

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2015

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the Transition Period from _____ to _____.

Commission File Number 1-15202

W. R. BERKLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-1867895

(I.R.S. Employer
Identification No.)

475 Steamboat Road, Greenwich, Connecticut

(Address of principal executive offices)

06830

(Zip Code)

(203) 629-3000

(Registrant's telephone number, including area code)

None

Former name, former address and former fiscal year, if changed since last report .

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, \$.20 par value, outstanding as of April 30, 2015 : 124,840,371

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	March 31, 2015 (Unaudited)	December 31, 2014 (Audited)
Assets		
Investments:		
Fixed maturity securities	\$ 12,652,269	\$ 12,705,160
Investment funds	1,214,272	1,211,401
Real estate	761,856	731,612
Arbitrage trading account	972,629	450,648
Loans receivable	280,769	322,012
Equity securities	174,709	170,991
Total investments	16,056,504	15,591,824
Cash and cash equivalents	614,695	674,441
Premiums and fees receivable	1,706,823	1,651,088
Due from reinsurers	1,519,530	1,503,441
Deferred policy acquisition costs	507,509	488,525
Prepaid reinsurance premiums	410,359	395,748
Trading account receivables from brokers and clearing organizations	—	371,034
Property, furniture and equipment	327,231	332,098
Goodwill	150,551	150,944
Accrued investment income	139,689	120,367
Federal and foreign income taxes	—	30,171
Other assets	414,161	369,558
Total assets	\$ 21,847,052	\$ 21,679,239
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	\$ 10,474,954	\$ 10,369,701
Unearned premiums	3,128,637	3,026,732
Due to reinsurers	218,443	237,270
Trading account securities sold but not yet purchased	99,299	106,079
Trading account payable to brokers and clearing organizations	165,420	—
Federal and foreign income taxes	20,957	—
Other liabilities	673,724	859,736
Senior notes and other debt	2,112,456	2,115,527
Subordinated debentures	340,125	340,060
Total liabilities	17,234,015	17,055,105
Equity:		
Preferred stock, par value \$.10 per share:		
Authorized 5,000,000 shares; issued and outstanding - none		
Common stock, par value \$.20 per share:		
Authorized 500,000,000 shares, issued and outstanding, net of treasury shares, 124,933,275 and 126,748,836 shares, respectively	47,024	47,024
Additional paid-in capital	998,005	991,512
Retained earnings	5,836,968	5,732,410
Accumulated other comprehensive income	152,058	183,550
Treasury stock, at cost, 110,184,643 and 108,369,082 shares, respectively	(2,455,433)	(2,364,551)

Total stockholders' equity	4,578,622	4,589,945
Noncontrolling interests	34,415	34,189
Total equity	4,613,037	4,624,134
Total liabilities and equity	<u>\$ 21,847,052</u>	<u>\$ 21,679,239</u>

See accompanying notes to interim consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(In thousands, except per share data)

	For the Three Months Ended March 31,	
	2015	2014
REVENUES:		
Net premiums written	\$ 1,575,402	\$ 1,525,880
Change in net unearned premiums	(103,389)	(162,268)
Net premiums earned	1,472,013	1,363,612
Net investment income	124,239	168,711
Insurance service fees	36,518	28,703
Net realized investment gains	19,044	52,754
Revenues from wholly-owned investees	92,606	92,840
Other income	259	286
Total revenues	1,744,679	1,706,906
OPERATING COSTS AND EXPENSES:		
Losses and loss expenses	900,708	822,095
Other operating costs and expenses	551,046	515,166
Expenses from wholly-owned investees	89,670	91,730
Interest expense	34,538	30,330
Total operating costs and expenses	1,575,962	1,459,321
Income before income taxes	168,717	247,585
Income tax expense	(50,273)	(77,901)
Net income before noncontrolling interests	118,444	169,684
Noncontrolling interests	(137)	(11)
Net income to common stockholders	\$ 118,307	\$ 169,673
NET INCOME PER SHARE:		
Basic	\$ 0.94	\$ 1.31
Diluted	\$ 0.89	\$ 1.25

See accompanying notes to interim consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

	For the Three Months Ended March 31,	
	2015	2014
Net income before noncontrolling interests	\$ 118,444	\$ 169,684
Other comprehensive income (loss):		
Change in unrealized currency translation adjustments	(47,805)	(4,025)
Change in unrealized investment gains (loss), net of taxes	16,291	72,944
Change in net pension asset, net of taxes	—	591
Other comprehensive income (loss)	(31,514)	69,510
Comprehensive income	86,930	239,194
Comprehensive (income) to the noncontrolling interest	(115)	(29)
Comprehensive income to common stockholders	<u>\$ 86,815</u>	<u>\$ 239,165</u>

See accompanying notes to interim consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
(In thousands)

	For the Three Months Ended March 31,	
	2015	2014
COMMON STOCK:		
Beginning and end of period	\$ 47,024	\$ 47,024
ADDITIONAL PAID-IN CAPITAL:		
Beginning of period	\$ 991,512	\$ 967,440
Restricted stock units issued, net of tax	(1,678)	(3,338)
Stock units expensed	8,171	6,203
End of period	\$ 998,005	\$ 970,305
RETAINED EARNINGS:		
Beginning of period	\$ 5,732,410	\$ 5,265,015
Net income to common stockholders	118,307	169,673
Dividends	(13,749)	(12,775)
End of period	\$ 5,836,968	\$ 5,421,913
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Unrealized investment gains:		
Beginning of period	\$ 306,199	\$ 256,566
Unrealized gains on securities not other-than-temporarily impaired	16,308	72,563
Unrealized gains on other-than-temporarily impaired securities	5	363
End of period	322,512	329,492
Currency translation adjustments:		
Beginning of period	(122,649)	(60,524)
Net change in period	(47,805)	(4,025)
End of period	(170,454)	(64,549)
Net pension asset:		
Beginning of period	—	(6,651)
Net change in period	—	591
End of period	—	(6,060)
Total accumulated other comprehensive income	\$ 152,058	\$ 258,883
TREASURY STOCK:		
Beginning of period	\$ (2,364,551)	\$ (2,132,835)
Stock exercised/vested	331	3,322
Stock repurchased	(91,213)	(192,668)
End of period	\$ (2,455,433)	\$ (2,322,181)
NONCONTROLLING INTERESTS:		
Beginning of period	\$ 34,189	\$ 33,359
Contributions	111	1,526
Net income	137	11
Other comprehensive income (loss), net of tax	(22)	18
End of period	\$ 34,415	\$ 34,914

