line with the decrease in earned premiums, while insurance acquisition expenses and other underwriting expenses both decreased 4% in 2016 reflecting decreased earned premiums and changes in business mix. See "Summary of Operations by Segment" on page 39. General and administrative expenses decreased 1% in 2016 to \$287 million, which was primarily due to lower incentive compensation costs in 2016, partially offset by higher expenses from consolidated WM Capital Investments, driven by MediaAlpha with expenses of \$110 million in 2016 compared to \$99 million in 2015.

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

White Mountains's total revenues increased 15% to \$1.6 billion in 2015, which was driven by other revenues associated with consolidated WM Capital Investments. Earned insurance premiums in 2015 were in line with 2014. Net investment income increased 2% to \$61 million, as lower investment expenses were mostly offset by lower common stock dividends. White Mountains reported net realized and unrealized investment gains of \$225 million in 2015, which included \$259 million from Symetra, compared to \$79 million of gains in 2014. See "Summary of Investment Results" on page 50 for a discussion and analysis of White Mountains's investment returns. Other revenue increased to \$147 million in 2015 from \$88 million in 2014. Other revenue in 2015 included \$106 million from MediaAlpha compared to \$65 million from MediaAlpha in 2014. Other revenue also included a \$20 million pre-tax gain in 2015 from the sale of Hamer LLC, a small manufacturing company that White Mountains received in 2012 in connection with the liquidation of a limited partnership fund.

White Mountains's total expenses increased 2% to \$1.5 billion in 2015, which was driven by increases in other expenses associated with consolidated WM Capital Investments, partially offset by lower expenses in OneBeacon's insurance business. Losses and LAE decreased 14%, primarily due to the \$109 million reserve charge recorded by OneBeacon related to the actuarial analysis performed in the fourth quarter of 2014, while insurance acquisition expenses and other underwriting expenses increased 7% and 22% in 2015 due to changes in business mix and higher incentive compensation expense. See "Summary of Operations by Segment" on page 39. General and administrative expenses in 2015 included \$99 million from MediaAlpha compared to \$61 million from MediaAlpha in 2014.

Income Taxes

The Company and its Bermuda-domiciled subsidiaries are not subject to Bermuda income tax under current Bermuda law. In the event there is a change in the current law such that taxes are imposed, the Company and its Bermuda-domiciled subsidiaries would be exempt from such tax until March 31, 2035, pursuant to the Bermuda Exempted Undertakings Tax Protection Act of 1966. The Company has subsidiaries and branches that operate in various other jurisdictions around the world that are subject to tax in the jurisdictions in which they operate. White Mountains reported income tax benefit of \$45 million in 2016 on pre-tax loss of \$40 million. White Mountains's effective tax rate for 2016 was different than the U.S. statutory rate of 35% due primarily to a \$21 million tax benefit recognized in continuing operations related to the reversal of a valuation allowance that resulted from income that was recognized within discontinued operations, a \$12.8 million favorable settlement of the 2007-2009 IRS exam and a \$3.5 million favorable settlement of the 2010-2012 IRS exam. The rate was also impacted by income generated in

jurisdictions with lower tax rates than the United States. The \$21 million tax benefit recorded in continuing operations in 2016 related to the reversal of a valuation allowance was generated by the Tranzact Sale, which is accounted for in discontinued operations. See Note 8 — “Income Taxes” on page F-55.

White Mountains reported near break-even income tax in 2015 on pre-tax income of \$157 million. White Mountains’s effective tax rate for 2015 was near zero, which was lower than the U.S. statutory rate of 35% due primarily to income generated in jurisdictions with lower tax rates than the United States.

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

I. Summary of Operations By Segment

White Mountains conducts its operations through three segments: (1) OneBeacon, (2) HG Global/BAM and (3) Other Operations. While investment results are included in these segments, because White Mountains manages the majority of its investments through its wholly-owned subsidiary, WM Advisors, a discussion of White Mountains's consolidated investment operations is included after the discussion of operations by segment. White Mountains's segment information is presented in Note 16 — "Segment Information" on page F-77 to the Consolidated Financial Statements.

As a result of the Sirius Group and Tranzact sales, the results of operations for Sirius Group and Tranzact have been classified as discontinued operations and are now presented separately, net of related income taxes, in the statement of comprehensive income. Prior year amounts have been reclassified to conform to the current period's presentation See Note 22 — "Held for Sale and Discontinued Operations" on page F-87.

OneBeacon

Financial results and GAAP combined ratios for OneBeacon for the years ended December 31, 2016, 2015 and 2014 follow:

\$ in millions	Year Ended December 31,			
	2016	2015	2014	
Gross written premiums	\$1,221.3	\$1,315.9	\$1,323.4	
Net written premiums	\$1,100.7	\$1,136.6	\$1,216.9	
Earned insurance premiums	\$1,100.6	\$1,176.2	\$1,177.1	
Net investment income	50.6	45.9	43.4	
Net realized and unrealized investment gains (losses)	37.7	(35.1)	40.4	
Other revenue	5.5	(.6)	5.8	
Total revenues	1,194.4	1,186.4	1,266.7	
Losses and LAE	656.0	700.7	815.1	
Insurance acquisition expenses	206.0	213.8	203.3	
Other underwriting expenses	209.0	218.2	179.2	
General and administrative expenses	13.0	14.1	12.4	
Amortization of intangible assets	1.2	1.3	1.4	
Interest expense on debt	13.1	13.0	13.0	
Total expenses	1,098.3	1,161.1	1,224.4	
Pre-tax income	\$96.1	\$25.3	\$42.3	
GAAP Ratios:				
Losses and LAE	59	% 60	% 69	%
Expense	38	36	33	
Combined	97	% 96	% 102	%

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

Millions, except per share amounts	December 31,		
	2016	2015	2014
OneBeacon's common shareholders' equity	\$1,021.3	\$1,000.9	\$1,045.8
OneBeacon common shares outstanding	94.3	95.1	95.3
OneBeacon book value per common share	\$10.82	\$10.53	\$10.97
Dividends paid per common share	\$.84	\$.84	\$.84

OneBeacon Results—Year Ended December 31, 2016 versus Year Ended December 31, 2015

OneBeacon ended 2016 with a book value per share of \$10.82, an increase of 11.1% during 2016, including dividends, compared to an increase of 3.8% during 2015, including dividends. Solid underwriting results and investment returns drove the increase. The increase in book value for the year ended December 31, 2016 also included a \$16 million tax benefit related to the settlement of IRS examinations for tax years 2007-2012.

OneBeacon's GAAP combined ratio increased to 97% for 2016 from 96% for 2015. The increase was primarily due to a higher expense ratio. The loss ratio of 59% for the year ended December 31, 2016 compared to the year ended December 31, 2015 ratio of 60%, as improved results primarily in the Entertainment, Accident and Inland Marine businesses were offset by lower results primarily in the Healthcare business. Net unfavorable loss reserve development for the year ended December 31, 2016 was 1 point and was primarily from the Healthcare (\$41 million), Architects & Engineers (\$15 million), and Programs (\$13 million) businesses, partially offset by favorable net loss reserve development in the Accident (\$16 million), Entertainment (\$9 million), Technology (\$9 million) and Financial Services (\$8 million) businesses. Net loss reserve development was insignificant in the year ended December 31, 2015. The expense ratio increased by 2 points to 38% for the year ended December 31, 2016, compared to the year ended December 31, 2015, primarily due to lower premium volume and changing business mix.

The increase in other revenue for the year ended December 31, 2016 compared to the year ended December 31, 2015 was primarily driven by a loss of \$4 million OneBeacon recognized in 2015 that did not recur in 2016. The loss was for an assessment from the Michigan Catastrophic Claims Association payable to Markel Corporation pursuant to the indemnification provisions in the stock purchase agreement governing the sale of Essentia Insurance Company ("Essentia"). OneBeacon previously recognized a pretax gain of \$23 million in 2013 on the sale of Essentia, an indirect wholly-owned subsidiary which wrote legacy collector cars and boats business, to Markel Corporation.

OneBeacon's net written premiums were \$1.101 billion for the year ended December 31, 2016, a decrease of 3% compared to the year ended December 31, 2015. Decreases in the Programs (\$32 million), Entertainment (\$27 million) and Healthcare (\$15 million) businesses were partially offset by increases in Financial Institutions (\$18 million) and various other businesses.

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

For 2016 and 2015, OneBeacon's net combined ratio was higher than the gross combined ratio by 4 points and 1 point as a result of the cost of the reinsurance programs more than offsetting the benefits from ceded losses.

OneBeacon Surplus Notes issued pursuant to the Runoff Transaction. As part of closing the Runoff Transaction on December 23, 2014, OneBeacon provided financing in the form of the OneBeacon Surplus Notes with a par value of \$101 million issued by OneBeacon Insurance Company ("OBIC"), one of the entities that was transferred from OneBeacon to Armour as part of the transaction. As of December 31, 2016 and December 31, 2015, the OneBeacon Surplus Notes had a fair value of \$72 million and \$52 million, based on a discounted cash flow model. The OneBeacon Surplus Notes are included in OneBeacon's investment portfolio, categorized within other long-term investments, and subsequent changes in value thereon are reflected in continuing operations. See "Critical Accounting Estimates" on page 65 for a sensitivity analysis of potential changes in these key variables that can impact the estimated fair value of the OneBeacon Surplus Notes and "Summary of Investment Results" on page 50 for a discussion and analysis of White Mountains's investment returns.

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

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

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

During 2015, OneBeacon recognized a loss of \$4 million in other revenues in connection with an assessment from the Michigan Catastrophic Claims Association payable to Markel Corporation pursuant to the indemnification provisions in the stock purchase agreement governing the sale of Essentia.

