WHITE MOUNTAINS INSURANCE GROUP LTD
Form 10-Q
August 03, 2015
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the period ended June 30, 2015

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number 1-8993

WHITE MOUNTAINS INSURANCE GROUP, LTD.
(Exact name of Registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	94-2708455 (I.R.S. Employer Identification No.)
80 South Main Street, Hanover, New Hampshire (Address of principal executive offices)	03755-2053 (Zip Code)

Registrant's telephone number, including area code: (603) 640-2200

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

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months. Yes ý No o

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

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

As of August 3, 2015, 5,960,542 common shares with a par value of $1.00 per share were outstanding (which includes 71,874 restricted common shares that were not vested at such date).

WHITE MOUNTAINS INSURANCE GROUP, LTD.

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WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

(Millions, except share amounts)	June 30, 2015	December 31, 2014
Assets	Unaudited	
Fixed maturity investments, at fair value	$4,874.5	$4,784.3
Short-term investments, at amortized cost (which approximates fair value)	840.5	871.7
Common equity securities, at fair value	713.8	801.6
Convertible fixed maturity and preferred investments, at fair value	4.5	20.5
Other long-term investments	390.1	407.0
Total investments	6,823.4	6,885.1
Cash (restricted: $20.9 and $23.7)	354.2	373.2
Reinsurance recoverable on unpaid losses	427.5	483.9
Reinsurance recoverable on paid losses	31.7	23.6
Insurance and reinsurance premiums receivable	711.9	547.7
Funds held by ceding entities	137.4	129.0
Investments in unconsolidated affiliates	397.2	414.4
Deferred acquisition costs	198.1	177.1
Deferred tax asset	440.2	456.1
Ceded unearned insurance and reinsurance premiums	172.4	94.0
Accrued investment income	33.7	34.5
Accounts receivable on unsettled investment sales	23.3	56.5
Goodwill and intangible assets	355.6	366.4
Other assets	322.7	356.1
Assets held for sale	—	58.1
Total assets	$10,429.3	$10,455.7
Liabilities		
Loss and loss adjustment expense reserves	$3,031.8	$3,159.8
Unearned insurance and reinsurance premiums	1,110.8	955.3
Debt	748.5	746.6
Deferred tax liability	264.8	282.8
Accrued incentive compensation	124.9	184.6
Ceded reinsurance payable	189.6	105.7
Funds held under insurance and reinsurance contracts	145.4	138.9
Accounts payable on unsettled investment purchases	57.7	2.6
Other liabilities	297.3	341.0
Total liabilities	5,970.8	5,917.3
Equity		
White Mountains’s common shareholders’ equity		
White Mountains’s common shares at $1 par value per share - authorized 50,000,000 shares;		
issued and outstanding 5,960,542 and 5,986,214 shares	6.0	6.0
Paid-in surplus	1,025.2	1,028.7
Retained earnings	3,069.2	3,010.5
Accumulated other comprehensive income (loss), after tax:		
Equity in net unrealized gains from investment in Symetra common shares	2.0	34.9
Net unrealized foreign currency translation losses	(123.7)	(79.8)
Pension liability and other	(4.1)	(4.6)

Total White Mountains’s common shareholders’ equity	3,974.6	3,995.7
Non-controlling interests		
Non-controlling interest - OneBeacon Ltd.	255.0	258.4
Non-controlling interest - SIG Preference Shares	250.0	250.0
Non-controlling interest - mutuals and reciprocals	(146.2)	(134.3)
Non-controlling interest - other	125.1	168.6
Total non-controlling interests	483.9	542.7
Total equity	4,458.5	4,538.4
Total liabilities and equity	$10,429.3	$10,455.7

See Notes to Consolidated Financial Statements

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
(Millions, except per share amounts)	2015	2014	2015	2014
Revenues:				
Earned insurance and reinsurance premiums	$537.3	$503.4	$1,031.6	$997.0
Net investment income	23.8	29.6	47.1	54.3
Net realized and unrealized investment (losses) gains	(61.1)	113.9	42.3	177.7
Other revenue	87.5	6.4	123.3	3.0
Total revenues	587.5	653.3	1,244.3	1,232.0
Expenses:				
Loss and loss adjustment expenses	288.3	282.7	553.7	512.0
Insurance and reinsurance acquisition expenses	105.3	98.9	200.9	194.0
Other underwriting expenses	80.7	81.9	162.2	163.3
General and administrative expenses	108.1	70.3	224.5	120.6
Interest expense	10.9	10.0	22.0	20.1
Total expenses	593.3	543.8	1,163.3	1,010.0
Pre-tax income from continuing operations	(5.8)	109.5	81.0	222.0
Income tax benefit (expense)	2.7	(24.5)	(22.3)	(55.4)
Net income from continuing operations	(3.1)	85.0	58.7	166.6
(Loss) gain from sale of discontinued operations, net of tax	(.1)	2.7	7.9	2.7
Net loss from discontinued operations, net of tax	(.2)	(.1)	(.3)	(.6)
Income before equity in earnings of unconsolidated affiliates	(3.4)	87.6	66.3	168.7
Equity in earnings of unconsolidated affiliates, net of tax	6.8	12.5	14.1	26.3
Net income	3.4	100.1	80.4	195.0
Net loss (income) attributable to non-controlling interests	.9	(4.6)	8.2	(4.0)
Net income attributable to White Mountains's common shareholders	4.3	95.5	88.6	191.0
Other comprehensive (loss) income, net of tax:				
Change in equity in net unrealized (losses) gains from investments in Symetra common shares, net of tax	(61.8)	32.9	(32.9)	69.4
Change in foreign currency translation, pension liability and other	44.2	(27.9)	(43.4)	(35.7)
Comprehensive income	(13.3)	100.5	12.3	224.7
Comprehensive income attributable to non-controlling interests	—	—	—	—
Comprehensive income attributable to White Mountains's common shareholders	$(13.3)	$100.5	$12.3	$224.7

Income per share attributable to White Mountains's common shareholders				
Basic income per share				
Continuing operations	.76	$15.08	$13.53	$30.61
Discontinued operations	(.04)	.43	1.27	.34
Total consolidated operations	$.72	$15.51	$14.80	$30.95
Diluted income per share				
Continuing operations	$.76	$15.08	$13.53	$30.61
Discontinued operations	(.04)	.43	1.27	.34
Total consolidated operations	$.72	$15.51	$14.80	$30.95
Dividends declared per White Mountains's common share	$1.00	$1.00	$1.00	$1.00

See Notes to Consolidated Financial Statements

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

	White Mountains's Common Shareholders' Equity					
(Millions)	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2015	$1,034.7	$3,010.5	$(49.5)	$3,995.7	$ 542.7	$4,538.4
Net income (loss)	—	88.6	—	88.6	(8.2)	80.4
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	(32.9)	(32.9)	—	(32.9)
Net change in foreign currency translation	—	—	(43.8)	(43.8)	(.1)	(43.9)
Net change in pension liability and other accumulated comprehensive items	—	—	.4	.4	.1	.5
Total comprehensive income (loss)	—	88.6	(76.3)	12.3	(8.2)	4.1
Dividends declared on common shares	—	(6.0)	—	(6.0)	—	(6.0)
Dividends to non-controlling interests	—	—	—	—	(21.9)	(21.9)
Repurchases and retirements of common shares	(8.8)	(23.9)	—	(32.7)	—	(32.7)
Issuances of common shares	.9	—	—	.9	—	.9
Redemption of Prospector Offshore Fund	—	—	—	—	(31.5)	(31.5)
Acquisition from non-controlling interests	(2.2)	—	—	(2.2)	(2.7)	(4.9)
Net contributions from non-controlling interests	—	—	—	—	5.8	5.8
Amortization of restricted share awards	6.6	—	—	6.6	(.3)	6.3
Balance at June 30, 2015	$1,031.2	$3,069.2	$(125.8)	$3,974.6	$ 483.9	$4,458.5

	White Mountains's Common Shareholders' Equity					
(Millions)	Common shares and paid-in surplus	Retained earnings	AOCI, after tax	Total	Non-controlling interest	Total Equity
Balance at January 1, 2014	$1,051.1	$2,801.8	$52.1	$3,905.0	$ 491.8	$4,396.8
Net income (loss)	—	191.0	—	191.0	4.0	195.0
Net change in unrealized gains from investments in unconsolidated affiliates	—	—	69.4	69.4	—	69.4
Net change in foreign currency translation	—	—	(35.9)	(35.9)	—	(35.9)

Net change in pension liability and other accumulated comprehensive items	—	—	.2	.2	—	.2
Total comprehensive income (loss)	—	191.0	33.7	224.7	4.0	228.7
Dividends declared on common shares	—	(6.2)	—	(6.2)	—	(6.2)
Dividends to non-controlling interests	—	—	—	—	(19.9)	(19.9)
Repurchases and retirements of common shares	(8.8)	(21.5)	—	(30.3)	—	(30.3)
Issuances of common shares	2.9	—	—	2.9	—	2.9
Net contributions from non-controlling interests	—	—	—	—	26.6	26.6
Amortization of restricted share awards	8.7	—	—	8.7	.4	9.1
Balance at June 30, 2014	$1,053.9	$2,965.1	$85.8	$4,104.8	$ 502.9	$4,607.7

See Notes to Consolidated Financial Statements

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

(Millions)	Six Months Ended June 30, 2015	2014
Cash flows from operations:		
Net income	$80.4	$195.0
Charges (credits) to reconcile net income to net cash used for operations:		
Net realized and unrealized investment gains	(42.3)	(177.7)
Deferred income tax expense	1.8	22.6
Net income from discontinued operations	(7.6)	(2.1)
Gain on sale of subsidiary - Hamer and Citation	(16.1)	(.7)
Amortization and depreciation	45.0	32.5
Undistributed equity in earnings from unconsolidated affiliates, net of tax	(14.1)	(26.3)
Other operating items:		
Net change in loss and loss adjustment expense reserves	(79.7)	(39.7)
Net change in reinsurance recoverable on paid and unpaid losses	36.0	2.2
Net change in unearned insurance and reinsurance premiums	170.4	191.0
Net change in variable annuity benefit guarantee liabilities	1.1	(21.0)
Net change in variable annuity benefit guarantee derivative instruments	20.6	(5.6)
Net change in deferred acquisition costs	(23.6)	(16.5)
Net change in funds held by ceding entities	(13.1)	17.3
Net change in ceded unearned premiums	(82.6)	(49.6)
Net change in funds held under reinsurance treaties	9.8	(3.2)
Net change in insurance and reinsurance premiums receivable	(177.8)	(195.6)
Net change in ceded reinsurance payable	91.9	80.0
Net change in restricted cash	2.8	28.3
Net change in other assets and liabilities, net	(45.9)	(42.6)
Net cash used for operations - continuing operations	(43.0)	(11.7)
Net cash provided from (used for) operations - discontinued operations	7.3	(30.7)
Net cash used for operations	(35.7)	(42.4)
Cash flows from investing activities:		
Net change in short-term investments	(17.1)	50.3
Sales of fixed maturity and convertible fixed maturity investments	2,076.2	2,340.9
Maturities, calls and paydowns of fixed maturity and convertible fixed maturity investments	256.1	277.6
Sales of common equity securities	576.6	127.6
Distributions and redemptions of other long-term investments	56.1	26.9
Sales of consolidated and unconsolidated affiliates, net of cash sold	24.0	12.8
Funding from (of) operational cash flows for discontinued operations	7.3	(30.7)
Purchases of other long-term investments	(33.3)	(17.7)
Purchases of common equity securities	(541.2)	(124.0)
Purchases of fixed maturity and convertible fixed maturity investments	(2,469.7)	(2,531.6)
Purchases of consolidated and unconsolidated affiliates, net of cash acquired	(2.4)	(32.2)
Net change in unsettled investment purchases and sales	88.4	(57.8)
Net dispositions (acquisitions) of property and equipment	52.0	(3.9)
Net cash provided from investing activities - continuing operations	73.0	38.2
Net cash (used for) provided from investing activities - discontinued operations	(7.3)	30.7
Net cash provided from investing activities	65.7	68.9

Cash flows from financing activities:		
Draw down of debt and revolving line of credit	19.5	—
Repayment of debt and revolving line of credit	(17.6)	(.2)
Payments on capital lease obligation	(2.8)	(2.6)
Cash dividends paid to the Company's common shareholders	(6.0)	(6.2)
Cash dividends paid to OneBeacon Ltd.'s non-controlling common shareholders	(9.9)	(9.9)
Cash dividends paid on SIG Preference Shares	(9.4)	(9.4)
Common shares repurchased	(17.1)	(25.7)
OneBeacon Ltd. common shares repurchased and retired	(1.6)	—
Capital contributions from non-controlling interest of consolidated LPs	—	2.5
Distribution to non-controlling interest shareholders	(1.0)	—
Redemptions paid to non-controlling interest of consolidated LPs	—	(4.9)
Collateral provided by interest rate cap counterparties	(.6)	(4.5)
Acquisition of additional shares from non-controlling interest	(9.1)	—
Capital contributions from BAM members	11.5	7.7
Net cash used for financing activities - continuing operations	(44.1)	(53.2)
Net cash (used for) provided from financing activities - discontinued operations	—	—
Net cash used for financing activities	(44.1)	(53.2)
Effect of exchange rate changes on cash	(2.1)	3.2
Net change in cash during the period	(16.2)	(23.5)
Cash balances at beginning of period (excludes restricted cash balances of $23.7 and $56.1)	349.5	326.7
Cash balances at end of period (excludes restricted cash balances of $20.9 and $27.8)	$333.3	$303.2
Supplemental cash flows information:		
Interest paid	$(21.8)	$(19.1)
Net income tax (payment to) refund from national governments	$(17.1)	$1.6

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

These interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") and include the accounts of White Mountains Insurance Group, Ltd. (the "Company" or the "Registrant"), its subsidiaries (collectively, with the Company, "White Mountains") and other entities required to be consolidated under GAAP. The Company is an exempted Bermuda limited liability company whose principal businesses are conducted through its insurance and reinsurance subsidiaries and affiliates. The Company's headquarters is located at 14 Wesley Street, Hamilton, Bermuda HM 11, its principal executive office is located at 80 South Main Street, Hanover, New Hampshire 03755-2053 and its registered office is located at Clarendon House, 2 Church Street, Hamilton, Bermuda HM 11. White Mountains's reportable segments are OneBeacon, Sirius Group, HG Global/BAM and Other Operations.

