Equity Research

WELLS FARGO

Earnings Revised — October 23, 2023

**Commercial Lines Insurance**

# W.R. Berkley Corporation (WRB)

## WRB: A Consistent Message from Berkley; Q3 and Conference Call Roundup

## Our Call

WRB reported Q3 EPS of $1.35, above our $1.20 and consensus of $1.18 due to higher investment income and lower taxes. Gross premiums growth was 8.8% (just below 9.3% in Q2) but net premium growth was 10.5% (from 8.7%) due to strong insurance growth.

**Estimate and price target changes:** We are slightly raising our 2023 EPS estimate to $4.88 (from $4.73) on the $0.15 beat vs. us in Q3. Our 2024 and 2025 EPS are unchanged at $6.15 and $7.10, respectively. Our $75 price target represents just over 12x our 2024 EPS estimate.

**The stock:** Shares are indicating flat after hours, which we believe reflects this mostly being an in-line quarter, away from NII.

**Takes for the group:** The biggest take for us is that WRB pointed to still pushing for price (+8.5% in insurance ex comp in the quarter) with a 20% ROE given the persistence of social inflation. Further, they pointed to the market accepting these rate increases with a stable renewal retention of around 80%. Away from underwriting, they seemed positive on investment income continuing to build from here with a new money yield of 6%, relative to the portfolio yield of 4.5%.

**The good:** NPW growth of 10.5% beat our 9.6% with strong growth in insurance (short-tail, liability and commercial auto), while property reinsurance growth slowed to 7.7% (lapping a tough comp of 41.2% last year). NII of $271m was ahead of our $253m on better core NII and returns on the arbitrage trading account. Price increases ex workers' compensation picked up to 8.5% (from 8.2%) and there was a modest $1 million of reserve releases, with nothing of significance called out in either segment.

**The bad:** Underwriting income in Insurance of $208m came in below our $218m on a modestly higher ex. cat loss ratio; the expense ratio was also 40 bps above us. The overall expense ratio of 28.3% was a touch above our 28.1% estimate. WRB continues to target an expense ratio that is comfortably below 30%. Buybacks of $2.9m in the quarter slowed from the pace in the first half of 2023 (vs. $135m in Q1 and $293m in Q2), although there was a $129 million special dividend in the quarter.

**The ugly:** There was not a lot to call ugly in the quarter. However, while insurance growth picked up to 12.1% on a net basis (from 8.6% in Q2), reinsurance was flat as growth in property and mono-line excess was offset by a 6.4% decline in professional lines. See inside for highlights of key issues for WRB.


Equity Analyst(s)

**Elyse Greenspan, CFA**
Equity Analyst | Wells Fargo Securities, LLC
Elyse.Greenspan@wellsfargo.com | 212-214-8031

**Hristian Getsov**
Associate Equity Analyst | Wells Fargo Securities, LLC
Hristian.Getsov@wellsfargo.com | 561-843-4188

**Wes Carmichael, CFA**
Equity Analyst | Wells Fargo Securities, LLC
Wesley.Carmichael@wellsfargo.com | 212-214-5322

**Matthew Byrnes, CFA**
Associate Equity Analyst | Wells Fargo Securities, LLC
Matthew.Byrnes@wellsfargo.com | 212-214-8903


| Rating | Overweight |
|---|---|
| Ticker | WRB |
| Price Target/Prior: | $75.00/NC |
| **Upside/(Downside) to Target** | **19.3%** |
| **Price (10/23/2023)** | **$62.89** |
| 52 Week Range | $55.07 - 75.59 |
| Shares Outstanding | 257,523,291 |
| Market Cap (MM) | $16,196 |
| Enterprise Value (MM) | $16,144 |
| Average Daily Volume | 405,099 |
| Average Daily Value (MM) | 25 |
| Dividend (NTM) | $1.43 |
| Dividend Yield | 2.3% |
| Net Debt (MM) - last reported | $(52) |
| ROIC - Current year est. | 19% |
| 3 Yr EPS CAGR from current year (unless otherwise noted) | 17% |

| $ EPS | 2022A | 2023E Curr. | 2023E Prior | 2024E Curr. | 2024E Prior |
|---|---|---|---|---|---|
| Q1 (Mar) | 1.10 A | 1.00 A | NC | 1.48 E | 1.47E |
| Q2 (Jun) | 1.12 A | 1.14 A | NC | 1.48 E | NC |
| Q3 (Sep) | 1.01 A | 1.35 A | 1.20E | 1.53 E | NC |
| Q4 (Dec) | 1.16 A | 1.40 E | NC | 1.67 E | NC |
| FY | 4.39 A | 4.88 E | 4.73E | 6.15 E | NC |
| P/E | 14.3x | 12.9x | | 10.2x | |

*Source: Company Data, Wells Fargo Securities estimates, and Refinitiv. NA = Not Available, Volatility = Historical trading volatility*

## Wells Fargo Express Takeaways

**W.R. Berkley Corporation (WRB) | Rating: Overweight | Price Target: $75.00**
**Analyst: Elyse Greenspan**

### Financials

| FY (Dec) $ ESTIMATES | 2022A | 2023E | 2024E |
|---|---|---|---|
| **EPS** | | | |
| Q1 | 1.10 A | 1.00 A | 1.48 E |
| Q2 | 1.12 A | 1.14 A | 1.48 E |
| Q3 | 1.01 A | 1.35 A | 1.53 E |
| Q4 | 1.16 A | 1.40 E | 1.67 E |
| AN | 4.39 A | 4.88 E | 6.15 E |
| **Rev. (MM)** | 11,166.5 A | 12,105.1 E | 13,413.7 E |
| **Net Premiums Written (MM)** | 10,004.1 A | 10,883.1 E | 11,961.9 E |
| **Underlying Combined Ratio** | 86.7% A | 87.7% E | 87.4% E |
| **Underlying Loss Ratio** | 58.7% A | 59.4% E | 58.9% E |
| **Book Value/Share** | 25.51 A | 27.96 E | 34.05 E |

| WELLS FARGO vs. CONSENSUS | | | |
|---|---|---|---|
| Consensus Estimate | - | 4.72 E | 5.68 E |
| Difference from Consensus | | 3.4% | 8.4% |

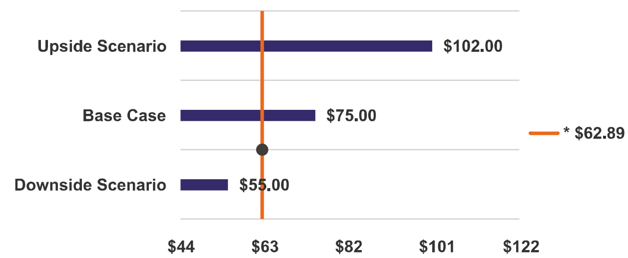
| VALUATION | | | |
|---|---|---|---|
| P/E | 14.3x | 12.9x | 10.2x |
| EV/Revenue | 1.4x | 1.3x | 1.2x |

*Source: Company Data, Wells Fargo Securities estimates, and Refinitiv.*
*NA = Not Available, NE = No Estimate*

### Investment Thesis

We have an Overweight rating on shares of WRB. We believe that WRB is positioned to continue to see a healthy level of rate increases in 2023 and 2024, particularly as they lean in on property insurance and reinsurance, which should translate into a good level of premium growth, which we do not believe is currently reflected in consensus expectations.

### Risk vs. Reward – Upside/Downside Price Target Scenarios




**As of 10/23/23*
*Source: Wells Fargo Securities, LLC estimates and Refinitiv.*

### Base Case | $75.00

- Our price target of $75 is based on just around a 2.2x multiple of our year-end 2024 book value estimate
- Our price target also represents a ~12.2x multiple against our 2024 EPS estimate.
- The 12.2x is close to the lows where WRB has historically traded as we believe the multiple may stay constrained until WRB returns to reporting stronger premium growth and sees the non-cat fire losses dissipate. With that being said, the multiple still provides double-digit upside potential in the name.

### Upside Scenario | $102.00

- In the upside scenario we use a multiple of 3x 2024 book value, close to peak valuation levels.
- We assume WRB is able to see consistent double-digit premium growth, margin expansion and good investment returns resulting in industry leading returns.
- Assumes lack of significant adverse development in its reserves.

### Downside Scenario | $55.00

- In the downside scenario we use a multiple of 9X 2024 EPS (which translates into 1.6x book value) and is below trough levels (although those multiples were in lower interest rate environments).
- In this scenario WRB could see lower premium growth, margin compression and volatility within its investment returns.
- Also the downside scenario could include volatility within its reserves and potential adverse development on the softer market years (2016-2019).

### Upcoming Catalysts

- WRB's 10-Q which comes out after earnings and will give additional color on its reserve development for the quarter
- Monthly pricing surveys, which will highlight the overall strength (or lack thereof) of the commercial lines pricing environment

### Company Description

W. R. Berkley Corporation is the 13th largest commercial underwriter in the United States and operates within two segments: **(1)** Insurance, including E&S, admitted and specialty lines and **(2)** Reinsurance and Monoline Excess, which is primarily facultative and treaty reinsurance. Insurance accounts for 88% of the GWP (as of 2022) with the biggest exposure within the segment being Other Liability lines. Casualty reinsurance accounts for the majority of the remaining total company GWP.

