S&P Global
Market Intelligence

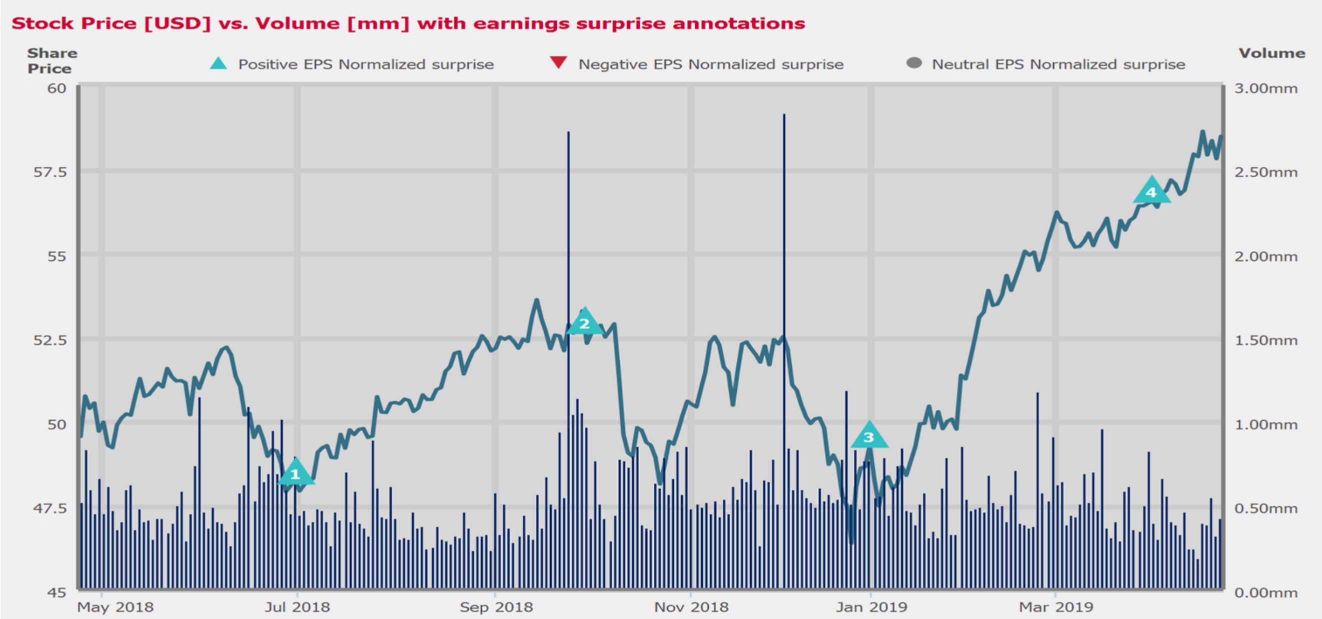
W. R. Berkley Corporation NYSE:WRB
FQ1 2019 Earnings Call Transcripts

Tuesday, April 23, 2019 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2019-			-FQ2 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.63	0.66	▲4.76	0.60	2.59	2.79
Revenue (mm)	1618.82	1592.86	▼(1.60 %)	1636.50	6568.51	6769.50

Currency: USD
Consensus as of Apr-18-2019 7:10 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2018	0.55	0.65	▲18.18 %
FQ3 2018	0.55	0.75	▲36.36 %
FQ4 2018	0.52	0.63	▲21.15 %
FQ1 2019	0.63	0.66	▲4.76 %

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EXECUTIVES

Richard Mark Baio
Senior VP, CFO & Treasurer

William Robert Berkley
President, CEO & Director

ANALYSTS

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The Buckingham Research Group Incorporated

Brian Robert Meredith
UBS Investment Bank, Research Division

Joshua David Shanker
Deutsche Bank AG, Research Division

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

Michael David Zaremski
Crédit Suisse AG, Research Division

Michael Wayne Phillips
Morgan Stanley, Research Division

Ryan James Tunis
Autonomous Research LLP

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Presentation

Operator

Good day, and welcome to W. R. Berkley Corporation's First Quarter 2019 Earnings Conference Call. Today's conference call is being recorded.

The speakers' 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, beliefs, expects or estimates. We caution you that such forward-looking statements should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will, in fact, be achieved. Please refer to our annual report on Form 10-K for the year ended December 31, 2019, and our other filings made with the SEC for 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.