The OneBeacon segment consists of OneBeacon Insurance Group, Ltd. ("OneBeacon Ltd."), an exempted Bermuda limited liability company that owns a family of property and casualty insurance companies (collectively, "OneBeacon"). OneBeacon is a specialty property and casualty insurance writer that offers a wide range of insurance products in the United States through independent agencies, regional and national brokers, wholesalers and managing general agencies. During the third quarter of 2013, OneBeacon formed Split Rock Insurance, Ltd. ("Split Rock"), a Bermuda-based reinsurance company. As of June 30, 2015 and December 31, 2014, White Mountains owned 75.3% of OneBeacon Ltd.'s outstanding common shares for both periods.

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

The Sirius Group segment consists of Sirius International Insurance Group, Ltd., an exempted Bermuda limited liability company, and its subsidiaries (collectively, "Sirius Group"). Sirius Group provides insurance and reinsurance products for property, accident and health, aviation and space, trade credit, marine, agriculture and certain other exposures on a worldwide basis through its primary subsidiaries, Sirius International Insurance Corporation ("Sirius International"), Sirius America Insurance Company ("Sirius America") and Lloyds Syndicate 1945 ("Syndicate 1945"). Sirius Group also specializes in the acquisition and management of runoff insurance and reinsurance companies both in the United States and internationally through its White Mountains Solutions division ("WM Solutions"). On July 27, 2015, White Mountains announced it signed a definitive agreement to sell Sirius Group to CM International Holding PTE Ltd., the Singapore-based investment arm of China Minsheng Investment Corp., Ltd. ("CMI"). The purchase price will be paid in cash in an amount equal to 127.3% of Sirius's closing date tangible common shareholder's equity plus $10.0 million. Based on Sirius's tangible common shareholder's equity at December 31, 2014, the purchase price would be $2.2 billion. (See Note 19 - "Subsequent Events").

The HG Global/BAM segment consists of HG Global Ltd. ("HG Global") and the consolidated results of Build America Mutual Assurance Company ("BAM"). BAM is a municipal bond insurer domiciled in New York that was established in 2012 to provide insurance on bonds issued to support essential U.S. public purposes such as schools, utilities, core governmental functions and existing transportation facilities. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of surplus notes issued by BAM (the "BAM Surplus Notes"). HG Global, through its wholly-owned subsidiary, HG Re Ltd. ("HG Re"), also provides 15%-of-par, first loss reinsurance protection for policies underwritten by BAM. As of both June 30, 2015 and December 31, 2014, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. White Mountains does not have an ownership interest in BAM, which is a mutual insurance company owned by its members. However, GAAP requires White Mountains to consolidate BAM's results in its financial statements. BAM's results are attributed to non-controlling interests.

White Mountains's Other Operations segment consists of the Company and its intermediate holding companies, its wholly-owned investment management subsidiary, White Mountains Advisors LLC ("WM Advisors"), White Mountains's variable annuity reinsurance business, White Mountains Life Reinsurance (Bermuda) Ltd. ("Life Re Bermuda"), which is in runoff with all of its contracts maturing by June 30, 2016, and its U.S.-based service provider, White Mountains Financial Services LLC (collectively, "WM Life Re"), and White Mountains's ownership positions in Tranzact Holdings, LLC, Wobi Insurance Agency Ltd. ("Wobi") and QL Holdings, LLC (together with its subsidiaries "MediaAlpha"). The Other Operations segment also includes Star & Shield Services LLC, Star & Shield Risk Management LLC ("SSRM"), and Star & Shield Claims Services LLC (collectively "Star & Shield"). Star & Shield provides management services for a fee to Star & Shield Insurance Exchange ("SSIE"), a reciprocal that is owned by its members, who are policyholders. As of June 30, 2015, White Mountains holds $20.0 million of surplus notes issued by SSIE (the "SSIE Surplus Notes") but does not have an ownership interest in SSIE. However, as a result of SSRM's role as the attorney-in-fact to SSIE and the investment in SSIE's surplus notes, White Mountains is required to consolidate SSIE in its GAAP financial statements. SSIE's results do not affect White Mountains's common shareholders' equity as they are attributable to non-controlling interests.

All significant intercompany transactions have been eliminated in consolidation. Certain amounts in the prior period financial statements have been reclassified to conform to the current presentation. These interim financial statements include all adjustments considered necessary by management to fairly present the financial position, results of operations and cash flows of White Mountains. These interim financial statements may not be indicative of financial results for the full year and should be read in conjunction with the Company's 2014 Annual Report on Form 10-K.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Refer to the Company's 2014 Annual Report on Form 10-K for a complete discussion regarding White Mountains's significant accounting policies.

Recently Adopted Changes in Accounting Principles

Qualified Affordable Housing Projects

Effective January 1, 2015, White Mountains adopted ASU 2014-01, Accounting for Investments in Qualified Affordable Housing Projects ("QAHP") (ASC 323). ASU 2014-01 allows investors in QAHP to make a policy election to use the proportional amortization method. Under the proportional amortization method, the investor amortizes the initial cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the investment results, net of the related tax benefits, as a component of income tax expense. Prior to adoption, White Mountains accounted for its QAHP investment under the equity method and recognized its share of its QAHP investment's losses in investment income. White Mountains made the policy election to account for its investment in its QAHP investment using the proportional amortization method, applied retrospectively. Under the proportional amortization method, the cumulative loss recognized through December 31, 2014 and December 31, 2013 was $0.9 million and $0.5 million. The retrospective adoption resulted in an increase of $0.5 million and $0.9 million to net investment income and a net increase of $0.6 million and $1.2 million to income tax expense for the three and six months ended June 30, 2014. Footnote disclosures for prior year amounts have been amended to be consistent with the restated amounts described above.

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

On April 10, 2014, the FASB issued ASU 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity (ASC 205 and ASC 360) to reduce diversity in practice for reporting discontinued operations. ASU 2014-08 limits discontinued operations treatment to disposals that represent a strategic shift and that have a major effect on a reporting entity's operations and financial results to be reported as discontinued operations. The revised guidance also requires expanded disclosure in the financial statements for discontinued operations as well as for disposals of significant components of an entity that do not qualify for discontinued operations presentation. White Mountains has not had any transactions that occurred since ASU 2014-08 became effective on December 15, 2014.

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

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

Recently Issued Accounting Pronouncements

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

Fair Value Measurements
On May 1, 2015, the FASB issued ASU 2015-07, Fair Value Measurement - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent) (ASC 820) which eliminates the requirement to disclose the fair value hierarchy level for investments for which fair value is measured at net asset value using the practical expedient in ASC 820. White Mountains measures the fair value of its investments in hedge funds and

private equity funds using this practical expedient and has classified those measurements within Level 3 of the fair value hierarchy. The new guidance is effective for fiscal years beginning after December 15, 2015 and interim periods within those fiscal years.

Debt Issuance Costs

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

Amendments to Consolidation Analysis

On February 18, 2015, the FASB issued ASU 2015-02, Amendments to the Consolidation Analysis (ASC 810) which amends the guidance for determining whether an entity is a variable interest entity (“VIE”). ASU 2015-02 eliminates the separate consolidation guidance for limited partnerships and with it, the presumption that a general partner should consolidate a limited partnership. In addition, ASU 2015-02 changes the guidance for determining if fee arrangements qualify as variable interests and the effect fee arrangements have on the determination of the primary beneficiary. ASU 2015-02 is effective for annual and interim reporting periods beginning after December 15, 2015 and must be applied retrospectively. White Mountains does not expect ASU 2015-02 to affect the consolidation analysis for any of its existing investments.

Share-Based Compensation Awards

On June 19, 2014, the FASB issued ASU 2014-12, Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (ASC 718). The new guidance is intended to eliminate diversity in practice for employee share-based awards containing performance targets that could be achieved after the requisite service period. Some reporting entities account for performance targets that can be achieved after the requisite service period as performance conditions that affect the vesting of the award while other reporting entities treat those performance targets as non-vesting conditions that affect the grant-date fair value of the award. The updated guidance requires that a performance target that affects vesting and that can be achieved after the requisite service period be treated as a performance condition. Compensation cost should be recognized in the period it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the periods for which service has been rendered. The new guidance is effective for annual and interim reporting periods beginning after December 15, 2015. White Mountains does not expect adoption to have a significant effect on its financial position, results of operations, cash flows, presentation or disclosures.

Revenue Recognition

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (ASC 606), which modifies the guidance for revenue recognition. The scope of the new ASU excludes insurance contracts but is applicable to certain fee arrangements, such as third-party investment management fees charged by White Mountains Advisors, which were $2.0 million and $4.0 million for the three and six months ended June 30, 2015 and $3.0 million and $6.0 million for the three and six months ended June 30, 2014. White Mountains is in the process of evaluating the new guidance and has not yet determined the potential effect of adoption on its financial position, results of operations, or cash flows. ASU 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2016.

Note 2. Significant Transactions

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

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

Tranzact
On October 10, 2014, White Mountains acquired majority ownership of Tranzact, a leading provider of end-to-end, performance-driven customer acquisition solutions to the insurance sector. White Mountains acquired 63.2% of Tranzact for a purchase price of $177.7 million, representing an enterprise value of $281.2 million. Immediately following the closing, Tranzact completed a recapitalization that allowed for the return of $44.2 million in capital to White Mountains. As of the acquisition date, White Mountains recognized total assets acquired related to Tranzact of $332.8 million, including $41.4 million of tangible assets, $145.1 million of goodwill, and $146.3 million of other intangible assets; and total liabilities assumed of $108.7 million at their estimated fair values.

MediaAlpha
On March 14, 2014, White Mountains acquired 60% of the outstanding Class A common units of MediaAlpha. MediaAlpha is a California-based advertising technology company offering a transparent online exchange and sophisticated analytical tools that facilitate transactions between buyers (advertisers) and sellers (publishers) of insurance media (clicks and calls), including its own media inventory generated by owned and operated websites. Its exchange operates in four verticals: auto, home, health and life. White Mountains paid an initial purchase price of $28.1 million. The purchase price is subject to adjustment equal to 62.5% of the 2015 gross profit in excess of the 2013 gross profit. As of June 30, 2015 and December 31, 2014, White Mountains has recognized a $7.9 million liability for the contingent purchase price adjustment. After adjustment for the estimated contingent purchase price adjustment, White Mountains recognized total assets acquired related to MediaAlpha of $70.1 million, including $18.3 million of goodwill and $38.5 million of other intangible assets, and total liabilities assumed of $10.0 million, reflecting acquisition date fair values.

