W. R. Berkley Corporation NYSE:WRB

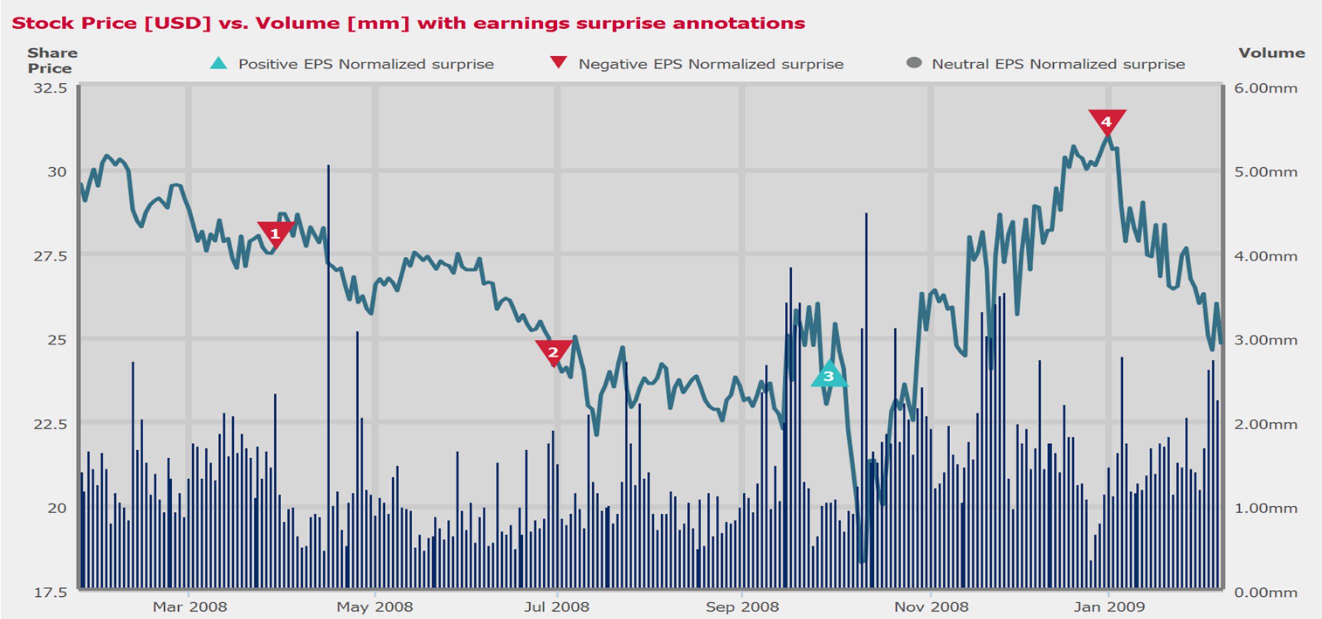
FQ1 2009 Earnings Call Transcripts

Tuesday, April 28, 2009 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2009-			-FQ2 2009-	-FY 2009-	-FY 2010-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.28	0.25	▲(10.71 %)	0.64	2.41	3.20
Revenue	-	-	▲(13.32 %)	-	-	-
Revenue (mm)	1111.73	963.62	-	1173.15	4641.32	4890.73

Currency: USD
Consensus as of Apr-28-2009 7:41 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2008	0.91	0.83	▼1 (8.79 %)
FQ2 2008	0.84	0.77	▼2 (8.33 %)
FQ3 2008	0.71	0.73	▲3 2.82 %
FQ4 2008	0.77	0.62	▼4 (19.48 %)

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Presentation

Operator

Good day and welcome to the W.R. Berkley Corporation first quarter 2009 Earnings Call. (Operator Instructions).

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 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 ending December 31, 2008 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'd now like to turn the call over to Mr. William. R. Berkley. Please go ahead sir.

William Berkley

Good morning. It was a quarter that reflected pretty much what we expected to happen. The good news actually is, it seems pricing is changing a bit more quickly than we anticipated.

Those of you who follow our comments, we expected the market to turn in the fourth quarter of this year, the first quarter of next year and in fact pricing seems to be changing a bit more quickly.

We are starting to see pricing by the end of the first quarter, there were a number of lines that pricing started to move upward. We certainly are a long way from where we think pricing needs to be, but there is positive momentum. It's clearly being somewhat restrained by the economy in certain areas but overall much more positive trends sooner than we anticipated.

