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W. R. Berkley Corporation

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Earnings Call

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Call Participants

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Executive VP & CFO

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William R. Berkley

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Presentation

Operator

Good day, and welcome to the W.R. Berkley Corporation's Fourth Quarter and Full Year 2023 Earnings 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 be -- 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, 2022, and our other filings made with the SEC for a description of the business environment in which we operate and the important factors that may materially affect our results. W.R. Berkley Corporation is not under any obligation and expressly disclaims any such obligation to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.

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

W. Robert Berkley, Jr.

Sarah, thank you very much. And good afternoon all, and welcome to our fourth quarter call and for that matter, full year '23 call. In addition to me, you also have Bill Berkley, Executive Chairman on the call as well as Rich Baio, our Chief Financial Officer of the company.

We are going to follow our usual agenda where, very shortly, I'm going to hand it over to Rich. He's going to walk us through some highlights from the quarter. Once he's completed his comments, I'll offer a couple of thoughts of my own. And then we'll be pleased to open it up for Q&A.

Before I hand it over to Rich, I did just want to offer a thought or 2. And for some participants, this probably won't be new to, I guess, a discussion that we've had in the past. For our organization, there is, without a doubt amongst all of us colleagues, a shared recognition that the goal of the exercise is value creation. We approach this through a lens that we've again touched on in the past, but I'll flag it again, a lens that we refer to as risk-adjusted return.

All returns are not created equal. One needs to consider the type of risk that you are taking on in order to achieve that return. And in contemplating that risk, one needs to consider volatility as a component of that. One needs to ask themselves the question, am I getting paid enough for that risk, and of course, in considering that, what role volatility plays.

In the fourth quarter of '23, there should be many market participants that report good numbers. But I think that one needs to look beyond just a quarter. One needs to look at the year. One needs to look at the past several years. When it comes to value creation, it's not just about a step forward. It's about consistently taking steps forward, and it's about avoiding taking steps backwards.

When you look at the results of our quarter, without a doubt, they are very strong, very robust by any measure. But I would encourage people to look at the full year and look at the past many years. And our ability to create value, taking into account the risk that we are accepting in order to achieve those returns is really the cornerstone why we've been able to build value for shareholders so successfully over many years this quarter and this year, no exception.

So to that end, before I hand it over to Rich, I would like to thank and congratulate my colleagues throughout the organization on a really outstanding quarter, outstanding year and yet another year of a job very well done. Also on behalf of my colleagues, I would like to thank our shareholders for allowing us the opportunity and the privilege for managing capital on their behalf.

I will pause there. And Rich, over to you. What do you have for us?

Richard Mark Baio

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Executive VP & CFO

Thanks, Rob. Appreciate it, and good afternoon, everyone. The company continued to report record-setting financial results in the quarter, leading to an outstanding full year. Net income increased to $397 million or $1.47 per share compared with $382 million or $1.37 per share in the prior year quarter. Annualized return on beginning of year equity was 23.6%. Record operating income increased more than 21% to $392 million or $1.45 per share, with an annualized return on beginning of year equity of 23.2%. Our extreme ownership in maximizing risk-adjusted return in everything we do contributed to our record full year underwriting income, net investment income, operating income and net income.

Our top line growth accelerated throughout the year with the fourth quarter, reflecting a 12% increase in net premiums written to more than $2.7 billion, bringing the full year to a record of almost $11 billion. On a constant foreign currency exchange rate basis, the quarterly and full year growth was adversely impacted by approximately 50 basis points due to the weakening U.S. dollar.

On a segment basis, Insurance grew 12.3% to more than $2.4 billion in the quarter from rate improvement and exposure growth. The Reinsurance & Monoline Excess segment increased 10.2% to more than $300 million. This marks a record level for full year gross and net premiums written for each segment.

Turning to underwriting performance. Record quarterly pretax underwriting income increased 8.2% to $316 million, representing a calendar year combined ratio of 88.4%. Current accident year catastrophe losses were flat at 1.2 loss ratio points for the comparable quarters with $32 million and $30 million reported in fourth quarter 2023 and 2022, respectively. Prior year development was favorable by $1 million, bringing our current accident year loss ratio ex cats to 58.8%. The improvement over the prior year's quarter of 50 basis points was primarily due to business mix and lower attritional property losses. The expense ratio increased 60 basis points to 28.4% in the current quarter, flat to the 2023 full year.

The increase from the prior year's quarter is consistent with our prior communication, that being lower ceding commissions resulting from business mix and reinsurance structure changes over the past year. In addition, increased compensation costs and start-up operating unit expenses have also contributed to the small increase. We expect that our 2024 full year expense ratio should be comfortably below 30%, taking into consideration investments in such things like technology and data and analytics as well as new start-up operating unit expenses. So in summary, our current accident year combined ratio, excluding catastrophes for the quarter, was 87.2%.

