S&P Global
Market Intelligence

W. R. Berkley Corporation NYSE:WRB

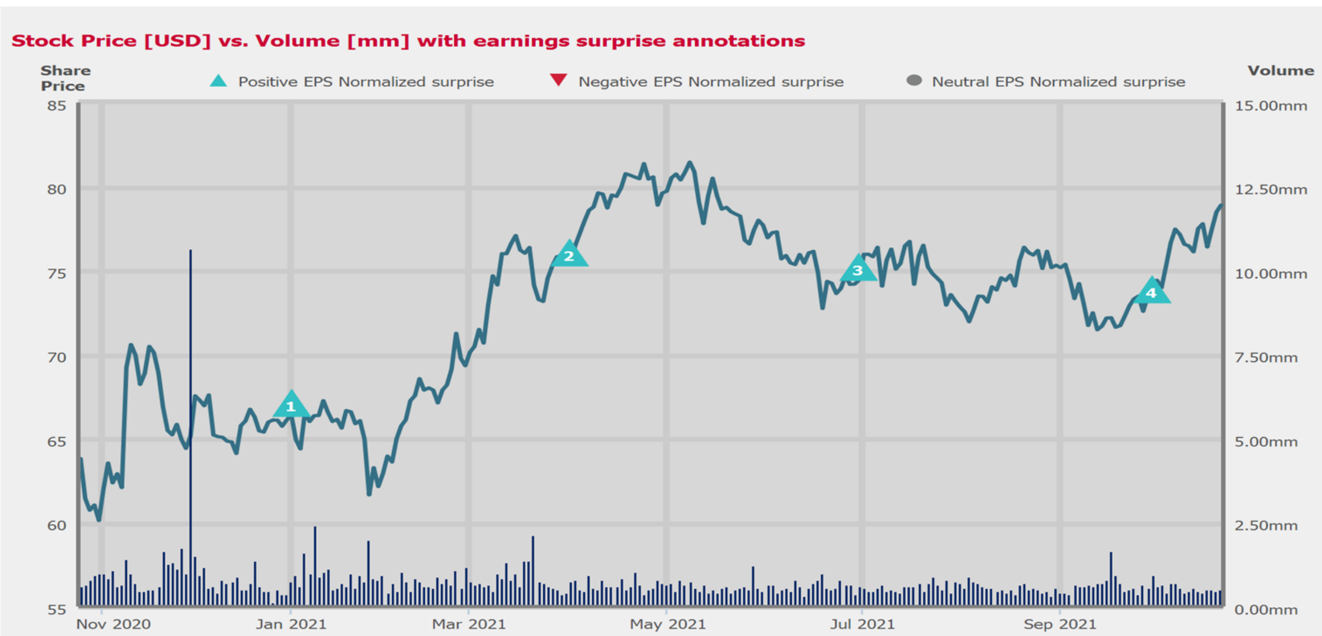
FQ3 2021 Earnings Call Transcripts

Thursday, October 21, 2021 9:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2021-			-FQ4 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.94	1.32	▲40.43	1.13	4.27	NA
Revenue (mm)	2101.08	2081.02	▼(0.95 %)	2106.43	7952.01	NA

Currency: USD
Consensus as of Oct-21-2021 5:05 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2020	0.78	0.92	▲16.46 %
FQ1 2021	0.81	1.08	▲33.33 %
FQ2 2021	1.00	1.17	▲17.00 %
FQ3 2021	0.94	1.32	▲40.43 %

Table of Contents

Call Participants

EXECUTIVES

Richard Mark Baio
Executive VP & CFO

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

William R. Berkley;Executive Chairman of the Board

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

Mark Alan Dwelle
RBC Capital Markets, Research Division

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

Michael David Zaremski
Wolfe Research, LLC

Michael Wayne Phillips
Morgan Stanley, Research Division

Ryan James Tunis
Autonomous Research LLP

Presentation

Operator

Good day, and welcome to W.R. Berkley Corporation's Third Quarter 2021 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 ended December 31, 2020 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

Emma, thank you very much, and good afternoon, everyone. Thanks for joining for our third quarter call. So in addition to me on this end of the phone, you also have Bill Berkley, our Executive Chair; as well as Rich Baio, Executive Vice President and Chief Financial Officer.