See accompanying notes to interim consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	For the Three Months Ended March 31,	
	2015	2014
CASH FROM OPERATING ACTIVITIES:		
Net income to common stockholders	\$ 118,307	\$ 169,673
Adjustments to reconcile net income to net cash from operating activities:		
Net investment gains	(19,044)	(52,754)
Depreciation and amortization	19,203	25,236
Noncontrolling interests	137	11
Investment funds	(6,061)	(58,906)
Stock incentive plans	8,171	6,187
Change in:		
Arbitrage trading account	7,692	42
Premiums and fees receivable	(71,181)	(99,306)
Reinsurance accounts	(46,260)	(49,583)
Deferred policy acquisition costs	(21,314)	(24,066)
Income taxes	44,618	70,070
Reserves for losses and loss expenses	152,925	148,204
Unearned premiums	117,403	198,933
Other	(243,584)	(190,577)
Net cash from operating activities	61,012	143,164
CASH FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds from sale of fixed maturity securities	466,276	328,371
Proceeds from sale of equity securities	9,785	6,457
Distributions from (contributions to) investment funds	(9,363)	158,808
Proceeds from maturities and prepayments of fixed maturity securities	655,349	546,838
Purchase of fixed maturity securities	(1,094,439)	(1,131,612)
Purchase of equity securities	(8,882)	(19,274)
Additions to real estate	(44,162)	(35,613)
Change in loans receivable	41,244	(29,568)
Net additions to property, furniture and equipment	(7,680)	(9,862)
Change in balances due to security brokers	(2,652)	51,557
Payment for business purchased, net of cash acquired	—	(97)
Net cash from (used in) investing activities	5,476	(133,995)
CASH USED IN FINANCING ACTIVITIES:		
Repayment of senior notes and other debt	(3,240)	(125)
Cash dividends to common stockholders	(13,749)	(12,775)
Purchase of common treasury shares	(91,213)	(192,668)
Other, net	(1,187)	1,677
Net cash used in financing activities	(109,389)	(203,891)
Net impact on cash due to change in foreign exchange rates	(16,845)	(1,441)
Net change in cash and cash equivalents	(59,746)	(196,163)
Cash and cash equivalents at beginning of year	674,441	839,738
Cash and cash equivalents at end of period	\$ 614,695	\$ 643,575

See accompanying notes to interim consolidated financial statements.

W. R. Berkley Corporation and Subsidiaries**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(1) General**

The accompanying unaudited consolidated financial statements of W. R. Berkley Corporation and its subsidiaries (the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all the information and notes required by GAAP for annual financial statements. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly the Company’s financial position and results of operations on a basis consistent with the prior audited consolidated financial statements. Operating results for interim periods are not necessarily indicative of the results that may be expected for the year. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements requires the use of management estimates. For further information related to a description of areas of judgment and estimates and other information necessary to understand the Company’s financial position and results of operations, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 . Reclassifications have been made in the 2014 financial statements as originally reported to conform to the presentation of the 2015 financial statements.

The income tax provision has been computed based on the Company’s estimated annual effective tax rate. The effective tax rate for the quarter differs from the federal income tax rate of 35% principally because of tax-exempt investment income.

(2) Per Share Data

The Company presents both basic and diluted net income per share (“EPS”) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the period and is calculated using the treasury stock method for stock incentive plans. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

The weighted average number of common shares used in the computation of basic and diluted earnings per share was as follows:

	For the Three Months Ended March 31,	
(In thousands)	2015	2014
Basic	125,969	129,873
Diluted	132,484	135,429

(3) Recent Accounting Pronouncements

All recently issued but not yet effective accounting and reporting standards are either not applicable to the Company or are not expected to have a material impact on the Company.

(4) Acquisitions/Dispositions

In 2014, the Company acquired a specialty property and casualty insurance distribution company for \$83 million . The fair values of the assets acquired and liabilities assumed have been estimated based on a valuation prepared by a third party. The estimated useful lives of the intangible assets acquired range from 7 years to 15 years, with approximately \$10 million having an indefinite life.

In 2014, the Company sold an aviation-related business for \$ 16 million . The business had a net carrying value of \$ 15 million .

The following table summarizes the estimated fair value of net assets acquired and liabilities assumed for business combinations completed in 2014:

<u>(In thousands)</u>	<u>2014</u>
Cash and cash equivalents	\$ 17,457
Real estate, furniture and equipment	669
Goodwill and other intangibles assets	79,646
Premium and service fee receivable	24,432
Other assets	2,590
Total assets acquired	124,794
Deferred federal income tax	(7,107)
Debt	—
Other liabilities assumed	(34,809)
Net assets acquired	<u>\$ 82,878</u>

(5) Statement of Comprehensive Income (Loss)

The following table presents the components of the changes in accumulated other comprehensive income (loss) ("AOCI"):

<u>(In thousands)</u>	<u>Unrealized Investment Gains (Losses)</u>	<u>Currency Translation Adjustments</u>	<u>Net Pension Asset</u>	<u>Accumulated Other Comprehensive Income (Loss)</u>
<u>As of and for the three months ended March 31, 2015:</u>				
<u>Changes in AOCI</u>				
Beginning of period	\$ 306,199	\$ (122,649)	\$ —	\$ 183,550
Other comprehensive income (loss) before reclassifications	24,592	(47,805)	—	(23,213)
Amounts reclassified from AOCI	(8,301)	—	—	(8,301)
Other comprehensive income (loss)	16,291	(47,805)	—	(31,514)
Unrealized investment gain related to non-controlling interest	22	—	—	22
End of period	<u>\$ 322,512</u>	<u>\$ (170,454)</u>	<u>\$ —</u>	<u>\$ 152,058</u>
<u>Amounts reclassified from AOCI</u>				
Pre-tax	\$ (12,771)	(1) \$ —	\$ —	\$ (12,771)
Tax effect (3)	4,470	—	—	4,470
After-tax amounts reclassified	<u>\$ (8,301)</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (8,301)</u>
<u>Other comprehensive income (loss)</u>				
Pre-tax	\$ 24,536	\$ (47,805)	\$ —	\$ (23,269)
Tax effect	(8,245)	—	—	(8,245)
Other comprehensive income (loss)	<u>\$ 16,291</u>	<u>\$ (47,805)</u>	<u>\$ —</u>	<u>\$ (31,514)</u>