## Q3 Highlights

**In a Nutshell.** WRB reported Q3 EPS of $1.35, beating our $1.20 and consensus of $1.18. The upside was due to higher investment income (investment income came in at $271 million, higher than our $253 million estimate) and lower taxes (the operating income tax rate was 20.6%, a bit below our 21.0% estimate). Catastrophe losses came in at $61.5 million, lower than our $65 million and down relative to $94 million last Q3. Prior year favorable reserve development was $1 million, relative to estimate for $3 million of adverse development. WRB does not call out the level of prior year development by segment until the 10-Q, but on its call they did say that there was nothing notable to call out in either segment. Investment income came in at $270.9 million, better than our $252.6 million estimate, with the core portfolio, arbitrage trading account and investment funds all coming in above us. There were FX gains of $22.5 million that benefited earnings by $0.07 per share.

The underlying combined ratio of 87.9% was a touch above our 87.6% estimate; the underlying loss ratio came in 10bps higher than us. The expense ratio was 20 basis points better than our estimate as change in reinsurance structures and start-up expenses impacted the level of expenses. WRB bought back $2.9 million shares in the quarter, relative to our $100 million estimate, but the company did have $129 million of special dividends in the quarter. The average diluted share count of 271.4 million was higher than our 270.6 million estimate. The operating ROE was 21.7%, and the net income ROE was 19.8%. Book value per share was essentially flat sequentially at $26.80.

Exhibit 1 - WRB Q3 2023 Estimates Versus Actual

| | Q3 2023 | | Delta Vs. WFS | |
|---|---|---|---|---|
| *($ in millions, except as noted)* | Actual | WFS Estimate | *Absolute Delta* | *% Delta* |
| **Summary** | | | | |
| Insurance | 207.9 | 217.7 | *(9.8)* | *(4.5%)* |
| Reinsurance & Monoline Excess | 49.7 | 39.9 | *9.8* | *24.5%* |
| **Underwriting Income** | **257.5** | **257.6** | ***(0.1)*** | ***(0.0%)*** |
| Net Investment Income | 270.9 | 252.6 | *18.4* | *7.3%* |
| Corporate & Other Ex. Realized Gains/(Losses) | (66.1) | (96.8) | *30.7* | *(31.7%)* |
| **Pre-Tax Operating Income** | **462.4** | **413.4** | ***49.0*** | ***11.9%*** |
| Taxes | (95.9) | (86.8) | *(9.1)* | *10.5%* |
| Noncontrolling Interest | 0.2 | (0.6) | *0.8* | *(125.0%)* |
| **Adjusted After-Tax Operating Income** | **366.6** | **325.9** | ***40.7*** | ***12.5%*** |
| **Operating EPS** | **$1.35** | **$1.20** | ***$0.15*** | ***12.1%*** |
| *YoY Change in Operating EPS* | *34.0%* | *19.5%* | *14.5%* | - |
| Tax Rate | 20.7% | 21.0% | *(25bps)* | *(1.2%)* |
| **GAAP Book Value per Share** | **$26.80** | **$27.45** | ***($0.65)*** | ***(2.4%)*** |
| **Operating Return on Equity** | **21.3%** | **18.8%** | ***2.5%*** | ***13.5%*** |
| Net Income ROE | 19.2% | 20.8% | *(158bps)* | *(7.6%)* |
| **Revenues** | | | | |
| Gross premiums written | 3,353.2 | 3,389.9 | *(36.7)* | *(1.1%)* |
| y/y change | 8.8% | 10.0% | *(1.2%)* | - |
| Net premiums written | 2,848.5 | 2,825.7 | *22.8* | *0.8%* |
| y/y change | 10.5% | 9.6% | *0.9%* | - |
| **Net premiums earned** | **2,641.9** | **2,628.9** | ***13.0*** | ***0.5%*** |
| y/y change | 8.2% | 7.7% | *0.5%* | - |
| **Net investment income** | **270.9** | **252.6** | ***18.4*** | ***7.3%*** |
| y/y change | 33.6% | 24.5% | *9.1%* | - |
| **Total revenues** | **3,030.6** | **3,048.4** | ***(17.8)*** | ***(0.6%)*** |
| **Underwriting Profitability** | | | | |
| Loss Ratio | 61.9% | 62.1% | *(0.1pts)* | *(0.2%)* |
| Expense Ratio | 28.3% | 28.1% | *+0.2pts* | *0.5%* |
| **Combined Ratio** | **90.2%** | **90.2%** | ***+0.0pts*** | ***0.0%*** |
| Cats Points on Combined Ratio | 2.3% | 2.5% | *(0.2pts)* | *(6.4%)* |
| PYD Points on Combined Ratio | 0.0% | 0.1% | *(0.1pts)* | *(100.0%)* |
| ***Underlying Loss Ratio*** | ***59.6%*** | ***59.5%*** | ***+0.1pts*** | ***0.2%*** |
| ***Underlying Combined Ratio*** | ***87.9%*** | ***87.6%*** | ***+0.3pts*** | ***0.3%*** |
| Catastrophe Losses ($) | 61.5 | 65.4 | *(3.9)* | *(5.9%)* |
| Reserve Development ($) | 0.0 | 3.0 | *(3.0)* | *(100.0%)* |
| **Capital Return** | | | | |
| Common Dividends | 157.4 | 28.0 | *129.4* | *4.6* |
| Share Repurchases | 2.9 | 100.0 | *(97.1)* | *(1.0)* |
| **Total Capital Return** | **160.3** | **128.0** | ***32.3*** | ***0.3*** |
| Total Payout Ratio (% of Operating Income) | 43.7% | 39.3% | *4.5%* | - |

Source: Company reports and Wells Fargo Securities, LLC estimates

## What the Companies Are Saying - WRB

***WRB's call focused on pricing, margins, social inflation, prior year reserve development, capital return and investments***

### Outlook

Overall the quarter generated a 20% return, without any one-timers, which is a reflection of how the current book is performing. WRB said that social inflation continues to burn, and they do not see that abating any time soon, and this should serve as a catalyst as they continue to push for price, even as interest rates rise. Auto in particular is a line that they are paying close attention to, and they cautioned this can spill over into excess and umbrella.

### Pricing

They are very focused on social inflation as shown by their 8.5% price increase excluding workers' compensation in the quarter (up from 8.2% in Q2). The marketplace has been accepting of the price increases as shown by its steady renewal retention at 80%. They did point to the auto line potentially turning and getting more rate, which led to strong growth (+16.2%) in commercial auto in Q3. They are not taking the pedal off when it comes to rate, even with a ROE of around 20%. This is due to the ongoing concerns surrounding social inflation and loss cost trend. While financial/economic inflation is slowing, there is no evidence social inflation is abating at all.

### Guidance

WRB does not provide much in the way of guidance. They have said that the expense ratio should be comfortably below 30% but can fluctuate mostly depending on if WRB starts de novo businesses that need to grow to scale (could pressure the expense ratio temporarily). Some items impacting the expense ratio in the quarter included: **(1)** change in outward reinsurance structures impacting their ceding commissions, **(2)** compensation-relate costs, and **(3)** start up operating expenses as well as investments in technology.

### Investments

The book yield is 4.5% with a new money yield of around 6%. WRB pushed asset duration out slightly to 2.4 years vs. 2.3 years last quarter, and management said that it expects it is likely that it will continue to push out duration and lock in higher rates.

### Liquidity and Capital

WRB's debt to capital ratio ended Q3 at 29.1%, which is below the YE 2022 level of 29.6%, and flat vs. 29.2% at the end of Q2 2023. Repurchases in the quarter totaled $2.9 million, well below our $100 million estimate and down from $292.5 million in Q2. The company did pay out $129 million of special dividends in the quarter and the payout ratio (as a % of operating earnings) was 43.7%, relative to over 100% in Q1 and Q2.

