S&P Global
Market Intelligence

W. R. Berkley Corporation NYSE:WRB

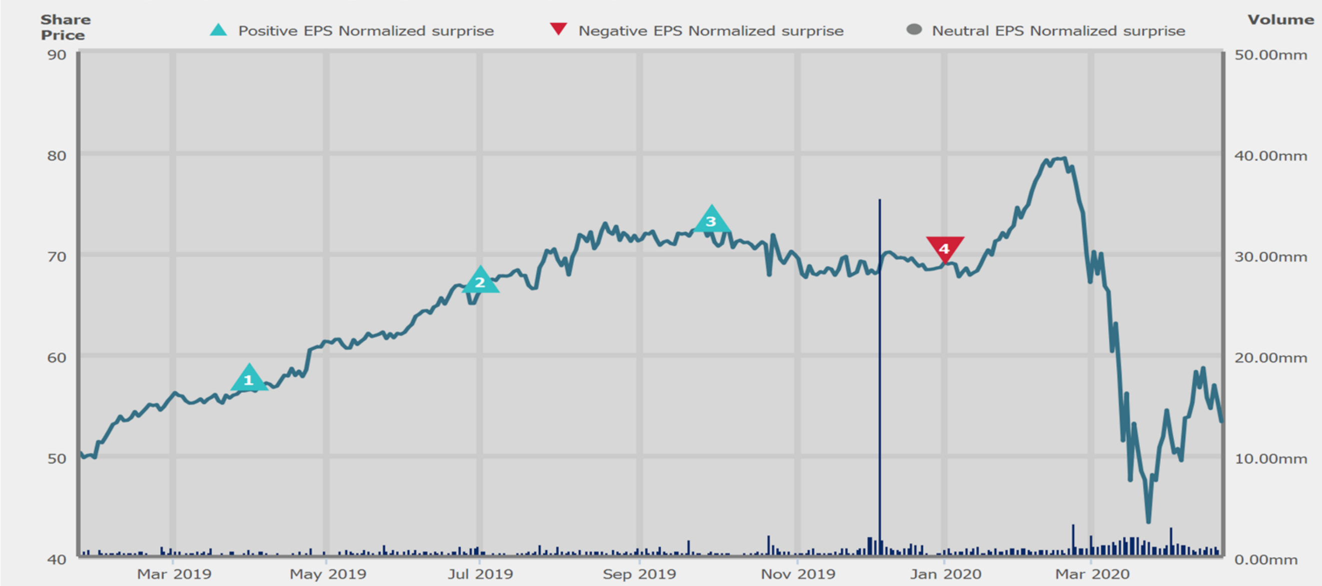
FQ1 2020 Earnings Call Transcripts

Tuesday, April 21, 2020 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2019-	-FQ1 2020-		-FY 2019-	-FY 2020-
	CONSENSUS	CONSENSUS	SURPRISE	CONSENSUS	CONSENSUS
EPS Normalized	0.72	0.73	(34.25 %)	3.06	2.82
Revenue (mm)	1709.10	1728.95	(2.17 %)	6612.95	6881.94

Currency: USD
Consensus as of Apr-21-2020 12:36 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2019	0.63	0.66	1 4.76 %
FQ2 2019	0.64	0.82	2 28.12 %
FQ3 2019	0.67	0.85	3 26.87 %
FQ4 2019	0.72	0.71	4 (1.39 %)

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EXECUTIVES

Richard Mark Baio
Executive VP, CFO & Treasurer

W. Robert Berkley, Jr.;President, CEO & Director

William R. Berkley
Executive Chairman of the Board

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

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

Michael David Zaremski
Crédit Suisse AG, Research Division

Philip Michael Stefano
Deutsche Bank AG, Research Division

Ronald David Bobman
Capital Returns Management, LLC

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 2020 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, 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 ended December 31, 2019, 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.;President, CEO & Director

Thank you, Jimmy, and good afternoon, everyone. Thank you for joining us on our first quarter call. In addition to me on this end, you also have Bill Berkley, our Executive Chairman; and Rich Baio, CFO. We're going to follow a similar agenda to what we used in the past. In short order, I'm going to be handing it off to Rich. He's going to walk through some highlights of the quarter. Then I'll be offering a few comments and then we'll be opening it up for Q&A, and we'll be happy to take the conversation anywhere that participants would like to take it.