We are going to follow our typical agenda, where in a couple of moments, I'm going to hand it over to Rich. He's going to walk us through the highlights from the quarter. I will follow him with a couple of brief soundbites or reflections. And then in pretty short order, we will open it up for Q&A, and happy to take the conversation in any direction where people would like to.

But before I hand the mic to Rich, I did want to flag with folks one sort of macro observation. We were chatting internally earlier and how it seems like the quarterly calls oftentimes turn into an every 90-day session talking about certain numbers, which oftentimes go out a certain number of basis points. And while those discussions are worthwhile and productive from our perspective, it's also important that people not lose sight of the macro. And it is something that we spend a lot of time every day thinking about. And that is, what is the goal of the exercise what we are trying to do?

And clearly, one of the cornerstone goals is building book value. Building book value is an important thing for a whole host of reasons, including building book value allows the organization to live up or meet the needs of the various stakeholders. When we think about building book value, we approach it with an idea that we'll refer to as risk-adjusted return that many of you have heard us talk about in the past.

We take this approach and apply it to both our investing as well as our underwriting activities. And while you'd probably hear more companies than not in their own words talk about these concepts, I think one of the differentiating -- excuse me, ways that we approach this idea is how we think about volatility as a component of risk.

And again, this is something that we've discussed in the past, but I think it's particularly timely, particularly relevant when we have a quarter for the industry, for society like we saw in Q3. This idea of volatility as a component of risk-adjusted return, we certainly grapple with on both the investing and underwriting side of the business. You can see it on the investment side, for example, and how we have thought about duration and how we have been willing to keep our duration short. And even though that comes at a cost, we do not think the risk-adjusted return is there to justify going out on the curve and extending that duration. We do not believe you get paid enough for that potential risk.

In addition to that, again, as it once again crystallized in the third quarter when we think about underwriting activities, and we think about volatility as a component of risk. Clearly, the industry is feeling the challenges that come along with cat activity. From our perspective, cat activity is there on a regular basis. And why people choose to back it out on a regular basis doesn't make a whole lot of sense to us. Our view is that volatility is real. It is a real component of risk. When we think about running the business, it is of great priority to us and how we think about deploying capital.

So I'm going to pause there. But before I do, I guess, one last comment. I know that there are a lot of people that will look at our numbers, and Rich will walk you through it, and you'll do the math, and you'll come up with an ex-cat accident year loss ratio, and what does that mean it is on a combined ratio. And that will probably get you to approximately an 86.9%. But from our perspective, if one chooses to slip off the rose-colored glasses for a moment, we generated a 90.4%. That is reality from our perspective. But in spite of the cats and the impact, we did achieve a very healthy underwriting result. And in the process, we achieved a 16.6% return on equity.

Ultimately, when one thinks about building book value, you can't just think about the steps forward that you take, you need to think about how you avoid the steps backwards. And when you think about compounding book value over an extended period of time, when you think about value creation for shareholders amongst other stakeholders, not taking those steps backwards is a big part of the puzzle.

So with that, Rich, I will hand it over to you. If you would please walk us through.

Richard Mark Baio
Executive VP & CFO

Terrific, Rob. Thanks very much, and good afternoon, everyone. Operating income increased by more than 100% to $247 million or $1.32 per share, which is compared with $121 million or $0.65 per share. The increase is primarily attributable to strong underwriting results, net investment income and foreign currency gains.

The company built upon the strong first half of the year with continued growth in premium and expansion in underwriting profits. From a production perspective, gross premiums written grew by $525 million or 23.2% to a record of almost $2.8 billion. Net premiums written grew by $446 million or 23.7% to another record of more than $2.3 billion. The session rate was fairly consistent at 16.6% in the current quarter.