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

2014 Fourth Quarter Loss and LAE Reserve Increase

Through the first nine months of 2014, OneBeacon recorded \$14 million of net unfavorable loss and LAE reserve development, driven by greater-than-expected large losses in several underwriting units, primarily in the professional and management liability lines within Professional Insurance. This large loss activity, which occurred mostly during the second and third quarters of 2014, also impacted the current accident year loss and LAE estimates. Additionally, OneBeacon incurred higher-than-usual claim coverage determination costs, a component of LAE expenses, during the first nine months of 2014. Other underwriting units also reported increased claim activity, including Entertainment, Government Risks, and Accident.

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

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

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

As noted above, OneBeacon increased its provision for current accident year losses and LAE by \$34 million in the fourth quarter of 2014. In making its loss and LAE reserve picks for the 2014 accident year, OneBeacon considered the results of the enhanced actuarial and claim review and the fact that reported large claims were approaching estimated ultimate held reserves for large losses sooner than originally expected. \$4 million of the increase was related to higher-than-expected reports of Crop Business losses that emerged in the fourth quarter. The remaining \$30 million of the increase reflects an increase in management's best estimate of current losses and LAE as of December 31, 2014 from those recorded in the first nine months of 2014. This increase primarily affected Professional Insurance, which represented \$23 million of the total provision.

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

OneBeacon Discontinued Operations - Runoff Transaction

In October 2012, OneBeacon entered into an agreement to sell its Runoff Business to Armour. The Runoff Transaction closed in the fourth quarter of 2014. See Note 22 — "Held for Sale and Discontinued Operations" on page F-87 for more details regarding the Runoff Transaction. During 2014, OneBeacon reported a \$21 million after-tax net loss in discontinued operations related to the Runoff Transaction, which included a \$19 million after-tax loss from sale of the Runoff Business (further described below) and a \$2 million after-tax loss from the underwriting results of the Runoff Business.

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

variables that can impact the estimated fair value of the OneBeacon Surplus Notes and “Summary of Investment Results” on page 50 for a discussion and analysis of White Mountains’s investment returns.

HG Global/BAM

The following table presents the components of pre-tax income included in White Mountains's HG Global/BAM segment related to the consolidation of HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM for the years ended December 31, 2016, 2015 and 2014:

Millions	Year Ended December 31, 2016			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$—	\$38.6	\$ —	\$38.6
Assumed (ceded) written premiums	27.2	(27.2)	—	—
Net written premiums	\$27.2	\$11.4	\$ —	\$38.6
Earned insurance and reinsurance premiums	\$4.4	\$1.5	\$ —	\$5.9
Net investment income	2.2	6.8	—	9.0
Net investment income - BAM Surplus Notes	17.8	—	(17.8)	—
Net realized and unrealized investment gains	.1	.6	—	.7
Other revenue	—	1.1	—	1.1
Total revenues	24.5	10.0	(17.8)	16.7
Insurance and reinsurance acquisition expenses	.9	2.5	—	3.4
Other underwriting expenses	—	.4	—	.4
General and administrative expenses	1.4	38.2	—	39.6
Interest expense - BAM Surplus Notes	—	17.8	(17.8)	—
Total expenses	2.3	58.9	(17.8)	43.4
Pre-tax income (loss)	\$22.2	\$(48.9)	\$ —	\$(26.7)
Supplemental information:				
Member Surplus Contributions ⁽¹⁾	\$—	\$38.0	\$ —	\$38.0

Millions	Year Ended December 31, 2015			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$—	\$25.9	\$ —	\$25.9
Assumed (ceded) written premiums	19.3	(19.3)	—	—
Net written premiums	\$19.3	\$6.6	\$ —	\$25.9
Earned insurance and reinsurance premiums	\$2.5	\$.8	\$ —	\$3.3
Net investment income	1.9	4.2	—	6.1
Net investment income - BAM Surplus Notes	15.8	—	(15.8)	—
Net realized and unrealized investment (losses) gains	(.3)	.9	—	.6
Other revenue	—	.7	—	.7
Total revenues	19.9	6.6	(15.8)	10.7
Insurance and reinsurance acquisition expenses	.6	2.3	—	2.9
Other underwriting expenses	—	.4	—	.4
General and administrative expenses	1.4	35.4	—	36.8
Interest expense - BAM Surplus Notes	—	15.8	(15.8)	—
Total expenses	2.0	53.9	(15.8)	40.1
Pre-tax income (loss)	\$17.9	\$(47.3)	\$ —	\$(29.4)
Supplemental information:				
Member Surplus Contributions ⁽¹⁾	\$—	\$29.2	\$ —	\$29.2

Millions	Year Ended December 31, 2014			
	HG Global	BAM	Eliminations	Total
Gross written premiums	\$—	\$16.2	\$ —	\$16.2
Assumed (ceded) written premiums	12.3	(12.3)	—	—
Net written premiums	\$12.3	\$3.9	\$ —	\$16.2
Earned insurance and reinsurance premiums	\$1.4	\$.4	\$ —	\$1.8
Net investment income	1.4	5.7	—	7.1
Net investment income - BAM Surplus Notes	15.7	—	(15.7)	—
Net realized and unrealized investment gains	1.7	6.6	—	8.3
Other revenue	—	.6	—	.6
Total revenues	20.2	13.3	(15.7)	17.8
Insurance and reinsurance acquisition expenses	.3	1.8	—	2.1
Other underwriting expenses	—	.4	—	.4
General and administrative expenses	1.6	35.9	—	37.5
Interest expense - BAM Surplus Notes	—	15.7	(15.7)	—
Total expenses	1.9	53.8	(15.7)	40.0
Pre-tax income (loss)	\$18.3	\$(40.5)	\$ —	\$(22.2)
Supplemental information:				
Member Surplus Contributions ⁽¹⁾	\$—	\$16.2	\$ —	\$16.2

⁽¹⁾ Member Surplus Contributions are recorded directly to BAM's equity, which is recorded as non-controlling interest on White Mountains's balance sheet.

HG Global/BAM Results-Year Ended December 31, 2016 versus Year Ended December 31, 2015

BAM is a mutual insurance company whose affairs are managed on a statutory accounting basis, and it does not report stand-alone GAAP financial results. BAM is owned by its members, the municipalities that purchase BAM's insurance for their debt issuances. BAM charges an insurance premium on each municipal bond insurance policy it insures. A portion of the premium is a Member Surplus Contribution, which is contributed to BAM's qualified statutory capital and conveys to the issuer certain interests in BAM, including the right to receive dividends in the future, subject to regulatory approval. The remainder is a risk premium, which is recorded as gross written premiums.

In 2016, BAM insured \$11.3 billion of municipal bonds, \$10.3 billion of which were in the primary market, up 7% from 2015. The average total premium (including both risk premiums and Member Surplus Contributions), weighted by insured par, of insurance provided by BAM in the primary and secondary markets in 2016 was 68 basis points, up from 52 basis points in 2015.

HG Global reported GAAP pre-tax income of \$22 million and \$18 million in 2016 and 2015, which was driven by \$18 million and \$16 million of interest income on the BAM Surplus Notes.

As a mutual insurance company that is owned by its members, BAM's results do not affect White Mountains's book value per share and adjusted book value per share. However, White Mountains is required to consolidate BAM's results in its GAAP financial statements and its results are attributed to non-controlling interests. White Mountains reported \$49 million of GAAP pre-tax losses on BAM in 2016, driven by \$18 million of interest expense on the BAM Surplus Notes and \$38 million of operating expenses, compared to \$47 million of pre-tax losses in 2015, driven by \$16 million of interest expense on the BAM Surplus Notes and \$35 million of operating expenses.

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

In 2016, BAM's claims paying resources increased 7% to \$644 million at December 31, 2016. The increase was primarily driven by \$38 million of Member Surplus Contributions and a \$26 million increase in the HG Re collateral trusts, partially offset by BAM's 2016 statutory net loss of \$33 million.

The following table presents BAM's total claims paying resources as of December 31, 2016 and 2015:

Millions	As of December 31, 2016	As of December 31, 2015
Policyholders' surplus	\$ 431.5	\$ 437.2
Contingency reserve	22.7	12.4
Qualified statutory capital	454.2	449.6
Net unearned premiums	23.2	12.5
Present value of future installment premiums	3.3	2.6
Collateral trusts	163.0	136.6
Claims paying resources	\$ 643.7	\$ 601.3

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

In 2015, BAM insured \$10.6 billion of municipal bonds, \$10.0 billion of which were in the primary market, up 36% from 2014. The average total premium (including both risk premiums and Member Surplus Contributions), weighted by insured par, of insurance provided by BAM in the primary and secondary markets in 2015 was 52 basis points, up from 43 basis points in 2014.

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

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

In 2015, BAM's claims paying resources increased 3% to \$601 million at December 31, 2015. The increase was primarily driven by \$29 million of Member Surplus Contributions and a \$17 million increase in the HG Re collateral trusts, partially offset by BAM's 2015 statutory net loss of \$32 million.

