W. R. Berkley Corporation

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Earnings Call

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Call Participants

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Presentation

Operator

Good day, and welcome to W.R. Berkley Corporation's Fourth Quarter and Full Year 2024 Earnings Conference Call. Today's call is being recorded. The speaker's remarks may contain forward-looking statements.

Some of the forward-looking statements can be identified by the use of forward-looking words including, without limitation, believes, expects or estimates. We caution you that such forward-looking statements should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will, in fact, be achieved.

Please refer to our annual report on Form 10-K for the year ended December 31, 2023, and our other filings made with the SEC for a description of the business environment in which we operate and the important factors that may materially affect our results. W. R. Berkley Corporation is not under any obligation and expressly disclaims any such obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

I would now like to turn the call over to Mr. Rob Berkley. Please go ahead, sir.

W. Robert Berkley, Jr.

Lisa, thank you very much, and good afternoon all, and let me echo Lisa's welcome to our fourth quarter call. So as in the past, we have Bill Berkley, Executive Chairman, joining on this end; along with Rich Baio, Chief Financial Officer.

And we're going to follow our typical agenda where shortly, I'm going to hand it over to Rich. He's going to walk us through some highlights. I'm going to then follow up with a few quick comments on my end, and then we'll be very happy to take the conversation in any direction that participants wish to take in.

Before I do hand it over to Rich, just a very quick comment, really not just on behalf of myself but on behalf of all of my colleagues, expressing our concern for all who have been impacted not just by the recent events in California and these horrific fires. But also, we shouldn't forget about the many people that were terribly impacted during the 2024 year as a result of hurricanes and other events.

From our perspective, it is certainly a moment for the industry to demonstrate its value to society. I know that my colleagues and I are very focused on ensuring that we as an organization do what we are supposed to do to live up to our responsibilities, and certainly our hope that our peers at other organizations will be doing the same.

So with that, I will hand it over to Rich. Rich, if you want to run us through the highlights, and then we'll take it from there.

Richard Mark Baio
Executive VP & CFO

Great. Thanks, Rob. Appreciate it. Good evening, everyone. The 2024 full year closed out with record top line and bottom line results, yielding return on equity of 23.6% and operating return on equity of 22.4%. The fourth quarter record operating earnings increased 15.5% to $453 million or $1.13 per share, with an operating return on equity of 24.3%.

Net income represented our second best quarter, increasing 45% to $576 million or $1.44 per share, with return on equity of 30.9%. The key drivers behind the quarter were strong underwriting results, combined with the continuation of growth in our core investment portfolio.

Starting with underwriting performance, our current accident year combined ratio before cat losses of 2.6 loss ratio points was 87.7%, consistent with the full year 2024. The calendar year combined ratio was 90.2% resulting in $294 million of underwriting income, bringing the full year 2024 to 90.3%, and a record underwriting income of more than $1.1 billion. The prior year development was favorable by $1.6 million in the quarter.

Drilling down further into the component parts, the current accident year loss ratio ex cat was 59.2%, which ticked up slightly from the prior year due to business mix and remains flat to the full year's 2024 and 2023. Cat losses increased over the prior year, primarily due to Hurricane Milton, driving the increase quarter-over-quarter of 1.4 loss ratio points.

The expense ratio of 28.4% was flat to the prior year quarter, continuing to benefit from record net premiums earned of more than $3 billion and initiatives driving technological and operational efficiencies throughout the business. We believe 2025 will reflect an expense ratio comfortably below 30%.

The full year 2024 marked another record year on top line. The gross to net premiums written grew 9.6% to 9.3%, respectively. In the fourth quarter, the Insurance segment's net premiums written increased 9.9% and to more than $2.6 billion, with growth in all lines of business. The Reinsurance & Monoline Excess segment grew in property and monoline excess, with a decrease in casualty due to the competitive pricing environment.

Moving on to investments. The core portfolio increased 9.4% to $313 million. We do expect the core portfolio to continue to grow over the fourth quarter 2024 in the foreseeable future due to higher new money rates compared with the roll-off book yields and growth in the size of the investment portfolio.

Our record operating cash flow from 2024 and of almost $3.7 billion followed the year before's operating cash flow of $2.9 billion, which was also a record, and has enabled us to invest more while maintaining the high credit quality of AA-. In addition, we've increased our investment duration from 2.4 years to 2.6 years in the quarter. And at the end of 2024, we had cash and cash equivalents of almost $2 billion.

Net investment gains were primarily driven by favorable market value movements in common and preferred equity securities. Investments in the energy and certain financial services sectors led to the $163 million unrealized gain. The effective tax rate of 21% in the quarter benefited from the utilization of some foreign valuation allowances established against operating loss carryforwards and true up adjustments for prior periods.

This brings our full year effective tax rate to 22.5%, and we expect 2025 will be 23%, plus or minus. As it relates to capital, the stockholders' equity increased 12.6% to $8.4 billion, primarily due to record net income of $1.8 billion, partially offset by the return of capital to shareholders of $836 million through dividends and share repurchases.

In the fourth quarter, we paid regular and special dividends of $220 million and repurchased $67 million in shares. Our after-tax unrealized investment loss is $517 million as of year-end 2024, an improvement of $69 million from the prior year. And finally, book value per share before repurchases and dividends grew 23.5% for the full year.