	Unrealized Investment Gains (Losses)	Currency Translation Adjustments	Net Pension Asset	Accumulated Other Comprehensive Income (Loss)
<u>(In thousands)</u>				
<u>As of and for the three months ended March 31, 2014:</u>				
<u>Changes in AOCI</u>				
Beginning of period	\$ 256,566	\$ (60,524)	\$ (6,651)	\$ 189,391
Other comprehensive income (loss) before reclassifications	77,443	(4,025)	—	\$ 73,418
Amounts reclassified from AOCI	(4,499)	—	591	\$ (3,908)
Other comprehensive income (loss)	72,944	(4,025)	591	\$ 69,510
Unrealized investment loss related to non-controlling interest	(18)	—	—	\$ (18)
End of period	<u>\$ 329,492</u>	<u>\$ (64,549)</u>	<u>\$ (6,060)</u>	<u>\$ 258,883</u>
<u>Amounts reclassified from AOCI</u>				
Pre-tax	\$ (6,921)	(1) \$ —	\$ 909	(2) \$ (6,012)
Tax effect (3)	2,422	—	(318)	\$ 2,104
After-tax amounts reclassified	<u>\$ (4,499)</u>	<u>\$ —</u>	<u>\$ 591</u>	<u>\$ (3,908)</u>
<u>Other comprehensive income (loss)</u>				
Pre-tax	\$ 112,290	\$ (4,025)	\$ 909	\$ 109,174
Tax effect	(39,346)	—	(318)	\$ (39,664)
Other comprehensive income (loss)	<u>\$ 72,944</u>	<u>\$ (4,025)</u>	<u>\$ 591</u>	<u>\$ 69,510</u>

(1) Net investment gains in the consolidated statements of income.

(2) Other operating costs and expenses in the consolidated statements of income.

(3) Income tax expense in the consolidated statements of income.

(6) Statements of Cash Flow

Interest payments were \$56,632,000 and \$48,587,000 and income taxes paid were \$4,769,000 and \$7,490,000 in the three months ended March 31, 2015 and 2014, respectively.

(7) Investments in Fixed Maturity Securities

At March 31, 2015 and December 31, 2014 , investments in fixed maturity securities were as follows:

	Amortized Cost	Gross Unrealized		Fair Value	Carrying Value
(In thousands)		Gains	Losses		
March 31, 2015					
Held to maturity:					
State and municipal	\$ 73,974	\$ 17,820	\$ —	\$ 91,794	\$ 73,974
Residential mortgage-backed	22,300	3,049	—	25,349	22,300
Corporate	4,999	215	—	5,214	4,999
Total held to maturity	101,273	21,084	—	122,357	101,273
Available for sale:					
U.S. government and government agency	719,947	34,349	(1,829)	752,467	752,467
State and municipal	4,220,797	232,353	(4,446)	4,448,704	4,448,704
Mortgage-backed securities:					
Residential (1)	1,100,122	32,147	(6,687)	1,125,582	1,125,582
Commercial	71,083	1,867	(66)	72,884	72,884
Corporate	5,022,705	209,711	(19,776)	5,212,640	5,212,640
Foreign	892,006	64,854	(18,141)	938,719	938,719
Total available for sale	12,026,660	575,281	(50,945)	12,550,996	12,550,996
Total investments in fixed maturity securities	\$ 12,127,933	\$ 596,365	\$ (50,945)	\$ 12,673,353	\$ 12,652,269
December 31, 2014					
Held to maturity:					
State and municipal	\$ 72,901	\$ 17,501	\$ —	\$ 90,402	\$ 72,901
Residential mortgage-backed	23,278	2,854	—	26,132	23,278
Corporate	4,998	291	—	5,289	4,998
Total held to maturity	101,177	20,646	—	121,823	101,177
Available for sale:					
U.S. government and government agency	773,192	33,353	(3,157)	803,388	803,388
State and municipal	4,137,866	229,150	(4,020)	4,362,996	4,362,996
Mortgage-backed securities:					
Residential (1)	1,201,924	27,124	(9,449)	1,219,599	1,219,599
Commercial	74,479	1,610	(52)	76,037	76,037
Corporate	5,036,958	187,960	(24,781)	5,200,137	5,200,137
Foreign	897,668	62,223	(18,065)	941,826	941,826
Total available for sale	12,122,087	541,420	(59,524)	12,603,983	12,603,983
Total investments in fixed maturity securities	\$ 12,223,264	\$ 562,066	\$ (59,524)	\$ 12,725,806	\$ 12,705,160

- (1) Gross unrealized losses for residential mortgage-backed securities include \$1,088,067 and \$1,095,671 as of March 31, 2015 and December 31, 2014 , respectively, related to the non-credit portion of other-than-temporary impairments (“OTTI”) recognized in accumulated other comprehensive income.

The amortized cost and fair value of fixed maturity securities at March 31, 2015, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay obligations.

<u>(In thousands)</u>	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one year or less	\$ 811,966	\$ 814,139
Due after one year through five years	4,060,941	4,247,879
Due after five years through ten years	3,612,480	3,816,097
Due after ten years	2,449,041	2,571,423
Mortgage-backed securities	1,193,505	1,223,815
Total	<u>\$ 12,127,933</u>	<u>\$ 12,673,353</u>

At March 31, 2015, there were no investments, other than investments in United States government and government agency securities, which exceeded 10% of common stockholders' equity.

(8) Investments in Equity Securities

At March 31, 2015 and December 31, 2014, investments in equity securities were as follows:

<u>(In thousands)</u>	<u>Cost</u>	<u>Gross Unrealized</u>		<u>Fair Value</u>	<u>Carrying Value</u>
		<u>Gains</u>	<u>Losses</u>		
March 31, 2015					
Common stocks	\$ 70,483	\$ —	\$ (9,383)	\$ 61,100	\$ 61,100
Preferred stocks	100,377	17,102	(3,870)	113,609	113,609
Total	<u>\$ 170,860</u>	<u>\$ 17,102</u>	<u>\$ (13,253)</u>	<u>\$ 174,709</u>	<u>\$ 174,709</u>
December 31, 2014					
Common stocks	\$ 69,870	\$ 11,929	\$ (5,453)	\$ 76,346	\$ 76,346
Preferred stocks	90,425	8,385	(4,165)	94,645	94,645
Total	<u>\$ 160,295</u>	<u>\$ 20,314</u>	<u>\$ (9,618)</u>	<u>\$ 170,991</u>	<u>\$ 170,991</u>

(9) Arbitrage Trading Account

At March 31, 2015 and December 31, 2014, the carrying value of the arbitrage trading account was \$973 million and \$451 million, respectively. The primary focus of the trading account is merger arbitrage. Merger arbitrage is the business of investing in the securities of publicly held companies which are the targets in announced tender offers and mergers. Arbitrage investing differs from other types of investing in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period (usually four months or less). The Company believes that this makes merger arbitrage investments less vulnerable to changes in general financial market conditions.