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

Millions	As of December 31, 2015	As of December 31, 2014
Policyholders' surplus	\$ 437.2	\$ 448.7
Contingency reserve	12.4	4.7
Qualified statutory capital	449.6	453.4
Net unearned premiums	12.5	6.4
Present value of future installment premiums	2.6	1.4
Collateral trusts	136.6	120.0
Claims paying resources	\$ 601.3	\$ 581.2

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The following table presents amounts from HG Global, which includes HG Re and its other wholly-owned subsidiaries, and BAM that are contained within White Mountains's consolidated balance sheet as of December 31, 2016 and 2015:

Millions	As of December 31, 2016			
	HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	\$155.2	\$430.0	\$ —	\$ 585.2
Short-term investments	6.4	38.1	—	44.5
Total investments	161.6	468.1	—	629.7
Cash	1.9	25.1	—	27.0
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	108.0	—	(108.0)	—
Other assets	12.5	39.9	(1.0)	51.4
Total assets	\$787.0	\$533.1	\$ (612.0)	\$ 708.1
Liabilities				
BAM Surplus Notes ⁽¹⁾	\$—	\$503.0	\$ (503.0)	\$—
Accrued interest payable on BAM Surplus Notes ⁽²⁾	—	108.0	(108.0)	—
Preferred dividends payable to White Mountains's subsidiaries ⁽³⁾	180.5	—	—	180.5
Preferred dividends payable to non-controlling interests	5.7	—	—	5.7
Other liabilities	61.4	73.0	(1.0)	133.4
Total liabilities	247.6	684.0	(612.0)	319.6
Equity				
White Mountains's common shareholders' equity	522.8	—	—	522.8
Non-controlling interests	16.6	(150.9)	—	(134.3)
Total equity	539.4	(150.9)	—	388.5
Total liabilities and equity	\$787.0	\$533.1	\$ (612.0)	\$ 708.1
Millions	As of December 31, 2015			
	HG Global	BAM	Eliminations and Segment Adjustment	Total Segment
Assets				
Fixed maturity investments	\$130.6	\$417.0	\$ —	\$ 547.6
Short-term investments	5.6	43.3	—	48.9
Total investments	136.2	460.3	—	596.5
Cash	.1	15.8	—	15.9
BAM Surplus Notes	503.0	—	(503.0)	—
Accrued interest receivable on BAM Surplus Notes	90.2	—	(90.2)	—
Other assets	9.5	26.8	(.8)	35.5
Total assets	\$739.0	\$502.9	\$ (594.0)	\$ 647.9
Liabilities				
BAM Surplus Notes ⁽¹⁾	\$—	\$503.0	\$ (503.0)	\$—
Accrued interest payable on BAM Surplus Notes ⁽²⁾	—	90.2	(90.2)	—
Preferred dividends payable to White Mountains's subsidiaries ⁽³⁾	135.4	—	—	135.4
Preferred dividends payable to non-controlling interests	4.3	—	—	4.3
Other liabilities	41.5	49.7	(.8)	90.4
Total liabilities	181.2	642.9	(594.0)	230.1

Equity

White Mountains's common shareholders' equity	540.7	—	—	540.7
Non-controlling interests	17.1	(140.0)	—	(122.9)
Total equity	557.8	(140.0)	—	417.8
Total liabilities and equity	\$739.0	\$502.9	\$ (594.0)	\$ 647.9

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

The following table presents the gross par value of policies priced and closed by BAM for the years ended December 31, 2016 and 2015:

Millions	Year Ended December 31,	
	2016	2015
Gross par value of primary market policies priced	\$10,390.5	\$9,911.8
Gross par value of secondary market policies priced	967.4	611.1
Total gross par value of market policies priced	11,357.9	10,522.9
Less: Gross par value of policies priced yet to close	(353.2)	(298.6)
Gross par value of policies closed that were previously priced	298.6	381.7
Total gross par value of market policies issued	\$11,303.3	\$10,606.0

Other Operations

A summary of White Mountains's financial results from its Other Operations segment for the years ended December 31, 2016, 2015 and 2014 follows:

Millions	Year Ended December 31,		
	2016	2015	2014
Earned insurance premiums	\$7.5	\$8.7	\$6.1
Net investment income	27.2	8.8	9.0
Net realized and unrealized investment (losses) gains	(28.1)	259.9	29.8
Other revenue—MediaAlpha	116.5	105.5	65.3
Other revenue - other	26.5	41.7	16.4
Total revenues	149.6	424.6	126.6
Losses and LAE	8.0	8.2	8.9
Insurance and reinsurance acquisition expenses	2.2	3.4	.8
Other underwriting expenses	.1	—	—
General and administrative expenses—MediaAlpha	109.6	99.0	60.6
General and administrative expenses—amortization of intangible assets	11.3	9.3	6.9
General and administrative expenses - other	125.2	141.7	97.7
Interest expense on debt	3.0	1.6	1.2
Total expenses	259.4	263.2	176.1
Pre-tax (loss) income	\$(109.8)	\$161.4	\$(49.5)

Other Operations Results—Year Ended December 31, 2016 versus Year Ended December 31, 2015

White Mountains's Other Operations segment reported pre-tax loss of \$110 million in 2016 compared to pre-tax income of \$161 million in 2015. The decrease is primarily due to the recognition of a \$259 million unrealized investment gain on White Mountains's investment in Symetra in the fourth quarter of 2015. This gain was the result of a change in accounting for the investment in Symetra from the equity method to fair value, caused by White Mountains's relinquishment of its representation on Symetra's board of directors subsequent to Symetra entering into a merger agreement with Sumitomo Life.

White Mountains's Other Operations segment reported net realized and unrealized investment losses of \$28 million in 2016, compared to net realized and unrealized investment gains of \$260 million in 2015, which included the gain from Symetra. The net realized and unrealized investment losses for the year ended December 31, 2016 included \$21 million of losses in two private equity investments. See "Summary of Investment Results" on page 50. The Other Operations segment reported net investment income of \$27 million in 2016 compared to \$9 million in 2015, driven by a higher invested asset base resulting primarily from the sale of Sirius Group. Other revenues in 2016 includes \$117 million from MediaAlpha compared to \$106 million from MediaAlpha in 2015. Other revenue also includes a \$20 million pre-tax gain in 2015 from the sale of Hamer LLC, a small manufacturing company that White Mountains received in 2012 in connection with the liquidation of a limited partnership fund. In addition, other revenues in 2016

included third-party investment management fee income at WM Advisors of \$10 million, compared to \$13 million in 2015.

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General and administrative expenses in 2016 included \$110 million from MediaAlpha compared to \$99 million from MediaAlpha in 2015. General and administrative expenses decreased in the year ended December 31, 2016 compared to the year ended December 31, 2015 as compensation expenses during 2016, driven by the rising market price of White Mountains's common shares, were more than offset by the impact from \$36 million of incentive compensation expense recorded during 2015 related to the agreements to sell Sirius Group and Symetra.

WM Life Re reported losses of \$3 million in 2016 compared to \$6 million in 2015. WM Life Re has completed its run-off as all of its contracts matured as of June 30, 2016. See Note 9 — "Derivatives" on page F-59 for details regarding WM Life Re's total impact on White Mountains's statement of operations.

During the year ended December 31, 2016, White Mountains wrote down its investment in the SSIE Surplus Notes, which reduced book value per share by approximately \$4. White Mountains consolidates SSIE, the issuer of the SSIE Surplus Notes. As a result, the impact of the write down is eliminated in pre-tax income. However, the write down resulted in a \$21 million decrease to White Mountains's book value and a corresponding increase to non-controlling interest equity.

Share repurchases. White Mountains repurchased and retired 1,106,145 of its common shares for \$887 million in 2016 at an average price per share of \$802.08, or approximately 101% of White Mountains's December 31, 2016 adjusted book value per share.

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

White Mountains's Other Operations segment reported pre-tax income of \$161 million in 2015 compared to a pre-tax loss of \$50 million in 2014. White Mountains's Other Operations segment reported net realized and unrealized investment gains of \$260 million in 2015 compared to \$30 million in 2014, primarily related to the \$259 million unrealized investment gain from the investment in Symetra common shares. See "Summary of Investment Results" on page 50. The Other Operations segment reported net investment income of \$9 million in both 2015 and 2014. Other revenues in 2015 includes \$106 million from MediaAlpha compared to \$65 million from MediaAlpha in 2014. Other revenue also includes a \$20 million pre-tax gain in 2015 from the sale of Hamer LLC, a small manufacturing company that White Mountains received in 2012 in connection with the liquidation of a limited partnership fund. In addition, other revenues in 2015 included third-party investment management fee income at WM Advisors of \$13 million, compared to \$17 million in 2014.

General and administrative expenses in 2015 included \$99 million from MediaAlpha compared to \$61 million from MediaAlpha in 2014. General and administrative expenses also included \$36 million of increased incentive compensation expense recorded in connection with the agreements to sell Sirius Group and Symetra.

WM Life Re reported losses of \$6 million in 2015 compared to \$9 million in 2014. See Note 9 — "Derivatives" on page F-59 for details regarding WM Life Re's total impact on White Mountains's statement of operations.

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

Share repurchases. White Mountains repurchased and retired 387,495 of its common shares for \$284 million in 2015 at an average price per share of \$733.37, or approximately 105% of White Mountains's December 31, 2015 adjusted book value per share. The average share price paid was approximately 94% of White Mountains's December 31, 2015 adjusted book value per share including the estimated gain from the Sirius Group transaction as of December 31, 2015 of \$84.02 per share.

Discontinued Operations

During 2016, 2015 and 2014, White Mountains entered into a number of sale transactions that have been accounted for as discontinued operations within its consolidated financial statements. See Note 22 — “Held for Sale and Discontinued Operations” on page F-87 for detailed financial information on each business sold.

Sirius Group

Sirius Group Results—Period Ended April 18, 2016

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI. Sirius Group’s results inured to White Mountains until the closing date of the transaction. For the 2016 period, White Mountains reported Sirius Group’s comprehensive income of \$27 million and a combined ratio of 102%, which was driven by \$17 million of recorded losses from the Ecuador earthquake that occurred on April 16, 2016.

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

Sirius Group’s GAAP combined ratio was 85% for the year ended December 31, 2015 compared to 76% for 2014. Loss and expense ratios for the 2015 periods were increased by a higher frequency of non-catastrophe per risk and pro rata loss events, which primarily impacted the property, aviation, contingency, and marine lines of business, as well as continued pressure on rates and terms due to continued competitive market conditions. The 2015 results included \$18 million of losses after reinstatement premiums from the Tianjin port explosion. Also, the combined ratios for the year ended December 31, 2015 were higher by 1 point due to the cost of ILW covers purchased to mitigate the potential impact of major events on Sirius Group’s balance sheet pending the close of the sale to CMI. The 2015 period included 3 points of catastrophe losses, primarily from the Chennai flood in Southern India and winter storms in the Northeastern United States, compared to 7 points in 2014. Favorable net loss reserve development was 6 points in 2015 primarily due to decreases in casualty and property loss reserves, compared to 11 points of favorable net loss reserve development in 2014.