The pressure of people being conscious of wanting to buy insurance from people who they are sure will be there is becoming a theme that's a constant and serious agents and brokers who are worried about their best use of their expertise are warning their customers that it's an issue you have to be conscious of and it's not necessarily closing people to leave where they were but it's at least raising the bar, and people are worried.

As that's going on, we're seeing a better show of business, somewhat offset by greater declines due to the economy in construction and commercial transportation, which are two very large lines of business in our industry.

Overall those two lines and some moderation in order premiums from workers' compensation bring about really a decline in volume and a number of companies going out of business. So while pricing was down only about 1.5% and in fact, by the time we got to the end of the quarter, pricing was better than that reflected for the quarter. Our loss of business reflected more competitive environment and people going out of business.

We are quite enthusiastic. I think that if you look at the first chart that we put out, which was market drivers, it's on our website. If you didn't see it, you can get it on our website, which shows the property casualty industry and the corner stone of market drivers, which is the US property casualty insurance industry return on capital and the change in policy over the surplus.

You can see that 2008, in fact, reflected exactly what we are talking about. And my expectation is there will be further declines in 2009, which has historically been the bottoming out of the industry cycle. We see nothing on the horizon to change our view. We are more confident than ever that the cycle is turning.

The big issue is how sharply it will turn upward in pricing. That will be impacted by the economy somewhat. Pricing is going to move up. It's going to move up to the adequate levels. But I think that, the question is, will we get fabulous returns or just very good returns.

I think that if you're to believe that the current view that the economy is bottoming out and we'll start to see at least a stop of the decline and moderate improvement, not a V bottom but a moderately improving economy to flat. We'll get substantial improvement in the pricing trends, because people will be more conscious of being sure their insurance can perform.

If you look at the second chart, which shows our own pricing trends, you can see that pricing is now back about where it was in 2006. We think that pricing probably by the third quarter, but certainly by the fourth quarter will be in the positive area. It could happen in the second quarter, as I said, pricings improved more quickly than we thought and March was substantially better than January and February.

So we're optimistic for modest improvement in pricing, and while this is not going to be a dramatic thing, it's going to be of significant impact as we get to the end of the year. Remembering that it takes five quarters before newly written premium is impacted in the reported results.

So right now, we're really reporting mainly from that much lower area in 2008. So you're not going to see these improvements from this quarter and subsequent quarters of any consequence till we get to the fourth quarter of this year, the first and second quarter of next year. So that will be when it impacts our earned premium.

Several people over the year, if you look at the next slide, had asked where did I come up with the idea that we're going to get to our 15% return? We just put this chart in to try to demonstrate, where and how we get there and that is taking out, what we think of these unusual losses that do get charged to our income statement. They would always been reflective on our book value, but the various rules now make them charged to our income statement.

So, that gets you there, but we then need to make up what we didn't earn in the first quarter. We think we will do it by changing our portfolio mix. Right now, our duration is slightly more than three years, and the duration of our liabilities, excluding our own debt, is somewhat more than four years, including our debt is more than four and a half years.

So, we expect to bring our liabilities, inline with our portfolio. Our portfolio inline with our liabilities, and extend with bond portfolio from slightly more than three years to just around four years, maybe a shy in shade short of four years. We are in much more of a trading mode today than we have been in. That's just a function of more volatility in the marketplace.

We are no longer just buying things with the view of longer term holds, so you're likely to see more volatility in our portfolio as far as positions go. So, we will be selling more things and buying more things, trying to take advantage of what's clearly a different portfolio environment. We continue to be quite optimistic. We think, we are well-positioned and we are looking forward to what would be a greatly improved balance of the year.

Let me let Gene Ballard now talk a little about our operations.

Gene Ballard

Thank you, Bill. I'll start, as usual, with the underwriting results. First our net premiums written were $1.023 billion, which is down 11.6% from a year ago. As Bill said, the decrease was mostly due to a combination of lower economic activity, particularly for the construction and transportation related businesses and also to a decline in our own new business production.

The largest percent decreases were in the reinsurance and specialty segments, where lower exposures resulted in premium declines of 22% and 19% respectively. The increase in international premiums of 35% was due to one reinsurance treaty in Asia that was relatively large, at least in relation to the international segment.

