Equity Research

WELLS FARGO

Price Target Change — July 22, 2024

Commercial Lines Insurance

W.R. Berkley Corporation (WRB)

Charging More; Q2 Earnings and Conference Call Roundup

Our Call

WRB shares should trade up given weakness post TRV combined with Berkley seeing minimal reserve movement ($1m overall releases with $2.5m of releases in insurance) and a better-than-expected AY loss ratio vs consensus (59.4% vs. consensus of 59.6%).

Estimate and price target changes: Our 2024 EPS estimate is unchanged at $4.00 as the Q2 beat was offset by weaker rest of year underlying margins and a higher tax rate. Our 2025 and 2026 estimates go down to $4.25 and $4.70 (from $4.30 and $4.80), respectively, reflecting a higher tax rate and weaker underlying margins, partially offset by higher NII. Our price target is now $59 (from $62) based on 14.0x our 2025 EPS estimate.

Takes for the group: (1) Social inflation continues to wane on liability lines, with a heightened impact on commercial auto; **(2)** rate ex comp was up 50bps sequentially vs Q1 (to 8.3%) and was noted as being ahead of loss trend; **(3)** E&S continues to see robust flow given discrepancy between rate and loss cost trends on the admitted side; and **(4)** WRB upped their current loss picks relative to Q1 given uncertainty surrounding inflation (especially with commercial auto).

Conservatism in current AY: WRB will remain conservative with loss picks and are not dropping picks with respect to the unknown and ongoing impact of social inflation. The insurance accident year was up 30bps vs Q1 (flat Y/Y although last year saw elevated fire losses) with the uptick from auto as well as it how it spreads to other lines (like umbrella). On reserves, there was $2.5m of releases in insurance, with reinsurance strengthening by $1.5m (not much color was provided beyond this).

Argentine securities color and guidance: Argentine inflation-linked securities added $63m to investment income, which was toward the high-end of the guided $45-65m. The company noted they expect $20-30m of investment income related to these securities over the next few quarters. They did note that of the $63m, there was $50m of foreign currency losses, which led to a net $13m good guy in the quarter. Going forward, the expected $20-30m investment income should also be offset by FX like in Q2.

Other conference call highlights: They reiterated confidence the expense ratio should be still comfortably below 30% in 2024 and that they can continue grow premiums by 10-15%. They pointed to a higher tax rate this year (23.7% in Q2) in the balance of the year (and beyond) given changes in revenue geographic mix. WRB should grow NII Q/Q for the foreseeable future as they reinvest at higher rates (5.0-5.25% new money rate versus 4.5% book yield). See inside for highlights of key issues for WRB.

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Rating	Overweight
Ticker	WRB
Price Target/Prior:	$59.00/$62.00
Upside/(Downside) to Target	**13.9%**
Price (07/22/2024)	**$51.82**
52 Week Range	$40.25 - 59.46
Shares Outstanding (MM)	383
Market Cap (MM)	$19,873
Enterprise Value (MM)	$21,064
Average Daily Volume	1,801,540
Average Daily Value (MM)	$93
Dividend (NTM)	$1.29
Dividend Yield	2.5%
Net Debt (MM) - last reported	$1,191
ROIC - Current year est.	19%
3 Yr EPS CAGR from current year (unless otherwise noted)	13%

$ EPS	2023A	2024E Curr.	2024E Prior	2025E Curr.	2025E Prior
Q1 (Mar)	0.66 A	1.04 A	NC	1.09 E	1.03E
Q2 (Jun)	0.77 A	1.04 A	0.97E	1.03 E	NC
Q3 (Sep)	0.90 A	0.89 E	0.92E	1.00 E	1.03E
Q4 (Dec)	0.96 A	1.03 E	1.07E	1.14 E	1.21E
FY	3.29 A	4.00 E	NC	4.25 E	4.30E
P/E	15.7x	13.0x		12.2x	

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

Wells Fargo Express Takeaways

W.R. Berkley Corporation (WRB) | Rating: Overweight | Price Target: $59.00
Analyst: Elyse Greenspan

Financials

FY (Dec) $ ESTIMATES	2023A	2024E	2025E
EPS			
Q1	0.66 A	1.04 A	1.09 E
Q2	0.77 A	1.04 A	1.03 E
Q3	0.90 A	0.89 E	1.00 E
Q4	0.96 A	1.03 E	1.14 E
AN	3.29 A	4.00 E	4.25 E
Rev. (MM)	12,146.9 A	13,539.5 E	15,020.5 E
Net Premiums Written (MM)	10,958.5 A	12,189.0 E	13,445.1 E
Underlying Combined Ratio	87.6% A	88.0% E	88.2% E
Underlying Loss Ratio	59.2% A	59.4% E	59.6% E
Book Value/Share	19.37 A	21.87 E	25.53 E

WELLS FARGO vs. CONSENSUS			
Consensus Estimate	4.82 A	4.06 E	4.31 E
Difference from Consensus		(1.6)%	(1.5)%

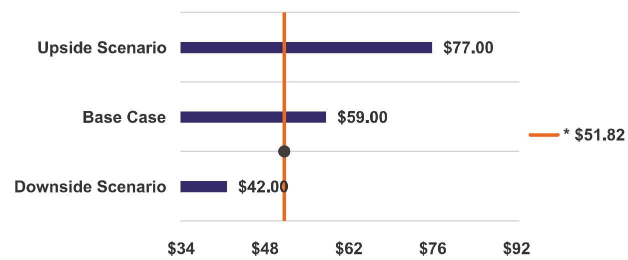
VALUATION			
P/E	15.7x	13.0x	12.2x
P/Book Value	2.7x	2.4x	2.0x

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

Investment Thesis

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

Risk vs. Reward – Upside/Downside Price Target Scenarios



**As of 07/22/24*
Source: Wells Fargo Securities, LLC estimates and Factset.

Base Case | $59.00

- Our price target of $59 is based on just around a 2.3x multiple of our year-end 2025 book value estimate
- Our price target also represents a ~14.0x multiple against our 2025 EPS estimate.
- The 14.0x is a slight discount to where WRB has historically traded as we look to be conservative given social inflation impacting both current and prior accident years.

Upside Scenario | $77.00

- In the upside scenario we use a multiple of 3.0x 2025 book value, close to peak valuation levels.
- We assume WRB is able to see consistent double-digit premium growth, margin expansion and good investment returns resulting in industry leading returns.
- Assumes lack of significant adverse reserve development.

Downside Scenario | $42.00

- In the downside scenario we use a multiple of 10.0x 2025 EPS (which translates into 1.7x book value) and is below trough levels (although those multiples were in lower interest rate environments).
- In this scenario WRB could see lower premium growth, margin compression and volatility within its investment returns.
- The downside scenario includes volatility within its reserves and further adverse development on the softer market years or large adverse development on more recent accident years

Upcoming Catalysts

- **Monthly pricing surveys,** which will highlight the overall strength (or lack thereof) of the commercial lines pricing environment
- **The filing of its 10Q**, which should provide more color on the reserve movement within the insurance segment in Q2

Company Description

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

Q2 Earnings Highlights

In a Nutshell. WRB reported Q2 EPS of $1.04, beating our $0.97 and consensus of $0.92. The upside was due to higher investment income (investment income came in at $372.1m, higher than our $343.6m), and higher than expected favorable PYD (0.1 pts favorable vs our est. of 0.1 pts adverse). Cat losses came in at $89.7m (3.2 pts), higher than our $78m (2.7 pts). Prior year favorable reserve development was $1m (adding 0.1 points), relative to estimate for $3m of adverse development (0.1 pts) with $2.5m of favorable development in insurance offset by $1.5m of adverse development within reinsurance. The investment income beat vs us was driven by higher core portfolio income of $330m vs our $314m and higher investment funds income of $25.5m (6.5% return) vs our estimate of $11.8m (3% return). Within the core portfolio about half the upside was from Argentinian inflation linked securities. The Argentinian inflation linked securities added $63m (high end of expected $45-65m) and above our $55 million (although there was $50m of FX losses associated with the gain that offset the majority).

