Price Target Change — October 21, 2024

Commercial Lines Insurance

W.R. Berkley Corporation (WRB)

October Growth Less Scary; Q3 Earnings and Conference Call Roundup

Our Call

WRB posted in-line EPS even with $0.05 from FX. Premium growth was light (but improved in October) with underlying margin beating expectations and modest $1m of PYD (from insurance). Pricing moved up 10bps sequentially to 8.4% ex workers' comp.

Estimate and price target changes: Our 2024 EPS estimate goes to $4.00 (from $4.03) as we up the Q4 cat load to 2.7 pts (from 2.1 pts) as we assume $44m of Milton losses (Helene was about half of Q3 cats, $97.8m). Our 2025 and 2026 estimates go to $4.40 and $4.80 (from $4.25 and $4.65) reflecting modestly better underlying loss ratios, a lower FY cat load and higher fixed NII. Our price target is $68 (from $63) based on 15.4x our 2025 EPS estimate / 2.6x our estimated 2025 book value of ~$26.

Takes for the group: (1) pricing improved: pricing ex comp ticked up modestly and Berkley was positive on underlying conditions in E&S market, **(2) rate exceeded loss trend:** WRB said rate remains in excess of trend and underlying margin improvement should continue, **(3) reinsurance color:** reinsurance rates could come under pressure at 1/1 if Milton losses don't worsen, and **(4) no movement in reserves:** there was $1m of releases as releases in insurance offset modest strengthening in reinsurance.

Premium growth and current AY discussion: Premium growth was 7%, below our 10.5% and 11.1% in Q2 and the 10-15% it targets (on an annual basis) with WRB attributing the slowdown to commercial auto, which has improved in October. Berkley has said that premium growth can bounce around by quarter but annually should be in 10-15% range. Overall WRB believes rate increases are keeping up and perhaps exceeding trend, and they expect their underlying margin to continue to improve.

Investment income: Investment income should grow, when adjusting for outsized investment income from Argentina in H1 2024. Argentinian inflation-securities should be stable going forward. WRB sees an opportunity to nudge out duration (from 2.4 years) as yield curve takes on a more traditional shape. As a result they do not expect to give up much on new money rates (currently above 5%). Additional NII guide was for investment funds to generate income of $10m/qtr in short-term and pick-up to $20m.

Other conference call highlights: New units should help both premiums earned and the expense ratio as they ramp up. New initiatives added about $25m of premium in Q3 and should grow from here. Also helping premium they were positive on flow to the non-admitted market. Tax rate should be high end of 23-24% in Q4 and 23.5-24% in 2025 as international makes up larger piece of business. See inside for highlights of key issues for WRB. We also hosted a lunch last week in Boston (see our note here).

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Rating	Overweight
Ticker	WRB
Price Target/Prior:	$68.00/$63.00
Upside/(Downside) to Target	11.4%
Price (10/21/2024)	$61.03
52 Week Range	$41.82 - 61.96
Shares Outstanding (MM)	410
Market Cap (MM)	$25,019
Enterprise Value (MM)	$26,210
Average Daily Volume	1,883,787
Average Daily Value (MM)	$115
Dividend (NTM)	$1.29
Dividend Yield	2.1%
Net Debt (MM) - last reported	$1,191
ROIC - Current year est.	19%
3 Yr EPS CAGR from current year (unless otherwise noted)	13%

$ EPS	2023A	2024E Curr.	2024E Prior	2025E Curr.	2025E Prior
Q1 (Mar)	0.66 A	1.04 A	NC	1.10 E	1.07E
Q2 (Jun)	0.77 A	1.04 A	NC	1.07 E	1.02E
Q3 (Sep)	0.90 A	0.93 A	NC	1.05 E	1.03E
Q4 (Dec)	0.96 A	1.00 E	1.03E	1.19 E	1.13E
FY	3.29 A	4.00 E	4.03E	4.40 E	4.25E
P/E	18.5x	15.2x		13.9x	

Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NC = No Change, NE = No Estimate

Wells Fargo Express Takeaways

W.R. Berkley Corporation (WRB) | Rating: Overweight | Price Target: $68.00
Analyst: Elyse Greenspan

Financials

FY (Dec) $	2023A	2024E	2025E
ESTIMATES			
EPS			
Q1	0.66 A	1.04 A	1.10 E
Q2	0.77 A	1.04 A	1.07 E
Q3	0.90 A	0.93 A	1.05 E
Q4	0.96 A	1.00 E	1.19 E
AN	3.29 A	4.00 E	4.40 E
Rev. (MM)	12,146.9 A	13,467.0 E	14,969.2 E
Net Premiums Written (MM)	10,958.5 A	12,043.8 E	13,420.1 E
Underlying Combined Ratio	87.6% A	87.8% E	87.8% E
Underlying Loss Ratio	59.2% A	59.2% E	59.2% E
Book Value/Share	19.37 A	22.53 E	25.89 E

WELLS FARGO vs. CONSENSUS			
Consensus Estimate	4.82 A	4.08 E	4.28 E
Difference from Consensus		(1.8)%	3.0%

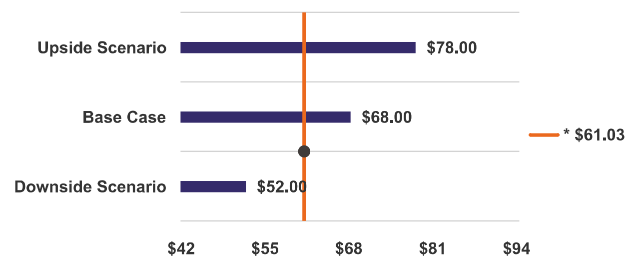
VALUATION			
P/E	18.5x	15.2x	13.9x
P/Book Value	3.2x	2.7x	2.4x

Consensus Estimate: EPS; Source: FactSet
Source: Company Data, Wells Fargo Securities estimates, and Factset.
NA = Not Available, NE = No Estimate

Investment Thesis

We have an Overweight rating on shares of WRB. We believe that WRB is positioned to continue to see a healthy level of rate increases and growth in 2024 and 2025, which we do not believe is currently reflected in consensus expectations.

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 10/21/24*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $68.00

- Our price target of $68 is based on just around 2.6x our 2025 estimated book.
- Our price target also represents a ~15.4x multiple against our 2025 EPS estimate.
- The 14.8x is a slight discount to where WRB has historically traded as we look to be conservative given social inflation impacting both current and prior accident years.

Upside Scenario | $78.00

- Our $78 upside price target assumes a multiple of 3.0x 2025 book value, close to peak valuation levels.
- We assume WRB is able to see consistent double-digit premium growth (at the high end of 10-15% or above), margin expansion and good investment returns resulting in industry leading returns.
- Assumes lack of significant adverse reserve development.

Downside Scenario | $52.00

- Our $52 downside price target assumes a multiple of 2.0x our estimated 2025 book value (11.8x P/E) and is below trough levels (although those multiples were in lower interest rate environments).
- In this scenario WRB could see lower premium growth (below the expected 10-15%), margin compression and investments volatility.
- The downside scenario includes adverse development on the softer market years / more recent accident years.

Upcoming Catalysts

- **Monthly pricing surveys,** which will highlight the overall strength (or lack thereof) of the commercial lines pricing environment
- **The filing of its 10Q**, which should provide more color on the reserve movement within the insurance segment in Q3

Company Description

W. R. Berkley Corporation is the 13th largest commercial underwriter in the United States and operates within two segments: **(1)** Insurance, including E&S, admitted and specialty lines and **(2)** Reinsurance and Monoline Excess, which is primarily facultative and treaty reinsurance. Insurance accounts for 88% of the NWP (FY 2023) with the biggest exposure within the segment being Other Liability lines. Casualty reinsurance accounts for the majority of the remaining total company GWP.