Exhibit 2 - WRB Historical Pricing Commentary

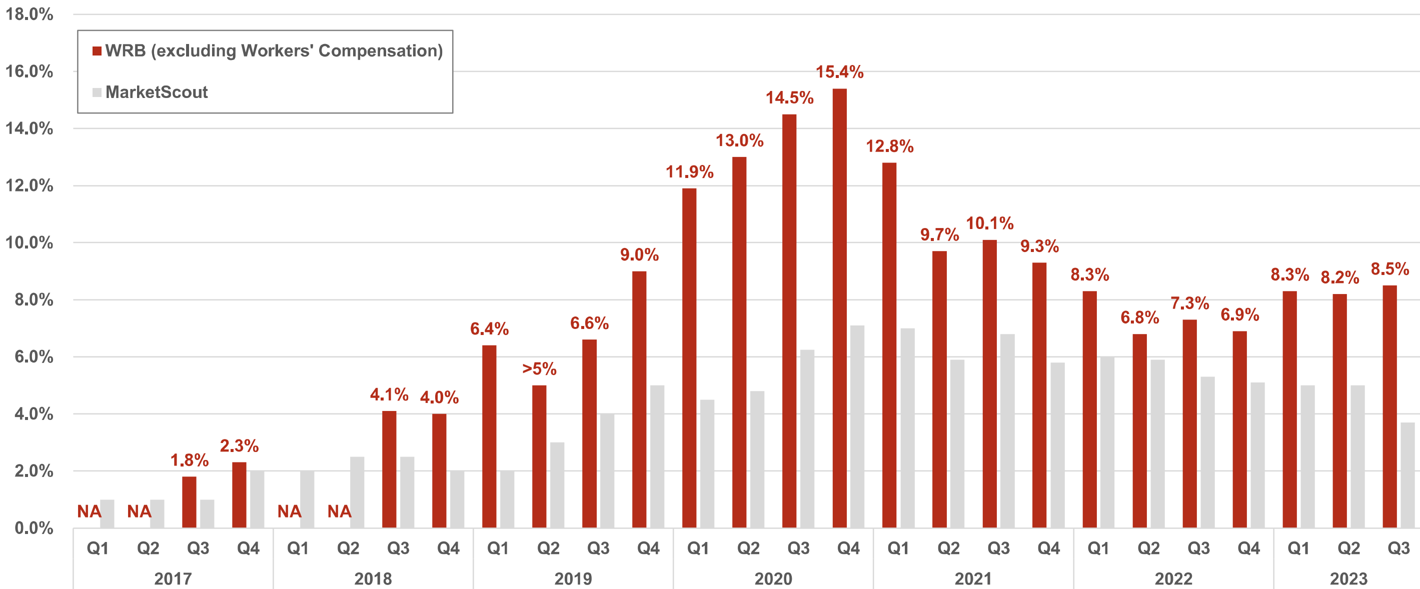
| Period | Pricing Comments |
|---|---|
| Q3 2023 | WRB is very focused on social inflation and they said that you can see that in their rate increases (8.5% excluding workers' compensation) and they ntend to stay on top of it. The market has been accepting of its rate increases as shown in its steady renewal retention of 80%. Specifically WRB is pushing very hard on rate within commercial auto and the market is accpeting of it - this led to strong growth in commercial auto in the quarter. |
| Q2 2023 | WRB saw rate of 8.2% (ex workers' comp), which was relatively stable with the Q1 (at 8.3%) and reflective of its business mix. WRB said that there continues to be a bifurcation in the standard market and E&S market. Within the standard market, where National carriers do not have an appetite to write business that is leading to opportunities on the E&S side. WRB said that submission flow remains robust, and they are encouraged about activity over the balance of the year, and flagged good results in July. Overall WRB's view is that the industry is struggling with the balance between rate needs and keeping up with loss trend versus their desire to grow. |
| Q1 2023 | Regarding property, the company noted that its disappointment in Q4 pricing discipline has improved month over month, resulting in what is regards as real progressing being made on the pricing front in April. The company feels the rationalization of pricing in the property market, while more pronounced on the cat side, is broad-based overall. The company called out public D&O, certain professional liability lines, and commercial auto as being the most irrational parts of the market. Still, WRB does see pockets of opportunities even within professional liability, especially if written on an E&S basis. |
| Q4 2022 | WRB said they were disappointed in the discipline in property pricing in the Q4 as they said many carriers failed to take into account limited reinsurance capacity and higher reinsurance costs. They believe that property pricing should continue to improve as 2023 develops. For workers' comp, they said they missed the timing on when the market would begin to harden and they expect pricing to be bumpy in 2023 with expectation for considerable firming in 2024 and beyond given severity trends, particularly medical inflation. For auto, they said there is rate to be had but remains the most susceptible line to social inflation and requires thought and judgement in underwriting for loss costs. Umbrella and general liability excess are amongst the brighter opportunities with one area on the cautious watchlist being large account excess lines. Professional liability is a tale of two stores with D&O being pressured given the rising competitive landscape but other lines within professional liability should provide good opportunities. WRB said they participated at 1/1 renewals and said the clock is right to lean in with good discipline with the US offering more attractive returns than international. |
| Q3 2022 | The marketplace remains an interesting one from their perspective - there are pockets of the market that remain extremely attractive and there are others where there is a surprising level of competition. In the specialty space, and in particular the E&S market remains extremely attractive to WRB. Berkley said that they have the ability to pivot into product lines as opportunities emerge and that they could become a more active participant (for perhaps a year or two). They did flag both workers' compensation and professional lines (particularly public company D&O) as lines become increasingly competitive. |
| Q2 2022 | Top line remains very healthy. WRB is seeing continued growth in submissions within Specialty and E&S and is beginning to see resilience in the reinsurance market. WRB does not see short-term headwinds to de-rail growth off of their 15-25% growth target, which they have been achieving. Within Insurance, seeing good growth in Other Liability and commercial auto is robust. In workers' comp, WRB expects the market to bottom and start to firm over the next 12-24 months, reflecting loss cost severity and erosion of pricing power we have seen; medical inflation is likely to increase rapidly and workers' comp is not insulated from that. Despite concerns around the economy and a recession, WRB noted that audit premiums are seeing considerable momentum, up 45% YoY. |

| Period | Pricing Comments |
|---|---|
| Q1 2022 | Continue to see rate increases that outpace trend by something measured in the hundreds of basis points. New business pricing is currently outpacing renewal pricing by about 2 points. Retention remains well within range and will continue to take rate as weeded. Submission flow in the E&S market is very strong & encouraging, not seeing standard carriers entering the market eroding any current opportunities. Feel that WC is still facing a difficult pricing environment but will eventually come back. |
| Q4 2021 | There's nothing that leads us to believe that we will not continue to see rate increases that outpace trend by something measured in the hundreds of basis points. Opportunities remain in the workers comp market, but one needs to be very cautious and most of the growth seen is really being driven by payroll growth. We are starting so to see some folks being very aggressive on WC pricing in addition to leaning through on commissions. Submission flow in the E&S market is pretty overwhelming at this stage, particularly in January, and we don't really see standard carriers entering the market eroding any current opportunities. |
| Q3 2021 | It's a good moment for the P&C space. Quite frankly, most of the workers' comp market, which continues to feel a bit of a growing headwind. Obviously, property felt some pain in the quarter, but just general market conditions are reasonably attractive. And we don't see that trend changing. More specifically, it is a good moment for specialty writers, particularly casualty-related specialty writers and even more so the E&S market. We continue to see a growing flow of opportunities, both in specialty and even more so in E&S, and there's nothing that leads us to believe that, that tide is going to reverse anytime soon. So that's definitely encouraging. |
| Q2 2021 | And as far as drilling down into the market a little bit more, when we look at the major product lines with the exception of workers; compensation all of them continued to get rate increases that outpace our view of loss trend. And that is even as we have been factoring in a bit more for financial inflation. It's important that people not read too deeply into as I suspect some might as the rate increase and what does this mean relative to what the rate increase was last quarter or the same time in the prior year. The simple fact is that when we think about our economic model it is multi-dimensional. We look at the margins that are available in the business. And as we become pleased with the available margins we start to think about possibly how we re-prioritize exposure of growth versus pushing further on rate. |
| June 2021 Non-Deal Roadshow (6/21/21) | WRB described the current market environment as one that it has only seen two times previously, with the prior two being the early 2000's hard market and the 1985-1986 hard market. The company sounded very optimistic about its outlook and looks to take advantage of the hardening market environment where some lines are seeing rate on rate compounding for just shy of three years, while most lines are approaching rate adequacy. Further, the company called out seeing continued tailwinds in the E&S market, driven by: (1) the standard market revisiting its appetite for the specialty market; (2) expectations for increased audit premiums; and (3) new ventures. In addition to E&S tailwinds, WRB indicated that most all lines are at or approaching rate adequacy with the exception of workers' comp. Not all of the lines, however, are seeing the same increases and gave the example of professional liability having seen rate increases for quite some time, while commercial auto has started to firm more recently and workers' comp is in a soft market. |
| Q1 2021 | We are coming up for some of the major product lines on a third year in a row where we are getting meaningful rate increases. And at this stage, we are seeing, as Rich suggested, rate on rate and in many product lines where we have been getting rate on rate in excess of loss cost trend, again, we think that is very encouraging for what that means for margin. |

Source: Company reports and Wells Fargo Securities, LLC

The exhibit below shows WRB's pricing trends (excluding Workers' Compensation) relative to MarketScout since 2017. In Q3, WRB's rate (ex. WC) was 8.5% vs. MarketScout of 3.7%. This compares to Q2 2023 WRB rate of 8.2%, Q1 2023 rate of 8.3%, Q4 2022 rate of 6.9%, Q3 2022 rate of 7.3%, Q2 2022 WRB rate of 6.8%, and the 2022 average rate of 7.5%.

