THE STAHL REPORT

The Contrarian Series

July 27, 2021

White Mountains Insurance, LTD.

(BUY)

Price: $1,142.40
52-Week Range: $752.10 - $1,267.52
Shares Outstanding: 3.1m
Market Capitalization: $3,541m

Ticker: WTM
Dividend: $1.00
Yield: 0.1%

Valuations within this text are based on a $1,132 share price

Exclusive Marketers of The Stahl Report

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Investment Thesis

White Mountains is a value-oriented insurance company that has a long history of making venture capital investments in insurance-related businesses. The underwriting operations provide policy revenue that, after loss claim reserves are established, can be used to make various investments. However, the company's portfolio of businesses is never static. Once a business has reached maturity or has a desirable monetization opportunity, White Mountains routinely sells such assets or, when appropriate, orchestrates a public offering.

At the moment, it has three primary insurance operating businesses, which are Ark (an underwriter of property and casualty policies), BAM (a provider of municipal bond insurance), and NSM (a distributor of various insurance policies underwritten by other firms). NSM and Ark are fairly new additions to the company's portfolio, having been acquired in 2018 and 2020, respectively.

Notably, the investment portfolio includes Kudu, which is a firm acquired from Oaktree Capital in 2018 that makes investments in boutique asset managers. Kudu not only acquires equity in these companies, but also, in many cases, receives revenue participation.

White Mountains also owns almost 30% of a publicly-traded company called MediaAlpha, which provides digital marketing to the insurance industry. White Mountains acquired a majority stake in the then privately-held MediaAlpha in 2014, and continues to hold a substantial number of shares following the initial public offering in late 2020.

The company's underlying objective is to expand book value per share at a reasonably high rate over time. Due to the evolving nature of the portfolio, book value growth has generally been episodic. There are periods of inactivity that are then followed by substantial gains as various investments are exited. Over time, though, the track record has been quite respectable.

Over the last 10 years, per share book value has increased by 9.9% per annum, and by 12.1% annually since 1989 (a 32-year track record). Assuming the shares should be worth, at a minimum, the balance sheet liquidation value, a continuance of this performance could lead to a low double-digit return in the fullness of time.

However, White Mountains currently trades at 91% of book value, and has traded at this level of a discount since the Credit Crisis. For those seeking to avoid the valuation-oriented risk so readily prevalent in the S&P 500 index currently, the following scenario could be of great interest.

Let us assume that White Mountains, over the next three years, can replicate recent book value/share expansion of 9.9% a year. At the end of the third year, it would have $1,649/share in book value. Of course, if the shares continue to trade at a 9% discount to this figure, one would generate a 9.9% annual return. Yet, the company has traded at frequent premiums in the past, as high as 89% in 2004. If the shares were valued at only 1.25x book value, a level well below the book value multiples of various other property and casualty insurers, the share price in three years would be $2,061 – a prospective return of 83.5%.

It is important to note that the company's shareholders' equity is only $3.8 billion, which is a fairly small balance sheet compared to the many companies with which it competes. The point being, making the assumption that past growth in shareholders' equity is repeatable in the future is a reasonable proposition, since White Mountains does not have the impediment of an excessively large balance sheet from which future growth rates become increasingly difficult to generate. Accordingly, the shares are recommended for purchase.

Company Description

White Mountains owns interests in three traditional insurance businesses, which are Build American Mutual (BAM), NSM, and Ark.

Build America Mutual Assurance Co.

BAM is a municipal bond insurance underwriter that was formed and initially capitalized by White Mountains with $609 million in 2012. It operates as a subsidiary of the parent holding company, HG Global. At the end of 2020, White Mountains owned 96.9% of HG Global's preferred equity and 88.4% of the common equity.

BAM was established in response to the Credit Crisis, which damaged the financial condition of several of the prominent bond insurers at the time. This form of insurance is a crucial component of the municipal bond industry, because it allows municipalities to raise capital at very low borrowing rates, since the bonds are insured against various levels of default.

BAM has been steadily growing since its inception, but it is still relatively small within the bond insurance industry. At December 31, 2020, the gross value of all policies it has issued was $17.3 billion. The city of Chicago and state of Illinois are the two largest direct exposures, with these policies representing about 1% of the company's total outstanding.

The scope of the BAM operations is still somewhat small. In 2020, it produced $68.5 million in revenues and $5 million of pre-tax profit. Since this is approaching a near decade-long investment, White Mountains is obviously committed to this business and believes it will have an increasingly relevant position within the bond insurance industry.

