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W. R. Berkley Corporation

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Earnings Call

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Call Participants

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Presentation

Operator

Good day, everyone, and welcome to W.R. Berkley Corporation's Third Quarter 2023 Earnings Conference Call. Today's conference call is being recorded. The speaker's remarks may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words, including, without limitation, believes, expects or estimates. We caution you that such forward-looking statements should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will, in fact, be achieved.

Please refer to our annual report on Form 10-K for the year end December 31, 2022, and our other filings made with the SEC for a description of the business environment in which we operate and the important factors that may materially affect our results. W. R. Berkley Corporation is not under any obligation and expressly disclaims any such obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

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

W. Robert Berkley, Jr.

Lisa, thank you very much, and good afternoon all. And I guess a second welcome to our Q3 call. We appreciate you dialing in and your time and your interest today. Joining me on the call at least on this end is Bill Berkley, Executive Chair; as well as Rich Baio, EVP and Chief Financial Officer.

We're going to follow our typical agenda where momentarily, I'll be handing it over to Rich, he's going to give us a bit of an overview and flag some highlights from the quarter. I will follow with a few comments of my own and then we'll be pleased to open it up for Q&A.

Before I do hand it to Rich, I just wanted to make a couple of quick observations and really one macro one in particular, and that is on the results of the quarter. I think by any measure, call it, a 20% return is really an outstanding result. The fact is there were no one-time this or one-time that in there. That is truly when you strip it down to its fundamentals, that is how the business is performing.

And these great results are really a reflection of a team. This is a team sport, not an individual sport. So my congratulations to all of our colleagues throughout the organization on a job very well done. I have the good fortune of being their mouthpiece in these types of settings. But again, this achievement was a team achievement.

To that end, obviously, it was a quarter where the organization was able to demonstrate our value proposition to capital. The idea of less risk for more return. We've talked to you all in the past about how we are preoccupied with the concept that we refer to as risk-adjusted return.

You can see it in moments like these that we just saw in Q3 very clearly, when as our Chairman says, the tide goes out, you get to see who's where and what. You could see it in both aspects of our business activities, one being underwriting, the other one being investing. Our underwriting results of a combined of 90 during a period that had meaningful cat activity is really exceptional.

Additionally, on the investing activity, clearly, a book yield of 4.5%, while maintaining a quality of AA- and additionally, a new money rate of approximately 6%. That is no accident either. These results, these achievements are a result of our colleagues their focus, their discipline and their expertise.

This call certainly is about reviewing what happened in the third quarter, but I would suggest even more than that, it is about how the table is set, not just for the coming quarters, but the next several years. So I think we are very well positioned. I think there is a fair amount of visibility. We will be getting into that in a bit more detail later in the call.

But at this moment, let me hand it over to Rich, and he's going to walk us through some numbers. Rich, if you would, please.

Richard Mark Baio
Executive VP & CFO

Of course. Thanks, Rob, appreciate it. Net income increased 45.7% to $334 million or $1.23 per share with a return on equity of 19.8%. Operating income increased 30.1% to $367 million or $1.35 per share, with an operating return on equity of 21.7%. The company's strong performance was driven by another quarter of significant underwriting profits bringing the 9-months year-to-date to a record, despite consecutive quarters of outsized industry-wide catastrophe losses.

In addition, net investment income accelerated throughout the year to yet another quarterly record. Drilling further into the underwriting results, net premiums written grew 10.5% to a record of more than $2.8 billion. We significantly grew the insurance business by approximately 17.5% in other liability, short tail lines and commercial automobile through rate and exposure.

Decreases in workers' compensation and certain professional lines certainly tempered the growth in net premiums written, bringing the overall insurance segment growth to 12.1%. The Reinsurance & Monoline Excess segment was flat quarter-over-quarter with continued growth in Monoline Excess and property reinsurance.

Pretax underwriting income was $259 million with the calendar year combined ratio of 90.2%. The current accident year combined ratio, excluding catastrophe losses, was 87.9%. Current accident year catastrophe losses in the quarter were $62 million or 2.3 loss ratio points compared with $94 million in the prior year quarter or 3.9 loss ratio points.

The prior year favorable development was approximately $1 million, and the current accident year loss ratio ex cats was 59.6%. The expense ratio increased 0.3 points to 28.3% from the prior year and remains in line with our 9-months year-to-date. The small increase is attributable to the same items we've communicated during the past couple of quarters, that being the change in outward reinsurance structures impacting ceding commissions and increased compensation costs along with start-up operating unit expenses.