(10) Net Investment Income

Net investment income consists of the following:

<u>(In thousands)</u>	<u>For the Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Investment income earned on:		
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 108,129	\$ 106,898
Investment funds	6,061	53,799
Arbitrage trading account	8,979	5,519
Equity securities available for sale	1,180	1,946
Real estate	2,767	3,102
Gross investment income	127,116	171,264
Investment expense	(2,877)	(2,553)
Net investment income	<u>\$ 124,239</u>	<u>\$ 168,711</u>

(11) Investment Funds

Investment funds consist of the following:

(In thousands)	Carrying Value as of		Income (Loss) from Investment Funds	
	March 31,	December 31,	For the Three Months Ended March 31,	
	2015	2014	2015	2014
Real estate	\$ 481,822	\$ 466,703	\$ 26,012	\$ 12,295
Energy	119,813	152,056	(21,868)	8,601
Arbitrage	281,462	282,335	(873)	5,107
Other funds	331,175	310,307	2,790	27,796
Total	<u>\$ 1,214,272</u>	<u>\$ 1,211,401</u>	<u>\$ 6,061</u>	<u>\$ 53,799</u>

The Company's share of the earnings or losses of investment funds is generally reported on a one-quarter lag in order to facilitate the timely completion of the Company's consolidated financial statements.

Other funds include private equity investments carried on the equity method of accounting, which includes a publicly traded common stock investment in HealthEquity, Inc. (HQY). Our ownership interest in HQY as of March 31, 2015 is 28.1% with a fair value of \$385 million and a carrying value of \$46 million .

(12) Real Estate

Investment in real estate represents directly owned property held for investment, as follows:

(In thousands)	Carrying Value	
	March 31,	December 31,
	2015	2014
Properties in operation	\$ 200,010	\$ 196,980
Properties under development	561,846	534,632
Total	<u>\$ 761,856</u>	<u>\$ 731,612</u>

Properties in operation included a long-term ground lease in Washington, D.C. and an office building in West Palm Beach, Florida. Properties in operation are net of accumulated depreciation and amortization of \$4,113,000 and \$1,609,000 as of March 31, 2015 and December 31, 2014, respectively. Related depreciation expense was \$2,543,000 and \$1,813,000 as of March 31, 2015 and 2014, respectively. Future minimum rental income expected on operating leases relating to properties in operation is \$8,575,000 in 2015, \$11,457,000 in 2016, \$11,500,000 in 2017, \$10,833,000 in 2018, \$7,839,000 in 2019 and \$336,653,000 thereafter.

Properties under development include an office building in London, a mixed-use project in Washington D.C. and an office complex in New York City. The Company expects to fund further development costs for these projects with a combination of its own funds and external financing.

(13) Loans Receivable

Loans receivable are as follows:

(In thousands)	March 31, 2015	December 31, 2014
Amortized cost:		
Real estate loans	\$ 203,558	\$ 243,407
Commercial loans	77,211	78,605
Total	<u>\$ 280,769</u>	<u>\$ 322,012</u>
Fair value:		
Real estate loans	\$ 206,626	\$ 245,112
Commercial loans	77,210	80,107
Total	<u>\$ 283,836</u>	<u>\$ 325,219</u>
Valuation allowance:		
Specific	\$ 76	\$ 115
General	2,363	2,371
Total	<u>\$ 2,439</u>	<u>\$ 2,486</u>

	For the Three Months Ended March 31,	
	2015	2014
Increase (decrease) in valuation allowance	\$ (47)	\$ 463
Loans receivable charged off	—	—

Loans receivable in non-accrual status were \$12.9 million and \$14.2 million as of March 31, 2015 and December 31, 2014, respectively, primarily resulting from the transfer of such loans to held-for-sale.

The Company monitors the performance of its loans receivable and assesses the ability of the borrower to pay principal and interest based upon loan structure, underlying property values, cash flow and related financial and operating performance of the property and market conditions. Loans receivable with a potential for default are further assessed using discounted cash flow analysis and comparable cost and sales methodologies, if appropriate.

The real estate loans are secured by commercial real estate primarily located in Arizona, Illinois, Maryland, New York, North Carolina, Texas and Virginia. These loans generally earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. The commercial loans are with small business owners who have secured the related financing with the assets of the business. Commercial loans generally earn interest on a fixed basis and have varying maturities not exceeding 10 years.

The Company utilizes a risk rating system to assign a risk to each of its real estate loans. The loan rating system takes into consideration credit quality indicators including loan to value ratios, which compare the outstanding loan amount to the estimated value of the property, the borrower's financial condition and performance with respect to loan terms, the Company's position in the capital structure, and the overall leverage in the capital structure. Based on this rating system, none of the real estate loans were considered to be impaired at March 31, 2015, and accordingly, the Company determined that a specific valuation allowance was not required.

(14) Realized and Unrealized Investment Gains (Losses)

Realized and unrealized investment gains (losses) are as follows:

<u>(In thousands)</u>	For the Three Months Ended March 31,	
	2015	2014
Realized investment gains (losses):		
Fixed maturity securities:		
Gains	\$ 4,146	\$ 2,062
Losses	(1,077)	(1,598)
Equity securities available for sale	9,702	6,457
Investment funds	(1,511)	45,833
Real estate	—	—
Other	7,784	—
Total	19,044	52,754
Income tax expense	(6,665)	(18,465)
Total after-tax realized investment gains	<u>\$ 12,379</u>	<u>\$ 34,289</u>
Change in unrealized investment gains (losses):		
Fixed maturity securities	\$ 42,480	\$ 91,638
Previously impaired fixed maturity securities	8	559
Equity securities available for sale	(6,845)	26,203
Investment funds	(11,107)	(6,110)
Total change in unrealized investment gains (losses)	24,536	112,290
Income tax expense	(8,245)	(39,346)
Noncontrolling interests	22	(18)
Total after-tax unrealized gains	<u>\$ 16,313</u>	<u>\$ 72,926</u>

(15) Securities in an Unrealized Loss Position

The following tables summarize all securities in an unrealized loss position at March 31, 2015 and December 31, 2014 by the length of time those securities have been continuously in an unrealized loss position:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In thousands)						
March 31, 2015						
U.S. government and government agency	\$ 57,281	\$ 340	\$ 71,103	\$ 1,489	\$ 128,384	\$ 1,829
State and municipal	310,510	1,753	112,892	2,693	423,402	4,446
Mortgage-backed securities	76,098	219	225,870	6,534	301,968	6,753
Corporate	1,013,347	5,917	172,712	13,859	1,186,059	19,776
Foreign	39,512	3,518	61,375	14,623	100,887	18,141
Fixed maturity securities	1,496,748	11,747	643,952	39,198	2,140,700	50,945
Common stocks	48,645	9,383	—	—	48,645	9,383
Preferred stocks	4,017	834	22,637	3,036	26,654	3,870
Equity securities	52,662	10,217	22,637	3,036	75,299	13,253
Total	\$ 1,549,410	\$ 21,964	\$ 666,589	\$ 42,234	\$ 2,215,999	\$ 64,198