Rob, I'll turn it back to you.

W. Robert Berkley, Jr.

Okay. Rich, thank you very much. Very clear. I'm sure it is appreciated by all. So before I offer a few thoughts on the marketplace and then on our quarter, just highlighting the obvious at this stage, as you've likely had an opportunity to flip through the release and would have heard Rich's comments, 2024 was truly another exceptional year for the organization.

And I did -- before we get into the nooks and crannies that we typically do on these calls, I did want to take a moment just to pause and both thank and congratulate our roughly 7,300 colleagues for yet again a job very well done. The three of us have the privilege of speaking on behalf of the full team, but as a reminder to all, this is a team sport, and the outcome is a reflection of the team, not just the folks that happen to be speaking to you on this call today. So again, to the team, thank you, and truly, congratulations on yet another great performance.

Maybe pivoting over to a couple of thoughts on the marketplace. As far as much of the liability market, it continues to be plagued by social inflation. The combination of an emboldened plaintiff bar along with, quite frankly, this jet fuel that they have in their back pocket, otherwise known as litigation funding, continues just to up the game. That having been said, social inflation does not apply to all product lines equally.

So maybe to give an example or to be more specific, while it is certainly prevalent in most places within the liability space, if you look at certain lines of business where claims are more exposed or is more commonplace where there is actually physical injury to someone, you will see a reaction coming out of a jury that tends to be far more inflated.

By example, the type of awards that are coming out related to auto liability or med mal and the inflation that we are seeing in those types of claims is far more than what we would be seeing in the D&O space or what we would be seeing in the accountants' liability space, just to pick a few to try and articulate the point.

One of the things that's been both surprising, and quite frankly, a bit disappointing to me, has been how slow or sluggish the reinsurance market has been to respond to social inflation and some of the challenges. It is our suspicion that you are seeing a gradual groundswell that is building, and we will see discipline coming to the casualty reinsurance market, hopefully over the coming months and years, and that will create an opportunity for our colleagues in the reinsurance space.

But in the meantime, when there is that lack of discipline, we very much applaud our colleagues for the discipline that they are exercising. Pivoting over to the short tail lines, specifically property, certainly for the moment, and we'll have to see what the impact of the California fires is, but for the moment, property insurance, there is still a tailwind, but it is slowing.

And if you pivot over to the property reinsurance market and even more so, the retro market, it is clear that at 1/1, there was no tailwind to be found. In fact, it was quite to the contrary, there was a growing headwind. By example, our property cat renewal risk adjusted was down 15%-ish, and a similar percentage for our retro.

Moving on to our quarter. I don't have a lot to add. And I guess, at the risk of being a little bit repetitive, following Rich, the net written premium, yes, was 8%. But going back to a comment earlier and what Rich had unpacked for us a little bit, I think you need to look at that a little more carefully.

And the fact of the matter is if you back out the casualty reinsurance where we find market conditions to be concerning, and we believe that more of a defensive posture is appropriate, if you back that out, we're at 10%. Rate ex workers' comp came in at 7.7%, renewal retention ratio, a little bit above 80%, which continues to be very consistent with what it's been for at this stage. I don't know how many quarters or for that matter, how many years.

On the expense front, the 28.4% -- Rich talked about us continuing to be sub-30% for the foreseeable. Rich, this is a little bit of a heads up. I'm going to ask you to talk about expenses for a moment. But if you go back and you look at the journey that we've been on, we've been able to hold the line on expenses through investment in technology, along with the utilization of BPO.

And if you think about where our expense ratio was pre-COVID and where we are today, even with the COVID benefit on expenses having gone away, we continue to be in a very good place. So I'm going to keep going in a minute, but I'm going to take a pause, catch my breath, and Ritchie, if you want to speak to expenses for a moment, please.

Richard Mark Baio
Executive VP & CFO

Sure. So as Rob alluded to, certainly, post-COVID, we've benefited where our expense ratio has been in the low 20s to mid-20 -- low 28% to 28.5% area. But preceding that, going back to 2020 and prior, certainly began with a 3 handle. And if we go back to the decade ago, basically at $33 and change. So certainly, have seen close to a 5-point improvement in the expense ratio over that period of time.

W. Robert Berkley, Jr.

And I would just add to that, one needs to keep in mind our mix of business, and a meaningful amount of the business we write has an acquisition cost that is greater due to the fact that we do a fair amount of business in the wholesale market. So Rich covered the combined ratio, again, a 90.2%, given the cat activity in the quarter. Not a bad place to come out, just speaking of that on the topic of cats.

Obviously, it's very early to be speculating around California and what it will mean, but I would just remind folks that we are California-light when it comes to property. Obviously, one of the areas that has gotten a lot of attention is the personal line space. And the -- our efforts, known as Berkley One, within the private client personal line space, we do not participate in the California market.

So hopefully, that is helpful. And I think the punchline is, while I'm sure we will have some loss activity associated with the fires, I expect that it will not keep us from still delivering a respectable return to our shareholders in Q1 based on everything that I can see today.