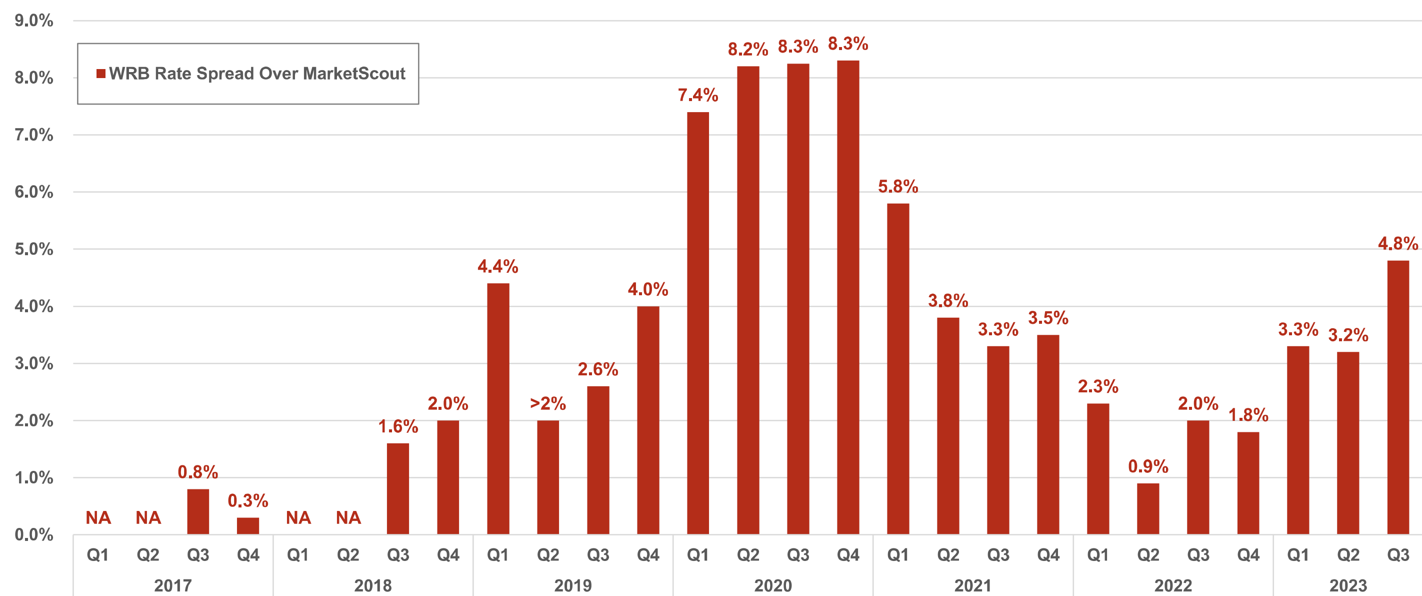
Exhibit 3 - WRB Pricing (excluding Workers' Compensation) vs. MarketScout




Source: Company reports, MarketScout, and Wells Fargo Securities, LLC

The exhibit below shows WRB's pricing trends (excluding Workers' Compensation) as a spread over the MarketScout pricing index since 2017. In Q3, WRB's rate (ex. WC) was 480bps above the MarketScout index. This compares to the Q2 2023 spread of 320 bps, Q1 2023 spread of 330 bps, and Q4 2022 spread of 180 bps.

Exhibit 4 - WRB Pricing (excluding Workers' Compensation) Spread Over MarketScout




Source: Company reports, MarketScout, and Wells Fargo Securities, LLC

## Summary of Estimate Changes

**Estimates lowered**. See below for an overview of our estimate changes following Q3 2023 earnings.

- **2023 EPS estimate moves higher to $4.88 (vs prior $4.73)** driven predominantly by the $0.15 beat in Q3 vs. us.
- **2024 EPS is roughly unchanged at $6.15** reflecting higher NII roughly offset by a higher share count.
- **2025 EPS is roughly unchanged at $7.10** reflecting higher NII roughly offset by a higher share count.

***Our 2023 estimate is up by $0.15 reflective of the Q3 beat. Our 2024 and 2025 EPS are unchanged at $6.15 and $7.10, respectively.***

## Summary of Estimate Changes

Exhibit 5 - WRB Estimate Changes

| | Current | | | Prior | | | *Absolute Change* | | | *Percentage Change* | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *($ in millions, except as noted)* | 2023E | 2024E | 2025E | 2023E | 2024E | 2025E | *2023E* | *2024E* | *2025E* | *2023E* | *2024E* | *2025E* |
| **Summary** | | | | | | | | | | | | |
| Insurance | 838.7 | 994.0 | 1,111.5 | 846.8 | 993.5 | 1,110.4 | *(8.2)* | *0.5* | *1.1* | *(1.0%)* | *0.0%* | *0.1%* |
| Reinsurance & Monoline Excess | 212.4 | 220.8 | 246.0 | 204.3 | 224.1 | 249.1 | *8.2* | *(3.3)* | *(3.1)* | *4.0%* | *(1.5%)* | *(1.2%)* |
| **Underwriting Income** | **1,051.1** | **1,214.8** | **1,357.5** | **1,051.1** | **1,217.6** | **1,359.5** | ***0.0*** | ***(2.8)*** | ***(2.0)*** | ***0.0%*** | ***(0.2%)*** | ***(0.1%)*** |
| Net Investment Income | 1,032.9 | 1,311.5 | 1,509.7 | 1,008.2 | 1,288.7 | 1,488.5 | *24.8* | *22.8* | *21.3* | *2.5%* | *1.8%* | *1.4%* |
| Corporate & Other Ex. Realized Gains/(Losses) | (386.3) | (421.8) | (462.9) | (416.8) | (420.9) | (461.7) | *30.5* | *(0.9)* | *(1.2)* | *(7.3%)* | *0.2%* | *0.2%* |
| **Pre-Tax Operating Income** | **1,697.7** | **2,104.5** | **2,404.4** | **1,642.4** | **2,085.4** | **2,386.3** | ***55.3*** | ***19.1*** | ***18.1*** | ***3.4%*** | ***0.9%*** | ***0.8%*** |
| Taxes | (361.9) | (442.0) | (504.9) | (351.4) | (437.9) | (501.1) | *(10.4)* | *(4.0)* | *(3.8)* | *3.0%* | *0.9%* | *0.8%* |
| Noncontrolling Interest | (1.5) | (2.5) | (2.5) | (2.3) | (2.5) | (2.5) | *0.8* | *0.0* | *0.0* | *(34.4%)* | *0.0%* | *0.0%* |
| **Adjusted After-Tax Operating Income** | **1,334.3** | **1,660.1** | **1,896.9** | **1,288.7** | **1,645.0** | **1,882.6** | ***45.6*** | ***15.1*** | ***14.3*** | ***3.5%*** | ***0.9%*** | ***0.8%*** |
| **Operating EPS** | **$4.88** | **$6.15** | **$7.10** | **$4.73** | **$6.15** | **$7.10** | ***$0.16*** | ***NC*** | ***NC*** | ***3.3%*** | ***0.1%*** | ***(0.1%)*** |
| *YoY Change in Operating EPS* | *11.3%* | *26.0%* | *15.3%* | *7.8%* | *30.0%* | *15.6%* | *3.5%* | *(4.0%)* | *(0.2%)* | *-* | *-* | *-* |
| Tax Rate | 21.3% | 21.0% | 21.0% | 21.4% | 21.0% | 21.0% | *(8bps)* | *(0bps)* | *+0bps* | *(0.4%)* | *0.0%* | *0.0%* |
| **GAAP Book Value per Share** | **$27.96** | **$34.05** | **$41.00** | **$28.70** | **$34.75** | **$41.85** | ***($0.73)*** | ***($0.70)*** | ***($0.85)*** | ***(2.6%)*** | ***(2.0%)*** | ***(2.0%)*** |