Q3 Earnings Highlights

In a Nutshell. WRB reported Q3 EPS of $0.93, in-line with our $0.93 and just above consensus of $0.92 even with a $0.05 hit from FX (we did not include FX in our estimate). Cat losses came in at $97.8m (3.3 pts), modestly higher than our $85.0m (2.9 pts). Prior year favorable reserve development was $1 million, relative to estimate for $3m of adverse development (0.1 pts) with $3m of favorable development in insurance offset by $2m of adverse development within reinsurance. The investment income was fairly in line with us ($323.8m vs our $324.3m) as higher core portfolio income of $301.1m vs our $297.7m offset a lower investment funds income of $4.7m (1.2% return) vs our estimate of $8.0m (2.0% return).

The underlying combined ratio of 87.6% was better than our 88.2%; the underlying loss ratio came in 40bps better than us and was 60 basis points better than the prior year quarter. The expense ratio was 28.5%, 20 basis points lower than us. WRB bought back $12.5m of shares, relative to our $50m, and returned an additional $125.8m through dividends (included a special dividend) for a payout ratio of 37%. The average diluted share count of 401.8m was modestly higher than our 401.5m estimate. The operating ROE was 20.0%, and the net income ROE was 19.6%. Book value per share grew by 8.2% sequentially to $22.11.

Exhibit 1 - WRB Q3 2024 Estimates Versus Actual

	Q3 2024		Delta Vs. WFS	
($ in millions, except as noted)	Actual	WFS Estimate	*Absolute Delta*	*% Delta*
Summary				
Insurance	218.0	212.2	5.7	2.7%
Reinsurance & Monoline Excess	48.2	45.7	2.5	5.4%
Underwriting Income	**266.2**	**258.0**	**8.2**	**3.2%**
Net Investment Income	323.8	324.3	(0.5)	(0.2%)
Corporate & Other Ex. Realized Gains/(Losses)	(107.4)	(94.5)	(12.9)	13.7%
Pre-Tax Operating Income	**482.5**	**487.8**	**(5.3)**	**(1.1%)**
Taxes	(109.2)	(115.6)	6.4	(5.6%)
Noncontrolling Interest	0.3	(0.6)	0.9	(153.3%)
Adjusted After-Tax Operating Income	**373.7**	**371.6**	**2.1**	**0.6%**
Operating EPS	**$0.93**	**$0.93**	**$0.00**	**0.5%**
YoY Change in Operating EPS	3.3%	2.8%	0.5%	-
Tax Rate	22.6%	23.7%	(107bps)	(4.5%)
GAAP Book Value per Share	**$22.11**	**$22.17**	**($0.06)**	**(0.3%)**
Operating Return on Equity	**18.5%**	**18.4%**	**0.1%**	**0.3%**
Net Income ROE (Reported)	19.6%	19.1%	+50bps	2.6%
Revenues				
Gross premiums written	3,633.3	3,742.6	(109.4)	(2.9%)
y/y change	8.4%	11.6%	(3.3%)	-
Net premiums written	3,057.3	3,148.0	(90.7)	(2.9%)
y/y change	7.3%	10.5%	(3.2%)	-
Net premiums earned	**2,926.8**	**2,938.8**	**(12.0)**	**(0.4%)**
y/y change	10.8%	11.2%	(0.5%)	-
Net investment income	**323.8**	**324.3**	**(0.5)**	**(0.2%)**
y/y change	19.5%	19.7%	(0.2%)	-
Total revenues	**3,400.4**	**3,413.6**	**(13.3)**	**(0.4%)**
Underwriting Profitability				
Loss Ratio	62.4%	62.5%	(0.1pts)	(0.2%)
Expense Ratio	28.5%	28.7%	(0.2pts)	(0.7%)
Combined Ratio	**90.9%**	**91.2%**	**(0.3pts)**	**(0.3%)**
Cats Points on Combined Ratio	3.3%	2.9%	+0.4pts	15.6%
PYD Points on Combined Ratio	(0.0%)	0.1%	(0.1pts)	(133.5%)
Underlying Loss Ratio	***59.1%***	***59.5%***	***(0.4pts)***	***(0.7%)***
Underlying Combined Ratio	***87.6%***	***88.2%***	***(0.6pts)***	***(0.7%)***
Catastrophe Losses ($)	97.8	85.0	12.8	15.1%
Reserve Development ($)	(1.0)	3.0	(4.0)	(133.3%)
Capital Return				
Common Dividends	125.8	45.4	80.4	1.8
Share Repurchases	12.5	50.0	(37.5)	(0.8)
Total Capital Return	**138.3**	**95.4**	**42.9**	**0.5**
Total Payout Ratio (% of Operating Income)	37.0%	25.7%	11.3%	-

Source: Company reports and Wells Fargo Securities, LLC estimates

What the Companies Are Saying - WRB

Outlook

Overall, WRB believes rate increases are keeping up and perhaps exceeding trend, and they expect their underlying margin to continue to improve. WRB expects that the yield curve will take more of a traditional shape, which should create an opportunity for them to nudge out their duration and their book yield to pick up. As a result, they do not expect they will have to give up much on new money rate (currently just north of 5% but below 5.25%) as they nudge out duration.

WRB sees opportunity emerging in the non-admitted market as we deal with climate change and social inflation. Additionally, on the regulatory front regulators are struggling from a staffing perspective which is also driving more business to the specialty, and in particular the E&S market. Lastly, there are some new initiatives that should help both the expense ratio and earned premium as they ramp up (around $25+ million of premiums moved to segments in the quarter, and they are in the early stages of scaling).

Pricing

Rate excluding workers' compensation was 8.4% in Q3, 10 bps higher than 8.3% in Q2 with auto leading the way followed by excess and umbrella. On the reinsurance side, if Milton does not prove to be uglier WRB would expect it to be hard for reinsurers to see flat pricing at 1/1. Hurricane Helene hit areas where cats are not supposed to happen and individuals are taking a step back and analyzing what this means for exposure.

Guidance

On the guidance side, they remained confident in achieve premium growth between 10 and 15%, although they did caveat some quarters may be below or above the range with the shortfall in the Q3 being attributed to commercial auto (and lines such as umbrella/excess that auto touches), which has improved in October. Away from premium growth guidance included: **(1)** the expense ratio should be comfortably below 30%, **(2)** Argentine inflation-linked securities should provide normalized levels of income going forward as the Q3 2024 income from these securities was comparable with the prior year quarter, although the level was not quantified (our sense is around $20-30m which was part of their original guide), **(3)** investment funds should add around $10 million a quarter, **(4)** The Q4 tax rate should fall at the high-end of the 23-24% range as the tax rate has moved higher due to a higher contribution from foreign earnings. The FY 2025 rate should be close to the 2024 rate (in the 23.5-24.0% range) but they are looking at ways to keep the rate down as much as they can, and **(5)** They said it was premature to give a loss estimate for Hurricane Milton and the outcome would be within what would be expected from the company.

Investments

Net investment income was $323.8m in Q3, below $330m in Q2 but close to our $324.3m estimate as income from the Argentinian-linked securities slowed in the quarter. The duration of the portfolio was 2.4 years, down modestly when compared to 2.5 years in Q2, but stable with year-end 2023. They see opportunity to nudge their duration given the average life of their loss reserves is just under 4 years. The yield on the portfolio was 4.5%, relative to current market yield that is above 5.0% (but less than 5.25%). For investment funds, they are expecting around $10m a quarter in the short-term and expect this to rise to around a more normalized $20m a quarter over time.

Liquidity and Capital

WRB said the have a comfortable surplus of capital. WRB's debt to capital ratio ended Q3 at 25.2%, lower than end of Q2 (26.7%) and below the YE 2023 level of 27.6%. There were $12.5m of repurchases in the quarter / $126m of dividends (including $95m of special dividends) after $224m of repurchases / $157m of dividends (including $127m of special dividends) in the prior quarter. In the past WRB has used both share repurchase and special dividends as a way to return excess capital;. The company's payout ratio was 37.0% of operating earnings, relative to 91.1% in the Q2 (included a special dividend), 10.0% in the Q1 and 77.0% in FY 2023.

WRB's call focused on pricing, reserves, loss trend, investment income, and underlying conditions in the E&S market.

