Earnings Revised — October 24, 2022

Commercial Lines Insurance

W.R. Berkley Corporation (WRB)

WRB: Leaning Into The Hard Market; Q3 EPS and Conference Call Round-Up

Our Call

Summary. WRB reported Q3 2022 EPS of $1.01 beating our $0.83 and consensus of $0.85. The upside was driven by: **(1)** stronger net investment income (in the core portfolio and its investment funds and arbitrage trading account), and **(2)** lower corporate expenses (including $41.1 million of foreign exchange gains), partially offset by slightly higher cat losses and prior year adverse development. Catastrophe losses came in at $94.1 million, modestly higher than our $83.0 million estimate, and prior year adverse reserve development was $39.1 million vs. our estimate for adverse development of ($0.5) million. WRB said that the adverse development (primarily hit the insurance segment) and stemmed from two isolated and unique events related to Covid-19 and they would not expect it to recur.

- **Mostly unchanged estimates and price target.** Following WRB's conference call, we are raising our 2022 EPS estimate to $4.40 from $4.19, while our 2023 and 2024 EPS estimates and unchanged at $5.05 and $6.05, respectively. Our price target remains $85. Shares of WRB are indicating down most likely due to the slightly lower premium growth and adverse development in the quarter. Given the conservatism at WRB, combined with their ability to benefit from the harder post Hurricane Ian market, we continue to have an Overweight rating on the shares.
- **Pricing got better in the quarter.** WRB saw price increases of 7.3%, excluding workers' comp, improving from 6.8% in Q2. WRB did not want to provide color on pricing in each specific business line, but did allude to some good opportunities emerging as they look to flex into short-tail lines on both the insurance and reinsurance side as the market gets better post Hurricane Ian. From their tone throughout the call our sense is conditions remain strong within the E&S market.
- **Color on the adverse reserve development.** Berkley saw just around $39 million of adverse development in the quarter (typical quarterly reserve movements are very modest for WRB), which they attributed to a couple of Covid-19 claims that they did not expect to recur. Based on some articles that we have seen we expect the losses were associated with event cancellation claims from the pandemic.
- **Underlying margin was just better than us.** The underlying margin (of 86.6%) just beat us due to an expense ratio that was 10 basis points better than us. Further, the insurance segment fell short of us, and reinsurance beat us. Our sense is WRB continues to conservatively set its reserves as the company said that their price increases are abot 100-200 basis points better than loss trend, but they are not declaring victory prematurely.
- **Premium growth in double digits, but did slow.** Net premium written growth was 10.8%, which did represent a slowdown from prior quarters due to lower growth within professional lines as WRB positions its book in the most profitable business lines. Further, given how WRB is talking about the potential market improvement in 2023 and its ability to pivot into areas (short-tail lines) that could benefit the most from Hurricane Ian, we think they have the potential to continue to show strong top-line growth from here.
- **See inside** for additional takes from the quarter and the conference call incuding highlights of pricing commentary given by WRB over the past couple of years.

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Rating	Overweight
Ticker	WRB
Price Target/Prior:	$85.00/NC
Upside/(Downside) to Target	**17.1%**
Price (10/24/2022)	**$72.57**
52 Week Range	$49.41 - 73.20
Shares Outstanding	265,272,980
Market Cap (MM)	$19,251
Enterprise Value (MM)	$19,202
Average Daily Volume	457,756
Average Daily Value (MM)	$33
Dividend (NTM)	$0.86
Dividend Yield	1.2%
Net Debt (MM) - last reported	$(49)
ROIC - Current year est.	19%
3 Yr EPS CAGR from current year (unless otherwise noted)	21%

$ EPS	2021A	2022E Curr.	2022E Prior	2023E Curr.	2023E Prior
Q1 (Mar)	0.72 A	1.10 A	NC	1.24 E	1.22E
Q2 (Jun)	0.78 A	1.12 A	NC	1.21 E	1.20E
Q3 (Sep)	0.88 A	1.01 A	0.83E	1.22 E	1.23E
Q4 (Dec)	1.02 A	1.17 E	1.15E	1.39 E	1.41E
FY	3.40 A	4.40 E	4.19E	5.05 E	NC
P/E	21.3x	16.5x		14.4x	

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

Q3 2022 Beats On Net Investment Income

In a Nutshell. WRB reported Q3 2022 EPS of $1.01 beating our $0.83 and consensus of $0.85. The upside was driven by: **(1)** stronger net investment income (in the core portfolio and its investment funds and arbitrage trading account), and **(2)** and lower corporate expenses (including $41.1 million of foreign exchange gains), partially offset by slightly higher cat losses and prior year adverse development. Catastrophe losses came in at $94.1 million, a bit higher than our $83.0 million estimate, and prior year reserve development was $39.1 million unfavorable vs. our estimate for adverse development of ($0.5) million. WRB said that the adverse development came from a couple of unique claims related to Covid-19 and primarily hit the insurance segment (WRB does not give the exact amount of adverse development by segment until they file their 10-Q). Based on some articles that we have seen, we expect the losses were associated with event cancellation claims from the pandemic.Investment income came in at $202.8 million, significantly better than our $147.8 million estimate.

The underlying combined ratio of 86.6% was just better than our 86.7% estimate, driven by a better expense ratio (of 28.0%, versus our 28.1% estimate), with the underlying loss ratio coming in at 58.6% (in-line with our estimate). WRB bought back a modest $6.6 million shares in the quarter (the first time they have bought back shares since Q3 2021), but it did come in below our $50 million estimate. The operating ROE was 17.5%, and the net income ROE was 13.8%. Book value per share declined (2.8%) QoQ.