Record quarterly pretax net investment income increased more than 35% to $313 million, bringing the full year to more than $1 billion for the first time in the company's history. The combination of our short duration and record level operating cash flow of more than $2.9 billion in the full year has positioned us well to invest in securities with higher interest rates.

The book yield on the fixed maturity portfolio continued to advance throughout the year to 4.4% on a 12-month basis. Our net invested assets increased approximately 10% in the past year to almost $27 billion. The credit quality of the portfolio remains very strong at AA- with the duration on our fixed maturity portfolio including cash and cash equivalents of 2.4 years.

The investment funds improved from the consecutive quarter to $11 million although declined from the prior year, in large part due to market value adjustments in the real estate fund area. As a reminder, the investment funds are generally reported on a 1-quarter lag.

Foreign currency losses in the quarter related to the U.S. dollar weakening relative to most other currencies. It's worth noting, however, that the net effect to stockholders' equity is negligible since the improvement in our currency translation adjustment more than offset the amount reflected in the income statement. Stockholders' equity increased to a record of almost $7.5 billion.

Careful capital management throughout the year resulted in 3 special dividends of $0.50 each per share plus regular quarterly dividends totaling $501 million. In addition, share repurchases in the quarter of almost 1.6 million shares contributed to a total of more than 8.7 million shares repurchased during the year amounting to $537 million or $61.69 per share. So our capital management during 2023 aggregated

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to more than $1 billion, the most we've returned to shareholders in 1 year while growing shareholders' equity more than 10% and maintaining more than adequate capital to support ongoing growth in the business. Book value per share increased 11.6% and 25.5% in the quarter and full year before dividends and share repurchases.

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

W. Robert Berkley, Jr.

Rich, thank you very much. Pretty attractive picture, and even a conservative CPA couldn't make it sound anything other than encouraging. So a couple of observations on my end. Obviously, the top line growth, we're pleased with the progress that we're making relative to the past few quarters. I think this is unfolding exactly as we suggested.

Just calling out a few pieces of that puzzle. Clearly, some of the things that we had talked about as far as portfolios that we were separating from, much of that pig is through the python. The specialty market in general continues to be particularly attractive. I would highlight E&S especially. Furthermore, I don't think that party is over. When we are looking at the submission flow, we continue to be quite encouraged.

On the other hand, certainly, within the professional liability space, and I'll call out public D&O as perhaps one of the extreme examples, I think it is delicate and treacherous. And as you can see in the numbers in our release, we are treading thoughtfully as you'd expect.

Rich touched on the rate coming in at 8%, which, based on our assessment, it's pretty clear that we are comfortably exceeding any reasonable assumption around loss cost trend, and we are encouraged by that. I know that there are a couple of chicken littles out there that are sort of hanging on the rate number that we share on a quarterly basis, and some might say, well, geez, this is down below where it was in the third quarter. And that is a factually correct statement.

That having been said, I would caution people to please understand that is really driven by mix of business and not just product line. But we have more than 60 different businesses under the group umbrella, and at any moment in time, some are growing more than others, and rate opportunity is not equal amongst all the businesses in the group and obviously all product lines as well.

And just as a point of reference, you'll recall this time or fourth quarter '22, we got 6.9 points of rate ex comp. So again, we are comfortably above where we were a year ago, and we are confident, again, that we are exceeding trend by a meaningful margin.

Again, Rich talked about the losses. I'm not going to get into that. The only thing that I will flag is that the paid loss ratio for the quarter came in at 48 and change. And for I don't know how many quarters it is at this stage, it's just sort of floating between 46 and 49, which I think is really just a reflection of the rate action along with the underwriting discipline and focus of our colleagues that are allowing us to be arguably writing business at a pretty healthy margin to say the least.

Again, Rich touched on the expense piece, so I'm not going to rehash that other than I will make the one comment that, for purposes of '24, we have some businesses that we started prior and those are going to be impacting our expense ratio. Though even with those coming into the expense ratio as they are in business for a full year, the fact of the matter is that's going to be a relatively modest drag.

Going the other way as far as benefit goes. You can see what happened with our written premium in Q3 and certainly in Q4. And we all know how that's going to trickle through and impact the earned in '24, which will clearly be a positive.

Last comment on the investment portfolio. Rich touched on that as far as the book yield. As far as we're concerned, the new money rate for us still today, even with all the humming and hung about where interest rates are going, we still can put money to work at 5-plus percent. So we think that there's opportunity there.

As Rich mentioned, the duration, 2.4 years, we are looking for the window of opportunity to nudge that out. We are not in a rush. We have a slightly different view than much of the world as to where interest

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rates are going. And when the window of opportunity presents itself, you will likely see that 2.4 moving out from here.