The underlying combined ratio of 88.0% was above our 87.4%; the underlying loss ratio came in 10bps worse than us and was 10 basis points better than last Q2. The expense ratio was 28.5%, 40 basis points higher than us. WRB bought back $223.8m of shares, relative to our $50m, and returned an additional $157m through dividends (included a special dividend) for a payout ratio of 91%. The average diluted share count of 403.7m was less than our 404.9m estimate. The operating ROE was 21.5%, and the net income ROE was 20.0%. Book value per share grew by 1.0% sequentially to $20.42.

Exhibit 1 - WRB Q2 2024 Estimates Versus Actual

	Q2 2024		Delta Vs. WFS	
($ in millions, except as noted)	**Actual**	**WFS Estimate**	*Absolute Delta*	*% Delta*
Summary				
Insurance	188.8	227.7	*(38.9)*	*(17.1%)*
Reinsurance & Monoline Excess	65.9	54.0	*11.8*	*21.9%*
Underwriting Income	**254.7**	**281.7**	***(27.1)***	***(9.6%)***
Net Investment Income	372.1	343.6	*28.5*	*8.3%*
Corporate & Other Ex. Realized Gains/(Losses)	(80.5)	(113.6)	*33.1*	*(29.1%)*
Pre-Tax Operating Income	**546.3**	**511.7**	***34.6***	***6.8%***
Taxes	(128.2)	(118.7)	*(9.5)*	*8.0%*
Noncontrolling Interest	0.0	(0.6)	*0.6*	*(103.8%)*
Adjusted After-Tax Operating Income	**418.1**	**392.4**	***25.7***	***6.6%***
Operating EPS	**$1.04**	**$0.97**	***$0.07***	***6.9%***
YoY Change in Operating EPS	*34.7%*	*27.7%*	*7.0%*	*-*
Tax Rate	23.5%	23.2%	*+27bps*	*1.2%*
GAAP Book Value per Share	**$20.42**	**$20.56**	***($0.14)***	***(0.7%)***
Operating Return on Equity	**21.5%**	**20.0%**	***1.5%***	***7.4%***
Net Income ROE (Reported)	20.0%	22.4%	*(240bps)*	*(10.7%)*
Revenues				
Gross premiums written	3,717.8	3,797.8	*(80.0)*	*(2.1%)*
y/y change	11.4%	13.8%	*(2.4%)*	*-*
Net premiums written	3,126.8	3,199.5	*(72.7)*	*(2.3%)*
y/y change	11.1%	13.8%	*(2.7%)*	*-*
Net premiums earned	**2,846.4**	**2,886.1**	***(39.7)***	***(1.4%)***
y/y change	11.3%	13.1%	*(1.7%)*	*-*
Net investment income	**372.1**	**343.6**	***28.5***	***8.3%***
y/y change	51.8%	40.2%	*11.6%*	*-*
Total revenues	**3,314.0**	**3,391.8**	***(77.8)***	***(2.3%)***
Underwriting Profitability				
Loss Ratio	62.6%	62.1%	*+0.5pts*	*0.7%*
Expense Ratio	28.5%	28.1%	*+0.4pts*	*1.4%*
Combined Ratio	**91.1%**	**90.2%**	***+0.8pts***	***0.9%***
Cats Points on Combined Ratio	3.2%	2.7%	*+0.4pts*	*16.6%*
PYD Points on Combined Ratio	(0.0%)	0.1%	*(0.1pts)*	*(133.8%)*
Underlying Loss Ratio	***59.4%***	***59.3%***	***+0.1pts***	***0.2%***
Underlying Combined Ratio	***88.0%***	***87.4%***	***+0.5pts***	***0.6%***
Catastrophe Losses ($)	89.7	78.0	*11.7*	*15.0%*
Reserve Development ($)	(1.0)	3.0	*(4.0)*	*(133.3%)*
Capital Return				
Common Dividends	157.0	238.3	*(81.3)*	*(0.3)*
Share Repurchases	223.8	50.0	*173.8*	*3.5*
Total Capital Return	**380.8**	**288.3**	***92.5***	***0.3***
Total Payout Ratio (% of Operating Income)	91.1%	73.5%	*17.6%*	*-*

Source: Company reports and Wells Fargo Securities, LLC estimates

What the Companies Are Saying - WRB

WRB's call focused on pricing, reserves, loss trend and investment income.

WRB's guidance included: (1) expense ratio should be comfortably below 30%, (2) premium growth in the 10-15% range, (3) Argentinian inflation securities should add a normalized level of $20-30 million of operating income, and (4) the tax rate will likely remain at the Q2 23.7% through the remainder of the year.

Outlook

The only move in the underlying loss ratio was in auto, where they are trying to stay on top of trend. They also said they took a look at how auto feeds into the umbrella line. On the expense side, there are new businesses in the infancy that are now incorporated in the segments and until there is a critical mass, there will be a bit of drag. In addition, they are making some pretty chunky investments on the tech and data and analytics front. The company is confident in their reserve position as they highlighted their low paid loss ratio which continues to run in the mid-40s and their IBNR relative to net earned premium is in the 37.5% to 39% range for AYs 2020 - 2023 while it was between 31-34% when looking at the 2016 - 2019 period. The company said the CrowdStrike issue will hit some business interruption policies, but they do not envision this being something that is materially consequential.

Pricing

Rate excluding workers' compensation was 8.3% in Q2, higher than 7.8% in Q1 primarily due to commercial auto. The overall rate remains on top of loss trend. The company noted there are many insurance departments that are not operating in a timely manner and allowing the rate needed for admitted carriers, which is pushing business into the specialty and E&S side.

Guidance

WRB does not provide much in the way of guidance. They remained confident in achieve premium growth between 10 and 15%, although they did caveat some quarters may be below or above the range. They have said that the expense ratio should be comfortably below 30%. Argentine inflation-linked securities should provide $20-30m of income per quarter for the next few quarters (although like we saw in Q2 it will be offset to some extent by FX losses). The effective tax rate will likely remain at the Q2 23.7% through the remainder of the year due to the contribution of foreign earnings taxed at rates greater than U.S. stat rate of 21%.

Investments

Net investment income was $330m in Q2, above $319.8m in Q1, and benefited from Argentinian inflation-adjusted securities, which added $63m (the high-end of the $45-65m guide) and relative to $96m in Q1. These securities should add $20-30m of income in the near-term over the next few quarters. While investment income saw $63m of earnings this was offset by $50m of FX losses result in a net income impact of $13m and WRB expects the FX impact to largely offset the investment income on an overall impact going forward. The duration of the portfolio was unchanged at 2.5 years, but was up modestly when compared to 2.4 years at year-end 2023. The yield on the portfolio was 4.5%, relative to current market yield of close to 5.25%. Investment income is expected to growth on a year-over-year basis for the foreseeable future. The company noted from their perspective alternatives are not really a great interest to them given where interest rates are and will continue to lean more on the fixed income market.

Liquidity and Capital

WRB's debt to capital ratio ended Q2 at 26.7%, which is stable with the end of the Q1 and below the YE 2023 level of 27.6%. There were $224m of repurchases in the quarter after no repurchases in the prior quarter (there was also a $127m special dividend and $30m of regular dividends). In the past WRB has used both share repurchase and special dividends as a way to return excess capital;. The company's payout ratio was 91.2%, relative to 6.7% in the Q1, 67.3% in the Q4 (incl. special dividends), 44% in Q3 and over 100% in the Q2 and Q1 last year.