| **Operating Return on Equity** | **19.2%** | **21.0%** | **20.1%** | **18.5%** | **20.7%** | **19.9%** | ***0.7%*** | ***0.3%*** | ***0.2%*** | ***3.9%*** | ***1.3%*** | ***0.8%*** |
| Net Income ROE | 20.6% | 24.5% | 23.1% | 20.8% | 24.1% | 22.9% | *(18bps)* | *+40bps* | *+17bps* | *(0.9%)* | *1.7%* | *0.8%* |
| **Revenues** | | | | | | | | | | | | |
| Gross premiums written | 12,926.7 | 14,281.7 | 15,745.7 | 12,963.4 | 14,251.1 | 15,697.2 | *(36.7)* | *30.5* | *48.5* | *(0.3%)* | *0.2%* | *0.3%* |
| y/y change | 8.5% | 10.5% | 10.3% | 8.9% | 9.9% | 10.1% | *(0.3%)* | *0.5%* | *0.1%* | *-* | *-* | *-* |
| Net premiums written | 10,883.1 | 11,961.9 | 13,184.6 | 10,860.4 | 11,940.5 | 13,148.6 | *22.8* | *21.4* | *36.0* | *0.2%* | *0.2%* | *0.3%* |
| y/y change | 8.8% | 9.9% | 10.2% | 8.6% | 9.9% | 10.1% | *0.2%* | *(0.0%)* | *0.1%* | *-* | *-* | *-* |
| **Net premiums earned** | **10,379.3** | **11,428.6** | **12,571.6** | **10,360.6** | **11,406.3** | **12,543.0** | ***18.7*** | ***22.3*** | ***28.5*** | ***0.2%*** | ***0.2%*** | ***0.2%*** |
| y/y change | 8.6% | 10.1% | 10.0% | 8.4% | 10.1% | 10.0% | *0.2%* | *0.0%* | *0.0%* | *-* | *-* | *-* |
| **Net investment income** | **1,032.9** | **1,311.5** | **1,509.7** | **1,008.2** | **1,288.7** | **1,488.5** | ***24.8*** | ***22.8*** | ***21.3*** | ***2.5%*** | ***1.8%*** | ***1.4%*** |
| y/y change | 32.6% | 27.0% | 15.1% | 29.4% | 27.8% | 15.5% | *3.2%* | *(0.9%)* | *(0.4%)* | *-* | *-* | *-* |
| **Total revenues** | **12,105.1** | **13,413.7** | **14,754.9** | **12,110.8** | **13,368.6** | **14,705.1** | ***(5.7)*** | ***45.1*** | ***49.8*** | ***(0.0%)*** | ***0.3%*** | ***0.3%*** |
| **Underwriting Profitability** | | | | | | | | | | | | |
| Loss Ratio | 61.5% | 60.9% | 60.8% | 61.6% | 60.9% | 60.8% | *(0.0pts)* | *+0.0pts* | *+0.0pts* | *(0.1%)* | *0.1%* | *0.1%* |
| Expense Ratio | 28.3% | 28.4% | 28.4% | 28.3% | 28.4% | 28.4% | *+0.0pts* | *(0.0pts)* | *(0.0pts)* | *0.1%* | *(0.0%)* | *(0.0%)* |
| **Combined Ratio** | **89.9%** | **89.4%** | **89.2%** | **89.9%** | **89.3%** | **89.2%** | ***+0.0pts*** | ***+0.0pts*** | ***+0.0pts*** | ***0.0%*** | ***0.1%*** | ***0.0%*** |
| Cats Points on Combined Ratio | 1.9% | 1.9% | 1.8% | 2.0% | 1.9% | 1.8% | *(0.0pts)* | *(0.0pts)* | *(0.0pts)* | *(2.1%)* | *(0.2%)* | *(0.2%)* |
| PYD Points on Combined Ratio | 0.2% | 0.1% | 0.1% | 0.3% | 0.1% | 0.1% | *(0.0pts)* | *(0.0pts)* | *(0.0pts)* | *(15.0%)* | *(0.2%)* | *(0.2%)* |
| ***Underlying Loss Ratio*** | ***59.4%*** | ***58.9%*** | ***58.9%*** | ***59.3%*** | ***58.9%*** | ***58.9%*** | ***+0.0pts*** | ***+0.1pts*** | ***+0.0pts*** | ***0.1%*** | ***0.1%*** | ***0.1%*** |
| ***Underlying Combined Ratio*** | ***87.7%*** | ***87.4%*** | ***87.3%*** | ***87.6%*** | ***87.3%*** | ***87.3%*** | ***+0.1pts*** | ***+0.0pts*** | ***+0.0pts*** | ***0.1%*** | ***0.1%*** | ***0.1%*** |
| Catastrophe Losses ($) | 200.7 | 217.6 | 227.6 | 204.6 | 217.6 | 227.6 | *(3.9)* | *0.0* | *0.0* | *(1.9%)* | *0.0%* | *0.0%* |
| Reserve Development ($) | 23.0 | 12.0 | 12.0 | 27.0 | 12.0 | 12.0 | *(4.0)* | *0.0* | *0.0* | *(14.8%)* | *0.0%* | *0.0%* |
| **Capital Return** | | | | | | | | | | | | |
| Common Dividends | 372.6 | 112.2 | 118.2 | 242.6 | 110.0 | 115.9 | *129.9* | *2.1* | *2.3* | *0.5* | *0.0* | *0.0* |
| Share Repurchases | 530.6 | 200.0 | 260.0 | 627.7 | 240.0 | 240.0 | *(97.1)* | *(40.0)* | *20.0* | *(0.2)* | *(0.2)* | *0.1* |
| **Total Capital Return** | **903.2** | **312.2** | **378.2** | **870.3** | **350.0** | **355.9** | ***32.8*** | ***(37.9)*** | ***22.3*** | ***0.0*** | ***(0.1)*** | ***0.1*** |
| Total Payout Ratio (% of Operating Income) | 67.7% | 18.8% | 19.9% | 67.5% | 21.3% | 18.9% | *0.2%* | *(2.5%)* | *1.0%* | *-* | *-* | *-* |

