Equity Research

WELLS FARGO

Earnings Revised — July 22, 2021

Commercial Lines Insurance

W.R. Berkley Corporation (WRB)

WRB: Expense Leverage Should Take Numbers Higher; Q2 EPS and Conference Call Round-Up

Our Call

Summary. WRB reported Q2 2021 EPS of $1.17 just missing our estimate of $1.18 and beat consensus of $1.00. The shortfall versus us was due to: **(1)** $8 million ($0.03) of debt extinguishment costs (that we did not have in our model) and **(2)** a higher level of catastrophe losses (due to $25 million of Covid-19 losses) which more than offset stronger earned premium growth and better investment income. Following WRB's conference call, we are raising our 2021 EPS estimate to $4.45 from $4.28, while our 2022 and 2023 EPS estimates also rise to $5.00 and $5.60, from $4.80 and $5.50, respectively, reflecting a lower expense ratio, which more than offsets a higher underlying loss ratio assumption. We are maintaining our price target of $92, which is based on 2.1x our 2022 book value per share estimate. Shares of WRB should trade up tomorrow as positive expense commentary should move estimates higher, even when accounting for higher inflationary expectations.

- **Pricing decelerating as WRB goes after exposure growth.** WRB saw price increases of 9.7% in the Q2 excluding workers' comp. This does represent a slowdown from 12.8% in Q1, 15.4% in the Q4 and 14.5% in the Q3, but still puts rate well in excess of loss trend. WRB continues to get rate that is exceeding loss trend in all lines, except workers' comp but has prioritized growing its exposure levels as more lines are at rate adequate levels.
- **Leverage on the expense ratio from top-line growth.** The focus on growth is helping the company show a much better expense ratio. The expense ratio in the quarter came in at 28.7%, better than our 30.0% estimate. While there was around a 50 basis point benefit from Covid-19, WRB said that the Covid-19 benefit will take time to dissipate and even when it dissipates, they should be able to make up for the lost pandemic-related savings by the leverage from the strong earned premium growth.
- **Underlying margin improvement driven by the expense ratio.** The underlying combined ratio was 87.5% versus our 87.6% estimate. The underlying loss ratio of 58.8% (versus our 57.6%) improved by only 40 basis points from last Q2 and was lower than the 2 points of improvement we were looking for. WRB pointed to two factors leading to lower loss ratio improvement: (1) elevated non-cat weather (fire losses) that were 2 points higher than last year, (2) some extra conservatism surrounding loss trend given financial inflation. WRB alluded to 1-1.5 points of the elevated non-cat weather as being above a normal baseline level, which implies that without the non-cat weather they would have seen around 1.4-1.9 points of underlying loss ratio improvement, which is a healthy number as they are earning in double-digit rate increases even while absorbing a higher inflationary expectation.
- **Premium growth picks up.** WRB saw net premiums written growth of 27.2%, coming in above our 11.8% estimate and improving from 11.1% in Q1. By segment, insurance net written premium grew by 29.2% beating our 11.6% estimate however reinsurance growth of 10.8% missed our 13.0% estimate. Within insurance, WRB saw healthy growth in all lines, with the strongest growth coming from professional lines (+65%), commercial auto (+31%) and other liability (+29%).
- **See inside** for additional takes from the quarter and the conference call.

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Rating	Overweight
Ticker	**WRB**
Price Target/Prior:	**$92.00/NC**
Upside/(Downside) to Target	**22.3%**
Price (07/22/2021)	**$75.21**
52 Week Range	$58.44 - 81.87
Shares Outstanding	177,380,548
Market Cap (MM)	$13,341
Enterprise Value (MM)	$13,177
Average Daily Volume	196,816
Average Daily Value (MM)	$15
Dividend (NTM)	$0.50
Dividend Yield	0.7%
Net Debt (MM) - last reported	$(164)
ROIC - Current year est.	13%
3 Yr EPS CAGR from current year (unless otherwise noted)	34%

$ EPS	2020A	2021E Curr.	2021E Prior	2022E Curr.	2022E Prior
Q1 (Mar)	0.70 A	1.08 A	NC	1.17 E	1.14E
Q2 (Jun)	0.06 A	1.17 A	1.18E	1.25 E	1.19E
Q3 (Sep)	0.65 A	1.03 E	0.93E	1.21 E	1.15E
Q4 (Dec)	0.92 A	1.17 E	1.09E	1.37 E	1.32E
FY	2.32 A	4.45 E	4.28E	5.00 E	4.80E
P/E	32.4x	16.9x		15.0x	

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

Q2 2021 In A Nutshell

In a nutshell. WRB reported Q2 2021 EPS of $1.17 just missing our estimate of $1.18 and beat consensus of $1.00. The shortfall versus us was due to: **(1)** $8 million ($0.03) of debt extinguishment costs (that we did not have in our model) and **(2)** a higher level of catastrophe losses (due to $25 million of Covid-19 losses) which more than offset stronger earned premium growth and better investment income.Net premiums written growth of 27.2% was higher than our 11.8% estimate and picked up from 11.1% in Q1. The underlying combined ratio of 87.5% fairly in line with our 87.6% estimate driven by a better expense ratio, with the underlying loss ratio coming in above us (at 58.8% versus our 57.6% estimate) due to higher non-cat weather losses (about 2 points higher than last year) and WRB becoming more conservative with its loss picks to factor in higher loss trend for financial inflation. Catastrophe losses (incl. Covid-19) of $44.0 million added 2.2 points to the combined ratio, higher than our $18.0 million (1.0 point estimate). Covid-19 losses of just under $25 million were higher than us (as we had no Covid-19 losses in our estimate) while cats away from Covid of $19 million were just above our $18.0 million estimate. WRB did not repurchase any shares in the quarter versus our $30 million (0.4 million shares) estimate. The operating ROE was 13.5% and the net income ROE was 15.0%. Book value per share increased by 2.5% QoQ and 13.7% YoY in the Q2.