Breaking down the results further, the Insurance segment grew net premiums written by 23.3% to more than $2 billion, reflecting increases in all lines of business. Professional liability led this growth with 58.7%, followed by commercial auto of 28.1%, other liability of 25.3%, short tail lines of 8.6% and workers' compensation of 7.7%.

The Reinsurance & Monoline Excess segment grew 26.7% to $318 million, with an increase in casualty reinsurance of 36% and monoline excess of 27.4%, partially offset by a small decline in property reinsurance of 1.4%. The increase in net premiums written on a year-to-date basis was more than 20%, resulting from growth in exposure and compounding rate improvements that will continue to earn through in the coming quarters. This was evident by the increase in net premiums earned of 19% in the current quarter.

Included in the quarter were current accident year catastrophe losses of $74 million or 3.5 loss ratio points compared with $73 million or 4.2 loss ratio points in the prior year. As a result, quarterly underwriting profits increased 80% to $200 million, slightly off the record quarterly underwriting results in the second quarter of this year. The reported loss ratio improved 1.3 loss ratio points to 62.4% from the prior year, primarily driven by rate improvement and business mix. Prior year loss reserves developed favorably by approximately $1.5 million in the current quarter.

The expense ratio improved 2 points to 28%, in large part due to the growth in net premiums earned, which is outpacing underwriting expenses by approximately 7.5%. This improvement is evident from an operating cost as well as acquisition cost perspective. We continue to highlight the partial benefit from reduced travel and entertainment, which is slowly coming back.

Closing out the underwriting performance, our current accident year combined ratio, excluding catastrophes, was 86.9% for the quarter compared with 89.8% for the prior year quarter.

Turning to investments. Net investment income increased 26.1% to $180 million, driven by strong results in investment funds. This significant contribution in investment funds represents 3 consecutive quarters of outperformance, and we feel it's important to highlight that the investment fund results are not necessarily representative of future earnings.

Despite the ongoing growth in invested assets, the fixed maturity portfolio represents 69% of the total invested assets, and the associated investment income declined quarter-over-quarter due to the persistent low interest rate environment. Strong operating cash flows of more than $825 million in the quarter contributed to the increased cash and cash equivalents as of September 30. This resulted in a slightly shorter duration of 2.3 years in the current quarter compared with 2.4 years in the second quarter.

The credit quality of the fixed maturity portfolio remains high at AA-. Pretax net investment gains in the quarter of $20 million is primarily comprised of realized gains on investments of $36 million, partially offset by a reduction in unrealized gains on equity securities of $19 million. The realized gains was largely driven by the sale of real estate properties in the Southeast. The effective tax rate was 19.6% in the quarter, which largely benefited from equity-based compensation that predominantly vests in August of each year. Overall strong performance resulted in an annualized return on beginning of year equity of 16.6%, as Rob alluded to.

Stockholders' equity increased by $70 million to approximately $6.6 billion in the quarter after regular dividends of $23 million and share repurchases of $93 million. The company repurchased approximately 1.3 million shares at an average price of $72.03 per share in the quarter. Book value per share increased 1.5% in the quarter, and book value per share before dividends and share repurchases increased 2.5%.

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

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

Rich, thank you very much. Very clear, very helpful. So a couple of quick thoughts from me, just following on Rich's comments. Well, for starters, by virtually any measure, a pretty attractive and healthy quarter, top line, bottom line and pretty much everything in between the 2 book ends. As far as the top line goes, obviously, the growth is shy of the 24%. Rich and I were doing a little bit of mass together earlier. When you think about that growth, sort of just shy of 40% of the growth is coming from rate, about 59% is coming in some form of exposure, whether it's new policies or auto premiums or whatever. And then there's a de minimis amount coming from some other stuff.

