



W. R. Berkley Corporation Reports Third Quarter Results

10/23/2023

**Net Income Increased by 45.7% to \$334 Million;
Operating Return on Equity of 21.7% and Return on Equity of 19.8%;
Record Quarterly Net Investment Income of \$271 Million Driven by 59.3% Increase in the
Core Portfolio**

GREENWICH, Conn.--(BUSINESS WIRE)-- **W. R. Berkley Corporation (NYSE: WRB)** today reported its third quarter 2023 results.

Summary Financial Data

(Amounts in thousands, except per share data)

| | Third Quarter | | Nine Months | |
|------------------------------------|---------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Gross premiums written | \$ 3,353,205 | \$ 3,081,938 | \$ 9,739,296 | \$ 8,994,175 |
| Net premiums written | 2,848,459 | 2,577,274 | 8,234,799 | 7,576,163 |
| Net income to common stockholders | 333,586 | 228,879 | 984,020 | 998,839 |
| Net income per diluted share | 1.23 | 0.82 | 3.59 | 3.57 |
| Operating income (1) | 366,608 | 281,833 | 952,868 | 901,436 |
| Operating income per diluted share | 1.35 | 1.01 | 3.48 | 3.22 |
| Return on equity (2) | 19.8% | 13.8% | 19.4% | 20.0% |
| Operating return on equity (1) (2) | 21.7% | 16.9% | 18.8% | 18.1% |

(1) Operating income is a non-GAAP financial measure defined by the Company as net income excluding after-tax net investment gains (losses) and related expenses.

(2) Return on equity and operating return on equity represent net income and operating income, respectively, expressed on an annualized basis as a percentage of beginning of year common stockholders' equity.

Third quarter highlights included:

- Operating return on equity and return on equity of 21.7% and 19.8%, respectively.
- Record net investment income of \$270.9 million driven by 59.3% increase in the core portfolio.
- The current accident year combined ratio before catastrophe losses of 2.3 loss ratio points was 87.9%.
- The reported combined ratio was 90.2%, including current accident year catastrophe losses of \$61.5 million.
- Record net premiums written grew 10.5% to \$2.8 billion.
- Underwriting income and net income grew 34.7% and 45.7% to \$258.7 million and \$333.6 million, respectively.
- Average rate increases excluding workers' compensation were approximately 8.5%.
- Total capital returned to shareholders was \$160.3 million, consisting of \$129.0 million of special dividends, \$28.4 million of regular dividends, and \$2.9 million of share repurchases.

The Company commented:

Strong underwriting profits and record quarterly net investment income drove the Company's exceptional annualized operating return on equity of 21.7% in the third quarter of 2023.

Net premiums written grew 10.5% in the quarter. Market segments, territories and lines of business continue to move independently of one another. Accordingly, we are expanding in areas that are likely to provide attractive risk-adjusted profitability. Overall rate increases excluding workers' compensation remained strong at 8.5%.

The higher interest rate environment contributed to a meaningful year-over-year increase in investment income. We anticipate this trend will continue as we benefit from record operating cash flows and reinvest at higher interest rates. Simultaneously, the short duration and high quality of our fixed-maturity portfolio have enabled us to grow book value even as interest rates have risen.

Our focus on total risk-adjusted return, decentralized operations, and entrepreneurial culture, coupled with effective capital management, has enabled us to continue to create value for our shareholders. We remain well positioned for continued success and very optimistic about the remainder of 2023 and the foreseeable future.

Webcast Conference Call

The Company will hold its quarterly conference call with analysts and investors to discuss its earnings and other information on October 23, 2023, at 5:00 p.m. eastern time. The conference call will be webcast live on the

Company's website at <https://ir.berkley.com/events-and-presentations/default.aspx>. Please log on early to register. A replay of the webcast will be available on the Company's website approximately two hours after the end of the conference call. Additional financial information can be found on the Company's website at <https://ir.berkley.com/investor-relations/financial-information/quarterly-results/default.aspx>.

About W. R. Berkley Corporation

Founded in 1967, W. R. Berkley Corporation is an insurance holding company that is among the largest commercial lines writers in the United States and operates worldwide in two segments of the property casualty business: Insurance and Reinsurance & Monoline Excess.