William Robert Berkley
President, CEO & Director

Thank you very much, Jimmy, and good afternoon all again, and thank you for joining us. So with me on this end, we also have Bill Berkley, our Executive Chairman; and Rich Baio, our EVP, CFO, CPA and probably a bunch of other acronyms as well.

So we're going to change the agenda around a little bit from what we've followed in the past, and we're going to start off with Rich walking you through the quarter, hitting some of the highlights and framing it for you a bit. And then I will follow on his comments with a few brief thoughts, and we will quickly make our way over to Q&A.

So Rich, if you would, please.

Richard Mark Baio
Senior VP, CFO & Treasurer

Thanks, Rob. To begin with, our results are adjusted to reflect a 3-for-2 stock split. We reported an increase in net income of approximately 9% to $181 million or $0.94 per share. This compares with $166 million or $0.87 per share for the prior year's quarter. Our return on equity for the quarter on an annualized basis improved 1 point to 13.3%. Pretax underwriting income improved in the quarter, along with net investment income from our core investment portfolio, net investment gains and foreign currency gains. Offsetting these improvements is lower net investment income from investment fund and higher nonrecurring other cost and expenses for performance-based compensation.

Pretax cat losses in the quarter were $12.7 million or 0.8 loss ratio point. We did experience slightly elevated non-cat weather related losses through the winter storm event. The total non-cat weather related losses amounted to 0.9 loss ratio point. Both cat and non-cat weather-related losses were in line with expectations and within a reasonable range of our reported results over the past several years. Prior year loss reserves developed favorably by $7 million or 0.4 loss points compared with $12 million or 0.8 loss points for the same period last year. Accordingly, the current accident year loss ratio before cats of 61.6% was largely unchanged from the year ago quarter. To level set the comparable periods, pretax underwriting income on an accident year basis excluding cats was $96 million compared with prior year's quarter of $79 million, representing an increase of approximately 22%.

Before discussing the segment results, we have highlighted for numerous quarters that our reinsurance operations declined due to the competitive nature of the business. As such, the reinsurance business has become a more modest percentage of the overall group. We have continued to evaluate our reporting segments and concluded we should reclassify an operation as solely retained risk on an excess basis. This reclassified business has similar characteristics to the excess of loss reinsurance business. To this end, we've renamed the Reinsurance segment to Reinsurance & Monoline Excess.

Net premiums written increased 2.7% to approximately $1.7 billion. The Insurance segment grew 1.6% to about $1.5 billion, while the Reinsurance & Monoline Excess segment grew to $212 million. The expense ratio improved by 0.9% to 32.3% quarter-over-quarter and 0.6% better than the preceding consecutive quarter. The benefit in the expense ratio was driven by higher net earnings premium as well as lower underwriting expenses. In dollar terms, underwriting expenses declined 1.2%, while net premiums earned increased 1.6%. Improvement in underwriting expenses is primarily attributable to lower commissions and compensation.

We continue to innovate and bring operational efficiencies to the business and expect to benefit from these initiatives. As a reminder, the improvement in our expense ratio may not be a smooth linear decline due to investments we are making in the business. This brings our reported combined ratio for the first quarter 2019 to 94.3% and our accident year combined ratio excluding cats to 93.9%. Net investment income is $158.3 million compared with $174.5 million for the year ago quarter. The core investment portfolio increased approximately $7 million or 5.6% led by 6 maturity securities with an investment yield of 3.6%. The arbitrage trading account, which focuses on publicly announced M&A transactions, also improved 104% to approximately $11 million. Investment funds declined to $11 million primarily due to real estate and energy funds.

You may recall that first quarter 2018 reflected significant mark-to-market adjustments in the real estate funds contributing to the heightened investment income from investment fund of $40 million. The current quarter's investment income from investment funds of $11 million is marginally below our expected range primarily due to mark-to-market adjustments on energy funds. We also have maintained an average rating of AA- and slightly reduced the average duration to 2.7 years for fixed maturity securities including cash and cash equivalents.

We are well positioned to benefit from rising interest rate while minimizing any adverse impact on the balance sheet. We reported pretax net realized and unrealized gains on investments of $69 million. First quarter 2019 marks the first quarter of comparable accounting treatment for equity securities as it relates to the change in unrealized gains and losses through the income statement. The pretax realized gains from the sale of investments amounted to $27 million, and the change in pretax unrealized gains on equity securities was $42 million.