Wobi
On February 19, 2014, White Mountains acquired 54% of the outstanding common shares of Wobi for NIS 14.4 million (approximately $4.1 million based upon the foreign exchange spot rate at the date of acquisition). During 2014, in addition to the common shares, White Mountains also purchased NIS 31.5 million (approximately $8.5 million) of newly-issued convertible preferred shares of Wobi. Wobi is the only price comparison/aggregation business in Israel, with an insurance carrier panel that represents 85% of the premiums written in the Israeli insurance market. Wobi sells four insurance lines of business, primarily personal auto, and operates as an agency, charging upfront commissions on all insurance policy sales. Wobi also offers a pension products comparison service for Israeli customers and is paid transaction fees when customers use the service to connect to companies that sell those pension products. As of the acquisition date, White Mountains recognized total assets acquired related to Wobi of $13.4 million, including $5.5 million of goodwill and $2.9 million of other intangible assets; and total liabilities assumed of $0.7 million at their estimated fair values. During the second quarter of 2015, White Mountains increased its ownership interest in Wobi through the purchase of shares from a non-controlling interest shareholder for NIS 35.0 million (approximately $9.1 million) and newly-issued convertible preferred shares for NIS 25.0 million

(approximately $6.6 million). As of June 30, 2015, White Mountains's ownership share was 95.3% on a fully converted basis.

On February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Tnuva Finansit Ltd. ("Cashboard") for NIS 9.5 million (approximately $2.4 million). The acquisition of Cashboard accelerated Wobi's development of its pension products comparison service. As of the acquisition date, Wobi recognized total assets acquired of $5.5 million, including $0.3 million of goodwill and $2.8 million of other intangible assets; and total liabilities assumed of $1.2 million at their estimated fair values. During the second quarter of 2015, Wobi purchased newly issued common shares of Cashboard for NIS 10.0 million (approximately $2.6 million), which increased its ownership interest in Cashboard to 68.3%.

Star & Shield
On January 31, 2014, White Mountains acquired certain assets and liabilities of Star & Shield Holdings LLC, including SSRM, the attorney-in-fact for SSIE, for a purchase price of $1.8 million.
White Mountains owns $20.0 million of surplus notes issued by SSIE. Principal and interest on the surplus notes are payable to White Mountains only with approval from the Florida Office of Insurance Regulation.
SSIE is a Florida-domiciled reciprocal insurance exchange providing private passenger auto insurance to the public safety community and their families. SSIE is a variable interest entity (“VIE”). As a result of SSRM’s role as the attorney-in-fact to SSIE and the investment in SSIE’s surplus notes, White Mountains is required to consolidate SSIE. At June 30, 2015 and December 31, 2014, consolidated amounts included total assets of $13.4 million and $13.5 million and total liabilities of $27.8 million and $25.9 million, respectively of SSIE. The surplus notes purchased by White Mountains and the corresponding liability included in SSIE's liabilities are eliminated in consolidation. For the three months ended June 30, 2015 and 2014, SSIE had pre-tax losses of $0.8 million and $5.2 million that were recorded in net loss attributable to non-controlling interests. For the six months ended June 30, 2015 and 2014, SSIE had pre-tax losses of $1.9 million and $9.7 million that were recorded in net loss attributable to non-controlling interests.

Note 3. Loss and Loss Adjustment Expense Reserves

The following table summarizes the loss and loss adjustment expense (“LAE”) reserve activities of White Mountains’s insurance and reinsurance subsidiaries for the three and six months ended June 30, 2015 and 2014:

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions	2015	2014	2015	2014
Gross beginning balance	$3,035.0	$3,048.4	$3,159.8	$3,079.3
Less beginning reinsurance recoverable on unpaid losses	(436.9)	(425.2)	(483.9)	(428.1)
Net loss and LAE reserves	2,598.1	2,623.2	2,675.9	2,651.2
Loss and LAE reserves consolidated — SSIE	—	—	—	13.6
Loss and LAE incurred relating to:				
Current year losses	300.0	278.4	566.8	518.9
Prior year losses	(11.7)	4.3	(13.1)	(6.9)
Total incurred losses and LAE	288.3	282.7	553.7	512.0
Foreign currency translation adjustment to loss and LAE reserves	7.5	(.5)	(14.9)	1.3
Loss and LAE paid relating to:				
Current year losses	(72.9)	(65.8)	(113.5)	(100.8)
Prior year losses	(216.7)	(219.5)	(496.9)	(457.2)
Total loss and LAE payments	(289.6)	(285.3)	(610.4)	(558.0)
Net ending balance	2,604.3	2,620.1	2,604.3	2,620.1
Plus ending reinsurance recoverable on unpaid losses	427.5	433.2	427.5	433.2
Gross ending balance	$3,031.8	$3,053.3	$3,031.8	$3,053.3

Loss and LAE incurred relating to prior year losses for the three and six months ended June 30, 2015
For the three and six months ended June 30, 2015, White Mountains experienced net favorable loss reserve development of $11.7 million and $13.1 million.

For the three and six months ended June 30, 2015, Sirius Group had net favorable loss reserve development of $11.4 million, and $10.9 million primarily due to reductions in reserves for prior year catastrophes and run-off casualty business. During the three months ended June 30, 2015, OneBeacon experienced no net loss and LAE reserve development. For the six months ended June 30, 2015, OneBeacon had net favorable loss reserve development of $1.8 million. For the three and six months ended June 30, 2015, SSIE had net favorable loss reserve development of $0.3 million and $0.4 million.

Loss and LAE incurred relating to prior year losses for the three and six months ended June 30, 2014
For the three and six months ended June 30, 2014, White Mountains experienced net unfavorable loss reserve development of $4.3 million and net favorable loss reserve development of $6.9 million.
For the three and six months ended June 30, 2014, OneBeacon had net unfavorable loss reserve development of $8.4 million and $7.0 million primarily related to a few large losses in OneBeacon Other Professional Lines and Management Liability, as well as OneBeacon Entertainment, OneBeacon Government Risks and OneBeacon Accident Group, partially offset by favorable loss reserve development in OneBeacon Specialty Property. For the three and six months ended June 30, 2014, Sirius Group had net favorable loss reserve development of $6.3 million and $16.1 million primarily due to decreases in property loss reserves, including reductions for prior period catastrophe losses. For both the three and six months ended June 30, 2014, SSIE had net unfavorable loss reserve development of $2.2 million.

Note 4. Third Party Reinsurance

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

OneBeacon
At June 30, 2015, OneBeacon had $20.9 million and $147.1 million of reinsurance recoverables on paid and unpaid losses. At December 31, 2014, OneBeacon had $12.2 million and $161.6 million of reinsurance recoverables on paid and unpaid losses. The reinsurance balances associated with the Runoff Business are included in discontinued operations. (See Note 17 - "Discontinued Operations"). Reinsurance contracts do not relieve OneBeacon of its obligation to its policyholders. OneBeacon is selective with its reinsurers, placing reinsurance with only those reinsurers having a strong financial condition. OneBeacon monitors the financial strength and ratings of its reinsurers on an ongoing basis. Uncollectible amounts related to the ongoing specialty business historically have not been significant.
Except as discussed below, there have been no material changes to OneBeacon's reinsurance coverage as discussed in Note 4 —"Reinsurance" in White Mountains's 2014 Annual Report on Form 10-K.
Effective January 1, 2015, OneBeacon purchased an aggregate stop loss on its multiple peril crop insurance ("MPCI") portfolio, providing 52.0% coverage in excess of a 98.0% loss ratio on premiums covered by the contract and a separate aggregate stop loss providing 80% coverage in excess of a 100% loss ratio on its crop-hail portfolio. OneBeacon also purchased a new quota share contract on 30% of its MPCI portfolio.
Effective May 1, 2015, OneBeacon renewed its property catastrophe reinsurance program through April 30, 2016. The program provides coverage for OneBeacon's property business as well as certain acts of terrorism. Under the program, the first $20.0 million of losses resulting from any single catastrophe are retained, and 95.0% of the next $10.0 million of losses and 100.0% of the next $100.0 million of losses resulting from the catastrophe are reinsured. The part of the catastrophe loss in excess of $130.0 million would be retained in full. In the event of a catastrophe, OneBeacon's property catastrophe reinsurance program is reinstated for the remainder of the original contract term by paying a reinstatement premium that is based on the percentage of coverage reinstated and the original property catastrophe coverage premium.
Also effective May 1, 2015, OneBeacon lowered its retention on its property-per-risk reinsurance program from $5.0 million to $3.0 million.
Effective June 1, 2015, OneBeacon lowered its retentions on certain casualty and healthcare treaties from $5.0 million to $3.0 million.

Sirius Group
At June 30, 2015, Sirius Group had $10.8 million and $280.3 million of reinsurance recoverables on paid and unpaid losses that will become recoverable if claims are paid in accordance with current reserve estimates. At December 31, 2014, Sirius Group had $11.4 million and $322.2 million of reinsurance recoverables on paid and unpaid losses.

Because retrocessional reinsurance contracts do not relieve Sirius Group of its obligation to its insureds, the collectability of balances due from Sirius Group's reinsurers is important to its financial strength. Sirius Group monitors the financial strength and ratings of retrocessionaires on an ongoing basis. Uncollectible amounts historically have not been significant.

In connection with the sale of Sirius Group, White Mountains caused Sirius Group to purchase several industry loss warranty ("ILW") contracts to augment its overall retrocessional program in order to reduce the risk of loss from major catastrophes subsequent to the signing of the definitive agreement to sell Sirius Group. (See Note 19 - "Subsequent Events").

Note 5. Investment Securities

White Mountains's invested assets consist of securities and other long-term investments held for general investment purposes. The portfolio of investment securities includes fixed maturity investments, short-term investments, common equity securities, and convertible fixed maturity and preferred investments which are all classified as trading securities. Trading securities are reported at fair value as of the balance sheet date. Realized and unrealized investment gains and losses on trading securities are reported in pre-tax revenues.
Income on mortgage-backed and asset-backed securities is recognized using an effective yield based on anticipated prepayments and the estimated economic life of the securities. When actual prepayments differ significantly from anticipated prepayments, the estimated economic life is recalculated and the remaining unamortized premium or discount is amortized prospectively over the remaining economic life.
Realized investment gains and losses resulting from sales of investment securities are accounted for using the specific identification method. Premiums and discounts on all fixed maturity investments are amortized or accreted to income over the anticipated life of the investment. Short-term investments consist of money market funds, certificates of deposit and other securities which, at the time of purchase, mature or become available for use within one year. Short-term investments are carried at amortized or accreted cost, which approximated fair value as of June 30, 2015 and December 31, 2014.
Other long-term investments consist primarily of hedge funds, private equity funds, surplus note investments, private equity securities and limited liability companies and other investments in limited partnerships.

Net Investment Income
Pre-tax net investment income for the three and six months ended June 30, 2015 and 2014 consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Millions	2015	2014	2015	2014
Investment income:				
Fixed maturity investments	$23.4	$25.6	$46.5	$48.0
Short-term investments	.7	.6	1.3	1.2
Common equity securities	3.3	5.5	6.7	10.9
Convertible fixed maturity and preferred investments	.1	.8	.3	1.2
Other long-term investments	.9	1.9	.8	2.6
Interest on funds held under reinsurance treaties	—	—	(.1)	—
Total investment income	28.4	34.4	55.5	63.9
Third-party investment expenses	(4.6)	(4.8)	(8.4)	(9.6)
Net investment income, pre-tax	$23.8	$29.6	$47.1	$54.3

Net Realized and Unrealized Investment Gains and Losses
Net realized and unrealized investment gains and losses for the three and six months ended June 30, 2015 and 2014 consisted of the following:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
Millions	2015	2014	2015	2014
Net realized investment gains, pre-tax	$112.9	$30.5	$165.7	$52.2
Net unrealized investment (losses) gains, pre-tax	(174.0)	83.4	(123.4)	125.5
Net realized and unrealized investment (losses) gains, pre-tax	(61.1)	113.9	42.3	177.7
Income tax benefit (expense) attributable to net realized and unrealized investment gains (losses)	16.5	(23.0)	(9.8)	(38.7)
Net realized and unrealized investment (losses) gains, after tax	$(44.6)	$90.9	$32.5	$139.0

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Net realized investment gains (losses)

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

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
Millions	Net realized gains (losses)	Net foreign currency gains	Total net realized gains (losses) reflected in earnings	Net realized gains	Net foreign currency gains	Total net realized gains reflected in earnings
Fixed maturity investments	$2.7	$14.3	$17.0	$5.7	$3.0	$8.7
Short-term investments	—	5.7	5.7	—	—	—
Common equity securities	65.9	7.2	73.1	19.4	—	19.4
Convertible fixed maturity and preferred investments	.6	—	.6	1.5	—	1.5
Other long-term investments	16.9	—	16.9	.6	.3	.9
Forward contracts	(.4)	—	(.4)	—	—	—
Net realized investment gains, pre-tax	85.7	27.2	112.9	27.2	3.3	30.5
Income tax (expense) attributable to net realized investment gains	(24.6)	(6.4)	(31.0)	(5.3)	(1.0)	(6.3)
Net realized investment gains, after tax	$61.1	$20.8	$81.9	$21.9	$2.3	$24.2