Forward Looking Information

This is a "Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein, including statements related to our outlook for the industry and for our performance for the year 2023 and beyond, are based upon the Company's historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. They are subject to various risks and uncertainties, including but not limited to: the cyclical nature of the property casualty industry; the impact of significant competition, including new entrants to the industry; the long-tail and potentially volatile nature of the insurance and reinsurance business; product demand and pricing; claims development and the process of estimating reserves; investment risks, including those of our portfolio of fixed maturity securities and investments in equity securities, including investments in financial institutions, municipal bonds, mortgage-backed securities, loans receivable, investment funds, including real estate, merger arbitrage, energy related and private equity investments; the effects of emerging claim and coverage issues; the uncertain nature of damage theories and loss amounts, including claims for cyber security-related risks; natural and man-made catastrophic losses, including as a result of terrorist activities; the ongoing effects of the COVID-19 pandemic, or other epidemics and pandemics; the impact of climate change, which may alter the frequency and increase the severity of catastrophe events; general economic and market activities, including inflation, interest rates, and volatility in the credit and capital markets; the impact of the conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response to such conditions, on our results and financial condition; foreign currency and political risks relating to our international operations; our ability to attract and retain key personnel and qualified employees; continued availability of capital and financing; the success of our new ventures or acquisitions and the availability of other opportunities; the availability of reinsurance; our retention under the Terrorism Risk Insurance Program Reauthorization Act of 2019; the ability or willingness of our reinsurers to pay reinsurance recoverables owed to us;

other legislative and regulatory developments, including those related to business practices in the insurance industry; credit risk related to our policyholders, independent agents and brokers; changes in the ratings assigned to us or our insurance company subsidiaries by rating agencies; the availability of dividends from our insurance company subsidiaries; cyber security breaches of our information technology systems and the information technology systems of our vendors and other third parties, or related processes and systems; the effectiveness of our controls to ensure compliance with guidelines, policies and legal and regulatory standards; and other risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. These risks and uncertainties could cause our actual results for the year 2023 and beyond to differ materially from those expressed in any forward-looking statement we make. Any projections of growth in our revenues would not necessarily result in commensurate levels of earnings. Forward-looking statements speak only as of the date on which they are made, and the Company undertakes no obligation to update publicly or revise any forward-looking statement, whether as a result of new information, future developments or otherwise

Consolidated Financial Summary
(Amounts in thousands, except per share data)

| | Third Quarter | | Nine Months | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenues: | | | | |
| Net premiums written | \$ 2,848,459 | \$ 2,577,274 | \$ 8,234,799 | \$ 7,576,163 |
| Change in unearned premiums | (206,545) | (135,313) | (548,726) | (527,958) |
| Net premiums earned | 2,641,914 | 2,441,961 | 7,686,073 | 7,048,205 |
| Net investment income | 270,944 | 202,816 | 739,494 | 547,902 |
| Net investment (losses) gains: | | | | |
| Net realized and unrealized (losses) gains on investments | (40,855) | (66,282) | 50,403 | 139,664 |
| Change in allowance for credit losses on investments | (1,571) | (1,128) | (11,164) | (12,365) |
| Net investment (losses) gains | (42,426) | (67,410) | 39,239 | 127,299 |
| Revenues from non-insurance businesses | 137,116 | 119,013 | 375,225 | 345,210 |
| Insurance service fees | 22,962 | 27,940 | 81,290 | 82,284 |
| Other Income | 128 | 80 | 235 | 1,797 |
| Total Revenues | 3,030,638 | 2,724,400 | 8,921,556 | 8,152,697 |
| Expenses: | | | | |
| Loss and loss expenses | 1,636,193 | 1,564,578 | 4,744,602 | 4,339,646 |
| Other operating costs and expenses | 808,669 | 725,537 | 2,457,925 | 2,139,256 |
| Expenses from non-insurance businesses | 133,939 | 116,240 | 370,244 | 334,062 |
| Interest expense | 31,888 | 31,780 | 95,580 | 98,473 |
| Total expenses | 2,610,689 | 2,438,135 | 7,668,351 | 6,911,437 |
| Income before income tax | 419,949 | 286,265 | 1,253,205 | 1,241,260 |
| Income tax expense | (86,519) | (55,791) | (268,322) | (238,290) |
| Net Income before noncontrolling interests | 333,430 | 230,474 | 984,883 | 1,002,970 |
| Noncontrolling interest | 156 | (1,595) | (863) | (4,131) |
| Net income to common stockholders | \$ 333,586 | \$ 228,879 | \$ 984,020 | \$ 998,839 |
| Net income per share: | | | | |
| Basic | \$ 1.24 | \$ 0.83 | \$ 3.62 | \$ 3.61 |
| Diluted | \$ 1.23 | \$ 0.82 | \$ 3.59 | \$ 3.57 |
| Average shares outstanding (1): | | | | |
| Basic | 269,191 | 277,192 | 271,656 | 276,928 |
| Diluted | 271,439 | 279,642 | 274,146 | 279,644 |