NSM

NSM is a distributor of specialty property and casualty insurance policies, such as those that are placed in the specialty transportation, real estate, social services and pet sectors. NSM manages the administrative and marketing functions involved in selling these products to policyholders, but it is not the actual underwriter and therefore does incur any of the loss or claim risk. The company generates commissions based on the volume of policies sold and from certain other payments related to the policy profitability.

Since purchasing 95% of NSM in 2018 (which has since increased to 97%), White Mountains has directed a number of acquisitions, including KBK Insurance Group, Embrace Pet Insurance, and the U.S. collector car insurance business of AIG.

In 2020, NSM produced $285 million in revenues, but reported a $13 million pre-tax loss, that included $27 million of non-cash amortization expense related to goodwill from numerous acquisitions. If this were added back, NSM realized $14 million of cash earnings.

Ark

In 2020, White Mountains purchased a 72% interest in Ark for $605 million. Ark underwrites a variety of insurance and reinsurance policies. During the first quarter of 2021, the company's portfolio, based on gross premiums written, included the following business lines: property (26%), specialty (22%), marine/aviation/transport (21%), energy (14%), and accident/health (9%).

Through the first three months of 2021, Ark reported $109 million in revenues, which was 61% of the White Mountains overall total. It recorded a combined ratio (which is the sum of expenses and loss claims divided by total premium revenue) of 109%, so the company was unprofitable during the most recent quarter. However, 14 points of the combined ratio were due to losses suffered from the winter storm Uri. Such loss events are sporadic, but this does suggest that in normal operational periods, Ark is solidly profitable (an adjusted combined ratio of 95%).

Other Assets

White Mountains has several other investments, the largest of which is MediaAlpha. This company is a digital marketing firm for the insurance industry, providing services that assist underwriters in reaching new policyholders. The original investment was made in 2014, after which MediaAlpha expanded operations significantly. In October 2020, the company completed an initial public offering, and currently has a market capitalization of $2 billion. White Mountains has reduced its ownership through various share sales, and now owns 16.9 million shares, or 29% of the MediaAlpha total outstanding. This remaining ownership is worth $549 million, which is 15.6% of the White Mountains market capitalization. While this asset remains on the balance sheet, fluctuations in the MediaAlpha share price will cause some variability in the White Mountains book value, since the shares are marked-to-market at quarter end.

White Mountains initially acquired a 49.5% stake in Kudu in 2018, and then purchased another 50% from Oaktree Capital in 2019 (total ownership at present is 99%). Kudu provides capital solutions to boutique asset managers for a variety of purposes including generational ownership transfers, management buyouts, acquisition capital, and legacy partner liquidity. These transactions are usually structured as minority preferred equity stakes with distribution rights tied to gross revenues. This allows the owners of the management firm to retain majority control, but provides Kudu with recurring annual income and the optionality of the underlying equity stake. White Mountains reports that it has received a 10.3% cash yield on the $386 million invested in Kudu since inception in 2018.

Kudu has invested in 13 asset management firms that collectively manage $45 billion in assets. Of these, 10 are located in the United States, two in the United Kingdom, and one in Australia.

There are also a number of smaller investments in the White Mountains portfolio, such as PassportCard/DavisShield (a paperless insurance solution for the travel industry) and Elementum (an asset manager that specializes in insurance-linked securities). Until June 2021, White Mountains had a small investment in a company called Noblr, which is a car insurance technology firm that prices policies based on driving behavior and miles driven. This business is currently in the process of being acquired by USAA, which provides insurance to U.S. military members.

In order to provide context as to the size of the companies in the portfolio, the following table separates the larger businesses by assets and book value. As shown, the underwriting operations of BAM and Ark represent the largest individual components of book value.

Table 1: White Mountains Portfolio, as of March 31, 2021

	As of March 31, 2021	
	Assets	**Book Value**
BAM/HG Global	$977	$694
Ark	2,840	833
NSM	963	483
Kudu	458	347
Other (MediaAlpha and other investments)	1,663	1,580
Total	$6,901	$3,937

($ in millions)

Valuation

Insurance companies are valued at low multiples of book value because there is not really any optionality on the balance sheet. The policy revenue, after operating expenses, is typically invested in high quality fixed income instruments that generate a fairly low rate of return, but also establish a reserve base to protect against claim losses. If the reserves are sufficient to cover losses, book value is protected and will grow commensurate with investment income and written policy volume. However, if losses exceed reserves, depending on the magnitude, the company will suffer an operating loss and book value will decline. In this way, there is generally more adverse risk to the balance sheet than positive optionality, because the loss events are highly unpredictable.