But before I hand it over to Rich, let me just offer 1 or 2 quick thoughts. We have been living through a period of time and continue to live through a moment in time, which I think could be described as unimaginable. And I am not going to consume any of your valuable time by reciting what you read in the newspaper or whatever your source of news and information is, but I do not want the opportunity to pass without, on behalf of my colleagues and myself, expressing our heartfelt concern for all those that have been affected by this horrific situation stemming from COVID-19.

In particular, it's worth noting the first responders and the medical workers who are giving of themselves in a manner that few of us could even imagine. And in some cases, they are actually giving in a way that is the ultimate sacrifice. Beyond that, obviously, there are many members of society that are trying to do their part to get our lives back on their feet and to move things forward. Included in that would be the 6,560 colleagues of ours that have the same challenges every day in their personal lives and managing through the situations that we're all managing through. But in spite of those challenges, they are still doing their part to ensure that this business continues to function and function well. We are issuing policies. We are paying claims. We are doing our part to ensure that society moves forward. And I wanted to thank them as well.

So with that, I'm going to hand it over to Rich. And Rich, if you would walk us through your thoughts on the quarter.

Richard Mark Baio
Executive VP, CFO & Treasurer

Certainly. Thank you, Rob. Starting with our premium production, which was favorable in the quarter with growth in gross and net written premiums of 9% and 8%, respectively. Overall net premiums written was $1.85 billion in the current quarter.

The Insurance segment was about $1.6 billion, representing an increase of 5.7%. Growth in the quarter was led by other liability of 14.7%, followed by 11.5% in professional liability and 10.4% in short-tail lines. The workers' compensation and commercial auto liability lines decreased 7.6% and 3.5%, respectively. The Reinsurance & Monoline Excess segment grew 23.7% to $263 million, led by an increase in casualty reinsurance of 37.3%, monoline excess of 11% and property reinsurance of 9.7%.

Pretax underwriting income of $52 million was adversely impacted in the quarter due to a provision of $66.5 million for COVID-19-related losses. This compares with $90 million for the prior year underwriting income. The reported combined ratio was 96.9% in 2020 compared with 94.3% in 2019. Catastrophe losses contributed largely to this increase with

5.2 and 0.8 loss ratio points in comparable periods. COVID-19 contributed 3.9 loss ratio points to the first quarter 2020 catastrophe losses.

Finally, prior year loss reserves developed favorably by $4 million, representing approximately 0.2 loss ratio points. Accordingly, our current accident year loss ratio, excluding catastrophes, was 60.5% in the current quarter compared with 61.7% in the prior year.

The expense ratio was 31.4%, reflecting a decrease of 0.9% from a year ago and relatively flat to the 2019 full year. As the growth in net premiums written earned through the income statement, our expense ratio benefits from higher net earned premium. In addition, efficiencies from our operations allowed us to grow the business without increasing our compensation costs at the same pace of growth in premium. Other underwriting costs also decreased in the quarter due to lower professional fees and less travel.

As we've indicated on prior earnings calls, our expense ratio may experience some variability as we continue to make investments in the business. In addition, the uncertainty surrounding the COVID pandemic could impact our 2020 expected expense ratio of 31% to 32% referenced on our last earnings call. The accident year combined ratio, excluding catastrophes and COVID-19 for 2020 was 91.9% compared with 94% for the prior period.

Net investment income increased 10.4% to $175 million. Income from the core portfolio was largely unchanged from the prior year despite a lower interest rate environment. Our book yield for the quarter for the fixed maturity portfolio was 3.4%. Investment funds reported an above-average quarterly result of $41 million compared with $11 million in the prior year.

Please remember that we report our investment funds on a quarterly lag. And accordingly, the results in the first quarter are reflecting the fund's performance from fourth quarter 2019. To that end, it's important to note that the effects of the market downturn during the first quarter of 2020 will be reflected in our second quarter results. We do anticipate a meaningful decline in energy and transportation funds in next quarter's results. The investment portfolio is well positioned to deal with market downturns that we've seen in the first quarter of 2020 due to the high credit quality of AA- and the average duration of 2.7 years for fixed maturity securities, including cash and cash equivalents.

Foreign currency gains were $22 million in the quarter compared with $7 million in the prior year. The U.S. dollar strengthened relative to the U.K. sterling and Argentine peso, which contributed to these gains in the quarter. This brings our operating earnings to approximately $133 million or $0.69 per share compared with $129 million or $0.67 per share in the prior year.