It's just it's a good moment for the P&C space. Quite frankly, ex most of the workers' comp market, which continues to feel a bit of a growing headwind. Obviously, property felt some pain in the quarter, but just general market conditions are reasonably attractive. And we don't see that trend changing. More specifically, it is a good moment for specialty writers, particularly casualty-related specialty writers and even more so the E&S market.

We continue to see a growing flow of opportunities, both in specialty and even more so in E&S, and there's nothing that leads us to believe that, that tide is going to reverse anytime soon. So that's definitely encouraging.

On the loss side, we're trying to be thoughtful and measured as we've discussed in the past. Clearly, there is inflation out there. We spent years talking about social inflation. It's still there from -- at least through our lens. And in addition to that, the realities of financial inflation, clearly, are having an impact on loss costs. And those are 2 very leveraged assumptions.

So when we look at our book, we believe the rate increases that we are getting in virtually all P&C lines, with the exception of workers' comp, are outpacing trend. We are paying close attention to trend and as suggested a moment or 2 ago, trying to be very thoughtful and measured around that.

On the expense side, Rich, pretty much covered it. I would just sort of take a half a pace back for those that have followed the company for some period of time. This is an organization where we have not made many acquisitions. We have been much more of a subscriber to the de novo model. We have started 47 of the 54 operating units from scratch. Some of those businesses have not gotten to a critical mass and -- but they're on their way to getting to critical mass. And a tailwind as far as market conditions is allowing that to happen.

So when you look at the leverage that we're getting on the expense ratio as that earned premium continues to build, a lot of that is, yes, market conditions, which is allowing some of our more mature businesses to scale, but it's also some of our smaller operations that are now seeing the window of opportunity to put more meat on the bones.

Not much to add on the investment portfolio. Obviously, the duration, as I had referenced and Rich covered, is sitting there at 2.3 years. Book yield is about 2.3%. It comes at a cost to have that discipline and to have that optionality going forward. From our perspective, inflation is here, it's real. And there's likely for it to be around for some period of time.

I think I am going to pause there, and I will save a couple of comments for the tail end. But actually, before I do that, since most people after the Q&A does hang up, I will just, again, make the comment that when we not just look at our results, but when we look at the front windshield, there is really nothing that we see in front of us that is going to derail the momentum that we are enjoying today. It's a cyclical business. This will not go on forever, but for the moment, the momentum continues.
So Emma, why don't I finally stop there, and let's see what the participants would like to talk about.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, on the rate and pricing side, your level of rate increases, when we exclude worker's comp, it did go up a little bit in the quarter. I'm assuming maybe that was just some kind of business mix between the Q2 and the Q3. But anything changing on what you're seeing on the pricing environment and any business lines in the quarter?

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

I think it -- well, obviously, mix is always a bit of a component. I would tell you it has more to do with what the market will bear. And we are continuing to try and make sure that as we price our product, that it is appropriately priced for our needs. And quite frankly, there was just more opportunity to push the rates.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Okay. That's helpful. And then on the expense ratio side, so 2 questions. One, you mentioned that the COVID benefit is diminishing. If you could just give us a sense of what it was in the quarter?

And then the second question, I mean, you pointed to the leverage from the growing premium. The expense ratio continues to trend down, there's pretty good leverage there every quarter. So could you just help us think about kind of a run rate basis, given that -- the strong, like, 28% in the quarter?

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

So I think as we've commented in the past, the benefit, if you will, from COVID on the expense ratio was probably worth somewhere between 40 and 50 basis points. Things are starting to open back up. People are starting to travel, and the 40 or 50 basis points that we saw early this year and last year is probably now down to, I don't know, call it, 30 basis points or so. And that will probably, over time, reduce from here.

But the earned premium continues to grow. So what do we think the expense ratio is going to be going forward? Will we be able to sustain a 28%? Look, it's a cyclical business, and we continue to try and operate and maximize the opportunity that's in front of us. At the same time, at some point, the wind will shift direction and being the disciplined underwriting operation that we are that our top line may at some point start to shrink and the expense ratio will go the other way.