Source: Company reports and Wells Fargo Securities, LLC estimates

## Valuation

**Current Valuation.** WRB trades at 2.35x Q3 2023 book value, which is above the 5-year and 10-year average multiples of 2.15x and 1.80x, respectively. The 5-year minimum is 1.42x and 10-year minimum is 1.11x. The 5-year and 10-year max is 2.99x, which is well above where the shares are currently trading. We do note that for the P&C sector price-to-book valuations are fuller given the unrealized losses we have seen in this rising interest rate environment. For WRB, if we exclude AOCI, the shares are trading at just around 2x adjusted Q3 book. On a P/E basis, WRB is trading at 11.1x consensus 2024 EPS estimate, which compares favorably to the 5-year and 10-year average multiples of 17.3x and 16.8x, respectively. It is just above the 5-year minimum, which is 10.0x (during the low point of the pandemic) and above the 10-year minimum of 10.0x. The 5-year and 10-year max is 25.0x.

Exhibit 6 - WRB Historical P/BV


Source: Company reports, Factset, and Wells Fargo Securities, LLC estimates

Exhibit 7 - WRB Historical P/E


Source: Company reports, Factset, and Wells Fargo Securities, LLC estimates

## Exhibit 8 - WRB Consolidated Earnings Model

| *$ in millions, except per share data* | 2021 | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | 2022 | Q1 2023 | Q2 2023 | Q3 2023 | Q4 2023E | 2023E | Q1 2024E | Q2 2024E | Q3 2024E | Q4 2024E | 2024E | Q1 2025E | Q2 2025E | Q3 2025E | Q4 2025E | 2025E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Summary** | | | | | | | | | | | | | | | | | | | | | |
| Insurance | 749.2 | 243.4 | 233.2 | 187.4 | 238.4 | 902.3 | 185.5 | 199.1 | 207.9 | 246.3 | 838.7 | 247.0 | 243.0 | 234.9 | 269.1 | 994.0 | 273.2 | 271.1 | 265.9 | 301.4 | 1,111.5 |
| Reinsurance & Monoline Excess | 95.1 | 30.3 | 35.0 | 4.4 | 52.7 | 122.4 | 49.5 | 65.2 | 49.7 | 48.0 | 212.4 | 56.8 | 50.6 | 55.6 | 57.9 | 220.8 | 63.8 | 59.5 | 60.3 | 62.4 | 246.0 |
| **Underwriting Income** | **844.3** | **273.7** | **268.2** | **191.7** | **291.0** | **1,024.7** | **235.0** | **264.3** | **257.5** | **294.3** | **1,051.1** | **303.8** | **293.6** | **290.5** | **327.0** | **1,214.8** | **337.0** | **330.6** | **326.1** | **363.8** | **1,357.5** |
| Net Investment Income | 671.6 | 173.5 | 171.6 | 202.8 | 231.3 | 779.2 | 223.4 | 245.2 | 270.9 | 293.4 | 1,032.9 | 307.8 | 321.5 | 334.7 | 347.5 | 1,311.5 | 359.8 | 371.8 | 383.4 | 394.8 | 1,509.7 |
| Corporate & Other Ex. Realized Gains/(Losses) | (320.7) | (75.8) | (45.6) | (40.9) | (119.0) | (281.3) | (105.3) | (110.2) | (66.1) | (104.7) | (386.3) | (105.2) | (107.6) | (103.9) | (105.1) | (421.8) | (115.2) | (118.0) | (114.1) | (115.6) | (462.9) |
| **Pre-Tax Operating Income** | **1,195.2** | **371.4** | **394.1** | **353.7** | **403.3** | **1,522.5** | **353.1** | **399.3** | **462.4** | **482.9** | **1,697.7** | **506.3** | **507.5** | **521.3** | **569.4** | **2,104.5** | **581.6** | **584.4** | **595.4** | **642.9** | **2,404.4** |
| Tax Rate | 19.6% | 16.7% | 20.5% | 19.9% | 19.9% | 19.3% | 21.4% | 22.3% | 20.7% | 21.0% | 21.3% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% | 21.0% |
| Taxes | (234.8) | (62.1) | (80.6) | (70.2) | (80.2) | (293.2) | (75.5) | (89.0) | (95.9) | (101.4) | (361.9) | (106.3) | (106.6) | (109.5) | (119.6) | (442.0) | (122.1) | (122.7) | (125.0) | (135.0) | (504.9) |
| Noncontrolling Interest | (8.5) | (2.4) | (0.1) | (1.6) | 0.2 | (3.9) | (1.6) | 0.6 | 0.2 | (0.6) | (1.5) | (0.6) | (0.6) | (0.6) | (0.6) | (2.5) | (0.6) | (0.6) | (0.6) | (0.6) | (2.5) |
| **Adjusted After-Tax Operating Income** | **951.9** | **306.921** | **313.4** | **281.8** | **323.3** | **1,225.4** | **276.0** | **310.9** | **366.6** | **380.9** | **1,334.3** | **399.4** | **400.3** | **411.2** | **449.2** | **1,660.1** | **458.8** | **461.1** | **469.8** | **507.3** | **1,896.9** |
| **Operating EPS** | **$3.40** | **$1.10** | **$1.12** | **$1.01** | **$1.16** | **$4.39** | **$1.00** | **$1.14** | **$1.35** | **$1.40** | **$4.88** | **$1.48** | **$1.48** | **$1.53** | **$1.67** | **$6.15** | **$1.71** | **$1.73** | **$1.76** | **$1.91** | **$7.10** |
| *YoY Change in After-Tax Operating Income* | 117.1% | 52.1% | 43.0% | 14.2% | 13.7% | 28.7% | (10.1%) | (0.8%) | 30.1% | 17.8% | 8.9% | 44.7% | 28.8% | 12.2% | 17.9% | 24.4% | 14.9% | 15.2% | 14.2% | 12.9% | 14.3% |
| ***YoY Change in Operating EPS*** | **119.8%** | **52.7%** | **43.6%** | **14.4%** | **13.6%** | **28.9%** | **(9.5%)** | **1.5%** | **34.0%** | **21.2%** | **11.3%** | **48.6%** | **30.4%** | **13.2%** | **19.1%** | **26.0%** | **15.9%** | **16.2%** | **15.4%** | **14.1%** | **15.3%** |
| Consensus EPS | | | | | | | | | | $1.34 | $4.72 | $1.42 | $1.38 | $1.37 | $1.55 | $5.68 | $1.64 | $1.56 | $1.54 | $1.77 | $6.37 |
| WFS Estimate versus Consensus | | | | | | | | | | 4.7% | 3.4% | 4.1% | 7.9% | 11.5% | 8.1% | 8.3% | 4.8% | 10.8% | 14.6% | 7.9% | 11.4% |
| **Premiums** | | | | | | | | | | | | | | | | | | | | | |
| YoY Change in Gross Premiums Written | 20.9% | 15.1% | 14.7% | 10.6% | 5.4% | 11.3% | 6.6% | 9.3% | 8.8% | 9.3% | 8.5% | 11.0% | 9.1% | 12.0% | 9.8% | 10.5% | 10.3% | 10.2% | 10.2% | 10.3% | 10.3% |
| **YoY Change in Premiums Earned** | **17.0%** | **21.6%** | **19.6%** | **17.3%** | **14.1%** | **18.0%** | **10.8%** | **8.3%** | **8.2%** | **7.2%** | **8.6%** | **10.6%** | **10.6%** | **9.4%** | **9.8%** | **10.1%** | **9.8%** | **9.9%** | **10.1%** | **10.2%** | **10.0%** |
| **Investment Income (Pre-Tax)** | | | | | | | | | | | | | | | | | | | | | |
| Core Portfolio | 413.9 | 112.3 | 133.6 | 156.1 | 186.9 | 588.9 | 203.0 | 229.3 | 248.6 | 264.8 | 945.7 | 278.4 | 291.3 | 303.7 | 315.6 | 1,189.0 | 327.1 | 338.2 | 348.9 | 359.3 | 1,373.5 |
| Investment Funds | 220.0 | 52.0 | 33.9 | 36.0 | 23.2 | 145.1 | 2.2 | (1.2) | 4.5 | 20.3 | 25.7 | 20.8 | 21.4 | 22.0 | 22.6 | 86.9 | 23.3 | 23.9 | 24.6 | 25.2 | 96.9 |
| Arbitrage Trading Account | 37.7 | 9.2 | 4.1 | 10.7 | 21.2 | 45.2 | 18.3 | 17.0 | 17.9 | 8.4 | 61.5 | 8.6 | 8.8 | 9.0 | 9.2 | 35.6 | 9.5 | 9.7 | 9.9 | 10.2 | 39.3 |
| **Total Pre-Tax Net Investment Income** | **671.6** | **173.5** | **171.6** | **202.8** | **231.3** | **779.2** | **223.4** | **245.2** | **270.9** | **293.4** | **1,032.9** | **307.8** | **321.5** | **334.7** | **347.5** | **1,311.5** | **359.8** | **371.8** | **383.4** | **394.8** | **1,509.7** |
| **Total Pre-Tax NII Annualized Yield** | **2.98%** | **2.93%** | **2.91%** | **3.44%** | **3.84%** | **3.27%** | **3.61%** | **3.90%** | **4.22%** | **4.45%** | **4.05%** | **4.59%** | **4.72%** | **4.83%** | **4.93%** | **4.77%** | **5.02%** | **5.10%** | **5.17%** | **5.23%** | **5.13%** |
| **Margins** | | | | | | | | | | | | | | | | | | | | | |
| Loss Ratio | 61.1% | 59.5% | 60.9% | 64.1% | 60.6% | 61.3% | 61.8% | 61.5% | 61.9% | 61.0% | 61.5% | 60.3% | 61.1% | 61.5% | 60.9% | 60.9% | 60.2% | 61.0% | 61.4% | 60.7% | 60.8% |
| Expense Ratio | 28.5% | 28.3% | 27.7% | 28.1% | 27.8% | 28.0% | 28.8% | 28.1% | 28.3% | 28.1% | 28.3% | 28.7% | 28.5% | 28.5% | 28.1% | 28.4% | 28.7% | 28.4% | 28.4% | 28.1% | 28.4% |
| **Combined Ratio** | **89.6%** | **87.8%** | **88.6%** | **92.1%** | **88.4%** | **89.3%** | **90.6%** | **89.6%** | **90.2%** | **89.1%** | **89.9%** | **89.0%** | **89.6%** | **90.0%** | **88.9%** | **89.4%** | **88.9%** | **89.3%** | **89.8%** | **88.8%** | **89.2%** |