So again, I think it's exciting that we had a good quarter. It's rewarding and encouraging that we had a good year and top of a good year in '22 and so on. But I think the most encouraging thing is when you look at where -- or I should say, how the table is set for '24 and beyond, we are in a very good place and not only on the underwriting side but on the investment side. So I believe in '24 and likely beyond, you are going to continue to see this economic model firing on all cylinders.
So that probably wasn't as brief as I promised, but it was relatively brief for me. And I'm going to pause there. And Sarah, we would be very pleased to open it up for questions. Thank you.

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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, Rob, probably picking up kind of where you were ending with your comments. Premium growth picked up, right, in the third and the fourth quarter, ending at 12% in the fourth quarter. So as you think out to '24, is that kind of the baseline? Would you expect the quarters of '24 to all be 12% or greater just given the momentum that you've been highlighting on the call?

W. Robert Berkley, Jr.

Elyse, I appreciate that you and other colleagues are trying to build models and making certain assumptions. But the truth of the matter is that -- tell me what market conditions are going to be, and I can give you a thoughtful answer to your question. There is nothing that I see today that leads me to believe that there isn't meaningful opportunity before us.

And again, do I think the 12% number is a reasonable number to use? Yes. Do I think it's possible it could be better than that? It certainly is possible. But again, tell me what the market conditions will be, and then I can give you a more thoughtful answer as opposed to fumbling around on this end.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Well, maybe sticking with that market thought, right? We've heard a lot of conjecture about whether we start to see a broader strengthening of the casualty market. And so where are you on that? Do you think we'll start to see more broad-based pricing momentum within casualty lines as we go through 2024?

W. Robert Berkley, Jr.

I think you should. From our perspective, obviously, one of the big drivers there is social inflation. And as far as we're concerned, it's alive and well. In addition to that, as far as another pressure point, I think you're starting to see the reinsurance marketplace, particularly on the treaty side, but across the board, sorry to wake up and really recognize some of the challenges that the liability market faces and this kind of pressure that you saw the reinsurance marketplace put on the property line, I think, while it may not be to the same extent, I think you're going to see them start to really focus on some of the liability lines, and I think that will perhaps introduce further discipline into the casualty market.

Quite frankly, if you go back in time, we've sort of been standing on our head and jumping up and down, talking about social inflation for many years. And we started pushing on rate pretty early. And it's been good to see more recently people showing up to the party and recognizing what that loss trend is, recognizing what that means for this loss cost and taking action. So long story short, I think that there's some more legs to the liability market, particularly umbrella, auto liability, geo and just a lot of the excess market overall.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then one more. You guys said $1 million, and I think, a favorable development in the quarter. I know we typically get more color when the K is filed. But any movements within lines or accident years that were more significant nature in the fourth quarter?

W. Robert Berkley, Jr.

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Nothing that's particularly earth shattering. I would say it's kind of more of the same. But if you're looking for more detail, I'd encourage you just to give Karen or Rich a call and if you can't get one of them, just give me a buzz.

Operator

Your next question comes from the line of Mark Hughes with Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

How -- what are you seeing in terms of loss development on some of those older accident years, particularly in the casualty lines? Any change in trajectory this year compared to prior years?

W. Robert Berkley, Jr.

I would suggest that some of the older years are beginning to show signs of petering out. And I think some of the more recent years that look particularly encouraging, as they season out more, we will be more inclined to recognize the good news. But I think at this stage, if you look at the average duration of our loss reserves or an average life of our loss reserves, which is 3.5-plus years, just shy of 4 years at this stage, we have our arms around, I think, a lot of the years that were particularly frustrating, where I think the industry may have gotten caught a little flat-footed and ourselves are not completely insulated from that with social inflation.

I think we may have gotten on top of it a little quicker than some, but nevertheless, '16 through '19 is not without its challenges. That having been said, I think some of the more recent years are encouraging. But I think '16 through '19 are slowing considerably. And certainly, the earlier of that group, I think, have maybe not fully played out but are pretty darn close.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes, very good. How about on the workers' comp? You had some growth in net premiums written this quarter. How are you thinking about that?

W. Robert Berkley, Jr.

Yes. That was primarily due to payroll, if you will, just wage -- or wage inflation if you like. So I think...

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Anything -- any update on...

W. Robert Berkley, Jr.

We still have reservations about the product line. We're pleased that we participate in the market. We think our colleagues that are in the space have exceptional expertise and are managing the capital well. But by and large, if there's a little bit more of a certainly neutral to defensive posture at this stage, I think as we've talked about in the past, we think that the medical trend is going to prove to be challenging. As far as obviously the U.S. comp market is both broad and deep and from what I hear from my colleagues that are far more knowledgeable than I, I would keep an eye on California for leading the charge as far as a market bottoming out.