(1) Basic shares outstanding consist of the weighted average number of common shares outstanding during the period (including shares held in a grantor trust). Diluted shares outstanding consist of the weighted average number of basic and common equivalent shares outstanding during the period.

Business Segment Operating Results
(Amounts in thousands, except ratios) (1)

| | Third Quarter | | Nine Months | |
|------------------------------------|---------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Insurance: | | | | |
| Gross premiums written | \$ 2,990,869 | \$ 2,719,824 | \$ 8,659,128 | \$ 7,976,288 |
| Net premiums written | 2,508,740 | 2,237,608 | 7,246,773 | 6,637,024 |
| Net premiums earned | 2,319,435 | 2,129,014 | 6,747,704 | 6,162,005 |
| Pre-tax income | 415,279 | 322,312 | 1,153,742 | 1,052,185 |
| Loss ratio | 62.6% | 63.2% | 62.8% | 61.3% |
| Expense ratio | 28.4% | 28.0% | 28.4% | 27.9% |
| GAAP Combined ratio | 91.0% | 91.2% | 91.2% | 89.2% |
| Reinsurance & Monoline | | | | |
| Excess: | | | | |
| Gross premiums written | \$ 362,336 | \$ 362,114 | \$ 1,080,168 | \$ 1,017,887 |
| Net premiums written | 339,719 | 339,666 | 988,026 | 939,139 |
| Net premiums earned | 322,479 | 312,947 | 938,369 | 886,200 |
| Pre-tax income | 106,072 | 59,561 | 313,290 | 209,366 |
| Loss ratio | 56.8% | 70.2% | 53.7% | 63.7% |
| Expense ratio | 27.8% | 28.4% | 28.7% | 28.4% |
| GAAP Combined ratio | 84.6% | 98.6% | 82.4% | 92.1% |
| Corporate and Eliminations: | | | | |
| Net investment (losses) gains | \$ (42,426) | \$ (67,410) | \$ 39,239 | \$ 127,299 |
| Interest expense | (31,888) | (31,780) | (95,580) | (98,473) |
| Other expenses | (27,088) | 3,582 | (157,486) | (49,117) |
| Pre-tax loss | (101,402) | (95,608) | (213,827) | (20,291) |
| Consolidated: | | | | |
| Gross premiums written | \$ 3,353,205 | \$ 3,081,938 | \$ 9,739,296 | \$ 8,994,175 |
| Net premiums written | 2,848,459 | 2,577,274 | 8,234,799 | 7,576,163 |
| Net premiums earned | 2,641,914 | 2,441,961 | 7,686,073 | 7,048,205 |
| Pre-tax income | 419,949 | 286,265 | 1,253,205 | 1,241,260 |
| Loss ratio | 61.9% | 64.1% | 61.7% | 61.6% |
| Expense ratio | 28.3% | 28.0% | 28.4% | 28.0% |
| GAAP Combined ratio | 90.2% | 92.1% | 90.1% | 89.6% |

(1) Loss ratio is losses and loss expenses incurred expressed as a percentage of premiums earned. Expense ratio is underwriting expenses expressed as a percentage of premiums earned. GAAP combined ratio is the sum of the loss ratio and the expense ratio.