Pretax income was impacted by pretax net investment losses in the quarter of $177 million comprised of 3 components including realized gains of $11 million largely due to the sale of a private equity investment, a reduction in unrealized gains and equity securities of $154 million primarily driven by Fannie and Freddie preferred stock and an increase in allowance for credit loss of $34 million. You may recall, effective January 1, 2020, new accounting rules applied addressing current expected credit losses, otherwise known as CECL on financial instruments.

As a result, we've established an initial cumulative effect adjustment to opening stockholders' equity with the change in allowance for credit loss to be reflected in net investment losses. The change from adoption is the $34 million I just referenced a moment ago. Finally, our net loss for the quarter after reflecting the impact of the net investment losses is approximately $4 million.

Stockholders' equity was approximately $5.5 billion or $30.55 per share. The company repurchased approximately 3.7 million shares for $203 million in the quarter, and returned capital to shareholders through an ordinary dividend of approximately $20 million. We had cash flow from operations in the quarter of $153 million and maintain strong liquidity throughout the organization, including more than $1.3 billion in cash and liquid investments at the holding company. Thanks, Rob.

W. Robert Berkley, Jr.;President, CEO & Director

Rich, thank you very much. So before I offer a couple of soundbites on the quarter, maybe just a quick macro observation that I think is worth noting, at least in my opinion. We all understand that these are extraordinary times, and there are tremendous challenges, and there is, quite frankly, a great deal of pain that society is grappling with. A natural reaction is to try and eliminate or at a minimum, reduce that pain.

Many people are looking to the insurance industry for a solution. And unfortunately, they are looking for the solution even when the product they purchased does not provide one. Much of the plaintiff bar with the support of the litigation funding vehicles that are out there seem to subscribe to the unfortunate idea of never letting a crisis go to waste. Some seem to be unencumbered by what the words in a policy says and are very skilled at managing the media. While I think it is unlikely that these groups will achieve broad success, it is important to note, it is important to recognize that any success that they achieve will ultimately come at a price to society overall.

Insurance is fundamentally nothing more than a tool or a mechanism, if you like, to spread risk. If loss costs go up, insurance pricing ultimately goes up. If politicians and courts allow much of the plaintiff bar to get what they are seeking and disregard the words in the contract or the policy, then it is very likely that society will pay a dear price because ultimately, the cost of insurance will be going up. The parts of the plaintiff bar and those that provide litigation funding will win and the rest of us as a society will lose.

In the past, we have talked about social inflation. We've referenced things such as the Med Mal Crisis. We've talked about how we see this unfolding in past quarters. If this unfolds the way the plaintiff bar would like you to, though I think it is highly unlikely, we will see a level of social inflation that the industry is trying to keep up with like we have not seen in generations. Ultimately, society is going to have to make a choice whether contracts matter, whether wordings in policies matter or not? And how much of a price is society willing to pay? Hopefully, they have the foresight to understand the circumstance.

Turning to the quarter. As always, Rich did a great job covering it, but a couple of observations from me. Obviously, the growth was reasonably healthy, both on the gross and the net. As always, a bunch of moving pieces. One of the headlines that clearly you picked up on from the press release was the rate increases that continue to progress, which is really just our response to past conversations around social inflation and keeping up with loss costs.

One of the things that we have also mentioned in the past is while you all catch the headlines, there are a lot of moving pieces under the surface. So by example, if we were to pick on commercial auto. In January, we have a large book of commercial auto in Germany and we effectively non-renewed, if you will, approximately $30 million of business or that book of German commercial auto. I draw your attention to that because it just helps you to hopefully understand that we have a lot of different moving pieces, and it's not solely just looking at rate, that there are other aspects of it.

Renewal retention ratio continues to hang in at 80%, which gives us the confidence and the comfort that the rate increases are coming about in a healthy and constructive way. Rich obviously talked about the loss ratio, clearly impacted by our allowance for -- or provisional allowance for COVID-19-related losses. The vast majority of what we put up is IBNR. We are of the view that one cannot just sit and take a completely wait and see attitude given what we see out on the horizon. We felt as though it's our job to be proactive and to be thoughtful. So undoubtedly, the various analysis that we went through to come up with this number will not prove to be spot on, but we felt as though we needed to do something, and that is how we came up with this number. Based on the information we have, I can't tell you whether we got the -- kind of the porridge too hot or too cold, but it is our best estimate. And again, most of that is IBNR.