WRB's guidance included: (1) expense ratio should be comfortably below 30%, (2) premium growth in the 10-15% range, (3) consistent income from the Argentinian inflation-linked securities, (4) investment funds returns around $10m a quarter in the short-run, and (5) tax rate at the high end of the 23-24% range in the Q4 and in the 23.5-24% area in 2025 (assuming no drastic change in foreign earnings contribution).

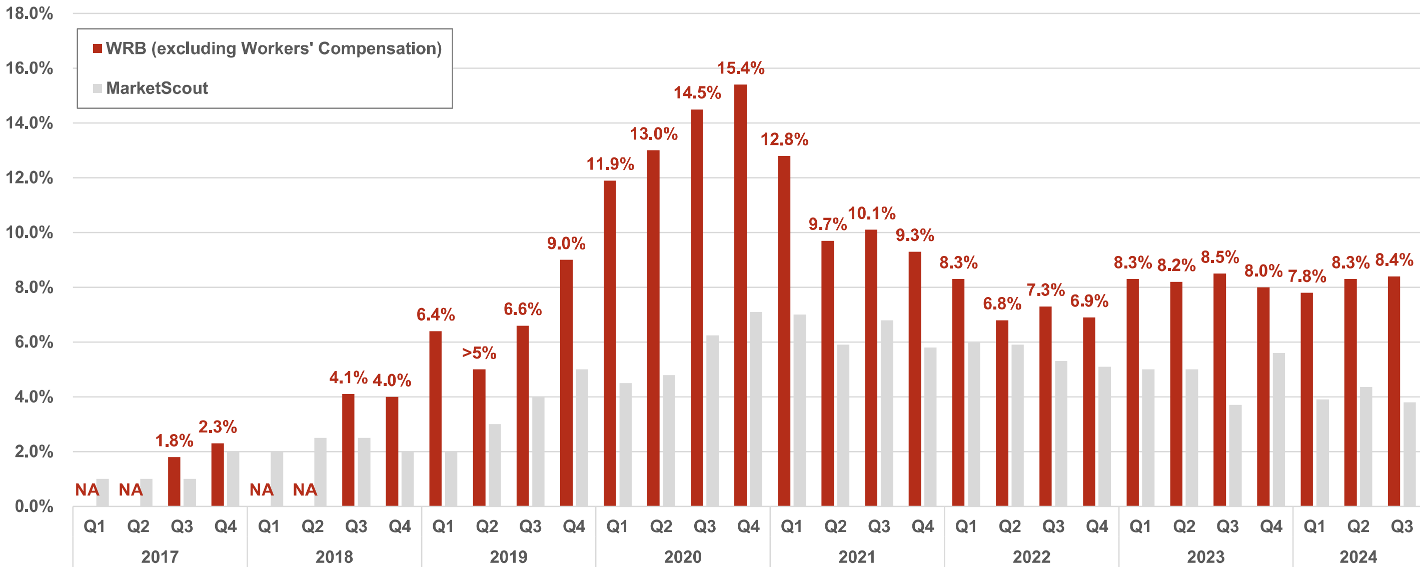
Exhibit 2 - WRB Historical Pricing Commentary

Period	Pricing Comments
Q3 2024	Rate excluding workers' compensation was 8.4%, which was up modestly from 8.3% in the prior quarter. Pricing is being led by commercial auto followed by excess and umbrella. WRB noted the with the 8.4% pricing, the company is clearing the hurdle (of loss cost) by a margin. On the reinsurance side, WRB said reinsurance companies are positioning themselves to achieve flat pricing but they think it will be difficult for them to achieve that unless Milton proves to be uglier than expected.
Q2 2024	Rate excluding workers' compensation was 8.3%, which was above the 7.8% in the prior quarter. When asked about the sequential acceleration, the company highlighted commercial auto as the leading candidate for the uptick given the line grew almost 16%, which is being driven by higher rate. For the current year, the company noted they are building in a risk margin that they feel is reasonably comfortable. The company highlighted that they have received 68% cumulative rate ex comp since 2019 with loss trend cumulative uptick below that. The company noted that professional liability ex D&O) is having a reasonably good moment on both the admitted and non-admitted side while D&O continues to be challenged, specifically transactional liability is very concerning and they are shrinking the line rapidly. WRB said there are many insurance departments not operating in a timely manner and in some cases quite resistant to allows carriers on the commercial side to get rate increases they need which is pushing business into the specialty and E&S market. The company pointed out that the E&S business is probably growing at give or take 50% more than the standard market rate.
Q1 2024	Rate excluding workers' compensation was 7.8%, which was a touch below the 8.0% in the prior quarter. They said that despite some commentary around E&S losing some momentum, they see the momentum for liability lines continuing as strong as ever and pointed to property most likely being some of the slowing in the non-admitted market. They still think there is additional momentum in property but it probably does not have the level of momentum it had last year. They are still seeing rate move up in the line and expect they will continue to see it move up in the immediate future. For general liability, submission remains very robust, both on the admitted and non-admitted side with the main driver being social inflation. They said commercial auto has been in the cross-hairs of social inflation and they expect to see considerable firming in that line for that reason. In addition, excess and umbrella to the extent it relates to commercial auto market. they expect to see firming there as well. In workers' comp, they pointed to seeing signs of California rate bottoming out and think the rest of the country is probably a pace or two behind. In D&O, their view is pricing has not bottomed yet but it is closing in on the bottom. On the reinsurance side, they believe pricing is peaking but still view opportunity in the line as margins remain strong.
Q4 2023	Rate excluding workers' compensation was 8% in Q4, a touch below 8.5% in Q3, due to business mix. Overall they view this 8% as exceeding any reasonable assumption around loss trend. Within property cat reinsurance, WRB viewed the market at 1/1/24 as very attractive, but maybe not as attractive as at 1/1/23. Further, they highlighted that there is a distinction between property cat and property per risk reinsurance. They also said there is a distinction with the primary property market, where they are pushing hard on rate, and it is sticking. Rate excluding workers' compensation was 8% in Q4, a touch below 8.5% in Q3, due to business mix. Overall they view this 8% as exceeding any reasonable assumption around loss trend. Within property cat reinsurance, WRB viewed the market at 1/1/24 as very attractive, but maybe not as attractive as at 1/1/23. Further, they highlighted that there is a distinction between property cat and property per risk reinsurance. They also said there is a distinction with the primary property market, where they are pushing hard on rate, and it is sticking. They spoke positively about business continuing to go to the E&S market.
Q3 2023	WRB is very focused on social inflation and they said that you can see that in their rate increases (8.5% excluding workers' compensation) and they intend to stay on top of it. The market has been accepting of its rate increases as shown in its steady renewal retention of 80%. Specifically WRB is pushing very hard on rate within commercial auto and the market is accepting of it - this led to strong growth in commercial auto in the quarter.
Q2 2023	WRB saw rate of 8.2% (ex workers' comp), which was relatively stable with the Q1 (at 8.3%) and reflective of its business mix. WRB said that there continues to be a bifurcation in the standard market and E&S market. Within the standard market, where National carriers do not have an appetite to write business that is leading to opportunities on the E&S side. WRB said that submission flow remains robust, and they are encouraged about activity over the balance of the year, and flagged good results in July. Overall WRB's view is that the industry is struggling with the balance between rate needs and keeping up with loss trend versus their desire to grow.
Q1 2023	Regarding property, the company noted that its disappointment in Q4 pricing discipline has improved month over month, resulting in what is regards as real progressing being made on the pricing front in April. The company feels the rationalization of pricing in the property market, while more pronounced on the cat side, is broad-based overall. The company called out public D&O, certain professional liability lines, and commercial auto as being the most irrational parts of the market. Still, WRB does see pockets of opportunities even within professional liability, especially if written on an E&S basis.
Q4 2022	WRB said they were disappointed in the discipline in property pricing in the Q4 as they said many carriers failed to take into account limited reinsurance capacity and higher reinsurance costs. They believe that property pricing should continue to improve as 2023 develops. For workers' comp, they said they missed the timing on when the market would begin to harden and they expect pricing to be bumpy in 2023 with expectation for considerable firming in 2024 and beyond given severity trends, particularly medical inflation. For auto, they said there is rate to be had but remains the most susceptible line to social inflation and requires thought and judgement in underwriting for loss costs. Umbrella and general liability excess are amongst the brighter opportunities with one area on the cautious watchlist being large account excess lines. Professional liability is a tale of two stores with D&O being pressured given the rising competitive landscape but other lines within professional liability should provide good opportunities. WRB said they participated at 1/1 renewals and said the clock is right to lean in with good discipline with the US offering more attractive returns than international.
Q3 2022	The marketplace remains an interesting one from their perspective - there are pockets of the market that remain extremely attractive and there are others where there is a surprising level of competition. In the specialty space, and in particular the E&S market remains extremely attractive to WRB. Berkley said that they have the ability to pivot into product lines as opportunities emerge and that they could become a more active participant (for perhaps a year or two). They did flag both workers' compensation and professional lines (particularly public company D&O) as lines become increasingly competitive.
Q2 2022	Top line remains very healthy. WRB is seeing continued growth in submissions within Specialty and E&S and is beginning to see resilience in the reinsurance market. WRB does not see short-term headwinds to de-rail growth off of their 15-25% growth target, which they have been achieving. Within Insurance, seeing good growth in Other Liability and commercial auto is robust. In workers' comp, WRB expects the market to bottom and start to firm over the next 12-24 months, reflecting loss cost severity and erosion of pricing power we have seen; medical inflation is likely to increase rapidly and workers' comp is not insulated from that. Despite concerns around the economy and a recession, WRB noted that audit premiums are seeing considerable momentum, up 45% YoY.
Q1 2022	Continue to see rate increases that outpace trend by something measured in the hundreds of basis points. New business pricing is currently outpacing renewal pricing by about 2 points. Retention remains well within range and will continue to take rate as weeded. Submission flow in the E&S market is very strong & encouraging, not seeing standard carriers entering the market eroding any current opportunities. Feel that WC is still facing a difficult pricing environment but will eventually come back.
Q4 2021	There's nothing that leads us to believe that we will not continue to see rate increases that outpace trend by something measured in the hundreds of basis points. Opportunities remain in the workers comp market, but one needs to be very cautious and most of the growth seen is really being driven by payroll growth. We are starting so to see some folks being very aggressive on WC pricing in addition to leaning through on commissions. Submission flow in the E&S market is pretty overwhelming at this stage, particularly in January, and we don't really see standard carriers entering the market eroding any current opportunities.