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

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

Tranzact

On July 21, 2016, White Mountains completed the sale of Tranzact to an affiliate of Clayton, Dubilier & Rice, LLC. Tranzact’s results inured to White Mountains until the closing date of the transaction. For the 2016 period, White Mountains reported Tranzact’s net loss from discontinued operations of \$3 million. Tranzact’s results were near break-even for the year ended December 31, 2015.

OneBeacon Runoff

For the year ended 2015, White Mountains recorded \$0.3 million to the gain from sale of discontinued operations related to an adjustment on the estimated loss on sale of the Runoff Transaction, which included the final settlement of certain post-closing items. For year ended 2015, the net loss from discontinued operations relating to the Runoff

Transaction, net of tax, was \$0.5 million.

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

Esurance

During 2015 and 2014, White Mountains recognized \$18 million and \$3 million of net income from discontinued operations related to the final settlement with Allstate for favorable development on loss reserves transferred in the sale of Esurance and Answer Financial. Since the closing of the transaction through September 30, 2015, White Mountains received a net amount of \$28 million from Allstate, primarily related to the favorable development on loss reserves.

II. Summary of Investment Results

White Mountains's total operations investment results include continuing operations and discontinued operations.

During the third quarter of 2015, White Mountains signed an agreement to sell Sirius Group, which closed on April 18, 2016. Sirius Group's results inured to White Mountains through the closing date of the transaction.

During the third quarter of 2016, White Mountains established a portfolio of high-yield fixed maturity investments. Given the risk profile of these investments, White Mountains's management believes that the returns associated with high-yield fixed maturity investments are more appropriately included with the returns from common equity securities and other long-term investments instead of with returns associated with short-term investments and investment grade fixed maturity investments. See "NON-GAAP FINANCIAL MEASURES" on page 64.

For purposes of discussing rates of return, all percentages are presented gross of management fees and trading expenses in order to produce a better comparison to benchmark returns, while all dollar amounts are presented net of management fees and trading expenses. A summary of White Mountains's consolidated total operations' pre-tax investment results, including the returns from discontinued operations, for the years ended December 31, 2016, 2015 and 2014 follows:

Gross investment returns and benchmark returns

	Year Ended December 31,		
	2016	2015	2014
Short-term investments	0.8 %	(0.9)%	(2.0)%
Investment grade fixed maturity investments	2.6 %	0.3 %	0.9 %
High-yield fixed maturity investments	1.0 %	N/A	N/A
Total GAAP fixed income investments ⁽¹⁾	2.4 %	0.2 %	0.5 %
Bloomberg Barclays U.S. Intermediate Aggregate Index	2.0 %	1.2 %	4.1 %
Common equity securities	6.2 %	33.2 %	7.5 %
Other long-term investments	0.8 %	(10.1)%	6.5 %
Total GAAP common equity securities and other long-term investments	4.3 %	19.3 %	7.2 %
Total common equity securities, other long-term investments and high-yield fixed maturity investments	4.0 %	19.3 %	7.2 %
S&P 500 Index (total return)	12.0 %	1.4 %	13.7 %
Total consolidated portfolio	2.7 %	3.6 %	1.9 %

⁽¹⁾ The impact of excluding high-yield fixed maturity investments from the GAAP fixed maturity investment returns was insignificant in 2016.

Investment Returns—Year Ended December 31, 2016 versus Year Ended December 31, 2015

White Mountains's GAAP pre-tax total return on invested assets was 2.7% for 2016, which included 0.2% from foreign currency gains, compared to 3.6% for 2015, which included 0.9% from foreign currency losses. The 2015 results were primarily driven by \$259 million in pre-tax unrealized investment gains recognized in the fourth quarter of 2015 resulting from the Symetra transaction. Excluding the results from Symetra, the GAAP total return on invested assets was -0.2% for 2015, which included 0.9% from foreign currency losses. White Mountains's total operations after-tax net realized and unrealized investment gains were \$2 million and \$203 million for 2016 and 2015.

Fixed income results

White Mountains maintains a high quality, short-duration fixed income portfolio, as well as the recently established high-yield portfolio, which is discussed in the next section. As of December 31, 2016, the fixed income portfolio duration, including short-term investments but excluding high-yield fixed maturity investments, was approximately 2.6 years compared to 2.2 years as of December 31, 2015. Including both short-term investments and high-yield fixed maturity investments, duration was approximately 2.8 years as of December 31, 2016.

The increase in the fixed income portfolio's duration was primarily a result of buying into the fourth-quarter bond market selloff and the establishment of a new medium duration British Pound Sterling (GBP) investment grade corporate bond mandate with Legal & General Investment Management, Ltd. ("LGIM"), a third party registered investment adviser, in October 2016. The duration of the LGIM portfolio was approximately 7.3 years as of December 31, 2016.

White Mountains entered into a foreign currency forward contract to manage its GBP foreign currency exposure relating to this new mandate. As of December 31, 2016, this contract had a total gross notional value of approximately \$185 million (GBP 150 million). While White Mountains actively manages its overall foreign currency position, mismatches between movements in foreign currency rates and its foreign currency forward contract may result in foreign currency positions being outside pre-defined ranges and/or foreign currency losses. The results of White Mountains's forward foreign currency contract is included in other long-term investments.

The fixed income portfolio returned 2.4% for 2016. In local currencies, the fixed income portfolio returned 2.1% for 2016, essentially in-line with the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of 2.0%. The fixed income portfolio returned 0.2% for 2015. In local currencies, the fixed income portfolio returned 1.1% for 2015, essentially in-line with the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of 1.2%.

Common equity securities, other long-term investments, and high-yield fixed maturity investments results

White Mountains maintains a portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments. White Mountains's management believes that prudent levels of investments in common equity securities, other long-term investments and high-yield fixed maturity investments are likely to enhance long-term after-tax total returns.

White Mountains's portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments represented approximately 20% and 23% of total GAAP invested assets as of December 31, 2016 and December 31, 2015. When reflecting the close of the Symetra sale on February 1, 2016 and the close of the Sirius Group sale on April 18, 2016, White Mountains's portfolio of common equity securities and other long-term investments represented approximately 12% of total GAAP invested assets as of December 31, 2015.

White Mountains's portfolio of common equity securities, other long-term investments and high-yield fixed maturity investments returned 4.0% for 2016, underperforming the S&P 500 Index return of 12.0%. The underperformance versus the S&P 500 Index return was primarily attributable to the overall conservative positioning of the risk asset portfolio, including the new high-yield mandate, which we do not expect to keep pace with strong up markets. The underperformance was also due to unfavorable results from publicly-traded common equity securities managed by third party investment advisers and pockets of poor performance in other long-term investments, including unfavorable results from private capital investments and private equity funds and non-controlling interests in private capital investments.

White Mountains's portfolio of common equity securities and other long-term investments returned 19.3% for 2015. Excluding the results from Symetra, the portfolio of common equity securities and other long-term investments returned -1.8% for 2015, underperforming the S&P 500 Index return of 1.4%. The underperformance versus the S&P 500 Index return was primarily attributable to unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and unfavorable results from energy exposed private equity funds and a distressed hedge fund.

White Mountains's portfolio of common equity securities returned 6.2% for 2016, underperforming the S&P 500 Index return of 12.0%. White Mountains's portfolio of common equity securities returned 33.2% for 2015. Excluding the results from Symetra, the portfolio of common equity securities returned 2.9% for 2015, outperforming the S&P 500 Index return of 1.4%.

White Mountains invests in ETFs that seek to provide investment results that, before expenses, generally correspond to the performance of broad market indices. As of December 31, 2016 and December 31, 2015, White Mountains had approximately \$322 million and \$356 million invested in ETFs.

The following summarizes White Mountains's investments in ETFs by exposure to each index:

Index	Market Value	Market Value
Millions	December 31, 2016	December 31, 2015
S&P 500	\$ 321.6	\$ 297.3
Russell 1000 Value	—	40.8
Russell 1000	—	17.7
Total	\$ 321.6	\$ 355.8

In 2016 and 2015, the ETFs essentially earned the effective index return, before expenses, over the period in which White Mountains was invested in each respective fund.

White Mountains has established relationships with third party registered investment advisers to actively manage publicly-traded common equity securities and convertibles. The largest of these relationships have been with Prospector Partners LLC ("Prospector"), Lateef and Silchester. During the second quarter of 2015, White Mountains instructed Prospector to liquidate its separate account portfolios and redeemed its investments in hedge funds managed by Prospector and reallocated a portion of the proceeds into ETFs. White Mountains has since terminated its investment management agreements with Prospector. White Mountains continues to have publicly-traded common equity securities actively managed by Lateef and Silchester.

The Lateef separate account is a highly concentrated portfolio of mid-cap and large-cap growth companies. Lateef is a growth at a reasonable price manager focused on investing in high return businesses at reasonable valuations. Lateef uses a bottom up, fundamental research-driven investment process that is focused on absolute returns, low turnover and a long-term investment horizon. As a highly concentrated portfolio of approximately 20 positions, relative performance to the S&P 500 Index return is often driven, positively or negatively, by individual positions, especially in the short-term. The Lateef separate account returned 1.2% for 2016, underperforming the S&P 500 Index return of 12.0%. The Lateef separate account returned 3.6% for 2015, outperforming the S&P 500 Index return of 1.4%.

