



W. R. Berkley Corporation Reports First Quarter Results

4/23/2024

Net Income Increased 50.4% to \$442 Million and Operating Income Increased 53.4% to a Record \$423 Million; Return on Equity of 23.7% and Operating Return on Equity of 22.7%

GREENWICH, Conn.--(BUSINESS WIRE)-- **W. R. Berkley Corporation (NYSE: WRB)** today reported its first quarter 2024 results.

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

| | First Quarter | |
|------------------------------------|---------------|--------------|
| | 2024 | 2023 |
| Gross premiums written | \$ 3,362,755 | \$ 3,049,317 |
| Net premiums written | 2,851,291 | 2,574,824 |
| Net income to common stockholders | 442,471 | 294,126 |
| Net income per diluted share | 1.64 | 1.06 |
| Operating income (1) | 423,324 | 275,966 |
| Operating income per diluted share | 1.56 | 1.00 |
| Return on equity (2) | 23.7% | 17.4% |
| Operating return on equity (1) (2) | 22.7% | 16.4% |

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

First quarter highlights included:

- Return on equity and operating return on equity of 23.7% and 22.7%, respectively.

- Net investment income grew 43.2% to a record \$319.8 million.
- Record net premiums written grew 10.7% to \$2.9 billion.
- The current accident year combined ratio before catastrophe losses of 1.1 loss ratio points was 87.7%.
- The reported combined ratio was 88.8%, including current accident year catastrophe losses of \$30.5 million.
- Pre-tax underwriting income grew 31.8% to \$309.0 million.
- Average rate increases excluding workers' compensation were approximately 7.8%.
- Operating cash flow increased 67.6% to \$746.2 million.

The Company commented:

The Company continued to have very strong results in the first quarter 2024, with a 23.7% annualized return on beginning of year common stockholders' equity.

Growth in first quarter net premiums written accelerated year over year to 10.7%, as market conditions remained favorable in many areas of our business. Our combined ratio was 88.8% even as we continued our prudent view of loss trends. Our flexibility to expand or contract each of our businesses according to specific market conditions continues to be a competitive advantage.

Net investment income increased 43.2% over the prior year first quarter, despite challenges during this quarter with our investment funds. Our total-return investment strategy seeks to maximize risk-adjusted returns over the long-term across all market cycles and economic environments. New money rates remain higher than our book yield, which along with extremely strong operating cash flow, positions us well for future investment income growth.

Our results demonstrate how our persistent focus on risk-adjusted return in all aspects of our business allows us to successfully navigate risks and embrace opportunities. We remain confident that we will continue to deliver outstanding value to shareholders in 2024 and beyond.

Webcast Conference Call

The Company will hold its quarterly conference call with analysts and investors to discuss its earnings and other information on April 23, 2024, at 9:00 a.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 2024 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 2024 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)

| | First Quarter | |
|--|---------------|--------------|
| | 2024 | 2023 |
| Revenues: | | |
| Net premiums written | \$ 2,851,291 | \$ 2,574,824 |
| Change in unearned premiums | (86,944) | (83,392) |
| Net premiums earned | 2,764,347 | 2,491,432 |
| Net investment income | 319,839 | 223,398 |
| Net investment gains: | | |
| Net realized and unrealized gains on investments | 11,503 | 22,611 |
| Change in allowance for credit losses on investments | 14,277 | 399 |
| Net investment gains | 25,780 | 23,010 |
| Revenues from non-insurance businesses | 120,992 | 124,200 |
| Insurance service fees | 25,319 | 32,857 |
| Other Income | 496 | 107 |
| Total Revenues | 3,256,773 | 2,895,004 |
| Expenses: | | |
| Loss and loss expenses | 1,663,778 | 1,538,755 |
| Other operating costs and expenses | 868,589 | 825,575 |
| Expenses from non-insurance businesses | 118,607 | 122,767 |
| Interest expense | 31,728 | 31,836 |
| Total expenses | 2,682,702 | 2,518,933 |
| Income before income tax | 574,071 | 376,071 |
| Income tax expense | (132,036) | (80,342) |
| Net Income before noncontrolling interests | 442,035 | 295,729 |
| Noncontrolling interest | 436 | (1,603) |
| Net income to common stockholders | \$ 442,471 | \$ 294,126 |
| Net income per share: | | |
| Basic | \$ 1.65 | \$ 1.07 |
| Diluted | \$ 1.64 | \$ 1.06 |
| Average shares outstanding (1): | | |
| Basic | 268,211 | 274,977 |
| Diluted | 270,505 | 277,339 |