We also continue to invest in technology and areas to drive operational efficiencies. Record quarterly net investment income of $271 million grew by 33.6%, with the core investment portfolio increasing by 59.3%. There are two main drivers for the significant increase in the core portfolio, including the rising interest rate environment, benefiting the reinvestment of fixed maturity securities as they mature or are redeemed.

And second, the increase in the size of the portfolio due to continuous record levels of operating cash flows. In the third quarter, we reported another record level of operating cash flow of almost $1.1 billion. To put some context around this point, the book yield has grown from 3.8% in the first quarter of 2023 to 4.2% in the second quarter, to 4.5% in the current quarter on fixed maturity securities.

The current 9-month year-to-date book yield of 4.2% compares to 2.6% for the prior year period. It's also worth noting that almost 81% of our net invested assets are in fixed maturity securities, cash and cash equivalents. The credit quality of the fixed maturity securities remained strong at AA- and the duration's ticked up to 2.4 years from the consecutive quarter of 2.3 years.

Partially offsetting the increase in the core portfolio is net investment income from investment funds. You may recall this asset class is generally reported on a 1-quarter lag and will more closely correlate with the broader equity markets. Accordingly, reported net investment income from investment funds was approximately $4 million representing a marginal improvement from the first half of 2023.

We continue to proactively manage our capital position, as you saw our announcement of the $0.50 special dividend per share late in the third quarter in addition to our regular quarterly dividend. This brings total capital return to investors on a year-to-date basis to approximately $775 million, with stockholders' equity increasing to more than $6.9 billion. Book value per share before dividends and share repurchases on a year-to-date basis has increased 13.7%.

And with that, I'll turn it back to you, Rob.

W. Robert Berkley, Jr.

Rich, thanks very much. That was great. So I'm just going to offer a couple of other quick observations on the quarter and how we see things unfolding from here. And then again, we'll move on to the Q&A. Rich touched on the topline, obviously, building momentum, again as promised. Just as a reminder to some number of quarters ago, we agreed to disagree with a couple of partners as to what we thought was an adequate rate. They did not think that we needed that much rate. And again, we decided to part ways that had a meaningful impact to the negative on our topline.

That pigs' making its way through the python to the extent that it's of interest that was in the auto line. So we wish them well and we'll see how that unfolds.

Speaking of different products, obviously, the marketplace for the past 12, 18, 24 months or so has been very focused on property and with good reason. I would suggest to you, as we've commented in past quarters, Auto liability is one that people need to continue to pay close attention to. I think as far as product lines, when it comes to social inflation, auto liability has the biggest bull's eye on its chest and by extension, that clearly spills over to excess and as well as umbrella.

That having been said, just in general, social inflation continues to burn, and we do not see that abating anytime soon. Quick comment on workers' comp. I know we've touched on this in the past, we continue to be of the view that one needs to be very mindful of medical cost trend. We went through a period of time where it was pretty benign. We think that is shifting very quickly. We've touched on it in the past. We think it's going to become more and more into focus for a broader audience over the coming quarters.

In addition to that, the benefit that comp was getting, both as it relates to COVID and frequency. And then on the heels of COVID, a tight labor market and wage inflation, I think those benefits have run their course and clearly, wage inflation is slowing.

I mentioned a moment ago, the topic of social inflation. We are very focused on it. You can see it in our rate increases, ex comp coming in at 8.5%. We have every intention of continuing to stay on top of it. We think the market is accepting our rate increases and you can see that, in part, demonstrated by our renewal retention ratio continues to be at approximately a steady 80%. Another number that I find useful perhaps others do as well, is the paid loss ratio. This is a number that we flagged for you all in the past. Again, coming in at a very healthy 47.9% for the quarter.

Which obviously, given where we are booking the business, would lead one to believe that the strength of our IBNR speaks for itself and would encourage people to look at our IBNR relative to case and IBNR relative to total reserves to the extent you're interested in the topic.

As far as the investment portfolio goes, again, Rich, went into some detail on this. I touched on it earlier. But without a doubt, it's not just about the 4.5% that we're getting on the book yield. I think the bigger story is the new money rate today, give or take, 6%. You compound that with the strength of the cash flow that the business is experiencing, I think it's, again, setting a table for a very encouraging future.