Exhibit 2 - WRB Historical Pricing Commentary

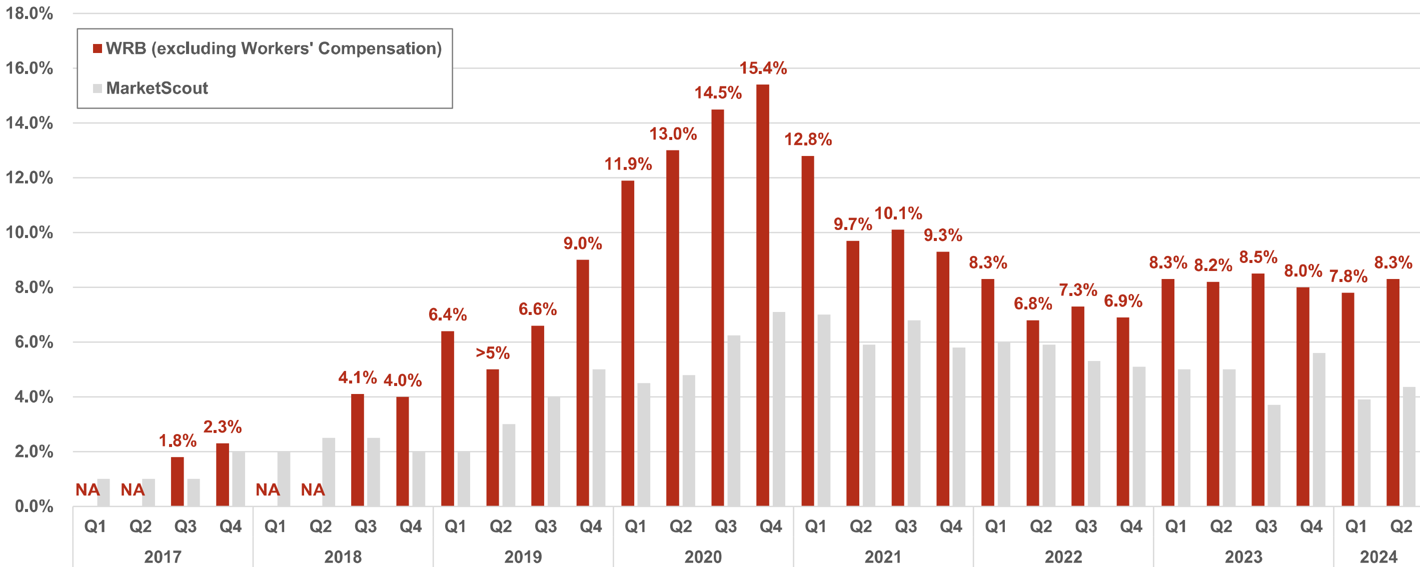
Period	Pricing Comments
Q2 2024	Rate excluding workers' compensation was 8.3%, which was above the 7.8% in the prior quarter. When asked about the sequential acceleration, the company highlighted commercial auto as the leading candidate for the uptick given the line grew almost 16%, which is being driven by higher rate. For the current year, the company noted they are building in a risk margin that they feel is reasonably comfortable. The company highlighted that they have received 68% cumulative rate ex comp since 2019 with loss trend cumulative uptick below that. The company noted that professional liability ex D&O) is having a reasonably good moment on both the admitted and non-admitted side while D&O continues to be challenged, specifically transactional liability is very concerning and they are shrinking the line rapidly. WRB said there are many insurance departments not operating in a timely manner and in some cases quite resistant to allows carriers on the commercial side to get rate increases they neeed which is pushing business into the specialty and E&S market. The company pointed out that the E&S business is probably gorwing at give or take 50% more than the standard market rate.
Q1 2024	Rate excluding workers' compensation was 7.8%, which was a touch below the 8.0% in the prior quarter. They said that despite some commentary around E&S losing some momentum, they see the momentum for liability lines continuing as strong as ever and pointed to property most likely being some of the slowing in the non-admitted market. They still think there is additional momentum in property but it probably does not have the level of momentum it had last year. They are still seeing rate move up in the line and expect they will continue to see it move up in the immediate future. For general liability, submission remains very robust, both on the admitted and non-admitted side with the main driver being social inflation. They said commercial auto has been in the cross-hairs of social inflation and they expect to see considerable firming in that line for that reason. In addition, excess and umbrella to the extent it relates to commercial auto market. they expect to see firming there as well. In workers' comp, they pointed to seeing signs of California rate bottoming out and think the rest of the country is probably a pace or two behind. In D&O, their view is pricing has not bottomed yet but it is closing in on the bottom. On the reinsurance side, they believe pricing is peaking but still view opportunity in the line as margins remain strong.
Q4 2023	Rate excluding workers' compensation was 8% in Q4, a touch below 8.5% in Q3, due to business mix. Overall they view this 8% as exceeding any reasonable assumption around loss trend. Within property cat reinsurance, WRB viewed the market at 1/1/24 as very attractive, but maybe not as attractive as at 1/1/23. Further, they highlighted that there is a distinction between property cat and property per risk reinsurance. They also said there is a distinction with the primary property market, where they are pushing hard on rate, and it is sticking. Rate excluding workers' compensation was 8% in Q4, a touch below 8.5% in Q3, due to business mix. Overall they view this 8% as exceeding any reasonable assumption around loss trend. Within property cat reinsurance, WRB viewed the market at 1/1/24 as very attractive, but maybe not as attractive as at 1/1/23. Further, they highlighted that there is a distinction between property cat and property per risk reinsurance. They also said there is a distinction with the primary property market, where they are pushing hard on rate, and it is sticking. They spoke positively about business continuing to go to the E&S market.
Q3 2023	WRB is very focused on social inflation and they said that you can see that in their rate increases (8.5% excluding workers' compensation) and they intend to stay on top of it. The market has been accepting of its rate increases as shown in its steady renewal retention of 80%. Specifically WRB is pushing very hard on rate within commercial auto and the market is accepting of it - this led to strong growth in commercial auto in the quarter.
Q2 2023	WRB saw rate of 8.2% (ex workers' comp), which was relatively stable with the Q1 (at 8.3%) and reflective of its business mix. WRB said that there continues to be a bifurcation in the standard market and E&S market. Within the standard market, where National carriers do not have an appetite to write business that is leading to opportunities on the E&S side. WRB said that submission flow remains robust, and they are encouraged about activity over the balance of the year, and flagged good results in July. Overall WRB's view is that the industry is struggling with the balance between rate needs and keeping up with loss trend versus their desire to grow.
Q1 2023	Regarding property, the company noted that its disappointment in Q4 pricing discipline has improved month over month, resulting in what is regards as real progressing being made on the pricing front in April. The company feels the rationalization of pricing in the property market, while more pronounced on the cat side, is broad-based overall. The company called out public D&O, certain professional liability lines, and commercial auto as being the most irrational parts of the market. Still, WRB does see pockets of opportunities even within professional liability, especially if written on an E&S basis.