On the expense ratio. Again, Rich touched on that. We continue to be pleased with the improvement. But as Rich referenced, we're going to have to see how the story unfolds from here. And while we have a lot of earned premium that is coming through and the business continues to grow, given the instability in the broader economy, we'll have to see what that means for us.

One comment, just going back to the losses. I think it's important that people not misconstrue the provision that we put up. Our policy wordings from my perspective are very thoughtful. We have the appropriate exclusions in place when it comes to things such as viruses, and of course, we have the additional triggers that would need to be -- that are in place to make sure physical damage is required in order to trigger business interruption. But nevertheless, there's still a lot unknown.

The investment portfolio. Again, Rich touched on this, so I'm not going to add much other than, obviously, we have been relatively rewarded for the fact that we keep a very high-quality portfolio as well as keeping the duration short. Rich touched on liquidity, which again, I think, bodes well for the position that we're in, the liquidity at this stage. While it comes at a bit of a cost, we think it is a cost worth bearing.
So I'm going to pause there, and we will turn it over for questions. But I think we all are very comfortable in spite of the challenges ahead that we are very well positioned. Jimmy, could we open it up for questions, please?

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. Could you provide more details on the IBNR, mostly IBNR-related provision you put up for COVID? Maybe I missed it, but any color on what lines of business reinsurance versus primary? Any texture there so we can kind of get a better sense of whether we should expect more to potentially come as this unfolds?

W. Robert Berkley, Jr.;President, CEO & Director

Yes. I think I don't mean to kick the can down the road, but you'll probably see some disclosure in the Q around this and on such a sensitive topic and being mindful of the SEC, I don't want to get ahead of that document, but I can assure you that we did the best we could to look at our whole portfolio and assess where our exposures are. And to the extent that we will be utilizing reinsurance, of course, we took into account reinstatement costs as well.

Michael David Zaremski
Crédit Suisse AG, Research Division

Okay. All right. So I'll look up for the Q. Next, I was a little surprised to hear that you talked about the 31% to 32% expense ratio guidance is probably -- might not be likely. Given -- can you kind of talk about -- given a big percentage of your book is workers' comp, which is tied to payrolls, if I'm correct, should we be expecting a considerable decline in the top line in 2Q to the extent this terrible situation persists for another -- through the rest of the quarter? And -- or is there other levers you're pulling such as kind of cutting some fixed expenses to be able to weather the storm per se?

W. Robert Berkley, Jr.;President, CEO & Director

Mike, well, first, I don't think we meant to leave you with the impression that the idea that the expense ratio was going to rapidly erode is our expectation. It is not our expectation whatsoever. When we look out on the horizon, we are not naive or blind to the challenges that both the domestic and the international economies are facing. And while we have not seen any evidence so far that our customers will be shrinking dramatically or going out of business in the broad sense. We are, again, mindful of those realities.

I would remind you that a large component of our expense ratio is commissions. And obviously, that will float along with some other aspects of our expense ratio. But I think what Rich and I were trying to message is that we understand that the world is facing a very challenging moment. And we, as an organization, are not completely and totally insulated from the health and well-being of our insureds.

And as a result of that and our discipline and our responding to those realities, there is a possibility that the expense ratio could tick up modestly. Do we see it exploding? No. Do we continue to have initiatives internally to help try and drive that down from here? Yes. But there are certain things that are out of our control, and it would be wrong for us to pretend those do not exist.

Michael David Zaremski
Crédit Suisse AG, Research Division

That's helpful. Lastly, and then I'll get back in the queue. There's -- I know this is a rapidly evolving environment. And one of your competitors earlier today kind of mentioned specifically certain states expanding the compensability of workers' comp. Is this a major issue for workers' comp writers? Or is this more -- just likely to have a minor impact to the extent insurers are willing to accept some of the decisions that are being made?

W. Robert Berkley, Jr.;President, CEO & Director

I think, ultimately, it depends on -- as perhaps it would suggest -- it sounds like from your comments, it was suggested by others. It depends on the state and it depends on how much they broadly want to expand it. I would tell you that there has been some analysis done by many organizations, including NCCI and others that I would encourage you to look into, certainly as being brought to the attention of both regulators and politicians to make sure that they understand the situation fully and the costs by broadening who would be covered for COVID-19.