Supplemental Information
(Amounts in thousands)

| | Third Quarter | | Nine Months | |
|-------------------------------------|---------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Net premiums written: | | | | |
| Other liability | \$ 979,025 | \$ 861,551 | \$ 2,869,297 | \$ 2,569,737 |
| Short-tail lines (1) | 553,447 | 439,630 | 1,572,609 | 1,318,398 |
| Commercial automobile | 388,132 | 333,935 | 1,045,651 | 948,913 |
| Workers' compensation | 302,701 | 306,593 | 937,855 | 940,734 |
| Professional liability | 285,435 | 295,899 | 821,361 | 859,242 |
| Total Insurance | 2,508,740 | 2,237,608 | 7,246,773 | 6,637,024 |
| Casualty reinsurance | 183,211 | 195,642 | 572,102 | 583,780 |
| Monoline excess | 83,217 | 75,959 | 212,839 | 192,723 |
| Property reinsurance | 73,291 | 68,065 | 203,085 | 162,636 |
| Total Reinsurance & Monoline Excess | 339,719 | 339,666 | 988,026 | 939,139 |
| Total | \$ 2,848,459 | \$ 2,577,274 | \$ 8,234,799 | \$ 7,576,163 |

Current accident year losses from catastrophes (including COVID-19 related losses):

| | | | | |
|-------------------------------|------------------|------------------|-------------------|-------------------|
| Insurance | \$ 46,160 | \$ 51,144 | \$ 139,409 | \$ 101,802 |
| Reinsurance & Monoline Excess | 15,369 | 42,999 | 23,536 | 79,063 |
| Total | <u>\$ 61,529</u> | <u>\$ 94,143</u> | <u>\$ 162,945</u> | <u>\$ 180,865</u> |

Net Investment income:

| | | | | |
|---------------------------|-------------------|-------------------|-------------------|-------------------|
| Core portfolio (2) | \$ 248,618 | \$ 156,077 | \$ 680,883 | \$ 401,975 |
| Investment funds | 4,450 | 36,045 | 5,443 | 121,919 |
| Arbitrage trading account | 17,876 | 10,694 | 53,168 | 24,008 |
| Total | <u>\$ 270,944</u> | <u>\$ 202,816</u> | <u>\$ 739,494</u> | <u>\$ 547,902</u> |

Net realized and unrealized (losses) gains on investments:

| | | | | |
|--|--------------------|--------------------|------------------|-------------------|
| Net realized (losses) gains on investments | \$ (21,796) | \$ (15,898) | \$ 4,798 | \$ 228,365 |
| Change in unrealized (losses) gains on equity securities | (19,059) | (50,384) | 45,605 | (88,701) |
| Total | <u>\$ (40,855)</u> | <u>\$ (66,282)</u> | <u>\$ 50,403</u> | <u>\$ 139,664</u> |

Other operating costs and expenses:

| | | | | |
|---|-------------------|-------------------|---------------------|---------------------|
| Policy acquisition and insurance operating expenses | \$ 747,007 | \$ 685,325 | \$ 2,183,517 | \$ 1,974,676 |
| Insurance service expenses | 21,225 | 24,991 | 70,336 | 71,348 |
| Net foreign currency gains | (22,498) | (41,065) | (1,777) | (85,060) |
| Other costs and expenses | 62,935 | 56,286 | 205,849 | 178,292 |
| Total | <u>\$ 808,669</u> | <u>\$ 725,537</u> | <u>\$ 2,457,925</u> | <u>\$ 2,139,256</u> |

Cash flow from operations

| | | | | |
|--|---------------------|-------------------|---------------------|---------------------|
| | <u>\$ 1,077,093</u> | <u>\$ 767,649</u> | <u>\$ 2,231,162</u> | <u>\$ 1,773,303</u> |
|--|---------------------|-------------------|---------------------|---------------------|

Reconciliation of net income to operating income:

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| Net income | \$ 333,586 | \$ 228,879 | \$ 984,020 | \$ 998,839 |
| Pre-tax investment losses (gains), net of related expenses | 42,426 | 67,410 | (39,170) | (122,930) |
| Income tax (benefit) expense | (9,404) | (14,456) | 8,018 | 25,527 |
| Operating income after-tax (3) | <u>\$ 366,608</u> | <u>\$ 281,833</u> | <u>\$ 952,868</u> | <u>\$ 901,436</u> |

(1) Short-tail lines include commercial multi-peril (non-liability), inland marine, accident and health, fidelity and surety, boiler and machinery and other lines.

(2) Core portfolio includes fixed maturity securities, equity securities, cash and cash equivalents, real estate and loans receivable.