Period	Pricing Comments
Q4 2022	WRB said they were disappointed in the discipline in property pricing in the Q4 as they said many carriers failed to take into account limited reinsurance capacity and higher reinsurance costs. They believe that property pricing should continue to improve as 2023 develops. For workers' comp, they said they missed the timing on when the market would begin to harden and they expect pricing to be bumpy in 2023 with expectation for considerable firming in 2024 and beyond given severity trends, particularly medical inflation. For auto, they said there is rate to be had but remains the most susceptible line to social inflation and requires thought and judgement in underwriting for loss costs. Umbrella and general liability excess are amongst the brighter opportunities with one area on the cautious watchlist being large account excess lines. Professional liability is a tale of two stores with D&O being pressured given the rising competitive landscape but other lines within professional liability should provide good opportunities. WRB said they participated at 1/1 renewals and said the clock is right to lean in with good discipline with the US offering more attractive returns than international.
Q3 2022	The marketplace remains an interesting one from their perspective - there are pockets of the market that remain extremely attractive and there are others where there is a surprising level of competition. In the specialty space, and in particular the E&S market remains extremely attractive to WRB. Berkley said that they have the ability to pivot into product lines as opportunities emerge and that they could become a more active participant (for perhaps a year or two). They did flag both workers' compensation and professional lines (particularly public company D&O) as lines become increasingly competitive.
Q2 2022	Top line remains very healthy. WRB is seeing continued growth in submissions within Specialty and E&S and is beginning to see resilience in the reinsurance market. WRB does not see short-term headwinds to de-rail growth off of their 15-25% growth target, which they have been achieving. Within Insurance, seeing good growth in Other Liability and commercial auto is robust. In workers' comp, WRB expects the market to bottom and start to firm over the next 12-24 months, reflecting loss cost severity and erosion of pricing power we have seen; medical inflation is likely to increase rapidly and workers' comp is not insulated from that. Despite concerns around the economy and a recession, WRB noted that audit premiums are seeing considerable momentum, up 45% YoY.
Q1 2022	Continue to see rate increases that outpace trend by something measured in the hundreds of basis points. New business pricing is currently outpacing renewal pricing by about 2 points. Retention remains well within range and will continue to take rate as weeded. Submission flow in the E&S market is very strong & encouraging, not seeing standard carriers entering the market eroding any current opportunities. Feel that WC is still facing a difficult pricing environment but will eventually come back.
Q4 2021	There's nothing that leads us to believe that we will not continue to see rate increases that outpace trend by something measured in the hundreds of basis points. Opportunities remain in the workers comp market, but one needs to be very cautious and most of the growth seen is really being driven by payroll growth. We are starting so to see some folks being very aggressive on WC pricing in addition to leaning through on commissions. Submission flow in the E&S market is pretty overwhelming at this stage, particularly in January, and we don't really see standard carriers entering the market eroding any current opportunities.
Q3 2021	It's a good moment for the P&C space. Quite frankly, 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.

Source: Company reports and Wells Fargo Securities, LLC

The exhibit below shows WRB's pricing trends (excluding Workers' Compensation) relative to MarketScout since 2017. In Q2, WRB's rate (ex. WC) was 8.3% vs. MarketScout of 5.6%. This compares to Q1 2024 WRB rate of 7.8%, Q4 2023 WRB rate of 8.0%, Q3 2023 WRB rate of 8.5%, Q2 2023 rate of 8.2%, and Q1 2023 rate of 8.3%

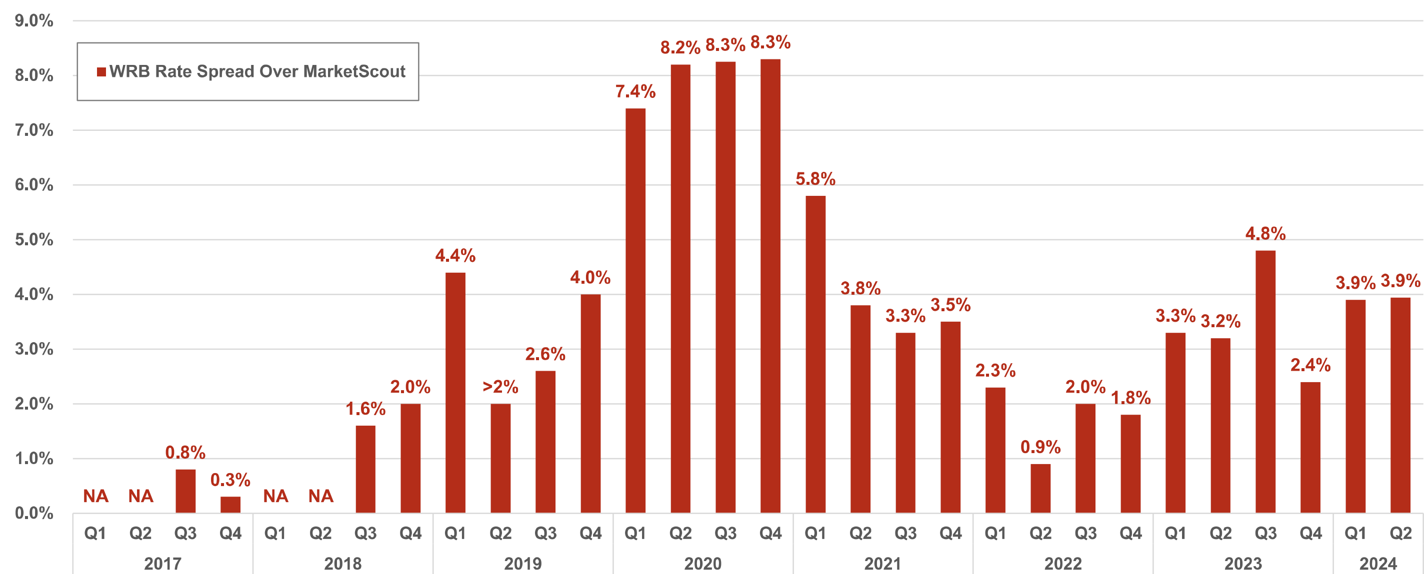
Exhibit 3 - WRB Pricing (excluding Workers' Compensation) vs. MarketScout



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

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

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



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

Summary of Estimate Changes

Estimates lowered. See below for an overview of our estimate changes following Q2 2024 earnings.

- **2024 EPS is down to $4.00 (unchanged)** as higher NII fully offset a higher tax rate and weaker underlying margins.
- **2025 EPS is down to $4.25 (from $4.30)** reflecting a higher tax rate and weaker underlying margins, partially offset by higher NII.
- **2026 EPS is down to $4.70 (from $4.80)** reflecting a higher tax rate and weaker underlying margins, partially offset by higher NII.

Our 2024 estimate is unchanged as the Q2 beat was offset by weaker underlying margins and a higher tax rate. Our 2025 and 2026 estimates are revised down due to a higher tax rate and weaker underlying margins.