December 31, 2014

U.S. government and government agency	\$ 84,750	\$ 522	\$ 84,850	\$ 2,635	\$ 169,600	\$ 3,157
State and municipal	158,594	631	150,284	3,389	308,878	4,020
Mortgage-backed securities	75,739	332	312,922	9,169	388,661	9,501
Corporate	1,586,238	8,697	214,628	16,084	1,800,866	24,781
Foreign	76,471	3,907	85,025	14,158	161,496	18,065
Fixed maturity securities	1,981,792	14,089	847,709	45,435	2,829,501	59,524
Common stocks	15,929	5,453	—	—	15,929	5,453
Preferred stocks	27,126	1,139	22,648	3,026	49,774	4,165
Equity securities	43,055	6,592	22,648	3,026	65,703	9,618
Total	\$ 2,024,847	\$ 20,681	\$ 870,357	\$ 48,461	\$ 2,895,204	\$ 69,142

Fixed Maturity Securities— A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at March 31, 2015 is presented in the table below:

	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
(In thousands)			
Mortgage-backed securities	9	\$ 26,168	\$ 1,658
Corporate	5	2,965	420
Total	14	\$ 29,133	\$ 2,078

For OTTI of fixed maturity securities that management does not intend to sell or, more likely than not, would not be required to sell, the portion of the decline in value considered to be due to credit factors is recognized in earnings and the portion of the decline in value considered to be due to non-credit factors is recognized in other comprehensive income. For the three months ended March 31, 2015 and 2014, there were no changes in the portion of impairments recognized in earnings for those securities that have been impaired due to both credit factors and non-credit factors.

The Company has evaluated its fixed maturity securities in an unrealized loss position and believes the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on its assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due and does not consider any of these securities to be OTTI.

Equity Securities – At March 31, 2015 , there were seven equity securities in an unrealized loss position, with an aggregate fair value of \$75.3 million and a gross unrealized loss of \$13.2 million . Three of these equity securities are preferred stocks that are rated non-investment grade, and none are delinquent. Based upon management’s view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI.

Loans Receivable – The Company monitors the performance of its loans receivable, including current market conditions for each loan and the ability to collect principal and interest. For loans where the Company determines it is probable that the contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. Loans receivable are reported net of a valuation reserve of \$2 million and \$3 million at March 31, 2015 and December 31, 2014, respectively.

(16) Fair Value Measurements

The Company’s fixed maturity and equity securities available for sale and its arbitrage trading account securities are carried at fair value. Fair value is defined as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available.

Because many fixed maturity securities do not trade on a daily basis, the Company utilizes pricing models and processes, which may include benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Market inputs used to evaluate securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Quoted prices are often unavailable for recently issued securities, securities that are infrequently traded or securities that are only traded in private transactions. For publicly traded securities for which quoted prices are unavailable, the Company determines fair value based on independent broker quotations and other observable market data. For securities traded only in private negotiations, the Company determines fair value based primarily on the cost of such securities, which is adjusted to reflect prices of recent placements of securities of the same issuer, financial projections, credit quality and business developments of the issuer and other relevant information.

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The following tables present the assets and liabilities measured at fair value, on a recurring basis, as of March 31, 2015 and December 31, 2014 by level:

<u>(In thousands)</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
<u>March 31, 2015</u>				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 752,467	\$ —	\$ 752,467	\$ —
State and municipal	4,448,704	—	4,448,704	—
Mortgage-backed securities	1,198,466	—	1,198,466	—
Corporate	5,212,640	—	5,210,710	1,930
Foreign government	938,719	—	938,719	—
Total fixed maturity securities available for sale	12,550,996	—	12,549,066	1,930
Equity securities available for sale:				
Common stocks	61,100	52,205	—	8,895
Preferred stocks	113,609	—	109,944	3,665
Total equity securities available for sale	174,709	52,205	109,944	12,560
Arbitrage trading account	972,629	269,697	630,316	72,616
Total	\$ 13,698,334	\$ 321,902	\$ 13,289,326	\$ 87,106
Liabilities:				
Securities sold but not yet purchased	\$ 99,299	\$ 99,299	\$ —	\$ —
<u>December 31, 2014</u>				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 803,388	\$ —	\$ 803,388	\$ —
State and municipal	4,362,996	—	4,362,996	—
Mortgage-backed securities	1,295,636	—	1,295,636	—
Corporate	5,200,137	—	5,179,372	20,765
Foreign government	941,826	—	941,826	—
Total fixed maturity securities available for sale	12,603,983	—	12,583,218	20,765
Equity securities available for sale:				
Common stocks	76,346	65,605	—	10,741
Preferred stocks	94,645	—	90,932	3,713
Total equity securities available for sale	170,991	65,605	90,932	14,454
Arbitrage trading account	450,648	295,047	154,881	720
Total	\$ 13,225,622	\$ 360,652	\$ 12,829,031	\$ 35,939
Liabilities:				
Securities sold but not yet purchased	\$ 106,079	\$ 106,074	\$ 5	\$ —

There were no significant transfers between Levels 1 and 2 during the three months ended March 31, 2015 or during the year ended December 31, 2014 .