So do I think that you should -- I'm not going to tell you what number to pencil in. But I would tell you that if you look at our written premium, you should be able to extrapolate where our earned premium is going, and that should give you a good sense as to how you might want to think about expenses.

Operator

Your next question comes from the line of Mike Zaremski with Wolfe Research.

Michael David Zaremski
Wolfe Research, LLC

I guess, just going back to the expense ratio, it kind of feels like not too long ago it was in the low 30s. And so it's been improved a lot. I guess sometimes investors will say, they feel like they want to discount the expense ratio benefit because of the cyclicality of the business. But I think you also kind of spoke to a lot of kind of structural elements that could kind of permanently help the expense ratio. So like at a -- maybe, if possible, like a 100,000-foot level, if we ever did go back into kind of a softer market, would you kind of expect a lot of giveback? Or how much is this kind of run ratable beyond just thinking about a year or so from now, given market conditions are excellent?

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

Nobody knows for sure exactly how it's going to pan out. But I think we have a lot of headroom between where we are now and going above 30. So from my perspective, we are going to continue to try and be diligent around efficiencies and costs. But I don't think anyone has an expectation that the group is going to go back to the range that you had referenced from an expense ratio perspective.

Michael David Zaremski
Wolfe Research, LLC

That's helpful. Maybe switching gears...

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

Mike, in addition to that, I do find it interesting and quite frankly, a little bit bizarre that people discount expense ratio. Because, quite frankly, that is real, that is tangible. Loss ratios, we know that reality over time. But the idea that an expense ratio doesn't count that this strikes me as a little bit odd. So I don't know, whoever is suggesting that you could tell them I respectfully disagree. I suspect those people probably back out cats too, though.

Michael David Zaremski
Wolfe Research, LLC

I appreciate it. And it's clearly the expense leverage has created a lot of shareholder value. Maybe moving gears to loss expense inflation. I know there's a lot of different business lines. But maybe you could paint off a broad brush if we think kind of on the casualty side, we continue to hear that there's kind of a lull in the court system and we're hearing -- seeing data points about less lawsuits and even some of the settlements not being as large as thought. But maybe that's -- those are anecdotes. So any changes or anything you're seeing that's changing your view on loss trend on the casualty side?

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

I think that one needs to be very mindful around how they think about loss trend. I think it's a pretty foggy picture at this moment in time between the inflationary environment we're in, both social and financial. And then, of course, you have the COVID situation that muddies the water, as you referred to.

How much of the reduction in frequency is real versus just a delay, how much of it is permanent and will be a reality prospectively? I don't think anyone knows for sure. I think that there are some people that may be susceptible to possibly declaring victory prematurely. And I don't think we know for sure how much is still hanging out there. And we, as an organization, are trying to be very thoughtful about it.

If things -- if we're fortunate, it will prove to be that we were cautious. If it proves that no, there was just a pinch point and there's still a big surge of claims activity to come, we will be prepared.

Michael David Zaremski
Wolfe Research, LLC

And maybe just a quick follow-up. Any thoughts on the property side, it feels like this is yet another year of slightly higher, or maybe not slightly for certain companies, than expected property losses. Are -- is the tone changing in the marketplace? Are the models, the risk models, which you probably think they're inherently wrong, but are they kind of tweaking up the risk dial?

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

I think that I would assume that most market participants are looking at their loss costs, particularly around property and should be actively thinking about, back to the comments earlier in the call, their risk-adjusted return. And while it's very easy to do the math and to back the cats out, I think when all of a sudden, you start to really reflect on one of your points a moment ago, the frequency of cat activity, not so clear that one should be backing them out. And when they think about how they price their business, what is an appropriate rate, I think they need to think about this frequency observation that you're referencing. I think it's a really important point that you raise.

Operator

Your next question comes from the line of Ryan Tunis with Autonomous Research.

Ryan James Tunis

Autonomous Research LLP

First question, just following up, I guess, on what you just said. Within short tail lines, Rob, would you anticipate, I guess, lowering your exposure to cat-exposed lines over the next 12 months or so? Is that your expectation even less cat risk?