To this end, a well-managed insurance company with a long record of acceptable book value growth generally will trade at a noticeable book value premium, mostly if this growth rate is comparable to or exceeds annual stock market returns. In the case of White Mountains, it does have a good track record, but also has balance sheet optionality due to the venture capital-type investments it historically has made. This type of strategic policy, though, does produce variability on the balance sheet, as these investments are monetized or exited at various points in time.

Some examples of this investment activity over the last 20 years include:

- 2000: Seeded the formation of Esurance, an online auto insurance company that was sold to Allstate in 2011
- 2001: Acquired and recapitalized OneBeacon, a property and casualty underwriter that completed an initial public offering in 2006
- 2001: Seeded the formation of Montpelier RE, a reinsurance company that completed an initial public offering in 2002
- 2004: Acquired Sirius International, a reinsurance company that was sold to a Chinese investment company in 2016
- 2004: Acquired an interest in the life insurance operations of Safeco (renamed Symetra) that completed an initial public offering in 2010
- 2014: Acquired a substantial interest in MediaAlpha, a digital marketing company for the insurance industry that completed an initial public offering in 2020

In 2020, book value per share expanded by 24% due to the substantial gains realized from the public listing of MediaAlpha, leading to a compounded annual increase of 12.5% over the last five years. Over the past decade, the growth rate has been 9.9%, and 12.1% since 1989.

Table 2: Historical White Mountains Book Value/Share

Year	BV/Share	% Change	Year	BV/Share	% Change
2020	$1,264	*24.2%*	2005	$343	*0.0%*
2019	1,018	*14.6%*	2004	343	*17.6%*
2018	888	*-3.0%*	2003	291	*12.5%*
2017	915	*16.0%*	2002	259	*14.6%*
2016	789	*17.6%*	2001	226	*20.3%*
2015	671	*0.9%*	2000	188	*56.1%*
2014	665	*3.5%*	1999	120	*4.4%*
2013	642	*9.3%*	1998	115	*15.0%*
2012	588	*8.4%*	1997	100	*10.2%*
2011	542	*23.0%*	1996	91	*9.0%*
2010	441	*5.8%*	1995	83	*20.8%*
2009	417	*18.0%*	1994	69	*-10.8%*
2008	353	*-20.6%*	1993	77	*-4.2%*
2007	444	*9.5%*	1992	81	*6.8%*
2006	406	*18.5%*	1991	75	*146.3%*
			1990	31	*-15.4%*
			1989	36	

5-yr:	*12.5%*
10-yr:	*9.9%*
15-yr:	*8.5%*
32-yr:	*12.1%*

Over a ten-year time period, this record compares favorably to the growth profiles of other property and casualty-oriented insurers. One of the closest comparisons to White Mountains is Markel, which is also a value-oriented insurance firm that has an active private equity investment program. These two companies have quite similar book value performance over the last ten years, as presented below.

Table 3: Book Value Growth Comparison

	Book Value/Share		
	2011	2020	*Annl'zd %:*
Allstate	$35.70	$95.77	*11.6%*
Progressive Corp.	9.12	28.98	*13.7%*
Markel	349.28	927.54	*11.5%*
Cincinnati Financial	31.01	66.60	*8.9%*
White Mountains	542.11	1,264.00	*9.9%*

Of the companies listed above, only White Mountains trades at a discount to book value. Since the company's portfolio of businesses is always evolving, it could be assumed that some degree of the discount is due to perceived investment or execution risk associated with the private company portfolio. Moreover, these unlisted assets are valued based on different methodologies, as there is no public price. This is similar to closed end fund discounts, which generally occur because there is some level of skepticism as to the actual intrinsic value of the privately-held investments. Nonetheless, the historical growth pattern of White Mountains does not suggest that it is inferior in any way to other insurance competitors.

Table 4: Valuation Comparison

	P/BV
Allstate	1.49x
Progressive Corp.	3.12x
Markel	1.26x
Cincinnati Financial	1.73x
White Mountains	0.91x

A related and new factor in securities pricing is the increasingly enormous flow of funds into ETFs in the decade since the financial crisis, motivated in part by a desire to avoid security-specific risk. This has made ETFs the source of the marginal trade that establishes pricing on the securities in which they transact. Since there have been annual net inflows, without interruption, the marginal trade has been a purchase, which serves to raise valuations. With the enormous scale at which individual ETFs began to operate, on the $100-billion level, they also buy required stocks with commensurate trading liquidity as a condition for index inclusion or index weightings. This has led to the factor of trading liquidity and index presence as often determining valuation factors in place of investment fundamentals or valuation.