Switching over to the investments. Again, Rich covered this. The AA- continues to get stronger with every passing day, and we're feeling very good about that. Simultaneously, you would note as Rich flagged the duration, we've talked about this for some number of quarters.

When we see the opportunity, we're going to nudge that duration out. We saw an opportunity. So it popped out from 2.4 and change out to 2.6 and change. And again, we feel no pressure. But when we see the window of opportunity, our colleagues are not going to let that pass by without taking advantage of it.

I think another data point that really plays into the whole economic model. And I think as we've talked about over the past couple of quarters, when we were going through an extended period of time and interest rates were reduced or depressed, if you will, I think a lot of folks forgot about the component of our economic model, that being the investment portfolio and investment income.

Obviously, that has been reawoken. Everyone can see that. But that story is not fully told at this stage. So a couple of data points for you. Our domestic book yield for the quarter was approximately 4.6%. Our new money rate today is 5.4% plus.

So as you can see, that increase along with the cash flow that Rich talked about for the year of $3.7 billion or $810 million in the quarter, we have a growing portfolio where new money rate is considerably above the book yield, and I think we all know what that means.

So long story short, what's the punchline? It's the following: 2025 is a year that we think the table is already set, and it's set in a very attractive way. And with every passing day, we're setting the table more and more for 2026. The reality is that our underwriting margin is likely to improve from here over time, and certainly, at a minimum, will not be deteriorating.

In addition to that, as far as the investment portfolio, the other key component of our economic model, as I mentioned just a moment ago, the investable assets continue to grow at a healthy pace. And that new money rate, given our view on where, quite frankly, government borrowing is going to need to be, where inflation is going to be, there will continue to be an opportunity for us to put money to work at a healthy spread above the current book yield. As it is today, we do not see that disappearing overnight.

So obviously, people will digest and process the data anyway they like, but the numbers and the information that we shared with you all today, those are statements of fact. And quite frankly, you don't need to be particularly insightful to see how the story is likely to unfold, not just over the '25 year, but more and more likely with every passing day, '26 and perhaps beyond.
Okay. That was, as usual, probably more than I promised. Why don't we pause there, and Lisa, if we could go ahead and open it up for Q&A.

Question and Answer

Operator

[Operator Instructions]. We'll take the first question today from Alex Scott, Barclays.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

First one I had for you all is just how we should think through balancing growth. It sounded like you're not willing to budge on the margins you're seeing and potential improvement, even just given the landscape, I mean, particularly for reinsurance, but even in insurance with what's going on with property.

Do you think we're going to go through a period where we have to potentially be lower than where you all would like to be on growth over the medium to long term? And how does that get balanced out with potential capital return and just how we should think about where you run your leverage through periods like that?

W. Robert Berkley, Jr.

Well, A, thank you for the question. And B, my thoughts on it are as follows: we, as an organization, are unapologetic in the fact that we're in business to make good risk-adjusted returns. We will write the business and lean into it when we think the margin is there, and we will have no qualms taking a more defensive posture when we don't think the margin is there. I think we have demonstrated that time and time again.

And you can see that -- actually, we lay the numbers out for you on Slide 7 or Page 7, if you will, of our press release. And you can see our casualty reinsurance in the quarter was down more than 15%. That's because of the comments, not only that I shared earlier today, but we have talked about in past quarters and earlier, where we just don't think that the market is exercising the discipline, and quite frankly, is expecting an appropriate risk-adjusted return. So we will participate where we think it makes sense and not.

So when you put that all together, Alex, we can only control what we can control. We can't control the market. We can control our behavior. We are seeing opportunities in much of the market today. We think we have great colleagues with great expertise. They understand how to separate the wheat from the chaff, and I think we're in a pretty good place.

Again, if you look at some of the growth in the insurance front, and you can see the opportunity that while slowing still exists even on the property reinsurance front, we're going to try and take advantage of that. But when the day is all done, we think that there is still a lot of opportunity out there, and we're looking to capitalize on it.

And our comment around opportunity to grow, nobody knows for sure until you're there. But at this stage, the fact is we have a lot of -- we have businesses that when you put it all together, are growing at high single digit or more, and there are parts of our business, quite frankly, that are growing at a much higher rate.

So again, hopefully -- that was a lot of babble on my part, but if you look at Slide 7, I think, or Page 7 of the release, it demonstrates we grow where the margin is. And so what does that mean? We think the business should be able to continue to grow at a healthy rate in excess of trend.

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Got it. That's all very helpful. Maybe focusing a little more on the primary side. I guess we heard from one of the other smaller specialty companies that property, they're seeing a lot of competition. I think they flagged MGAs, I think others flagged the Lloyd's market. How is price adequacy in property within the insurance business? And is that still a place that you can grow to your targeted profitability?

W. Robert Berkley, Jr.

We think that there is still an opportunity, generally speaking, in property. That having been said, it's reasonably evident that there is a bit more competition today than there was yesterday in certain pockets. We'll have to see what the impact is of the California fires, whether that changes the appetite of some.

But yes, as I tried to articulate earlier, I think for property insurance, there is still a tailwind, but it is clearly diminished from what it was yesterday. It is -- but it has not become a headwind or eroding to the extent that the reinsurance market has on the property front.