The effective tax rate was 20.8% for the quarter, largely unchanged from a year ago. The effective tax rate differs from the U.S. Federal income tax rate for 21%, primarily because of tax-exempt investment income offset by foreign operations with a higher tax.

Stockholders' equity increased 6% or approximately $325 million from the prior consecutive quarter. The growth in book value was comprised of strong quarterly earnings as well as an increase in after-tax unrealized investment gains of $125 million and a reduction in the currency translation loss of approximately $20 million.

Thanks, Rob.

William Robert Berkley
President, CEO & Director

Rich, thanks very much. So let me offer a couple of quick thoughts, and again as promised, we'll get on to your questions in short order.

So I have an opportunity as I was trying to stare out the window and figure out what I could share with you all beyond Rich's comments, and one of the thoughts at my mind I've been drawn back to is something that my boss taught me early in my career in the industry. And that is that for the industry to change, it always seems to take longer than you would expect it would or than it should. And that was clearly the case a couple of decades ago when I was taught that lesson, and I think it's still the case today, in spite of the fact that we have better data and analytics. I think the other piece that was shared with me or thought that was shared with me is that as a result of that delay and recognizing the need for change or the opportunity for change, when things look bad, they tend to actually end up being worse than you expect, and when things look good, they tend to actually be better than you expect. I think those 2 thoughts apply very well to the industry every day, but they are particularly applicable these days.

The property market, everyone expected, would have shifted after the cat activity that we saw in '17. It didn't respond in early '18. We are now seeing early signs but meaningful signs that it is responding to the cat activity.

The casualty market perhaps even more impaired but not as visible because the nature of the business and the time that it takes for the results to come through is perhaps equally challenged in the position that it is in.

From our perspective, with the exception of workers' compensation, by and large, every nature and line of business within the commercial line space, is in some point of firming. It is worth noting, as we've commented in the past, all product lines do not march in perfect lockstep with one another. But from our perspective also, directionally, they are moving together, again with comp being the exception. One of the data points that we have been able to identify to support this is what we were able to achieve in rate during the quarter. Ex comp, the organization achieved 6.4% rate increase. It's worth noting that we achieved this with our renewal retention ratio remaining at a similar level to what has been for the past several years.

Lots of people talk about rate and they talk about premium growth in a variety of different things. I want to briefly define for you when we talk about rate increase what that means for us. We look at a unit of exposure and how much we charge for that unit of exposure, and we compare that with the same unit of exposure, if you will, from prior periods. So for us, we are looking to compare the amount of rate or a dollar per unit of exposure that we are getting in corresponding periods. There are obviously lots of different ways to do it. That is our approach. We take a similar approach on new business, but obviously, it's a little bit more challenging for us because the nature of new business in trying to compare that to our in-force book is not as easy.

Rich mentioned the loss ratio. The only comment I would add to his were -- obviously, he mentioned that the cat activity as well as the non-cat weather-related. We use PCS as our definition for cats, but we did have a fair amount of weather-related losses that do not fall into the PCS umbrella. A lot of people get pretty hung up on this stuff. You know the math is that we have 1.7 points of weather-related losses. Some folks back it out of the results. From our perspective, it's part of the business, and you got to leave it in, but it would seem as though we're in the minority.

The expenses, Rich touched on that earlier, obviously, the 32.3% was a significant improvement. I would caution people not to assume that, that is the new run rate for us. I do believe that we should be able to consistently do better than the 33%. But as Rich suggested, we are making some investments. Do I think we're doing better than the 32.9%, where we have been running recently? Yes, but I certainly do not think that people should be penciling it in a 32.3%. Rich made the passing comment, and I would just highlight it a little bit. Part of the improvement in the expense ratio came as a result of the loss ratio ticking up due to some of the property and losses stemming from weather.

On the investment side, again, Rich touched on the duration, at the 2.7. We do not envision this shortening up from here. Having said that, I don't think you should expect it to start moving out or lengthening drastically anytime soon. Our view is that the yield curve is pretty flat, so there's no compelling reason to push out. And aside from that, we're not unhappy with the flexibility. I do think as windows of opportunity present themselves, you will see us take the duration out a bit from here.