In the case of the least expensive of these five securities, White Mountains is in the fewest ETFs, 69, with only 5.7% ownership of its shares, and Markel, second cheapest, is in 99 ETFs, with only 5.2% ownership of its shares. Progressive, with the 2nd highest ownership, by number of ETFs, at 221, and 8.4% share ownership, is priced at roughly 3x their valuation. This is surely not the only determining factor in equity valuation, but it is not a factor to be ignored, either, when seeking to understand if there might be a non-fundamental-risk element, such as technical trading factors, playing a role in an otherwise alluring discount. This ETF-related data is listed below:

- White Mountains: 69 ETFs, 178.9k shares held, 5.7% of total shares outstanding
- Allstate: 227 ETFs, 30.6m shares held, 10.2% of total shares outstanding
- Cincinnati Financial: 161 ETFs, 20m shares held, 12.4% of total shares outstanding
- Progressive: 221 ETFs, 49.3m shares held, 8.4% of total shares outstanding
- Markel: 99 ETFs, 715.2k shares held, 5.2% of total shares outstanding

In any case, it was noted previously that the White Mountains valuation discount has persisted for over a decade. Since the onset of the Credit Crisis in 2008, the shares have not traded above book value. This is a departure from previous periods in which the shares traded as high as an 89% book value premium.

Table 5: Historical White Mountains Valuation

Year	P/BV	Year	P/BV
2020	0.88x	2005	1.63x
2019	0.88x	2004	1.89x
2018	0.95x	2003	1.58x
2017	0.99x	2002	1.25x
2016	0.90x	2001	1.54x
2015	0.98x	2000	1.70x
2014	0.95x	1999	1.00x
2013	0.94x	1998	1.20x
2012	0.88x	1997	1.18x
2011	0.84x	1996	1.02x
2010	0.76x	1995	0.86x
2009	0.80x	1994	1.01x
2008	0.76x	1993	0.98x
2007	1.16x	1992	0.86x
2006	1.43x	1991	0.89x
		1990	1.61x
		1989	0.90x

Due to this historical pattern, there are two ways to assess a prospective return outcome. The current book value multiple of 0.9x is generally consistent with the valuation over the last decade. The company has been able to expand book value per share by almost 10% annually during this time. If it can merely replicate this performance over the next three years, and the valuation remains constant, one would naturally receive this rate of return, which certainly is acceptable.

However, one could more optimistically assume that this multiple might expand at some point to a level similar to prior periods. Let us suppose that the recent 9.9% annual book value expansion rate were generated over the next three years. At that point, book value per share would be $1,649. If the shares were valued at only a modest premium of 25%, which would still be a discount to the multiples of other insurance firms, the share price would be $2,061, representing a cumulative return over this period of 83.5%. It is more than evident that only a modest and reasonable expansion in the multiple could produce an exceptional return over a relatively short time horizon.

Table 6: Potential Return Scenario

Current Book value/share	$1,242
Growth over 3yrs at 9.9% per year	1,649
Share price at 1.25x book value	2,061
Current share price	$1,123
Potential return	83.5%

Conclusion

White Mountains has a more than 30-year history of creating value for shareholders. As a value-oriented insurance company, it adheres to a conservative underwriting policy, but also makes a number of private equity investments in insurance-related businesses. This approach has led to a 12.1% annual expansion in book value per share since 1989. Currently, it trades at a discount to book value, which provides an element of return optionality in the event that the shares ever were to trade above liquidation value, as was the case historically. Even if the low valuation persists, it is reasonable to suppose that the annual return to shareholders could be in the 10% range, based on the current rate of book value expansion. Of course, only a modest rise in the valuation multiple above book value would enhance the return rather substantially. Accordingly, the shares are recommended for purchase.