Exhibit 1 - WRB Q3 2022 Estimates Versus Actual

	Q3 2022		Delta Vs. WFS	
($ in millions, except as noted)	Actual	WFS Estimate	*Absolute Delta*	*% Delta*
Summary				
Insurance	187.4	244.6	*(57.3)*	*(23.4%)*
Reinsurance & Monoline Excess	4.4	(3.4)	*7.7*	*(230.5%)*
Underwriting Income	**191.7**	**241.3**	***(49.5)***	***(20.5%)***
Net Investment Income	202.8	147.8	*55.1*	*37.3%*
Corporate & Other Ex. Realized Gains/(Losses)	(40.9)	(96.2)	*55.3*	*(57.5%)*
Pre-Tax Operating Income	**353.7**	**292.8**	***60.9***	***20.8%***
Taxes	(70.2)	(61.5)	*(8.8)*	*14.2%*
Noncontrolling Interest	(1.6)	(0.6)	*(1.0)*	*155.2%*
Adjusted After-Tax Operating Income	**281.8**	**230.7**	***51.1***	***22.2%***
Operating EPS	**$1.01**	**$0.83**	***$0.18***	***22.0%***
YoY Change in Operating EPS	*14.4%*	*(6.2%)*	*20.6%*	-
Tax Rate	19.9%	21.0%	*(114bps)*	*(5.4%)*
GAAP Book Value per Share	**$23.88**	**$23.97**	***($0.09)***	***(0.4%)***
Operating Return on Equity	**17.5%**	**14.4%**	***3.1%***	***21.5%***
Net Income ROE	13.8%	15.4%	*(161bps)*	*(10.5%)*
Revenues				
Gross premiums written	3,081.9	3,222.5	*(140.5)*	*(4.4%)*
y/y change	10.6%	15.6%	*(5.0%)*	-
Net premiums written	2,577.3	2,671.7	*(94.5)*	*(3.5%)*
y/y change	10.8%	14.9%	*(4.1%)*	-
Net premiums earned	**2,442.0**	**2,443.2**	***(1.2)***	***(0.1%)***
y/y change	17.3%	17.4%	*(0.1%)*	-
Net investment income	**202.8**	**147.8**	***55.1***	***37.3%***
y/y change	12.8%	(17.8%)	*30.6%*	-
Total revenues	**2,724.4**	**2,757.1**	***(32.7)***	***(1.2%)***
Underwriting Profitability				
Loss Ratio	64.1%	62.0%	*+2.1pts*	*3.3%*
Expense Ratio	28.1%	28.1%	*(0.1pts)*	*(0.2%)*
Combined Ratio	**92.1%**	**90.1%**	***+2.0pts***	***2.2%***
Cats Points on Combined Ratio	3.9%	3.4%	*+0.5pts*	*13.5%*
PYD Points on Combined Ratio	1.6%	0.0%	*+1.6pts*	*7718.3%*
Underlying Loss Ratio	***58.6%***	***58.6%***	***+0.0pts***	***0.1%***
Underlying Combined Ratio	***86.6%***	***86.7%***	***(0.1pts)***	***(0.1%)***
Catastrophe Losses ($)	94.1	83.0	*11.1*	*13.4%*
Reserve Development ($)	39.1	0.5	*38.6*	*7714.3%*
Capital Return				
Common Dividends	20.2	26.5	*(6.3)*	*(0.2)*
Share Repurchases	6.6	50.0	*(43.4)*	*(0.9)*
Total Capital Return	**26.8**	**76.5**	***(49.7)***	***(0.6)***
Total Payout Ratio (% of Operating Income)	9.5%	33.2%	*(23.6%)*	-

Source: Company reports and Wells Fargo Securities, LLC estimates

Highlights of WRB Pricing Thoughts

Healthy pricing trends persist with overall rates accelerating in the Q3. WRB saw price increases of 7.3%, excluding workers' comp (the price increase with workers' comp will be available with the 10-Q). This improved from 6.8% in Q2, but did represent a slowdown from 8.3% in Q1 and 9.3% in Q4. Overall, WRB described market conditions as remaining favorable, and echoed comments they made from a conference presentation in September that they would be willing to potentially increase their property catastrophe reinsurance exposure if conditions get better (which they are expected to) at January 1, 2023. Exhibit 2 below shows recent commentary that WRB has provided on pricing since the start of 2020.

Exhibit 2 - WRB Historical Pricing Commentary

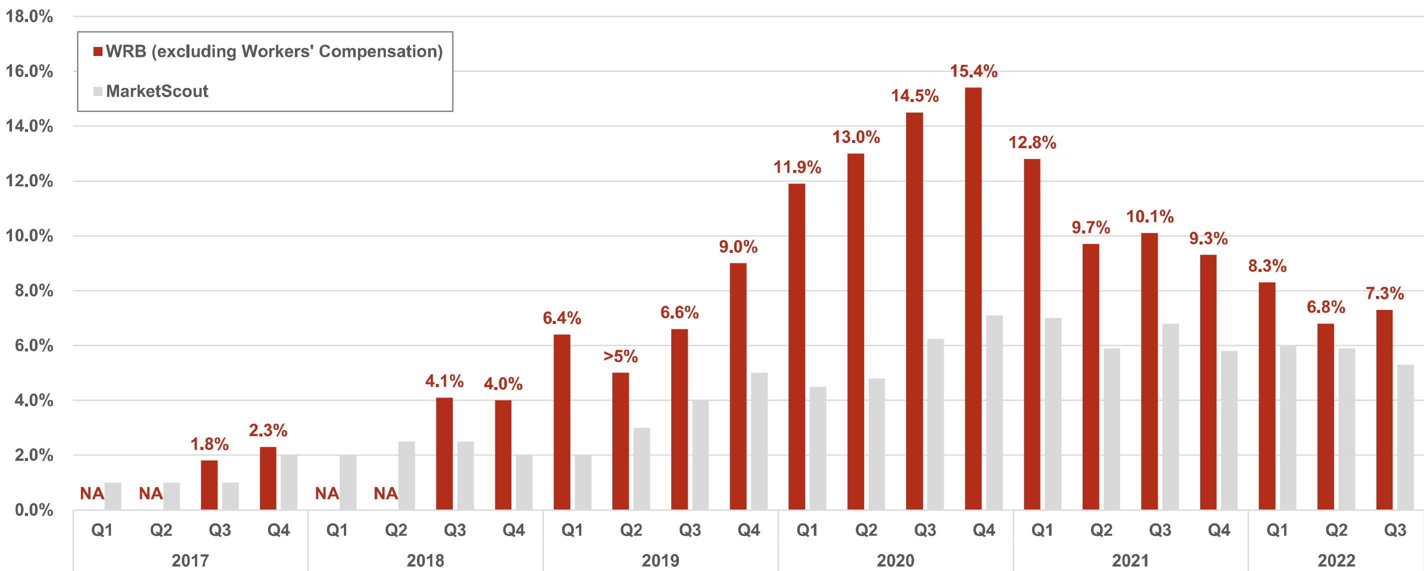
Period	Pricing Comments
Q3 2022	The marketplace remains an interesting one from their perspective - there are pockets of the market that remain extremely attractive and there are others where there is a surprising level of competition. In the specialty space, and in particular the E&S market remains 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.
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.