The duration we did bump out from [2.3 to 2.4], I think it's more likely than not over time, you're going to continue to see that push out. But the fact is having kept it short the way we have has given us greater flexibility to take advantage of the higher rates in a more immediate or over a shorter period of time.

Yes. Finally, and perhaps a little bit on the forward-looking and picking up on the comments about the investment portfolio. Nobody knows with certainty what tomorrow will bring and there certainly is the potential for volatility to be around the corner. That having been said, you can see the business' ability to weather a choppy time as far as cat activity. You can see the rate increases that we are getting. And you can see how, quite frankly, I should say, we can see where the book yield is going.
So that all having been said, I think it's very clear where the -- how the business is positioned for the coming quarters and the coming years and the earnings power of the business is likely to be accelerating from here Lisa, I'm going to pause there, and why don't we go ahead and open it up for Q&A.

Question and Answer

Operator

[Operator Instructions] We'll take our first question from Mike Zaremski with BMO.

Michael David Zaremski
BMO Capital Markets Equity Research

Maybe to your comments about the table being set and kind of a bit more visibility. Is it -- I just want to -- want to just make sure that this visibility is increasing coming from the investment income, whereas kind of you do talk about there being still continued uncertainty on social inflation and medical cost trends, et cetera. Just curious to the latter comments, has Berkley changed its kind of view at all materially over the last couple of months or a few months on loss cost trends?

W. Robert Berkley, Jr.

I think social inflation continues to be a challenge. But if you look at the rate increases that we are achieving ex comp of 8.5%, I think that we are in a comfortable position to be able to more likely than not absorb whatever that inflation trend is sending our way.

So do I think there's opportunity for the underwriting result to show improvement over time? Yes, I do. That having been said, when we're generating a 20% return, there is no need to push the envelope. I think if you look at the paid loss ratio and how it's been running for some number of quarters, that should be a pretty good leading indicator.

As far as the investment portfolio goes to the point that you raised, Mike, I think it's pretty straightforward. You can see what the new money rate is, you know what the duration is. And you can -- it's not that hard to calculate the upside from here.

And as time goes by, we're just locking in every day, higher and higher rates and pushing that duration out. So from my perspective, certainly, there's a lot of upside on the investment portfolio, but I would encourage people not to discount the opportunity on the underwriting side either.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Understood. And maybe as a follow-up on the topline growth, and you mentioned there were some partners you part away with that might have led to some of the de-sell. I don't know if that was last year, but this year, we're seeing some momentum in the topline MPW's spike up pricing, let's say, being flattish. Any story underlying that you'd like to share on trend line?

W. Robert Berkley, Jr.

I think it's just at least what I was trying to articulate to make a long story short. The momentum is returning on the topline because those relationships that we're in the process of parting ways with are getting towards the tail-end and the impact on the topline is diminishing with every passing quarter as a result of that, it's impacting the overall less and less.

In addition to that, the other piece that I should mention is there are parts of the professional liability market that are really, really competitive, and we're just not going to follow things down the drain if we -- it doesn't make sense, we're not going to do it. And it's a similar story with workers' comp. Fortunately, there's lots of opportunities in other parts of the marketplace, and we are going after those, and that's what's driving the growth that you see. And I think you're more likely than not to see more of that. Sure. Is the rate increase, a component of it? Yes. But it's certainly not the whole story.

Operator

We'll take our next question from Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question is, I guess, building upon the growth conversation as you guys had alluded to, like, growth within the insurance book, did pick up in the quarter, obviously, pushes and pulls across the different business lines. Rob, just based on your overall outlook, how would you expect, I guess, premium growth within that book to trend, not only in the fourth quarter, but also in 2024 as well?

W. Robert Berkley, Jr.

Obviously, Elyse, nobody knows exactly what tomorrow will bring. But as you would see over the past several quarters, there's been momentum that's building. And there's nothing that I see today that's going to take the wind out of that sale.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. And then in terms of the prior year development, so $1 million overall favorable? Was there any noise in either insurance or reinsurance within that $1 million, or any noise within different accident years that you want to call out? I know you typically wait for the 10-Q, but anything worth flagging tonight?

W. Robert Berkley, Jr.

Yes. I don't think there was anything particularly noteworthy. Rich, did you have anything that you wanted to flag on the call?