Source: Company reports and Wells Fargo Securities, LLC

The exhibit below shows WRB's pricing trends (excluding Workers' Compensation) relative to MarketScout since 2017. In Q3, WRB's rate (ex. WC) was 8.4% vs. MarketScout of 3.8%. This compares to Q2 2024 WRB rate of 8.3%, Q1 2024 WRB rate of 7.8%, Q4 2023 WRB rate of 8.0%, Q3 2023 WRB rate of 8.5%, Q2 2023 rate of 8.2%, and Q1 2023 rate of 8.3%

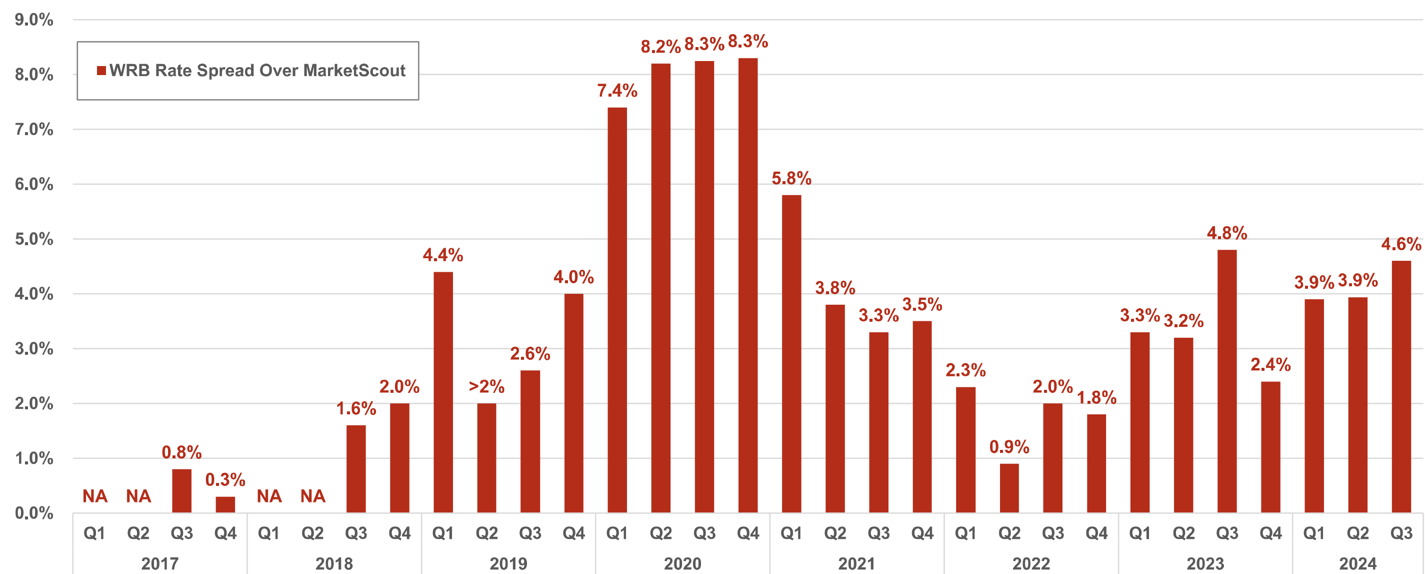
Exhibit 3 - WRB Pricing (excluding Workers' Compensation) vs. MarketScout



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

The exhibit below shows WRB's pricing trends (excluding Workers' Compensation) as a spread over the MarketScout pricing index since 2017. In Q3, WRB's rate (ex. WC) was 460bps above the MarketScout index. This compares to the Q2 2024 spread of 390bps, Q1 2024 spread of 390bps, Q4 2023 spread of 240bps, Q3 2023 spread of 480bps, Q2 2023 spread of 320 bps, and the Q1 2023 spread of 330 bps.

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



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

Summary of Estimate Changes

Our 2024 estimate goes down modestly to reflect Milton losses and lower investment funds, while 2025 and 2026 go up reflecting better underlying margins, higher NII and a modestly lower cat load

Estimates lowered. See below for an overview of our estimate changes following Q3 2024 earnings.

- **2024 EPS is down to $4.00 (from $4.03)** as we incorporate a high Q4 cat load given Milton (we assume about $44m of losses from Milton in the Q4) and assume a modestly lower investment funds return.
- **2025 EPS is up to $4.40 (from $4.25)** reflecting a better underlying loss ratio, higher fixed NII and modestly lower cat load vs our prior estimate (FY cat load is 2.2 pts).
- **2026 EPS is up to $4.80 (from $4.70)** reflecting a better underlying loss ratio, higher fixed NII and modestly lower cat load vs our prior estimate (FY cat load is 2.2 pts).