So we'll have to see how it unfolds. I think it is meaningful. But at this stage, I don't think we expect it to be problematic or overwhelming for us as an organization, but I do think it could be very challenging for some people if governors and other politicians choose to broaden this in a very wide manner. I would encourage you to get hold of some of those studies that have been done by NCCI and others. I think you would find it to be time well spent. And hopefully, the people that are making these decisions are investing the time to make sure that they are informed decisions.

One other comment on that. The world, when it comes to these type of issues and other issues, has sort of tried to pit itself against the insurance industry. And I think that, that is very shortsighted, which is one of the reasons why, putting the insurance industry aside, you have seen many other small business and large business trade associations trying to express their concern around some of the potential actions that some of these states will take because they understand very clearly that some of these actions could have a dramatic impact on their costs of workers' compensation, whether it be that they buy first dollar or even in cases where they self-insure to an extent.

Operator

And our next question comes from Yaron Kinar with Goldman Sachs.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Rob, in your opening statements, you talked about some of the language that you have in business interruption policies, mainly the viral exclusion and physical damage trigger. One thing that we've been struggling with, I think, as outsiders is, is to try and peg kind of the difference between standard all-season and more of the EMS or specialty policy. Can you maybe help us understand or think about your overall portfolio? Roughly what portion of that portfolio would have kind of that explicit viral exclusion language in it?

W. Robert Berkley, Jr.;President, CEO & Director

So I don't have specific numbers in front of me, but I would tell you, virtually -- I hate to say all because it's so definitive. To the best of my knowledge, virtually all of our property policies require physical damage in order for there to be business interruption. Beyond that, the vast, vast majority of our property policies in addition to that trigger I just referenced also have a virus exclusion.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay. That's helpful. And of your commercial property portfolio, roughly how many accounts or how much of premiums actually purchase business interruption?

W. Robert Berkley, Jr.;President, CEO & Director

No, I don't have that number for you off the top of my head, but if you'd like to...

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay. I can follow up.

W. Robert Berkley, Jr.;President, CEO & Director

Yaron, we'll do the best we can to answer your question.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

Okay. Then another question I had. Clearly, we're seeing a continuation and acceleration of the rate improvement story. Do you think that in the context of the current economy and the struggles that your accounts are going through that this would be sustainable? Or would you expect to see some pressure on rate coming through the rest of the year?

W. Robert Berkley, Jr.;President, CEO & Director

I think it's a little bit early to even try to speculate. I would tell you, obviously, this circumstance in this country, it really started to get momentum in March and really towards the end of March, and we have a little bit of data in April, but I don't think that we can reach a conclusion. But something that I think is important to mention here is that we have a view as to what an adequate rate is, and we think that if we cannot achieve that rate, then we will not sell the policy. And it's simply because we feel an obligation to a variety of stakeholders, and we need to run a healthy and sound business to ensure that we can live up to our obligations to many, including policyholders. And it needs to be a sound, thoughtful business and an important component of that is adequate pricing.

Yaron Joseph Kinar
Goldman Sachs Group Inc., Research Division

That makes sense. I appreciate that. And if I could sneak one last quick one. Can you maybe talk about the decision to classify the COVID losses as catastrophe losses as opposed to underlying?

W. Robert Berkley, Jr.;President, CEO & Director

I guess it was just for a lack of any other way to label it. I mean, honestly, there's tornadoes and hail every year. And every couple of years, we have a hurricane and an occasional earthquake. Hopefully, this type of pandemic will happen far less frequently than any of those. Consequently, I think if there was ever sort of a one-off cat, this would probably belong under that category.

We tried to, in our -- both our release as well as in Rich's comments specifically, break it out for people. So you had the clarity around what is, I guess, traditional cat, if you will, versus what is again, hopefully, just truly the extraordinary circumstance. So we've never really been big believers in the but for, if you will, and how the industry tends to back out cats. But from our perspective, this is truly an extraordinary circumstance. It's our responsibility. We own it, but we did want to provide the clarity.

Operator

And our next question comes from Meyer Shields with KBW.

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

I was hoping if you could give us some -- an update on new money reinvestment rates. I'm just trying to get a sense in terms of whether we should expect pressure or other opportunities with spreads of late.