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The following tables summarize changes in Level 3 assets and liabilities for the three months ended March 31, 2015 and for the year ended December 31, 2014 :

	Gains (Losses) Included in							
	Beginning Balance	Earnings	Other Comprehensive Income	Purchases	(Sales)	Maturities	Transfer in (out)	Ending Balance
(In thousands)								
Three months ended March 31, 2015:								
Assets:								
Fixed maturities available for sale:								
Corporate	\$ 20,765	\$ 15	\$ 180	\$ —	\$ —	\$ (1,673)	\$ (17,357)	\$ 1,930
Total	20,765	15	180	—	—	(1,673)	(17,357)	1,930
Equity securities available for sale:								
Common stocks	10,741	—	(1,846)	—	—	—	—	8,895
Preferred stocks	3,713	(48)	—	—	—	—	—	3,665
Total	14,454	(48)	(1,846)	—	—	—	—	12,560
Arbitrage trading account	720	(277)	—	72,173	—	—	—	72,616
Total	\$ 35,939	\$ (310)	\$ (1,666)	\$ 72,173	\$ —	\$ (1,673)	\$ (17,357)	\$ 87,106
Liabilities:								
Securities sold but not yet purchased	—	—	—	\$ —	—	—	\$ —	\$ —
Year ended December 31, 2014:								
Assets:								
Fixed maturities available for sale:								
Corporate	\$ 42,864	\$ 47	\$ (3,711)	\$ 238	\$ (15,244)	\$ (3,429)	\$ —	\$ 20,765
Total	42,864	47	(3,711)	238	(15,244)	(3,429)	—	20,765
Equity securities available for sale:								
Common stocks	1,238	—	(911)	11,343	(929)	—	—	10,741
Preferred stocks	3,752	(17)	—	3,430	(3,452)	—	—	3,713
Total	4,990	(17)	(911)	14,773	(4,381)	—	—	14,454
Arbitrage trading account	1,780	2,274	—	4,942	(14,073)	—	5,797	720
Total	\$ 49,634	\$ 2,304	\$ (4,622)	\$ 19,953	\$ (33,698)	\$ (3,429)	\$ 5,797	\$ 35,939
Liabilities:								
Securities sold but not yet purchased	\$ —	\$ (20)	\$ —	\$ 31	\$ (11)	\$ —	\$ —	\$ —

During the three months ended March 31, 2015, one security was transferred out of Level 3 where an observable price was available. During the year ended December 31, 2014, two securities were transferred into Level 3 where the quoted prices were no longer available. One of these securities was sold during the second quarter of 2014.

(17) Reinsurance

The following is a summary of reinsurance financial information:

(In thousands)	For the Three Months Ended March 31,	
	2015	2014
Written premiums:		
Direct	\$ 1,647,341	\$ 1,565,188
Assumed	204,464	240,079
Ceded	(276,403)	(279,387)
Total net premiums written	<u>\$ 1,575,402</u>	<u>\$ 1,525,880</u>
Earned premiums:		
Direct	\$ 1,524,736	\$ 1,381,572
Assumed	203,342	225,762
Ceded	(256,065)	(243,722)
Total net premiums earned	<u>\$ 1,472,013</u>	<u>\$ 1,363,612</u>
Ceded losses incurred	<u>\$ 118,391</u>	<u>\$ 100,684</u>
Ceded commissions earned	<u>\$ 43,651</u>	<u>\$ 37,170</u>

The Company reinsures a portion of its insurance exposures in order to reduce its net liability on individual risks and catastrophe losses. The Company also cedes premiums to state assigned risk plans and captive insurance companies. Estimated amounts due from reinsurers are reported net of reserves for uncollectible reinsurance of \$1 million as of March 31, 2015 and December 31, 2014 .

(18) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments:

(In thousands)	March 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	\$ 12,652,269	\$ 12,673,353	\$ 12,705,160	\$ 12,725,806
Equity securities available for sale	174,709	174,709	170,991	170,991
Arbitrage trading account	972,629	972,629	450,648	450,648
Loans receivable	280,769	283,836	322,012	325,219
Cash and cash equivalents	614,695	614,695	674,441	674,441
Trading account receivables from brokers and clearing organizations	—	—	371,034	371,034
Liabilities:				
Due to broker	18,260	18,260	23,133	23,133
Trading account payable to brokers and clearing organizations	165,420	165,420	—	—
Trading account securities sold but not yet purchased	99,299	99,299	106,079	106,079
Subordinated debentures	340,125	354,480	340,060	332,640
Senior notes and other debt	2,112,456	2,388,949	2,115,527	2,344,292

The estimated fair values of the Company's fixed maturity securities, equity securities available for sale and arbitrage trading account securities are based on various valuation techniques that rely on fair value measurements as described in Note 16 above. The fair value of loans receivable are estimated by using current institutional purchaser yield requirements for loans with similar credit characteristics, which is considered a Level 2 input. The fair value of the senior notes and other debt and the junior subordinated debentures is based on spreads for similar securities, which is considered a Level 2 input.

(19) Restricted Stock Units

Pursuant to its stock incentive plan, the Company may issue restricted stock units (RSUs) to employees of the Company and its subsidiaries. The RSUs generally vest three to five years from the award date and are subject to other vesting and forfeiture provisions contained in the award agreement. RSUs are expensed pro-ratably over the vesting period. RSU expenses were \$ 8 million and \$ 6 million for the three months ended March 31, 2015 and 2014 , respectively. A summary of RSUs issued in the three months ended March 31, 2015 and 2014 follows:

<u>(\$ in thousands)</u>	<u>Units</u>	<u>Fair Value</u>
Three months ended March 31,		
2015	10,000	\$ 503
2014	16,950	\$ 689

(20) Litigation and Contingent Liabilities

In the ordinary course of business, the Company is subject to disputes, litigation and arbitration arising from its insurance and reinsurance businesses. These matters are generally related to insurance and reinsurance claims and are considered in the establishment of loss and loss expense reserves. In addition, the Company may also become involved in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. The Company expects its ultimate liability with respect to such matters will not be material to its financial condition. However, adverse outcomes on such matters are possible, from time to time, and could be material to the Company's results of operations in any particular financial reporting period.

(21) Business Segments

The Company's financial results are presented for the following reportable business segments, plus a corporate segment:

- Insurance-Domestic - commercial insurance business, including excess and surplus lines and admitted lines, primarily throughout the United States;
- Insurance-International - insurance business primarily in the United Kingdom, Continental Europe, South America, Canada, Scandinavia, and Australia; and
- Reinsurance-Global - reinsurance business on a facultative and treaty basis, primarily in the United States, United Kingdom, Continental Europe, Australia, and the Asia-Pacific Region.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Income tax expense and benefits are calculated based upon the Company's overall effective tax rate.