Operator

The next question is from Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, you guys on the last couple of calls, right, have been willing to kind of provide the reserve breakdown, right, by segment. I was hoping you could give us tonight, and then just provide any color you might have seen within insurance or reinsurance that stands out with short or long tail reserves in the quarter.

W. Robert Berkley, Jr.

Elyse, I don't have it in front of me. I think what -- if you wouldn't mind, Rich can probably give that to you, or Karen can, if you wouldn't mind just circling up after the call, because we wouldn't want to give you anything but the accurate information.

As far as where are the challenges, I think as we've talked about in past calls, we're paying close attention to auto liability, and we're paying close attention to excess and umbrella, and particularly how auto liability feeds into that. Going the other way, workers' compensation continues to be a good guy, and we have some other lines where it continues to be very encouraging as well.

I think the actions that we have taken regarding auto, both in the primary and how it applies to the excess, are well entrenched at this stage. So I would never go so far as to declare victory prematurely, but I think we're on the right path.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And it sounds like from your comments, right, you guys are pretty cautious right on the casualty reinsurance market. So as you think about how that market, I guess, could play out in '25 as well as, right, other markets, be that other long or short tail lines, do you think you get back, Rob, to 10% to 15%?

I know, right, it's less top line to grow -- you don't want to grow in areas, right, that aren't offering good opportunities. How do you see growth from a top line perspective playing out in 2025?

W. Robert Berkley, Jr.

So this is the part where I guess you see if I take the bait or not. And I guess the answer is this. I don't know with any greater certainty than anyone else what 2025 is going to hold for us. I believe that there should be an opportunity for this organization for the 2025 year to grow in double digits.

Is it possible that, that could prove to be 9%? Yes, it is. Is it possible that, that could prove to be 16%? Yes, it is. But do I think that we should be able to grow our exposure in something in excess of the rate that we are achieving? Yes, I do. And given that we're getting more than 7 points of rate, I think that, that should help us get to what I'm pointing you in the direction of.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then one last one. Was there anything -- it looked like the insurance underlying loss ratio maybe picked up a little bit in the quarter from where it had been running. Was there anything...

W. Robert Berkley, Jr.

It was about 0.5 point or so. And I would caution you not to read too deeply into it, because Rich and I did spend some time on this, and it really just boiled down to mix of business.

Operator

The next question is Andrew Kligerman, TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

Looking at the other liability net written premium, it was up a solid 9.5%. And if I remember correctly, Rob, you had expressed a fair amount of optimism around pricing in the insurance casualty line in October, and you felt pretty good that it might see some pickup. Could you kind of elaborate on where that is now in January?

W. Robert Berkley, Jr.

So I've not seen our January price monitor, so I'm a little bit on my heels. That having been said, based on the anecdotal information that I have heard from colleagues, I think that the momentum continues to be very strong around rate achieved on much of the liability and other liability included in that.

Andrew Scott Kligerman
TD Cowen, Research Division

Okay. So Rob, what's the disconnect between your concerns about the reinsurance casualty pricing? How do you reconcile the reinsurance pricing coming off? And I think you said down 15%.

W. Robert Berkley, Jr.

Our premium -- just to be clear, sorry, our premium was down about just shy of 15.5% for our casualty reinsurance in the quarter.

Andrew Scott Kligerman
TD Cowen, Research Division

For casualty. And yet you seem to like it on the primary level. Could you maybe reconcile the two and why you're far less favorably disposed on reinsurance casualty?

W. Robert Berkley, Jr.

Because I think the casualty reinsurance market needs more discipline, and they need to charge more, whether that be through adjusting ceding commissions or in an XOL basis getting at it a different way. And I think there's a disconnect. No different than if you go back a few years ago before the reinsurance market woke up, there was a disconnect between property primary and property reinsurance.

Andrew Scott Kligerman
TD Cowen, Research Division

Interesting. And then maybe one last quick one. International, not a lot of color on that, but kind of curious because your insurance ops are in Asia, Latin America, U.K., Europe. Any color that you could share with us on what's going on abroad and how you're seeing those markets for your business?

W. Robert Berkley, Jr.

Well, obviously, we participate in a lot of different markets, and no one is a mirror image of another, including the market conditions. But what I would tell you is this, that we have some really exceptional people running those businesses, and they are amongst some of our highest margin businesses. And going back in time, that hasn't always been the case across the board.

But some of our best risk-adjusted returns are coming from our -- are being generated by our colleagues outside of the United States. I think there are certainly parts of the international effort where the market is particularly competitive and the opportunity to grow has become more challenging. Nevertheless, our colleagues and their ability to navigate through those competitive environments, I think we have a great deal of confidence in.

Operator

We'll take the next question from Mark Hughes, Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Rob, any comments on the mix between E&S and admitted. Is there still strong movement into E&S? How do you see that now?

W. Robert Berkley, Jr.

Yes. Thanks for the question, Mark. And maybe if you don't mind taking half a step back, the submission flow coming into the E&S marketplace continues to be robust. We'll have to see again what the impact of the California fires is, but we're probably seeing a little less momentum on the property side and more momentum on the casualty side as far as the submission flow regarding E&S.