Exhibit 1 - WRB Q2 2021 Estimates Versus Actual

	Q2 2021		Delta Vs. WFS	
$ in millions, except per share data	**Actual**	**Estimate**	**Absolute**	**%**
Gross premiums written	2,661.2	2,370.0	291.2	12.3%
y/y change	24.8%	11.2%	13.7%	-
Net premiums written	2,212.2	1,944.7	267.5	13.8%
y/y change	27.2%	11.8%	15.4%	-
Net premiums earned	1,971.6	1,892.3	79.4	4.2%
y/y change	17.6%	12.8%	4.7%	-
Net investment income	168.2	145.0	23.2	16.0%
Investment Yield	3.18%	2.60%	0.58%	-
Total revenues	2,296.1	2,179.9	116.2	5.3%
Underwriting Income	**202.3**	**218.7**	**(16.4)**	**-7.5%**
Operating income after-tax	219.1	219.7	(0.6)	-0.3%
Operating income per diluted share	**1.17**	**1.18**	**(0.01)**	**-0.6%**
Tax Rate	20.8%	21.0%	-0.2%	-
Book value per share	37.08	37.34	(0.27)	-0.7%
Operating ROE	13.5%	13.5%	0.0%	-
Net income ROE	15.0%	15.5%	-0.5%	-3.0%
Underwriting Profitability				
Loss ratio	61.0%	58.4%	2.6%	-
Expense ratio	28.7%	30.0%	-1.3%	-
GAAP combined ratio	89.7%	88.4%	1.3%	-
(Favorable) / Adverse PYD	0.0%	-0.1%	0.1%	-
Catastrophe Losses	2.2%	1.0%	1.3%	-
Underlying Loss Ratio	**58.8%**	**57.6%**	**1.2%**	**-**
Underlying Combined Ratio	**87.5%**	**87.6%**	**-0.1%**	**-**
Capital Return				
Total shares repurchased	0.0	30.0	-30.0	-100.0%
Total Dividends ($M)	112.0	21.2	90.8	427.5%
Total capital return to shareholders	112.0	51.2	60.8	118.6%
Capital return payout ratio - % Operating	51.1%	23.3%	27.8%	-

Source: Company reports and Wells Fargo Securities, LLC estimates

Additional Pricing Thoughts

Pricing slowed as more business is at adequate levels. WRB saw price increases of 9.7% excluding workers' comp (they do not provide the price increase with workers' comp until the 10Q comes out although we estimate that it was around 9% in the Q2). This compares to the 12.8% excluding workers' comp (11% including comp) in the Q1 and 15.4% in the Q4 (+13.1% including comp). Exhibit 2 below shows recent commentary that WRB has provided on pricing over the past two plus years. Further WRB said that while the pricing level (excluding workers' comp) decelerated by almost 3% sequentially in the quarter this is because more of the portfolio is achieving rate adequate levels and they are pushing on the exposure side and are less concerned about pushing for more rate within that portion of the business.

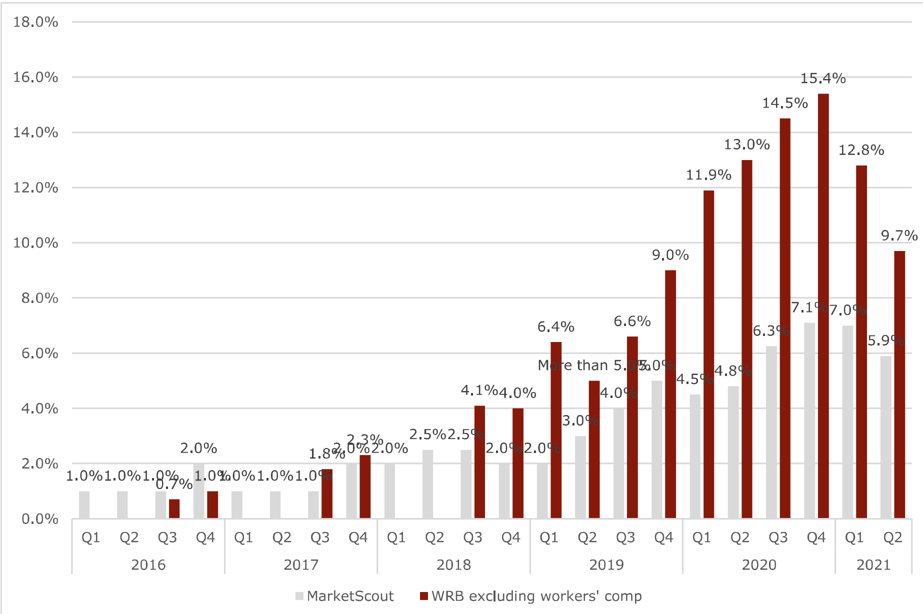
Exhibit 2 - WRB Historical Pricing Commentary

Period	Pricing Comments
Q2 2021	And as far as drilling down into the market a little bit more, when we look at the major product lines with the exception of workers; compensation all of them continued to get rate increases that outpace our view of loss trend. And that is even as we have been factoring in a bit more for financial inflation. It's important that people not read too deeply into as I suspect some might as the rate increase and what does this mean relative to what the rate increase was last quarter or the same time in the prior year. The simple fact is that when we think about our economic model it is multi-dimensional. We look at the margins that are available in the business. And as we become pleased with the available margins we start to think about possibly how we re-prioritize exposure of growth versus pushing further on rate.
June 2021 Non-Deal Roadshow (6/21/21)	WRB described the current market environment as one that it has only seen two times previously, with the prior two being the early 2000's hard market and the 1985-1986 hard market. The company sounded very optimistic about its outlook and looks to take advantage of the hardening market environment where some lines are seeing rate on rate compounding for just shy of three years, while most lines are approaching rate adequacy. Further, the company called out seeing continued tailwinds in the E&S market, driven by: (1) the standard market revisiting its appetite for the specialty market; (2) expectations for increased audit premiums; and (3) new ventures. In addition to E&S tailwinds, WRB indicated that most all lines are at or approaching rate adequacy with the exception of workers' comp. Not all of the lines, however, are seeing the same increases and gave the example of professional liability having seen rate increases for quite some time, while commercial auto has started to firm more recently and workers' comp is in a soft market.
Q1 2021	We are coming up for some of the major product lines on a third year in a row where we are getting meaningful rate increases. And at this stage, we are seeing, as Rich suggested, rate on rate and in many product lines where we have been getting rate on rate in excess of loss cost trend, again, **we think that is very encouraging for what that means for margin.**
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.