| YoY Change in Loss Ratio (Favorable) | (3.4%) | (1.1%) | (0.1%) | 1.7% | 0.2% | 0.2% | 2.2% | 0.6% | (2.1%) | 0.4% | 0.2% | (1.5%) | (0.4%) | (0.5%) | (0.1%) | (0.6%) | (0.1%) | (0.2%) | (0.1%) | (0.2%) | (0.1%) |
| YoY Change in Expense Ratio (Favorable) | (2.0%) | (1.2%) | (1.0%) | 0.0% | 0.0% | (0.5%) | 0.6% | 0.4% | 0.2% | 0.3% | 0.4% | (0.1%) | 0.3% | 0.2% | (0.1%) | 0.1% | (0.0%) | (0.1%) | (0.1%) | 0.1% | (0.0%) |
| **YoY Change in Combined Ratio (Favorable)** | **(5.4%)** | **(2.3%)** | **(1.1%)** | **1.7%** | **0.2%** | **(0.3%)** | **2.8%** | **1.0%** | **(1.9%)** | **0.7%** | **0.6%** | **(1.6%)** | **(0.0%)** | **(0.3%)** | **(0.1%)** | **(0.5%)** | **(0.1%)** | **(0.3%)** | **(0.2%)** | **(0.1%)** | **(0.2%)** |
| **Catastrophe Losses ($)** | **202.0** | **28.8** | **57.9** | **94.1** | **30.8** | **211.7** | **47.9** | **53.5** | **61.5** | **37.8** | **200.7** | **37.4** | **67.0** | **70.4** | **42.8** | **217.6** | **39.4** | **70.0** | **75.4** | **42.8** | **227.6** |
| Cats Points on Combined Ratio | 2.5% | 1.3% | 2.5% | 3.9% | 1.2% | 2.2% | 1.9% | 2.1% | 2.3% | 1.4% | 1.9% | 1.4% | 2.4% | 2.4% | 1.4% | 1.9% | 1.3% | 2.3% | 2.4% | 1.3% | 1.8% |
| **Reserve Development ($)** | **(7.0)** | **(1.0)** | **(2.0)** | **39.0** | **(0.3)** | **35.7** | **24.0** | **(3.0)** | **(1.0)** | **3.0** | **23.0** | **3.0** | **3.0** | **3.0** | **3.0** | **12.0** | **3.0** | **3.0** | **3.0** | **3.0** | **12.0** |
| PYD Points on Combined Ratio | (0.1%) | (0.0%) | (0.1%) | 1.6% | (0.0%) | 0.4% | 1.0% | (0.1%) | (0.0%) | 0.1% | 0.2% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| **Adjusted Margins** | | | | | | | | | | | | | | | | | | | | | |
| Underlying Loss Ratio | 58.7% | 58.3% | 58.5% | 58.6% | 59.3% | 58.7% | 58.9% | 59.5% | 59.6% | 59.4% | 59.4% | 58.8% | 58.7% | 58.9% | 59.3% | 58.9% | 58.8% | 58.6% | 58.9% | 59.3% | 58.9% |
| **Underlying Combined Ratio** | **87.2%** | **86.6%** | **86.2%** | **86.7%** | **87.2%** | **86.7%** | **87.7%** | **87.6%** | **87.9%** | **87.6%** | **87.7%** | **87.5%** | **87.1%** | **87.4%** | **87.4%** | **87.4%** | **87.5%** | **87.0%** | **87.3%** | **87.4%** | **87.3%** |
| YoY Change in Loss Ratio (Favorable) | (1.1%) | (0.5%) | (0.3%) | (0.3%) | 1.1% | 0.0% | 0.6% | 1.0% | 1.0% | 0.1% | 0.7% | (0.1%) | (0.9%) | (0.7%) | (0.1%) | (0.4%) | (0.0%) | (0.0%) | (0.0%) | (0.0%) | (0.0%) |
| **YoY Change in Combined Ratio (Favorable)** | **(3.1%)** | **(1.8%)** | **(1.3%)** | **(0.3%)** | **1.1%** | **(0.5%)** | **1.1%** | **1.4%** | **1.2%** | **0.4%** | **1.0%** | **(0.2%)** | **(0.5%)** | **(0.5%)** | **(0.2%)** | **(0.3%)** | **(0.0%)** | **(0.1%)** | **(0.1%)** | **0.0%** | **(0.1%)** |
| **Book Value and Return on Equity** | | | | | | | | | | | | | | | | | | | | | |
| **GAAP Book Value per Share** | **$25.09** | **$25.89** | **$24.56** | **$23.88** | **$25.51** | **$25.51** | **$26.45** | **$26.74** | **$26.80** | **$27.96** | **$27.96** | **$29.45** | **$30.89** | **$32.39** | **$34.05** | **$34.05** | **$35.71** | **$37.39** | **$39.11** | **$41.00** | **$41.00** |
| **Operating Return on Equity** | **14.6%** | **18.2%** | **18.8%** | **17.5%** | **19.8%** | **18.5%** | **16.1%** | **18.1%** | **21.3%** | **21.6%** | **19.2%** | **21.7%** | **20.8%** | **20.4%** | **21.3%** | **21.0%** | **20.8%** | **20.0%** | **19.5%** | **20.2%** | **20.1%** |
| **Share Count** | | | | | | | | | | | | | | | | | | | | | |
| Ending Common Shares | 265.2 | 265.2 | 265.3 | 265.8 | 264.5 | 264.5 | 262.5 | 257.5 | 258.0 | 257.2 | 257.2 | 256.0 | 255.3 | 254.5 | 253.8 | 253.8 | 253.0 | 252.0 | 251.1 | 250.2 | 250.2 |
| **Weighted Average Diluted Shares** | **279.7** | **279.2** | **279.5** | **279.6** | **278.9** | **279.3** | **277.3** | **273.1** | **271.4** | **271.2** | **273.3** | **270.2** | **269.6** | **269.1** | **268.5** | **269.8** | **267.9** | **267.2** | **266.5** | **265.8** | **267.3** |
| **Capital Return to Shareholders** | | | | | | | | | | | | | | | | | | | | | |
| Common Dividends | 355.7 | 23.0 | 159.2 | 20.3 | 32.8 | 235.2 | 158.6 | 28.3 | 157.4 | 28.3 | 372.6 | 28.2 | 28.1 | 28.0 | 27.9 | 112.2 | 27.8 | 30.2 | 30.1 | 30.0 | 118.2 |
| Share Repurchases | 122.7 | 0.0 | 0.0 | 6.6 | 87.6 | 94.1 | 135.2 | 292.5 | 2.9 | 100.0 | 530.6 | 50.0 | 50.0 | 50.0 | 50.0 | 200.0 | 65.0 | 65.0 | 65.0 | 65.0 | 260.0 |
| **Total Capital Returned** | **478.4** | **23.0** | **159.2** | **26.8** | **120.3** | **329.3** | **293.8** | **320.8** | **160.3** | **128.3** | **903.2** | **78.2** | **78.1** | **78.0** | **77.9** | **312.2** | **92.8** | **95.2** | **95.1** | **95.0** | **378.2** |
| Dividend Payout Ratio | 37.4% | 7.5% | 50.8% | 7.2% | 10.1% | 19.2% | 57.5% | 9.1% | 42.9% | 7.4% | 27.9% | 7.1% | 7.0% | 6.8% | 6.2% | 6.8% | 6.1% | 6.6% | 6.4% | 5.9% | 6.2% |
| Share Repurchase Payout Ratio | 12.9% | 0.0% | 0.0% | 2.3% | 27.1% | 7.7% | 49.0% | 94.1% | 0.8% | 26.3% | 39.8% | 12.5% | 12.5% | 12.2% | 11.1% | 12.0% | 14.2% | 14.1% | 13.8% | 12.8% | 13.7% |
| **Total Payout Ratio (% of Operating Income)** | **50.3%** | **7.5%** | **50.8%** | **9.5%** | **37.2%** | **26.9%** | **106.5%** | **103.2%** | **43.7%** | **33.7%** | **67.7%** | **19.6%** | **19.5%** | **19.0%** | **17.3%** | **18.8%** | **20.2%** | **20.7%** | **20.3%** | **18.7%** | **19.9%** |
| **Equity Rollforward and Leverage** | | | | | | | | | | | | | | | | | | | | | |
| Beginning GAAP Equity | 6,310.8 | 6,653.0 | 6,864.5 | 6,514.5 | 6,346.1 | 6,653.0 | 6,748.3 | 6,944.0 | 6,887.2 | 6,915.6 | 6,748.3 | 7,193.2 | 7,539.4 | 7,886.6 | 8,244.8 | 7,193.2 | 8,641.1 | 9,032.1 | 9,422.9 | 9,822.6 | 8,641.1 |
| Net Income | 1,022.5 | 590.6 | 179.3 | 228.9 | 382.2 | 1,381.1 | 294.1 | 356.3 | 333.6 | 405.9 | 1,389.9 | 424.4 | 425.3 | 436.2 | 474.2 | 1,760.1 | 483.8 | 486.1 | 494.8 | 532.3 | 1,996.9 |
| Common Dividends | (355.7) | (23.0) | (159.2) | (20.3) | (32.8) | (235.2) | (158.6) | (28.3) | (157.4) | (28.3) | (372.6) | (28.2) | (28.1) | (28.0) | (27.9) | (112.2) | (27.8) | (30.2) | (30.1) | (30.0) | (118.2) |
| Share Repurchases | (122.7) | 0.0 | 0.0 | (6.6) | (87.6) | (94.1) | (135.2) | (292.5) | (2.9) | (100.0) | (530.6) | (50.0) | (50.0) | (50.0) | (50.0) | (200.0) | (65.0) | (65.0) | (65.0) | (65.0) | (260.0) |
| Change in AOCI | (219.8) | (367.3) | (380.8) | (355.0) | 120.0 | (983.0) | 186.0 | (102.0) | (142.0) | 142.0 | 84.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 17.9 | 11.1 | 10.6 | (15.5) | 20.3 | 26.6 | 9.4 | 9.7 | (2.9) | (142.0) | (125.9) | (0.0) | (0.0) | 0.0 | 0.0 | (0.0) | 0.0 | 0.0 | 0.0 | (0.0) | 0.0 |
| **Ending GAAP Equity** | **6,653.0** | **6,864.5** | **6,514.5** | **6,346.1** | **6,748.3** | **6,748.3** | **6,944.0** | **6,887.2** | **6,915.6** | **7,193.2** | **7,193.2** | **7,539.4** | **7,886.6** | **8,244.8** | **8,641.1** | **8,641.1** | **9,032.1** | **9,422.9** | **9,822.6** | **10,259.8** | **10,259.8** |
| **Leverage** | | | | | | | | | | | | | | | | | | | | | |
| Debt/Capital | 32.9% | 29.3% | 30.4% | 30.9% | 29.6% | 29.6% | 29.0% | 29.2% | 29.1% | 28.3% | 28.3% | 27.3% | 26.5% | 25.6% | 24.7% | 24.7% | 23.9% | 23.1% | 22.4% | 21.7% | 21.7% |