Period	Pricing Comments
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.
Q4 2020	The market is clearly in the throes of firming. When WRB looks at the marketplace overall, they think that is very appropriate. And whether it proves to be similar to what we saw in sort of late 2001 and 2002 and 2003, we will only see with time. But the reality is, no cycle looks like any other cycle. When WRB looks at Q4 every product line at this stage, with the exception of workers' compensation, is achieving rate in excess of loss cost trends, which they view as appropriate and necessary. They are seeing meaningful firming continuing in much of the PL market as well as the excess and umbrella market, while property continues to be notably hard and auto is also quite firm. One of the laggards has been primary GL and but over the past couple of quarters that seems to be building some momentum.
Q3 2020	The drivers of the firming marketplace, with the exception of workers' compensation, are becoming more acute. As far as workers' compensation goes WRB expects that that marketplace is more likely than not to begin to firm as we make our way into 2021 or sometime next year. The loss ratios that WRB selected at the beginning of the year assumed that they would not be outpacing loss cost trend by the level that they are. The rate increases throughout the year, by and large, are above and beyond what was anticipated. Given the uncertainty around loss cost trend and specifically social inflation, WRB has deliberately decided to take a wait-and-see attitude.
Q2 2020	We saw the firm market accelerate throughout 2019 and it continued to accelerate into 2020, very evident in Q1. The evidence of this was demonstrated, at least in part by business leaving the standard market, making its way to the specialty market and in particular, the E&S market. Rate increases were at a level not seen in some number of years and there was a reduction in capacity that various carriers were offering. All of these things were being driven by two major factors: (1) low interest rate environment and a knock-on effect for what that means for investment income; and (2) loss cost trends, driven to a great extent by social inflation, which had been benign for an extended period of time and then crept up on the industry when it was least expecting it and it has proven to be much more of an issue.
Q1 2020	Rate increases that continue to progress in response to past conversations around social inflation and keeping up with loss costs.

Source: Company reports and Wells Fargo Securities, LLC

Exhibit 3 below shows WRB's pricing trends (excluding Workers' Compensation) relative to MarketScout since 2017. In Q3, WRB's rate (ex. WC) was 7.3% vs. MarketScout of 3.9%. This compares to Q2 2022 WRB rate of 6.8%, Q1 2022 of 8.3% and the 2021 average rate of 10.5%. WRB did not want to provide too much color by business line in terms of what drove the sequential acceleration in pricing, but they did say that Hurricane Ian should drive better pricing in property lines and perhaps that could expand to other lines, away from property, as well.

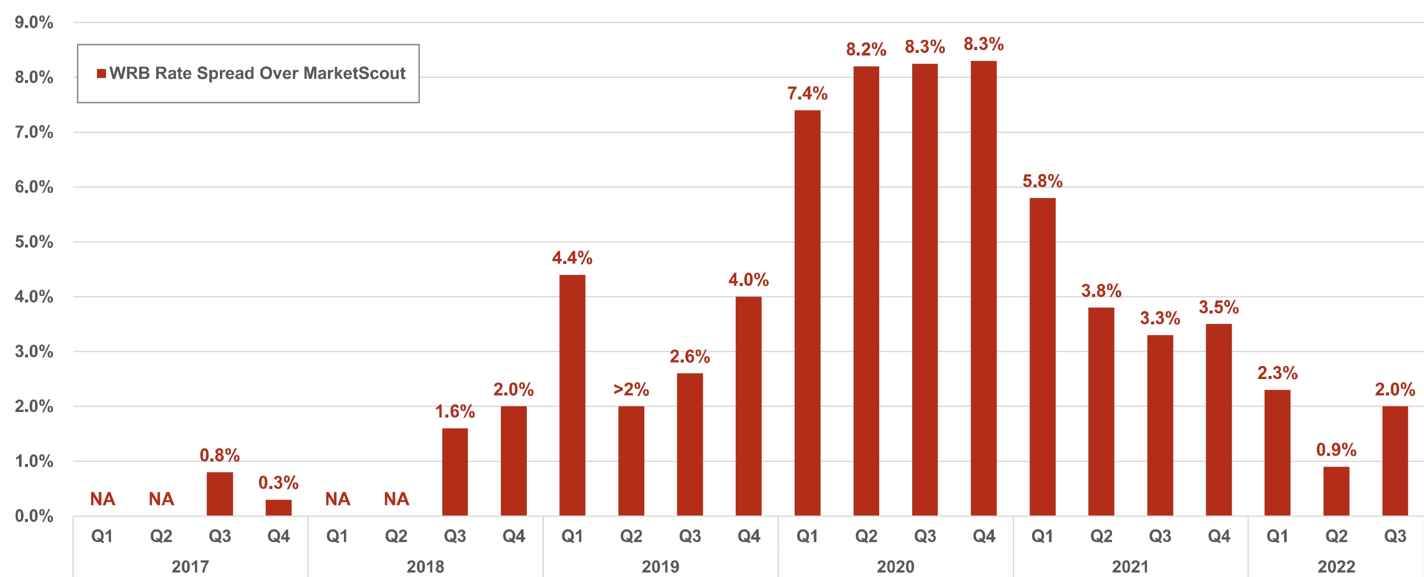
Exhibit 3 - WRB Pricing (excluding Workers' Compensation) vs. MarketScout



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

Exhibit 4 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 200 bps above the MarketScout index. This compares to the Q2 2022 spread of 90 basis points, the Q1 2022 spread of 230 bps, and the average 2021 spread of 410 bps.

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



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

Additional Thoughts On The Quarter

See below for an overview of additional thoughts on Q3 2022 earnings versus our estimates.

- **Premium growth slowed, but remained in the double digits, with a good forward view.** Gross written premium growth of 10.6% was below our 15.6% estimate, while net written premium growth of 10.8% also came in below our 14.9% estimate (and slowed from 16.9% in Q2). By segment, insurance net written premium growth of 11.5% missed our 15.7% estimate, due to lower growth in professional lines (-1.6% as compared to our +5% estimate) and in other liability (+13.3% versus our 20.0%) and commercial auto (+13.1% versus our 20.0% estimate), while reinsurance growth of 6.8% was below our 10.0% estimate as strong growth in property reinsurance (+18.9% versus our -10%) was more than offset by weaker growth in casualty (0.7% as compared to our 15.0% estimate) and monoline excess (0.6% growth as compared to our 10.0% estimate). Earned premium growth of 17.3% just about in-line with our 17.4% estimate.
- **Net investment income above us.** Net investment income of $202.8 million significantly beat our $147.8 million estimate due to better results within the core portfolio, investment funds, and its arbitrage trading account. Core portfolio income of $156.1 million was above our $140.6 million estimate, while investment funds of $36.0 million was significantly above our $4.4 million, and arbitrage trading accounts of $10.7 million beat our $2.9 million estimate. The investment yield on the core portfolio was 3.0%, up from 2.57% in Q2, 2.14% in Q1, 2.04% in Q4, and 2.00% in the last Q3.
- **Other revenues above us.** Revenues from non-insurance businesses was $119.0 million versus our $110 million estimate, insurance service fees was $27.9 million, above our $24.0 million estimate, and other income of $0.1 million slightly beat our $0.5 million estimate. Expenses from non-insurance businesses of $116.2 million was higher than our $106.2 million estimate.
- **Combined ratio missed on higher cats and adverse reserve development.** The combined ratio of 92.1% missed our 90.1% estimate due to higher catastrophe losses and the adverse development in the quarter. The insurance combined ratio was 91.2%, a miss versus our 88.6% estimate and the reinsurance combined ratio of 98.6% beat our 101.1% estimate. The loss ratio was 64.1% versus our 62.0% estimate, while the expense ratio of 28.0% just beat our 28.1% estimate, and it seems like WRB could maintain an expense ratio close to the Q2 level. Catastrophe losses of $94.1 million (3.9 points) were higher than our $83.0 million (3.4 point) estimate. Adverse development of $39.1 million was significantly worse than our $0.5 million estimate. WRB said that the strengthening was associated with two Covid-19 claims and that they did not expect it to recur.
- **Underlying results beat us on better expense ratio.** The underlying combined ratio was 86.6% just better than our 86.7% estimate, due to a slightly better expense ratio, while the underlying loss ratio of 58.6% was in-line with our estimate. The insurance underlying combined ratio (assuming all the adverse development hit the segment) of 87.0%, missed our 86.5% estimate due to a higher loss ratio (59.0% versus our 58.5% estimate). The reinsurance underlying combined ratio came in at 84.9%, beating our 88.0% estimate due to a better loss and expense ratio. The reinsurance underlying loss ratio was 56.5%, better than our 59.0% estimate. In getting the segment underlying combined ratio we attribute all the adverse development to the insurance segment (WRB said the vast majority hit the insurance segment and does not give the exact numbers until the 10-Q/10-K).
- **Capital return below us, with a modest level of buyback.** WRB bought back a modest 0.1 million shares for $6.6 million, versus our 0.8 million shares for $50 million estimate, and no repurchases over the past three quarters. Including dividends (regular and special), total capital return was $26.8 million, or 9.5% of operating earnings of $281.8 million.