Period	Pricing Comments
Q1 2020	**Rate increases that continue to progress in response to past conversations around social inflation and keeping up with loss costs.**
Q4 2019	The challenges that the market faces has stemmed from a low interest rate environment, frequency of cat activity, and social inflation has gotten to the point where it is no longer solely being talked about but it is actually being acted upon. **This is a meaningful sea change that became very visible in the Q4, and there is no sign of that slowing down.** WRB said that they were excited about what was in front of us. They were enthusiastic earlier in 2019, and the Q4 2019 built on that enthusiasm. Further WRB said that while there are some that would suggest that they tend to be an optimistic organization, and that is a fair statement, the data that they see in their business and the data the industry data supports this optimistic view.
Q3 2019	**The fear factor is on the rise.** If a low interest rate environment and consistent global cat activity over the past several years wasn't enough, it would seem as though **social inflation is finally coming into focus for the broader audience.** People are beginning to realize that it is real and it is here. Frequency of severity can no longer be ignored, both in the property space, but even more so in the casualty space.
Q2 2019	**We are seeing rate increases across the board with the exception of workers' comp**, which certainly is the one major product line moving in the other direction. Granted, all these other product lines and the rates they're getting, they're not moving up all in perfect lockstep, but directionally WRB was pleased to see things moving in a positive direction. Further WRB saw an increasing number of examples of business getting kicked out of the standard market and making its way into the specialty/E&S market and in addition to that an increasing demand for facultative reinsurance. These are all historically signs or classic indicators of a firming market particularly when you have all of these pieces lining up the way they seem to be.
Q1 2019	Ex comp, WRB achieved 6.4% rate increase. WRB achieved this with its renewal retention ratio remaining at a similar level to what it was over the past several years. **From WRB's perspective, with the exception of workers' compensation, every major commercial business line is in some point of firming.** All product lines do not march in perfect lockstep with one another, but from WRB's perspective directionally, they are moving together, with comp being the exception.

Source: Company reports and Wells Fargo Securities, LLC

Exhibit 3 - WRB Pricing (Excl. Workers' Comp.) Versus MarketScout



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

Additional Thoughts On The Quarter

See below for an overview of additional thoughts on Q2 2021 earnings versus our estimates.

- **Premium growth above us.** Gross written premium growth of 24.8% beat our 11.2% estimate (and improved from +11.4% in Q1) and net written premium growth of 27.2% also came in above our 11.8% estimate (and improved from 11.1% in Q1). By segment, insurance net written premium growth of 29.2% beat or 11.6% estimate, while reinsurance growth of 10.8% fell short of our 13.0% estimate. Earned premium growth of 17.6% was also above our 12.8%. With its growth, WRB said that one third of it came from rates that it is taking, and the remainder came from exposure growth.
- **NII beat on stronger alternatives.** Net investment income of $168.2 million was ahead of our $145.0 million estimate due to stronger alternative investment income than our forecast. Core portfolio income of $103.0 million was in-line with our estimate, while investment funds of $61.3 million was ahead of our $23.7 million and arbitrage trading accounts of $3.9 million did fall below our $18.3 million estimate. The investment yield on the core portfolio was 2.15%, growing from 2.02% in the Q1 and 2.09% in the Q4.
- **Other revenues above us.** Revenues from non-insurance businesses was $109.1 million versus our $87.5 million estimate (although non-insurance expenses also came in above us), insurance service fees was $22.3 million just below our $23.0 million estimate, and other income of $0.8 million just beat our $0.5 million estimate.
- **Combined ratio ahead on lower expense ratio.** The combined ratio of 89.7% missed our 88.4% estimate. The insurance combined ratio was 89.9% relative to our 88.3% estimate and the reinsurance combined ratio of 88.6% came in lower than our 89.5% estimate. The loss ratio was 61.0% versus our 58.4% estimate, while the expense ratio of 28.7% beat our 30.0% estimate and WRB pointed to the expense ratio coming in below this 28.7% level even when we come out of Covid-19 (with Covid-19 having benefited its expense ratio by about 50 basis points). Catastrophe losses including Covid-19 of $44.0 million (2.2 points) were higher than our $15 million (1.0 point) estimate due to Covid-19 losses in the quarter, while reserve releases of $0.5 million (essentially no points) were just below our $2 million (0.1 point) estimate. Catastrophe losses included just under $25 million of Covid-19 related losses, while we had no Covid-19 losses in our estimate.
- **Underlying results beat us on better expense ratio, loss ratio higher than us on non-cat weather losses.** The underlying combined ratio was 87.5% versus our 87.6% estimate, due to a stronger than forecasted expense ratio, while the underlying loss ratio of 58.8% missed our 57.6% estimate, and improved by 4.0 points from last Q2. The lack of significant improvement in the underlying loss ratio was due to non-cat weather losses, which added 2 points this year as compared to last Q2 (and were about 1-1.5 points above what WRB would classify as a normal baseline level).
- **Capital return above us due to special dividend.** WRB did not repurchase any shares in the quarter, versus our 0.4 million shares for $30 million estimate, and down from $30 million in Q1. Including dividends (regular and special), total capital return was $112 million, or 51% of operating earnings of $219.1 million.