W. Robert Berkley, Jr.;President, CEO & Director

So at this stage, is there pressure? There's probably as much pressure today as there was yesterday. I think the only difference is there's -- as we were chatting internally recently, there's just more risk. So if you think about where -- what the available rates are, it's probably not dissimilar to what we saw not that long ago. But if you think about the risk-adjusted return, it's probably even lousier. So at this stage, our general default is to something that would be more of a defensive nature, though I think it's important to flag that we certainly are willing to be thoughtful and opportunistic if we see an attractive opportunity present itself. It's one of the benefits that we have of the significant liquidity that we maintain both in the insurance company as well as at the holding company.

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

Okay. That's helpful. Was there anything unusual in the reinsurance segment? I'm asking in the context of the expense ratio improvements there on a year-over-year basis.

Richard Mark Baio
Executive VP, CFO & Treasurer

On the expense -- it's Rich speaking. On the expense ratio, it's really, as I was alluding to in my opening comments, attributable to some of those reduced professional fees, so things like consulting and legal costs. And then our salary expense is pretty much flat quarter-over-quarter and with the increase in net earned premium from the first quarter of last year, that helps the expense ratio as well.

W. Robert Berkley, Jr.;President, CEO & Director

And we would expect that trend to continue because you can see the growth in the written. And obviously, that will trickle through to the earned over time.

Operator

Our next question comes from Brian Meredith with WBS (sic) [UBS].

Brian Robert Meredith
UBS Investment Bank, Research Division

So Rob, just 2 questions here. First, I'm just curious, you provided us the COVID-19 IBNR estimate. What is your exposure? What do you think about some of the more economically sensitive lines like surety? Is that going to create some additional loss activity and kind of where is your book of business as we kind of look forward here over the next 12 months as we get a pretty weak economy? And then maybe even on the energy surety side, do you have exposure there?

W. Robert Berkley, Jr.;President, CEO & Director

Yes. So on the surety front, we feel very good about our book. It's a combination of both commercial and contract, though it's weighted towards the contract side. When we look at the health of our clients, when we look at the financial strength of them, when we look at the type of collateral that we have, we are very comfortable. To my colleagues -- our colleagues' credit that are running that business, they, first of all, are good, sound operators to begin with who happen to also have pretty good foresight. So they had everything battened down well in advance of this coming to a head. So we -- I think we all have things that are on our mind or that we worry about, and that is certainly not at the top of my list.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then second, Rob, there's been some discussion on this whole business interruption, just as far as the policy forms and whether the policy form is kind of broader internationally than it is domestically. What do you see? Is there any kind of differentiation there that there could potentially be some more issues in the international, the broader policy form versus the U.S.?

W. Robert Berkley, Jr.;President, CEO & Director

So we, by and large, are not a large property market outside of the United States. And with the modest amount of business that we -- I mean that we write even outside of the United States, most of that is U.S. business, i.e. look -- through Lloyd's. So we have looked at our policy forms and based on everything that I have been advised and what has been reviewed by people that know far more about this than I do, we are in a pretty good place. I certainly have heard some of the commentary about others, particularly in the U.K. that perhaps their policy form, it has been suggested by some, may prove to be problematic. I have not reviewed their policy form in detail. I spend the vast majority of my time worrying about this organization, not other people's organizations.

Brian Robert Meredith
UBS Investment Bank, Research Division

Makes sense. And then one -- just last just quick numbers question. Is it possible to give us a sense of what is your kind of acquisition cost ratio, commission ratio, so we can take a look at what the kind of variability in your expense is based upon, what could happen here with premiums?

W. Robert Berkley, Jr.;President, CEO & Director

Brian, we don't have that at our fingertips. Would it be okay if either Karen or Rich followed up with you to give you that color?

Brian Robert Meredith
UBS Investment Bank, Research Division

That would be great. I appreciate it.

Operator

And our next question comes from Phil Stefano with Deutsche Bank.

Philip Michael Stefano
Deutsche Bank AG, Research Division

So I just wanted to take a step back and talk about the $65 million IBNR, largely IBNR for the COVID provision that's embedded in cat. I'm just trying to get an understanding of what exactly is this. Is this a best estimate of all future losses that you would think be driven by the COVID environment? And I understand there's a lot of volatility and uncertainty around this, but is this kind of a onetime hit? Or is there the potential for underlying pressure as we think about this forward?