Summary Of Estimate Changes

Estimates Mostly Unchanged. See Exhibit 5 below for an overview of our estimate changes following Q3 2022 earnings. Following WRB's conference call, we are raising our 2022 EPS estimate to $4.40 from $4.19, while our 2023 and 2024 EPS estimates and unchanged at $5.05 and $6.05, respectively. For our forward numbers lower underwriting income is being offset by higher investment income as WRB reinvests its portfolio at higher yields. Currently, we model a core fixed income portfolio yield for 2023 and 2024 of 3.57% and 4.14%, respectively, vs. the fixed income yield in the quarter of 3.01%.

Exhibit 5 - WRB Estimate Changes

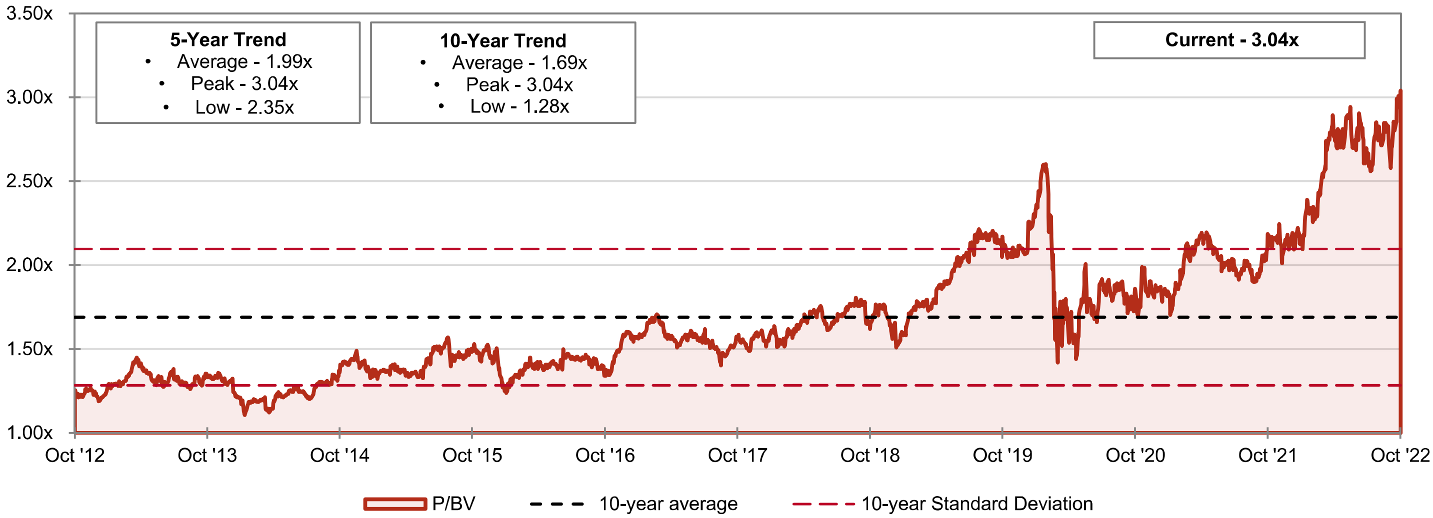
($ in millions, except as noted)	Current			Prior			Absolute Change			Percentage Change		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Summary												
Insurance	995.8	1,156.0	1,323.7	995.8	1,156.0	1,323.7	0.0	0.0	0.0	0.0%	0.0%	0.0%
Reinsurance & Monoline Excess	103.9	151.1	160.8	103.9	151.1	160.8	0.0	0.0	0.0	0.0%	0.0%	0.0%
Underwriting Income	**1,099.7**	**1,307.1**	**1,484.5**	**1,099.7**	**1,307.1**	**1,484.5**	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
Net Investment Income	679.2	882.3	1,070.3	679.2	882.3	1,070.3	0.0	0.0	0.0	0.0%	0.0%	0.0%
Corporate & Other Ex. Realized Gains/(Losses)	(316.2)	(419.7)	(458.4)	(316.2)	(419.7)	(458.4)	0.0	0.0	0.0	0.0%	0.0%	0.0%
Pre-Tax Operating Income	**1,462.6**	**1,769.8**	**2,096.4**	**1,462.6**	**1,769.8**	**2,096.4**	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
Taxes	(289.1)	(371.7)	(440.2)	(289.1)	(371.7)	(440.2)	0.0	0.0	0.0	0.0%	0.0%	0.0%
Noncontrolling Interest	(3.8)	(2.5)	(2.5)	(3.8)	(2.5)	(2.5)	0.0	0.0	0.0	0.0%	0.0%	0.0%
Adjusted After-Tax Operating Income	**1,169.7**	**1,395.6**	**1,653.7**	**1,169.7**	**1,395.6**	**1,653.7**	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
Operating EPS	**$4.19**	**$5.05**	**$6.05**	**$4.19**	**$5.05**	**$6.05**	**$0.00**	**$0.00**	**$0.00**	**0.0%**	**0.0%**	**0.0%**
YoY Change in Operating EPS	23.2%	20.5%	19.7%	23.2%	20.5%	19.7%	0.0%	0.0%	0.0%	-	-	-
Tax Rate	19.8%	21.0%	21.0%	19.8%	21.0%	21.0%	+0bps	+0bps	+0bps	0.0%	0.0%	0.0%
GAAP Book Value per Share	**$24.79**	**$29.52**	**$35.37**	**$24.79**	**$29.52**	**$35.37**	**$0.00**	**$0.00**	**$0.00**	**0.0%**	**0.0%**	**0.0%**
Operating Return on Equity	**17.8%**	**19.6%**	**19.7%**	**17.8%**	**19.6%**	**19.7%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Net Income ROE	20.6%	22.8%	22.8%	20.6%	22.8%	22.8%	+0bps	+0bps	+0bps	0.0%	0.0%	0.0%
Revenues												
Gross premiums written	12,312.4	14,334.7	15,440.8	12,312.4	14,334.7	15,440.8	0.0	0.0	0.0	0.0%	0.0%	0.0%
y/y change	15.1%	16.4%	7.7%	15.1%	16.4%	7.7%	0.0%	0.0%	0.0%	-	-	-
Net premiums written	10,288.9	11,865.9	12,835.3	10,288.9	11,865.9	12,835.3	0.0	0.0	0.0	0.0%	0.0%	0.0%
y/y change	16.1%	15.3%	8.2%	16.1%	15.3%	8.2%	0.0%	0.0%	0.0%	-	-	-
Net premiums earned	**9,578.8**	**11,059.5**	**12,340.9**	**9,578.8**	**11,059.5**	**12,340.9**	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
y/y change	18.2%	15.5%	11.6%	18.2%	15.5%	11.6%	0.0%	0.0%	0.0%	-	-	-
Net investment income	**679.2**	**882.3**	**1,070.3**	**679.2**	**882.3**	**1,070.3**	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
y/y change	1.1%	29.9%	21.3%	1.1%	29.9%	21.3%	0.0%	0.0%	0.0%	-	-	-
Total revenues	**11,094.8**	**12,619.2**	**14,084.8**	**11,094.8**	**12,619.2**	**14,084.8**	**0.0**	**0.0**	**0.0**	**0.0%**	**0.0%**	**0.0%**
Underwriting Profitability												
Loss Ratio	60.5%	59.9%	59.5%	60.5%	59.9%	59.5%	+0.0pts	+0.0pts	+0.0pts	0.0%	0.0%	0.0%
Expense Ratio	28.1%	28.3%	28.5%	28.1%	28.3%	28.5%	+0.0pts	+0.0pts	+0.0pts	0.0%	0.0%	0.0%
Combined Ratio	**88.5%**	**88.2%**	**88.0%**	**88.5%**	**88.2%**	**88.0%**	**+0.0pts**	**+0.0pts**	**+0.0pts**	**0.0%**	**0.0%**	**0.0%**
Cats Points on Combined Ratio	2.1%	1.8%	1.7%	2.1%	1.8%	1.7%	+0.0pts	+0.0pts	+0.0pts	0.0%	0.0%	0.0%
PYD Points on Combined Ratio	(0.0%)	0.1%	0.1%	(0.0%)	0.1%	0.1%	+0.0pts	+0.0pts	+0.0pts	0.0%	0.0%	0.0%
Underlying Loss Ratio	***58.4%***	***58.0%***	***57.6%***	***58.4%***	***58.0%***	***57.6%***	**+0.0pts**	**+0.0pts**	**+0.0pts**	**0.0%**	**0.0%**	**0.0%**
Underlying Combined Ratio	***86.4%***	***86.3%***	***86.1%***	***86.4%***	***86.3%***	***86.1%***	**+0.0pts**	**+0.0pts**	**+0.0pts**	**0.0%**	**0.0%**	**0.0%**
Catastrophe Losses ($)	201.1	194.4	215.4	201.1	194.4	215.4	0.0	0.0	0.0	0.0%	0.0%	0.0%
Reserve Development ($)	(2.0)	12.0	12.0	(2.0)	12.0	12.0	0.0	0.0	0.0	0.0%	0.0%	0.0%
Capital Return												
Common Dividends	235.1	104.8	103.5	235.1	104.8	103.5	0.0	0.0	0.0	0.0	0.0	0.0
Share Repurchases	100.0	240.0	240.0	100.0	240.0	240.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Capital Return	**335.1**	**344.8**	**343.5**	**335.1**	**344.8**	**343.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Total Payout Ratio (% of Operating Income)	28.6%	24.7%	20.8%	28.6%	24.7%	20.8%	0.0%	0.0%	0.0%	-	-	-