Summary Of Estimate Changes

See below for an overview of our estimate changes following Q2 2021 earnings. Following WRB's conference call, we are raising our 2021 EPS estimate to $4.45 from $4.28, while our 2022 and 2023 EPS estimates also rise to $5.00 and $5.60, from $4.80 and $5.50, respectively. Our higher estimates reflect a lower expense ratio, which more than offsets a higher underlying loss ratio assumption.

Exhibit 4 - WRB Summary Of Estimate Changes

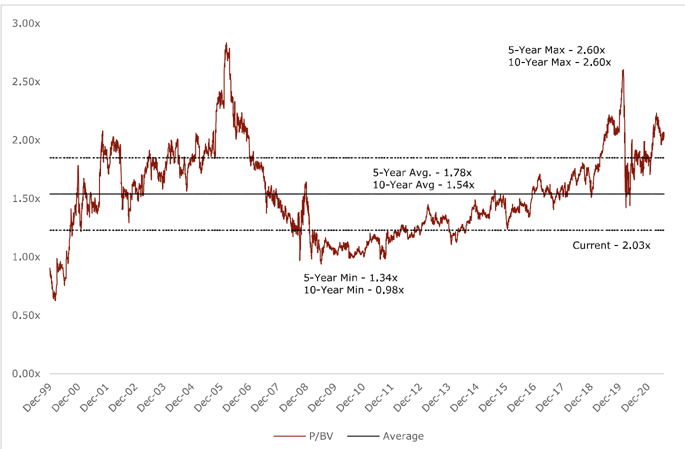
	Current			Prior			Absolute Change			% Change		
$ in millions, except per share data	FY 2021E	FY 2022E	FY 2023E	FY 2021E	FY 2022E	FY 2023E	FY 2021E	FY 2022E	FY 2023E	FY 2021E	FY 2022E	FY 2023E
Gross premiums written	10,387.1	11,233.7	12,001.2	9,784.4	10,451.7	11,127.3	602.7	782.0	873.8	6.2%	7.5%	7.9%
y/y change	17.4%	8.2%	6.8%	10.6%	6.8%	6.5%	6.8%	1.3%	0.4%	64.3%	19.5%	5.7%
Net premiums written	8,557.7	9,224.5	9,852.6	8,037.9	8,591.3	9,145.0	519.8	633.2	707.6	6.5%	7.4%	7.7%
y/y change	17.8%	7.8%	6.8%	10.7%	6.9%	6.4%	7.2%	0.9%	0.4%	67.0%	13.2%	5.6%
Net premiums earned	7,946.2	8,897.4	9,534.7	7,669.7	8,311.2	8,865.7	276.6	586.2	668.9	3.6%	7.1%	7.5%
y/y change	14.7%	12.0%	7.2%	10.7%	8.4%	6.7%	4.0%	3.6%	0.5%	37.4%	43.1%	7.3%
Net investment income	577.0	507.2	536.7	576.1	565.1	598.0	0.9	(57.9)	(61.3)	0.2%	-10.3%	-10.3%
Investment Yield	2.74%	2.36%	2.34%	2.57%	2.36%	2.34%	0.18%	0.00%	0.00%	6.9%	0.0%	0.0%
Total revenues	9,168.2	10,048.2	10,727.0	8,877.0	9,519.9	10,119.4	291.1	528.3	607.6	3.3%	5.5%	6.0%
Underwriting Income	**834.8**	**1022.6**	**1126.2**	**778.8**	**894.3**	**1016.3**	**55.9**	**128.3**	**109.8**	**7.2%**	**14.3%**	**10.8%**
Operating income after-tax	831.6	924.4	1019.3	796.6	882.2	996.5	35.0	42.2	22.8	4.4%	4.8%	2.3%
Operating income per diluted share	**4.45**	**5.00**	**5.60**	**4.28**	**4.80**	**5.50**	**0.17**	**0.21**	**0.10**	**4.0%**	**4.3%**	**1.8%**
Tax Rate	21.1%	21.0%	21.0%	21.2%	21.0%	21.0%	-0.1%	0.0%	0.0%	-0.3%	0.0%	0.0%
Book value per share	39.17	43.95	49.31	39.29	43.84	49.09	(0.11)	0.11	0.22	-0.3%	0.2%	0.4%
Operating ROE	12.6%	12.7%	12.7%	12.1%	12.2%	12.5%	0.5%	0.5%	0.2%	4.5%	4.4%	1.5%
Net income ROE	14.7%	14.8%	14.6%	14.3%	14.2%	14.4%	0.4%	0.6%	0.2%	3.1%	4.2%	1.4%
Underwriting Profitability												
Loss ratio	60.3%	59.6%	59.2%	59.7%	58.9%	58.3%	0.6%	0.6%	0.9%	1.0%	1.1%	1.6%
Expense ratio	29.2%	29.0%	28.9%	30.1%	30.3%	30.2%	-1.0%	-1.4%	-1.3%	-3.2%	-4.5%	-4.3%
GAAP combined ratio	89.5%	88.5%	88.2%	89.8%	89.2%	88.5%	-0.3%	-0.7%	-0.3%	-0.4%	-0.8%	-0.4%
(Favorable) / Adverse PYD	-0.1%	0.0%	0.1%	-0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	-19.6%	-6.6%	-7.0%
Catastrophe Losses	2.1%	1.9%	1.9%	1.8%	2.1%	2.0%	0.3%	-0.1%	-0.1%	14.6%	-6.6%	-7.0%
Underlying Loss Ratio	**58.3%**	**57.6%**	**57.2%**	**58.0%**	**56.8%**	**56.1%**	**0.3%**	**0.8%**	**1.1%**	**0.6%**	**1.4%**	**2.0%**
Underlying Combined Ratio	**87.5%**	**86.6%**	**86.2%**	**88.1%**	**87.2%**	**86.4%**	**-0.6%**	**-0.6%**	**-0.2%**	**-0.7%**	**-0.7%**	**-0.2%**
Capital Return												
Total shares repurchased	100.0	200.0	240.0	130.0	200.0	240.0	-30.0	0.0	0.0	-23.1%	0.0%	0.0%
Total Dividends ($M)	179.0	92.8	98.2	88.1	92.5	97.8	90.9	0.3	0.4	103.3%	0.4%	0.4%
Total capital return to shareholders	279.0	292.8	338.2	218.1	292.5	337.8	60.9	0.3	0.4	27.9%	0.1%	0.1%
Capital return payout ratio - % Operating	33.6%	31.7%	33.2%	27.4%	33.2%	33.9%	6.2%	-1.5%	-0.7%	22.6%	-4.5%	-2.1%