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

No, not necessarily. I think as, in a clumsy way, I tried to allude to earlier in the call, we're all about risk-adjusted return. And quite frankly, we don't have a problem with volatility if we think you're getting paid appropriately for it. So if we see property rates moving up to a level that we think is appropriate, then you will see us prepared to significantly grow that line.

Just as a data point or a point of reference, Ryan, you'll remember, you've known us for some years. There was a time that we were shrinking the daylights out of our reinsurance business in general because the reinsurance market just didn't make any sense to us. Now as you can see, we're growing it considerably. So we're able to have a toe in a lot of ponds with the idea that if the water temperature is right, we can put a lot more than a toe in the water.

So look, if property rates can erode from here, you'll see us write less and less. If property rates improve dramatically from here, likely, you will see us take on more.

Ryan James Tunis
Autonomous Research LLP

Got it. And then a follow-up on capital management. This felt like the biggest buyback quarter we've seen some time. And I went back and looked at, it was the first half of 2020 when you guys were buying back stock in a material way. I mean, can you just remind us what the thought process is on when you decide to manage capital more aggressively through share repurchase, what you're thinking in early '20? And why it looks like you decided to pick that back up this quarter?

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

Let me leave that to my boss to answer. I might have a comment at the end, but let me leave it up to him.

William R. Berkley;Executive Chairman of the Board

Ryan, I think it's really a function of looking at how much capital we're generating, how much we're going to use, and we start to look at what's the value of the enterprise compared to what the stock is selling at. So whereas 2 years before, a 72 might not have seemed like the right price given our book value and our ROE. It changes how it looks given where our book value is and what our returns were based on how we look at things.

So it's a constantly changing target and how much capital we're generating more than we need. And frankly, at the same time, we look at the relative price of the stock as to what we think of it in terms of the value going forward. So in this case, we thought the attractiveness of the stock price at a particular point in time was such. And it's a constantly changing judgment. And it's -- we're trying always to manage that we have the right appropriate amount of capital, and we adjust that by dividends and buybacks.

And we do our best by making that assessment of the right use of capital. And unfortunately, it doesn't always show up the best in how people calculate the numbers, no different than starting companies don't frequently ended in the best reported results as opposed to volume, but you end up with tangible book value as opposed to intangibles. So for us, it's okay.

Operator

Your next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

I want to focus a little bit on the comp and the growth that you saw there. I guess the first question is, is that audit premiums coming through? Or is there kind of a change in your view of comp? Because it -- because I remember a couple of quarters ago, you were a little concerned that as the economy opened up, we may see a pop in frequency and that could be problematic for comp.

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

So the way that we're thinking about comp is the growth that you saw there is really just payroll growth, if you will, a combination of wage as well as people coming back to work. We still find the market, generally speaking, to be notably competitive. And I think the hope that the market was going -- the comp market was going to be firming by the end of this year or early next year is likely, again, through our lens, getting pushed out a bit to probably by 12 months just when we look at market conditions and try and grapple with where we are in the cycle.

Brian Robert Meredith
UBS Investment Bank, Research Division

And what's your view with respect to kind of loss trend in comp potentially? It doesn't seem like it is the frequency situation. But could it be a problem here?

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

Yes. We've been more concerned about the severity. I think the frequency has, generally speaking, been a friend of the industry. That having been said, clearly, frequency trend, the improvement that you saw as a result of COVID was -- that's dissipating because people are back to work. The severity trend has been a bit more of our concern, and it remains a point of sensitivity and how we think about the product line.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. And then one other just quick one. Cyber, are you much of a player in that market? And what are your thoughts there?

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

We are a player. We're very fortunate to have some exceptionally skilled people in the space, and we think that it is a line of business that is heavily dependent on expertise. And there are a lot of people that seem to want to play the game without the expertise, and it's possible that could end in tiers. But that is not our approach. And again, we -- we do write it, but we have great people who control it very tightly.