(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) (2)

| | First Quarter | |
|---|---------------|--------------|
| | 2024 | 2023 |
| Insurance: | | |
| Gross premiums written | \$ 2,921,050 | \$ 2,626,346 |
| Net premiums written | 2,445,715 | 2,185,421 |
| Net premiums earned | 2,398,768 | 2,142,924 |
| Pre-tax income | 478,149 | 352,626 |
| Loss ratio | 61.8% | 62.6% |
| Expense ratio | 28.4% | 28.6% |
| GAAP Combined ratio | 90.2% | 91.2% |
| Reinsurance & Monoline Excess: | | |
| Gross premiums written | \$ 441,705 | \$ 422,971 |
| Net premiums written | 405,576 | 389,403 |
| Net premiums earned | 365,579 | 348,508 |
| Pre-tax income | 127,624 | 101,285 |
| Loss ratio | 49.8% | 56.4% |
| Expense ratio | 29.8% | 30.2% |
| GAAP Combined ratio | 79.6% | 86.6% |
| Corporate and Eliminations: | | |
| Net investment gains | \$ 25,780 | \$ 23,010 |
| Interest expense | (31,728) | (31,836) |
| Other expenses | (25,754) | (69,014) |
| Pre-tax loss | (31,702) | (77,840) |
| Consolidated: | | |
| Gross premiums written | \$ 3,362,755 | \$ 3,049,317 |
| Net premiums written | 2,851,291 | 2,574,824 |
| Net premiums earned | 2,764,347 | 2,491,432 |
| Pre-tax income | 574,071 | 376,071 |
| Loss ratio | 60.2% | 61.8% |
| Expense ratio | 28.6% | 28.8% |
| GAAP Combined ratio | 88.8% | 90.6% |

(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.

(2) Commencing with the first quarter of 2024, the Company reclassified a program management business from the Insurance segment to the Reinsurance & Monoline Excess segment. The reclassified business is a program management business offering support on a nationwide basis for commercial casualty and property program administrators. Reclassifications have been made to the Company's 2023 financial information to conform with this presentation.

Supplemental Information
(Amounts in thousands)

| | First Quarter | |
|-------------------------------------|---------------|--------------|
| | 2024 | 2023 |
| Net premiums written: | | |
| Other liability | \$ 1,015,614 | \$ 901,293 |
| Short-tail lines (1) | 532,341 | 426,654 |
| Auto | 348,582 | 293,857 |
| Workers' compensation | 304,632 | 309,984 |
| Professional liability | 244,546 | 253,633 |
| Total Insurance | 2,445,715 | 2,185,421 |
| Casualty (2) | 190,019 | 211,291 |
| Monoline excess | 116,895 | 104,518 |
| Property (2) | 98,662 | 73,594 |
| Total Reinsurance & Monoline Excess | 405,576 | 389,403 |
| Total | \$ 2,851,291 | \$ 2,574,824 |

Current accident year losses from catastrophes:

| | | |
|---|-------------|-------------|
| Insurance | \$ 27,451 | \$ 45,242 |
| Reinsurance & Monoline Excess | 3,055 | 2,627 |
| Total | \$ 30,506 | \$ 47,869 |
| Net Investment income: | | |
| Core portfolio (3) | \$ 331,177 | \$ 202,962 |
| Investment funds | (29,349) | 2,180 |
| Arbitrage trading account | 18,011 | 18,256 |
| Total | \$ 319,839 | \$ 223,398 |
| Net realized and unrealized gains (losses) on investments: | | |
| Net realized losses on investments | \$ (14,308) | \$ (20,793) |
| Change in unrealized gains on equity securities | 25,811 | 43,404 |
| Total | \$ 11,503 | \$ 22,611 |
| Other operating costs and expenses: | | |
| Policy acquisition and insurance operating expenses | \$ 791,532 | \$ 718,276 |
| Insurance service expenses | 21,439 | 25,180 |
| Net foreign currency (gains) losses | (13,177) | 9,495 |
| Other costs and expenses | 68,795 | 72,624 |
| Total | \$ 868,589 | \$ 825,575 |
| Cash flow from operations | \$ 746,235 | \$ 445,323 |
| Reconciliation of net income to operating income: | | |
| Net income | \$ 442,471 | \$ 294,126 |
| Pre-tax investment gains, net of related expenses | (25,780) | (23,010) |
| Income tax expense | 6,633 | 4,850 |
| Operating income after-tax (4) | \$ 423,324 | \$ 275,966 |