Source: Company reports and Wells Fargo Securities, LLC estimates

Valuation

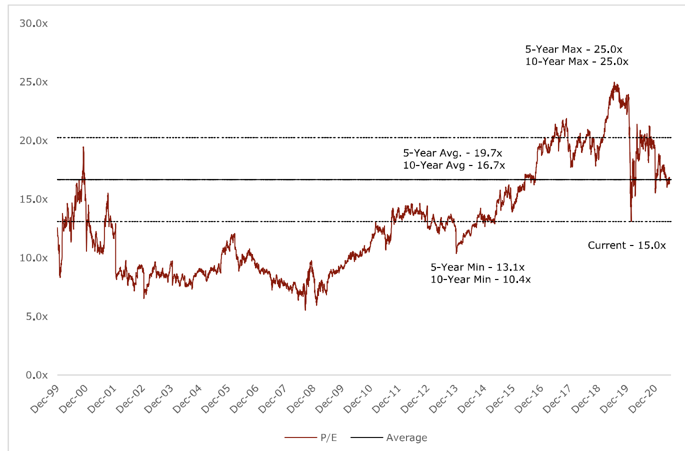
Current valuation. WRB currently trades at 2.0x Q2 2021 book value, which compares to the 5-year and 10-year average multiples of 1.78x and 1.54x, respectively. The 5-year minimum is 1.34x and 10-year minimum is 0.98x. The 5-year and 10-year max is 2.60x, which occurred in February 2020 just before the pandemic started. WRB is trading at 16.9x our 2021 EPS estimate and 15.0x our 2022 EPS estimates, which compares to the 5-year and 10-year average multiples of 19.7x and 16.7x, respectively. The 5-year minimum is 13.1x (low point of the pandemic) and 10-year minimum is 10.4x. The 5-year and 10-year max is 25.0x.

Exhibit 5 - WRB Historical P/BV



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

Exhibit 6 - WRB Historical P/E (2-Year Forward)