White Mountains has an investment in the Calleva Trust, an open-ended unit trust established as an Undertaking for Collective Investment in Transferable Securities ("UCITS") under the European Communities Regulations that is managed by Silchester. Silchester invests primarily in value-oriented non-U.S. equity securities. Silchester's investment strategy focuses on companies with low market multiples of earnings, cash flow, asset value or dividends. In U.S. dollars, the Silchester portfolio returned 8.2% for 2016, underperforming the S&P 500 Index return of 12.0%. In local currencies, the Silchester portfolio returned 12.5% for 2016, outperforming the MCSI EAFE Index return of 5.3%. In U.S. dollars, the Silchester portfolio returned 1.2% for 2015, underperforming the S&P 500 Index return of 1.4%. In local currencies, the Silchester portfolio returned 6.5% for 2015, outperforming the MCSI EAFE Index return of 5.3%.

White Mountains maintains a portfolio of other long-term investments that consists primarily of hedge funds, private equity funds, various non-controlling interests in private capital investments, the OneBeacon Surplus Notes and various other investments. As of December 31, 2016, approximately 41% of these other long-term investments were in private equity funds, with a general emphasis on narrow, sector-focused funds, and hedge funds, with a general emphasis on long-short equity funds.

White Mountains's other long-term investments portfolio returned 0.8% for 2016, underperforming the S&P 500 Index return of 12.0%. The portfolio's underperformance versus the S&P 500 Index return was primarily attributable to write-downs in private equity funds and non-controlling interests in private capital investments partially offset by favorable mark-to-market adjustments to the OneBeacon Surplus Notes. White Mountains's other long-term investments portfolio returned -10.1% for 2015, underperforming the S&P 500 Index return of 1.4%. The portfolio's underperformance versus the S&P 500 Index return was primarily due to unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and write-downs in energy exposed private equity funds and a distressed hedge fund. During the third quarter of 2016, White Mountains established a new relationship with Principal Global Investors, LLC ("Principal"), a third party registered investment adviser, to manage a relatively concentrated portfolio of high-yield fixed maturity investments. The Principal portfolio is invested in issuers of U.S. dollar denominated

publicly traded and 144A debt securities issued by corporations with generally at least one rating between "B-" and "BB+" inclusive by Standard and Poor's or similar ratings from other rating agencies. The fair value of the high-yield fixed maturity investments was \$275.3 million as of December 31, 2016. The duration of the Principal portfolio was approximately 4.9 years as of December 31, 2016. From its inception in late July through the end of 2016, the high-yield fixed maturity investments returned 1.0%, underperforming the S&P 500 Index return of 4.3% over the comparable period.

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

White Mountains's GAAP pre-tax total return on invested assets was 3.6% for 2015, compared to 1.9% for 2014. The 2015 results were primarily driven by \$259 million in pre-tax unrealized investment gains recognized in the fourth quarter of 2015 resulting from the Symetra transaction. The 2015 and 2014 returns included 0.9% and 1.9% of foreign currency losses. Excluding the results from Symetra, the GAAP total return on invested assets was -0.2% for 2015. White Mountains's total operations after tax realized and unrealized investment gains were \$203 million and \$214 million for 2015 and 2014.

Fixed income results

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

The fixed income portfolio returned 0.2% for 2015. In local currencies, the fixed income portfolio returned 1.1% for 2015, which was essentially in-line with the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of 1.2%. The fixed income portfolio returned 0.5% for 2014. In local currencies, the fixed income portfolio returned 2.7% for 2014, underperforming the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return of 4.1%. The portfolio's short duration positioning contributed to the underperformance versus the longer duration Bloomberg Barclays U.S. Intermediate Aggregate Index return as interest rates fell in 2014.

Common equity securities and other long-term investments results

White Mountains's portfolio of common equity securities and other long-term investments represented approximately 23% and 18% of GAAP invested assets as of December 31, 2015 and December 31, 2014.

The portfolio of common equity securities and other long-term investments returned 19.3% for 2015. Excluding the results from Symetra, the portfolio of common equity securities and other long-term investments returned -1.8% for 2015, underperforming the S&P 500 Index return of 1.4%. The underperformance versus the S&P 500 Index return was primarily due to unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and unfavorable results from energy exposed private equity funds and a distressed hedge fund. The portfolio of common equity securities and other long-term investments returned 7.2% for 2014, underperforming the S&P 500 Index return of 13.7%.

White Mountains's portfolio of common equity securities returned 33.2% for 2015. Excluding the results from Symetra, the portfolio of common equity securities returned 2.9% for 2015, outperforming the S&P 500 Index return of 1.4%. White Mountains's portfolio of common equity securities returned 7.5% for 2014, underperforming the S&P 500 Index return of 13.7%.

During the second quarter of 2015, White Mountains instructed Prospector to liquidate its separate account portfolios and reallocated a portion of the proceeds into ETFs. In 2015, the ETFs earned the effective market return, before expenses, over the period in which White Mountains was invested in each broad market fund.

The Lateef separate account, which consists of a highly concentrated portfolio where relative performance to the S&P 500 Index return is often driven, positively or negatively, by individual positions returned 3.6% for 2015, outperforming the S&P 500 Index return of 1.4%. The Lateef separate account returned 6.5% for 2014, underperforming the S&P 500 Index return of 13.7%.

White Mountains's investment in the Calleva Trust, which is managed by Silchester and invests primarily in value-oriented non-U.S. equity securities returned 1.2% in U.S. dollars for 2015, underperforming the S&P 500 Index return of 1.4%. In local currency, the Silchester portfolio returned 6.5% for 2015, outperforming the MCSI EAFE Index return of 5.3%. The Silchester portfolio returned -1.7% in U.S. dollars for 2014, underperforming the S&P 500 Index return of 13.7%. In local currencies, the Silchester portfolio returned 8.6% for 2014, outperforming the MCSI EAFE Index return of 5.9%

White Mountains's other long-term investment portfolio returned -10.1% for 2015, underperforming the S&P 500 Index return of 1.4%. The portfolio's underperformance versus the S&P 500 Index return was primarily due to unfavorable mark-to-market adjustments to the OneBeacon Surplus Notes and write-downs in energy exposed private equity funds and a distressed hedge fund. For 2014, the other long-term investments portfolio returned 6.5%, underperforming the S&P 500 Index return of 13.7%.

Portfolio Composition

The following table presents the composition of White Mountains's total operations investment portfolio as of December 31, 2016 and 2015:

\$ in millions	As of December 31, 2016		As of December 31, 2015	
	Carrying value	% of total	Carrying value	% of total
Fixed maturity investments	\$ 4,256.8	79.7 %	\$ 5,013.7	69.1 %
Short-term investments	287.1	5.4	563.3	7.8
Common equity securities	474.3	8.9	1,288.3	17.8
Other long-term investments	323.3	6.0	388.0	5.3
Total investments	\$ 5,341.5	100 %	\$ 7,253.3	100 %

The breakdown of White Mountains's fixed maturity investment as of December 31, 2016 by credit class, based upon issue credit ratings provided by Standard & Poor's, or if unrated by Standard & Poor's, long term obligation ratings provided by Moody's, is as follows:

\$ in millions	As of December 31, 2016			
	Amortized cost	% of total	Carrying Value	% of total
U.S. government and government-sponsored entities ⁽¹⁾	\$938.3	22.0 %	\$930.2	21.9 %
AAA/Aaa	991.3	23.2	987.7	23.2
AA/Aa	677.9	15.9	678.2	15.9
A/A	520.0	12.2	520.9	12.2
BBB/Baa	835.2	19.6	838.5	19.7
BB	219.5	5.1	217.0	5.1
B	29.9	.7	30.0	.7
Other/not rated	53.9	1.3	54.3	1.3
Total fixed maturity investments	\$4,266.0	100 %	\$4,256.8	100 %

⁽¹⁾ Includes mortgage-backed securities, which carry the full faith and credit guaranty of the U.S. government (i.e., GNMA) or are guaranteed by a government sponsored entity (i.e., FNMA, FHLMC).

The cost or amortized cost and carrying value of White Mountains's fixed maturity investments as of December 31, 2016 is presented below by contractual maturity. Actual maturities could differ from contractual maturities because certain borrowers may call or prepay their obligations with or without call or prepayment penalties.

Millions	As of December 31, 2016	
	Amortized cost	Carrying Value
Due in one year or less	\$ 212.8	\$ 213.3
Due after one year through five years	1,272.6	1,270.2
Due after five years through ten years	462.8	458.4
Due after ten years	167.8	168.0
Mortgage and asset-backed securities	2,141.7	2,132.9
Preferred stocks	8.3	14.0
Total fixed maturity investments	\$ 4,266.0	\$ 4,256.8

Foreign Currency Translation

The majority of White Mountains's exposure to foreign currency exchange rate risk was eliminated when Sirius Group was sold to CMI on April 18, 2016. As of December 31, 2016, White Mountains's remaining gross foreign currency exchange rate risk was approximately \$291 million and relates to cash and fixed income securities denominated in GBP, common equity securities managed by Silchester, Wobi and various other consolidated and non-controlling interests in private capital investments. In 2016, White Mountains entered into a foreign currency forward contract to economically hedge the GBP foreign currency exposure in its LGIM portfolio. At December 31, 2016, the fair value of the LGIM portfolio, including cash, was approximately \$184 million and White Mountains held \$185 million (GBP 150 million) total gross notional value of a foreign currency forward contract, with a fair value of approximately \$186 million. At December 31, 2016, White Mountains's net foreign currency exchange rate risk was approximately \$105 million.

Investment in Symetra Common Shares

During the third quarter of 2015, Symetra announced that it entered into a merger agreement with Sumitomo Life pursuant to which Sumitomo Life would acquire all of the outstanding shares of Symetra. Following the announcement and Symetra shareholders' November 5, 2015 meeting to approve the transaction, White Mountains relinquished its representation on Symetra's board of directors. As a result, White Mountains changed its accounting for Symetra common shares from the equity method to fair value. The carrying value per Symetra share used in the calculation of White Mountains's adjusted book value per share was \$31.77 at December 31, 2015. On February 1, 2016, Symetra closed its merger agreement with Sumitomo Life and White Mountains received proceeds of \$658 million, or \$32 per common share. White Mountains recognized \$5 million in pre-tax net investment gains associated with Symetra during 2016.