Exhibit 5 - WRB Estimate Changes

	Current			Prior			*Absolute Change*			*Percentage Change*			*Guidance (2024)*
($ in millions, except as noted)	2024E	2025E	2026E	2024E	2025E	2026E	*2024E*	*2025E*	*2026E*	*2024E*	*2025E*	*2026E*	
Summary													
Insurance	844.9	928.3	1,044.7	943.8	1,075.5	1,186.1	*(98.9)*	*(147.2)*	*(141.4)*	*(10.5%)*	*(13.7%)*	*(0.1)*	
Reinsurance & Monoline Excess	246.7	241.9	266.0	238.0	243.3	266.9	*8.7*	*(1.4)*	*(0.9)*	*3.7%*	*(0.6%)*	*(0.0)*	
Underwriting Income	**1,091.7**	**1,170.2**	**1,310.7**	**1,181.9**	**1,318.8**	**1,453.0**	***(90.2)***	***(148.6)***	***(142.3)***	***(7.6%)***	***(11.3%)***	***(0.1)***	
Net Investment Income	1,370.7	1,478.4	1,602.7	1,314.1	1,385.9	1,541.4	*56.6*	*92.5*	*61.3*	*4.3%*	*6.7%*	*0.0*	
Corporate & Other Ex. Realized Gains/(Losses)	(355.1)	(425.9)	(468.8)	(412.1)	(479.4)	(526.1)	*57.0*	*53.6*	*57.3*	*(13.8%)*	*(11.2%)*	*(0.1)*	
Pre-Tax Operating Income	**2,107.2**	**2,222.8**	**2,444.5**	**2,083.8**	**2,225.2**	**2,468.3**	***23.4***	***(2.4)***	***(23.8)***	***1.1%***	***(0.1%)***	***(0.0)***	
Taxes	(493.6)	(522.8)	(575.0)	(463.4)	(494.7)	(548.8)	*(30.2)*	*(28.2)*	*(26.2)*	*6.5%*	*5.7%*	*0.0*	
Noncontrolling Interest	(0.8)	(2.5)	(2.5)	(1.4)	(2.5)	(2.5)	*0.7*	*0.0*	*0.0*	*(46.8%)*	*0.0%*	*0.0*	
Adjusted After-Tax Operating Income	**1,612.8**	**1,697.4**	**1,867.0**	**1,619.0**	**1,728.1**	**1,917.0**	***(6.2)***	***(30.6)***	***(50.0)***	***(0.4%)***	***(1.8%)***	***(0.0)***	
Operating EPS	**$4.00**	**$4.25**	**$4.70**	**$4.00**	**$4.30**	**$4.80**	***($0.00)***	***($0.05)***	***($0.10)***	***(0.0%)***	***(1.2%)***	***($0.02)***	
YoY Change in Operating EPS	*21.5%*	*6.3%*	*10.7%*	*21.9%*	*7.5%*	*11.6%*	*(0.4%)*	*(1.3%)*	*(1.0%)*	-	-	-	
Tax Rate	23.4%	23.5%	23.5%	22.2%	22.2%	22.2%	*+119bps*	*+129bps*	*+129bps*	*5.3%*	*5.8%*	*+0bps*	**Remainder of year in-line with Q2 23.7%**
GAAP Book Value per Share	**$21.87**	**$25.53**	**$29.71**	**$21.89**	**$25.40**	**$29.47**	***($0.02)***	***$0.13***	***$0.24***	***(0.1%)***	***0.5%***	***$0.01***	
Operating Return on Equity	**20.5%**	**19.0%**	**18.1%**	**20.4%**	**19.1%**	**18.5%**	***0.1%***	***(0.1%)***	***(0.3%)***	***0.7%***	***(0.6%)***	***(1.8%)***	
Net Income ROE (Reported)	21.5%	21.8%	20.6%	23.0%	21.8%	20.9%	*(146bps)*	*(6bps)*	*(34bps)*	*(6.3%)*	*(0.3%)*	*(0bps)*	
Revenues													
Gross premiums written	14,474.5	16,032.0	17,635.0	14,701.3	16,340.6	17,603.4	*(226.7)*	*(308.6)*	*31.5*	*(1.5%)*	*(1.9%)*	*0.0*	
y/y change	11.6%	10.8%	10.0%	13.3%	11.2%	7.7%	*(1.7%)*	*(0.4%)*	*2.3%*	-	-	-	
Net premiums written	12,189.0	13,445.1	14,786.0	12,379.7	13,681.7	14,738.7	*(190.7)*	*(236.5)*	*47.3*	*(1.5%)*	*(1.7%)*	*0.0*	
y/y change	11.2%	10.3%	10.0%	13.0%	10.5%	7.7%	*(1.8%)*	*(0.2%)*	*2.2%*	-	-	-	***10-15%***
Net premiums earned	**11,536.5**	**12,807.1**	**14,108.8**	**11,640.9**	**13,020.5**	**14,206.2**	***(104.4)***	***(213.4)***	***(97.4)***	***(0.9%)***	***(1.6%)***	***(0.0)***	
y/y change	10.9%	11.0%	10.2%	11.9%	11.9%	9.1%	*(1.0%)*	*(0.8%)*	*1.1%*	-	-	-	
Net investment income	**1,370.7**	**1,478.4**	**1,602.7**	**1,314.1**	**1,385.9**	**1,541.4**	***56.6***	***92.5***	***61.3***	***4.3%***	***6.7%***	***0.0***	
y/y change	30.2%	7.9%	8.4%	24.8%	5.5%	11.2%	*5.4%*	*2.4%*	*(2.8%)*	-	-	-	
Total revenues	**13,539.5**	**15,020.5**	**16,446.4**	**13,668.0**	**15,136.9**	**16,478.1**	***(128.4)***	***(116.4)***	***(31.7)***	***(0.9%)***	***(0.8%)***	***(0.0)***	
Underwriting Profitability													
Loss Ratio	61.9%	62.3%	62.2%	61.7%	61.7%	61.6%	*+0.2pts*	*+0.5pts*	*+0.6pts*	*0.4%*	*0.9%*	*+0.0pts*	
Expense Ratio	28.6%	28.6%	28.5%	28.2%	28.1%	28.2%	*+0.5pts*	*+0.4pts*	*+0.3pts*	*1.6%*	*1.6%*	*+0.0pts*	***Comfortably Below 30%***
Combined Ratio	**90.6%**	**90.9%**	**90.7%**	**89.9%**	**89.9%**	**89.8%**	***+0.7pts***	***+1.0pts***	***+0.9pts***	***0.8%***	***1.1%***	***+0.0pts***	
Cats Points on Combined Ratio	2.5%	2.5%	2.4%	2.4%	2.5%	2.4%	*+0.1pts*	*+0.0pts*	*(0.0pts)*	*5.1%*	*0.1%*	*(0.0pts)*	
PYD Points on Combined Ratio	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	*(0.0pts)*	*+0.0pts*	*+0.0pts*	*(49.5%)*	*1.7%*	*+0.0pts*	
Underlying Loss Ratio	***59.4%***	***59.6%***	***59.7%***	***59.2%***	***59.1%***	***59.1%***	***+0.2pts***	***+0.5pts***	***+0.6pts***	***0.3%***	***0.9%***	***+0.0pts***	
Underlying Combined Ratio	***88.0%***	***88.2%***	***88.2%***	***87.4%***	***87.2%***	***87.3%***	***+0.6pts***	***+1.0pts***	***+0.9pts***	***0.7%***	***1.1%***	***+0.0pts***	
Catastrophe Losses ($)	291.2	326.0	337.0	279.5	331.0	341.0	*11.7*	*(5.0)*	*(4.0)*	*4.2%*	*(1.5%)*	*(0.0)*	
Reserve Development ($)	4.0	12.0	12.0	8.0	12.0	12.0	*(4.0)*	*0.0*	*0.0*	*(50.0%)*	*0.0%*	*0.0*	
Capital Return													
Common Dividends	415.6	304.4	301.7	563.8	372.0	368.8	*(148.1)*	*(67.6)*	*(67.1)*	*(0.3)*	*(0.2)*	*(0.2)*	
Share Repurchases	323.8	200.0	200.0	150.0	200.0	200.0	*173.8*	*0.0*	*0.0*	*1.2*	*0.0*	*0.0*	
Total Capital Return	**739.4**	**504.4**	**501.7**	**713.8**	**572.0**	**568.8**	***25.7***	***(67.6)***	***(67.1)***	***0.0***	***(0.1)***	***(0.1)***	
Total Payout Ratio (% of Operating Income)	45.8%	29.7%	26.9%	44.1%	33.1%	29.7%	*1.8%*	*(3.4%)*	*(2.8%)*	-	-	-	