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

Consolidated Earnings Model

Exhibit 7 - WRB Earnings Model

$ in millions, except per share data	FY 2018	FY 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	FY 2020	Q1 2021	Q2 2021	Q3 2021E	Q4 2021E	FY 2021E	Q1 2022E	Q2 2022E	Q3 2022E	Q4 2022E	FY 2022E	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	FY 2023E
Revenues:																						
Gross premiums written	7,702.5	8,262.2	2,231.4	2,132.2	2,262.5	2,221.5	8,847.6	2,484.7	2,661.2	2,643.2	2,598.0	10,387.1	2,696.2	2,898.3	2,841.2	2,798.0	11,233.7	2,876.3	3,094.2	3,036.6	2,994.1	12,001.2
y/y change	-	7.3%	9.0%	2.0%	8.1%	9.3%	7.1%	11.4%	24.8%	16.8%	16.9%	17.4%	8.5%	8.9%	7.5%	7.7%	8.2%	6.7%	6.8%	6.9%	7.0%	6.8%
Net premiums written	6,433.2	6,863.5	1,845.8	1,739.8	1,879.3	1,797.5	7,262.4	2,050.0	2,212.2	2,190.6	2,104.9	8,557.7	2,229.5	2,373.8	2,354.5	2,266.7	9,224.5	2,377.9	2,533.8	2,515.9	2,425.0	9,852.6
y/y change	-	6.7%	*8.0%*	*-0.2%*	*7.4%*	*8.2%*	*5.8%*	*11.1%*	*27.2%*	*16.6%*	*17.1%*	*17.8%*	*8.8%*	*7.3%*	*7.5%*	*7.7%*	*7.8%*	*6.7%*	*6.7%*	*6.9%*	*7.0%*	*6.8%*
Change in unearned premiums	(61.7)	(230.2)	(154.4)	(62.9)	(130.4)	16.1	(331.6)	(200.1)	(240.6)	(167.0)	(3.9)	(611.5)	(67.6)	(169.3)	(109.3)	19.2	(327.1)	(53.2)	(170.6)	(112.5)	18.4	(317.9)
Net premiums earned	**6,371.5**	**6,633.3**	**1,691.4**	**1,676.9**	**1,748.9**	**1,813.6**	**6,930.8**	**1,850.0**	**1,971.6**	**2,023.7**	**2,101.0**	**7,946.2**	**2,161.9**	**2,204.5**	**2,245.2**	**2,285.9**	**8,897.4**	**2,324.7**	**2,363.2**	**2,403.4**	**2,443.4**	**9,534.7**
y/y change	-	4.1%	*6.2%*	*1.8%*	*4.3%*	*5.6%*	*4.5%*	*9.4%*	*17.6%*	*15.7%*	*15.8%*	*14.7%*	*16.9%*	*11.8%*	*10.9%*	*8.8%*	*12.0%*	*7.5%*	*7.2%*	*7.0%*	*6.9%*	*7.2%*
Net investment income	674.2	645.6	174.8	85.4	142.7	181.0	583.8	158.6	168.2	127.2	123.0	577.0	124.5	126.0	127.5	129.1	507.2	131.1	133.2	135.4	137.0	536.7
y/y change	-	-4.2%	*10.4%*	*-54.6%*	*-11.8%*	*31.8%*	*-9.6%*	*-9.3%*	*96.9%*	*-10.8%*	*-32.0%*	*-1.2%*	*-21.5%*	*-25.1%*	*0.3%*	*4.9%*	*-12.1%*	*5.3%*	*5.7%*	*6.1%*	*6.1%*	*5.8%*
Net investment gains (losses):																						
Net realized and unrealized gains (losses) on investments	160.2	120.7	(143.3)	61.7	(7.8)	162.9	73.5	51.8	20.5	31.6	31.6	135.5	31.6	31.6	31.6	31.6	126.6	31.6	31.6	31.6	31.6	126.6
Change in allowance for credit losses on investments	(5.7)	0.0	(33.9)	16.2	46.8	0.4	29.5	(16.9)	3.6	0.0	0.0	(13.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net investment gains (losses)	154.5	120.7	(177.2)	77.9	39.0	163.3	103.0	34.8	24.1	31.6	31.6	122.2	31.6	31.6	31.6	31.6	126.6	31.6	31.6	31.6	31.6	126.6
Revenues from non-insurance businesses	373.0	406.5	93.7	75.7	87.5	132.9	389.9	87.4	109.1	95.0	135.0	426.6	95.0	90.0	97.5	137.5	420.0	97.5	92.5	100.0	140.0	430.0
Insurance service fees	117.8	92.7	25.8	19.9	21.6	21.5	88.8	25.8	22.3	23.0	23.0	94.1	23.8	23.8	23.8	23.8	95.0	24.3	24.3	24.3	24.3	97.0
Other income	0.7	3.4	2.1	0.2	0.1	0.1	2.6	0.3	0.8	0.5	0.5	2.1	0.5	0.5	0.5	0.5	2.0	0.5	0.5	0.5	0.5	2.0
Total revenues	**7,691.7**	**7,902.2**	**1,810.6**	**1,936.0**	**2,039.8**	**2,312.5**	**8,098.9**	**2,156.9**	**2,296.1**	**2,301.0**	**2,414.2**	**9,168.2**	**2,437.3**	**2,476.4**	**2,526.1**	**2,608.4**	**10,048.2**	**2,609.7**	**2,645.4**	**2,695.2**	**2,776.7**	**10,727.0**
y/y change		2.7%	*-6.5%*	*-4.3%*	*3.8%*	*17.0%*	*2.5%*	*19.1%*	*18.6%*	*12.8%*	*4.4%*	*13.2%*	*13.0%*	*7.9%*	*9.8%*	*8.0%*	*9.6%*	*7.1%*	*6.8%*	*6.7%*	*6.5%*	*6.8%*
Expenses:																						
Losses and loss expenses	3,974.7	4,131.1	1,107.3	1,135.1	1,114.6	1,111.7	4,468.7	1,121.6	1,203.6	1,226.1	1,241.5	4,792.9	1,294.7	1,310.4	1,350.6	1,343.1	5,298.8	1,384.8	1,395.5	1,438.3	1,429.7	5,648.3
Other operating costs and expenses	2,383.2	2,362.1	578.3	580.8	594.0	637.3	2,390.4	616.3	647.7	666.7	692.1	2,622.8	704.8	718.7	732.0	745.2	2,900.8	756.7	769.2	782.3	795.3	3,103.5
Expenses from non-insurance businesses	364.4	402.7	94.8	76.2	85.0	128.5	384.5	86.3	106.7	94.1	133.7	420.7	94.1	89.1	96.5	136.1	415.8	96.5	91.6	99.0	138.6	425.7
Interest expense	157.2	153.4	36.7	38.4	39.8	35.7	150.5	36.7	38.1	38.1	38.1	150.9	35.8	32.4	32.4	32.4	132.9	32.4	32.4	32.4	32.4	129.5
Total expenses	**6,879.6**	**7,049.3**	**1,817.1**	**1,830.6**	**1,833.4**	**1,913.1**	**7,394.1**	**1,860.8**	**1,996.1**	**2,025.0**	**2,105.4**	**7,987.4**	**2,129.4**	**2,150.6**	**2,211.5**	**2,256.8**	**8,748.3**	**2,270.4**	**2,288.7**	**2,352.0**	**2,395.9**	**9,307.0**
Underwriting Income	**302.4**	**413.7**	**52.2**	**22.9**	**111.5**	**164.6**	**351.2**	**181.7**	**202.3**	**205.7**	**245.1**	**834.8**	**241.2**	**255.8**	**244.5**	**281.0**	**1,022.6**	**266.9**	**283.6**	**269.3**	**306.4**	**1,126.2**
Income before income taxes	**812.1**	**852.9**	**(6.5)**	**105.4**	**206.4**	**399.4**	**704.8**	**296.1**	**299.9**	**276.0**	**308.8**	**1,180.8**	**307.9**	**325.8**	**314.6**	**351.6**	**1,299.9**	**339.3**	**356.7**	**343.2**	**380.8**	**1,420.0**
Income tax expense	(163.0)	(168.9)	2.9	(33.8)	(54.0)	(86.9)	(171.8)	(64.4)	(62.3)	(58.0)	(64.8)	(249.4)	(64.7)	(68.4)	(66.1)	(73.8)	(273.0)	(71.3)	(74.9)	(72.1)	(80.0)	(298.2)