Symetra's total revenues and net income through September 30, 2015 were \$1.6 billion and \$90 million. As of September 30, 2015, Symetra had total assets of \$35.0 billion and shareholders' equity of \$3.1 billion. Symetra's total revenues and net income for the year ended December 31, 2014 was \$2.2 billion and \$254 million. Since inception, White Mountains received a total of \$149 million in cash dividends recorded as a reduction of White Mountains investment in Symetra under the equity method. White Mountains received a cash dividend of \$2 million in the fourth quarter of 2015 recorded within net investment income.

LIQUIDITY AND CAPITAL RESOURCES

Operating Cash and Short-term Investments

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

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

Both internal and external forces influence White Mountains's financial condition, results of operations and cash flows. Claim settlements, premium levels and investment returns may be impacted by changing rates of inflation and other

economic conditions. In many cases, significant periods of time, sometimes several years or more, may lapse between the occurrence of an insured loss, the reporting of the loss to White Mountains and the settlement of the liability for that loss. The exact timing of the payment of claims and benefits cannot be predicted with certainty. White Mountains's insurance subsidiaries maintain portfolios of invested assets with varying maturities and a substantial amount of cash and short-term investments to provide adequate liquidity for the payment of claims. Management believes that White Mountains's cash balances, cash flows from operations, routine sales and maturities of investments and the liquidity provided by White Mountains's revolving credit facility (the "WTM Bank Facility"), OneBeacon's revolving credit facility (the "OneBeacon Bank Facility") and other revolving credit facilities are adequate to meet expected cash requirements for the foreseeable future on both a holding company and insurance subsidiary level.

Dividend Capacity

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

OneBeacon:

OneBeacon's top-tier regulated U.S. insurance subsidiary, Atlantic Specialty Insurance Company ("ASIC"), has the ability to pay dividends to its immediate parent without the prior approval of regulatory authorities in an amount set by formula based on the lesser of (i) adjusted net investment income, as defined by statute, or (ii) 10% of statutory surplus, in both cases as most recently reported to regulatory authorities, subject to the availability of earned surplus. Based upon the formula described above, as of December 31, 2016, ASIC had the ability to pay \$11 million of dividends without prior approval of regulatory authorities. When taking into consideration the rolling 12-month portion of this statutorily-defined calculation, including adjusted net investment income, and the timing of dividends paid, OneBeacon anticipates that ASIC will have the ability to pay dividends of approximately \$30 million during 2017. As of December 31, 2016, ASIC had \$625 million of statutory surplus and \$69 million of earned surplus. During 2016, ASIC paid \$27 million of dividends to its immediate parent.

In 2017, Split Rock has the ability to distribute statutory capital without the prior approval of the BMA, provided it does not reduce its total statutory capital, as shown in the previous year's statutory financial statements, by 15% or more.

In addition, Split Rock has the ability to pay dividends without the prior notification of regulatory authorities of up to 25% of its previous financial year's total statutory capital and surplus, subject to meeting all appropriate liquidity and solvency requirements as specified in the Insurance Act of 1978 and the Companies Act of 1981. As of December 31, 2016, Split Rock had \$210 million of statutory capital and \$60 million of statutory surplus for total statutory capital and surplus of \$270 million.

Based upon the limitations described above, Split Rock currently has the ability to distribute up to \$32 million of statutory capital and pay up to \$60 million of dividends during 2017 without the prior approval of regulatory authorities. During 2016, Split Rock paid \$25 million of dividends to its immediate parent.

During 2016, OneBeacon's unregulated insurance subsidiaries paid \$6 million of dividends to their immediate parent. As of December 31, 2016, OneBeacon's unregulated insurance subsidiaries had \$56 million of net unrestricted cash, short-term investments and fixed maturity investments and \$72 million of other long-term investments, consisting of the OneBeacon Surplus Notes.

During 2016, OneBeacon Ltd. paid \$79 million of regular quarterly dividends to its common shareholders. White Mountains received \$60 million of these dividends.

As of December 31, 2016, OneBeacon Ltd. and its intermediate holding companies had \$65 million of net unrestricted cash, short-term investments and fixed maturity investments and \$12 million of common equity securities outside of its regulated and unregulated insurance subsidiaries.

HG Global/BAM:

As of December 31, 2016, HG Global had \$619 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 2016. As of December 31, 2016, HG Global has accrued \$186 million of dividends payable to holders of its preferred shares, \$180 million of which is payable to White Mountains and eliminated in consolidation.

HG Re is a Special Purpose Insurer subject to regulation and supervision by the BMA, but does not require regulatory approval to pay dividends. However, HG Re's dividend capacity is limited to amounts held outside of the collateral trusts pursuant to the FLRT with BAM. As of December 31, 2016, HG Re had statutory capital and surplus of \$467 million, of which \$465 million was held in the collateral trusts pursuant to the FLRT with BAM.

Effective January 1, 2014, HG Global and BAM agreed to change the interest rate on the BAM Surplus Notes for the five years ending December 31, 2018 from a fixed rate of 8.0% to a variable rate equal to the one-year U.S. treasury rate plus 300 basis points, set annually, which was 3.54% for 2016 and is 3.78% for 2017. Prior to the end of 2018, BAM has the option to extend the variable rate period for an additional three years. At the end of the variable rate period, the interest rate will be fixed at the higher of the then current variable rate or 8.0%. BAM is required to seek regulatory approval to pay interest and principal on the BAM Surplus Notes only when adequate capital resources have accumulated beyond BAM's initial capitalization and a level that continues to support its outstanding obligations, business plan and ratings. BAM did not pay any interest on the BAM Surplus Notes in 2016.

Other Operations:

During 2016, WM Advisors did not pay any dividends to its immediate parent. As of December 31, 2016, WM Advisors had \$18 million of net unrestricted cash, short-term investments and fixed maturity investments.

During 2016, White Mountains paid a \$5 million common share dividend. As of December 31, 2016, the Company and its intermediate holding companies had \$1,655 million of net unrestricted cash, short-term investments and fixed maturity investments, \$286 million of common equity securities and \$67 million of other long-term investments included in its Other Operations segment.

Insurance Float

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

Insurance float can increase in a number of ways, including through acquisitions of insurance operations, organic growth in existing insurance operations and recognition of losses that do not immediately cause a corresponding reduction in investment assets. Conversely, insurance float can decrease in a number of other ways, including sales of insurance operations, shrinking or runoff of existing insurance operations, the acquisition of operations that do not have substantial investment assets (e.g., an agency) and the recognition of gains that do not cause a corresponding increase in investment assets. It is White Mountains's intention to generate low-cost float over time through a combination of acquisitions and organic growth in its existing insurance operations. However, White Mountains seeks to increase overall profitability, which sometimes reduces insurance float, such as in the Sirius Group transaction. Certain operational leverage metrics can be measured with ratios that are calculated using insurance float. There are many activities that do not change the amount of insurance float at an insurance company but can have a significant impact on the company's operational leverage metrics. For example, investment gains and losses, foreign currency gains and losses, debt issuances and repurchases/retirements, common and preferred share issuances and repurchases and dividends paid to shareholders are all activities that do not change insurance float but that can meaningfully impact operational leverage metrics that are calculated using insurance float.

The following table illustrates White Mountains's consolidated insurance float position as of December 31, 2016 and 2015:

\$ in millions	December 31,			Total
	2016	2015	2015	
	Continuing Operations	Continuing Operations	Sirius Group ⁽¹⁾	
Loss and LAE reserves	\$1,365.6	\$ 1,389.8	\$ 1,644.4	\$3,034.2
Unearned insurance and reinsurance premiums	658.0	610.5	342.2	952.7
Ceded reinsurance payable	17.0	24.9	67.1	92.0
Funds held under insurance and reinsurance contracts	153.0	137.8	52.9	190.7
Deferred tax on safety reserve	—	—	279.2	279.2
Insurance liabilities	2,193.6	2,163.0	2,385.8	4,548.8
Cash in regulated insurance and reinsurance subsidiaries	\$ 13.6	\$ 43.9	\$ 129.2	\$ 173.1
Reinsurance recoverable on paid and unpaid losses	179.5	193.5	293.3	486.8
Insurance and reinsurance premiums receivable	229.9	220.3	323.6	543.9
Funds held by ceding entities	—	—	90.6	90.6
Deferred acquisition costs	106.9	107.6	74.6	182.2
Ceded unearned insurance and reinsurance premiums	44.2	29.5	87.7	117.2
Insurance assets	574.1	594.8	999.0	1,593.8
Insurance float	\$ 1,619.5	\$ 1,568.2	\$ 1,386.8	\$ 2,955.0
Insurance float as a multiple of total capital	0.4x	0.3x	N/A	0.6x
Insurance float as a multiple of White Mountains's common shareholders' equity	0.4x	0.4x	N/A	0.8x

⁽¹⁾ Included in Net Assets Held for Sale. See Note 22—"Held for Sale and Discontinued Operations" on page F-87.

During 2016, insurance float from continuing operations increased by \$51 million, primarily due to an increase of unrestricted collateral held related to OneBeacon's surety business.

Financing

The following table summarizes White Mountains's capital structure as of December 31, 2016 and 2015:

\$ in millions	December 31,	
	2016	2015
WTM Bank Facility	\$—	\$ 50.0
OneBeacon Bank Facility	—	—
OBH Senior Notes, carrying value	273.2	272.9
MediaAlpha Bank Facility, carrying value	12.7	14.7
Total debt in continuing operations	285.9	337.6
Total debt in discontinued operations ⁽¹⁾	—	506.4
Total debt	285.9	844.0
Non-controlling interest - OneBeacon Ltd.	244.6	245.6
Non-controlling interest - SIG Preference Shares	—	250.0
Non-controlling interests - other, excluding mutuals and reciprocals	35.8	115.2
Total White Mountains's common shareholders' equity	3,603.3	3,913.2
Total capital	4,169.5	5,368.0
Total debt to total capital	7 %	16 %

⁽¹⁾ See Note 22 - "Held for Sale and Discontinued Operations" on page F-87.