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
Millions	Net realized gains (losses)	Net foreign currency gains	Total net realized gains (losses) reflected in earnings	Net realized gains (losses)	Net foreign currency (losses) gains	Total net realized gains (losses) reflected in earnings
Fixed maturity investments	$12.4	$35.5	$47.9	$10.1	$(.5)	$9.6
Short-term investments	—	9.3	9.3	—	—	—
Common equity securities	90.3	8.3	98.6	38.3	(.1)	38.2
Convertible fixed maturity and preferred investments	(3.6)	—	(3.6)	3.9	—	3.9
Other long-term investments	12.8	1.1	13.9	.3	.3	.6
Forward contracts	(.4)	—	(.4)	(.1)	—	(.1)
Net realized investment gains (losses), pre-tax	111.5	54.2	165.7	52.5	(.3)	52.2
Income tax (expense) attributable to net realized investment gains (losses)	(31.1)	(13.1)	(44.2)	(9.9)	(.1)	(10.0)
Net realized investment gains (losses), after tax	$80.4	$41.1	$121.5	$42.6	$(.4)	$42.2

Net unrealized investment gains (losses)

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

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
Millions	Net unrealized (losses)	Net foreign currency (losses) gains	Total net unrealized (losses) reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$(34.7)	$(39.0)	$(73.7)	$24.9	$28.2	$53.1
Short-term investments	—	—	—	—	—	—
Common equity securities	(63.9)	(8.2)	(72.1)	21.0	1.4	22.4
Convertible fixed maturity and preferred investments	—	(.1)	(.1)	(2.4)	.3	(2.1)
Other long-term investments	(29.1)	1.0	(28.1)	8.7	1.3	10.0
Forward contracts	—	—	—	—	—	—
Net unrealized investment (losses) gains, pre-tax	(127.7)	(46.3)	(174.0)	52.2	31.2	83.4
Income tax benefit (expense) attributable to net unrealized investment (losses) gains	36.0	11.5	47.5	(9.8)	(6.9)	(16.7)
Net unrealized investment (losses) gains, after tax	$(91.7)	$(34.8)	$(126.5)	$42.4	$24.3	$66.7

	Six Months Ended June 30, 2015			Six Months Ended June 30, 2014		
Millions	Net unrealized (losses) gains	Net foreign currency gains (losses)	Total net unrealized (losses) gains reflected in earnings	Net unrealized gains (losses)	Net foreign currency gains	Total net unrealized gains (losses) reflected in earnings
Fixed maturity investments	$(22.6)	$1.2	$(21.4)	$44.3	$40.4	$84.7
Short-term investments	—	—	—	—	—	—
Common equity securities	(68.1)	(7.5)	(75.6)	25.0	1.9	26.9
Convertible fixed maturity and preferred investments	.7	—	.7	(1.7)	.3	(1.4)
Other long-term investments	(28.2)	1.1	(27.1)	13.6	1.7	15.3
Forward contracts	—	—	—	—	—	—
Net unrealized investment (losses) gains, pre-tax	(118.2)	(5.2)	(123.4)	81.2	44.3	125.5
Income tax benefit (expense) attributable to net unrealized investment (losses) gains	33.2	1.2	34.4	(18.9)	(9.8)	(28.7)
Net unrealized investment (losses) gains, after tax	$(85.0)	$(4.0)	$(89.0)	$62.3	$34.5	$96.8

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

Millions	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014
Fixed maturity investments	$ .3	$ .2	$ (.4)	$ .4
Common equity securities	4.9	2.0	3.1	2.8
Convertible fixed maturity and preferred investments	.7	3.2	.8	3.2
Other long-term investments	(27.2)	8.9	(30.0)	15.0
Total unrealized investment (losses) gains, pre-tax - Level 3 investments	$ (21.3)	$ 14.3	$ (26.5)	$ 21.4

Investment Holdings

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of White Mountains's fixed maturity investments as of June 30, 2015 and December 31, 2014 were as follows:

Millions	June 30, 2015 Cost or amortized cost[1]	Gross unrealized gains	Gross unrealized losses	Net foreign currency (losses) gain[1]	Carrying value
U.S. Government and agency obligations	$ 183.9	$ .3	$ (.2)	$ (.4)	$ 183.6
Debt securities issued by corporations	2,232.7	27.7	(7.0)	57.7	2,311.1
Municipal obligations	118.0	.8	(1.1)	—	117.7
Mortgage-backed and asset-backed securities	2,057.4	9.2	(4.7)	15.5	2,077.4
Foreign government, agency and provincial obligations	98.9	.3	(1.1)	.6	98.7
Preferred stocks	79.5	6.3	—	.2	86.0
Total fixed maturity investments	$ 4,770.4	$ 44.6	$ (14.1)	$ 73.6	$ 4,874.5

(1) The cost of investment securities is determined using the functional currency of the White Mountains consolidated entity that holds the investment. As a result, the table includes unrealized foreign currency gains from U.S. dollar denominated investments held at Sirius Group.

Millions	December 31, 2014 Cost or amortized cost[1]	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains (losses)[1]	Carrying value
U.S. Government and agency obligations	$ 184.7	$ .1	$ (.3)	$ 3.6	$ 188.1
Debt securities issued by corporations	2,221.3	45.2	(5.1)	49.8	2,311.2
Municipal obligations	82.0	1.4	(.2)	—	83.2
Mortgage-backed and asset-backed securities	1,811.1	7.6	(3.5)	25.7	1,840.9
Foreign government, agency and provincial obligations	274.6	4.2	(1.0)	(2.7)	275.1
Preferred stocks	79.6	6.1	—	.1	85.8
Total fixed maturity investments	$ 4,653.3	$ 64.6	$ (10.1)	$ 76.5	$ 4,784.3

(1) The cost of investment securities is determined using the functional currency of the White Mountains consolidated entity that holds the investment. As a result, the table includes unrealized foreign currency gains from U.S. dollar denominated investments held at Sirius Group.

The cost or amortized cost, gross unrealized investment gains and losses, net foreign currency gains and losses, and carrying values of White Mountains's common equity securities, convertible fixed maturity and preferred investments and other long-term investments as of June 30, 2015 and December 31, 2014 were as follows:

	June 30, 2015				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency gains	Carrying value
Common equity securities	$ 656.7	$ 69.1	$ (12.2)	$ .2	$ 713.8
Convertible fixed maturity and preferred investments	$ 3.1	$ 1.4	$ —	$ —	$ 4.5
Other long-term investments	$ 346.0	$ 54.0	$ (11.9)	$ 2.0	$ 390.1

	December 31, 2014				
Millions	Cost or amortized cost	Gross unrealized gains	Gross unrealized losses	Net foreign currency (losses) gains	Carrying value
Common equity securities	$ 633.6	$ 175.1	$ (5.2)	$ (1.9)	$ 801.6
Convertible fixed maturity and preferred investments	$ 19.1	$ .9	$ (.2)	$ .7	$ 20.5
Other long-term investments	$ 343.3	$ 73.0	$ (10.9)	$ 1.6	$ 407.0

Other Long-term Investments

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

	Carrying Value at	
Millions	June 30, 2015	December 31, 2014
Hedge funds and private equity funds, at fair value[1]	$ 210.8	$ 242.9
Surplus notes investments, at fair value[1]	66.3	65.1
Private equity securities and limited liability companies, at fair value[1][2]	89.9	69.7
Tax advantaged federal affordable housing development fund[3]	15.8	16.8
Partnership investments accounted for under the equity method	3.9	5.2
Other[1]	3.4	7.3
Total other-long term investments	$ 390.1	$ 407.0

(1) See Fair Value Measurements by Level table.

(2) On April 2, 2015, White Mountains invested $21.0 in PassportCard. White Mountains has chosen to take the fair value election for its investment.

(3) Fund accounted for using the proportional amortization method.

Hedge Funds and Private Equity Funds

White Mountains holds investments in hedge funds and private equity funds, which are included in other long-term investments. The fair value of these investments has been estimated using the net asset value of the funds. As of June 30, 2015, White Mountains held investments in 14 hedge funds and 29 private equity funds. The largest investment in a single fund was $25.0 million as of June 30, 2015. The following table summarizes investments in hedge funds and private equity funds by investment objective and sector as of June 30, 2015 and December 31, 2014:

	June 30, 2015		December 31, 2014	
Millions	Fair Value	Unfunded Commitments	Fair Value	Unfunded Commitments
Hedge funds				
Long/short equity REIT	$20.5	—	$20.3	—
Long/short credit & distressed	19.2	—	21.4	—
Long/short equity banks and financial	15.9	$ —	29.9	$ —
Other	22.1	—	20.4	—
Total hedge funds	77.7	—	92.0	—
Private equity funds				
Energy infrastructure & services	45.7	9.9	59.6	11.0
Manufacturing/Industrial	25.9	2.9	23.2	7.3
Multi-sector	24.5	4.4	24.2	5.3
Aerospace/Defense/Government	18.7	32.2	20.7	5.1
Healthcare	6.3	.8	6.1	2.8
Private equity secondaries	7.4	3.2	8.5	3.1
Insurance	2.1	41.3	2.1	41.2
Real estate	1.8	.1	3.6	3.3
Venture capital	.3	—	1.4	.3
International multi-sector, Europe	.4	—	1.5	2.3
Total private equity funds	133.1	94.8	150.9	81.7
Total hedge funds and private equity funds included in other long-term investments	$210.8	$ 94.8	$242.9	$ 81.7

Redemption of investments in certain hedge funds is subject to restrictions including lock-up periods where no redemptions or withdrawals are allowed, restrictions on redemption frequency and advance notice periods for redemptions. Amounts requested for redemptions remain subject to market fluctuations until the redemption effective date, which generally falls at the end of the defined redemption period.

The following summarizes the June 30, 2015 fair value of hedge funds subject to restrictions on redemption frequency and advance notice period requirements for investments in active hedge funds:

	Notice Period				
Millions Redemption frequency	30-59 days notice	60-89 days notice	90-119 days notice	120+ days notice	Total
Monthly	$5.2	$—	$—	$—	$5.2
Quarterly	17.8	19.2	—	8.0	45.0
Semi-annual	—	22.5	—	—	22.5
Annual	—	—	4.9	.1	5.0
Total	$23.0	$41.7	$4.9	$8.1	$77.7

Certain of the hedge fund investments in which White Mountains is invested are no longer active and are in the process of disposing of their underlying investments. Distributions from such funds are remitted to investors as the fund's underlying investments are liquidated. As of June 30, 2015, distributions of $2.0 million were outstanding from these investments. The actual amount of the final distribution remittances remain subject to market fluctuations. The date at which such remittances will be received is not determinable as of June 30, 2015.

White Mountains has also submitted redemption requests for certain of its investments in active hedge funds. As of June 30, 2015, redemptions of $10.2 million are outstanding and are subject to market fluctuations. The date at which such redemptions will be received is not determinable as of June 30, 2015. Redemptions are recorded as receivables when the investment is no longer subject to market fluctuations.

Investments in private equity funds are generally subject to a "lock-up" period during which investors may not request a redemption. Distributions prior to the expected termination date of the fund may be limited to dividends or proceeds arising from the liquidation of the fund's underlying investments. In addition, certain private equity funds provide an option to extend the lock-up period at either the sole discretion of the fund manager or upon agreement between the fund and the investors.

As of June 30, 2015, investments in private equity funds were subject to lock-up periods as follows:

Millions	1-3 years	3 – 5 years	5 – 10 years	>10 years	Total
Private Equity Funds — expected lock-up period remaining	$27.0	$29.5	$72.5	$4.1	$133.1

The Prospector Offshore Fund is a hedge fund managed by Prospector Partners LLC ("Prospector") that pursues investment opportunities in a variety of equity and equity-related instruments, with a principle focus on the financial services sector and a special emphasis on the insurance industry. White Mountains had determined that the Prospector Offshore Fund was a VIE that White Mountains was required to consolidate. In the second quarter of 2015, White Mountains redeemed the Prospector-managed hedge funds (the Prospector Offshore Fund and the Prospector Partners Fund LP, together the "Prospector Funds"). As of December 31, 2014, White Mountains's investment in the Prospector Offshore Fund was $64.9 million. As of December 31, 2014, White Mountains consolidated total assets of $135.8 million and total liabilities of $39.8 million of the Prospector Offshore Fund. As of December 31, 2014, White Mountains also recorded non-controlling interest of $31.1 million in the Prospector Offshore Fund.