Tax Rate	*20.1%*	*19.8%*	*45.5%*	*32.0%*	*26.2%*	*21.8%*	*24.4%*	*21.7%*	*20.8%*	*21.0%*	*21.0%*	*21.1%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*	*21.0%*
Net income before noncontrolling interests	**649.1**	**684.0**	**(3.5)**	**71.7**	**152.4**	**312.5**	**533.0**	**231.7**	**237.7**	**218.1**	**243.9**	**931.4**	**243.2**	**257.4**	**248.5**	**277.7**	**1,026.9**	**268.1**	**281.8**	**271.1**	**300.8**	**1,121.8**
Noncontrolling interests	(8.3)	(2.0)	(0.9)	(0.4)	(0.7)	(0.3)	(2.3)	(2.2)	(0.4)	(0.6)	(0.6)	(3.9)	(0.6)	(0.6)	(0.6)	(0.6)	(2.5)	(0.6)	(0.6)	(0.6)	(0.6)	(2.5)
Net income to common stockholders	**640.7**	**681.9**	**(4.4)**	**71.3**	**151.7**	**312.2**	**530.7**	**229.5**	**237.2**	**217.4**	**243.3**	**927.5**	**242.6**	**256.8**	**247.9**	**277.1**	**1,024.4**	**267.4**	**281.2**	**270.5**	**300.2**	**1,119.3**
y/y change		6.4%	*-102.4%*	*-67.1%*	*-8.2%*	*161.6%*	*-22.2%*	*-5295.2%*	*232.9%*	*43.3%*	*-22.1%*	*74.8%*	*5.7%*	*8.2%*	*14.0%*	*13.9%*	*10.5%*	*10.2%*	*9.5%*	*9.1%*	*8.3%*	*9.3%*
Pre-tax investment (gains) losses, net of related expenses	(133.7)	(117.8)	177.6	(77.8)	(39.5)	(162.3)	(102.0)	(33.3)	(23.3)	(31.6)	(31.6)	(119.9)	(31.6)	(31.6)	(31.6)	(31.6)	(126.6)	(31.6)	(31.6)	(31.6)	(31.6)	(126.6)
Income tax expense (benefit)	27.9	24.9	(40.6)	18.1	9.0	23.2	9.7	5.6	5.1	6.6	6.6	23.9	6.6	6.6	6.6	6.6	26.6	6.6	6.6	6.6	6.6	26.6
Operating income after-tax	**534.9**	**589.0**	**132.6**	**11.6**	**121.1**	**173.0**	**438.4**	**201.8**	**219.1**	**192.4**	**218.3**	**831.6**	**217.6**	**231.8**	**222.9**	**252.1**	**924.4**	**242.4**	**256.2**	**245.5**	**275.2**	**1,019.3**
y/y change	-	10.1%	*3.1%*	*-92.7%*	*-26.0%*	*25.9%*	*-25.6%*	*52.1%*	*1796.3%*	*58.8%*	*26.2%*	*89.7%*	*7.8%*	*5.8%*	*15.8%*	*15.5%*	*11.2%*	*11.4%*	*10.5%*	*10.1%*	*9.2%*	*10.3%*
Operating income per diluted share	**2.78**	**3.04**	**0.70**	**0.06**	**0.65**	**0.92**	**2.32**	**1.08**	**1.17**	**1.03**	**1.17**	**4.45**	**1.17**	**1.25**	**1.21**	**1.37**	**5.00**	**1.32**	**1.40**	**1.35**	**1.52**	**5.60**
y/y change	-	9.5%	*4.4%*	*-92.7%*	*-23.7%*	*30.0%*	*-23.7%*	*55.0%*	*1803.9%*	*59.6%*	*26.7%*	*91.7%*	*8.4%*	*6.9%*	*17.3%*	*17.1%*	*12.3%*	*13.1%*	*12.2%*	*11.9%*	*11.0%*	*12.0%*
Net income per share:																						
Basic Net Income Per Share	3.37	3.58	(0.02)	0.38	0.82	1.68	2.84	1.24	1.28	1.18	1.32	5.02	1.32	1.40	1.36	1.52	5.60	1.48	1.56	1.51	1.68	6.22
Diluted Net Income Per Share	3.33	3.52	(0.02)	0.38	0.81	1.67	2.81	1.23	1.27	1.16	1.31	4.96	1.31	1.39	1.34	1.51	5.54	1.46	1.54	1.49	1.66	6.15
Average shares outstanding:																						
Basic	190.0	190.7	190.3	186.0	185.8	185.7	186.9	185.2	185.2	184.9	184.5	184.9	183.9	183.2	182.6	181.9	182.9	181.2	180.4	179.6	178.8	180.0
Diluted	192.4	193.5	190.3	187.9	187.7	187.2	188.8	186.8	187.1	186.9	186.4	186.8	185.9	185.2	184.5	183.9	184.9	183.1	182.4	181.6	180.8	182.0
Operating ROE	**9.8%**	**10.0%**	**9.2%**	**0.8%**	**8.2%**	**11.2%**	**7.4%**	**12.7%**	**13.5%**	**11.6%**	**12.8%**	**12.6%**	**12.4%**	**12.9%**	**12.1%**	**13.4%**	**12.7%**	**12.5%**	**12.9%**	**12.1%**	**13.2%**	**12.7%**
Net income ROE	**11.8%**	**12.5%**	**-0.3%**	**4.7%**	**10.0%**	**20.6%**	**8.7%**	**14.5%**	**15.0%**	**13.8%**	**15.4%**	**14.7%**	**14.0%**	**14.8%**	**14.3%**	**16.0%**	**14.8%**	**14.0%**	**14.7%**	**14.1%**	**15.7%**	**14.6%**
Book value per share	**29.72**	**33.12**	**30.55**	**32.60**	**33.64**	**35.49**	**35.49**	**36.16**	**37.08**	**38.03**	**39.17**	**39.17**	**40.26**	**41.46**	**42.62**	**43.95**	**43.95**	**45.19**	**46.53**	**47.83**	**49.31**	**49.31**
Tangible book value per share	**28.42**	**31.87**	**29.28**	**31.33**	**32.38**	**34.22**	**34.22**	**34.90**	**35.83**	**36.78**	**37.92**	**37.92**	**39.01**	**40.20**	**41.35**	**42.67**	**42.67**	**43.91**	**45.25**	**46.54**	**48.01**	**48.01**
									13.7%													
Underwriting Profitability																						
Loss ratio	62.4%	62.3%	65.5%	67.7%	63.7%	61.3%	64.5%	60.6%	61.0%	60.6%	59.1%	60.3%	59.9%	59.4%	60.2%	58.8%	59.6%	59.6%	59.1%	59.8%	58.5%	59.2%
Expense ratio	32.9%	31.5%	31.4%	31.0%	29.9%	29.6%	30.5%	29.5%	28.7%	29.2%	29.2%	29.2%	29.0%	29.0%	29.0%	29.0%	29.0%	29.0%	28.9%	28.9%	28.9%	28.9%
GAAP combined ratio	**95.3%**	**93.8%**	**96.9%**	**98.7%**	**93.7%**	**90.9%**	**94.9%**	**90.1%**	**89.7%**	**89.8%**	**88.3%**	**89.5%**	**88.8%**	**88.4%**	**89.1%**	**87.7%**	**88.5%**	**88.5%**	**88.0%**	**88.8%**	**87.5%**	**88.2%**
(Favorable) / Adverse PYD	-0.6%	-0.3%	-0.2%	-0.2%	-0.3%	-0.2%	-0.2%	-0.2%	0.0%	-0.1%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%
Catastrophe Losses	1.7%	1.4%	4.7%	8.7%	4.2%	2.3%	4.9%	1.9%	2.2%	2.8%	1.4%	2.1%	1.3%	2.4%	2.7%	1.4%	1.9%	1.3%	2.3%	2.6%	1.4%	1.9%
Underlying Loss Ratio	**61.3%**	**61.2%**	**61.0%**	**59.2%**	**59.9%**	**59.2%**	**59.8%**	**58.9%**	**58.8%**	**57.9%**	**57.8%**	**58.3%**	**58.6%**	**57.0%**	**57.5%**	**57.4%**	**57.6%**	**58.2%**	**56.6%**	**57.1%**	**57.0%**	**57.2%**
Underlying Combined Ratio	**94.2%**	**92.7%**	**92.4%**	**90.2%**	**89.8%**	**88.8%**	**90.3%**	**88.4%**	**87.5%**	**87.2%**	**87.1%**	**87.5%**	**87.6%**	**86.0%**	**86.4%**	**86.3%**	**86.6%**	**87.1%**	**85.6%**	**86.1%**	**86.0%**	**86.2%**