Summary financial information about the Company's business segments is presented in the following tables:

	Revenues					Net Income (Loss) to Common Stockholders
(In thousands)	Earned Premiums	Investment Income	Other	Total	Pre-Tax Income (Loss)	
Three months ended March 31, 2015:						
Insurance-Domestic	\$ 1,117,542	\$ 82,652	\$ 25,575	\$ 1,225,769	\$ 166,866	\$ 114,910
Insurance-International	193,734	16,432	—	210,166	21,303	15,129
Reinsurance-Global	160,737	17,041	—	177,778	20,262	14,500
Corporate and eliminations (1)	—	8,114	103,808	111,922	(58,758)	(38,611)
Net investment gains	—	—	19,044	19,044	19,044	12,379
Total	<u>\$ 1,472,013</u>	<u>\$ 124,239</u>	<u>\$ 148,427</u>	<u>\$ 1,744,679</u>	<u>\$ 168,717</u>	<u>\$ 118,307</u>
Three months ended March 31, 2014:						
Insurance-Domestic	\$ 1,003,507	\$ 118,137	\$ 28,766	\$ 1,150,410	\$ 202,185	\$ 138,036
Insurance-International	185,324	16,652	—	201,976	17,747	12,468
Reinsurance-Global	174,781	27,578	—	202,359	32,074	22,392
Corporate and eliminations (1)	—	6,344	93,063	99,407	(57,175)	(37,513)
Net investment gains	—	—	52,754	52,754	52,754	34,290
Total	<u>\$ 1,363,612</u>	<u>\$ 168,711</u>	<u>\$ 174,583</u>	<u>\$ 1,706,906</u>	<u>\$ 247,585</u>	<u>\$ 169,673</u>

(1) Corporate and eliminations represent corporate revenues and expenses that are not allocated to business segments.

Identifiable assets by segment are as follows:

(In thousands)	March 31, 2015	December 31, 2014
Insurance-Domestic	\$ 16,011,219	\$ 16,036,513
Insurance-International	1,817,696	1,876,347
Reinsurance-Global	2,607,238	2,708,090
Corporate and eliminations	1,410,899	1,058,289
Total	<u>\$ 21,847,052</u>	<u>\$ 21,679,239</u>

Net premiums earned by major line of business are as follows:

(In thousands)	For the Three Months Ended March 31,	
	2015	2014
Insurance-Domestic:		
Other liability	\$ 372,039	\$ 339,633
Workers' compensation	292,617	263,032
Short-tail lines	227,726	204,766
Commercial automobile	134,957	124,368
Professional liability	90,203	71,708
Total	<u>1,117,542</u>	<u>1,003,507</u>
Insurance-International:		
Other liability	24,865	19,375
Workers' compensation	22,121	17,325
Short-tail lines	95,364	96,274
Commercial automobile	30,603	27,593
Professional liability	20,781	24,757
Total	<u>193,734</u>	<u>185,324</u>
Reinsurance-Global:		
Casualty	112,816	125,603
Property	<u>47,921</u>	<u>49,178</u>
Total	<u>160,737</u>	<u>174,781</u>
Total	<u>\$ 1,472,013</u>	<u>\$ 1,363,612</u>

SAFE HARBOR STATEMENT

This is a “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein, including statements related to our outlook for the industry and for our performance for the year 2015 and beyond, are based upon the Company’s historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. They are subject to various risks and uncertainties, including but not limited to: the cyclical nature of the property casualty industry; the impact of significant competition, including new alternative entrants to the industry; the long-tail and potentially volatile nature of the insurance and reinsurance business; product demand and pricing; claims development and the process of estimating reserves; investment risks, including those of our portfolio of fixed maturity securities and investments in equity securities, including investments in financial institutions, municipal bonds, mortgage-backed securities, loans receivable, investment funds, including real estate, merger arbitrage, energy related and private equity investments; the effects of emerging claim and coverage issues; the uncertain nature of damage theories and loss amounts; natural and man-made catastrophic losses, including as a result of terrorist activities; general economic and market activities, including inflation, interest rates, and volatility in the credit and capital markets; the impact of the conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response to it, on our results and financial condition; foreign currency and political risks relating to our international operations; our ability to attract and retain key personnel and qualified employees; continued availability of capital and financing; the success of our new ventures or acquisitions and the availability of other opportunities; the availability of reinsurance; our retention under the Terrorism Risk Insurance Act of 2002, as amended (“TRIA”); the ability of our reinsurers to pay reinsurance recoverables owed to us; other legislative and regulatory developments, including those related to business practices in the insurance industry; credit risk related to our policyholders, independent agents and brokers; changes in the ratings assigned to us or our insurance company subsidiaries by rating agencies; the availability of dividends from our insurance company subsidiaries; potential difficulties with technology and/or data security; the effectiveness of our controls to ensure compliance with guidelines, policies and legal and regulatory standards; and other risks detailed from time to time in the Company’s filings with the Securities and Exchange Commission. These risks and uncertainties could cause our actual results for the year 2015 and beyond to differ materially from those expressed in any forward-looking statement we make. Any projections of growth in our revenues would not necessarily result in commensurate levels of earnings. Our future financial performance is dependent upon factors discussed in our Annual Report on Form 10-K, elsewhere in this Form 10-Q and our other SEC filings. Forward-looking statements speak only as of the date on which they are made. Except to the extent required by applicable laws, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

W. R. Berkley Corporation is an insurance holding company that is among the largest commercial lines writers in the United States and operates in three business segments: Insurance-Domestic, Insurance-International and Reinsurance-Global. Our decentralized structure provides us with the flexibility to respond quickly and efficiently to local or specific market conditions and to pursue specialty business niches. It also allows us to be closer to our customers in order to better understand their individual needs and risk characteristics. While providing our business units with certain operating autonomy, our structure allows us to capitalize on the benefits of economies of scale through centralized capital, investment, reinsurance and enterprise risk management, and actuarial, financial and corporate legal staff support. The Company's primary sources of revenues and earnings are its insurance operations and its investments.

An important part of our strategy is to form new operating units to capitalize on various business opportunities. Since 2006, the Company has formed 24 new operating units that are focused on important parts of the economy in the U.S., including healthcare, energy and agriculture, and on growing international markets, including Scandinavia, Australia, the Asia-Pacific region and South America.

The profitability of the Company's insurance business is affected primarily by the adequacy of premium rates. The ultimate adequacy of premium rates is not known with certainty at the time an insurance policy is issued because premiums are determined before claims are reported. The ultimate adequacy of premium rates is affected mainly by the severity and frequency of claims, which are influenced by many factors, including natural and other disasters, regulatory measures and court decisions that define and change the extent of coverage and the effects of economic inflation on the amount of compensation for injuries or losses. General insurance prices are also influenced by available insurance capacity, i.e., the level of statutory capital and surplus employed in the industry, and the industry's willingness to deploy that capital.

From 2005 through 2010, the property casualty insurance market was very competitive and insurance rates decreased across most business lines. Although prices have generally increased since the beginning of 2011, the current market is highly competitive and price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives. Part of the Company's strategy is to selectively reduce its business in areas where it believes returns are not adequate. Price changes are reflected in the Company's results over time as premiums are earned.