Fair value measurements as of June 30, 2015

Fair value measurements are categorized into a hierarchy that distinguishes between inputs based on market data from independent sources (“observable inputs”) and a reporting entity's internal assumptions based upon the best information available when external market data is limited or unavailable (“unobservable inputs”). Quoted prices in active markets for identical assets or liabilities have the highest priority (“Level 1”), followed by observable inputs other than quoted prices, including prices for similar but not identical assets or liabilities (“Level 2”) and unobservable inputs, including the reporting entity's estimates of the assumptions that market participants would use, having the lowest priority (“Level 3”).

Investments valued using Level 1 inputs include fixed maturity investments, primarily investments in U.S. Treasuries, common equity securities and short-term investments, which include U.S. Treasury Bills. Investments valued using Level 2 inputs are primarily comprised of fixed maturity investments, which have been disaggregated into classes, including debt securities issued by corporations, municipal obligations, mortgage and asset-backed securities, foreign government obligations and preferred stocks. Fair value estimates for investments that trade infrequently and have few or no observable market prices are classified as Level 3 measurements. Level 3 fair value estimates based upon unobservable inputs include White Mountains's investments in surplus notes, hedge funds and private equity funds, as well as certain investments in fixed maturity investments, common equity securities, and convertible fixed and preferred maturity investments where quoted market prices are unavailable or are not considered reasonable. White Mountains determines when transfers between levels have occurred as of the beginning of the period.

White Mountains uses brokers and outside pricing services to assist in determining fair values. For investments in active markets, White Mountains uses the quoted market prices provided by outside pricing services to determine fair value. The outside pricing services White Mountains uses have indicated that they will only provide prices where observable inputs are available. In circumstances where quoted market prices are unavailable or are not considered reasonable, White Mountains estimates the fair value using industry standard pricing models and observable inputs such as benchmark yields, reported trades, broker-dealer quotes, issuer spreads, benchmark securities, bids, offers, prepayment speeds, reference data including research publications and other relevant inputs. Given that many fixed maturity investments do not trade on a daily basis, the outside pricing services evaluate a wide range of fixed maturity investments by regularly drawing parallels from recent trades and quotes of comparable securities with similar features. The characteristics used to identify comparable fixed maturity investments vary by asset type and take into account market convention.

White Mountains's process to assess the reasonableness of the market prices obtained from the outside pricing sources covers substantially all of its fixed maturity investments and includes, but is not limited to, evaluation of model pricing methodologies, review of the pricing services' quality control processes and procedures on at least an annual basis, comparison of market prices to prices obtained from different independent pricing vendors on at least a semi-annual basis, monthly analytical reviews of certain prices and review of assumptions utilized by the pricing service for selected measurements on an ad hoc basis throughout the year. White Mountains also performs back-testing of selected purchases and sales activity to determine whether there are any significant differences between the market price used to value the security prior to purchase or sale and the actual purchase or sale price on an ad-hoc basis throughout the year. Prices provided by the pricing services that vary by more than 5% and $1.0 million from the expected price based on these procedures are considered outliers. Also considered outliers are prices that haven’t changed from period to period and prices that have trended unusually compared to market conditions. In circumstances where the results of White Mountains's review process does not appear to support the market price provided by the pricing services, White Mountains challenges the price. If White Mountains cannot gain satisfactory evidence to support the challenged price, it relies upon its own pricing methodologies to estimate the fair value of the security in question.

The valuation process above is generally applicable to all of White Mountains’s fixed maturity investments. The techniques and inputs specific to asset classes within White Mountains’s fixed maturity investments for Level 2 securities that use observable inputs are as follow:

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

Municipal obligations: The fair value of municipal obligations is determined from an evaluated pricing model that uses information from market makers, brokers-dealers, buy-side firms, and analysts along with general market information. Key inputs include benchmark yields, reported trades, issuer financial statements, material event notices and new issue data, as well as broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including type, coupon, credit quality ratings, duration, credit enhancements, geographic location and market research publications.

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

Foreign government obligations: The fair value of foreign government obligations is determined from an evaluated pricing model that uses feeds from data sources in each respective country, including active market makers and inter-dealer brokers. Key inputs include benchmark yields, reported trades, broker-dealer quotes, two-sided markets, benchmark securities, bids, offers, local exchange prices, foreign exchange rates and reference data including coupon, credit quality ratings, duration and market research publications.

Preferred stocks: The fair value of preferred stocks is determined from an evaluated pricing model that calculates the appropriate spread over a comparable security for each issue. Key inputs include exchange prices (underlying and common stock of same issuer), benchmark yields, reported trades, broker-dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including sector, coupon, credit quality ratings, duration, credit enhancements, early redemption features and market research publications.

Level 3 valuations are generated from techniques that use assumptions not observable in the market. These unobservable assumptions reflect White Mountains's assumptions that market participants would use in valuing the investment. Generally, certain securities may start out as Level 3 when they are originally issued but as observable inputs become available in the market, they may be reclassified to Level 2.

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

Prior to the liquidation of the Prospector Offshore Fund, in addition to the investments described above, White Mountains had $38.0 million of investment-related liabilities recorded at fair value and included in other liabilities as of December 31, 2014. These liabilities relate to securities that have been sold short by limited partnerships in which White Mountains has investments and was required to consolidate under GAAP. These liabilities have a Level 1 designation.

Fair Value Measurements by Level

The following tables summarize White Mountains's fair value measurements for investments as of June 30, 2015 and December 31, 2014, by major security type and class by level. The major security types were based on the legal form of the securities, with a separate break-out for convertible fixed maturity investments as they may react similar to either debt securities or equity securities, depending on prevailing market conditions. White Mountains has disaggregated its fixed maturity investments based on the issuing entity type, which impacts credit quality, with debt securities issued by U.S. government entities carrying minimal credit risk, while the credit and other risks associated with other issuers, such as corporations, foreign governments, municipalities or entities issuing asset-backed securities vary depending on the nature of the issuing entity type. White Mountains further disaggregates debt securities issued by corporations and equity securities by industry sector because investors often reference commonly used benchmarks and their subsectors to monitor risk and performance. Accordingly, White Mountains has further disaggregated these asset classes into subclasses based on the similar sectors and industry classifications it uses to evaluate investment risk and performance against commonly used benchmarks, such as the Barclays Intermediate Aggregate and S&P 500 indices:

	June 30, 2015			
Millions	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$ 183.6	$ 131.5	$ 52.1	$ —
Debt securities issued by corporations:				
Consumer	544.0	—	544.0	—
Financials	405.0	—	405.0	—
Health Care	306.2	—	306.2	—
Industrial	281.3	—	281.3	—
Communications	237.2	—	237.2	—
Energy	194.2	—	194.2	—
Utilities	149.0	—	149.0	—
Technology	90.3	—	90.3	—
Materials	98.4	—	98.4	—
Other	5.5	—	5.5	—
Total debt securities issued by corporations	2,311.1	—	2,311.1	—
Municipal obligations	117.7	—	117.7	—
Mortgage-backed and asset-backed securities	2,077.4	—	2,070.0	7.4
Foreign government, agency and provincial obligations	98.7	18.8	79.9	—
Preferred stocks	86.0	—	14.8	71.2
Total fixed maturity investments	4,874.5	150.3	4,645.6	78.6
Short-term investments	840.5	838.3	2.2	—
Common equity securities:				
Exchange traded funds(2)	361.5	340.1	21.4	—
Financials	93.7	60.6	—	33.1
Consumer	51.6	51.6	—	—
Health Care	25.8	25.8	—	—
Industrial	32.3	32.3	—	—
Technology	38.2	38.2	—	—
Communications	23.8	23.8	—	—
Energy	2.5	2.5	—	—
Materials	3.6	3.6	—	—

Utilities	1.1	1.1	—	—
Other	79.7	—	79.7	—
Total common equity securities	713.8	579.6	101.1	33.1
Convertible fixed maturity and preferred investments	4.5	—	—	4.5
Other long-term investments [(1)]	370.6	—	—	370.6
Total investments	$ 6,803.9	$ 1,568.2	$ 4,748.9	$ 486.8

[(1)] Excludes carrying value of $3.9 associated with other long-term investment limited partnerships accounted for using the equity method. Excludes carrying value of $15.8 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method and $(0.2) related to forward contracts.

[(2)] ETFs traded on foreign exchanges are priced with an adjusted NAV and are therefore included within level 2 measurements.

	December 31, 2014			
Millions	Fair Value	Level 1	Level 2	Level 3
Fixed maturity investments:				
U.S. Government and agency obligations	$ 188.1	$ 134.1	$ 54.0	$ —
Debt securities issued by corporations:				
Consumer	575.3	—	575.3	—
Financials	431.4	—	431.4	—
Health Care	284.2	—	284.2	—
Industrial	225.4	—	219.8	5.6
Communications	214.3	—	214.3	—
Energy	177.9	—	177.9	—
Utilities	173.6	—	173.6	—
Technology	118.0	—	118.0	—
Materials	103.0	—	103.0	—
Other	8.1	—	8.1	—
Total debt securities issued by corporations	2,311.2	—	2,305.6	5.6
Municipal obligations	83.2	—	83.2	—
Mortgage-backed and asset-backed securities	1,840.9	—	1,840.9	—
Foreign government, agency and provincial obligations	275.1	21.3	253.8	—
Preferred stocks	85.8	—	14.7	71.1
Total fixed maturity investments	4,784.3	155.4	4,552.2	76.7
Short-term investments	871.7	868.8	2.9	—
Common equity securities:				
Financials	237.5	197.3	—	40.2
Consumer	161.2	161.1	.1	—
Health Care	101.9	101.9	—	—
Industrial	67.5	67.5	—	—
Technology	54.3	54.3	—	—
Communications	32.9	32.9	—	—
Energy	32.6	32.6	—	—
Materials	21.2	21.2	—	—
Utilities	9.5	9.4	.1	—
Other	83.0	9.7	73.3	—
Total common equity securities	801.6	687.9	73.5	40.2
Convertible fixed maturity and preferred investments	20.5	—	12.3	8.2
Other long-term investments [1]	385.0	—	—	385.0
Total investments	$ 6,863.1	$ 1,712.1	$ 4,640.9	$ 510.1

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

Debt securities issued by corporations

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

	Fair Value at	
Millions	June 30, 2015	December 31, 2014
AAA	$—	$—
AA	200.5	236.9
A	887.6	957.8
BBB	1,213.5	1,105.9
BB	6.4	—
Other	3.1	10.6
Debt securities issued by corporations[(1)]	$2,311.1	$2,311.2

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

Mortgage-backed, Asset-backed Securities

White Mountains purchases commercial and residential mortgage-backed securities with the goal of maximizing risk adjusted returns in the context of a diversified portfolio. White Mountains categorizes mortgage-backed securities as "non-prime" (also called "Alt A" or "A-") if they are backed by collateral that has overall credit quality between prime and sub-prime based on White Mountains's review of the characteristics of their underlying mortgage loan pools, such as credit scores and financial ratios.

White Mountains considers sub-prime mortgage-backed securities as those that have underlying loan pools that exhibit weak credit characteristics, or those that are issued from dedicated sub-prime shelves or dedicated second-lien shelf registrations (i.e., White Mountains considers investments backed primarily by second-liens to be sub-prime risks regardless of credit scores or other metrics).

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

	June 30, 2015			December 31, 2014		
Millions	Fair Value	Level 2	Level 3	Fair Value	Level 2	Level 3
Mortgage-backed securities:						
Agency:						
GNMA	$355.4	$355.4	$—	$411.2	$411.2	$—
FNMA	38.9	38.9	—	36.6	36.6	—
FHLMC	34.8	34.8	—	49.6	49.6	—
Total Agency[(1)]	429.1	429.1	—	497.4	497.4	—
Non-agency:						
Residential	204.5	204.5	—	131.2	131.2	—
Commercial	301.0	301.0	—	236.9	236.9	—
Total Non-agency	505.5	505.5	—	368.1	368.1	—
Total mortgage-backed securities	934.6	934.6	—	865.5	865.5	—
Other asset-backed securities:						
Credit card receivables	518.6	518.6	—	522.2	522.2	—
Vehicle receivables	430.0	430.0	—	289.4	289.4	—
Other	194.2	186.8	7.4	163.8	163.8	—
Total other asset-backed securities	1,142.8	1,135.4	7.4	975.4	975.4	—
Total mortgage and asset-backed securities	$2,077.4	$2,070.0	$7.4	$1,840.9	$1,840.9	$—

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

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Non-agency Mortgage-backed Securities

The security issuance years of White Mountains’s investments in non-agency residential mortgage-backed securities ("RMBS") and non-agency commercial mortgage-backed securities (“CMBS”) as of June 30, 2015 are as follows:

		Security Issuance Year											
Millions	Fair Value	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Non-agency RMBS	$204.5	$33.0	$12.3	$8.7	$—	$14.0	$—	$47.4	$18.4	$4.1	$25.8	$40.8	$—
Non-agency CMBS	301.0	—	—	8.3	—	—	—	10.7	—	25.8	58.6	121.4	76.2
Total	$505.5	$33.0	$12.3	$17.0	$—	$14.0	$—	$58.1	$18.4	$29.9	$84.4	$162.2	$76.2

Non-agency Residential Mortgage-backed Securities

White Mountains’s non-agency RMBS portfolio is generally of moderate-term and structurally senior. White Mountains does not own any collateralized loan obligations. White Mountains does not own any collateralized debt obligations, with the exception of $73.1 million of non-agency RMBS resecuritization tranches, each a senior tranche in its own right and each collateralized by a single earlier vintage Super Senior or Senior non-agency residential mortgage backed security.