Source: Company reports and Wells Fargo Securities, LLC estimates

Valuation

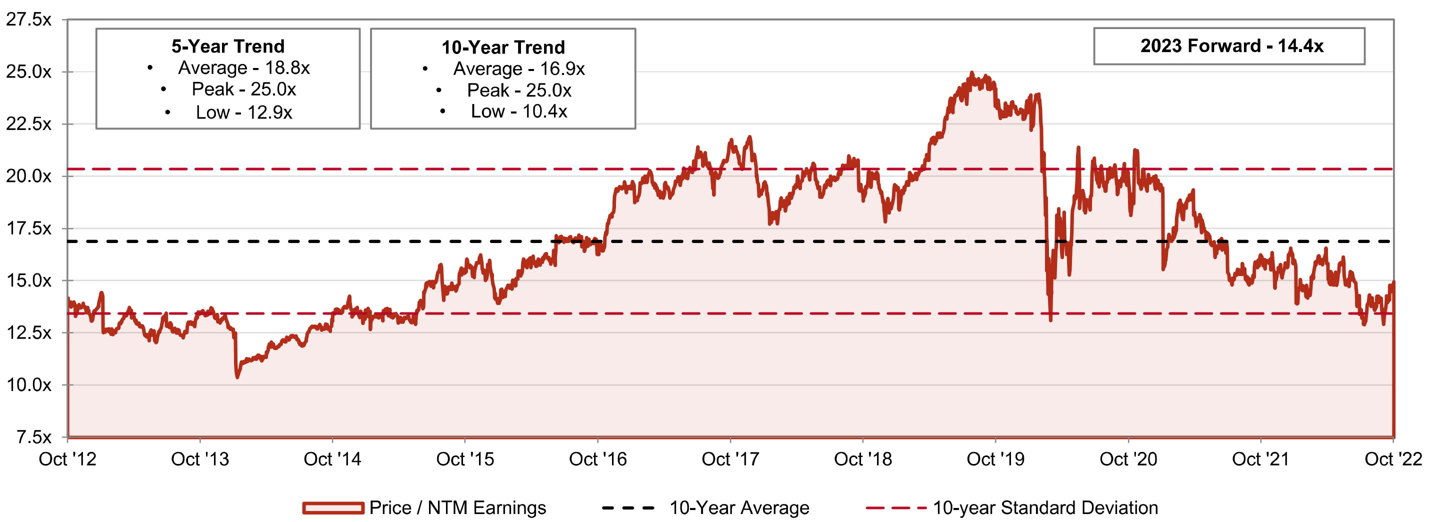
Current Valuation. WRB currently trades at 3.04x Q3 2022 book value, which compares to the 5-year and 10-year average multiples of 1.99x and 1.69x, respectively. The 5-year minimum is 2.35x and 10-year minimum is 1.28x. The 5-year and 10-year max is 3.04x, which is where the shares are currently trading, although we 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, we exclude AOCI, the shares are trading at just around 2.50x adjusted Q3 book. On a P/E basis, WRB is trading at 14.4x our 2023 EPS estimate, which compares favorably to the 5-year and 10-year average multiples of 18.8x and 16.9x, respectively. It is above the 5-year minimum, which was is 12.9x (during the low point of the pandemic) and above the 10-year minimum of 10.4x. 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	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	Q1 2022	Q2 2022	Q3 2022E	Q4 2022E	2022E	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E	Q1 2024E	Q2 2024E	Q3 2024E	Q4 2024E	2024E
Summary																				
Insurance	150.9	174.4	194.6	229.2	749.2	243.4	233.2	244.6	274.6	995.8	274.9	273.7	289.3	318.1	1,156.0	318.8	315.6	334.7	354.6	1,323.7
Reinsurance & Monoline Excess	30.9	27.9	4.2	32.1	95.1	30.3	35.0	(3.4)	41.9	103.9	52.9	37.1	20.0	41.3	151.1	56.7	39.9	20.3	43.9	160.8
Underwriting Income	**181.7**	**202.3**	**198.8**	**261.4**	**844.3**	**273.7**	**268.2**	**241.3**	**316.5**	**1,099.7**	**327.8**	**310.7**	**309.3**	**359.3**	**1,307.1**	**375.5**	**355.4**	**355.1**	**398.5**	**1,484.5**
Net Investment Income	158.6	168.2	179.9	165.0	671.6	173.5	171.6	147.8	186.3	679.2	199.7	213.3	227.4	241.9	882.3	252.6	262.4	272.5	282.9	1,070.3
Corporate & Other Ex. Realized Gains/(Losses)	(77.5)	(93.8)	(65.2)	(84.1)	(320.7)	(75.8)	(45.6)	(96.2)	(98.5)	(316.2)	(99.2)	(104.4)	(107.3)	(108.8)	(419.7)	(115.1)	(112.9)	(114.7)	(115.8)	(458.4)
Pre-Tax Operating Income	**262.8**	**276.7**	**313.5**	**342.3**	**1,195.2**	**371.4**	**394.1**	**292.8**	**404.3**	**1,462.6**	**428.2**	**419.7**	**429.4**	**492.5**	**1,769.8**	**513.0**	**504.9**	**512.8**	**565.6**	**2,096.4**
Tax Rate	22.4%	20.7%	19.4%	17.0%	19.6%	16.7%	20.5%	21.0%	21.0%	19.8%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%	21.0%
Taxes	(58.8)	(57.2)	(60.7)	(58.1)	(234.8)	(62.1)	(80.6)	(61.5)	(84.9)	(289.1)	(89.9)	(88.1)	(90.2)	(103.4)	(371.7)	(107.7)	(106.0)	(107.7)	(118.8)	(440.2)
Noncontrolling Interest	(2.2)	(0.4)	(6.0)	0.1	(8.5)	(2.4)	(0.1)	(0.6)	(0.6)	(3.8)	(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	**201.8**	**219.1**	**246.7**	**284.3**	**951.9**	**306.9**	**313.4**	**230.7**	**318.8**	**1,169.7**	**337.7**	**330.9**	**338.6**	**388.4**	**1,395.6**	**404.6**	**398.3**	**404.5**	**446.2**	**1,653.7**
Operating EPS	**$0.72**	**$0.78**	**$0.88**	**$1.02**	**$3.40**	**$1.10**	**$1.12**	**$0.83**	**$1.15**	**$4.19**	**$1.22**	**$1.20**	**$1.23**	**$1.41**	**$5.05**	**$1.48**	**$1.46**	**$1.48**	**$1.64**	**$6.05**
YoY Change in After-Tax Operating Income	52.1%	1796.3%	103.6%	64.3%	117.1%	52.1%	43.0%	(6.5%)	12.1%	22.9%	10.0%	5.6%	46.8%	21.8%	19.3%	19.8%	20.4%	19.5%	14.9%	18.5%
YoY Change in Operating EPS	**55.0%**	**1803.9%**	**104.7%**	**65.6%**	**119.8%**	**52.7%**	**43.6%**	**(6.2%)**	**12.2%**	**23.2%**	**10.7%**	**6.7%**	**48.5%**	**23.3%**	**20.5%**	**21.3%**	**21.8%**	**20.9%**	**16.2%**	**19.7%**
Consensus EPS								$0.87	$1.12	$1.99	$1.17	$1.12	$1.15	$1.32	$4.76	$1.39	$1.33	$1.29	$1.49	$5.50