(3) Operating income is a non-GAAP financial measure defined by the Company as net income excluding after-tax net investment gains (losses). Net investment gains (losses) are computed net of related expenses, including performance-based compensatory costs associated with realized investment gains. Management believes this measurement provides a useful indicator of trends in the Company's underlying operations.

Selected Balance Sheet Information (Amounts in thousands, except per share data)

| | September 30, 2023 | December 31, 2022 |
|---------------------------------------|--------------------|-------------------|
| Net invested assets (1) | \$ 26,126,604 | \$ 24,545,672 |
| Total assets | 36,111,348 | 33,815,103 |
| Reserves for losses and loss expenses | 18,273,310 | 17,011,223 |
| Senior notes and other debt | 1,828,046 | 1,828,823 |
| Subordinated debentures | 1,008,910 | 1,008,371 |
| Common stockholders' equity (2) | 6,915,579 | 6,748,332 |
| Common stock outstanding (3) | 258,044 | 264,546 |
| Book value per share (4) | 26.80 | 25.51 |
| Tangible book value per share (4) | 25.91 | 24.58 |

(1) Net invested assets include investments, cash and cash equivalents, trading accounts receivable from brokers

and clearing organizations, trading account securities sold but not yet purchased and unsettled purchases, net of related liabilities.

(2) As of September 30, 2023, reflected in common stockholders' equity are after-tax unrealized investment losses of \$944 million and unrealized currency translation losses of \$379 million. As of December 31, 2022, after-tax unrealized investment losses were \$893 million and unrealized currency translation losses were \$372 million.

(3) During the nine months ended September 30, 2023, the Company repurchased 7,146,975 shares of its common stock for \$430.5 million. During the three months ended September 30, 2023, the Company repurchased 48,016 shares of its common stock for \$2.9 million. The number of shares of common stock outstanding excludes shares held in a grantor trust.

(4) Book value per share is total common stockholders' equity divided by the number of common shares outstanding. Tangible book value per share is total common stockholders' equity excluding the after-tax value of goodwill and other intangible assets divided by the number of common shares outstanding.

Investment Portfolio
September 30, 2023
(Amounts in thousands, except percentages)

| | Carrying Value | Percent of Total |
|--|----------------|------------------|
| Fixed maturity securities: | | |
| United States government and government agencies | \$ 1,467,199 | 5.6% |
| State and municipal: | | |
| Special revenue | 1,646,921 | 6.3% |
| State general obligation | 405,969 | 1.6% |
| Local general obligation | 385,340 | 1.5% |
| Corporate backed | 179,973 | 0.7% |
| Pre-refunded | 102,594 | 0.3% |
| Total state and municipal | 2,720,797 | 10.4% |
| Mortgage-backed securities: | | |
| Agency | 1,250,357 | 4.8% |
| Commercial | 629,512 | 2.4% |
| Residential - Prime | 196,519 | 0.8% |
| Residential - Alt A | 2,937 | 0.0% |
| Total mortgage-backed securities | 2,079,325 | 8.0% |
| Asset-backed securities | 4,087,458 | 15.6% |
| Corporate: | | |
| Industrial | 3,344,567 | 12.8% |
| Financial | 2,679,247 | 10.3% |
| Utilities | 643,277 | 2.5% |
| Other | 581,723 | 2.2% |
| Total corporate | 7,248,814 | 27.8% |
| Foreign government | 1,431,712 | 5.5% |
| Total fixed maturity securities (1) | 19,035,305 | 72.9% |
| Equity securities available for sale: | | |
| Common stocks | 961,433 | 3.7% |
| Preferred stocks | 220,628 | 0.8% |
| Total equity securities available for sale | 1,182,061 | 4.5% |
| Cash and cash equivalents (2) | 2,035,399 | 7.8% |
| Investment funds | 1,600,495 | 6.1% |
| Real estate | 1,270,545 | 4.9% |
| Arbitrage trading account | 825,049 | 3.1% |
| Loans receivable | 177,750 | 0.7% |
| Net invested assets | \$ 26,126,604 | 100.0% |

(1) Total fixed maturity securities had an average rating of AA- and an average duration of 2.4 years, including cash and cash equivalents.

(2) Cash and cash equivalents includes trading accounts receivable from brokers and clearing organizations, trading account securities sold but not yet purchased and unsettled purchases.

Karen A. Horvath
Vice President - External
Financial Communications
(203) 629-3000

Source: W. R. Berkley Corporation