Exhibit 5 - WRB Estimate Changes

	Current			Prior			Absolute Change			Percentage Change			Guidance (2024)
($ in millions, except as noted)	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	
Summary													
Insurance	864.7	1,015.8	1,129.7	868.4	962.5	1,082.6	(3.7)	53.4	47.1	(0.4%)	5.5%	0.0	
Reinsurance & Monoline Excess	247.1	263.5	283.4	251.6	244.7	263.8	(4.5)	18.8	19.6	(1.8%)	7.7%	0.1	
Underwriting Income	**1,111.8**	**1,279.3**	**1,413.1**	**1,120.0**	**1,207.2**	**1,346.4**	**(8.2)**	**72.1**	**66.7**	**(0.7%)**	**6.0%**	**0.0**	
Net Investment Income	1,356.7	1,447.1	1,549.8	1,358.2	1,439.0	1,538.2	(1.6)	8.1	11.6	(0.1%)	0.6%	0.0	
Corporate & Other Ex. Realized Gains/(Losses)	(366.2)	(420.9)	(465.5)	(353.8)	(421.4)	(463.3)	(12.4)	0.6	(2.2)	3.5%	(0.1%)	0.0	
Pre-Tax Operating Income	**2,102.4**	**2,305.5**	**2,497.3**	**2,124.5**	**2,224.7**	**2,421.2**	**(22.1)**	**80.8**	**76.1**	**(1.0%)**	**3.6%**	**0.0**	
Taxes	(487.3)	(546.4)	(591.9)	(497.7)	(523.4)	(569.6)	10.4	(23.1)	(22.3)	(2.1%)	4.4%	0.0	
Noncontrolling Interest	0.8	0.0	0.0	(0.8)	(2.5)	(2.5)	1.5	2.5	2.5	(202.0%)	(100.0%)	(1.0)	
Adjusted After-Tax Operating Income	**1,615.9**	**1,759.1**	**1,905.5**	**1,626.0**	**1,698.9**	**1,849.1**	**(10.2)**	**60.2**	**56.3**	**(0.6%)**	**3.5%**	**0.0**	
Operating EPS	**$4.00**	**$4.40**	**$4.80**	**$4.03**	**$4.25**	**$4.65**	**($0.03)**	**$0.16**	**$0.15**	**(0.7%)**	**3.7%**	**$0.03**	
YoY Change in Operating EPS	*21.7%*	*10.0%*	*9.0%*	*22.5%*	*5.4%*	*9.4%*	(0.8%)	4.6%	(0.4%)	-	-	-	
Tax Rate	23.2%	23.7%	23.7%	23.4%	23.5%	23.5%	(25bps)	+18bps	+17bps	(1.1%)	0.7%	+0bps	**Q4 close to high end of 23-24% range**
GAAP Book Value per Share	**$22.53**	**$25.89**	**$29.84**	**$22.75**	**$26.40**	**$30.51**	**($0.22)**	**($0.51)**	**($0.68)**	**(1.0%)**	**(1.9%)**	**($0.02)**	
Operating Return on Equity	**20.2%**	**19.2%**	**18.2%**	**20.3%**	**18.4%**	**17.4%**	**(0.1%)**	**0.8%**	**0.8%**	**(0.7%)**	**4.5%**	**4.7%**	
Net Income ROE (Reported)	21.3%	21.7%	20.6%	21.4%	20.9%	19.7%	(4bps)	+73bps	+84bps	(0.2%)	3.5%	+0bps	
Revenues													
Gross premiums written	14,299.8	16,001.4	17,643.6	14,404.4	15,951.2	17,545.0	(104.6)	50.2	98.6	(0.7%)	0.3%	0.0	
y/y change	10.2%	11.9%	10.3%	11.0%	10.7%	10.0%	(0.8%)	1.2%	0.3%	-	-	-	
Net premiums written	12,043.8	13,420.1	14,792.9	12,130.4	13,378.2	14,711.5	(86.6)	41.9	81.4	(0.7%)	0.3%	0.0	
y/y change	9.9%	11.4%	10.2%	10.7%	10.3%	10.0%	(0.8%)	1.1%	0.3%	-	-	-	***10-15%***
Net premiums earned	**11,490.3**	**12,727.1**	**14,104.7**	**11,519.6**	**12,746.0**	**14,039.6**	**(29.3)**	**(18.9)**	**65.1**	**(0.3%)**	**(0.1%)**	**0.0**	
y/y change	10.4%	10.8%	10.8%	10.7%	10.6%	10.1%	(0.3%)	0.1%	0.7%	-	-	-	
Net investment income	**1,356.7**	**1,447.1**	**1,549.8**	**1,358.2**	**1,439.0**	**1,538.2**	**(1.6)**	**8.1**	**11.6**	**(0.1%)**	**0.6%**	**0.0**	
y/y change	28.9%	6.7%	7.1%	29.0%	5.9%	6.9%	(0.1%)	0.7%	0.2%	-	-	-	
Total revenues	**13,467.0**	**14,969.2**	**16,469.4**	**13,498.6**	**14,980.0**	**16,392.8**	**(31.6)**	**(10.8)**	**76.6**	**(0.2%)**	**(0.1%)**	**0.0**	
Underwriting Profitability													
Loss Ratio	61.8%	61.3%	61.4%	61.7%	61.9%	61.9%	+0.1pts	(0.6pts)	(0.5pts)	0.2%	(1.0%)	(0.0pts)	
Expense Ratio	28.6%	28.6%	28.6%	28.6%	28.6%	28.5%	(0.0pts)	+0.0pts	+0.1pts	(0.2%)	0.1%	+0.0pts	***Comfortably Below 30%***
Combined Ratio	**90.3%**	**89.9%**	**90.0%**	**90.3%**	**90.5%**	**90.4%**	**+0.1pts**	**(0.6pts)**	**(0.4pts)**	**0.1%**	**(0.6%)**	**(0.0pts)**	
Cats Points on Combined Ratio	2.6%	2.2%	2.2%	2.3%	2.4%	2.3%	+0.3pts	(0.2pts)	(0.2pts)	12.2%	(9.4%)	(0.1pts)	
PYD Points on Combined Ratio	(0.0%)	(0.0%)	0.0%	0.0%	0.1%	0.1%	(0.1pts)	(0.1pts)	(0.1pts)	(200.3%)	(141.7%)	(0.8pts)	
Underlying Loss Ratio	***59.2%***	***59.2%***	***59.2%***	***59.3%***	***59.5%***	***59.5%***	***(0.1pts)***	***(0.3pts)***	***(0.2pts)***	***(0.2%)***	***(0.4%)***	***(0.0pts)***	
Underlying Combined Ratio	***87.8%***	***87.8%***	***87.8%***	***87.9%***	***88.1%***	***88.0%***	***(0.2pts)***	***(0.2pts)***	***(0.2pts)***	***(0.2%)***	***(0.3%)***	***(0.0pts)***	
Catastrophe Losses ($)	298.0	274.0	304.0	266.2	303.0	329.0	31.8	(29.0)	(25.0)	12.0%	(9.6%)	(0.1)	
Reserve Development ($)	(4.0)	(5.0)	2.0	4.0	12.0	12.0	(8.0)	(17.0)	(10.0)	(200.0%)	(141.7%)	(0.8)	
Capital Return													
Common Dividends	493.7	417.5	413.7	415.7	304.7	302.2	78.0	112.8	111.5	0.2	0.4	0.4	
Share Repurchases	336.3	265.0	200.0	323.8	200.0	200.0	12.5	65.0	0.0	0.0	0.3	0.0	
Total Capital Return	**830.0**	**682.5**	**613.7**	**739.5**	**504.7**	**502.2**	**90.5**	**177.8**	**111.5**	**0.1**	**0.4**	**0.2**	
Total Payout Ratio (% of Operating Income)	51.4%	38.8%	32.2%	45.5%	29.7%	27.2%	5.9%	9.1%	5.1%	-	-	-	