The overall combined ratio was 93.7%, that's up 3.3 percentage points from year ago. The loss ratio was up 1.5 percentage points as the impact of price changes and lost cost trends on an earned basis were relatively modest, and the expense ratio was up 1.8 percentage points and that's primarily result of a 13% decline in our earned premium volume.

Prior year reserves developed favorably in the quarter by $54 million, that's exactly equal to the amount of favorable developments in the first quarter of '08. This year's favorable development was primarily in the specialty and alternative market segments, which in turn had combined ratios of 93% and 86% respectively.

The regional combined ratio was 94% that's including storm losses, which are generally low in the first quarter, as they were this quarter at $9 million, compared with $14 million a year ago. For the reinsurance segment, the combined ratio was 99% and for the international segment, which is still absorbing cost related to the startup operations in Canada and the UK, the combined ratio was just under 102%.

Our net loss reserves increased by $29 million in the quarter to $8.15 billion at March 31st. Our loss reserves have consistently increased over the past three years net, even as our earned premiums have declined, since they peaked in the fourth quarter of 2005. Since that quarter, our earned premiums have actually declined by about 20%, while our loss reserves have increased over the same period by 40%.

Investment income was unchanged from a year ago at $138 million. In spite of a dramatic reduction in cash returns, the annualized yield on the overall portfolio increased from 4.4% in Q1 of '08 to 4.5% this quarter. The annualized yield on the arbitrage account, which totaled about $400 million at the end of the first quarter, was 12.6% compared to 1.9% in the prior year.

Losses from investment funds, which are reported on a one quarter lag, were $115 million, and that includes the losses from real estate and energy funds of $111 million that we had previously announced. The losses for those funds, which are generally attributable to their fair value adjustments, are included in our operating income.

Realized losses including other than temporary impairments were $97 million, compared to realized gains of $54 million a year ago. The 2009 impairments were primarily related to debt in preferred stock of three major financial institutions that experienced adverse credit events and ratings downgrades in the quarter. Those securities were carried at fair value at year-end 2008, so most of the decline in their value had already been reflected in our year-end equity.

At March 31st, 2009, our net unrealized losses were $81 million before taxes, which is less than 1% of our portfolio, and that's down from $221 million at the beginning of the year.

We did not adopt the new FASB rules regarding temporary impairments and fair value measurements that were announced on April 9th of this year. Although those changes will allow for more management discretion in the valuation of certain securities, they will have much less impact on higher quality investments. We plan to adopt the new rules in the second quarter, but we expect them to have little, if any impact on our portfolio.

To summarize the quarter, our operating income was $0.25 per share, which is an operating ROE of 5.6% and our book value per share increased 2% to $19.22.

William Berkley

Thank you, Gene. A couple of things that before we go to questions, first of all, this morning Lloyd's approved our new Syndicate 1967, which will commence underwriting June 1st. It will be run by a gentleman named Mike Sibthorpe, who joined us I guess about 10 months ago, and we're quite excited about that.

We think it will give us a new international footprint and the opportunity to do additional things using the platform that Lloyd's provides, which is one of those outstanding global platforms that do all kinds of unique and unusual things. So we're pleased and happy about now joining that enterprise as a participant, in a more full and complete way, having had a relationship for many years with Lloyd's, actually going back to the '70s when I had a personal involvement.

We also believe that there continued to be outstanding opportunities to find new ventures and new teams of people, which we continue to look at and talk to. As we look ahead into these more complex uncertainties that the current economic environment presents.

We have become a bit more cautious, to be sure we understand all of the possible ramifications of new enterprises, not wanting to get too far ahead of ourselves with more start-ups than we can handle. We've started up a number of new ventures last year, we want to not start more than we can be sure to, both fund and take on the operating expenses.

The operating expenses are things that we have always felt there are better ways to enter new businesses than buying new businesses. On the other hand, it cost us between $5 million to $10 million a quarter, depending at what point in time in the cycle, in operating losses as we build these businesses up. And better prepare ourselves to have the optimal level of leverage, as the cycle starts to turn and the economy gets better.

We think that gives us real opportunities when the cycle turns, but obviously for the past several years, it has cost us substantially. With that, I'm happy to answer any questions. Connie, whenever you're ready, we'll take questions.