Richard Mark Baio
Executive VP & CFO

I would agree with your comment, Rob. I don't think there is much in terms of -- from a segment perspective, pretty benign in each of the segments. So I think that's all I would comment before the Q.

Operator

We'll take our next question from Mark Hughes with Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Rob, Rich. General liability, you had another acceleration this quarter. Anything going on there? Are you seeing some sort of a rehardening perhaps in GL?

W. Robert Berkley, Jr.

I think that it's a combination of things. One is rate and two, certainly, our E&S businesses, in particular, are benefiting from that as well. And our specialty businesses overall. I think there's a recognition. Two things, one, there's discipline, people are taking the rate. And two, I think that there's a growing percentage of the audience that is looking to do business with carriers that they can have confidence in.

And that's not just about ratings and in the eyes of the insured. I think it's also distribution partners where they are trying to narrow the number of relationships they have and have those relationships be more important and really focusing on partners that they know will be there tomorrow in a predictable and consistent manner.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Understood. How about the property reinsurance market, had a little slower growth this quarter compared to the last couple of quarters. What do you see happening there?

W. Robert Berkley, Jr.

Yes, I wouldn't read too much into that. There's just a fair amount of seasonality, if you will, to how that business is written. There's still a good opportunity there, and our colleagues, I think, are very focused on it.

Operator

We'll take our next question from Alex Scott with Goldman Sachs.

Taylor Alexander Scott
Goldman Sachs Group, Inc., Research Division

So I wanted to ask you about the paid loss ratios. I mean I think in 1Q, it was 48%. It sounds like it's around that level now, still. Can you help us think through like how much is that benefiting from the growth in the business just with insured values and so forth going up?

How does that compare over like a longer period of time ex sort of those items? I'm just trying to think through, I mean, it seems like that's an important part of why you're so optimistic on the future. And as you all know, there's a fair amount of criticism of some of the older accident of yours. So I'm just trying to think through order of magnitude, that dynamic and sort of how seasoned the older stuff is, I mean, any way you can help me think through all that.

W. Robert Berkley, Jr.

Sure. So maybe a couple of comments. First off, as far as the growth and the benefit of the growth, I would encourage you to go back and look at how much growth has occurred because of exposure, if you will, versus how much is the growth has come because we're just charging more for each unit of exposure. And I would tell you, a lot of it is driven by that.

In addition to that, as far as reserves and how they develop out, the average duration of our loss reserves is, give or take, 3.5 years, and that's paid. So what my point is that the years that perhaps are viewed as more challenging, I think you should have some level of comfort and sense of where those are coming out at this stage.

Taylor Alexander Scott
Goldman Sachs Group, Inc., Research Division

Got it. That's helpful. Second question I had for you is I guess, on general liability, other liability and maybe the preference between primary versus reinsurance. I'm just noticing the casualty reinsurance has been declining a bit, and we've heard some more cautious commentary from some of the global reinsurers. I just want to understand what you're seeing there that's causing you to favor the primary verse reinsurance exposure?

W. Robert Berkley, Jr.

Well, I think there are a couple of things. First off, a lot of it is not necessarily that the underlying business is less attractive. It may be about the ceding commissions that they're able to command. And at some point, maybe we think the underlying business is okay. But the ceding commissions that our competitors are willing to play on the reinsurance side, they don't make sense to us.

In particular, I would call out some of the professional liability space, but I'm not going to get into more detail than that. As far as on the liability side on the direct or insurance front, it's just where we see opportunities. And we like what we see in much of the marketplace, particularly specialty. And if you want to get even more granular, much of the E&S market. And as you and others are aware, we're one of the largest players in the E&S space and in particular, in the liability lines.

So this is just a good moment. And again, what's going on with the reinsurance isn't necessarily that we just think that the market has gone to hell as far as the primary. We just may not agree with what some others are viewing as an appropriate fee.

I have heard as of late from some reinsurers commenting on social inflation and all of a sudden, they discovered this thing called litigation funding and kind of makes you scratch your head and wonder where they've been for the past decade because these are not new phenomenon. These are things that those of us that are in the marketplace, at least in the weeds, we've been not just talking about, but dealing with for an extended period of time. So there's nothing new there. I think it's great that they're focused on it. Maybe they'll bring more discipline to the marketplace.

Operator

Our next question comes from Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

Can we talk a little bit short tail lines, a lot of growth there that says to me there's property in there, but short tail is a pretty big catch up for a lot of things, a lot of growth. Interested in what you're finding there and what the opportunities are.