Source: Company reports and Wells Fargo Securities, LLC estimates

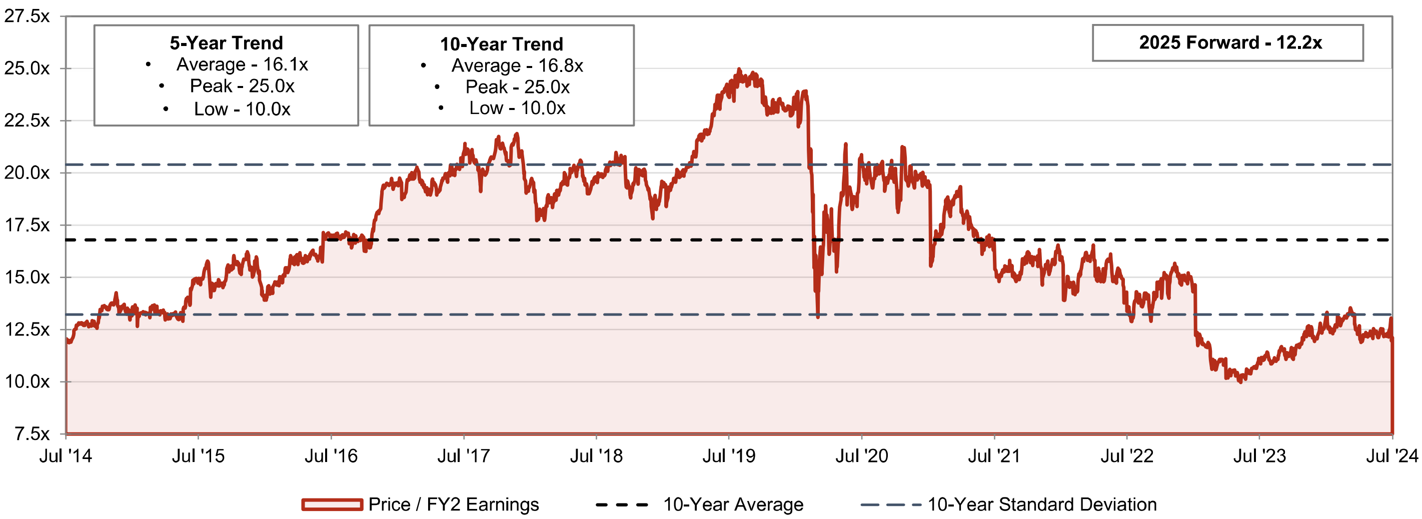
Valuation

Current Valuation. WRB trades at 2.54x Q2 2024 book value, which is above the 5-year and 10-year average multiples of 2.27x and 1.90x, respectively. The 5-year minimum is 1.42x and 10-year minimum is 1.20x. The 5-year and 10-year max is 2.99x, which is above where the shares are currently trading. We do note that for the P&C sector price-to-book valuations are fuller given the unrealized losses we have seen in this rising interest rate environment. For WRB, if we exclude AOCI, the shares are trading at just around 2.24x adjusted Q2 book vs the 5-year average of 2.06x. On a P/E basis, WRB is trading at 12.2x our 2025 EPS estimate, which compares favorably to the 5-year and 10-year average multiples of 16.1x and 16.8x, respectively. The 5-year and 10-year max is 25.0x.