Source: Company reports and Wells Fargo Securities, LLC estimates

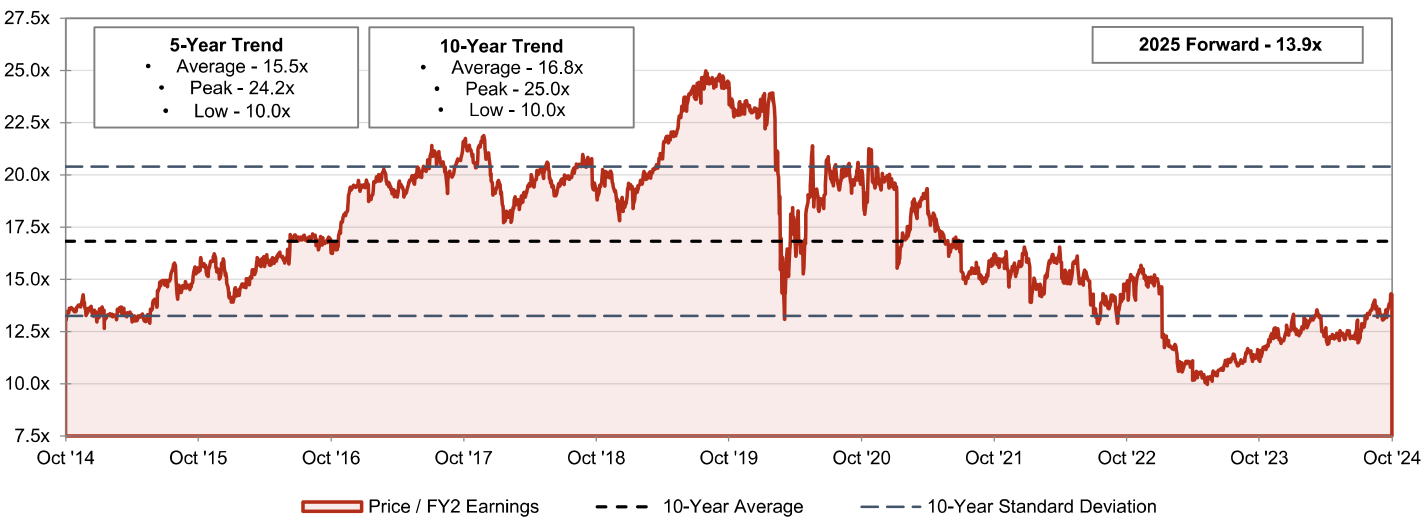
Valuation

Current Valuation. WRB trades at 2.76x Q3 2024 book value, which is above the 5-year and 10-year average multiples of 2.29x and 1.93x, respectively. The 5-year minimum is 1.42x and 10-year minimum is 1.24x. The 5-year and 10-year max is 2.99x, which is above where the shares are currently trading. We do note that for the P&C sector price-to-book valuations are fuller given the unrealized losses we have seen in this rising interest rate environment. For WRB, if we exclude AOCI, the shares are trading at just around 2.5x adjusted Q3 book vs the 5-year average of 2.07x. On a P/E basis, WRB is trading at 13.9x our 2025 EPS estimate, which compares favorably to the 5-year and 10-year average multiples of 15.5x and 16.8x, respectively. The 5-year and 10-year maxes are around 25.0x.