- (1) Short-tail lines include commercial multi-peril (non-liability), inland marine, accident and health, fidelity and surety, boiler and machinery, high net worth homeowners and other lines.
- (2) Includes reinsurance casualty and property and certain program management business.
- (3) Core portfolio includes fixed maturity securities, equity securities, cash and cash equivalents, real estate and loans receivable.
- (4) 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)

| | March 31, 2024 | December 31, 2023 |
|---------------------------------------|-------------------|----------------------|
| Net invested assets (1) | \$ 27,583,673 | \$ 26,973,703 |
| Total assets | 37,851,072 | 37,111,830 |
| Reserves for losses and loss expenses | 19,099,628 | 18,739,652 |
| Senior notes and other debt | 1,827,997 | 1,827,951 |
| Subordinated debentures | 1,009,269 | 1,009,090 |
| Common stockholders' equity (2) | 7,784,832 | 7,455,431 |
| Common stock outstanding (3) | 256,549 | 256,545 |
| Book value per share (4) | 30.34 | 29.06 |
| Tangible book value per share (4) | 29.38 | 28.08 |

- (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 March 31, 2024, reflected in common stockholders' equity are after-tax unrealized investment losses of \$657 million and unrealized currency translation losses of \$367 million. As of December 31, 2023, reflected in common stockholders' equity are after-tax unrealized investment losses of \$586 million and unrealized currency translation losses of \$340 million.
- (3) During the three months ended March 31, 2024, the Company did not repurchase any shares of its common stock. 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
March 31, 2024
(Amounts in thousands, except percentages)

| | <u>Carrying Value</u> | <u>Percent of Total</u> |
|--|-----------------------|-------------------------|
| Fixed maturity securities: | | |
| United States government and government agencies | \$ 1,829,552 | 6.6% |
| State and municipal: | | |
| Special revenue | 1,546,112 | 5.6% |
| State general obligation | 430,544 | 1.6% |
| Local general obligation | 382,778 | 1.4% |
| Corporate backed | 155,519 | 0.6% |
| Pre-refunded | 89,053 | 0.3% |
| Total state and municipal | <u>2,604,006</u> | <u>9.5%</u> |
| Mortgage-backed securities: | | |
| Agency | 1,612,183 | 5.8% |
| Commercial | 609,880 | 2.2% |
| Residential - Prime | 185,957 | 0.7% |
| Residential - Alt A | 2,760 | 0.0% |
| Total mortgage-backed securities | <u>2,410,780</u> | <u>8.7%</u> |
| Asset-backed securities | <u>4,239,561</u> | <u>15.4%</u> |
| Corporate: | | |
| Industrial | 3,734,275 | 13.5% |
| Financial | 3,113,296 | 11.3% |
| Utilities | 729,662 | 2.6% |
| Other | 585,470 | 2.1% |
| Total corporate | <u>8,162,703</u> | <u>29.5%</u> |
| Foreign government | <u>1,718,252</u> | <u>6.2%</u> |
| Total fixed maturity securities (1) | <u>20,964,854</u> | <u>75.9%</u> |
| Equity securities available for sale: | | |
| Common stocks | 846,669 | 3.1% |
| Preferred stocks | 331,379 | 1.2% |
| Total equity securities available for sale | <u>1,178,048</u> | <u>4.3%</u> |
| Investment funds | 1,555,818 | 5.6% |
| Real estate | 1,273,063 | 4.6% |
| Cash and cash equivalents (2) | 1,237,005 | 4.5% |
| Arbitrage trading account | 1,146,119 | 4.2% |
| Loans receivable | 228,766 | 0.9% |
| Net invested assets | <u>\$ 27,583,673</u> | <u>100.0%</u> |

(1) Total fixed maturity securities had an average rating of AA- and an average duration of 2.5 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.

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Source: W. R. Berkley Corporation