Question and Answer

Operator

(Operator Instructions) We'll take our first question from Josh Shanker from Citi.

Joshua Shanker
Citi

I'm trying to understand, simplify something in a way that I shouldn't, but you'll correct me I am sure. If I look at the premium volume, net premium written in 1Q '09, the top-line was down 11% and that's compared to being down 8% 1Q '08 compared to 1Q '07.

Now in that slide on-page 3 that you put together, which I really appreciate, it shows that premium rates are down, rated down about 1.5% to 2% in 1Q '09 compared to a year ago and back in 1Q '08 it was down 6% compared to the year before that.

William Berkley

Yes.

Joshua Shanker
Citi

The conclusion I would draw is that in 1Q '08 almost all your premium decline was due to rates, and the conclusion that I would draw now is that your premium is declining from things that you can't really control potentially. And I would sort of want to rectify that misunderstanding that I have.

William Berkley

No, you don't have a misunderstanding. It was very insightful and succinct. So why is that happening?

Joshua Shanker
Citi

One might ask.

William Berkley

I think it's happening for a few reasons. First of all, construction is not an insignificant amount of the insurance pot, and in our Specialty area especially our construction business has been adversely impacted. And so that's not only hitting construction but in workers' compensation in California and all that's related to that. In addition, long haul trucking has been hit.

So, both of those two areas have been impacted by the economy. And we were just talking, I’m not sure we have been nimble enough, but we are getting a lot more nimble, I might add, to respond to those things. But in industries, where there is a special economic pressure, there is also more price pressure. So, for example, in commercial transportation, to survive truckers need to push, especially the marginal truckers, the hardest on pricing, which means we're going to lose more business because they have to buy from the cheapest.

So, when you go to talk to a customer about, don't you want to worry about having your claim paid, their answer is, we have to be on the road to have a claim. We can't be on the road without insurance, we'll tell our drivers to drive carefully. It sounds trite, but it isn't trite in these difficult economic times.

So, in commercial transportation, you've got people, some fair number of truckers are just, they have to buy the cheapest, not worry about claims or service or any of those things. They have to be out there and buy the cheapest. That's just what they need to do. And so, we've lost a fair amount of business.

We in spite of the fact that at least one if not two of commercial transportation competitors have effectively gone out of business. There are still major people, who are writing policies at lower than we would assess is the burning cost. Therefore, we're losing that business and that's not insignificant, and it was particularly true in this first quarter.

The construction business was the other place, and there a number of people are just going out of business. So, it's really focused more on those two particular lines of business in the first quarter, Josh, but your assumption is reasonably accurate.

Joshua Shanker
Citi

If two more years of this recession, are we going to see pricing improve, but probably there's going to be a drag on premiums through that recession?

William Berkley

I don't think so. As much as you might, I think that by and large what you're seeing now, in fact if you look at the trucking business, the business has stopped getting worse, there are more truckers that are on the road now. Construction is changing, people, who built lots of houses, are doing renovations and other things. So, the economy is changing, but it's not disappearing. I don't think things continue to get much worse.

Clearly, we would have liked to say a price increases by the first quarter of next year would be 15% or 20% and they might only be 8% or 10%, but I think that we would expect people still need to get a return on their invested capital, investment returns are much less certain. So, we think that the cycle changes. One of the things about the economy is the marginal change in economic activity is 1%, 3%, 5%. I think you've already seen those kinds of changes in the industry and if you'd look at those companies that are in difficulty or under a financial stress, they probably represent 25% of the industry's capacity. So, I think just the problem that they have more than will make up for any decline in demand.

Joshua Shanker
Citi

That 8% to 10% up number that you’re pointing out for 1Q '10, is that broadly or for trucking and construction that you are suggesting?

William Berkley

No, it's a broad statement that I think that prices are going to slowly start to move up and I think you'll see year-over-year pricing up sort of 8% to 10%, but that's my guesstimate.

Joshua Shanker
Citi

Okay. I appreciate that. On another note, you're the only person, whose is going to talk to me about inflation. Everyone else thinks it's a non-issue. I want you to know, how you think it's going to affect your investment strategy, how you think it will affect your reserves and how you think that your positioning is different than your peers.

William Berkley

You promise it's the last piece of your four-part question.