WFS Estimate versus Consensus								(5.0%)	2.4%	110.9%	4.3%	6.6%	6.5%	7.1%	6.1%	6.3%	9.5%	14.9%	9.9%	9.9%
Premiums																				
YoY Change in Gross Premiums Written	11.4%	24.8%	23.2%	24.5%	20.9%	15.1%	14.7%	15.6%	14.9%	15.1%	15.2%	19.4%	15.4%	15.6%	16.4%	8.0%	7.0%	7.6%	8.2%	7.7%
YoY Change in Premiums Earned	**9.4%**	**17.6%**	**19.0%**	**21.5%**	**17.0%**	**21.6%**	**19.6%**	**17.4%**	**14.8%**	**18.2%**	**16.4%**	**15.1%**	**15.2%**	**15.3%**	**15.5%**	**14.4%**	**12.6%**	**10.7%**	**9.0%**	**11.6%**
Investment Income (Pre-Tax)																				
Core Portfolio	100.6	103.0	103.4	107.0	413.9	112.3	133.6	140.6	152.6	539.1	165.0	177.8	190.9	204.4	738.2	214.1	222.9	231.9	241.2	910.1
Investment Funds	38.9	61.3	69.3	50.5	220.0	52.0	33.9	4.3	21.9	112.1	22.5	23.2	23.8	24.5	94.0	25.2	25.8	26.6	27.3	104.9
Arbitrage Trading Account	19.1	3.9	7.2	7.5	37.7	9.2	4.1	2.9	11.8	28.0	12.1	12.4	12.7	13.0	50.1	13.3	13.7	14.0	14.4	55.3
Total Pre-Tax Net Investment Income	**158.6**	**168.2**	**179.9**	**165.0**	**671.6**	**173.5**	**171.6**	**147.8**	**186.3**	**679.2**	**199.7**	**213.3**	**227.4**	**241.9**	**882.3**	**252.6**	**262.4**	**272.5**	**282.9**	**1,070.3**
Total Pre-Tax NII Annualized Yield	**2.91%**	**3.03%**	**3.15%**	**2.81%**	**2.98%**	**2.93%**	**2.91%**	**2.49%**	**3.09%**	**2.85%**	**3.25%**	**3.42%**	**3.58%**	**3.74%**	**3.50%**	**3.84%**	**3.92%**	**4.00%**	**4.09%**	**3.97%**
Margins																				
Loss Ratio	60.6%	61.0%	62.4%	60.4%	61.1%	59.5%	60.9%	62.0%	59.4%	60.5%	59.3%	60.4%	60.6%	59.2%	59.9%	59.0%	59.9%	60.1%	58.9%	59.5%
Expense Ratio	29.5%	28.7%	28.0%	27.8%	28.5%	28.3%	27.7%	28.1%	28.1%	28.1%	28.2%	28.2%	28.4%	28.5%	28.3%	28.4%	28.4%	28.5%	28.6%	28.5%
Combined Ratio	**90.1%**	**89.7%**	**90.4%**	**88.2%**	**89.6%**	**87.8%**	**88.6%**	**90.1%**	**87.5%**	**88.5%**	**87.5%**	**88.5%**	**89.0%**	**87.7%**	**88.2%**	**87.5%**	**88.4%**	**88.6%**	**87.5%**	**88.0%**
YoY Change in Loss Ratio (Favorable)	(4.8%)	(6.6%)	(1.3%)	(0.9%)	(3.4%)	(1.1%)	(0.1%)	(0.4%)	(1.0%)	(0.7%)	(0.2%)	(0.5%)	(1.4%)	(0.2%)	(0.6%)	(0.3%)	(0.4%)	(0.5%)	(0.3%)	(0.4%)
YoY Change in Expense Ratio (Favorable)	(1.9%)	(2.3%)	(1.9%)	(1.8%)	(2.0%)	(1.2%)	(1.0%)	0.1%	0.3%	(0.4%)	(0.1%)	0.5%	0.3%	0.4%	0.3%	0.3%	0.3%	0.0%	0.1%	0.2%
YoY Change in Combined Ratio (Favorable)	**(6.8%)**	**(8.9%)**	**(3.2%)**	**(2.7%)**	**(5.4%)**	**(2.3%)**	**(1.1%)**	**(0.3%)**	**(0.7%)**	**(1.1%)**	**(0.3%)**	**(0.1%)**	**(1.1%)**	**0.2%**	**(0.3%)**	**(0.0%)**	**(0.2%)**	**(0.4%)**	**(0.2%)**	**(0.2%)**
Catastrophe Losses ($)	**35.8**	**44.0**	**73.8**	**48.5**	**202.0**	**28.8**	**57.9**	**83.0**	**31.4**	**201.1**	**33.4**	**57.8**	**65.4**	**37.8**	**194.4**	**39.4**	**62.8**	**70.4**	**42.8**	**215.4**
Cats Points on Combined Ratio	1.9%	2.2%	3.5%	2.2%	2.5%	1.3%	2.5%	3.4%	1.2%	2.1%	1.3%	2.1%	2.3%	1.3%	1.8%	1.3%	2.1%	2.3%	1.3%	1.7%
Reserve Development ($)	**(3.0)**	**(0.5)**	**(1.5)**	**(2.5)**	**(7.0)**	**(1.0)**	**(2.0)**	**0.5**	**0.5**	**(2.0)**	**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	(0.2%)	(0.0%)	(0.1%)	(0.1%)	(0.1%)	(0.0%)	(0.1%)	0.0%	0.0%	(0.0%)	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	58.9%	58.8%	58.9%	58.3%	58.7%	58.3%	58.5%	58.6%	58.1%	58.4%	57.9%	58.1%	58.1%	57.8%	58.0%	57.6%	57.8%	57.8%	57.4%	57.6%
Underlying Combined Ratio	**88.4%**	**87.5%**	**86.9%**	**86.1%**	**87.2%**	**86.6%**	**86.2%**	**86.7%**	**86.2%**	**86.4%**	**86.1%**	**86.3%**	**86.6%**	**86.3%**	**86.3%**	**86.0%**	**86.2%**	**86.2%**	**86.0%**	**86.1%**
YoY Change in Loss Ratio (Favorable)	(2.2%)	(0.4%)	(0.9%)	(0.9%)	(1.1%)	(0.5%)	(0.3%)	(0.3%)	(0.2%)	(0.3%)	(0.4%)	(0.4%)	(0.4%)	(0.3%)	(0.4%)	(0.3%)	(0.4%)	(0.4%)	(0.3%)	(0.3%)