Operator

Your next question comes from the line of Mike Zaremski of BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

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I guess just if we wanted to reflect on the past 12 to 18 months and if you could -- you've discussed it a bit, but there was kind of a pivot downwards and growth for a bit. Did the -- was the pivot more the marketplace change in terms of competition? Or was it more so reflection of what you've been talking about, hey, loss costs are -- we need to do a bit of a true-up and you've gotten that pig through the python and kind of now the -- it's kind of smoother sailing from here. Just kind of curious how much was kind of more, you think, [oracley] specific versus just market forces and the competitors doing their thing.

W. Robert Berkley, Jr.

So the way I would characterize it, Mike, is I think that the market is changing every day. And if you go back, call it, 2 years ago, professional liability, D&O, as an example, was in a different place than it is today. So you have that force.

On the other hand, clearly, 2 years ago, property was in a different place than it is today. So you have all these pieces that at any moment in time. Some things are firming. Some things are softening, and obviously that instructs how we feel and how strong or not our appetite is.

In addition to that, I think as we may have flagged in some earlier calls, there were a couple of what I would describe as media relationships scale-wise that we came to a shared understanding that we agreed to disagree as to what an appropriate rate need is and what action was required. And as a result of that, we wished each other well or at least we wished them well. And that played a role in it as -- in addition to the earlier comments.

So do I think that the 12% is this like phenomenal number that's a one-off? The answer is no. I think that there were some things in the first half of the year that served as somewhat of an extreme drag. And what you're seeing now is a lot of that shift away has been processed.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. That's helpful context. Clearly, the ROE for the year ended up being excellent. So I guess just switching gears a little bit. I think you mentioned the reinsurers. Anything we should be thinking about maybe within your expense ratio guidance or just as the year progresses in terms of if the reinsurers are able to successfully garner higher pricing, ceding commissions or whatnot on what they charge their counterparties such as Berkley for casualty reinsurance? I know you guys have a reinsurance arm obviously, too, so there's an offset, but just curious if there's something in there you could talk about.

W. Robert Berkley, Jr.

Obviously, we take that from one pocket and hopefully, we're getting it back and then some in the other pocket. I think one of the things that -- so do I think it's possible that you're going to see some of the reinsurance marketplace trying to take action, for example, ceding commissions? Yes, I do. The good news for our organization, as we've discussed, because of our limits profile and how the business is operated with approximately 90% of our policies that are legally allowed to have limits having a limit of $2 million or less, that makes us less reinsurance dependent.

So consequently, we have the ability to pivot and think about what we buy perhaps differently than some of our peers. And we also can shift structurally. So as Rich mentioned earlier around the cede, part of the reason why the -- excuse me, around the expense ratio, partly has to do with cede where people wanted to cut ceding commission. So maybe we switch to an XOL structure that made sense to us given the rate environment. And that worked out.

So the punchline is this, Mike, a hardening reinsurance market when it comes to the casualty lines, net-net, will be very good for us as an organization because it will force further discipline and consequently, pricing power for the primary market. And in addition to that, my colleagues on the reinsurance side, I'm sure we'll be right in there, seizing the opportunity.

Michael David Zaremski
BMO Capital Markets Equity Research

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Okay. That's helpful. And maybe if I can sneak one last one in if Bill thinks it's a question worthy of his wisdom. Presidential election year, to the extent the outcome is for a change of the guard, is there anything market-wise, investment portfolio-wise or just interest rate-wise you guys are thinking of in terms of powder dry or pivot if that is an outcome late this year?

W. Robert Berkley, Jr.

Before he answers that, I think we may need to read the safe harbor again.

William R. Berkley

So I think the bottom line is we've got a $2 trillion deficit. 92% of the world's countries have deficits. There is going to be enormous demand for money. Number two, we are the only significant democratic country that doesn't have any kind of national sales tax. We have some flexibility.

However, you have to look at every time there's been a need to come to a conclusion, Democrat or Republican, the conclusion has been both parties spend more money. So what that tells you is spending money and not having taxes go up are cornerstone of the policies both parties have chosen to follow. At some point, we're going to have to decide someone is going to have to pay for all we're doing. And whether that's a value-added tax or increasing income taxes or whatever, we are going to have to do something and it's going to happen during the next presidential period or social security and Medicare, Medicaid are going to be in jeopardy.

So I don't think it matters who's elected. That's a problem that we're going to face. It won't happen until after the election. Whoever is elected won't matter. And I think what that's going to mean is we're going to have some pressure on inflation, pressure on government spending. And I don't think that means good things or interest rates coming down. I would expect interest rates, at best, will be flat.