W. Robert Berkley, Jr.;President, CEO & Director

So the way I would encourage you to think about this is we took a snapshot at the end of the quarter. And we looked at that snapshot and looked at everything that we knew. And based on what we knew, we did our best to come up with what an appropriate estimate we thought would be based on the available information at the time. I can't just promise you that the number won't go up or the number won't go down. What I can promise you is, based on the available information at that moment, we did our best to estimate what we think the cost will be for this company. So no, this is not just sort of claims that had come over the transom. It is not that at all. It is our best estimate, understanding the situation and understanding our portfolio, what do we see the costs associated with the circumstance being.

Philip Michael Stefano
Deutsche Bank AG, Research Division

Got it. One of the things that, I guess, in my mind, I'm trying to play through, is the creativity of the plaintiff bar and the fact that the industry is saying, these losses should be minimal or at least -- most manageable. But to the extent that people are putting IBNR numbers out there, is there the potential for the plaintiff bar to say, "Look, this is proof that these are losses. These should be covered. The industry is putting dollars aside"? I'm curious if you have any thoughts about those competing forces, and how you think about this.

W. Robert Berkley, Jr.;President, CEO & Director

Phil, can I just make sure I understand the question? You're suggesting the fact that we're putting dollars aside is that we're basically acknowledging that there's coverage. Is that the question?

Philip Michael Stefano
Deutsche Bank AG, Research Division

Yes. I mean to what extent is that the potential case? Yes?

W. Robert Berkley, Jr.;President, CEO & Director

No, we do not think that, that is the case at all. I mean from our perspective, the money is set aside for some -- a variety of different reasons, which we will articulate to the extent we think makes sense in the Q. But in no way, shape or form should this be interpreted by anybody that we are acknowledging -- this is not a statement about coverage or anything related to that topic.

Philip Michael Stefano
Deutsche Bank AG, Research Division

Got it. And just one more quick numbers question. For the COVID provision, do you have a breakout between insurance and reinsurance?

W. Robert Berkley, Jr.;President, CEO & Director

We have not made that available, but I'll tell you, 1 of 2 things will happen, either you'll hear from Karen or Rich or I expect it will be in the Q. So 1 of the 2.

Philip Michael Stefano

Deutsche Bank AG, Research Division

Got it. We'll stay tuned then. I appreciate it.

Operator

And our next question comes from Ryan Tunis with Autonomous Research.

Ryan James Tunis
Autonomous Research LLP

I wanted to, I guess, keep trying on this IBNR. It's just -- there's one number out there. So just trying to get a feel of the texture of it. Any context as to how much of that is sort of like casualty-related stuff, whether it's workers' comp, other liability broadly versus, I don't know, short tail, A&H, property or like event cancellation?

W. Robert Berkley, Jr.;President, CEO & Director

So I'm not trying to be difficult, though, I feel like I may be the one that's raining on the parade. I want to be mindful of our obligations to all interested parties. And we're going to put this -- some detailed information in the Q. And what I would tell you is that we looked at our portfolio across the board. And we tried to make some informed judgments, and that's how we came up with this number. And again, apologies for not giving you more color at this time, it will be made available in the Q. And I think that will hopefully help you have a clear understanding.

Ryan James Tunis
Autonomous Research LLP

Understood. I guess in collecting that number though, just trying to stress it a bit, is -- when you got to that, where are the sensitivities? Is it -- if this is 3 months rather than 1 month, is it the duration of the lockdown that would make that grow in size, the nature, just a view on the number...

W. Robert Berkley, Jr.;President, CEO & Director

So here what I would tell you is that we -- and again apologies if this does not answer your question as completely as you'd like. We looked at our entire portfolio, and we acknowledge the fact that we don't know when this will end, and we made some judgments. In addition to that, we made judgments around reinsurance recoveries and costs surrounding reinstatements. And that is how we came up with the -- I keep saying about 65 -- I guess it was 66 point something rather, Baio knows how many basis points.

Ryan James Tunis
Autonomous Research LLP

Got it. And the one other coverage question I had before one on the buyback is, how does the excess workers' comp book respond to frequency versus severity? Is it that you need really severe single life losses to have losses? Or is it that you have a huge number? I'm just trying to think about the risk to that book and some of the stuff going on at the state level.