Joshua Shanker
Citi

Well, no I only had one question, but I will promise to stop. That's it.

William Berkley

Okay. It's good question. I think the answer is that, inflation won't be a factor until we start to come out of economic doldrums, and until you start to have a pickup. Inflation takes place, when people spend money, not when they payoff debt, and not when they save.

So, inflation is not of great concern, if you will, in my mind, for the next certainly, couple of years. I think there's going to be lots of pressure, and most people, who I speak to say, we hope there's an inflation problem because then we're out of this problem. I don't think that's, really something people have thought about. We build in inflation into our reserves.

We think it's still there. It worries us. It worries us on our longer tail lines of business. We think that for the next three years inflation is not probably a worry, when you start to get out more than that, you do. We're not extending the duration of our portfolio out more than the duration of our portfolio out more than the duration of our liabilities, even though we could get paid a tremendous amount on investment income because of the steep yield curve.

I think some of our competitors are making a big bet and going far out on the yield curve. We think that's a really critical question, how much are you going to bet, then you're going to have mark-to-market at least in book value declines and risks. And even now our long-term side of our investments is sort of 10 years and we're not going out 30 and we think a number of people are buying 30-year bonds and they're paying.

So we think inflation is a problem. We think it's probably more than three or four years out, but it's definitely out there and people who are making big bets in the bond market on the very long end are taking a risk.

Operator

We'll take our next question from Michael Phillips from Stifel Nicolaus.

Michael Phillips
Stifel Nicolaus

Bill, probably it might take the most upbeat effort in a while on rates, so it's good to hear. There are still clearly some companies out there that aren't sticking to the guns and it is obviously always the case, but from what you're seeing and from your competitors, any kind of commonalities between the guys that are being still a bit aggressive?

William Berkley

Well, I think that basically the best quality companies are being restrained and are talking about price increases, modest price decreases. I think if you see somebody who's growing a lot then the only answer is that they're cutting prices. I mean, anybody who says they're growing significantly and they're not cutting prices is they have a unique way of calculating.

I think that it's the reality. This is a market where there are people who are making decisions that buying business now will put them in an advantageous position when the cycle turns, and historically that has not been the case.

Historically, when the market turns, you can get all the business you want. That's the decision that we're facing and we continue to believe there are great opportunities, and we're going to wait.

We think the right thing for us to do is, manage our capital, keep doing what we're doing, be opportunistic, we'll use our capital just in time, we have enough capital to grow substantially, and when we get those high returns that will generate substantial internal capacities to grow a lot.

So, we think there are a group of companies that I wouldn't discuss by name on a conference call that are very aggressive out there that think having a bigger share of the marketplace is a good thing.

Operator

We'll go next to Mike Grasher from Piper Jaffray.

Michael Grasher
Piper Jaffray

Just wanted to ask about the alternative markets business, it was down here in the quarter and a competitor of yours put up some decent numbers in that. Can you speak about that business? What are the trends that you're experiencing in rate versus attachment points?

William Berkley

Well, first of all, it was down modestly, and it was mainly California. It was our preferred employer where prices are very competitive and we think preferred employers is doing great, especially compared to some of the quality names that we view as our competitors. We think we're doing well in our segment of the market, which is not the big employers, we're doing well.

I think we're pretty happy with the alternative market. I think that I'm not sure who put up good numbers. This is a business where you could put up any numbers you want for a shorter period of time and if you want to grow a lot, you can put up any numbers for a long period of time. But I think that the business continues to be competitive. A number of people are using self-insurance now as an effective way to do this business.

Basically, you could buy excess fairly cheap in a number of areas, so I think people are going into self-insured plans. I think that there's nothing particular about the alternative market, I think the business continues. I think a lot of people are wanting to be sure of the financial viability of the enterprise they're using in the alternative market segment, which is one of the strengths that we present.

We're top of the line financial security and I think a lot of people who suddenly said, my gosh biggest banks in the world, the biggest insurance company in the world, the biggest industrial company in the world are all in trouble. We no longer can just sort of say its business as usual, we have to do analytics and people do analytics our companies stand out as outstanding.

So, we’ve not had any particular problems or whatever. It's one of the sections of our business we're quite pleased with.

Mike Grasher

Okay. So, it sounds like there's been more of a trend to the self-insured. With that, have attachment points risen or gone higher?