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED BALANCE SHEETS

Millions, except share and per share amounts	March 31, 2021	December 31, 2020
Assets	**Unaudited**	
Financial Guarantee (HG Global/BAM)		
Fixed maturity investments, at fair value	**$ 857.0**	$ 859.5
Short-term investments, at fair value	**45.3**	60.4
Total investments	**902.3**	919.9
Cash	**18.9**	42.8
Insurance premiums receivable	**6.9**	6.9
Deferred acquisition costs	**28.7**	27.8
Accrued investment income	**5.2**	5.0
Other assets	**14.8**	15.4
Total Financial Guarantee assets	**976.8**	1,017.8
P&C Insurance and Reinsurance (Ark)		
Fixed maturity investments, at fair value	**305.8**	—
Common equity securities, at fair value	**118.6**	—
Short-term investments, at fair value	**328.6**	—
Other long-term investments	**234.7**	—
Total investments	**987.7**	—
Cash	**308.8**	—
Reinsurance recoverables	**449.0**	—
Insurance premiums receivable	**435.4**	—
Ceded unearned premiums	**145.5**	—
Deferred acquisition cost	**79.2**	—
Value of in-force business acquired	**42.9**	—
Goodwill and other intangible assets	**292.5**	—
Other assets	**99.2**	—
Total P&C Insurance and Reinsurance assets	**2,840.2**	—

Specialty Insurance Distribution (NSM)		
Cash (restricted $79.3 and $78.4)	**121.0**	126.5
Premiums and commissions receivable	**77.0**	76.7
Goodwill and other intangible assets	**699.7**	736.8
Other assets	**65.0**	59.6
Total Specialty Insurance Distribution assets	**962.7**	999.6
Asset Management (Kudu)		
Short-term investments, at fair value	**.1**	.1
Other long-term investments	**427.4**	400.6
Total investments	**427.5**	400.7
Cash (restricted $3.9 and $0.0)	**10.9**	7.8
Accrued investment income	**7.5**	9.8
Goodwill and other intangible assets	**9.1**	9.2
Other assets	**2.7**	2.7
Total Asset Management assets	**457.7**	430.2
Other Operations		
Fixed maturity investments, at fair value	**318.8**	347.7
Short-term investments, at fair value	**251.8**	82.4
Investment in MediaAlpha, at fair value	**600.2**	802.2
Other long-term investments	**370.1**	386.2
Total investments	**1,540.9**	1,618.5
Cash	**28.9**	34.1
Cash pre-funded/placed in escrow for Ark Transaction	**—**	646.3
Accrued investment income	**3.9**	2.4
Accounts receivable on unsettled investment sales	**3.5**	3.4
Goodwill and other intangible assets	**35.7**	36.4
Other assets	**49.7**	40.4
Assets held for sale	**.7**	2.3
Total Other Operations assets	**1,663.3**	2,383.8
Total assets	**$ 6,900.7**	$ 4,831.4

CONSOLIDATED BALANCE SHEETS (CONTINUED)

Millions, except share and per share amounts	**March 31, 2021**	**December 31, 2020**
Liabilities	**Unaudited**	
Financial Guarantee (HG Global/BAM)		
Unearned insurance premiums	**$ 243.7**	$ 237.5
Accrued incentive compensation	**11.0**	25.7
Other liabilities	**28.6**	28.3
Total Financial Guarantee liabilities	**283.3**	291.5
P&C Insurance and Reinsurance (Ark)		
Loss and loss adjustment expense reserves	**751.9**	—
Unearned insurance premiums	**565.4**	—
Debt	**44.1**	—
Reinsurance payable	**487.5**	—
Contingent consideration related to the Ark Transaction	**22.5**	—
Accounts payable on unsettled investment purchases	**61.6**	—
Other liabilities	**73.8**	—
Total P&C Insurance and Reinsurance liabilities	**2,006.8**	—
Specialty Insurance Distribution (NSM)		
Debt	**272.7**	272.6
Premiums payable	**116.0**	113.4
Contingent consideration earnout liabilities	**7.9**	14.6
Other liabilities	**83.5**	91.2
Total Specialty Insurance Distribution liabilities	**480.1**	491.8
Asset Management (Kudu)		
Debt	**95.9**	86.3
Other liabilities	**15.4**	10.0
Total Asset Management liabilities	**111.3**	96.3

Other Operations		
Debt	**17.0**	17.5
Accrued incentive compensation	**40.4**	70.1
Other liabilities	**25.9**	46.3
Total Other Operations liabilities	**83.3**	133.9
Total liabilities	**2,964.8**	1,013.5
Equity		
White Mountains's common shareholders' equity		
White Mountains's common shares at $1 par value per share—authorized 50,000,000 shares; issued and outstanding 3,107,267 and 3,102,011 shares and paid-in surplus	**3.1**	3.1
Paid-in surplus	**594.8**	592.1
Retained earnings	**3,226.7**	3,311.2
Accumulated other comprehensive gain (loss), after-tax:		
Net unrealized foreign currency translation and interest rate swap gains (losses)	**1.3**	(.4)
Total White Mountains's common shareholders' equity	**3,825.9**	3,906.0
Non-controlling interests	**110.0**	(88.1)
Total equity	**3,935.9**	3,817.9
Total liabilities and equity	**$ 6,900.7**	$ 4,831.4