W. Robert Berkley, Jr.;President, CEO & Director

Yes. As far as the specifics of the excess comp portfolios, again, Rich or Karen can try and get into some of that with you offline. But what I would tell you is that, that is certainly a part of our book that we looked at carefully. We looked at our attachment points. We looked at the mechanics of how the policy works. And it was appropriately considered. Is it likely that there will be comp losses? Yes. When we look at our attachment point, do we think it's possible, some things could touch us? Yes. Do we think that it is going to prove to be a widespread issue? No.

Ryan James Tunis
Autonomous Research LLP

Got it. And then the last one is -- I mean the buyback was pretty substantial. It's the first time we've seen that turned on in a very, very long time. And I guess I'm just trying to marry that decision with what seems like a message around some uncertainty here.

W. Robert Berkley, Jr.;President, CEO & Director

I guess my two cents is we still, as referenced by Rich and myself, and you could see in the release, maintain a significant amount of liquidity at the holding company, but the good news is you can have a more complete response around our philosophy around it because the head of our repurchase desk is here.

William R. Berkley
Executive Chairman of the Board

So the answer -- this is Bill Berkley. The answer is, we have a very, very simple process for deciding when we're buying back stock. We buy back stock when we think it's attractively priced relative to our assessment of the intrinsic value of the enterprise. And while there was a lot of noise in this quarter, while there's been a lot of noise, we like everything that's been going on from the end of last year forward. And at the same time that was happening, people decided they didn't like our stock and our stock traded down a lot. And therefore, it became attractive to buy and using that capital, which we believe was substantially redundant capital, was a good use of the money. And while it was $200 million, it was sort of 15% of the capital we had at the holding company, actually a little less than that.

So we really weren't particularly concerned. And we just felt it was an attractive price, attractive value and the intrinsic value of the enterprise we thought was okay. It always happens when there's a lot of noise. That's when you can find good opportunity. In our case, in buying back stock, it's when we've been able to buy back stock throughout our history going back to 2000. Lots of noise.

Ryan James Tunis
Autonomous Research LLP

Sorry. And you feel that the liquidity levels of the hold co. were supportive of more share repurchases here in the second quarter should the market...

William R. Berkley
Executive Chairman of the Board

I didn't say anything about the future. I didn't say anything about the future. I simply said, we still have $1.3 billion of liquidity at the holding company. I'm very comfortable with that. And I'm very happy with the intrinsic values within our enterprise, and we'll make each of those decisions at the moment. We don't have a -- okay.

W. Robert Berkley, Jr.;President, CEO & Director

Jimmy, any other questions?

Operator

We do have a question from Ron Bobman with Capital Returns.

Ronald David Bobman
Capital Returns Management, LLC

Let's hope the Chairman of the buyback desk comes in to the office tomorrow. I had a question, Rob, I think at the year-end call....

William R. Berkley
Executive Chairman of the Board

We could do private sales.

Ronald David Bobman
Capital Returns Management, LLC

I -- Rob, you commented at the year-end call, I guess, a couple of months ago about ripping the faucet off the wall and letting the opportunity sort of flow in heavy because the rate was moving into attractive direction, the opportunities, et cetera. And I'm wondering of late, sort of most recently in sort of the traditional commercial insurance area, but in particular, sort of E&S, how the quoting volume and the binding volume is going for Berkley. In essence, are you having a much greater yield as far as quotes resulting in binds?

W. Robert Berkley, Jr.;President, CEO & Director

I don't have the April information in front of me, so I don't really have a sense of how this month looks. But certainly, we saw no pause even towards the latter half of March. And if you use rate achieved as an indicator, we got more rate in March than we did in February.

So again, I don't have the information for April in front of me. And even if I did, probably some lawyer would tell me I'm not allowed to tell you, but we're going to have to see. We're going to have to see whether the concern in the standard market continues to grow at such a pace that, that continues to drive business to the non-standard market and whether that outpaces, quite frankly, some of the strain that exists in the broader economy and the health and well-being of some of the insureds. So I don't have an answer for you for April. But certainly, we do not see that in March.

Operator

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

W. Robert Berkley, Jr.;President, CEO & Director

Okay. Jimmy, thank you very much. Thank you all for joining us. From our perspective, in spite of the challenges, this organization remains very well positioned to navigate its way forward. It's not that we underestimate the challenges. It's more that we are acutely aware of how healthy and well positioned the company is. So again, thank you for calling in, and we will speak with you in about 90 days.

Operator

Ladies and gentlemen, thank you for your participation on today's conference. This does conclude your program, and you may now disconnect.