Source: Company reports and Wells Fargo Securities, LLC estimates

Price Target Basis and Risk

Price Target for WRB: $92.00 from NC

Our price target of $92 is based on a 2.1x multiple of our year-end 2022 book value estimate. Our price target also represents a 18.4x multiple against our 2022 EPS estimate.

Risk 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.

Investment Thesis

WRB

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 2021 which should translate into underlying margin improvement, and we do not believe this is currently reflected in consensus expectations.

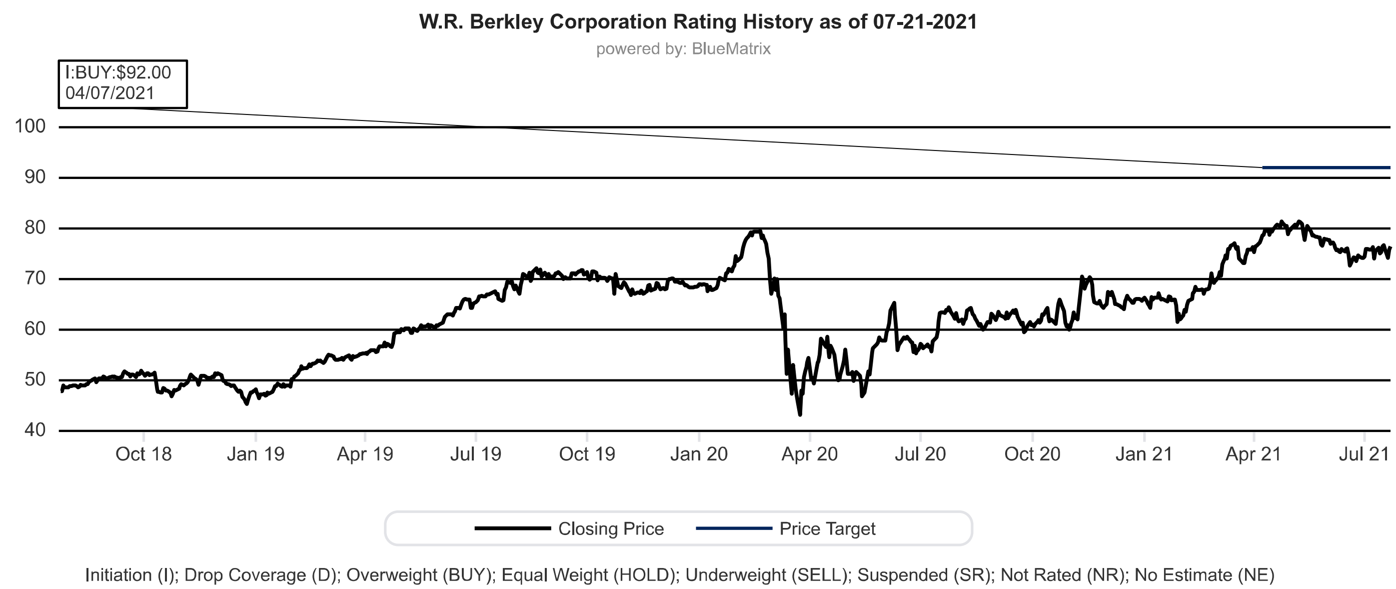
Required Disclosures

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

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

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

Additional Information Available Upon Request



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

Wells Fargo Securities, LLC, or its affiliates, managed or co-managed a public offering of securities for W.R. Berkley Corporation within the past 12 months.

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

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

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 0-10% 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 July 21, 2021
56.1% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Overweight.
33.8% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Equal Weight.
10.1% of companies covered by Wells Fargo Securities, LLC Equity Research are rated Underweight.
Wells Fargo Securities, LLC has provided investment banking services for 58.9% of its Equity Research Overweight-rated companies.

Wells Fargo Securities, LLC has provided investment banking services for 49.1% of its Equity Research Equal Weight-rated companies.
Wells Fargo Securities, LLC has provided investment banking services for 40.0% of its Equity Research Underweight-rated companies.

Important Disclosure for U.S. Clients

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