W. Robert Berkley, Jr.

Lion's share of it's a property. There's a little bit of a auto physical damage in there. And on both fronts, particularly in the property, I think you know the story as well as we do. There is a need for rate, there's an opportunity for rate, and we are trying to make the most of it.

Joshua David Shanker
BofA Securities, Research Division

And do you have -- obviously, your reinsurance costs are up a little bit. You're not a huge buyer of reinsurance, but are you able to take on some of that increased price to the benefit of shareholders or something that can pass off the reinsurance market?

W. Robert Berkley, Jr.

The short answer is, Josh, that we are trying to ensure that the additional cost of that capacity that we rent is being passed on to the client. And I think we're doing that reasonably well. It's not a perfect indicator, but you can see that in the difference between the gross and the net and part.

Joshua David Shanker
BofA Securities, Research Division

Look, it's down a lot from where it was in 3Q '22, but the cat loss in the reinsurance segment was somewhat high. I don't think your big Hawaiian write -- maybe there's some homes in Hawaii you write, the [indiscernible] in the Panhandle in Florida, it doesn't seem like that would have been a big area for you. Can you talk about the cat loss a little bit in the reinsurance segment?

W. Robert Berkley, Jr.

Yes. The long story short, did we have modest exposure to the things that you're talking about or that you flagged, yes. And then there was also some SCS exposure in there, too.

Joshua David Shanker
BofA Securities, Research Division

Okay. And if I can get one more in. In terms of -- I know you guys gave a -- the rate, not really loss trend. You talked a lot about commercial and where it can be. What is the loss trend in commercial auto? And what are you reserving to, given your concerns about social inflation? Is there a variance between where you think the loss trends currently and where you're booking it? I know you're trying to be conservative but is this something that's been prepared for in how you're pricing and what not?

W. Robert Berkley, Jr.

The short answer is and it depends on the part of the portfolio. But generally speaking, we are looking to build in a risk margin beyond what the actuarial answer would be.

Operator

Our next question comes from David Motemaden with Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Rob, good afternoon. Just had a question on the commercial auto premium growth. And I guess I hear your commentary loud and clear on social inflation impacting that line. So I was a little surprised that the growth accelerated there. Was that more a function of this partner that you parted ways with resulting in, I guess, an easier comp? Or have you seen something change there on the pricing side this quarter that makes you want to lean into the commercial auto market a little bit more?

W. Robert Berkley, Jr.

So a couple of things that's worth noting. Yes, part of it has to do with a bit of runoff as you alluded to. But the bigger story from my perspective is the rate that we are achieving. And we are pushing very hard on the rate, and we're getting it. And ultimately, we have a view as to how much we need for rate. And to the extent that we're getting it, then we don't have a problem writing the business. But we are not going to write it if we don't think we can get the rate that is required plus to achieve our targeted return.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. That's encouraging. And then maybe -- and I know you guys have been vocal on just workers' comp, medical cost inflation and staying on top of those trends. I'm wondering if you're actually starting to see that come through -- been manifest in your claims data just in terms of the medical cost inflation starting to impact your payments?

W. Robert Berkley, Jr.

We certainly are seeing early signs of it, and we've been seeing it for a little while, which has really been one of the catalysts for the caution. I think we've been talking about for some time, how the providers, if you will, their economic model is not sustainable. They -- many of them, particularly the large health systems are destroying huge amounts of capital and something is going to have to give. And ultimately, part of how that riddle is going to get solved is through the payers.

Workers' compensation is not going to be insulated from that. The story is not just about pharma. It's about other components of medical costs. And I think you're putting the comp component aside for a moment. If you talk to large payers, the United, the Cigna, et cetera, and you talk about the type of trend that they are seeing and then you extrapolate from that, what does it mean for workers' comp, who, by the way, we probably don't actually, we definitely don't have the same negotiating leverage that someone like a United would have, I think that's pretty instructive.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Understood. And then maybe if I can sneak one more in, just a quick one. I didn't hear you talk at all about the fire losses. And I think is that fair to assume that that's pretty much done -- you guys have re-underwritten that book, and that's no longer impacting results? Or did that have some smallish impact this quarter as well?

W. Robert Berkley, Jr.

The answer is that it wasn't overly noteworthy in the quarter. I'm not inclined to declare victory because then it always comes back to bite us. But I think we're making progress on that front. That having been said, as far as the loss picks go, for our conversation around the environment, we're just not in a rush to do anything but be thoughtful and measured.