Exhibit 6 - WRB Historical P/BV

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

Exhibit 7 - WRB Historical P/E



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

Exhibit 8 - WRB Consolidated Earnings Model

$ in millions, except per share data	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024E	2024E	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Summary																					
Insurance	902.3	188.6	200.8	205.4	251.7	846.4	235.1	188.8	218.0	222.8	864.7	261.4	240.5	232.3	281.6	1,015.8	291.5	266.0	261.6	310.6	1,129.7
Reinsurance & Monoline Excess	122.4	46.7	63.1	51.4	62.4	223.7	74.6	65.9	48.2	58.5	247.1	68.4	66.2	53.8	75.1	263.5	74.3	71.8	55.8	81.5	283.4
Underwriting Income	**1,024.7**	**235.3**	**263.9**	**256.9**	**314.1**	**1,070.1**	**309.7**	**254.7**	**266.2**	**281.3**	**1,111.8**	**329.9**	**306.7**	**286.1**	**356.6**	**1,279.3**	**365.8**	**337.8**	**317.4**	**392.1**	**1,413.1**
Net Investment Income	779.2	223.4	245.2	270.9	313.3	1,052.8	319.8	372.1	323.8	341.0	1,356.7	348.1	357.4	367.8	373.9	1,447.1	376.6	383.4	390.4	399.4	1,549.8
Corporate & Other Ex. Realized Gains/(Losses)	(281.3)	(105.6)	(105.7)	(65.4)	(134.0)	(410.8)	(81.2)	(80.5)	(107.4)	(97.1)	(366.2)	(101.3)	(104.7)	(106.9)	(108.0)	(420.9)	(112.4)	(115.9)	(118.1)	(119.2)	(465.5)
Pre-Tax Operating Income	**1,522.5**	**353.1**	**403.3**	**462.4**	**493.4**	**1,712.2**	**548.3**	**546.3**	**482.5**	**525.2**	**2,102.4**	**576.6**	**559.5**	**547.0**	**622.5**	**2,305.5**	**630.0**	**605.3**	**589.8**	**672.3**	**2,497.3**
Tax Rate	19.3%	21.4%	22.1%	20.7%	20.3%	21.1%	22.9%	23.5%	22.6%	23.7%	23.2%	23.7%	23.7%	23.7%	23.7%	23.7%	23.7%	23.7%	23.7%	23.7%	23.7%
Taxes	(293.2)	(75.5)	(89.0)	(95.9)	(100.0)	(360.5)	(125.4)	(128.2)	(109.2)	(124.5)	(487.3)	(136.7)	(132.6)	(129.6)	(147.5)	(546.4)	(149.3)	(143.5)	(139.8)	(159.3)	(591.9)
Noncontrolling Interest	(3.9)	(1.6)	0.6	0.2	(1.6)	(2.5)	0.4	0.0	0.3	0.0	0.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted After-Tax Operating Income	**1,225.4**	**276.0**	**314.9**	**366.6**	**391.8**	**1,349.2**	**423.3**	**418.1**	**373.7**	**400.7**	**1,615.9**	**440.0**	**426.9**	**417.3**	**475.0**	**1,759.1**	**480.7**	**461.8**	**450.0**	**513.0**	**1,905.5**
Operating EPS	**$2.92**	**$0.66**	**$0.77**	**$0.90**	**$0.96**	**$3.29**	**$1.04**	**$1.04**	**$0.93**	**$1.00**	**$4.00**	**$1.10**	**$1.07**	**$1.05**	**$1.19**	**$4.40**	**$1.21**	**$1.16**	**$1.14**	**$1.30**	**$4.80**
YoY Change in After-Tax Operating Income	28.7%	(10.1%)	0.5%	30.1%	21.2%	10.1%	53.4%	32.8%	1.9%	2.3%	19.8%	3.9%	2.1%	11.7%	18.5%	8.9%	9.2%	8.2%	7.8%	8.0%	8.3%
YoY Change in Operating EPS	**28.9%**	**(9.5%)**	**2.8%**	**34.0%**	**24.7%**	**12.6%**	**57.3%**	**34.7%**	**3.3%**	**3.7%**	**21.7%**	**5.3%**	**3.3%**	**12.6%**	**19.4%**	**10.0%**	**10.1%**	**8.9%**	**8.5%**	**8.6%**	**9.0%**
Consensus EPS										$1.00	$4.08	$1.07	$1.04	$1.03	$1.13	$4.28	$1.19	$1.11	$1.09	$1.26	$4.55
WFS Estimate versus Consensus										(0.1%)	(1.8%)	2.8%	3.2%	1.8%	6.1%	3.0%	1.6%	5.4%	3.8%	2.9%	5.5%
Premiums																					
YoY Change in Gross Premiums Written	11.3%	6.6%	9.3%	8.8%	10.9%	8.9%	10.3%	11.4%	8.4%	10.9%	10.2%	11.7%	11.2%	12.3%	12.4%	11.9%	10.6%	10.1%	10.1%	10.3%	10.3%
YoY Change in Premiums Earned	**18.0%**	**10.8%**	**8.5%**	**8.2%**	**8.0%**	**8.8%**	**11.0%**	**11.3%**	**10.8%**	**8.8%**	**10.4%**	**10.1%**	**11.4%**	**10.2%**	**11.3%**	**10.8%**	**11.2%**	**11.0%**	**10.7%**	**10.5%**	**10.8%**
Investment Income (Pre-Tax)																					
Core Portfolio	588.9	203.0	229.3	248.6	285.8	966.7	331.2	330.0	301.1	316.3	1,278.6	322.7	327.1	332.3	337.4	1,319.4	341.4	347.2	353.3	359.9	1,402.0
Investment Funds	145.1	2.2	(1.2)	4.5	11.3	16.7	(29.3)	25.5	4.7	12.2	13.1	12.5	17.0	21.8	22.4	73.8	23.1	23.7	24.4	25.0	96.2
Arbitrage Trading Account	45.2	18.3	17.0	17.9	16.2	69.4	18.0	16.7	17.9	12.5	65.1	12.9	13.3	13.7	14.1	53.9	12.1	12.4	12.8	14.4	51.7
Total Pre-Tax Net Investment Income	**779.2**	**223.4**	**245.2**	**270.9**	**313.3**	**1,052.8**	**319.8**	**372.1**	**323.8**	**341.0**	**1,356.7**	**348.1**	**357.4**	**367.8**	**373.9**	**1,447.1**	**376.6**	**383.4**	**390.4**	**399.4**	**1,549.8**
Total Pre-Tax NII Annualized Yield	**3.27%**	**3.61%**	**3.90%**	**4.22%**	**4.72%**	**4.12%**	**4.69%**	**5.35%**	**4.49%**	**4.54%**	**4.75%**	**4.52%**	**4.54%**	**4.56%**	**4.53%**	**4.54%**	**4.45%**	**4.43%**	**4.40%**	**4.40%**	**4.42%**
Margins																					
Loss Ratio	61.3%	61.8%	61.4%	61.9%	60.0%	61.2%	60.2%	62.6%	62.4%	61.8%	61.8%	60.5%	61.8%	62.4%	60.6%	61.3%	60.6%	61.8%	62.5%	60.8%	61.4%
Expense Ratio	28.0%	28.8%	28.1%	28.3%	28.4%	28.4%	28.6%	28.5%	28.5%	28.6%	28.6%	28.6%	28.6%	28.7%	28.5%	28.6%	28.6%	28.6%	28.6%	28.4%	28.6%
Combined Ratio	**89.3%**	**90.6%**	**89.5%**	**90.2%**	**88.4%**	**89.6%**	**88.8%**	**91.1%**	**90.9%**	**90.5%**	**90.3%**	**89.2%**	**90.3%**	**91.1%**	**89.1%**	**89.9%**	**89.2%**	**90.4%**	**91.1%**	**89.2%**	**90.0%**
YoY Change in Loss Ratio (Favorable)	0.2%	2.2%	0.5%	(2.1%)	(0.6%)	(0.1%)	(1.6%)	1.2%	0.5%	1.9%	0.5%	0.4%	(0.8%)	0.0%	(1.2%)	(0.4%)	0.0%	0.1%	0.1%	0.1%	0.1%
YoY Change in Expense Ratio (Favorable)	(0.5%)	0.6%	0.4%	0.2%	0.6%	0.4%	(0.2%)	0.4%	0.3%	0.2%	0.2%	(0.0%)	0.0%	0.2%	(0.1%)	0.0%	(0.0%)	(0.0%)	(0.1%)	(0.1%)	(0.0%)
YoY Change in Combined Ratio (Favorable)	**(0.3%)**	**2.8%**	**0.9%**	**(1.9%)**	**(0.0%)**	**0.4%**	**(1.8%)**	**1.6%**	**0.7%**	**2.1%**	**0.7%**	**0.3%**	**(0.8%)**	**0.2%**	**(1.3%)**	**(0.4%)**	**0.0%**	**0.1%**	**(0.0%)**	**0.1%**	**0.0%**
Catastrophe Losses ($)	**211.7**	**47.9**	**53.5**	**61.5**	**32.0**	**195.0**	**30.5**	**89.7**	**97.8**	**80.0**	**298.0**	**39.0**	**75.0**	**110.0**	**50.0**	**274.0**	**44.0**	**85.0**	**120.0**	**55.0**	**304.0**
Cats Points on Combined Ratio	2.2%	1.9%	2.1%	2.3%	1.2%	1.9%	1.1%	3.2%	3.3%	2.7%	2.6%	1.3%	2.4%	3.4%	1.5%	2.2%	1.3%	2.4%	3.4%	1.5%	2.2%
Reserve Development ($)	**35.7**	**24.0**	**(3.0)**	**(1.0)**	**(1.0)**	**19.0**	**(1.0)**	**(1.0)**	**(1.0)**	**(1.0)**	**(4.0)**	**1.0**	**0.0**	**(3.0)**	**(3.0)**	**(5.0)**	**1.0**	**0.0**	**0.0**	**1.0**	**2.0**
PYD Points on Combined Ratio	0.4%	1.0%	(0.1%)	(0.0%)	(0.0%)	0.2%	(0.0%)	(0.0%)	(0.0%)	(0.0%)	(0.0%)	0.0%	0.0%	(0.1%)	(0.1%)	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Margins																					
Underlying Loss Ratio	58.7%	58.9%	59.4%	59.6%	58.8%	59.2%	59.1%	59.4%	59.1%	59.1%	59.2%	59.2%	59.4%	59.1%	59.2%	59.2%	59.3%	59.4%	59.1%	59.2%	59.2%
Underlying Combined Ratio	**86.7%**	**87.7%**	**87.5%**	**87.9%**	**87.2%**	**87.6%**	**87.8%**	**88.0%**	**87.6%**	**87.8%**	**87.8%**	**87.9%**	**88.0%**	**87.8%**	**87.7%**	**87.8%**	**87.9%**	**88.0%**	**87.8%**	**87.7%**	**87.8%**
YoY Change in Loss Ratio (Favorable)	0.0%	0.6%	0.9%	1.0%	(0.5%)	0.5%	0.2%	0.0%	(0.6%)	0.3%	0.0%	0.1%	(0.0%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
YoY Change in Combined Ratio (Favorable)	**(0.5%)**	**1.1%**	**1.3%**	**1.2%**	**0.0%**	**0.9%**	**0.0%**	**0.5%**	**(0.3%)**	**0.6%**	**0.2%**	**0.1%**	**(0.0%)**	**0.2%**	**(0.1%)**	**0.1%**	**0.0%**	**0.0%**	**(0.1%)**	**(0.1%)**	**(0.0%)**
Book Value and Return on Equity																					
GAAP Book Value per Share	**$17.01**	**$17.63**	**$17.83**	**$17.87**	**$19.37**	**$19.37**	**$20.23**	**$20.42**	**$22.11**	**$22.53**	**$22.53**	**$23.58**	**$24.14**	**$25.22**	**$25.89**	**$25.89**	**$27.07**	**$27.84**	**$28.92**	**$29.84**	**$29.84**
Operating Return on Equity	**18.5%**	**16.1%**	**18.2%**	**21.2%**	**21.8%**	**19.3%**	**22.2%**	**21.5%**	**18.5%**	**18.9%**	**20.2%**	**20.1%**	**18.9%**	**17.9%**	**19.7%**	**19.2%**	**19.3%**	**18.0%**	**17.0%**	**18.7%**	**18.2%**
Share Count																					
Ending Common Shares	396.8	393.8	386.3	387.1	384.8	384.8	384.8	380.6	381.2	380.3	380.3	379.1	377.9	377.1	376.2	376.2	375.1	374.4	373.7	373.0	373.0
Weighted Average Diluted Shares	**419.2**	**416.0**	**409.6**	**407.2**	**406.5**	**409.9**	**405.8**	**403.7**	**401.8**	**400.9**	**403.6**	**400.3**	**399.1**	**398.7**	**397.9**	**399.5**	**397.3**	**396.6**	**396.3**	**395.7**	**397.0**
Capital Return to Shareholders																					
Common Dividends	235.2	158.6	28.3	157.4	157.1	501.4	42.3	157.0	125.8	168.6	493.7	41.7	167.5	41.5	166.8	417.5	41.3	166.0	41.1	165.4	413.7
Share Repurchases	94.1	135.2	292.5	2.9	106.7	537.3	0.0	223.8	12.5	100.0	336.3	50.0	100.0	15.0	100.0	265.0	50.0	50.0	50.0	50.0	200.0
Total Capital Returned	**329.3**	**293.8**	**320.8**	**160.3**	**263.8**	**1,038.7**	**42.3**	**380.8**	**138.3**	**268.6**	**830.0**	**91.7**	**267.5**	**56.5**	**266.8**	**682.5**	**91.3**	**216.0**	**91.1**	**215.4**	**613.7**
Dividend Payout Ratio	19.2%	57.5%	9.0%	42.9%	40.1%	37.2%	10.0%	37.5%	33.7%	42.1%	30.6%	9.5%	39.3%	9.9%	35.1%	23.7%	8.6%	35.9%	9.1%	32.2%	21.7%
Share Repurchase Payout Ratio	7.7%	49.0%	92.9%	0.8%	27.2%	39.8%	0.0%	53.5%	3.3%	25.0%	20.8%	11.4%	23.4%	3.6%	21.1%	15.1%	10.4%	10.8%	11.1%	9.7%	10.5%
Total Payout Ratio (% of Operating Income)	**26.9%**	**106.5%**	**101.9%**	**43.7%**	**67.3%**	**77.0%**	**10.0%**	**91.1%**	**37.0%**	**67.0%**	**51.4%**	**20.8%**	**62.7%**	**13.5%**	**56.2%**	**38.8%**	**19.0%**	**46.8%**	**20.2%**	**42.0%**	**32.2%**
Equity Rollforward and Leverage																					
Beginning GAAP Equity	6,653.0	6,748.3	6,944.0	6,887.2	6,915.6	6,748.3	7,455.4	7,784.8	7,773.8	8,426.3	7,455.4	8,567.3	8,939.7	9,123.2	9,508.2	8,567.3	9,740.5	10,154.1	10,424.0	10,807.1	9,740.5
Net Income	1,381.1	294.1	360.3	333.6	397.3	1,385.4	442.5	371.9	365.6	409.6	1,589.6	464.1	451.0	441.5	499.1	1,855.7	504.8	486.0	474.2	537.1	2,002.0
Common Dividends	(235.2)	(158.6)	(28.3)	(157.4)	(157.1)	(501.4)	(42.3)	(157.0)	(125.8)	(168.6)	(493.7)	(41.7)	(167.5)	(41.5)	(166.8)	(417.5)	(41.3)	(166.0)	(41.1)	(165.4)	(413.7)
Share Repurchases	(94.1)	(135.2)	(292.5)	(2.9)	(106.7)	(537.3)	0.0	(223.8)	(12.5)	(100.0)	(336.3)	(50.0)	(100.0)	(15.0)	(100.0)	(265.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)
Change in AOCI	(983.0)	186.0	(102.0)	(142.0)	397.0	339.0	(98.0)	(10.0)	159.0	0.0	51.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	26.6	9.4	5.7	(2.9)	9.3	21.4	27.3	7.8	266.1	(0.0)	301.2	(0.0)	(0.0)	0.0	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0
Ending GAAP Equity	**6,748.3**	**6,944.0**	**6,887.2**	**6,915.6**	**7,455.4**	**7,455.4**	**7,784.8**	**7,773.8**	**8,426.3**	**8,567.3**	**8,567.3**	**8,939.7**	**9,123.2**	**9,508.2**	**9,740.5**	**9,740.5**	**10,154.1**	**10,424.0**	**10,807.1**	**11,128.8**	**11,128.8**
AOCI	(1,265.0)	(1,079.0)	(1,181.0)	(1,323.0)	(926.0)	(926.0)	(1,024.0)	(1,034.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)	(875.0)
Equity ex. AOCI	8,013.3	8,023.0	8,068.2	8,238.6	8,381.4	8,381.4	8,808.8	8,807.8	9,301.3	9,442.3	9,442.3	9,814.7	9,998.2	10,383.2	10,615.5	10,615.5	11,029.1	11,299.0	11,682.1	12,003.8	12,003.8
Leverage																					
Debt/Capital	29.6%	29.0%	29.2%	29.1%	27.6%	27.6%	26.7%	26.7%	25.2%	24.9%	24.9%	24.1%	23.7%	23.0%	22.6%	22.6%	21.8%	21.4%	20.8%	20.3%	20.3%