William Berkley

Not for us, attachment points. I wouldn't say there's a trend towards self-insurance. I would say self-insurance continues pretty much as it is. I think that risk managers are now being more cognizant of financial security. There's no change in our business as far as attachment points or whatever. Our business is virtually the same as it was for the prior 12 months or 18 months.

Mike Grasher

Okay. Thank you.

Operator

(Operator Instructions) We'll go next to Michael Nannizzi from Oppenheimer.

Michael Nannizzi
Oppenheimer

I just have a couple questions if I could on the portfolio. So, given where rates are at the short-end, where are you seeing or looking for opportunities to pickup some incremental yield? You mentioned some friction in the portfolio.

William Berkley

I think, well one of the things is, I think are, recognizing no one is perfect in their investment prognostications. We think being a year and a quarter, short of our liability duration is too much. So, we're going to try to increase our max. So, we're going to take probably a significant amount of both our cash and our under two year stuff, and move it out into the, let's just say five to seven year duration.

Michael Nannizzi
Oppenheimer

Okay.

William Berkley

That's huge, especially in the cash. I mean, we have just short of a billion dollars of cash and we're going to take that out. So, that alone is a big change. Taking that out gives us probably 500 basis points, even keeping with the high quality, we're talking about.

Michael Nannizzi
Oppenheimer

Got it, and then in terms of the, I know it's not in the portfolio, but the commercial loan book, any change to that book from year-end?

William Berkley

No, not. We had a limit to how much we were going to do. We did that, and that's it. We're not doing anymore. That’s it. We hopefully is there will be one or two pieces that will roll off, but our goal is not to do more.

Michael Nannizzi
Oppenheimer

Okay. And then just really quickly on if I could, property in the reinsurance group or segment. Can you talk a little bit about property reinsurance pricing and whether that's the split in premiums in that segment is similar to prior periods and profitability in terms of property and casualty?

William Berkley

We do not do a lot of property reinsurance. It's an incidental part of our business.

Michael Nannizzi
Oppenheimer

Okay.

William Berkley

I think we did $14 million or $15 million in the quarter. Prices are better, modestly better, but I think the market is getting tighter and tighter and for a lot of people there is just no capacity. So, in certain areas of the world all the global capacity is used up and price is virtually a relevant. There is no capacity.

Michael Nannizzi
Oppenheimer

All right, okay. Last question on (inaudible). California, the worker's comp market, California, non-California, can you talk about trends you’re seeing there just in the typical rate sensitive market?

William Berkley

California loss costs are up. Pricing is okay. It's flat generally speaking. You hear about rates filed, but rates filed and rates charge, not always the same thing. It's still fairly competitive marketplace. We are not able to grow much at prices we think there will be profitability. People are out there competing. We are optimistic. We are holding our own and we are picking up a little bit of business here and there, but it's not where we'd like it to be.

In small risk, we are still doing okay, but I think that the workers' comp has a line in the aggregate, is one that be impacted by lower business activity. Therefore, you are not seeing audit premiums. I think it's a line of business that's influx at the moment.

Operator

We'll take our next question from Vinay Misquith from Credit Suisse.

Vinay Misquith
Credit Suisse

Bill, how much does pricing need to go up next year for margin to actually expand. You mentioned 8% to 10%. We are just curious looking at loss cost trends. What do you think is the breakeven point for margin to expand?

William Berkley

In loss cost trends are very low. I mean, we’re talking about the only loss cost trends that are really adverse the moment of medical cost of consequence. So, if you said 8% to 10%, 80% of that would go to profitability at this point in time.

Vinay Misquith
Credit Suisse

So, you are expecting margins to expand next year should pricing increase and therefore would you be able to write absolutely more dollars. Are you holding back writing new business because of pricing right now?

William Berkley

The answer is we are not holding back, it's the customers holding back. It's they don't see the light of how better facilities to do business with us, by paying us a higher price. The answer is, our business is quoted at a price and people make a decision to do business with us at that price or not and our price builds in a return. So clearly we are not getting all the business we'd like, and we have the capacity to write a lot more business.

Vinay Misquith
Credit Suisse

Fair enough. And the new teams that you've hired recently. If you can give us an update on how they are doing and how you expect them to do in the future, because I believe in your press release you mentioned 2010?