The fact is the business is generating by any measure, great returns and we don't see that changing. So there's no reason to push better for us just to make sure that it is thoughtful and well controlled. And if we're going to err, we're comfortable erring on the side of caution.

Operator

We'll take our next question from Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research US LP

First question just on short tail lines. Obviously, there's been some mix shift in that direction. I think that, that would have somewhat of a lower underlying loss ratio. Is that the right way to think about it?

W. Robert Berkley, Jr.

I think it potentially does. But with a lot of those lines, you got to remember, we carry a cat load. So we are not going to release the cat load prematurely. So that could spill over, that benefit may not be realized, if you will, we may carry that through into a future period. But yes, to your point, we did have a lower loss ratio oftentimes, yes.

Ryan James Tunis
Autonomous Research US LP

And then, I guess, just bigger picture with commercial auto. It seems like it's been like almost an impossible line to underwrite over the past decade. Just curious like for a business like Berkley. Why does that line need to be such a large component of what you underwrite? Is it that it's bundled with other stuff? Or you think you can ultimately get it right? I'm just curious why structurally that has to be such a large part of your mix?

W. Robert Berkley, Jr.

Yes. So I think we need to dissect that a little bit. And apologies in advance if this proves to be more of an answer than you're looking for. But as far as commercial auto goes, I would draw the analogy perhaps to your point that it's sort of the industry's version of [whack-a-mole]. As far as our book goes, we write it both stand-alone and we also write it as part of a package. Is it relevant to how you write a package? Yes, it is. But that doesn't mean you should write it in an undisciplined manner.

I think as far as the Monoline goes, we play when we think we're making a buck and quite frankly, a lot of our Monoline guys, we think, over the past few years have done very well. So we'll see over time, but I think we just have some reservation and concerns about where the marketplace is going.

That having been said, it has caused us indigestion from time to time. I think we've as of late, have more consistently done better where we're running at Monoline because we are very focused on it. I think there are some examples where we've written as part of a package where we probably haven't been as focused and didn't have as strong an expertise being brought to bear, and that is something that we are working at changing. But yes, are there moments in time where I look at it and I say, how does this make sense? That having been said, there are many parts of this organization where they are doing it consistently well.

Operator

We'll take our next question from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Rob, just curious, any green shoots at all in the professional liability line and maybe even related to cyber, and we've seen some big losses come through in the cyber area of late. And is that causing any kind of upward pressure on rates and maybe some opportunity around that line?

W. Robert Berkley, Jr.

I guess my answer would be not yet. We'll have to see what comes about. Particularly as far as cyber goes, it's going to be interesting to see what type of pressure the reinsurance marketplace brings to bear on the underlying or the insurance marketplace. As far as D&O goes, it continues to be very, very competitive.

Other parts of professional liability, I would tell you that to a varying degree, it's pretty challenging out here. So again, I think that you can still make a buck in a bunch of pockets, but you need to be careful.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. Makes sense. And then, Rob, just remind me that, that business going through the python. Is it anything impact on your underlying or your loss picks? So you just having to set a little more conservative? Is that book earn kind of runs off here?

W. Robert Berkley, Jr.

The answer is as we saw what was going on with it. We pushed the picks up. We think what we're carrying makes sense and it won't be an issue but quite honestly, we wish them well, but we're not going to miss them.

Operator

We'll take our next question from Meyer Shields with KBW.

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

I wanted to drill down a little bit more maybe into ceding commissions on casualty reinsurance because we're reading a lot if you said, maybe European reinsurers getting nervous about social inflation. I'm wondering, is it too early or are in your current discussion, so let's say, 1/1, casualty reinsurance renewals. Is there -- are there any indications of ceding commissions improve it?

W. Robert Berkley, Jr.

They don't invite me to their pricing meetings, so I don't know. That hasn't been -- given the chatter, I think they're thinking about it. But we'll have to see whether the dialogue and the commentary materializes in action.

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

Fair enough. I wanted to step back, have you talked about Berkley's willingness to write more property in the current environment? And I'm wondering about now that we're 9-months through the year, how the growth that you've seen compares with the expectations you had and the opportunity did you spot if you go back to December of last year?