A couple of other quick comments. Just on the investments as well, Rich talked about the realized and unrealized [gains] to the income statement. That is related to preferreds that we have in Fannie and Freddie that we've touched on in the past.

Overall, when we look at the quarter, I think it's pretty clear that we are making rate a priority. There are a whole host of reasons for that, including where we see social inflation. Having said that, we are feeling pretty comfortable at this stage that ex comp, getting 6.4% rate increase for the portfolio overall is well outpacing in all likelihood loss cost trends translating into what is likely to be a meaningful margin expansion as you see this higher earn premium earn through.

We, as an organization, are constantly trying to optimize the balance between exposure growth and rate. We are trying to optimize the balance between risk and return. We are trying to ensure we strike the right balance between being opportunistic but obviously offering continuity and predictability to our customers.

We, as a team, had to take an ownership mentality to how the business is run. We take a long-term view. We are not willing at any time to try and spruce up today to make tomorrow look better, and I think that is what allows us to be able to consistently perform at a reasonably high level.
So let me pause there, and we should turn the microphone over to those that have dialed in and answer any questions to the best of our ability that you may have for us.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Mike Zaremski with Crédit Suisse.

Michael David Zaremski
Crédit Suisse AG, Research Division

First question on the P&C kind of competitive environment. Clearly, there's some pricing momentum ex comp that you've spoken to for a couple of quarters now. Anything else happening in terms of maybe changes in terms of conditions? Or -- I think you used the term returning discipline in your -- in the earnings release. So just curious if anything other than pricing is kind of going to help your margins going forward that maybe we're not thinking about.

William Robert Berkley
President, CEO & Director

If you think of the -- if you look back in history, there's a series of steps in, I guess, if you will, the playbook that we use. First, you start to see the rate move up. That's followed by tightening of terms and conditions kind of overlapping somewhat simultaneously, that once we get the terms and conditions in the rate where we like, you're going to start to see the exposure count, if you will, grow as well. So we're pretty happy with where margins are at today, but you're going to probably see them enhanced tomorrow. And again, I think step 1 is the rates moving up. And as history would suggest, you'll see the terms and conditions start to tighten from there in the market. And again, that will be sort of our strike zone to open up the faucet a bit more.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. In terms of the top line, clearly profitability is excellent. That was -- I guess if I look at consensus and what top line is growing at, it was a little below expectations even though the expense ratio came in better than expected. So just curious as -- do you expect growth to pick up in the coming year?

William Robert Berkley
President, CEO & Director

Do I expect growth to pick up?

Michael David Zaremski
Crédit Suisse AG, Research Division

Or maybe workers' comp pricing is more negative than quarter 2?

William Robert Berkley
President, CEO & Director

My sense is that we should be able to more than offset comp. And again, I'm kind of looking into a foggy crystal ball, but the latest data points that we have would suggest that we should be able to accelerate the growth from here. But again, no promises. Do I think it's going to be explosive growth? No, not yet. But part of it, again going back to the comments earlier, at this stage, we are more focused on pushing for the rate. And as we see that rate get to a certain level, then you will see us look to really try and expand the exposure or policy count, if you like. So yes, expect to grow more.

Operator

And our next question comes from Amit Kumar with Buckingham.

Amit Kumar
The Buckingham Research Group Incorporated

I guess I want to build upon Zaremski's question. Just going back to the discussion on pricing, and the 6% number is very strong versus Q4 of 4%. Is there some way to maybe talk about, broadly, some of the components. Was property meaningfully higher? And casualty was a much smaller number? And hence, it netted out to 6%? How should we think about the other components might be different now versus Q4?

William Robert Berkley
President, CEO & Director

So what I would tell you is that we perhaps look at it a bit more granular -- at a more granular level than you're suggesting. We look at it via operating unit within the group. We are looking it by product line with each operating unit in the group. Clearly, the challenges that the industry has faced in such product lines as commercial auto, certain components of professional liability, certainly much of the property market place are leading to opportunities where there is a meaningful rate increase available. So again, I would tell you, but also as I commented earlier, other than workers' compensation, we are getting rate increases in every major product line we participate in.

Amit Kumar
The Buckingham Research Group Incorporated

Got it. So there is no outlier per se which has obviously lead to a big number?