I think people are biased by the fact that we had an extended period with extraordinarily low interest rates. I don't think interest rates are going to go crazy, but I don't think we're going to see them consequentially lower than they are now, probably a little higher.

Operator

Your next question comes from the line of David Motemaden of Evercore ISI.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I just had a question on the rates that you guys are seeing now in liability lines if we exclude comp and exclude financial lines. I'm wondering if you started to see evidence of those rates accelerate in the quarter -- in the fourth quarter. I'm just trying to get a sense for if we were to adjust for the mix dynamics that you just mentioned in your opening remarks, if we're actually starting to see those rates move higher in response to the environment.

W. Robert Berkley, Jr.

So generally speaking, we don't break the rate data out by product line, but I guess, to give you a little bit of color, I would tell you that we are very happy with the rate increases that we are achieving in much of the liability market, to say the least. We are comfortable that putting aside some challenges within the professional liability space, the rest of it, we think that we are keeping up with trend and then some or clearing trend by a meaningful margin.

So are things better in Q4 than they were in Q3? I don't really have the specific numbers in front of me at the moment. But just from having my finger somewhat on the pulse, I am very comfortable that the underwriting environment for the lines that you're referring to is every bit as healthy in Q4 as it was earlier in the year, possibly better. And there's nothing that leads me to believe that, that momentum is going to diminish.

And quite frankly, it's just simply being driven by loss costs and the environment, which appropriately, I think, is making people focus on it more and more. So we feel like we're in a good place.

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David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

That's encouraging. And then maybe if I could just move to the accident year loss ratio ex cat. So if I look at the improvement year-over-year, I was wondering -- and I know this is getting a little bit granular, but I think the prior period had some fire losses in there. Was the improvement really just the absence of those fire losses? And are we sort of at a clean baseline here going forward?

W. Robert Berkley, Jr.

Rich, do you want to speak to that?

Richard Mark Baio
Executive VP & CFO

Sure, Rob. I would say, yes, it is certainly part of the reason for the change quarter-over-quarter. We certainly, over the last few quarters, as Rob has alluded to, I think, on some of the earlier calls, been making some changes with regards to re-underwriting some of the property risk side of things. And so yes, there has been an improvement. Certainly, much progress has been made. Can't say that it's completely completed, but certainly do I anticipate a better position going forward.

Operator

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

Ryan James Tunis
Autonomous Research US LP

Just a couple from me on -- from an insurance growth standpoint. First one, just on professional lines. I guess I was kind of hoping that as we started lapping some of those comps from -- when this was started a year ago, maybe we'd see a little bit of better growth, but it looked like growth was down again even after being down last year in the fourth quarter. Is that not the right way to think about it? Is this aligned -- based on where market conditions are, it's...

W. Robert Berkley, Jr.

Are we speaking about professional -- sorry, Ryan, I'm just trying to make sure.

Ryan James Tunis
Autonomous Research US LP

Professional lines, yes. I'm just trying to understand the...

W. Robert Berkley, Jr.

Yes. The skinny on that, at least through -- in my opinion is the D&O market, particularly public D&O market has been, from a pricing perspective, in somewhat of free fall. And rates went up considerably, and now they're coming back down. And then we have a view as to what rate adequacy is. And ultimately, while we're sorry to see it go, if it goes, it goes. We're not going to chase it down the drain.

In addition to D&O, a couple of other product lines that I'd call out would be medical professionals, specifically hospital professional liability where the lack of discipline in that product line over the past, quite frankly, a couple of years, I think, has given reason to pause. To our colleagues' credit, they also there have been operating with the discipline. So that's, quite frankly, having an impact on the top line as well. Other areas that I would flag, maybe one other would be architects and engineers with some of the larger accounts, where, again, we have found that the market's willing to do things we don't think makes sense and the price has come up.

So professional liability, extraordinarily broad category, just trying to give you a little bit of a flavor with some of the bigger pieces of that puzzle. But yes, there are some areas within the professional space that we still find notably attractive, particularly nonstandard. And then there are some big chunks of the

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professional lines, some of which I just referenced, that I think should be giving anyone who's responsible and disciplined real reason to pause.

Ryan James Tunis
Autonomous Research US LP

Got it. And then I guess just a follow-up on the short-tail lines. Growth for the full year was like around 20%. Just trying to understand how much is the composition -- how much from a composition standpoint did that change this past year? Was it more than normal because of the rate environment? Or was most of that growth exposure and rate action on stuff you'd already been writing in 2022?

W. Robert Berkley, Jr.

So it's a combination of both. As you'd expect, we're pushing pretty hard on the rate front, and it's sticking. In addition to that, as we see rate adequacy more and more attractive, then we're going to lean into that. And you would take note the growth, for example, in short-tail lines are specifically property in the reinsurance business during the '23 year. And of course, we had meaningful growth on the property front and the E&S space as well, both through our domestic businesses as well as through our London operation.