YoY Change in Combined Ratio (Favorable)	**(4.1%)**	**(2.7%)**	**(2.8%)**	**(2.7%)**	**(3.1%)**	**(1.8%)**	**(1.3%)**	**(0.2%)**	**0.2%**	**(0.7%)**	**(0.5%)**	**0.1%**	**(0.1%)**	**0.1%**	**(0.1%)**	**(0.0%)**	**(0.1%)**	**(0.3%)**	**(0.3%)**	**(0.2%)**
Book Value and Return on Equity																				
GAAP Book Value per Share	**$24.11**	**$24.72**	**$25.09**	**$25.09**	**$25.09**	**$25.89**	**$24.56**	**$23.71**	**$24.79**	**$24.79**	**$25.91**	**$27.03**	**$28.18**	**$29.52**	**$29.52**	**$30.94**	**$32.34**	**$33.77**	**$35.37**	**$35.37**
Operating Return on Equity	**12.7%**	**13.5%**	**14.9%**	**17.1%**	**14.6%**	**18.2%**	**18.8%**	**14.4%**	**19.9%**	**17.8%**	**20.2%**	**19.0%**	**18.7%**	**20.6%**	**19.6%**	**20.6%**	**19.4%**	**18.9%**	**20.0%**	**19.7%**
Share Count																				
Ending Common Shares	266.1	266.1	265.0	265.2	265.2	265.2	265.3	264.9	264.1	264.1	263.3	262.4	261.6	260.7	260.7	259.9	259.1	258.3	257.5	257.5
Weighted Average Diluted Shares	**280.2**	**280.7**	**280.1**	**278.5**	**279.7**	**279.2**	**279.5**	**279.1**	**278.4**	**279.1**	**277.6**	**276.7**	**275.8**	**275.0**	**276.3**	**274.2**	**273.4**	**272.6**	**271.8**	**273.5**
Capital Return to Shareholders																				
Common Dividends	21.0	112.0	23.1	199.6	355.7	23.0	159.2	26.5	26.4	235.1	26.3	26.2	26.2	26.1	104.8	26.0	25.9	25.8	25.8	103.5
Share Repurchases	30.0	0.0	92.7	0.0	122.7	0.0	0.0	50.0	50.0	100.0	60.0	60.0	60.0	60.0	240.0	60.0	60.0	60.0	60.0	240.0
Total Capital Returned	**51.0**	**112.0**	**115.8**	**199.6**	**478.4**	**23.0**	**159.2**	**76.5**	**76.4**	**335.1**	**86.3**	**86.2**	**86.2**	**86.1**	**344.8**	**86.0**	**85.9**	**85.8**	**85.8**	**343.5**
Dividend Payout Ratio	10.4%	51.1%	9.4%	70.2%	37.4%	7.5%	50.8%	11.5%	8.3%	20.1%	7.8%	7.9%	7.7%	6.7%	7.5%	6.4%	6.5%	6.4%	5.8%	6.3%
Share Repurchase Payout Ratio	14.9%	0.0%	37.6%	0.0%	12.9%	0.0%	0.0%	21.7%	15.7%	8.5%	17.8%	18.1%	17.7%	15.4%	17.2%	14.8%	15.1%	14.8%	13.4%	14.5%
Total Payout Ratio (% of Operating Income)	**25.3%**	**51.1%**	**47.0%**	**70.2%**	**50.3%**	**7.5%**	**50.8%**	**33.2%**	**24.0%**	**28.6%**	**25.6%**	**26.1%**	**25.4%**	**22.2%**	**24.7%**	**21.3%**	**21.6%**	**21.2%**	**19.2%**	**20.8%**
Equity Rollforward and Leverage																				
Beginning GAAP Equity	6,310.8	6,414.6	6,578.3	6,648.4	6,310.8	6,653.0	6,864.5	6,514.5	6,279.7	6,653.0	6,547.1	6,823.4	7,093.1	7,370.5	6,547.1	7,697.9	8,041.5	8,378.9	8,722.6	7,697.9
Net Income	229.5	237.2	261.3	294.4	1,022.5	590.6	179.3	255.7	343.8	1,369.4	362.7	355.9	363.6	413.4	1,495.6	429.6	423.3	429.5	471.2	1,753.7
Common Dividends	(21.0)	(112.0)	(23.1)	(199.6)	(355.7)	(23.0)	(159.2)	(26.5)	(26.4)	(235.1)	(26.3)	(26.2)	(26.2)	(26.1)	(104.8)	(26.0)	(25.9)	(25.8)	(25.8)	(103.5)
Share Repurchases	(30.0)	0.0	(92.7)	0.0	(122.7)	0.0	0.0	(50.0)	(50.0)	(100.0)	(60.0)	(60.0)	(60.0)	(60.0)	(240.0)	(60.0)	(60.0)	(60.0)	(60.0)	(240.0)
Change in AOCI	(86.1)	25.8	(68.4)	(91.1)	(219.8)	(367.3)	(380.8)	(414.0)	0.0	(1,162.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	11.4	12.6	(6.9)	0.8	17.9	11.1	10.6	0.0	(0.0)	21.8	0.0	0.0	0.0	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	(0.0)
Ending GAAP Equity	**6,414.6**	**6,578.3**	**6,648.4**	**6,653.0**	**6,653.0**	**6,864.5**	**6,514.5**	**6,279.7**	**6,547.1**	**6,547.1**	**6,823.4**	**7,093.1**	**7,370.5**	**7,697.9**	**7,697.9**	**8,041.5**	**8,378.9**	**8,722.6**	**9,108.0**	**9,108.0**
Leverage																				
Debt/Capital	34.0%	30.7%	32.9%	32.9%	32.9%	29.3%	30.4%	31.1%	30.3%	30.3%	29.4%	28.6%	27.8%	27.0%	27.0%	26.1%	25.3%	24.6%	23.8%	23.8%