I would tell you there are pockets of professional that have become a little bit more competitive on the E&S front. But that having been said, overall, our E&S business is growing considerably faster than our admitted business today.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then you expressed a lot of confidence that the underwriting profitability wouldn't be deteriorating or would be likely improving and definitely not deteriorating. Pricing is still up nicely. What should we think about the inflation and loss costs? Are you seeing a step down in loss inflation? I know you've talked about the social inflation in those drivers, but it seems like you have a little more optimism about the spread on a go-forward basis.

W. Robert Berkley, Jr.

I think we've been getting a lot of rate for a long time at this stage. In addition to that, I think we have growing visibility and confidence in the underwriting actions that have already been taken and continue to be applied. And when you put all of that together, I think we are cautiously optimistic as to what that likely bodes for the results over time.

I think the reality is when we look at our mix of business and we look at the rate that we have achieved and that we continue to achieve, and if you look at the aggregate 7.7% or so and we look at how we think about trend, at a pretty granular level, we think we're in a good place. So again, none of us know for sure, particularly with some of the longer tail lines other than through the passage of time, but there's some encouraging data that we are seeing.

Operator

From BMO Capital Markets, next up is Mike Zaremski.

Michael David Zaremski
BMO Capital Markets Equity Research

First question, coming back to -- I'm going to assume you don't have the answer to the reserve changes this quarter, but based on kind of the year-to-date 9 months, it looks like workers' comp was definitely a big good guy in terms of reserve releases.

So I'm just kind of curious, one of the tougher questions we get is, why is Rob bearish on kind of workers' comp if profits are so good and it still continues to release a lot of reserves. So just kind of curious if your views on comp are improving potentially or just kind of talking through the dynamics there?

W. Robert Berkley, Jr.

I think that when it comes to workers' compensation, I misassessed frequency trend and how remarkably negative it has remained for an extended period of time. In addition to that, I probably did not give enough credit to wage inflation and what that has meant for pricing, and by extension, margin.

On the other hand, I continue to be concerned about medical cost and medical trend, and it is hard for me to imagine that the workers' comp market will be insulated from that reality indefinitely. So at this stage, as you would have, noticed in the quarter, we grew a little bit in comp, even though our rate was ever so modestly negative. But we are finding opportunities to grow in comp, but it tends to be very specialized. We are not growing what I would describe as Main Street comp. We are growing in specialized comp as far as the exposure goes.

Michael David Zaremski
BMO Capital Markets Equity Research

Got it. Okay. I appreciate the candidness there. Switching gears, if we reflect on the past year or whatever amount of time you would like to reflect on, is it fair to assume that given you're growing faster in E&S than in standard commercial, that's having kind of a positive impact on the overall company's combined ratio? Or is that not a fair assessment?

W. Robert Berkley, Jr.

Well, I hope every place we're growing is going to have a positive impact on the combined ratio. I understand your point is E&S higher margin, and in some cases, that is the case, but that's not always the case. But maybe specifically to your point, I think that our loss ratios are in a very good place. Do I think it's possible through the passage of time that they will improve? Yes, I do believe that, that is a possibility. Are we going to sort of get ahead of ourselves? No, we are not.

Mike, I don't know if we had the conversation, but certainly, Rich and I have chatted with others about it. It was that '16 through '19 year and that stark reminder of the mismatch between when you write your business and when you really know your cost of goods sold. That was a very sobering experience for us. And as a result of that, we're just not going to get ahead of ourselves.

Quite frankly, at this stage, the business is generating, without any strain, 20-plus percent returns, so there's really no incentive, in my opinion, to do anything other than make sure we are thoughtful and measured and continue to have a healthy respect for that reality of not knowing your cost of goods sold until some number of years after we made the sale. So yes, when we look back on it in the future, I think things are going to look possibly better than they do today. But we're not going to get ahead of ourselves.

Michael David Zaremski
BMO Capital Markets Equity Research

Got it. And maybe just lastly, sticking on the E&S marketplace, and loud and clear about growth. Your growth outlook direction remains the same as last quarter. But specifically in the E&S marketplace, given how, I guess, good returns are for most companies, we're hearing some companies talk about some pricing deceleration in the E&S casualty marketplace. Are you seeing that at all?

W. Robert Berkley, Jr.

I don't see that in the E&S casualty space. I can imagine that potentially happening in the property space, putting aside whatever the California impact is. But I don't see that happening in the casualty space. And quite frankly, I think, if anything, that pricing environment is more likely than not to remain quite resilient when it comes to casualty. We'll have to see.

Professional, perhaps, is a different animal. But if we're talking about E&S casualty, then I think that, that is quite strong, and there's nothing that leads me to believe that you're going to see that momentum erode. Again, property a little bit different.

And if you unpack a lot of the growth that the E&S market has seen over the past several years, it is weighted towards property. So as I think we've all talked about, property tends to respond quickly and very severely, but it tends to be shorter lived as opposed to casualty tends to be slower, but oftentimes has more staying power as far as market conditions.

Operator

We'll go next to Katie Sakys, Autonomous Research.

Katie Sakys

My first question is on the Reinsurance and Monoline Excess loss ratio. I mean it was an exceptional result this quarter on an underlying basis. I know for the insurance segment, you guys cautioned not to read too much into the uptick in the underwriting ratio there. Perhaps you can offer us some color on the result in the reinsurance segment and really what you're thinking on the margins there as you look into 2025.