William Robert Berkley
President, CEO & Director

I beg your pardon, sir?

Amit Kumar
The Buckingham Research Group Incorporated

There is no outlier per se which -- there is no one subsegment which is having material rate increases. What -- I mean what you're saying is that it's probably well distributed, and obviously, the cat expose lines will have a higher number.

William Robert Berkley
President, CEO & Director

Well, I don't want to mislead you. I think that each product line is getting -- it's not 6.4% across the board. We have a -- we use a much finer scalpel than that. It is by product line. I would tell you again that things such as commercial auto, parts of professional liability and certainly much of the property market are probably amongst the areas that are getting the most meaningful rate increases and a couple of others as well. But again, it's not a bar bell. It's more of a bell curve.

Amit Kumar
The Buckingham Research Group Incorporated

That's what I was looking for. Okay. The other question is also a set of a follow-up. There is this debate in the marketplace about admitted versus non-admitted. And I think you referred to the competition, and I think you made an interesting comment. There's always a lag when the market actually responds. Can you maybe talk about the admitted versus non-admitted discussion a bit more? And...

William Robert Berkley
President, CEO & Director

Well, I know -- one second. I'm -- maybe I'm the bow in the bubble here. But what's the broad chatter in the marketplace about admitted versus non-admitted that you're referring?

Amit Kumar
The Buckingham Research Group Incorporated

No, I mean the point is that legacy cat errors are beginning to withdraw or restrict their writings. And that's why there seems to be a discernible uptick, and it's happening only very recently, where some numbers that you read, the great players have changed.

William Robert Berkley
President, CEO & Director

Yes. Look, I don't think that there has been this dramatic sea change. I think it would sort of go back into the -- or back to some of the comments I obviously at least tried to allude to earlier that I think there is a gradual building or incremental firming that is going on. There is no doubt that there are components of the marketplace that operate in a standard or admitted manner that probably overreached a bit and are choking and really should've left it to the non-admitted market. Yes, but that's going on any time. Do I think there's a little bit more of that today than it was yesterday? Absolutely. Do I think there'll be more of it tomorrow than it is today? Yes I do.

Operator

Our next question comes from Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

Look, I'm not going to get the direct quote from what you said, Rob, earlier, but I'm kind of paraphrasing. When things look bad, they're probably worse than you think. And obviously, casualty lines are pretty impaired. It's harder to see obviously because of the tail. So one way to interpret that is that since we're seeing more of a firming in rates for the industry and certainly in the casualty lines, if things look bad, they're worse than you think, then maybe the era of kind of industry reserve releases is coming to an end. We know that a lot of that has been comp, has driven a lot of the releases. But ex comp, it's not been that bad in terms of charges. So I wonder -- I guess just want to hear your thoughts on that. For the casualty line specifically, what you think about that I guess in terms of adequacy for the industry?

William Robert Berkley
President, CEO & Director

Look, I think there are others that can speak to the reserve adequacy in the industry better than I in general. My two cents for what it's worth is that I think the industry has recognized some positive development over the past few years, which is quite frankly it's a tough business when you don't know your cost of goods sold until some number of years after the fact. And I think we went through what was a very benign period that the casualty market enjoys, particularly on the frequency side. I think that there are increasing signs that, that benign environment no longer exists, not to the same extent, and that may prove to create some challenges for the industry today.

And the question is, are people appropriately pricing for the legal environment, for example, that we are in today? So look, I'm not going to predict the redundancy or the deficiency of the industry, and I'll leave that to brighter people than me. But I would tell you that I think that the marketplace has been pretty aggressive for the past couple of years. I think a lot of that has been glossed over as a result of what was a benign cat environment as well as positive development from earlier years for the industry. And I think that at some point, you can't keep putting lipstick on the pig, as my boss said.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. Never heard that one before. And then I guess a little -- oh, I'm sorry -- last...

William Robert Berkley
President, CEO & Director

Go ahead, sorry.

Michael Wayne Phillips

Morgan Stanley, Research Division

Okay. Last quarter, you -- want to drill down more on the D&O market, where last quarter you talked about we would expect to see some meaningful change over the next few quarters. I guess anything that you've seen since those comments in the D&O market?