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 2022 which should translate into a good level of premium growth and underlying margin improvement, and we do not believe this is currently reflected in consensus expectations.

Target Price Valuation for WRB: $85.00 from NC

Our price target of $85 is based on a 2.9x multiple of our year-end 2023 book value estimate. Our price target also represents a ~17.0x multiple against our 2023 EPS estimate. The 17x is a premium to the standard commercial players given that WRB is showing better growth. Further, it is a discount to its peak historical multiples, further supporting the choice of multiple in our view.

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 and/or Covid-19 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.

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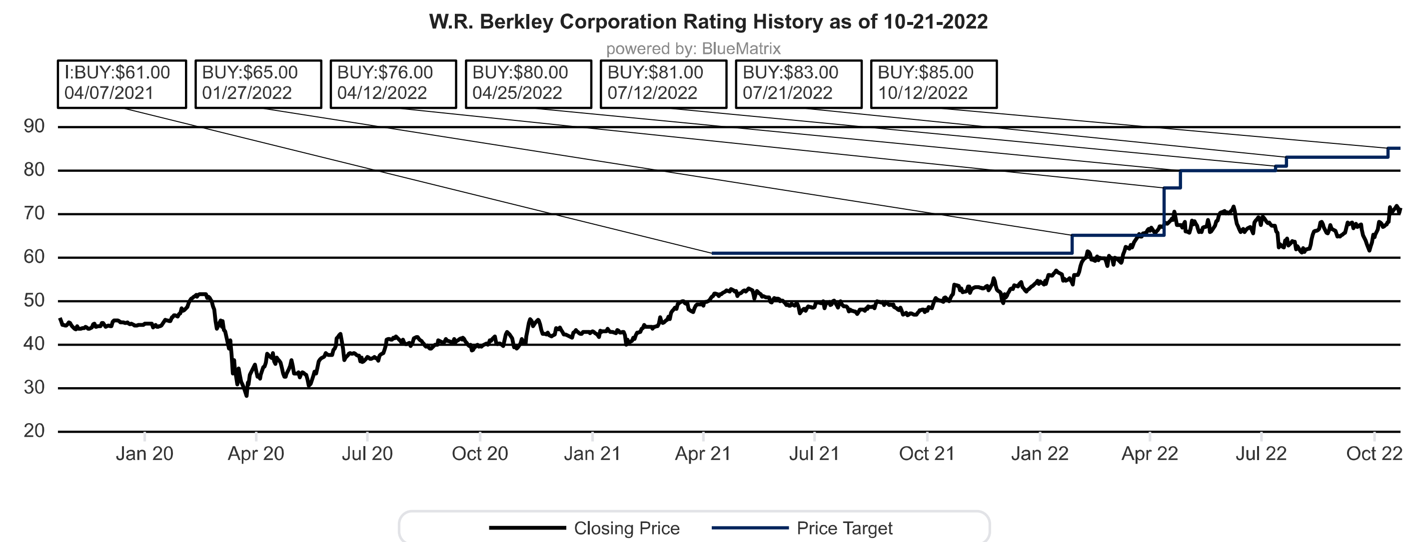

Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

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STOCK RATING

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

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

3=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 24, 2022
53.9% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.
36.8% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.
9.2% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.
Wells Fargo Securities, LLC has provided investment banking services for 40.4% of its Equity Research Overweight-rated companies.
Wells Fargo Securities, LLC has provided investment banking services for 33.6% of its Equity Research Equal Weight-rated companies.
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