W. Robert Berkley, Jr.

So maybe going back to a couple of the comments earlier. Obviously, we have reservations around some of the casualty lines. And for that matter, some of the professionals within the reinsurance market. In addition to that, on the other hand, we have the property market, we believe is clearly under pressure.

You could see that clear as day at 1/1, but we think that there continues to be margin in the business. And for the moment, it's adequately priced. So we are going to continue to ride that property horse as long as we can until we reach a conclusion that it no longer makes sense. And then you will see us go from offensive posture to a defensive posture.

As far as the casualty goes, I think we already covered that, and that action on the reinsurance front was, again, demonstrated by us shrinking the book by more than 15% in the quarter. And again, I think that it's just a reflection of our view that we're in -- we're capital managers. We're in business to make money. If we don't think it's a good risk-adjusted return, we're happy to let it go.

Katie Sakys

Got it. Okay. And then circling back to your commentary, Rob, on the workers' comp growth this quarter. You mentioned there were particular niches of workers' comp where you guys were seeing some opportunity for growth. Are those pockets of growth sustainable? And can we continue to see some modest growth out of that line over the next couple of quarters? Or are these niches that kind of pop up and come and go?

W. Robert Berkley, Jr.

So obviously, again, nobody knows for sure what tomorrow will bring. But the couple of monoline businesses that participate in the specialty comp space, the momentum that they're enjoying today, we do not see that going away tomorrow. So certainly, we think there will likely continue to be some opportunity throughout '25.

Katie Sakys

Okay. And then if I may sneak in one more. Do you guys have any updates on your 2025 reinsurance program and how your catastrophe loss budget for this year might compare to 2024?

W. Robert Berkley, Jr.

I would suggest -- I don't have it at my fingertips. I don't think Rich does. But certainly, if you give Karen a call, she can get into it in some detail or at least as much detail as we're allowed to. But I would remind you of the comment that we shared earlier around our property cat reinsurance, risk adjusted was down 15%-ish or so, and a similar reduction in risk-adjusted rate on the retro.

Operator

Next up is Bob Huang, Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

So a quick question on -- like I'm curious your view on social inflation really. So it does feel like plaintiff bar is more active in the Northeast and West Coast. In fact, something like California's Commissioner also touched on when it comes to LA wildfire.

Are there any particular geography in the U.S. where you feel it could be represented like a higher risk area for social inflation? Like is there a way to think about the Northeast, West Coast, Midwest? Curious your way to think about it. Is it shifting away from Florida and Georgia?

W. Robert Berkley, Jr.

So I mean, I would tell you that there are certain territories or states or really counties that part of the country that are obviously more challenging than others. I think the difficulty is not the states that have historically been very challenging, but it's the ones that are changing very quickly. And from a legal environment perspective, we have some states that are very red and have always been red, we have some states that perhaps are more blue and they've always been blue.

And now what's becoming more challenging in some states that were one color changing to a different color, or some states, for example, that were perhaps once red and now they're more purple. I would tell you an example of a state that has shifted dramatically.

That would be one that you just mentioned, the state of Georgia, where once upon a time, that was an easier place to do business, but it has become ever more aggressive as far as the plaintiff bar goes. Another state that once upon a time was defendant-friendly or more defendant-friendly would be Texas, and there are counties in Texas that I'm not quite sure they become Cook County, but they are definitely trending in that direction.

So I think you raised a really important point. It's one that we internally spend a lot of time thinking about, because this rate alone is a very blunt instrument, and so are terms and conditions. My colleagues, to their credit, are obviously using the rate tool and the term and condition tool, but they are also, at a very granular level, down to county thinking about exposure based on legal environment. And I think that is going to have to -- that has become and will become increasingly more and more something that this industry is going to have to grapple with.

Jian Huang
Morgan Stanley, Research Division

Got it. Okay. I guess my follow-up is just so that like I'm clear. Then in that case, is it fair to say that some of the commercial casualty lines could potentially behave more similar to personal line in the sense where geography and region is more important than the business mix? Is that a fair statement down the road? I'm just curious as to if that is the direction...

W. Robert Berkley, Jr.

You're leaning in the direction of nat cat, if you will, and what that means for exposure. And you're extrapolating from that as far as legal environment by territory and what that means for exposure.

Jian Huang
Morgan Stanley, Research Division

Yes, yes. Just to see if that makes sense on your side.

W. Robert Berkley, Jr.

So the answer is, to us, while it's a bit of a generalization directionally, not only do we share your view, we are applying that to how the business operates.

Operator

And we'll go next to David Motemaden, Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Rob, you spoke a little bit about some of the competitiveness in the casualty reinsurance market, and commend you guys for stepping back a little bit from that market. I guess has that made you reevaluate at all your outward program? One of your peers purchased a little bit more coverage. Has that entered your thought process at all here as we -- or did that enter your thought process at all at the 1/1 renewal?

W. Robert Berkley, Jr.

So we're conscious of cost of capital, both the capital that we effectively own and the capital that we effectively rent, i.e., reinsurance. We also are conscious of the fact that there are some reinsurance relationships that are true partnerships, and there are other reinsurance relationships that are truly transactional. Those that are partnerships are ones that tend to endure time.