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

Millions	Fair Value	Super Senior (1)	Senior (2)	Subordinate (3)
Prime	$202.5	$ 69.1	$133.4	$—
Non-prime	2.0	—	2.0	—
Sub-prime	—	—	—	—
Total	$204.5	$ 69.1	$135.4	$—

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s or “AAA” by Fitch Ratings (“Fitch”) and were senior to other “AAA” or “Aaa” securiti

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s or “AAA” by Fitch and were senior to non-“AAA” or non-“Aaa” securities.

(3) At issuance, Subordinate were not rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s or "AAA" by Fitch and were junior to “AAA” or “Aaa” securities.

Non-agency Commercial Mortgage-backed Securities

White Mountains’s non-agency CMBS portfolio is generally short-term and structurally subordinate, with more than 25 points of subordination on average for both fixed rate CMBS and floating rate CMBS as of June 30, 2015. In general, subordination represents the percentage principal loss on the underlying collateral that would be absorbed by other securities lower in the capital structure before the more senior security incurs a loss. As of June 30, 2015, on average less than 1% of the underlying loans were reported as non-performing for all non-agency CMBS held by White Mountains.

The amount of fixed and floating rate securities and their tranche levels of White Mountains’s non-agency CMBS securities are as follows as of June 30, 2015:

Millions	Fair Value	Super Senior (1)	Senior (2)	Subordinate (3)
Fixed rate CMBS	$204.2	$ 18.4	$84.5	$101.3
Floating rate CMBS	96.8	—	—	96.8
Total	$301.0	$ 18.4	$84.5	$198.1

(1) At issuance, Super Senior, or in the case of resecuritization, the underlying securities, were rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s or “AAA” by Fitch Ratings (“Fitch”) and were senior to other “AAA” or “Aaa” securiti

(2) At issuance, Senior, or in the case of resecuritization, the underlying securities, were rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s or “AAA” by Fitch and were senior to non-“AAA” or non-“Aaa” securities.

(3) At issuance, Subordinate were not rated “AAA” by Standard & Poor’s, “Aaa” by Moody’s or "AAA" by Fitch and were junior to “AAA” or “Aaa” securities.

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Rollforward of Fair Value Measurements by Level

White Mountains uses quoted market prices where available as the inputs to estimate fair value for its investments in active markets. Such measurements are considered to be either Level 1 or Level 2 measurements, depending on whether the quoted market price inputs are for identical securities (Level 1) or similar securities (Level 2). Level 3 measurements for fixed maturity investments, common equity securities, convertible fixed maturity and preferred investments and other long-term investments as of June 30, 2015 and 2014 consist of securities for which the estimated fair value has not been determined based upon quoted market price inputs for identical or similar securities. The following tables summarize the changes in White Mountains's fair value measurements by level for the three months ended June 30, 2015 and 2014:

			Level 3 Investments					
Millions	Level 1 investments	Level 2 investments	Fixed maturity investments	Common equity securities	Convertible fixed maturity and preferred investments	Other long-term investments	Total	
Balance at January 1, 2015	$ 843.3	$ 4,638.0	$ 76.7	$ 40.2	$ 8.2	$ 385.0	$ 5,991.4	(1)(2)
Total realized and unrealized gains (losses)	13.1	31.3	—	6.9	(3.7)	(13.3)	34.3	(3)
Foreign currency losses through OCI	(5.4)	(62.3)	(.2)	—	—	(2.3)	(70.2)	
Amortization/Accretion	(.1)	(21.1)	—	—	—	—	(21.2)	
Purchases	945.9	2,002.4	76.0	—	—	33.1	3,057.4	
Sales	(1,017.8)	(1,915.5)	—	(9.5)	—	(18.0)	(2,960.8)	
Effect of redemption of Prospector hedge funds	(49.1)	—	—	(4.5)	—	(13.9)	(67.5)	
Transfers in	—	73.9	—	—	—	—	73.9	
Transfers out	—	—	(73.9)	—	—	—	(73.9)	
Balance at June 30, 2015	$ 729.9	$ 4,746.7	$ 78.6	$ 33.1	$ 4.5	$ 370.6	$ 5,963.4	(1)(2)

(1) Excludes carrying value of $5.2 and $3.9 at January 1, 2015 and June 30, 2015 associated with other long-term investments accounted for using the equity method. Excludes carrying value of $16.8 and $15.8 at January 1, 2015 and June 30, 2015 million associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method. Excludes $(0.2) related to forward contracts at June 30. 2015.

(2) Excludes carrying value of $871.7 and $840.5 at January 1, 2015 and June 30, 2015 associated with short-term investments.

(3) Excludes $0.9 realized and unrealized losses associated with the Prospector Offshore Fund consolidation of investment-related liabilities and realized and unrealized loss for the period of $9.3 associated with short-term investments.

Millions	Level 1 investments	Level 2 investments	Level 3 Investments: Fixed maturity investments	Level 3 Investments: Common equity securities	Level 3 Investments: Convertible fixed maturity and preferred investments	Level 3 Investments: Other long-term investments	Total	
Balance at January 1, 2014	$ 1,376.7	$ 4,982.2	$ 93.0	$ 46.1	$ 6.1	$ 262.4	$ 6,766.5	(1)(2)(3)
Total realized and unrealized gains	67.3	89.8	.9	2.7	3.2	16.8	180.7	(4)
Foreign currency losses through OCI	(6.8)	(50.8)	(.4)	—	—	(1.4)	(59.4)	
Amortization/Accretion	(.3)	(22.0)	(.1)	—	—	—	(22.4)	
Purchases	953.5	1,632.0	76.1	5.0	1.5	17.4	2,685.5	
Sales	(896.1)	(1,875.6)	—	—	—	(6.8)	(2,778.5)	
Net change in investments related to purchases of consolidated affiliates	(2.7)	7.3	—	—	—	—	4.6	
Transfers in	—	19.6	8.5	—	—	—	28.1	
Transfers out	—	(8.5)	(19.6)	—	—	—	(28.1)	
Balance at June 30, 2014	$ 1,491.6	$ 4,774.0	$ 158.4	$ 53.8	$ 10.8	$ 288.4	$ 6,777.0	(1)(2)(3)

(1) Excludes carrying value of $6.8 and $5.6 at January 1, 2014 and June 30, 2014 associated with other long-term investment limited partnerships accounted for using the equity method and $(0.1) and $0.1 at January 1, 2014 and June 30, 2014 related to forward contracts. Excludes carrying value of $19.1 and $18.0 at January 1, 2014 and June 30, 2014 associated with a tax advantaged federal affordable housing development fund accounted for using the proportional amortization method.

(2) Carrying value includes $236.3 and 203.8 at January 1, 2014 and June 30, 2014 that is classified as assets held for sale relating to discontinued operations.

(3) Excludes carrying value of $635.9 and $564.0 at January 1, 2014 and June 30, 2014 associated with short-term investments.

(4) Excludes $1.8 realized and unrealized losses associated with the Prospector Offshore Fund and Prospector Turtle Fund consolidation of investment-related liabilities. The Prospector Turtle Fund was liquidated as of December 31, 2014.

Fair Value Measurements — transfers between levels - Six-month period ended June 30, 2015 and 2014

During the first six months of 2015, five fixed maturity investments classified as a Level 3 measurement in the prior period were recategorized as a Level 2 measurement because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available as of June 30, 2015. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $73.9 million for the period June 30, 2015.

During the first six months of 2014, two fixed income securities classified as Level 3 measurements in the prior period were recategorized as Level 2 measurements because quoted market prices for similar securities that were considered reliable and could be validated against an alternative source were available at June 30, 2014. These measurements comprise “Transfers out” of Level 3 and “Transfers in” to Level 2 of $19.6 million for the period ended June 30, 2014.

During the first six months of 2014, two fixed income securities which had been classified as a Level 2 measurements in the prior period were recategorized as Level 3 measurements. The securities were priced with unobservable inputs and represent "Transfers out" of Level 2 and “Transfers in” to Level 3 of $8.5 million for the period ended June 30, 2014. The fair value of these securities was estimated using industry standard pricing methodology, in which management selected inputs using its best judgment. At June 30, 2014, the estimated fair value for these securities determined using the industry standard pricing models was $1.0 million less than the estimated fair value based upon quoted prices provided by a third party pricing vendor.

Significant Unobservable Inputs

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

($ in millions)			June 30, 2015			December 31, 2014		
Description	Rating[2]	Valuation Technique(s)	Fair Value[7]	Unobservable Input		Fair Value[7]	Unobservable Input	
Preferred Stock[1]	NR	Discounted cash flow	$71.2	Discount yield	- 7.1%	$71.1	Discount yield	- 7.1%
Private equity security[1]	NR	Multiple of GAAP book value	$33.1	Book value multiple	- 1.20	$40.2	Book value multiple	- 1.10
Private equity security[1]	NR	Share price of most recent transaction	$20.1	Share price	- $1.06	$20.1	Share price	- $1.06
Private equity security[1]	NR	Share price of most recent transaction	$9.5	Share price	- $290.96	$10.4	Share price	- $290.96
Private equity security[1]	NR	Share price of most recent transaction	$16.1	Share price	- $0.13	$15.8	Share price	- $0.13
Private equity security[1]	NR	Share price of most recent transaction	$21.0	Share price	- $1.00	N/A	N/A	N/A
Convertible preferred security[1]	NR	Multiple of EBITDA	$4.5	EBITDA multiple	- 6.00	$3.8	EBITDA multiple	- 6.00
Convertible preferred security[1]	NR	Share price of most recent transaction	N/A	N/A	N/A	$4.5	Share price	- $0.71
Debt security issued by corporation[1]	NR	Discounted cash flow	N/A	N/A	N/A	$5.6	Illiquidity discount[3]	- 10%
Asset-backed security[1]	A	Broker pricing	$7.4	Broker quote	N/A	N/A	N/A	N/A
Surplus notes:	NR							
- Seller priority		Discounted cash flow	$45.4	Discount rate [4]	- 10.2%	$44.0	Discount rate [4]	- 9.3%
				Timing of interest payments[5]	- 5 years		Timing of interest payments[5]	- 5 years
				Timing of principal payments[5]	- 10 years		Timing of principal payments[5]	- 10 years
- Pari passu		Discounted cash flow	$20.9	Discount rate[5]	- 15.5%	$21.1	Discount rate[5]	- 13.5%
				Timing of interest payments[6]	- 5 years		Timing of interest payments[6]	- 5 years
				Timing of principal payments[6]	- 15 years		Timing of principal payments[6]	- 10 years

[1] As of June 30, 2015, consists of 1 security.

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

(3) Judgmentally determined based on the Company's limited trading ability of the issuer.
(4) Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the seller priority note is roughly equivalent to that of a conventional debt security with a credit rating of 'B'. The corresponding credit spread increased by an additional 250 bps to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the pari passu note.
(5) Stochastic modeling supporting the fair value estimation indicates that the average percentage of discounted payments missed on the pari passu note is roughly equivalent to that of a conventional debt security with a credit rating of 'CCC'. The corresponding credit spread increased by an additional 250 bps to reflect both a liquidity discount for a private debt instrument and regulatory payment approval uncertainty, was added to the treasury rate to determine the discount rate for the seller priority note.
(6) For estimated value purposes, the assumption has been made that interest payouts begin in year five and principal repayments begin on a graduated basis in year ten for the seller priority note and year fifteen for the pari passu note.
(7) Includes the unrealized gains and losses associated with foreign currency; foreign currency effects based on observable inputs.