Management believes that White Mountains has the flexibility and capacity to obtain funds externally as needed through debt or equity financing on both a short-term and long-term basis. However, White Mountains can provide no assurance that, if needed, it would be able to obtain additional debt or equity financing on satisfactory terms, if at all. White Mountains has an unsecured revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A., which has a total commitment of \$425 million and a maturity date of August 14, 2018. During 2016, White Mountains borrowed \$350 million and repaid \$400 million under the WTM Bank Facility. As of December 31, 2016, the WTM Bank Facility was undrawn.

On September 29, 2015, OneBeacon Ltd. and OBH, as co-borrowers and co-guarantors, entered into a revolving credit facility administered by U.S. Bank N.A. and also including BMO Harris Bank N.A., which has a total commitment of \$65 million and has a maturity date of September 29, 2019. As of December 31, 2016 the OneBeacon Bank Facility was undrawn.

The WTM and OneBeacon Bank Facilities contain various affirmative, negative and financial covenants that White Mountains considers to be customary for such borrowings, including certain minimum net worth and maximum debt to capitalization standards. These covenants can restrict White Mountains in several ways, including its ability to incur additional indebtedness. An uncured breach of these covenants could result in an event of default under the WTM or OneBeacon Bank Facilities, which would allow lenders to declare any amounts owed under the WTM or OneBeacon Bank Facilities to be immediately due and payable. In addition, a default under the WTM or OneBeacon Bank Facilities could occur if certain of White Mountains's subsidiaries fail to pay principal and interest on a credit facility, mortgage or similar debt agreement (collectively, "covered debt"), or fail to otherwise comply with obligations in such covered debt agreements where such a default gives the holder of the covered debt the right to accelerate at least \$75 million of principal amount of covered debt.

On July 23, 2015, MediaAlpha entered into a credit facility with Opus Bank, which has a total commitment of \$20 million and has a maturity date of July 23, 2019 (the "MediaAlpha Bank Facility"). The MediaAlpha Bank Facility consists of a \$15 million term loan facility, which had a principal balance of approximately \$13 million as of December 31, 2016, and a \$5 million revolving credit facility, which was undrawn as of December 31, 2016. The MediaAlpha Bank Facility is secured by the intellectual property and the common stock of MediaAlpha's subsidiaries and contains various affirmative, negative and financial covenants which White Mountains considers to be customary for such borrowings, including a maximum leverage ratio. The MediaAlpha Bank Facility carries a variable interest rate, based on the U.S. dollar LIBOR rate.

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

The OBH Senior Notes were issued under indentures that contain restrictive covenants which, among other things, limit the ability of OneBeacon Ltd., OBH and their respective subsidiaries to create liens and enter into sale and leaseback transactions and limits the ability of OneBeacon Ltd. and OBH to consolidate, merge or transfer its properties and assets. The indentures do not contain any financial ratios or specified levels of net worth or liquidity to which OneBeacon Ltd. or OBH must adhere. In addition, a failure by OneBeacon Ltd. or OBH or their respective subsidiaries to pay principal and interest on covered debt, where such failure results in the acceleration of at least \$75 million of principal amount of covered debt, could trigger the acceleration of the OBH Senior Notes.

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

Covenant Compliance

At December 31, 2016, White Mountains was in compliance with all of the covenants under all of its debt instruments and expects to remain in compliance for the foreseeable future.

Contractual Obligations and Commitments

Below is a schedule of White Mountains's material contractual obligations and commitments as of December 31, 2016:

Millions	Due in		Due in Three to Five Years	Due After Five Years	Total
	Less Than One Year	Due in One to Three Years			
Loss and LAE reserves ⁽¹⁾⁽³⁾	\$499.8	\$ 508.0	\$ 187.1	\$ 170.7	\$1,365.6
Debt	5.0	7.9	—	275.0	287.9
Interest on debt	13.2	25.7	25.3	12.6	76.8
Long-term incentive compensation	30.9	81.2	1.8	3.2	117.1
Pension and other benefit plan obligations ⁽²⁾	10.7	6.5	6.2	25.9	49.3
Operating leases	10.6	17.1	11.7	22.3	61.7
Total contractual obligations and commitments	\$570.2	\$ 646.4	\$ 232.1	\$ 509.7	\$1,958.4

Represents expected future cash outflows resulting from loss and LAE payments. The amounts presented are gross ⁽¹⁾ of reinsurance recoverables on unpaid losses of \$173 and net of the discount on OneBeacon's workers compensation loss and LAE reserves of \$2 as of December 31, 2016.

⁽²⁾ Includes expected future cash outflows under OneBeacon's non-qualified, non-contributory, defined benefit pension plan and 401(k) savings and employee stock ownership plan. OneBeacon's pension plans were curtailed in 2002. See Note 12 — "Retirement and Postretirement Plans" on page F-65.

⁽³⁾ Excludes amount related to SSIE. See Note 22 — "Held for Sale and Discontinued Operations" on page F-87.

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

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

The estimated payments reflected in the table are based on current accrual factors (including performance relative to targets and common share price) and assume that all outstanding balances were 100% vested as of December 31, 2016.

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

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

White Mountains also has future binding commitments to fund certain other long-term investments. These commitments, which total approximately \$138 million, do not have fixed funding dates and are therefore excluded from the table above.

Share Repurchase Programs

The Company:

White Mountains's board of directors has authorized the Company to repurchase its common shares, from time to time, subject to market conditions. The repurchase authorizations do not have a stated expiration date. As of February 27, 2017, White Mountains may purchase an additional 878,130 shares under the board authorizations. In addition, from time to time White Mountains has also repurchased its common shares through tender offers that were separately approved by its board of directors.

The following table presents common shares repurchased by the Company, as well as the average price per share as a percent of adjusted book value per share. For 2015, the table also presents the average price per share as a percent of adjusted book value per share, including the estimated gain from the Sirius Group sale of \$84 per share as of December 31, 2015 that was reported in the Company's 2015 Form 10-K.

Dates	Shares Repurchased	Cost (millions)	Average price per share	Average price per share as % of Adjusted book value per share, including estimated gain from Sirius sale	
				Adjusted book value per share	
Year ended December 31, 2016	1,106,145	\$ 887.2	\$802.08	101%	N/A
Year ended December 31, 2015	387,495	\$ 284.2	\$733.37	105%	94%
Year ended December 31, 2014	217,879	\$ 134.5	\$617.29	93%	N/A

OneBeacon

In 2007, OneBeacon's board authorized management to repurchase up to \$200 million of OneBeacon's Class A common shares from time to time, subject to market conditions. Shares may be repurchased on the open market or through privately negotiated transactions. This authorization does not have a stated expiration date. Since the inception of this authorization, OneBeacon has repurchased and retired 6.7 million of its Class A common shares. During 2016, OneBeacon repurchased and retired 850,349 of its common shares under the share repurchase authorization for \$11 million at an average share price of \$12.42. During 2015, OneBeacon repurchased and retired 166,368 of its common shares under the share repurchase authorization for \$2 million at an average price of \$12.62. During 2014, no shares were repurchased under the share repurchase authorization. The amount of authorization remaining is \$75 million as of December 31, 2016.

Cash Flows

Detailed information concerning White Mountains's cash flows during 2016, 2015 and 2014 follows:

Cash flows from continuing operations for the years ended 2016, 2015 and 2014

Net cash flows (used for) provided from continuing operations was \$(131) million, \$120 million and \$70 million for the years ended 2016, 2015 and 2014. The decrease in cash flow from continuing operations in 2016 relative to 2015 was driven by (i) a decrease at OneBeacon, due primarily to lower collateral received from its Surety business and amounts received in conjunction with exiting its Crop business, lower premium collections, higher incentive compensation payments and a large claim payment at the end of 2016 (which is expected to be mostly offset in 2017 by a recovery under reinsurance and corporate insurance policies, (ii) the settlement of certain liabilities and transaction costs in connection with the sales of Sirius Group and Tranzact, and (iii) an increase in incentive compensation payments in the Other Operations segment in 2016 relative to 2015. Cash flows from continuing operations increased \$79 million in 2015 compared to 2014 primarily due to increased cash collateral received from

OneBeacon's Surety business and from higher amounts of cash provided by WTM Life Re from the sale and settlement of derivative instruments as its business ran off. White Mountains does not believe that these trends will have a meaningful impact on its future liquidity or its ability to meet its future cash requirements.

Other items affecting cash flows from operations:

White Mountains made long-term incentive payments totaling \$50 million, \$36 million and \$38 million during 2016, 2015 and 2014.

OneBeacon paid a total of \$13 million of interest on the OBH Senior Notes during each of 2016, 2015 and 2014.

Cash flows from investing and financing activities for the year ended December 31, 2016

Financing and Other Capital Activities

During 2016, the Company declared and paid a \$5 million cash dividend to its common shareholders.

During 2016, the Company repurchased and retired 1,106,145 of its common shares for \$887 million, which included 8,022 common shares repurchased under employee benefit plans.

During 2016, the Company borrowed a total of \$350 million and repaid a total of \$400 million under the WTM Bank Facility.

During 2016, OneBeacon Ltd. declared and paid \$79 million of cash dividends to its common shareholders. White Mountains received a total of \$60 million of these dividends.

During 2016, OneBeacon Ltd. repurchased and retired 850,349 shares of its Class A common stock for \$11 million.

During 2016, HG Global raised \$6 million of additional capital through the issuance of preferred shares, 97% of which were purchased by White Mountains. HG Global used \$3 million of the proceeds to repay and cancel an internal credit facility with White Mountains.