William Berkley

Yes. I think it takes a cycle for them to be in business and many of them we hired in the fourth quarter of last year. It took time to get up and running while some of them are up and running. It certainly won't be till the end of this year to restart to really get those in operation and consequence, but I think that certainly in the aggregate the contribution will be substantial in 2010, certainly measure in 100s of millions.

Operator

(Operator instructions). We'll go next to Brian Meredith from UBS.

Brian Meredith
UBS

Couple of quick questions. First of all, is it possible to quantify or get the sense of what the impact of the audit premiums were in the quarter and what segments does it hit?

William Berkley

No. We don't get it actually. First of all, even if we did get a report it would be three months from now before we got it reported that way and we actually don't get audit premiums reported, we could pull it off the general ledger but it comes in, people do audits once a year for companies, so it doesn't sort of come in like.

Brian Meredith
UBS

Okay, so it doesn't have a disproportionate impact naturally in the first quarter?

William Berkley

No.

Brian Meredith
UBS

Okay, thank you. And then the second question. In case talk about terms and conditions out there and then I didn't add on to that. Are you still seeing the standards carriers trying to write more E&S business or if they kind of pull back?

William Berkley

The standard carriers are writing E&S business at standard rates, without what we would say are appropriate terms and conditions. We even have seen, company go in and write construction business without excluding prior act, which is sort of unheard of.

We felt, we would just send them, a list of claims and we would deny coverage. But, for terms and conditions and as far as our E&S companies and most good E&S companies, terms and conditions have not changed a lot. Terms and conditions have stayed the same and I will think you will find most of good E&S companies have said not to change those things in a consequential way, there are always exceptions.

For the most part, that's the occasion and the E&S market is being inundated by standard market companies, who suddenly have decided they know how to write business that they continually loose money on. The only question is how long it takes to have a loss.

Brian Meredith
UBS

Great and then the last question Bill. Availability of reinsurance, how much of an impact is that, can have on your kind of willingness to grow in and some of these new lines of business and had you been able to secure it already?

William Berkley

So far, we have all the reinsurance we need. We have not had any problem with obtaining reinsurance support that we have needed. We probably have changed our retentions a little bit but for the world it's insignificant, whereas probably our regional business retentions maybe a $1 million or $2 million, we may have a retention in one or two of these new lines of business $2.5 million maybe even on occasions $5 million, but we have reinsurance, everything above that. So we've had no problems so far.

Operator

We'll go next to Scott Heleniak from RBC Capital Market.

Scott Heleniak
RBC Capital Market

The first is one the Lloyd Syndicate. I just wondered if you could comment on what the business mix might look like and how much of that might be non-US and then how many personnel do you have in place or you're going to have in place to launch this.

William Berkley

It's property and action business will be our first two lines of business and while we are looking at some other things we have. I think we have five or six people already, we have several senior underwriters, we just came out with a press release about 15 minutes ago.

Scott Heleniak
RBC Capital Market

Okay. You said June 1st, that you'll be surveying about this?

William Berkley

We will be writing business effective June 1st. Yes

Scott Heleniak
RBC Capital Market

Okay. And then other question I had was the, do you have the investment fund values at the end of the March quarter? And how much does that pertain to real estate?

Gene Ballard

The real estate and energy fund that I referred to is a little more over $200 million.

Scott Heleniak
RBC Capital Market

They were $200 million.

William Berkley

I think that's the real estate and energy both together.

Scott Heleniak
RBC Capital Market

Right, Okay. And on the real estate is that pretty much all commercial related, is that any of that residential or that all commercial?

William Berkley

By the way, a piece of that is, things bought more recently in a fund that was there. It's not all old things, some of that is bought very recently, but in a fund that was an existence. Okay.

Operator

At this time, we have no further questions in the queue. I'd like to turn the conference back to your presenters' for any additional or closing comments.

William Berkley

I think that the only thing I'd like to add is that we do continue to be optimist. Our view is unchanged from, where it's has been and that is. We anticipate the earned premiums starting to look better by the fourth quarter and first quarter of next year with pricing starting to get better, in a more material way each subsequent quarter. We are quite optimistic there and when we continue to feel that we will achieve our return goals.

Thank you all very much. Have a great day. Enjoy the sunshine.

Operator
This concludes today's conference. We thank you for your participation.