From our perspective, our colleagues are very skilled in understanding where the marketplace is, and I think are attentive to making sure that we are doing what is in the best interest of our shareholders, and simultaneously treating those that are truly our partners with the care and respect that they deserve. So when the day is all done, we're conscious of where the market is, and we're going to do what we think makes sense for this organization, its shareholders and our long-term partners.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. That's helpful. And then it was good to see the commercial auto growth tick up a little bit as well as the other liability growth in the quarter. I guess are rates in those lines, are they at levels that are, I guess, good enough for you guys to continue to lean in as we head into 2025?

W. Robert Berkley, Jr.

Obviously, we were satisfied with the available rate. Otherwise, we wouldn't have written the business, i.e., as you saw what we did in the reinsurance space. Today, given the rates that we were able to achieve, we're happy with it. I don't know what the rating environment will be for the balance of the year, but from my perspective, the loss activity that the marketplace is facing and some of our competitors have finally come into grips with reality is creating an opportunity for those of us that have been already grappling with that reality to move forward more quickly.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. That's helpful. And then I know you guys didn't get the reserve development by segment, so I'll follow up with Karen. I guess I'm just wondering...

W. Robert Berkley, Jr.

It's like the one piece of paper I left in my office, and it's a long hall and I got short legs, so give Karen a call.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes, will do. I guess there's obviously a lot more focus on the more recent accident years. I'm sure you guys are also laser-focused on that as well, and we can see it in the [pick]. Any sort of incremental color that you can provide on that would be helpful.

W. Robert Berkley, Jr.

Yes. I mean nothing really beyond what we talked about. I think we continue to be very -- as we've mentioned earlier on this call, we're very focused on auto liability. We're very focused on other product lines where there is the potential for injury to individual that seems to turbocharge social inflation. So I think one needs to -- is social inflation impacting most liability lines? Yes, the answer is. But it does not apply equally to all product lines.

We are concerned about med mal. We are concerned about auto liability. We're even concerned about other types of coverage where you could have an individual or a group of people physically hurt. That seems to be where a jury will take someone to the woodshed, and we are doing what we need to do on that front as covered earlier, from a rate perspective, from a selection perspective, from a terms and conditions perspective. And part of selection, as discussed with our colleagues a few moments ago, is territory jurisdiction, whatever, county.

Operator

Our next question is from Meyer Shields, KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

So we spent some time talking about like these examples where bodily injury to individuals is exacerbating social inflation. How -- is the loss trend in those situations, is that getting worse? Or is it just something that you're talking about now that you've been seeing internally for long?

W. Robert Berkley, Jr.

I think that it is just very apparent that, that trend is a bit steeper, and that's not something new. It just has been. And I couldn't figure out what the heck to talk about today, so I figured I should mention that.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Fair enough. Okay. When you talk about, I guess, the various court jurisdictions, so the one that stands out as a concern is older ones getting -- I'm sorry, better ones historically getting worse. How should we think about that in the context of longer tail -- or medium tail lines reserves?

W. Robert Berkley, Jr.

I think for people who haven't been paying attention, it's likely for them to have some catch up to do. I think for people who have been paying -- I mean what I was describing as far as Georgia, Texas, whatever, as just placeholders, this isn't like something that just happened last quarter.

This has been a groundswell that has been percolating, and we just happen to be talking about it tonight. But we've been talking about this internally for not what would be measured in quarters, what will be measured in years. So the response to those realities, those are already well in place.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Understood. And then final quick question. You talked about a mix change impacting the ex cat accident year loss ratio in the Insurance segment. How is it impacting the expense ratio, that mix change?

Richard Mark Baio
Executive VP & CFO

I don't think it's having much of an impact on the expense ratio, what's really driving the movement. And as you saw, I think period-over-period, it only moved 0.1%. So it was fairly small. So I would say as it relates to the acquisition costs, we're not seeing huge changes other than perhaps where there might be a change in the reinsurance structure that we have from 1 year to another year, where we might have gone from a quota share to an excess of loss or vice versa. So there would obviously be some differences in terms of where that runs through in the income statement.

Operator

Next up is Brian Meredith, UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of questions here for you, Rob. The first one, a little big picture. So a number of the standard commercial carriers have talked about grants still small growing in the E&S market, right, have E&S operations and are growing there. I'm just curious kind of what your thoughts are there. Is that at all impeding on some of maybe your opportunities in the marketplace? Are you seeing that?

W. Robert Berkley, Jr.

In the interest of time, I'm going to be direct, but I don't mean to be a little bit disrespectful. We don't see them.

Brian Robert Meredith
UBS Investment Bank, Research Division

Good. That's helpful. And then I guess the other one, I'm curious about is maybe you can kind of flesh out a little bit what's going on with Berkley One. I know that's been a good operation growing kind of expectations here for 2025. Homeowner's insurance is still a pretty hard market. Maybe give us some view on kind of opportunity there.

W. Robert Berkley, Jr.

So look, I think that the opportunity that existed yesterday that exists today, it will be just as strong tomorrow. I think we have truly an exceptional team of people that are very skilled when it comes to managing the shareholders' capital. I think they have done truly a fantastic job in building a franchise that is not just accretive to their operation, but it's truly accretive economically and brand-wise to the group overall. And I think that their contribution to the profitability of the group in the 2025 year will be considerable.