WHITE MOUNTAINS INSURANCE GROUP, LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended March 31,	
Millions	**2021**	**2020**
Revenues:		
Financial Guarantee (HG Global/BAM)		
Earned insurance premiums	**$ 6.4**	$ 5.4
Net investment income	**4.5**	5.5
Net realized and unrealized investment (losses) gains	**(17.9)**	6.1
Other revenues	**.3**	.5
Total Financial Guarantee revenues	**(6.7)**	17.5
P&C Insurance and Reinsurance (Ark)		
Earned insurance premiums	**104.6**	—
Net investment income	**.8**	—
Net realized and unrealized investment gains	**1.1**	—
Other revenues	**2.6**	—
Total P&C Insurance and Reinsurance revenues	**109.1**	—
Specialty Insurance Distribution (NSM)		
Commission revenues	**59.6**	53.0
Other revenues	**15.2**	12.0
Total Specialty Insurance Distribution revenues	**74.8**	65.0
Asset Management (Kudu)		
Net investment income	**8.2**	7.3
Net realized and unrealized investment gains (losses)	**15.8**	(24.8)
Other revenues	**.1**	.1
Total Asset Management revenues	**24.1**	(17.4)

Other Operations				
Net investment income		**7.1**		10.1
Net realized and unrealized investment gains (losses)		**2.1**		(168.0)
Net realized and unrealized investment (losses) gains from investment in MediaAlpha		**(41.7)**		30.0
Commission revenues		**2.3**		2.1
Other revenues		**7.1**		1.5
Total Other Operations revenues		**(23.1)**		(124.3)
Total revenues	**$**	**178.2**	$	(59.2)

CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(Unaudited)

	Three Months Ended March 31,	
Millions	**2021**	**2020**
Expenses:		
Financial Guarantee (HG Global/BAM)		
Insurance acquisition expenses	**$ 1.9**	$ 1.7
General and administrative expenses	**16.4**	14.7
Total Financial Guarantee expenses	**18.3**	16.4
P&C Insurance and Reinsurance (Ark)		
Loss and loss adjustment expenses	**66.0**	—
Insurance and reinsurance acquisition expenses	**36.7**	—
Other underwriting expenses	**11.2**	—
General and administrative expenses	**26.6**	—
Interest expense	**1.1**	—
Total P&C Insurance and Reinsurance expenses	**141.6**	—
Specialty Insurance Distribution (NSM)		
General and administrative expenses	**46.0**	39.6
Broker commission expenses	**18.9**	18.3
Change in fair value of contingent consideration earnout liabilities	**—**	(.6)
Amortization of other intangible assets	**8.6**	4.8
Loss on assets held for sale	**28.7**	—
Interest expense	**5.9**	4.3
Total Specialty Insurance Distribution expenses	**108.1**	66.4

Asset Management (Kudu)		
General and administrative expenses	**2.5**	2.5
Amortization of other intangible assets	**.1**	.1
Interest expense	**5.8**	1.4
Total Asset Management expenses	**8.4**	4.0
Other Operations		
Cost of sales	**4.0**	2.0
General and administrative expenses	**35.7**	17.5
Amortization of other intangible assets	**.5**	.2
Interest expense	**.3**	.3
Total Other Operations expenses	**40.5**	20.0
Total expenses	**316.9**	106.8
Pre-tax loss from continuing operations	**(138.7)**	(166.0)
Income tax benefit	**9.5**	25.5
Net loss from continuing operations	**(129.2)**	(140.5)
Net income from sale of discontinued operations, net of tax	**18.7**	.9
Net loss	**(110.5)**	(139.6)
Net loss attributable to non-controlling interests	**35.2**	10.8
Net loss attributable to White Mountains's common shareholders	**$ (75.3)**	$ (128.8)

This report was produced by Horizon Kinetics ("HK"). The following persons employed by HK contributed to this report: Murray Stahl, Chairman, Steven Bregman, President, and Peter Doyle, Managing Director. HK is located at 470 Park Avenue South, New York, NY 10016. At the time of this report, there are no planned updates to the recommendations. To the extend HK has provided previous recommendations concerning the same issuer(s) during the preceding 12-month period, such recommendations do not differ from the recommendations contained here.

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