W. Robert Berkley, Jr.

I think that we feel quite good about what has been accomplished by our colleagues and I understand that many of you, the only barometer you have is how much premium that we are writing. But what may not always come through as clearly is maybe we're collecting the same amount of premium but we've reduced the exposure by 1/3 or maybe we're collecting 30% more premium, but we've reduced the exposure considerably.

So it's not just a matter of how much you write. It's a matter of how much you're going to make, obviously. And I think our colleagues both domestically as well as outside of the U.S. have done a nice job navigating the channel and continue to.

Operator

Our next question comes from Mark Hughes with Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes, I just wanted to ask about the -- I want to ask about the expense ratio, particularly in the reinsurance segment, it was pretty low this quarter. Just any general thoughts about expense ratio overall.

W. Robert Berkley, Jr.

Look, I think the -- as we've suggested to people in the past, our view is that we're going to be able to keep the expense ratio more likely than not comfortably below [30]. That can obviously be impacted as you're familiar, Mark and others are as well. Our oftentimes prefer an approach for growth is through de novo or starting new businesses.

When you start a new business and it's in its infancy and doesn't have scale, not a lot of earned premium that has a negative impact on your expense ratio. That having been said, we think it's a much more controlled model to growing the business.

So again, does it pick up a little bit, it can go up, it can go down. But probably the biggest driver around that is businesses that we start and the timing for them to get to scale. But I think we remain convinced that we should be able to keep it starting with a [two].

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And so nothing unusual this quarter in the Reinsurance and Monoline Excess.

W. Robert Berkley, Jr.

Rich, is there anything that you can think of?

Richard Mark Baio
Executive VP & CFO

No, I think it's for the same reasons that we've been talking about and that you alluded to, Rob.

Operator

We'll take our next question from Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

My first question, and I may be paraphrasing what I think I heard from you, but I think you're not taking the foot off the pedal in terms of rate. At the same time, you are achieving a ROE of about 20%, new money rates would suggest upside there. So why is there a need to continue to aggressively push rate here? Is it that you worry about medical inflation, social inflation and once they rear heads maybe quickly impact margins?

W. Robert Berkley, Jr.

Well, I don't think it's once they rear their heads. I think their head is fully reared at this stage, and the neck just keeps growing. So from my perspective, it is exactly what you suggested, it is loss cost trend. And while perhaps there's some evidence that financial or economic inflation is slowing, though still elevated relative to what it's been in the recent past. There is no evidence that social inflation is abating at all. And as a result of that, we're just going to keep pushing. And at a minimum, we need to keep up with that.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Got it. And then we haven't heard in a while about the international book. Can you maybe give us a quick update there. Is it margin accretive, dilutive for the quarter, for year-to-date? How growth patterns developing there?

W. Robert Berkley, Jr.

It's accretive. We have some terrific businesses outside of the United States, run by some outstanding people with a shared set of values that we have in other parts of the business, very focused on a lot of the things that we talked about, particularly risk-adjusted return. And it is certainly not dilutive to the franchise overall.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Got it. If I could sneak one last one, if I may. On the property book in the loss picks there, I would assume those develop a bit faster than you see in the casualty line. So how long before you start updating those? Is it mostly frequency driven and we could see those start to move according to the actual frequency within a couple of quarters? Or does it take longer?

W. Robert Berkley, Jr.

It takes a little bit of time. We look at it every 90-days or so and don't want to get ahead of ourselves. I think there's two pieces to it. One is how do we think about attritional or, if you will, the risk book versus how do we think about the cat exposure.

The cat piece is a little bit of a different story, as I was at least trying to suggest earlier, we have a cat load that we build in, and we're not going to release that prematurely. We'll have that roll over from quarter-to-quarter. As far as the attritional goes, we just want to give it a little bit of time to see how it plays out. But yes, it's not -- it shouldn't be measured in years and years.

Operator

And that concludes the question-and-answer session. I'd like to turn the call back over to Rob Berkley for any additional or closing remarks.

W. Robert Berkley, Jr.

Okay. Lisa, thank you very much for hosting us. Thank you to our colleagues for participating in the call. I think just going back to some of the earlier comments, the table is set, and it's pretty visible how it's set.

I think the earnings power of the business is just going to be growing for the foreseeable future. more likely than not, we're going to get the double benefit of both of our core activities, both the underwriting and the investing and the momentum should continue. So thank you again, and we will look forward to speaking with you early next year. Have a good night.

Operator
This concludes today's presentation. Thank you for your participation, and you may now disconnect.