Exhibit 6 - WRB Historical P/BV

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

Exhibit 7 - WRB Historical P/E



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

Exhibit 8 - WRB Consolidated Earnings Model

$ in millions, except per share data	2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q2 2024	Q3 2024E	Q4 2024E	2024E	Q1 2025E	Q2 2025E	Q3 2025E	Q4 2025E	2025E	Q1 2026E	Q2 2026E	Q3 2026E	Q4 2026E	2026E
Summary																					
Insurance	902.3	188.6	200.8	207.9	251.7	848.9	235.1	188.8	192.8	228.2	844.9	247.2	226.2	208.4	246.5	928.3	272.3	249.9	243.5	278.9	1,044.7
Reinsurance & Monoline Excess	122.4	46.7	63.1	49.7	62.4	221.9	74.6	65.9	40.6	65.7	246.7	64.6	57.4	46.2	73.8	241.9	70.3	63.0	52.3	80.4	266.0
Underwriting Income	**1,024.7**	**235.3**	**263.9**	**257.5**	**314.1**	**1,070.8**	**309.7**	**254.7**	**233.5**	**293.8**	**1,091.7**	**311.8**	**283.6**	**254.5**	**320.3**	**1,170.2**	**342.6**	**312.9**	**295.8**	**359.3**	**1,310.7**
Net Investment Income	779.2	223.4	245.2	270.9	313.3	1,052.8	319.8	372.1	333.4	345.4	1,370.7	355.3	362.8	376.5	383.8	1,478.4	387.7	395.8	404.3	414.9	1,602.7
Corporate & Other Ex. Realized Gains/(Losses)	(281.3)	(105.6)	(105.7)	(66.1)	(134.0)	(411.5)	(81.2)	(80.5)	(95.4)	(98.0)	(355.1)	(102.2)	(105.9)	(109.4)	(108.4)	(425.9)	(112.5)	(116.6)	(120.3)	(119.3)	(468.8)
Pre-Tax Operating Income	**1,522.5**	**353.1**	**403.3**	**462.4**	**493.4**	**1,712.2**	**548.3**	**546.3**	**471.4**	**541.2**	**2,107.2**	**565.0**	**540.5**	**521.7**	**595.7**	**2,222.8**	**617.8**	**592.1**	**579.8**	**654.8**	**2,444.5**
Tax Rate	19.3%	21.4%	22.1%	20.7%	20.3%	21.1%	22.9%	23.5%	23.7%	23.7%	23.4%	23.0%	23.7%	23.7%	23.7%	23.5%	23.0%	23.7%	23.7%	23.7%	23.5%
Taxes	(293.2)	(75.5)	(89.0)	(95.9)	(100.0)	(360.5)	(125.4)	(128.2)	(111.7)	(128.3)	(493.6)	(129.9)	(128.1)	(123.6)	(141.2)	(522.8)	(142.1)	(140.3)	(137.4)	(155.2)	(575.0)
Noncontrolling Interest	(3.9)	(1.6)	0.6	0.2	(1.6)	(2.5)	0.4	0.0	(0.6)	(0.6)	(0.8)	(0.6)	(0.6)	(0.6)	(0.6)	(2.5)	(0.6)	(0.6)	(0.6)	(0.6)	(2.5)
Adjusted After-Tax Operating Income	**1,225.4**	**276.0**	**314.9**	**366.6**	**391.8**	**1,349.2**	**423.3**	**418.1**	**359.1**	**412.3**	**1,612.8**	**434.4**	**411.8**	**397.4**	**453.9**	**1,697.4**	**475.1**	**451.1**	**441.7**	**499.0**	**1,867.0**
Operating EPS	**$2.92**	**$0.66**	**$0.77**	**$0.90**	**$0.96**	**$3.29**	**$1.04**	**$1.04**	**$0.89**	**$1.03**	**$4.00**	**$1.09**	**$1.03**	**$1.00**	**$1.14**	**$4.25**	**$1.19**	**$1.14**	**$1.11**	**$1.26**	**$4.70**
YoY Change in After-Tax Operating Income	28.7%	(10.1%)	0.5%	30.1%	21.2%	10.1%	53.4%	32.8%	(2.0%)	5.2%	19.5%	2.6%	(1.5%)	10.7%	10.1%	5.2%	9.4%	9.6%	11.2%	9.9%	10.0%
YoY Change in Operating EPS	**28.9%**	**(9.5%)**	**2.8%**	**34.0%**	**24.7%**	**12.6%**	**57.3%**	**34.7%**	**(0.7%)**	**6.8%**	**21.5%**	**4.1%**	**(0.4%)**	**11.4%**	**10.8%**	**6.3%**	**10.1%**	**10.2%**	**11.8%**	**10.6%**	**10.7%**
Consensus EPS									$0.94	$1.04	$4.06	$1.07	$1.05	$1.03	$1.15	$4.31	$1.15	$1.14	$1.14	$1.31	$4.66
WFS Estimate versus Consensus									(5.3%)	(0.8%)	(1.6%)	1.6%	(1.7%)	(3.6%)	(0.8%)	(1.5%)	3.5%	0.1%	(1.9%)	(3.9%)	0.9%
Premiums																					
YoY Change in Gross Premiums Written	11.3%	6.6%	9.3%	8.8%	10.9%	8.9%	10.3%	11.4%	12.5%	12.0%	11.6%	10.4%	10.0%	11.4%	11.3%	10.8%	10.0%	10.0%	10.0%	10.0%	10.0%
YoY Change in Premiums Earned	**18.0%**	**10.8%**	**8.5%**	**8.2%**	**8.0%**	**8.8%**	**11.0%**	**11.3%**	**11.4%**	**9.8%**	**10.9%**	**10.9%**	**11.9%**	**10.7%**	**10.6%**	**11.0%**	**10.2%**	**10.2%**	**10.2%**	**10.1%**	**10.2%**
Investment Income (Pre-Tax)																					
Core Portfolio	588.9	203.0	229.3	248.6	285.8	966.7	331.2	330.0	298.7	309.7	1,269.5	318.7	325.1	333.3	339.3	1,316.4	345.7	352.6	359.9	367.3	1,425.5
Investment Funds	145.1	2.2	(1.2)	4.5	11.3	16.7	(29.3)	25.5	16.1	16.5	28.7	16.9	17.3	22.2	22.9	79.3	23.5	24.1	24.8	25.5	97.9
Arbitrage Trading Account	45.2	18.3	17.0	17.9	16.2	69.4	18.0	16.7	18.6	19.2	72.5	19.7	20.3	21.0	21.6	82.6	18.5	19.0	19.6	22.1	79.2
Total Pre-Tax Net Investment Income	**779.2**	**223.4**	**245.2**	**270.9**	**313.3**	**1,052.8**	**319.8**	**372.1**	**333.4**	**345.4**	**1,370.7**	**355.3**	**362.8**	**376.5**	**383.8**	**1,478.4**	**387.7**	**395.8**	**404.3**	**414.9**	**1,602.7**
Total Pre-Tax NII Annualized Yield	**3.27%**	**3.61%**	**3.90%**	**4.22%**	**4.72%**	**4.12%**	**4.69%**	**5.35%**	**4.70%**	**4.75%**	**4.87%**	**4.76%**	**4.74%**	**4.80%**	**4.77%**	**4.77%**	**4.70%**	**4.68%**	**4.66%**	**4.67%**	**4.67%**
Margins																					
Loss Ratio	61.3%	61.8%	61.4%	61.9%	60.0%	61.2%	60.2%	62.6%	63.3%	61.5%	61.9%	61.2%	62.5%	63.6%	61.8%	62.3%	61.2%	62.5%	63.3%	61.7%	62.2%
Expense Ratio	28.0%	28.8%	28.1%	28.3%	28.4%	28.4%	28.6%	28.5%	28.7%	28.6%	28.6%	28.6%	28.6%	28.6%	28.5%	28.6%	28.6%	28.6%	28.4%	28.4%	28.5%
Combined Ratio	**89.3%**	**90.6%**	**89.5%**	**90.2%**	**88.4%**	**89.6%**	**88.8%**	**91.1%**	**92.1%**	**90.1%**	**90.6%**	**89.8%**	**91.1%**	**92.2%**	**90.3%**	**90.9%**	**89.9%**	**91.1%**	**91.8%**	**90.1%**	**90.7%**
YoY Change in Loss Ratio (Favorable)	0.2%	2.2%	0.5%	(2.1%)	(0.6%)	(0.1%)	(1.6%)	1.2%	1.4%	1.5%	0.7%	1.0%	(0.0%)	0.2%	0.3%	0.4%	0.0%	(0.0%)	(0.3%)	(0.0%)	(0.1%)
YoY Change in Expense Ratio (Favorable)	(0.5%)	0.6%	0.4%	0.2%	0.6%	0.4%	(0.2%)	0.4%	0.5%	0.2%	0.2%	(0.0%)	0.0%	(0.1%)	(0.1%)	(0.1%)	(0.0%)	(0.0%)	(0.2%)	(0.2%)	(0.1%)
YoY Change in Combined Ratio (Favorable)	**(0.3%)**	**2.8%**	**0.9%**	**(1.9%)**	**(0.0%)**	**0.4%**	**(1.8%)**	**1.6%**	**1.9%**	**1.8%**	**0.9%**	**1.0%**	**0.0%**	**0.1%**	**0.1%**	**0.3%**	**0.0%**	**(0.0%)**	**(0.4%)**	**(0.2%)**	**(0.2%)**
Catastrophe Losses ($)	**211.7**	**47.9**	**53.5**	**61.5**	**32.0**	**195.0**	**30.5**	**89.7**	**110.0**	**61.0**	**291.2**	**49.0**	**85.0**	**123.0**	**69.0**	**326.0**	**52.0**	**90.0**	**123.0**	**72.0**	**337.0**
Cats Points on Combined Ratio	2.2%	1.9%	2.1%	2.3%	1.2%	1.9%	1.1%	3.2%	3.7%	2.0%	2.5%	1.6%	2.7%	3.8%	2.1%	2.5%	1.5%	2.6%	3.4%	2.0%	2.4%
Reserve Development ($)	**35.7**	**24.0**	**(3.0)**	**(1.0)**	**(1.0)**	**19.0**	**(1.0)**	**(1.0)**	**3.0**	**3.0**	**4.0**	**3.0**	**3.0**	**3.0**	**3.0**	**12.0**	**3.0**	**3.0**	**3.0**	**3.0**	**12.0**
PYD Points on Combined Ratio	0.4%	1.0%	(0.1%)	(0.0%)	(0.0%)	0.2%	(0.0%)	(0.0%)	0.1%	0.1%	0.0%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Adjusted Margins																					
Underlying Loss Ratio	58.7%	58.9%	59.4%	59.6%	58.8%	59.2%	59.1%	59.4%	59.5%	59.4%	59.4%	59.5%	59.8%	59.7%	59.6%	59.6%	59.6%	59.9%	59.8%	59.7%	59.7%
Underlying Combined Ratio	**86.7%**	**87.7%**	**87.5%**	**87.9%**	**87.2%**	**87.6%**	**87.8%**	**88.0%**	**88.2%**	**88.0%**	**88.0%**	**88.1%**	**88.3%**	**88.3%**	**88.1%**	**88.2%**	**88.2%**	**88.4%**	**88.3%**	**88.0%**	**88.2%**
YoY Change in Loss Ratio (Favorable)	0.0%	0.6%	0.9%	1.0%	(0.5%)	0.5%	0.2%	0.0%	(0.1%)	0.5%	0.2%	0.4%	0.3%	0.2%	0.2%	0.3%	0.1%	0.1%	0.1%	0.1%	0.1%
YoY Change in Combined Ratio (Favorable)	**(0.5%)**	**1.1%**	**1.3%**	**1.2%**	**0.0%**	**0.9%**	**0.0%**	**0.5%**	**0.3%**	**0.8%**	**0.4%**	**0.4%**	**0.4%**	**0.1%**	**0.1%**	**0.2%**	**0.1%**	**0.1%**	**(0.1%)**	**(0.1%)**	**0.0%**
Book Value and Return on Equity																					
GAAP Book Value per Share	**$17.01**	**$17.63**	**$17.83**	**$17.87**	**$19.37**	**$19.37**	**$20.23**	**$20.42**	**$21.29**	**$21.87**	**$21.87**	**$22.89**	**$23.85**	**$24.78**	**$25.53**	**$25.53**	**$26.67**	**$27.76**	**$28.82**	**$29.71**	**$29.71**
Operating Return on Equity	**18.5%**	**16.1%**	**18.2%**	**21.2%**	**21.8%**	**19.3%**	**22.2%**	**21.5%**	**18.2%**	**20.2%**	**20.5%**	**20.6%**	**18.8%**	**17.4%**	**19.3%**	**19.0%**	**19.5%**	**17.8%**	**16.8%**	**18.4%**	**18.1%**
Share Count																					
Ending Common Shares	396.8	393.8	386.3	387.1	384.8	384.8	384.8	380.6	378.0	377.1	377.1	376.2	375.3	374.4	373.5	373.5	372.7	371.8	371.0	370.2	370.2
Weighted Average Diluted Shares	**419.2**	**416.0**	**409.6**	**407.2**	**406.5**	**409.9**	**405.8**	**403.7**	**401.5**	**400.7**	**403.4**	**400.1**	**399.3**	**398.8**	**398.0**	**399.6**	**397.6**	**396.8**	**396.5**	**395.7**	**397.2**
Capital Return to Shareholders																					
Common Dividends	235.2	158.6	28.3	157.4	157.1	501.4	42.3	157.0	45.4	170.9	415.6	45.1	45.0	44.9	169.3	304.4	44.7	44.6	44.5	167.8	301.7
Share Repurchases	94.1	135.2	292.5	2.9	106.7	537.3	0.0	223.8	50.0	50.0	323.8	50.0	50.0	50.0	50.0	200.0	50.0	50.0	50.0	50.0	200.0
Total Capital Returned	**329.3**	**293.8**	**320.8**	**160.3**	**263.8**	**1,038.7**	**42.3**	**380.8**	**95.4**	**220.9**	**739.4**	**95.1**	**95.0**	**94.9**	**219.3**	**504.4**	**94.7**	**94.6**	**94.5**	**217.8**	**501.7**
Dividend Payout Ratio	19.2%	57.5%	9.0%	42.9%	40.1%	37.2%	10.0%	37.5%	12.6%	41.5%	25.8%	10.4%	10.9%	11.3%	37.3%	17.9%	9.4%	9.9%	10.1%	33.6%	16.2%
Share Repurchase Payout Ratio	7.7%	49.0%	92.9%	0.8%	27.2%	39.8%	0.0%	53.5%	13.9%	12.1%	20.1%	11.5%	12.1%	12.6%	11.0%	11.8%	10.5%	11.1%	11.3%	10.0%	10.7%
Total Payout Ratio (% of Operating Income)	**26.9%**	**106.5%**	**101.9%**	**43.7%**	**67.3%**	**77.0%**	**10.0%**	**91.1%**	**26.6%**	**53.6%**	**45.8%**	**21.9%**	**23.1%**	**23.9%**	**48.3%**	**29.7%**	**19.9%**	**21.0%**	**21.4%**	**43.7%**	**26.9%**
Equity Rollforward and Leverage																					
Beginning GAAP Equity	6,653.0	6,748.3	6,944.0	6,887.2	6,915.6	6,748.3	7,455.4	7,784.8	7,773.8	8,046.4	7,455.4	8,246.6	8,610.3	8,951.2	9,277.8	8,246.6	9,536.5	9,941.2	10,321.9	10,693.2	9,536.5
Net Income	1,381.1	294.1	360.3	333.6	397.3	1,385.4	442.5	371.9	368.0	421.2	1,603.6	458.8	435.9	421.5	478.0	1,794.2	499.4	475.3	465.9	523.2	1,963.8
Common Dividends	(235.2)	(158.6)	(28.3)	(157.4)	(157.1)	(501.4)	(42.3)	(157.0)	(45.4)	(170.9)	(415.6)	(45.1)	(45.0)	(44.9)	(169.3)	(304.4)	(44.7)	(44.6)	(44.5)	(167.8)	(301.7)
Share Repurchases	(94.1)	(135.2)	(292.5)	(2.9)	(106.7)	(537.3)	0.0	(223.8)	(50.0)	(50.0)	(323.8)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)
Change in AOCI	(983.0)	186.0	(102.0)	(142.0)	397.0	339.0	(98.0)	(10.0)	10.0	(10.0)	(108.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	26.6	9.4	5.7	(2.9)	9.3	21.4	27.3	7.8	(10.0)	10.0	35.1	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	0.0	(0.0)	0.0
Ending GAAP Equity	**6,748.3**	**6,944.0**	**6,887.2**	**6,915.6**	**7,455.4**	**7,455.4**	**7,784.8**	**7,773.8**	**8,046.4**	**8,246.6**	**8,246.6**	**8,610.3**	**8,951.2**	**9,277.8**	**9,536.5**	**9,536.5**	**9,941.2**	**10,321.9**	**10,693.2**	**10,998.5**	**10,998.5**
AOCI	(1,265.0)	(1,079.0)	(1,181.0)	(1,323.0)	(926.0)	(926.0)	(1,024.0)	(1,034.0)	(1,024.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)	(1,034.0)
Equity ex. AOCI	8,013.3	8,023.0	8,068.2	8,238.6	8,381.4	8,381.4	8,808.8	8,807.8	9,070.4	9,280.6	9,280.6	9,644.3	9,985.2	10,311.8	10,570.5	10,570.5	10,975.2	11,355.9	11,727.2	12,032.5	12,032.5
Leverage																					
Debt/Capital	29.6%	29.0%	29.2%	29.1%	27.6%	27.6%	26.7%	26.7%	26.1%	25.6%	25.6%	24.8%	24.1%	23.4%	22.9%	22.9%	22.2%	21.6%	21.0%	20.5%	20.5%