Operator

Your next question comes from the line of Meyer Shields with KBW.

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

Rob, when you mentioned that workers' compensation is becoming a growing headwind, if I have -- if I'm quoting you correctly, were you talking about this pricing dynamic?

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

I think rates just can -- remain very competitive. That was, I guess, the overarching point. And there is a moment in time, I think, what Brian was referring to when we had thought that the market may shift direction later this year, early next year. And again, our thought is that, that will happen, but it's probably pushed out a year.

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

Okay. That's helpful. When we -- when you look across -- I don't know if it's year-to-date with the most recent quarter, one of the things that's been relatively moderate so far has been medical inflation. Can you talk about what you're seeing with regard to actual paid claims? Is there any sign of inflection in medical inflation itself?

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

I think that medical inflation is a challenging area. I think that there is maybe -- perhaps among some a false sense of comfort. I think one of the things that happened during COVID is that people, in general, whether it be related to comp or other health needs, people were reluctant to go into health-related or medical-related venues. And as a result of that, your -- people were not getting the care.

I think it is certainly possible you're going to see an uptick. So if you forget about the insurance industry for a moment and you look at the parts of the health care industry, for example, the hospital industry, you will see that there are a huge surge in patients in hospitals, and they are coming in in worse condition than they were pre-COVID. And a lot of that is not COVID-related directly per se, it's because people were not getting care or they were postponing the care and they are sicker.

So I would suggest to you, whether it's comp or health care in general, you saw, I think, there is medical inflation. I think pharma prices continue to climb. I think costs in general continue to climb, but you need to separate out actually the cost of care versus the volume.

Operator

Your next question comes from the line of Mark Dwelle with RBC Capital Markets.

Mark Alan Dwelle
RBC Capital Markets, Research Division

My first question, are there any COVID charges embedded within the catastrophe number you provided? That is a number that I would like to back out even if it's classified as a catastrophe.

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

Well, Mark, we certainly are hoping that COVID is not an event that is recurring with the frequency that nat cats are. Rich, I can't remember, was it $6 million or $7 million?

Richard Mark Baio
Executive VP & CFO

Yes, $6 million, Rob.

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

$6 million. So was it there? Yes. But in the scheme of 2-point-something billion dollars of earned premium, it's definitely tapering off.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Yes. Great. The second question that I had is, again, just kind of a market perception question is, are we still continuing to see a significant amount of business flow from the standard or admitted markets towards the E&S market? Or has that begun to slow down or neutralize at this point?

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

No, we're seeing it continue to accelerate. It's certainly more robust now than it was. Without a doubt, last year, it's more robust than it was in Q1. And quite frankly, it's notably more robust than it was in Q2. So we're seeing that continue to accelerate.

Mark Alan Dwelle
RBC Capital Markets, Research Division

Any particular lines or classes that it seems more prevalent in? Or it's across the gamut?

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

By and large, it's across the gamut. I would tell you that maybe certain aspects, ironically, of property may have slowed a little bit, but the liability lines remain turbocharged.

Operator

Your next question comes from the line of Josh Shanker with Bank of America.

Joshua David Shanker
BofA Securities, Research Division

I was just curious to learn a little bit more about the Reinsurance & Monoline segment. The growth is very, very strong in the quarter. And given that it's some unusual items in there, maybe you can go into some detail about what's packed in there?

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

Really, it's primarily a reflection of the liability lines and the strength that we're seeing and the opportunities there on the treaty side. And then we're also seeing some opportunity on the fact side, but they are both liability and property to a certain extent.

Joshua David Shanker
BofA Securities, Research Division

And can we extrapolate anything looking back a quarter, looking forward, a core thing, it strengthened that it could be stronger going forward? Or is there kind of something you'd like to see?

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

Look, I think we're going to have to see how things shake out at 01/01, and that will be very instructive as to how we should think about the reinsurance market going forward. I think we had commented in Q2 that our treaty colleagues and applauding their discipline. There are a couple of treaties that they had decided to move away from, and that came through in the numbers earlier in the year.