During 2016, BAM received \$38 million in Member Surplus Contributions.

During 2016, MediaAlpha paid \$3 million of dividends, of which \$2 million was paid to White Mountains. During 2016, MediaAlpha repaid \$2 million of the term loan portion and borrowed \$3 million and repaid \$3 million under the revolving loan portion of the MediaAlpha Bank Facility.

During 2016, Star & Shield borrowed a total of \$4 million under an internal revolving credit facility from White Mountains.

During 2016, White Mountains contributed \$15 million to WM Advisors.

During 2016, WM Life Re returned \$73 million of capital to White Mountains.

Acquisitions and Dispositions

On January 7, 2016, Wobi settled its acquisition of the remaining share capital of Cashboard for NIS 16 million (approximately \$4 million based upon the foreign exchange spot rate at the date of acquisition).

On February 1, 2016, Symetra closed its merger agreement with Sumitomo Life and White Mountains received proceeds of \$658 million, or \$32.00 per Symetra common share.

On February 26, 2016, White Mountains paid \$8 million in settlement of the contingent purchase adjustment for its acquisition of MediaAlpha in 2014.

On March 8, 2016 and August 3, 2016, White Mountains purchased additional shares in Captricity for a total of approximately \$2 million.

On April 18, 2016, White Mountains completed the sale of Sirius Group to CMI for approximately \$2.6 billion. \$162 million of this amount was used to purchase certain assets to be retained by White Mountains out of Sirius Group, including shares of OneBeacon.

On various occasions during 2016, White Mountains increased its investment in Wobi through the purchase of newly-issued convertible preferred shares for a total of NIS 36 million (approximately \$10 million). As of December 31, 2016, White Mountains's ownership share of Wobi was 95% on a fully converted basis.

On July 21, 2016, White Mountains completed the sale of Tranzact and received net proceeds of \$221 million at closing. On October 5, White Mountains received additional proceeds of \$1 million following the release of the post-closing purchase price adjustment escrow.

On August 4, 2016, White Mountains purchased 110,461 common shares of Buzzmove for GBP 4 million (approximately \$5 million) and 54,172 shares of newly issued convertible preferred shares of Buzzmove for GBP 2 million (approximately \$3 million), representing a 70.9% ownership share of Buzzmove on a fully converted basis.

On October 10, 2016, White Mountains completed the sale of Ashmere and received proceeds of \$15 million.

Cash flows from investing and financing activities for the year ended December 31, 2015

Financing and Other Capital Activities

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

During 2015, the Company repurchased and retired 387,495 of its common shares for \$284 million, which included 12,156 common shares repurchased under employee benefit plans and 13,500 common shares from the Prospector Offshore Fund redemption.

During 2015, the Company borrowed a total of \$125 million and subsequently repaid a total of \$75 million under the WTM Bank Facility.

During 2015, OneBeacon Ltd. declared and paid \$80 million of cash dividends to its common shareholders. White Mountains received a total of \$60 million of these dividends.

During 2015, BAM received \$29 million in Member Surplus Contributions.

During 2015, MediaAlpha paid \$4 million of dividends, of which approximately \$2 million was paid to White Mountains.

During 2015, MediaAlpha borrowed \$15 million under the term loan portion of the MediaAlpha Bank Facility and used the proceeds to make a \$15 million return of capital payment to its unit holders, of which White Mountains received \$9 million.

During 2015, White Mountains provided approximately \$13 million of additional growth capital to Compare.com.

During 2015, White Mountains contributed \$8 million to WM Life Re.

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

Acquisitions and Dispositions

On February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Cashboard for NIS 10 million (approximately \$2 million based upon the foreign exchange spot rate at the date of acquisition). During the second quarter of 2015, Wobi purchased newly issued common shares of Cashboard for NIS 10 million (approximately \$3 million).

During 2015, White Mountains increased its ownership interest in Wobi through (i) the purchase of common and convertible preferred shares from a non-controlling interest shareholder for NIS 35 million (approximately \$9 million) and (ii) the purchase of newly-issued convertible preferred shares for NIS 56 million (approximately \$15 million). As of December 31, 2015, White Mountains's ownership share of Wobi was 96.1% on a fully converted basis.

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

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

On December 21, 2015, White Mountains purchased a non-controlling interest in Capricity for approximately \$27 million.

On December 22, 2015, White Mountains closed on its investment in OneTitle for approximately \$3 million.

During 2015, White Mountains purchased \$4 million of SSIE Surplus Notes, which increased its investment in SSIE Surplus Notes to \$21 million as of December 31, 2015.

Cash flows from investing and financing activities for the year ended December 31, 2014

Financing and Other Capital Activities

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

During 2014, the Company repurchased and retired 217,879 of its common shares for \$134 million, which included 10,475 common shares repurchased under employee benefit plans.

During 2014, the Company borrowed and repaid a total of \$65 million under the WTM Bank Facility.

During 2014, OneBeacon Ltd. declared and paid \$80 million of cash dividends to its common shareholders. White Mountains received a total of \$60 million of these dividends.

During 2014, BAM received \$16 million in Member Surplus Contributions.

During 2014, MediaAlpha paid \$2 million of dividends, of which \$1 million was paid to White Mountains.

During 2014, White Mountains contributed \$15 million to WM Advisors.

During 2014, WTM Life Re borrowed a total of \$82 million and repaid a total of \$89 million under an internal revolving credit facility with an intermediate holding company of White Mountains.

Acquisitions and Dispositions

On January 28 2014, White Mountains acquired certain assets and liabilities of Star & Shield Holdings LLC, including SSRM, the attorney-in-fact for SSIE, for a purchase price of \$2 million. White Mountains also purchased \$17 million of SSIE Surplus Notes during 2014.

On February 19, 2014, White Mountains acquired 54% of the outstanding common shares of Wobi for NIS 14 million (approximately \$4 million based upon the foreign exchange spot rate at the date of acquisition). In addition to the common shares, White Mountains also purchased NIS 32 million (approximately \$9 million based upon the foreign exchange spot rates at the dates of acquisition) of newly-issued convertible preferred shares of Wobi.

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

On July 3, 2014, White Mountains acquired approximately 45% of the outstanding common shares of durchblicker, for EUR 9 million (approximately \$12 million based upon the foreign exchange spot rate at the date of acquisition).

During 2014, OneBeacon transferred \$51 million of cash in connection with the sale of the Runoff Business.

TRANSACTIONS WITH RELATED PERSONS

See Note 20 — “Transactions with Related Persons” on page F-84 in the accompanying Consolidated Financial Statements.

NON-GAAP FINANCIAL MEASURES

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

Adjusted comprehensive income is a non-GAAP financial measure that, for periods that White Mountains accounted for its investment in Symetra under the equity method, excludes the change in equity in net unrealized investment gains (losses) from Symetra’s fixed maturity portfolio from comprehensive income. White Mountains accounted for its investment in Symetra under the equity method until November 5, 2015, when it changed its accounting to fair value. In the calculation of comprehensive income under GAAP, fixed maturity investments are marked-to-market while the liabilities to which those assets are matched are not. Symetra attempts to earn a “spread” between what it earns on its investments and what it pays out on its products. In order to try to fix this spread, Symetra invests in a manner that tries to match the duration and cash flows of its investments with the required cash outflows associated with its life insurance and structured settlements products. As a result, Symetra typically earns the same spread on in-force business whether interest rates fall or rise. Further, at any given time, some of Symetra’s structured settlement obligations may extend 40 or 50 years into the future, which is further out than the longest maturing fixed maturity investments regularly available for purchase in the market (typically 30 years). For these long-dated products, Symetra is unable to fully match the obligation with assets until the remaining expected payout schedule comes within the duration of securities available in the market. If at that time, these fixed maturity investments have yields that are lower than the yields expected when the structured settlement product was originally priced, the spread for the product will shrink and Symetra will ultimately harvest lower returns for its shareholders. GAAP comprehensive income increases when rates decline, which would suggest an increase in the value of Symetra - the opposite of what is happening to the intrinsic value of the business. Therefore, White Mountains’s management and Board of Directors historically used adjusted comprehensive income when assessing Symetra’s quarterly financial performance. In addition, this measure is typically the predominant component of change in adjusted book value per share, which is used in calculation of White Mountains’s performance for both short-term (annual bonus) and long-term incentive plans. The reconciliation of GAAP comprehensive income to adjusted comprehensive income is included on page 37. Adjusted book value per share is a non-GAAP financial measure which is derived by expanding the calculation of GAAP book value per share to exclude equity in net unrealized investment gains (losses) from Symetra’s fixed maturity portfolio for periods that White Mountains accounted for its investment in Symetra under the equity method. White Mountains accounted for its investment in Symetra under the equity method until November 5, 2015, when it

changed its accounting to fair value. Adjusted book value per share includes the dilutive effects of outstanding non-qualified options. In addition, the number of common shares outstanding used in the calculation of adjusted book value per share per White Mountains's common share is adjusted to exclude unearned restricted common shares, the compensation cost of which, at the date of calculation, has yet to be amortized. The reconciliation of GAAP book value per share to adjusted book value per share is included on page 36.

Total consolidated portfolio returns excluding Symetra and total common equity securities and other long-term investments returns excluding Symetra are non-GAAP financial measures that remove the \$259 million pre-tax unrealized investment gain recognized in the fourth quarter of 2015 that was the result of the change in accounting for Symetra common shares from the equity method to fair value. White Mountains believes these measures make the returns in the current year more comparable to the prior period. A reconciliation of the GAAP returns to the returns excluding Symetra follows:

	For the year ended December 31, 2015		
	GAAP	Remove returns Symetra	Returns - excluding Symetra
Total consolidated portfolio returns	3.6 %	(3.8)%	(0.2)%
Total common equity securities and other long-term investments returns	19.3 %	(21.1)%	(1.8)%
Total common equity securities	33.2 %		