Note 6. Goodwill and Other Intangible Assets

White Mountains has recognized goodwill and other identifiable intangible assets at the acquisition date fair values in connection with its purchases of subsidiaries.
On February 23, 2015, Wobi acquired 56.2% of the outstanding share capital of Tnuva Finansit Ltd. ("Cashboard") for NIS 9.5 million (approximately $2.4 million based upon the foreign exchange spot rate at the date of acquisition), representing a controlling financial interest. As of the acquisition date, Wobi recognized total assets acquired of $5.5 million, including $0.3 million of goodwill and $2.8 million of other intangible assets; and total liabilities assumed of $1.2 million at their estimated fair values.
The following table shows the change in goodwill and other intangible assets:

Millions	Three Months Ended June 30, 2015		2014	
	Goodwill	Other intangible assets	Goodwill	Other intangible assets
Beginning balance	$ 169.2	$ 193.4	$ 23.8	$ 62.4
Acquisitions of businesses	—	—	—	—
Dispositions of businesses	—	—	—	—
Amortization, including foreign currency translation	—	(7.0)	—	(2.6)
Ending balance	$ 169.2	$ 186.4	$ 23.8	$ 59.8

Millions	Six Months Ended June 30, 2015		2014	
	Goodwill	Other intangible assets	Goodwill	Other intangible assets
Beginning balance	$ 168.9	$ 197.5	$ —	$ 20.7
Acquisitions of businesses	.3	2.8	23.8	42.4
Dispositions of businesses	—	—	—	(.4)
Amortization, including foreign currency translation	—	(13.9)	—	(2.9)
Ending balance	$ 169.2	$ 186.4	$ 23.8	$ 59.8

Note 7. Debt and Standby Letter of Credit Facilities

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

Millions	June 30, 2015	December 31, 2014
2012 OBH Senior Notes, at face value	$ 275.0	$ 275.0
Unamortized original issue discount	(.3)	(.3)
2012 OBH Senior Notes, carrying value	274.7	274.7
SIG Senior Notes, at face value	400.0	400.0
Unamortized original issue discount	(.3)	(.3)
SIG Senior Notes, carrying value	399.7	399.7
WTM Bank Facility	—	—
Tranzact Bank Facility	70.6	68.7
Unamortized issuance cost	(1.3)	(1.3)
Tranzact Bank Facility, carrying value	69.3	67.4
Other debt	4.8	4.8
Total debt	$ 748.5	$ 746.6

WTM Bank Facility

On August 14, 2013, White Mountains entered into a revolving credit facility with a syndicate of lenders administered by Wells Fargo Bank, N.A., which has a total commitment of $425.0 million and has a maturity date of August 14, 2018 (the “WTM Bank Facility”). In June 2015, White Mountains borrowed and repaid a total of $15.0 million under the WTM Bank Facility at a blended interest rate of 3.65%. As of June 30, 2015, the WTM Bank Facility was undrawn.

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

Tranzact Bank Facility

On October 10, 2014, Tranzact entered into a secured credit facility with a syndicate of lenders administered by the PrivateBank and Trust Company (the “Tranzact Bank Facility”). The term of the credit facility ends on October 10, 2019. The Tranzact Bank Facility has a total commitment of $82.0 million, which consists of a $70.0 million term loan facility and a $12.0 million revolving facility. During the first six months ended June 30, 2015, Tranzact borrowed $4.5 million under the revolving facility and during the three and six months ended June 30, 2015, Tranzact repaid a total of $1.3 million and $2.6 million under the term loan portion. As of June 30, 2015, the total amount outstanding under the Tranzact Bank Facility was $70.6 million.

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

Stand By Letter of Credit Facilities

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

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

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

Debt and Standby Letter of Credit Facility Covenants

At June 30, 2015, White Mountains was in compliance with all of the covenants under the WTM Bank Facility, the OneBeacon U.S. Holdings, Inc. (“OBH”) Senior Notes, the Sirius International Group, Ltd. (“SIG”) Senior Notes, the Tranzact Bank Facility, the Nordea facility and the Lloyd’s Bank facility.

Note 8. Income Taxes

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

White Mountains's income tax benefit for the three months ended June 30, 2015 represented an effective tax rate of 46.6%. White Mountains's income tax expense for the six months ended for June 30, 2015 represented an effective tax rate of 27.5%. White Mountains's income tax expense for the three and six months ended for June 30, 2014 represented effective tax rates of 22.4% and 25.0%. The effective tax rate for the three months ended June 30, 2015 was higher than the U.S. statutory rate of 35% primarily due to changes in forecasted earnings by jurisdiction. The effective tax rates for the six months ended June 30, 2015 and the three and six months ended 2014 were lower than the U.S. statutory rate of 35% due to income generated in jurisdictions with lower tax rates than the United States.

In arriving at the effective tax rate for the three and six months ended June 30, 2015 and 2014, White Mountains forecasted all income and expense items including the change in unrealized investment gains (losses) and realized investment gains (losses) for the years ending December 31, 2015 and 2014.

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

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

On July 28, 2011, the IRS commenced an examination of the income tax returns for 2007, 2008 and 2009 for certain U.S. subsidiaries of OneBeacon. On July 17, 2013, OneBeacon received a revised Form 4549-A (Income Tax Discrepancy Adjustments) from the IRS relating to the examination of tax years 2007, 2008 and 2009. The estimated total assessment, including interest, utilization of alternative minimum and foreign tax credit carryovers and capital loss carrybacks, is $74.8 million. However, $60.2 million of the proposed adjustments relate to items for which the expense deduction has been disallowed in a year being examined, but ultimate deductibility is highly certain to occur in a later period. Because of the impact of deferred tax accounting, other than interest and penalties, the disallowance of these deductions in the exam period would not affect the effective tax rate, but would accelerate the payment of cash to the taxing authority. White Mountains disagrees with the adjustments proposed by the IRS and is defending its position. Although the timing of the resolution of these issues is uncertain, it is reasonably possible that the resolution could occur within the next twelve months. White Mountains does not expect the resolution of this examination to result in a material adverse change to its financial position results of operations and cash flows.

On September 5, 2013, the IRS commenced an examination of the income tax returns for 2010, 2011 and 2012 for certain U.S. subsidiaries of OneBeacon. White Mountains does not expect the resolution of this examination to result in a material change to its financial position, results of operations and cash flows.

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

Note 9. Derivatives

Variable Annuity Reinsurance

White Mountains has entered into agreements to reinsure death and living benefit guarantees associated with certain variable annuities in Japan. At June 30, 2015 and December 31, 2014, the total guarantee value was approximately ¥100.7 billion (approximately $0.8 billion at exchange rates on that date) and ¥134.2 billion (approximately $1.1 billion at exchange rates on that date), respectively. The collective account values of the underlying variable annuities were approximately 113% of the guarantee value at both June 30, 2015 and December 31, 2014. During the second quarter of 2015, the variable annuity contracts reinsured by WM Life Re began to mature. WMLife Re is in runoff, an all of its contracts will mature by June 30, 2016.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions	2015	2014	2015	2014
Fees, included in other revenue	$2.6	$5.1	$5.6	$10.5
Change in fair value of variable annuity liability, included in other revenue	.7	22.0	1.1	20.7
Change in fair value of derivatives, included in other revenue	(2.3)	(26.2)	(7.8)	(32.7)
Foreign exchange, included in other revenue	—	.2	(1.2)	.5
Other investment income and (losses) gains	(.1)	.2	(.2)	.5
Total revenue	.9	1.3	(2.5)	(.5)
Change in fair value of variable annuity death benefit liabilities, included in other general and administrative expenses	—	.3	—	.3
Death benefit claims paid, included in general and administrative expenses	(.1)	(.1)	—	(.1)
General and administrative expenses	(.9)	(1.0)	(2.3)	(2.4)
Pre-tax loss	$(.1)	$.5	$(4.8)	$(2.7)

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

	Gains (losses) Three Months Ended June 30,		Six Months Ended June 30,		Carrying Value As of	
Millions	2015	2014	2015	2014	June 30, 2015	December 31, 2014
Fixed income/interest rate	$(5.9)	$(5.6)	$3.4	$(12.0)	$(.1)	$(1.7)
Foreign exchange	9.2	(6.4)	(2.9)	(12.9)	29.0	44.1
Equity	(5.6)	(14.2)	(8.3)	(7.8)	6.8	14.0
Total	$(2.3)	$(26.2)	$(7.8)	$(32.7)	$35.7	$56.4

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

	Three Months Ended June 30, 2015				
	Variable Annuity Assets	Derivative Instruments			
Millions	Level 3	Level 3 (1)	Level 2 (1)(2)	Level 1 (3)	Total
Beginning of period	$1.1	$17.0	$31.2	$(1.2)	$47.0
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	.7	(8.3)	.6	5.4	(2.3)

Transfers in	—	—	—	—	—
Sales/settlements	—	(.4)	.7	(9.3)	(9.0)
End of period	$ 1.8	$ 8.3	$ 32.5	$ (5.1)	$ 35.7

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	Six Months Ended June 30, 2015				
	Variable Annuity Assets	Derivative Instruments			
Millions	Level 3	Level 3 (1)	Level 2 (1)(2)	Level 1 (3)	Total
Beginning of period	$ .7	$ 18.9	$ 33.8	$ 3.7	$ 56.4
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	1.1	(9.0)	(5.9)	7.1	(7.8)
Transfers in	—	—	—	—	—
Sales/settlements	—	(1.6)	4.6	(15.9)	(12.9)
End of period	$ 1.8	$ 8.3	$ 32.5	$ (5.1)	$ 35.7

	Three Months Ended June 30, 2014				
	Variable Annuity Assets	Derivative Instruments			
Millions	Level 3	Level 3 (1)	Level 2 (1)(2)	Level 1 (3)	Total
Beginning of period	$ (54.1)	$ 64.1	$ 25.1	$ .4	$ 89.6
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	22.3	(10.6)	(15.5)	(.1)	(26.2)
Transfers in	—	—	—	—	—
Sales/settlements	—	(.2)	12.7	(1.1)	11.4
End of period	$ (31.8)	$ 53.3	$ 22.3	$ (.8)	$ 74.8

	Six Months Ended June 30, 2014				
	Variable Annuity (Liabilities)	Derivative Instruments			
Millions	Level 3	Level 3 (1)	Level 2 (1)(2)	Level 1 (3)	Total
Beginning of period	$ (52.8)	$ 63.4	$ 4.7	$ 1.1	$ 69.2
Purchases	—	—	—	—	—
Realized and unrealized gains (losses)	21.0	(9.9)	(22.5)	(.3)	(32.7)
Transfers in	—	—	—	—	—
Sales/settlements	—	(.2)	40.1	(1.6)	38.3
End of period	$ (31.8)	$ 53.3	$ 22.3	$ (.8)	$ 74.8

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

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

Millions	June 30, 2015	December 31, 2014	June 30, 2014
Cash	$ 20.9	$ 23.7	$ 27.8
Fixed maturity investments	4.4	9.5	14.5
Total	$ 25.3	$ 33.2	$ 42.3

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

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

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

($ in Millions)	June 30, 2015				
Description	Fair Value	Valuation Technique(s)	Unobservable Input	Range	Weighted Average
Variable annuity benefit guarantee liabilities	$(1.8)	Discounted cash flows	Surrenders		
			0-1 year	0.1% - 40.0%	40.0%
			Mortality	0.0% - 6.4%	1.1%
			Foreign exchange volatilities		
			0-1 year	10.6% - 16.1%	12.8%
			Index volatilities		
			0-1 year	24.5% - 27.9%	26.3%
Foreign exchange options	$2.7	Counterparty valuations, adjusted for unwind quote discount	Adjustment to counterparty valuations	0.5% - 11.6%	5.3%
Equity index options	$5.6	Counterparty valuations, adjusted for unwind quote discount	Adjustment to counterparty valuations	(0.7)% - 6.5%	1.5%

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

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

Millions	June 30, 2015 Gross asset amounts before offsets[1]	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other Assets	December 31, 2014 Gross asset amounts before offsets[1]	Gross liability amounts offset under master netting arrangements	Net amounts recognized in Other Assets
Interest rate contracts						
OTC	$2.2	$(2.1)	$0.1	$1.0	$(5.4)	$(4.4)
Exchange traded	.2	(.6)	(.4)	2.8	(.1)	2.7
Foreign exchange contracts						
OTC	31.6	—	31.6	45.5	—	45.5
Exchange traded	—	(2.3)	(2.3)	—	(1.4)	(1.4)
Equity contracts						
OTC	10.2	(1.2)	9.0	11.7	(.2)	11.5
Exchange traded	—	(2.2)	(2.2)	3.4	(.9)	2.5
Total[2]	$44.2	$(8.4)	$35.8	$64.4	$(8.0)	$56.4

[1] Amount equal to fair value of instrument as recognized in other assets

[2] All derivative instruments held by WM Life Re are subject to master netting arrangements.