William Robert Berkley
President, CEO & Director

Yes. I think that, certainly, our perception is that, that would be -- when I mentioned earlier, parts of professional liability firming a fair amount, I think there are parts of the D&O market that are getting what I would define as significant rate increases, rate increases that the industry hasn't seen for some period of time.

Operator

Our next question comes from Yaron Kinar with Goldman Sachs.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

First question just with regards to the resegmentation or the moves from the excess mono from insurance to reinsurance. Can you help us think about maybe run rates for the -- your loss ratio or the expense ratio for the 2 segments as they currently stand?

William Robert Berkley
President, CEO & Director

Obviously, it depends on the performance of the business from any one period to another period. But certainly, what you saw in the release is not a bad placeholder for people to use going forward. But again, that's subject to the performance of the business at any 90-day period.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay. Is there any seasonality in that block?

William Robert Berkley
President, CEO & Director

Well, yes, there is, but there always has been seasonality. Obviously, in the reinsurance business, certain dates such as 1/1 are very material. And while we do not write a significant cat exposed book, there is a little bit there. So depending on how you want to define seasonality from a premium perspective or a loss perspective, it's there, but it's been in there in the past.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay. And then my other question is just around net investment income. If we think about the core portfolio -- core investment portfolio, how should we think about the impact of a lower yield environment? Do you think that you can still achieve yield expansion here? Or should we expect some yield compression in the core portfolio?

William Robert Berkley
President, CEO & Director

Well, you've been kind of silent the whole call. Why don't you...

Richard Mark Baio
Senior VP, CFO & Treasurer

We think that at the moment, in the current environment with a flat yield curve, we can maintain the current yield of the portfolio. But clearly, if we have a slowing down of the economy, that will be more challenging. But at the moment, we think we could pretty much stay where we are, but I would not anticipate improving yields.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay. And can you achieve this current yield by changing -- are you doing that by changing any of your portfolio mix? Or is that simply keeping your portfolio as is?

Richard Mark Baio
Senior VP, CFO & Treasurer

Generally, as is securities selection, slight change in mix. But no consequential change. Just still maintaining AA- quality. And we'd like to find opportunities to improve yield and extend the maturity, but that doesn't seem to be in regards at the present time.

Operator

And the next question comes from Joshua Shanker with Deutsche Bank.

Joshua David Shanker
Deutsche Bank AG, Research Division

I suppose part of your hesitation in talking about workers' comp is that you don't want to give away corporate secrets, which makes sense. But maybe, can you tell us what you think...

William Robert Berkley
President, CEO & Director

We're not hesitant to talk about workers' comp. We're happy to chat with you about it.

Joshua David Shanker
Deutsche Bank AG, Research Division

So where do you think pricing is right now in workers' comp? Where do you think relates to loss cost trends? And can you talk about the variance between the primary and excess pricing?

William Robert Berkley
President, CEO & Director

Yes. So as far as loss cost trends -- so I'm going to try and answer your question to the best of my ability. The loss cost trends have remained remarkably benign primarily due to frequency or a lack of, if you will. Severity continues to tick up a bit just because of health care costs continuing to move up, but it's astonishing how benign the frequency trend continues to be. I would tell you that I struggle with that long term and whether it's sustainable. Clearly, we have better safety and a whole host of other things in place as a society which we benefit from. At the same time, as we suggested in the past, the tight labor market historically can lead to a tick-up in injury of workers, again partly as a result of people not being as well trained, partly as a result of people working overtime. And quite frankly, when people are tired, they may not be as alert and take the safe precautions.

When it comes to certain aspects of inflation, as you know, comp is partially insulated because of the fact that comp is prized off of payrolls. And as long as payrolls are keeping up, or in some cases, outpacing inflation, that is something that needs to be factored in. So I would tell you right now, do I think is comp overall losing a little bit of altitude for the moment? Yes, I think it probably is losing a little bit of altitude. Having said that, I think when the industry looks back the past few years, it's likely, in my opinion, to prove that there was more margin in the business than perhaps the industry realize. I think '18 and '19 are possibly the time, a point of inflection, when that may start to flip. As far as the excess market goes, it's a pretty big space. And overall, we're reasonably happy with where the pricing is there. But I think it's tricky to start trying to compare it to the extent that the question may have suggested.

Joshua David Shanker
Deutsche Bank AG, Research Division

And I guess if we have benign frequency and slightly elevated severity, can we assume that loss cost inflation in comp is still greater than 0?