Operator

The next question is Josh Shanker, Bank of America.

Joshua David Shanker
BofA Securities, Research Division

I just wanted to maybe ask a little more specific question on Brian's about Berkley One. Obviously, you don't write homeowners in California. There's certain things about that market that are unattractive to you. I'm wondering what kind of reforms you could see in that state's insurance regime that would make that market more attractive for Berkley One? And are there other states that you have a prohibition against writing until some things change about those states?

W. Robert Berkley, Jr.

Josh, A, thanks for the question. And B, I think the Berkley One team at this stage, when it comes to homeowners, they are very focused on the opportunities in the markets that they're in. Will they add other markets over time? Yes. Is California in the on-deck circle? I think that there is a healthy recognition and appreciation and respect for the challenges that exist in that market on multiple levels.

And consequently, I think the team has appropriately made the decision that this is not a distraction, or -- that we would like to have today, not an area of focus for the foreseeable. And certainly, for the people of California and that insurance market and those that participate there and other stakeholders, we wish them nothing but the best. But at this moment in time, we are very focused on other opportunities that are before us.

Joshua David Shanker
BofA Securities, Research Division

And I want to switch to an investment question. Over the long term, Berkley shareholders have been rewarded very well through some of the alternative investments that the Berkley team have made over many years. It's not been really the case in 2024, in a year which has enjoyed very significant market appreciation for public equities.

Can you talk a little bit about what you see for '25? Is the positioning of the portfolio -- potentially improve? Obviously, you're not going to make foolish investments overall, but what's been preventing Berkley from realizing the potential of that part of its strategy, and what can we see in the future?

W. Robert Berkley, Jr.

So Josh, maybe a couple of quick comments. First off, as far as alternatives, and Rich had flagged what we saw coming through in a couple of our investments, particularly in the unrealized associated with public securities. So I think it was about $150 million, $160 million unrealized, which was, I think, pretty healthy for a 90-day period. Putting that aside as far as other areas of the alternative investment portfolio, I would suggest that one not leap to a conclusion. Obviously, oftentimes, there is value that exists that may not necessarily be as visible.

So I understand your point about the '24 year. Again, no different than the underwriting or the investing on the public securities. Our focus is long-term risk-adjusted return. We're -- and sometimes in the alternative portfolio, that could be a little bit lumpy, but the focus on total return is not something that is any -- is lost on us today just like it wasn't lost on us tomorrow. But before we go any further on to any other questions or discussion you'd like to have, Josh, maybe I can turn it over to my boss here, who takes a particular interest in the alternative investment portfolio.

William Robert Berkley
Executive Chairman of the Board

I think that our portfolio as a whole, especially our public company portfolio, had a very good year. I think that the performance for the year was adversely impacted primarily by one private equity fund that did not do well. It was a surprise to us on a couple of things, and it had a consequential adverse impact. We think that's behind us.

But I think honestly, some of that private equity investing will be reduced as the available returns in more liquid markets are such that the advantage of private equity is somewhat diminished. That doesn't mean we will take advantage of things when they come up, but our bogey is a little higher with a little less risk. So it was no doubt a bump in the road that can always happen, but I wouldn't expect it to be a problem going forward.

Operator

We do have one further question. It's Yaron Kinar from Jefferies.

Unknown Analyst

This is Andrew on for Yaron. I was just hoping within insurance in short tail lines, some pretty good growth this year and particularly in the quarter. Can you help us just think about the drivers there? Was it property, inland marine, A&H?

W. Robert Berkley, Jr.

Yes, yes and yes.

Unknown Analyst

Okay. So kind of all three is contributing.

W. Robert Berkley, Jr.

Property and inland marine, though it's not as big a play for us as property. But yes, mainly property.

Unknown Analyst

And then just on the 50 basis points impact to current year picks, I know you mentioned it was business mix, but I would think with the growth in property that would be beneficial to the underlying, so was perhaps that offset a bit by auto-related exposures or a different factor going on there?

Richard Mark Baio
Executive VP & CFO

This is Rich. I think it's -- that's certainly part of the equation, but you also have to look at the contribution that the short tail lines makes relative to the other casualty lines as well, which have higher loss ratios. So if you look, for instance, at other liability in auto, as an example, that represents close to 50% of the total book of business, which does have typically higher loss ratios than property or short tail lines.

Operator

At this time, there are no further questions. I'll hand things back to Mr. Rob Berkley for any additional or closing remarks.

W. Robert Berkley, Jr.

Okay. Lisa, thank you very much for hosting us this evening, and thank you to all our participants for dialing in. I think I'll just flag again clearly an outstanding year, but that's a reflection of what we did yesterday. But perhaps equally, if not more important, is how we have set the table for 2025, and that is very well positioned. In addition to that, with every passing day, we are setting the table for '26.

So the business is firing on all cylinders, and we do not see that changing for the foreseeable. Thank you again for dialing in, and we look forward to speaking with you in about 90 days. Have a good evening.

Operator
And once again, everyone, that does conclude today's conference. We would like to thank you all for your participation. You may now disconnect.