Source: Company reports, FactSet, and Wells Fargo Securities, LLC estimates

## Investment Thesis, Valuation and Risks

### W.R. Berkley Corporation (WRB)

**Investment Thesis**

We have an Overweight rating on shares of WRB. We believe that WRB is positioned to continue to see a healthy level of rate increases in 2023 and 2024, particularly as they lean in on property insurance and reinsurance, which should translate into a good level of premium growth, which we do not believe is currently reflected in consensus expectations.

**Target Price Valuation for WRB: $75.00 from NC**

- Our price target of $75 is based on just around a 2.2x multiple of our year-end 2024 book value estimate
- Our price target also represents a ~12.2x multiple against our 2024 EPS estimate.
- The 12.2x is close to the lows where WRB has historically traded as we believe the multiple may stay constrained until WRB returns to reporting stronger premium growth and sees the non-cat fire losses dissipate. With that being said, the multiple still provides double-digit upside potential in the name.

**Risks to Our Price Target and Rating for WRB**

Risks to achieving our price target include a slowdown in the firming pricing environment, a spike in inflation resulting in higher loss costs and underlying margins falling short of expectations, adverse reserve development, and a high level of catastrophe losses.

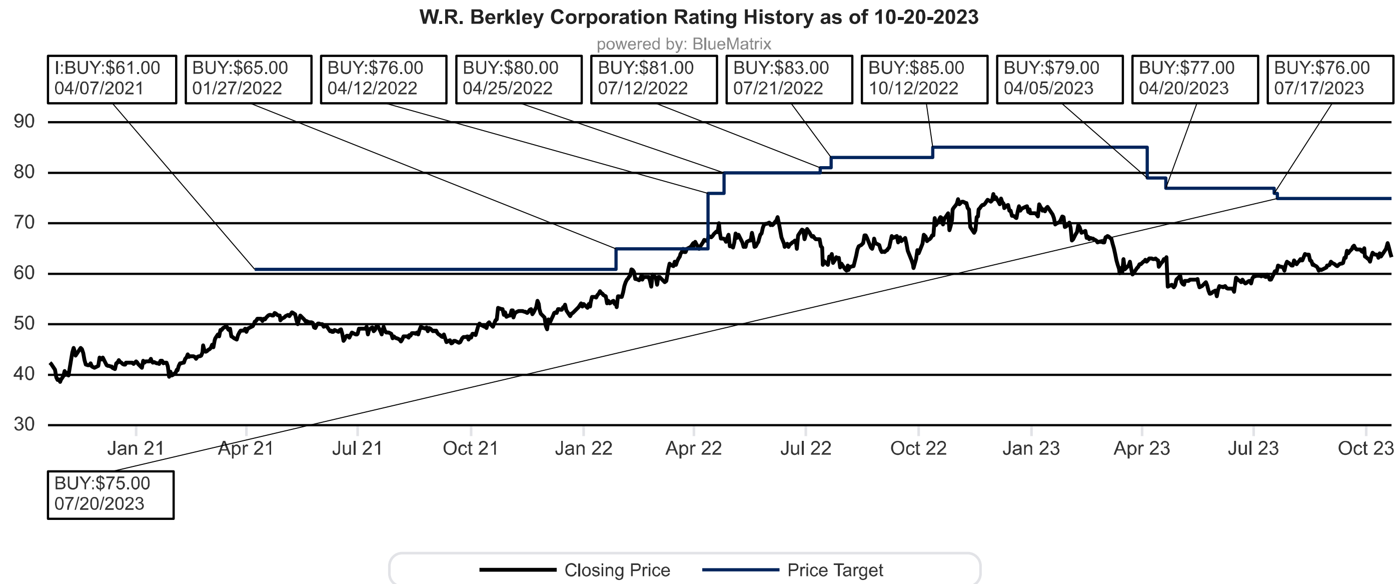
## Required Disclosures

I, Elyse Greenspan, certify that:
1) All views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers discussed; and

2) No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this research report.

Wells Fargo Securities, LLC does not compensate its research analysts based on specific investment banking transactions. Wells Fargo Securities, LLC's research analysts receive compensation that is based upon and impacted by the overall profitability and revenue of the firm, which includes, but is not limited to investment banking revenue.

## Additional Information Available Upon Request




Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

Wells Fargo Securities, LLC and/or its affiliates, have beneficial ownership of 0.5% or more of any class of the common stock of W.R. Berkley Corporation.

Wells Fargo Securities, LLC, maintains a market in the common stock of W.R. Berkley Corporation.

Wells Fargo Securities, LLC, or any of its affiliates, intends to seek or expects to receive compensation for investment banking services from W.R. Berkley Corporation in the next three months.

Wells Fargo Securities, LLC, or its affiliates has a significant financial interest in W.R. Berkley Corporation.

**STOCK RATING**

**OW=Overweight**: Total return on stock expected to be 10%+ over the next 12 months. BUY

**EW=Equal Weight**: Total return on stock expected to be -10% to +10% over the next 12 months. HOLD

**UW=Underweight**: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. SELL

**As of October 22, 2023**
48.8% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.
43.6% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.
7.5% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.
Wells Fargo Securities, LLC has provided investment banking services for 31.6% of its Equity Research Overweight-rated companies.
Wells Fargo Securities, LLC has provided investment banking services for 30.4% of its Equity Research Equal Weight-rated companies.
Wells Fargo Securities, LLC has provided investment banking services for 22.9% of its Equity Research Underweight-rated companies.

**Important Disclosure for U.S. Clients**

This report was prepared by Wells Fargo Securities Global Research Department ("WFS Research") personnel associated with Wells Fargo Securities, LLC ("Wells Fargo Securities").

WFS Research may, from time to time, provide clients with short-term trading views in its research reports regarding subject companies on which Wells Fargo Securities currently has equity research coverage. A short-term trading view offers a view on how the market price of a subject company's common equity may trend in absolute terms during the 30 days following the date of the short-term trading view. A short-term trading view on a subject company's common equity does not impact our fundamental investment rating or price target for that company, which reflect our view of how the subject company's common equity may perform over a one-year period. A short-term trading view may reach a different conclusion than the firm's fundamental investment rating and price target for a subject company and, therefore, short-term trading views could result in short-term price movements that are contrary to our fundamental investment rating and price target. Short-term trading views are not ratings and the firm does not intend, nor undertakes any obligation, to maintain, update or close out short-term trading views. Short-term trading views may not be suitable for all investors and have not been tailored to individual investor circumstances and objectives, and investors should make their own independent decisions regarding any short-term trading views discussed in WFS Research reports.

**Important Disclosure for International Clients**

**United Kingdom –** The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited ("WFSIL"). WFSIL is a UK incorporated investment firm authorised and regulated by the Financial Conduct Authority. For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the "Act"), the content of this report has been approved by WFSIL, an authorised person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). The FCA rules made under the Financial Services and Markets Act 2000 for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. This report is not intended for, and should not be relied upon by, retail clients. For the purposes of the U.K. Financial Conduct Authority's rules, this report constitutes impartial investment research.

**EEA –** The securities and related financial instruments described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. For recipients in the EEA, this report is distributed by WFSIL or Wells Fargo Securities Europe S.A. ("WFSE"). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in the Directive 2014/65/EU ("MiFID2"). This report is not intended for, and should not be relied upon by, retail clients.

**Australia –** Wells Fargo Securities, LLC and Wells Fargo Securities International Limited are exempt from the requirements to hold an Australian financial services license in respect of the financial services they provide to wholesale clients in Australia. Wells Fargo Securities, LLC is regulated under the laws of the United States and Wells Fargo Securities International Limited is regulated under laws of the United Kingdom. All such laws differ from Australian laws. Any offer or documentation provided to Australian recipients by Wells Fargo Securities, LLC or Wells Fargo Securities International Limited in the course of providing the financial services will be prepared in accordance with the laws of the United States or United Kingdom and not Australian laws.

**Canada –** This report is distributed in Canada by Wells Fargo Securities Canada, Ltd., a registered investment dealer in Canada and member of the Canadian Investment Regulatory Organization (CIRO) and, Member – Canadian Investor Protection Fund (CIPF). Wells Fargo Securities, LLC's research analysts may participate in company events such as site visits but are generally prohibited from accepting payment or reimbursement by the subject companies for associated expenses unless pre-authorized by members of Research Management.

**China –** Strictly Private and Confidential. For the sole use of the recipient only. Not to be copied or redistributed within the People's Republic of China.

**Brazil -** This report was not created for distribution to investors resident in Brazil or to the Brazilian public in general. Wells Fargo Securities, LLC is a broker-dealer registered in United States of America with and regulated by the U.S. Securities and Exchange Commission. Wells Fargo Securities, LLC is not registered in Brazil and its products, including this report and the securities mentioned in this report, have not been and will not be publicly issued, placed, distributed, offered or negotiated in the Brazilian capital markets, and, as a result, have not been and will not be registered with the Brazilian Securities Commission (Comissão de Valores Mobiliários, the CVM). The offer of Wells Fargo Securities, LLC's products, including this report and any securities mentioned in this report, is intended only for residents in the countries in which Wells Fargo Securities, LLC is authorized to operate.

**About Wells Fargo Securities**

Wells Fargo Securities is the trade name for the capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including but not limited to Wells Fargo Securities, LLC, a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of NYSE, FINRA, NFA and SIPC, Wells Fargo Prime Services, LLC, a member of FINRA, NFA and SIPC, Wells Fargo Securities Canada, Ltd., a member of IIROC and CIPF, Wells Fargo Bank, N.A. and Wells Fargo Securities International Limited, authorized and regulated by the Financial Conduct Authority.

This report is for your information only and is not an offer to sell, or a solicitation of an offer to buy, the securities or instruments named or described in the report. This report, including any ratings it contains, does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should seek professional advice, including tax advice, to determine whether any advice or recommendation in the attached research report is suitable for their particular circumstances. The information in this report is provided as of the date of the report and has been obtained or derived from sources believed by Wells Fargo Securities Global Research Department ("WFS Research"), to be reliable, but WFS Research does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of WFS Research, at the time that the report was published, and are subject to change without notice. Certain text, images, graphics, screenshots and audio or video clips included in this report are protected by copyright law and owned by third parties (collectively, "Third Party Content"). Third Party Content is made available to clients by Wells Fargo under license or otherwise in accordance with applicable law. Any use or publication of Third Party Content included in this report for purposes other than fair use requires permission from the copyright owner. Any external website links included in this publication are not maintained, controlled or operated by Wells Fargo Securities. Wells Fargo Securities does not provide the products and services on these websites and the views expressed on these websites do not necessarily represent those of Wells Fargo Securities. Please review the applicable privacy and security policies and terms and conditions for the website you are visiting. All Wells Fargo Securities research reports published by WFS Research are disseminated and available to all clients simultaneously through electronic publication to our internal client websites. Clients may also receive our research via third party vendors. Not all research content is redistributed to our clients or available to third-party aggregators, nor is WFS Research responsible for the redistribution of our research by third party aggregators. Equity Strategists focus on investment themes across the equity markets and sectors. Any discussion within an Equity Strategy report of specific securities is not intended to provide a fundamental analysis of any individual company described therein. The information provided in Equity Strategy reports is subject to change without notice, and investors should not expect continuing information or additional reports relating to any security described therein. Wells Fargo Securities' Signature Picks is a product of the Equity Strategy team and represents a portfolio of stocks selected from the Equity Research Department's universe of Overweight rated stocks. Stocks with this designation are selected by the Signature Picks Committee based on factors such as volatility, risks, market cap and liquidity and may not represent the fundamental analysts' top-rated stock in their respective coverage universe. For research or other data available on a particular security, please contact your sales representative or go to http://research.wellsfargosecurities.com. 