William Robert Berkley
President, CEO & Director

It's sort of have been hovering right around there. I would tell you that -- again, as you know as well as we do, Josh, that one of the tricky parts of this industry is you're pricing your product before you know your cost of goods sold. Back to that comment around frequency, I'm not convinced at this stage that '19 is going to benefit from the same frequency trends that we have seen in the past decade-ish or so. So I think clearly, it's possible that '18 is going to prove to be okay. I feel even better about '17 and earlier '19. It's really then almost too early to start speculating, at least on a conference call.

Operator

And our next question comes from Meyer Shields with KBW.

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

So I guess starting off, in the reinsurance segment, you see a little bit less than 3% gross written premium growth, and ceded premiums were up a little bit more than 9%. So maybe you could talk about what's driving that position.

William Robert Berkley
President, CEO & Director

Not ignoring you. I'm just thinking about it. Ultimately, it may have to do with just different programs that we are buying. It may have to do with pricing in the reinsurance marketplace. It may have to do with a variety of different things. But ultimately, I would encourage you not to read too deeply into it. We have not changed our philosophy around how we buy reinsurance.

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

Okay. That's helpful. Second, hopefully, an easy one. Should we look at the Monoline Excess line of business as being predominantly excess workers' compensation?

William Robert Berkley
President, CEO & Director

Richie, what's the breakdown -- premium line?

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

Yes.

Richard Mark Baio
Senior VP, CFO & Treasurer

Excess workers' comp.

William Robert Berkley
President, CEO & Director

Yes. No, it is actually -- I'm sorry. I misunderstood you. It's primarily reinsurance. But as far as the Monoline Excess, it is at this stage solely excess comp.

Operator

And our next question comes from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of things here for you. First one, just curious, big growth in the casualty reinsurance area. Were there some kind of one-off transactions? Or has that all of a sudden become a much more attractive market?

William Robert Berkley
President, CEO & Director

I think that there were a couple of pieces -- there are a couple of opportunities that we saw that we thought made sense, and some of that growth actually is coming from outside of the United States as well. Whereas I didn't mention this earlier, but when we think about the reinsurance business, I think certainly the U.K. and certain other territories are probably a couple of paces ahead of the U.S. treaty market in firming. So there are early signs that the U.S. market may be moving in that direction.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. So I mean -- so I guess just a couple of opportunities type of growth that you're seeing out of reinsurance. Should we expect that, that may continue here going forward or just opportunities this quarter -- opportunistic?

William Robert Berkley
President, CEO & Director

Look, I don't even want to speculate beyond what I've already speculated. I think that we feel as though that the reinsurance market is starting to grapple with the realities of the mistakes that the industry had made in the past, and as a result of that, are beginning to incrementally take action. And our hope and -- is that -- and quite frankly, expectation is that it will build from here. I think that some of the business that they see is reasonable business. But in many, many cases, the ceding commissions are not sustainable. And that as the results come through, I think the reinsurance market is responding to that reality. And there is, across the board or virtually across the board, pressure on ceding commissions proceeding.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then second question, Rob. It's been a couple of years since you started Berkley One. I'm just curious, any observations on that business? Is it better than you kind of expect to be? A little bit more challenging? Just curious what your thoughts are. I know it's still quite, quite small for you, guys.

William Robert Berkley
President, CEO & Director

I think the -- a couple of reactions would be -- and you got to understand, this comes from someone who when we've done most of our startups, a lot of it -- well, they are almost all commercial lines, and a lot of them are non-admitted. So we -- a team joins us, and 2 days later, we'll run it on an Excel and Word until we have a system in place. So we're not accustomed to or experienced with the significance of the platform that was required to build not just from an IT perspective but from a people perspective as well as from a filings perspective. It's just a big platform.

But from our perspective, all that does take time. We think that, that is really a great opportunity. And if you build it right, it serves as -- I wouldn't say a barrier to entry for others because we're doing it, but it certainly is an obstacle for others to come in. I think there are a few people that have come into the space. And when I look at the platform, they cobble together. And I look at what my colleagues are building, I think it's like day and night.