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

Investment Thesis, Valuation and Risks

W.R. Berkley Corporation (WRB)

Investment Thesis

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

Target Price Valuation for WRB: $59.00 from $62.00

- Our price target of $59 is based on just around a 2.3x multiple of our year-end 2025 book value estimate
- Our price target also represents a ~14.0x multiple against our 2025 EPS estimate.
- The 14.0x is a slight discount to where WRB has historically traded as we look to be conservative given social inflation impacting both current and prior accident years.

Risks to Our Price Target and Rating for WRB

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

Required Disclosures

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

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

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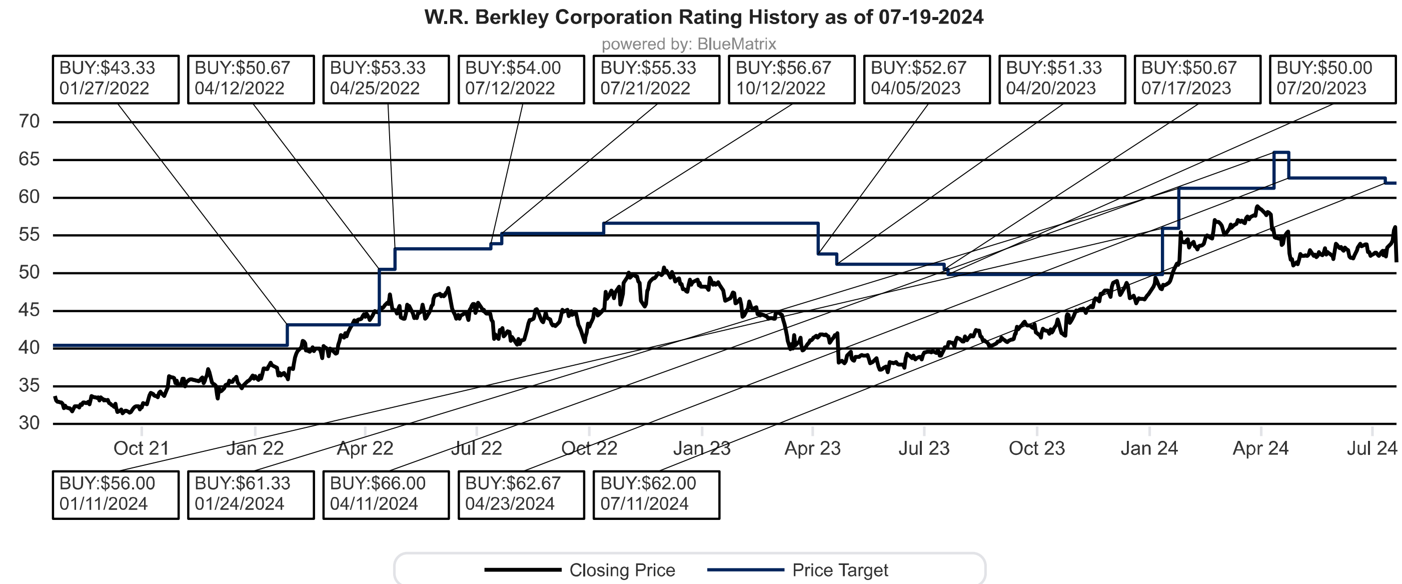

Initiation (I); Drop Coverage (D); Overweight (BUY); Equal Weight (HOLD); Underweight (SELL); Suspended (SR); Not Rated (NR); No Estimate (NE)

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

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

As of July 21, 2024
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