Ryan James Tunis
Autonomous Research US LP

Got it. So I guess how is like your outlook for the type of cat exposure you have? Has that changed at all?

W. Robert Berkley, Jr.

Not meaningfully when the day is all done. I mean, as I said a few moments ago, the majority of our growth is driven by rate. So there's a lot of things where our exposure hasn't changed, but we're charging considerably more.

Also, that has led to opportunity to write some additional business as well. But I don't have a specific breakout on the 20% what's rate versus exposure. But if you'd like, you're welcome to follow up with us tomorrow, and we can give you some more context.

Operator

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

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

A follow-up to Ryan's question. We've seen growth in commercial auto accelerate over the last 2 quarters. And I was wondering, is there something changing in rates there? Or is that a change in exposure?

W. Robert Berkley, Jr.

I think, primarily, what's driving it is we're discharging a lot more. We're getting a -- we're insisting on a lot more rates. That's a big driver. No pun intended.

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

None taken. No, that's helpful. Second, I know that you've talked about sort of waiting for, let's say, accident years 2020 and subsequent to mature a little bit. I was hoping we can get a little bit of a peek in terms of what you're seeing even before you take any reserve actions on those years.

W. Robert Berkley, Jr.

Well, I would suggest you look at the paid loss ratios. I'd also -- because that's a reality. In addition to that, I would encourage you to have a look at how much IBNR we are carrying relative to case for some of those years. And further, I would encourage you to look at how much IBNR we're carrying relative to our

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total reserves for those years. And I think that directionally should give you something to hang your hat on.

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

Perfect. And if I can follow on one other question really quickly. When you look back at the experience you had as you sort of expanded modestly into property cat in 2023, does that leave you wanting more or less exposure in 2024?

W. Robert Berkley, Jr.

The answer is that, I think, that 2024 at least so far based on what we saw at 1/1 is likely to continue to provide a very good opportunity. Is it going to be quite as attractive as '23, perhaps not. But I think that even if it isn't, that doesn't mean it's no longer an attractive opportunity.

So we, as far as property cat goes in a very measured way, continue to be bullish on the opportunity. But as I said earlier, we are doing a bit more, but the growth is really driven by the rate. I don't think you're going to -- you would not see a dramatic shift in our risk profile.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

Rob, a couple of things here. First one, just on that, just some clarity here. So obviously, big growth in property reinsurance. What did you all do at 1/1? I'm assuming we won't see the same type of growth in 2024 that we saw in 2023 in that area. I know you were pretty opportunistic in '23.

W. Robert Berkley, Jr.

I'm sorry, as far as our property writings [indiscernible]?

Brian Robert Meredith
UBS Investment Bank, Research Division

Property re. Property re, reinsurance.

W. Robert Berkley, Jr.

Brian, I think that -- I think I'm happy to share that with you, but I want to check with our general counsel to make sure that I'm allowed to share that with you. But what I know I can share with you is that our general view on the property cat market at 1/1 was that it was still very attractive, maybe not quite as attractive as it was at 1/1/23; or said differently, I think the market is still very attractive, but I also believe it has peaked at least for the moment.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. Interesting. And then I guess my next question, Rob, and we talked a little bit about this earlier, the ceded reinsurance program and your flexibility there. I'm just curious. Is this kind of the time in the market that maybe you do want to retain more of that business just because rates are quite adequate? Your operating leverage is still relatively low compared to history. Why wouldn't you kind of just lean in here and retain more of it?

W. Robert Berkley, Jr.

There are parts of the business that we are grappling with exactly those questions. And ultimately, the reinsurance marketplace from our perspective is that there are some people that are our partners through thick and thin, and there are some people where it's much more of a transactional relationship. Those that

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are our partners through thick and thin, we are not likely going to cut them off if you will. Those that are more transactional in nature, we come to the table, recognizing we are renting their capital.

And we have a choice, whether we're going to use our own or whether we're going to rent theirs. And my colleagues are pretty good at doing the math, and we try and figure out what makes sense. So are there parts of the business where, if the reinsurance marketplace were to push us, we might exercise that option of keeping more for exactly the reasons that you're flagging?

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then can I ask one big picture question? I'm just curious. If I look at the industry and the commercial lines and the combined ratios and margins that companies have been reporting, and you've been pretty consistent in the last couple of years, but they're about as good as they've ever been, right, I mean, at least in ['20, '25] years. So I guess my question then is what's the client pushback there. What's the broker pushback? When you're kind of trying to push for incremental rate, and I get it that loss cost inflation is improving a little bit here, but the returns the industry is generating right now are incredibly attractive.