So to make long story short, I think the team of people that we have is as good or better than we could've even hoped for. I think the platform that they are building is as robust as any out there and certainly second to none. Having said that, I think that it's a little bit longer of a road to get that platform stood up than some of us at the same time. If we could do it all over again, wouldn't pause twice, we'd definitely do it. I think it is going to prove to be a tremendous asset for our shareholders.

Operator

[Operator Instructions] Our next question comes from Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research LLP

Just have a few. First one, in terms of the workers' comp, I'm curious if you're seeing anything different from a loss cost standpoint on the excess monoline versus just the normal primary comp. I know that there's more of a severity element there. Or is it pretty much still benign just like what you're seeing on the primary book?

William Robert Berkley
President, CEO & Director

I mean obviously, they are different animals. But I would tell you, what we're seeing on both fronts are reasonably consistent with what we've seen over the past couple of years.

Ryan James Tunis
Autonomous Research LLP

Got you. And maybe the other thing that I'm -- shifting gears to premium growth, a question on insurance. But something that stood up to us was it actually -- the premium growth was the least in the line where I would've expected the most incremental rate, so short-tail, professional liability and commercial auto because they lagged down the liability comp. Just trying to sort through why that might be the case...

William Robert Berkley
President, CEO & Director

I would interpret that as underwriting discipline in places where we have decided that we want rate. And we are -- when you think about sort of the rate/growth balance or trade, we choose rate. And I think what you will see happen over time, or at least history would suggest you will see, and I believe you will see as well, is that those lines where we're pushing the rates, you are going to, at some point, start to see those, oftentimes, there's some of the lines where the growth rate will eventually evolve to be the highest. But it starts out in these cost lines where we are digging our heels in and saying we will get this much rate or we will not raise the business.

And we expect that, over time, the market will cooperate. And it's cooperating somewhat, and we expect that, that will accelerate. Right, we just have a history as an organization of trying not to be late. So when we identify something, we get on it. And when we look at these lines of business, we're saying we need rate, and we are going to have it or we will not write the business. I think it will come more into focus for others, but maybe they are not as inclined to move in as timely a manner as we are.

Ryan James Tunis
Autonomous Research LLP

So I mean not to put words in your mouth, Rob, but it sounds like you're saying the rate of environment's better, but a lot of these lines are more loss affected. Pricing is probably not adequate right -- adequate yet. Is that probably the right way to think about it?

William Robert Berkley
President, CEO & Director

There's a -- it really depends on a particular product line. So my comment to you is that when we look at the loss environment, and we also look at on the horizon with sort of the legal environment, some of the issues we've talked about around social inflation, our view is that it makes sense to charge more in some of these lines of business for a unit of exposure.

And if we are not able to get what we believe is an adequate rate, then we will not write the business, and that's okay, too. If we end up not writing the business and that excess capital, we'll return it to our shareholders. Having said that, certainly, the early signs would say that, that we were able to achieve the rate, and the market will start to bear it more and more, and we expect that other market participants will be moving in a similar direction.

Ryan James Tunis
Autonomous Research LLP

Fair enough. And then just quickly, I want to build on the non-cat weather piece. Not used to you calling that out one, Rob, but I guess it is useful. It was a point this quarter. What would you expect that to be in a normal quarter?

William Robert Berkley
President, CEO & Director

I don't know. Richie is saying 60 basis points. So he's usually right about this stuff, so that's the number. At the same time, it's part of the business. So people who back out cat, the 0.4 I think is -- doesn't make a whole lot of sense unless you're going to back out of the premium too, as my boss says. Yes, so the delta is sort of the 30 basis points between the 0.9 and the 0.6.

Operator

And I'm showing no further questions in the queue at this time. I'd like to turn the call back to Rob Berkley for any closing remarks.

William Robert Berkley
President, CEO & Director

Okay. Thank you, Jimmy. Well, first off, thank you all for calling in. We appreciate your time and interest.

From our perspective, we think that there is many encouraging signs on the horizon here more than we have seen in some extended period of time. What we were able to achieve with rate and also maintain a renewal retention ratio I think speaks volumes to the fact that the market is willing to accept it, and we have every intention of continuing to ensure that we are getting an appropriate risk-adjusted return and that we optimize whatever the opportunity may be.

So thank you again for calling, and we'll speak with you next quarter. Goodbye.

Operator
Ladies and gentlemen, thank you for your participation in today's call. This does conclude your program. You may all disconnect. Everyone, have a great day.