Without a doubt, we'll have to see how the reinsurance market takes shape around 01/01. I think clearly, on the property front, there was a bit of a wake-up call. And I think there's probably some liability pain for the industry, particularly those that chose to grow in the what I would define as sort of 16 through 18 years, they probably have their hands full right now and are maybe going to be thinking about rate a little differently.

Joshua David Shanker
BofA Securities, Research Division

And the reinsurance market is very 01/01 dependent, but your reinsurance modeling segment doesn't seem to have the same kind of seasonality.

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

I'm sorry, Josh, the -- could you just repeat it? The reinsurance market tends to be very what? I beg your pardon.

Joshua David Shanker
BofA Securities, Research Division

01/01 dependent. It's...

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

Yes. I'm sorry. Yes.

Joshua David Shanker
BofA Securities, Research Division

Your Reinsurance & Monoline segment doesn't have the same kind of seasonality. So I thought maybe you could give us a little education on, like, fourth quarter, there's very low reinsurance for the industry in the fourth quarter, but you guys tend to write a good amount of it. So I was trying to figure out what -- I guess what's in the Reinsurance & Monoline stuff?

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

01/01 is obviously a big date for the industry in general and the reinsurance market included. I think over the years, that's sort of gotten spread out a bit, but there continue to be certain dates that are big ex-dates. I would tell you that you got to remember that some of the growth comes through over time through board rows. So we have certain estimates, but the way it comes through is through board rows over time.

Operator

Your next question comes from the line of Michael Phillips with Morgan Stanley.

Michael Wayne Phillips
Morgan Stanley, Research Division

One more on Reinsurance quickly. Are there any notable changes to either what you're accepting or demanding on just kind of the terms and conditions of the casualty reinsurance book in terms of the contracts you have maybe today versus, say, a year ago? Anything worth noting there?

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

I think my colleagues have been and continue to be very disciplined, to their credit. I don't think that they're accepting anything today that they wouldn't have accepted yesterday or vice versa. I think what happened is that the market is moving towards the position that my colleagues and their underwriting discipline have taken.

So again, I think they -- my colleagues are in the market every day in a manner that they think make sense for the capital. The market moves away, the market moves towards them. As the market moves towards them, they're able to participate in a greater way. And that's what you see happening.

Just like that's what you see happening with our specialty and E&S businesses. And that's what you see happening with all of our businesses. We are in the market every day in a manner that we think makes sense. The market moves towards us, the market moves away from us. And much of what we do to the market is moving towards us right now.

Michael Wayne Phillips
Morgan Stanley, Research Division

Okay. I guess just curious to hear how you think about -- you said it's obviously a cyclical business. This is not going to last forever. What do you look for, Rob, in terms of things in advance to see for you to think that things might be turning it's time for you to start backing away? What things do you look for there?

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

Well, I think that first off, I would tell you that through our lens, we don't think that that's something we're going to need to be overly preoccupied with for some period of time given the strength of the tailwind. That having been said, there are a whole host of things that we're looking at that lead us to have a view around rate adequacy, impact how we think about terms and conditions. Of course, we're looking at submission flow. We're looking at hit ratios. So honestly, all of our businesses have a variety of different data points that they use to triangulate off of to form a view of market conditions.

Operator

At this time, there are no further questions. I would like to turn the call back over to the presenters.

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

Okay. Emma, thank you very much. And for those that may actually still be on the call. I would just tell you that this is clearly one of those moments where the planets and the stars for much of what we do are lined up. This is a moment where our expertise and our discipline is clearly paying off and the success that we have had to date and we'll continue to have is really a reflection of more than 6,500 people, all working together on behalf of various stakeholders, in particular, our shareholders. So we're very grateful for their efforts.

That's about it for us. We will look forward to updating you in 90 days. Thank you for joining this evening.

Operator
This concludes today's conference call. You may now disconnect.