W. Robert Berkley, Jr.

I'm not close enough to it, but I think we're using a pretty broad brush. I think that if you look back at some of the personal lines players or even some of the commercial line folks that write property books, it hasn't been necessarily a wonderful 5 years for them. Maybe it's better today.

But when the day is all done, I think one needs to use a bit of a finer brush and really look at it at product line by product line. I think as I suggested earlier, I think Q4 is going to be a really attractive quarter for many market participants. But I don't think 2023 proved to be this remarkable experience for all carriers.

So again, do I think that the industry is in a better place today certainly for many product lines than it's been at other moments in time? Yes, I agree with that comment. But I think if you look at the total results, for a lot of insurance companies for the '23 year, not everyone's hanging their hat on a return that starts with a 2.

Operator

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

Joshua David Shanker
BofA Securities, Research Division

This is probably a Rich question here. I'm looking at the traditional investment income and stepped up materially $249 million in the third quarter. You're about 280 -- have 288, I think can change for this quarter. That's a pretty large step-up in -- the implied yield stepped up a lot. Is there any onetime type of coupons or onetime dividends in that number? Or is that a good approximation of where the yield on the book was through the fourth quarter?

Richard Mark Baio
Executive VP & CFO

So we have seen an increase, Josh, in the overall book yield. I'd say, from a fixed maturity perspective, we certainly have been able to deploy capital and reinvest at higher rates, as Rob was alluding to earlier in some of his remarks in terms of where the new money rate is and where the roll-off is. So certainly, that's been a big contributor to it.

We did have a little bit of an uptick, if you will, with regards to some securities that we own in Argentina that are inflation adjusted as well. So that did create a little bit of an uptick. But I would tell you that the book yield in the quarter, I would say, core would be around 4.7%, which is certainly up from where we were at the end of the third quarter.

Joshua David Shanker

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BofA Securities, Research Division

And you spoke, Rob, about the new money yield being in excess of 5% right now, and given all the chatter and whatnot about rates and everything, a lot may have even happened since the new year began. Is there any desire or action going on at the company? Duration's still 2.4 years. Is there intention to crystallize some of the yield at these higher yields available in the market right now?

W. Robert Berkley, Jr.

So Josh, our goal is -- if the opportunity presents itself to move that duration out a bit from here, if that is your question, I want to make sure I'm understanding it. We're going to move it out and...

Joshua David Shanker
BofA Securities, Research Division

Yes. I mean [indiscernible] this works, too, yes. Same way -- different way of putting it.

W. Robert Berkley, Jr.

Yes. So our desire is to move it out, but we're going to move it out when we see the window of opportunity. So would we like to see that move out to 2.5, 2.6, 2.7 over time? Yes, we would, but we're going to do that in a way that makes sense. So I would encourage you to stay tuned. And we're -- there's a lot of volatility in the world. And when we see the things working with us, we're going to try and lean into that window. But we're just trying to roll with the punches, and again, it's a remarkable volatility.

Joshua David Shanker
BofA Securities, Research Division

And one last investment-oriented question. Given the macro outlook for things at this point in time, does it make sense to lean in and perhaps contribute more of the portfolio to the investment fund type of investments?

W. Robert Berkley, Jr.

Actually, I think, at this stage, quite the contrary. We're very pleased with what the traditional fixed income portfolio is offering us. And I think just as a general mix, while I don't see us exiting alternatives, I don't think that there's the same level of encouragement or it's not as compelling to look in the alternative directions as it once was given where fixed income rates still are.

Operator

Your next question comes from the line of Yaron Kinar with Jefferies.

Yaron Joseph Kinar
Jefferies LLC, Research Division

Just first question, just looking at the property market, so it sounds like maybe [steep] but still pretty attractive returns there. I think you guys have gone through some remediation efforts on the property book as well. I guess with that in mind, as we look at '24, if I [heard] your costs correctly, you're still thinking of growing that book more through rate than through exposures. Is that correct? And why not lean more into exposure?

W. Robert Berkley, Jr.

I want to draw a distinction. First off, as far as things peaking, that comment was suggested that they may be peaking in the property cat market, and I'd like to draw a distinction between the primary or insurance market versus the reinsurance market. And in addition to that, I would suggest that it's important to draw a distinction between the property cat market versus the property risk reinsurance market because they are clearly not one and the same in our opinion.

As far as our desire to grow the business, look, if we like the margin, we are going to lean into it. And I think that, at the moment, generally speaking, we like the opportunity that continues to exist in the

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reinsurance marketplace when it comes to property, and we are certainly paying attention to a lot of the opportunity that exists in the primary property insurance space, particularly as it relates to E&S in the commercial lines and of course, not to be forgotten, our colleagues at Berkley One on the high net worth front, the opportunity for rate both on the admitted basis as well as just as a reminder, they are using nonadmitted paper as well, is creating meaningful opportunity also.