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

Investment Thesis, Valuation and Risks

W.R. Berkley Corporation (WRB)

Investment Thesis

We have an Overweight rating on shares of WRB. We believe that WRB is positioned to continue to see a healthy level of rate increases and growth in 2024 and 2025, which we do not believe is currently reflected in consensus expectations.

Target Price Valuation for WRB: $68.00 from $63.00

- Our price target of $68 is based on just around 2.6x our 2025 estimated book.
- Our price target also represents a ~15.4x multiple against our 2025 EPS estimate.
- The 14.8x is a slight discount to where WRB has historically traded as we look to be conservative given social inflation impacting both current and prior accident years.

Risks to Our Price Target and Rating for WRB

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

Required Disclosures

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

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

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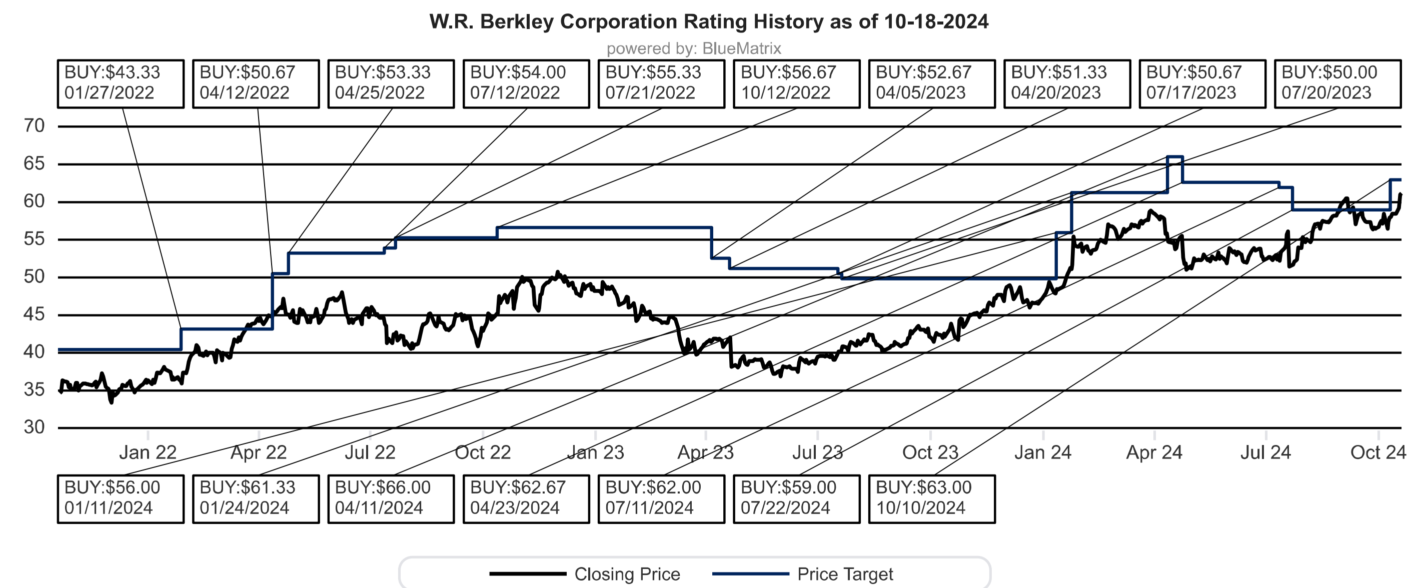

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UW=Underweight: Total return on stock expected to lag the Overweight- and Equal Weight-rated stocks within the analyst's coverage universe over the next 12 months. (SELL)

NR=Not Rated: The rating and price target has been removed due to lack of fundamental basis to support the recommendation or due to legal, regulatory or company policy considerations.

FINRA regulation requires member firms to assign ratings to one of three rating categories: Buy, Hold and Sell. In accordance with FINRA regulation and solely to satisfy those disclosure requirements in the ratings distribution table and ratings history chart contained in these Required Disclosures, our rating of Overweight corresponds to a Buy rating; Equal Weight corresponds to a Hold rating; and Underweight corresponds to a Sell rating.

As of October 20, 2024
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