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

Millions	June 30, 2015 Net amount of assets reflected in Balance Sheet	Collateral provided to counterparty - Cash	Collateral provided to counter-party - Financial Instruments	Net amount of exposure after effect of collateral provided	Excess collateral provided to counter-party - Cash	Excess collateral provided - Financial Instruments	Counter-party collateral held by WMLife Re - Cash	Net amount of exposure to counter-party	Standard & Poor's Rating[1]
Bank of America	$2.0	$—	$ —	$2.0	$ —	$—	$ —	$ 2.0	A
Barclays	—	—	—	—	—	—	—	—	A
JP Morgan	16.8	—	—	16.8	—	—	6.5	10.3	A +
Royal Bank of Scotland	1.0	—	—	1.0	—	—	—	1.0	A -
Nomura	(.3)	.3	—	—	4.9	4.4	—	9.3	BBB +
Citigroup - OTC	21.3	—	—	21.3	—	—	4.9	16.4	A
Citigroup - Exchange Traded	(5.0)	5.0	—	—	10.7	—	—	10.7	A
Total	$35.8	$5.3	$ —	$41.1	$ 15.6	$4.4	$ 11.4	$ 49.7	

December 31, 2014

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

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

Forward Contracts

White Mountains has entered into currency forward contracts at Sirius Group. White Mountains monitors its exposure to foreign currency and adjusts its forward positions within the risk guidelines and ranges established by senior management for each currency, as necessary. While White Mountains actively manages its forward positions, mismatches between movements in foreign currency rates and its forward contracts may result in currency positions being outside the pre-defined ranges and/or foreign currency losses. At June 30, 2015, White Mountains held approximately $31.9 million (SEK 262.7 million) total gross notional value of foreign currency forward contracts.
All of White Mountains’s forward contracts are traded over-the-counter. The fair value of the contracts has been estimated using OTC quotes for similar instruments and accordingly, the measurements have been classified as Level 2 measurements at June 30, 2015.
The net realized and unrealized derivative losses recognized in net realized and unrealized investment gains (losses) for both the three and six months ended June 30, 2015 was $0.4 million. The net realized and unrealized derivative losses recognized in net realized and unrealized investment gains (losses) for the three and six months ended June 30, 2014 was break-even million and $(0.1) million.
All of White Mountains’s forward contracts are subject to master netting agreements. As of June 30, 2015 and December 31, 2014, the gross liability amount offset under master netting arrangements and the net amount recognized in other investments approximately offset each other.

White Mountains does not hold or provide any collateral for the forward contracts. The following table summarizes the notional amounts and uncollateralized balances associated with forward currency contracts:

	June 30, 2015			December 31, 2014	
Millions	Notional Amount	Carrying Value	Standard & Poor's Rating[(1)]	Notional Amount	Carrying Value
Barclays Bank Plc	$.8	$—	A-	$2.1	$—
Deutsche Bank	8.5	—	BBB+	—	—
Goldman Sachs	5.0	(.1)	AA-	8.7	—
HSBC Bank Plc	12.0	(.1)	AA-	11.2	—
JP Morgan	1.2	—	A	5.7	—
Royal Bank of Canada	4.4	—	AA-	5.4	—
Total	$31.9	$(.2)		$33.1	$—

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

Interest Rate Cap

In May 2007, Sirius International Group, Ltd. (“SIG”), an intermediate holding company of Sirius Group, issued the SIG Preference Shares, with an initial fixed annual dividend rate of 7.506%. In June 2017, the fixed rate will move to a floating rate equal to the greater of (i) 7.506% and (ii) 3-month LIBOR plus 320 basis points. In July 2013, SIG executed the Interest Rate Cap for the period from June 2017 to June 2022 to protect against a significant increase in interest rates during that 5-year period. The Interest Rate Cap economically fixes the annual dividend rate on the SIG Preference Shares from June 2017 to June 2022 at 8.30%. The cost of the Interest Rate Cap was an upfront premium of 395 basis points of the $250.0 million notional value, or approximately $9.9 million for the full notional amount. The Interest Rate Cap does not qualify for hedge accounting. It is recorded in other assets at fair value. Changes in fair value are recognized within other revenue. Collateral held is recorded within short-term investments with an equal amount recognized as a liability to return collateral. The fair value of the Interest Rate Cap has been estimated using a single broker quote and accordingly, has been classified as a Level 3 measurement at June 30, 2015.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
Millions	2015	2014	2015	2014
Beginning of period	$3.1	$8.2	$4.1	$11.1
Net realized and unrealized gains (losses)	.2	(2.0)	(.8)	(4.9)
End of period	$3.3	$6.2	$3.3	$6.2

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

The following table summarizes the Interest Rate Cap collateral balances held by White Mountains and ratings by counterparty:

Millions	June 30, 2015 Collateral Balances Held	Standard & Poor's Rating[(1)]
Barclays Bank Plc	$2.3	A-
Nordea Bank Finland Plc	1.0	AA-
Total	$3.3	

[(1)] Standard & Poor's ratings as detailed above are: "AA-" (Very Strong, which is the fourth highest of twenty-three creditworthiness ratings) and "A-" (Strong, which is the seventh highest of twenty-three creditworthiness ratings).

Weather Derivatives

For the three and six months ended June 30, 2015, Sirius Group recognized $2.3 million and $3.1 million of net gains on its weather and weather contingent derivatives portfolio. For the three and six months ended June 30, 2014, Sirius Group recognized $1.0 million and $0.6 million of net losses on its weather and weather contingent derivatives portfolio. The fair values of the assumed contracts are subject to change in the near-term and reflect management's best estimate based on various factors including, but not limited to, observed and forecasted weather conditions, changes in interest or foreign currency exchange rates and other market factors. Estimating the fair value of derivative instruments that do not have quoted market prices requires management's judgment in determining amounts that could reasonably be expected to be received from or paid to a third party to settle the contracts. Such amounts could be materially different from the amounts that might be realized in an actual transaction to settle the contract with a third party. Because of the significance of the unobservable inputs used to estimate the fair value of Sirius Group's weather risk contracts, the fair value measurements of the contracts are deemed to be Level 3 measurements in the fair value hierarchy.

Tranzact Interest Rate Swap

Tranzact has a $70.0 million term loan facility that carries a variable rate equal to the U.S. dollar LIBOR rate, plus an applicable margin. At June 30, 2015, the variable interest rate on the term loan was 4.185%, including a margin over LIBOR of 4.0%. Effective October 10, 2014, to effectively fix the rate it pays on this term loan, Tranzact entered into an interest rate swap agreement with a notional amount of $70.0 million at inception, which decreases over the term of the swap by amounts equivalent to scheduled principal repayments made on Tranzact's term loan. As of June 30, 2015, the notional amount was $66.1 million. Under the terms of the swap agreement, Tranzact pays a fixed rate of 1.34% and receives a variable rate, which is reset monthly, based on the then-current U.S. dollar LIBOR rate. The variable rate received by Tranzact under the swap agreement was 0.1518% at inception and 0.1866% at June 30, 2015. The total current effective rate on Tranzact's debt was 5.5% at June 30, 2015.

The swap is measured at fair value with changes therein recognized within other revenues and is accounted for as a non-hedge derivative instrument. As of June 30, 2015, the estimated fair value of the swap was $(0.2) million. There are no collateral arrangements associated with the swap.

Foreign Currency Swap

On April 28, 2015, White Mountains executed two foreign currency swaps, each with a notional amount of $50.0 million, maturing on March 20, 2017. Under the first swap, White Mountains pays Swedish krona and receives U.S. dollars. Under the second swap, White Mountains pays Euro and receives U.S. dollars. The swaps, which were executed as part of White Mountains's management of overall foreign currency exposure at Sirius Group, have not been designated or accounted for under hedge accounting. At June 30, 2015, the fair value of the swaps of $(2.7) million was recorded within other assets. Changes in fair value are recognized as unrealized gains or losses and are presented within other revenues. White Mountains does not provide or hold any collateral associated with the swaps.

Note 10. Municipal Bond Guarantee Insurance

In 2012, HG Global was capitalized with $594.5 million from White Mountains and $14.5 million from non-controlling interests to fund BAM, a newly formed mutual municipal bond insurer. As of June 30, 2015, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of its common equity. HG Global, together with its subsidiaries, provided the initial capitalization of BAM through the purchase of $503.0 million of BAM surplus notes. Through HG Re, which had statutory capital of $454.6 million at June 30, 2015, HG Global provides first loss reinsurance protection for policies underwritten by BAM of up to 15% of par outstanding, on a per policy basis. HG Re's obligations to BAM are collateralized in trusts, and there is an aggregate loss limit that is equal to the total assets in the collateral trusts at any point in time.

For the three and six months ended June 30, 2015, HG Global had pre-tax income of $3.1 million and $8.6 million, which included $3.9 million and $7.9 million of interest income on the BAM surplus notes. For the three and six months ended June 30, 2014, HG Global had pre-tax income of $5.0 million and $9.6 million, which included $4.0 million and $7.9 million of interest income on the BAM surplus notes.

For the three and six months ended June 30, 2015, White Mountains reported pre-tax losses of $14.1 million and $22.9 million on BAM that were recorded in net loss attributable to non-controlling interests, which included $3.9 million and $7.9 million of interest expense on the BAM surplus notes. For the three and six months ended June 30, 2014, White Mountains reported pre-tax losses of $8.0 million and $16.6 million on BAM that were recorded in net loss attributable to non-controlling interests, which included $4.0 million and $7.9 million of interest expense on the BAM surplus notes.

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

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

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

	June 30, 2015	December 31, 2014
Contracts outstanding	2,436	1,750
Remaining weighted average contract period outstanding (in years)	12.7	12.8
Contractual debt service outstanding (in millions):		
Par	$ 17,766.6	$ 12,362.5
Interest	9,588.1	7,086.9
Total debt service outstanding	$ 27,354.7	$ 19,449.4
Gross unearned insurance premiums	$ 37.1	$ 27.6

Note 11. Earnings Per Share

White Mountains calculates earnings per share on the two-class method and accordingly, the net income allocable to common shareholders, undistributed net earnings and weighted average number of common shares outstanding exclude amounts associated with restricted shares that are considered participating securities. Diluted earnings per share amounts are based on the weighted average number of common shares, net of the effect of unvested restricted shares and potentially dilutive common shares outstanding. The following table outlines the Company's computation of earnings per share from continuing operations for the three and six months ended June 30, 2015 and 2014. (See Note 17 - "Discontinued Operations").

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic and diluted earnings per share numerators (in millions):				
Net income from continuing operations attributable to White Mountains's common shareholders	$4.6	$92.9	$81.0	$188.9
Allocation of income for unvested restricted common shares	(.1)	(1.2)	(.9)	(2.3)
Dividends declared on participating restricted common shares[1]	—	—	(.1)	(.1)
Total allocation to restricted common shares	(.1)	(1.2)	(1.0)	(2.4)
Net income attributable to White Mountains's common shareholders, net of restricted common share amounts	$4.5	$91.7	$80.0	$186.5
Undistributed net earnings (in millions):				
Net income attributable to White Mountains's common shareholders, net of restricted common share amounts	$4.5	$91.7	$80.0	$186.5
Dividends declared net of restricted common share amounts[1]	—	—	(5.9)	(6.1)
Total undistributed net earnings, net of restricted common share amounts	$4.5	$91.7	$74.1	$180.4
Basic earnings per share denominators (in thousands):				
Total average common shares outstanding during the period	5,985.7	6,162.2	5,982.1	6,166.0
Average unvested restricted shares[2]	(71.4)	(81.3)	(65.2)	(75.9)
Basic earnings per share denominator	5,914.3	6,080.9	5,916.9	6,090.1
Diluted earnings per share denominator (in thousands):				
Total average common shares outstanding during the period	5,985.7	6,162.2	5,982.1	6,166.0
Average unvested restricted common shares[2]	(71.4)	(81.3)	(65.2)	(75.9)
Average outstanding dilutive options to acquire common shares[3]	—	—	—	—
Diluted earnings per share denominator	5,914.3	6,080.9	5,916.9	6,090.1
Basic earnings per share (in dollars):				
Net income attributable to White Mountains's common shareholders	$.76	$15.08	$13.53	$30.61
Dividends declared and paid	—	—	(1.00)	(1.00)
Undistributed earnings	$.76	$15.08	$12.53	$29.61
Diluted earnings per share (in dollars):				
Net income attributable to White Mountains's common shareholders	$.76	$15.08	$13.53	$30.61
Dividends declared and paid	—	—	(1.00)	(1.00)
Undistributed earnings	$.76	$15.08	$12.53	$29.61

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

[2] Restricted shares outstanding vest either in equal annual installments or upon a stated date. (See Note 15 - "Employee Share-Based Compensation Plans").

[3] The diluted earnings per share denominator for the three and six months ended June 30, 2015 and 2014 does not include the impact of 125,000 common shares issuable upon exercise of the non-qualified options outstanding as they are anti-dilutive to the calculation.

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Note 12. Non-controlling Interests

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

	June 30, 2015	December 31, 2014
$ in millions		