Yaron Joseph Kinar
Jefferies LLC, Research Division

That's helpful. And then my second question, and I'm not sure if you'd be willing to answer this at this stage.

W. Robert Berkley, Jr.

When in doubt, ask.

Yaron Joseph Kinar
Jefferies LLC, Research Division

I'll try. The -- when we see the 10-K and maybe even the Schedule P later on in the year and we look at the results from this quarter, would we see a similar trend to what we've seen so far year-to-date, namely maybe some strengthening in liability reserves of older vintages offset by favorable releases in 2020 through '22?

W. Robert Berkley, Jr.

I think directionally, yes, you will see that. Do I think that we are very far or well on our way to having '15 through '19 behind us? Yes, I do. Do I think that it's done? Probably not.

Look, we take a different approach than some other organizations when it comes to monitoring our reserves and trying to make sure that we're getting it right. There are some folks that just ignore it for quarter after quarter, year after year. And then all of a sudden, they have this giant problem that they need to deal with, and they take this massive charge.

We take a different approach. Our view is we're looking at it every 90 days or more frequently, and we're tweaking it to where we think it needs to be. And we think that that's the more sensible approach. So again, you'll see the information, but I think that we continue to be very optimistic about the more recent years and how that's going to play out.

Do I -- clearly, some of that good news has been used along the way as we've had some challenges coming out of the older years. I think, again, those challenges are in the rearview mirror and shrinking by the minute. And I think there continues to be a lot of encouraging signs, as I referenced earlier, around the amount of IBNR we continue to carry in some of the more recent years.

Operator

Your next question comes from the line of Alex Scott with Goldman Sachs.

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

I just have one quick one for you. You guys have been very good real estate investors over time. I thought I'd sort of ask you a similar question to what Mike asked you before. Just what kind of opportunity is there in real estate? Obviously, fixed income is a lot more attractive right now at higher yields. But are you seeing any stabilizing trends in the real estate market?

W. Robert Berkley, Jr.

As far as real estate goes, clearly, there's been a lot of opportunity. Residential has been reasonably stable and has been a good place to be. Particularly, commercial on the office front has been more challenging.

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Fortunately, for us, we own some very high-quality assets and feel like we're in a very good place there, both with the quality of the assets as well as the occupancy, et cetera, et cetera.

Are there going to be opportunities? We're paying close attention. But when you look at where the fixed income market is, the hurdle, if you will, for alternatives, including direct or indirect real estate is that much higher. So are we paying attention if there was a great opportunity, are we prepared to step forward? Yes, but that hurdle is considerably higher when you look at where we can do with new money on the fixed income portfolio, which gives us good yield, good liquidity, and this risk adjusted, we like it.

Operator

And your final question comes from the line of Scott Heleniak with RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Yes. Just had 2 quick questions here. Just Ian asked, you talked about to be an attractive market here. The submission count, sounds like it's pretty encouraging still. Can you just -- can you comment more on the submission count for Q4 versus the past few quarters, how that's trended and where you're kind of seeing the most opportunity there, if there's any particular lines or areas where it's changed much?

W. Robert Berkley, Jr.

So the answer is that it remains as -- give or take, as robust as ever, and we remain very encouraged as far. As where the most encouraging opportunities are, that's not something that we're going to be broadcasting. I would tell you that products liability has been an area that the standard market seems to continue to have an unquenchable thirst for.

Scott Gregory Heleniak
RBC Capital Markets, Research Division

Okay. Appreciate that. And then just the last one is you mentioned some start-ups that you had during the year. How many of those did you have in particular? And are you able to talk about what the premium is on those? Just -- if you don't have it now, I can get it later. I don't know if you give that out. But is there anything more you can comment on that?

W. Robert Berkley, Jr.

Scott, what I'd recommend, if it's acceptable to you, is that you follow up with Karen and Rich, and they'll have a better sense as to what we can share and what we can't. I don't want to get all of us in trouble with the SEC or anyone else in that matter.

Operator

I will turn the call over to Mr. Rob Berkley for closing remarks.

W. Robert Berkley, Jr.

Okay. Sarah, thank you very much, and thank you to all of the participants. We appreciate your time. I think the quarter speaks for itself. The year speaks for itself. The organization continues to perform at a high level. And as suggested earlier, perhaps the most exciting news is how well positioned we are for not this '24 but likely '25 and beyond. We thank you again for your time, and we look forward to speaking with you in April. Have a good evening.

Operator
This concludes today's conference call. We thank you for joining. You may now disconnect your lines.

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