The Company's profitability is also affected by its investment income and investment gains. The Company's invested assets, which are derived from its own capital and cash flow from its insurance business, are invested principally in fixed maturity securities. The return on fixed maturity securities is affected primarily by general interest rates, as well as the credit quality and duration of the securities. Returns available on fixed maturity investments are at historically low levels. The Company's investment income has been negatively impacted by the low fixed maturity investment returns, and will be further impacted if investment returns remain at this level.

The Company has increasingly invested in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

Critical Accounting Estimates

The following presents a discussion of accounting policies and estimates relating to reserves for losses and loss expenses, assumed premiums and other-than-temporary impairments of investments. Management believes these policies and estimates are the most critical to its operations and require the most difficult, subjective and complex judgments.

Reserves for Losses and Loss Expenses. To recognize liabilities for unpaid losses, either known or unknown, insurers establish reserves, which is a balance sheet account representing estimates of future amounts needed to pay claims and related expenses with respect to insured events which have occurred. Estimates and assumptions relating to reserves for losses and loss expenses are based on complex and subjective judgments, often including the interplay of specific uncertainties with related accounting and actuarial measurements. Such estimates are also susceptible to change as significant periods of time may elapse between the occurrence of an insured loss, the report of the loss to the insurer, the ultimate determination of the cost of the loss and the insurer's payment of that loss.

In general, when a claim is reported, claims personnel establish a "case reserve" for the estimated amount of the ultimate payment based upon known information about the claim at that time. The estimate represents an informed judgment based on general reserving practices and reflects the experience and knowledge of the claims personnel regarding the nature and value of the specific type of claim. Reserves are also established on an aggregate basis to provide for losses incurred but not reported ("IBNR") to the insurer, potential inadequacy of case reserves and the estimated expenses of settling claims, including legal and

other fees and general expenses of administering the claims adjustment process. Reserves are established based upon the then current legal interpretation of coverage provided.

In examining reserve adequacy, several factors are considered in estimating the ultimate economic value of losses. These factors include, among other things, historical data, legal developments, changes in social attitudes and economic conditions, including the effects of inflation. The actuarial process relies on the basic assumption that past experience, adjusted judgmentally for the effects of current developments and anticipated trends, is an appropriate basis for predicting future outcomes. Reserve amounts are based on management's informed estimates and judgments using currently available data. As additional experience and other data become available and are reviewed, these estimates and judgments may be revised. This may result in reserve increases or decreases that would be reflected in our results in periods in which such estimates and assumptions are changed.

Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what management expects the ultimate settlement and claim administration will cost. While the methods for establishing reserves are well tested over time, some of the major assumptions about anticipated loss emergence patterns are subject to unanticipated fluctuation. These estimates, which generally involve actuarial projections, are based on management's assessment of facts and circumstances then known, as well as estimates of trends in claims severity and frequency, judicial theories of liability and other factors, including the actions of third parties which are beyond the Company's control. These variables are affected by external and internal events, such as inflation and economic volatility, judicial and litigation trends, reinsurance coverage, legislative changes and claim handling and reserving practices, which make it more difficult to accurately predict claim costs. The inherent uncertainties of estimating reserves are greater for certain types of liabilities where long periods of time elapse before a definitive determination of liability is made. Because setting reserves is inherently uncertain, the Company cannot provide assurance that its current reserves will prove adequate in light of subsequent events.

Loss reserves included in the Company's financial statements represent management's best estimates based upon an actuarially derived point estimate and other considerations. The Company uses a variety of actuarial techniques and methods to derive an actuarial point estimate for each operating unit. These methods include paid loss development, incurred loss development, paid and incurred Bornhuetter-Ferguson methods and frequency and severity methods. In circumstances where one actuarial method is considered more credible than the others, that method is used to set the point estimate. For example, the paid loss and incurred loss development methods rely on historical paid and incurred loss data. For new lines of business, where there is insufficient history of paid and incurred claims data, or in circumstances where there have been significant changes in claim practices, the paid and incurred loss development methods would be less credible than other actuarial methods. The actuarial point estimate may also be based on a judgmental weighting of estimates produced from each of the methods considered. Industry loss experience is used to supplement the Company's own data in selecting "tail factors" and in areas where the Company's own data is limited. The actuarial data is analyzed by line of business, coverage and accident or policy year, as appropriate, for each operating unit.

The establishment of the actuarially derived loss reserve point estimate also includes consideration of qualitative factors that may affect the ultimate losses. These qualitative considerations include, among others, the impact of re-underwriting initiatives, changes in the mix of business, changes in distribution sources and changes in policy terms and conditions. Examples of changes in terms and conditions that can have a significant impact on reserve levels are the use of aggregate policy limits, the expansion of coverage exclusions, whether or not defense costs are within policy limits, and changes in deductibles and attachment points.

The key assumptions used to arrive at the best estimate of loss reserves are the expected loss ratios, rate of loss cost inflation, and reported and paid loss emergence patterns. Expected loss ratios represent management's expectation of losses at the time the business is written, before any actual claims experience has emerged. This expectation is a significant determinant of the estimate of loss reserves for recently written business where there is little paid or incurred loss data to consider. Expected loss ratios are generally derived from historical loss ratios adjusted for the impact of rate changes, loss cost trends and known changes in the type of risks underwritten. Expected loss ratios are estimated for each key line of business within each operating unit. Expected loss cost inflation is particularly important for the long-tail lines, such as excess casualty, and claims with a high medical component, such as workers' compensation. Reported and paid loss emergence patterns are used to project current reported or paid loss amounts to their ultimate settlement value. Loss development factors are based on the historical emergence patterns of paid and incurred losses, and are derived from the Company's own experience and industry data. The paid loss emergence pattern is also significant to excess and assumed workers' compensation reserves because those reserves are discounted to their estimated present value based upon such estimated payout patterns. Management believes the estimates and assumptions it makes in the reserving process provide the best estimate of the ultimate cost of settling claims and related expenses with respect to insured events which have occurred; however, different assumptions and variables could lead to significantly different reserve estimates.

Loss frequency and severity are measures of loss activity that are considered in determining the key assumptions described in our discussion of loss and loss expense reserves, including expected loss ratios, rate of loss cost inflation and

reported and paid loss emergence patterns. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Factors affecting loss frequency include the effectiveness of loss controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include changes in policy limits, retentions, rate of inflation and judicial interpretations.

Another factor affecting estimates of loss frequency and severity is the loss reporting lag, which is the period of time between the occurrence of a loss and the date the loss is reported to the Company. The length of the loss reporting lag affects our ability to accurately predict loss frequency (loss frequencies are more predictable for lines with short reporting lags) as well as the amount of reserves needed for incurred but not reported losses (less IBNR is required for lines with short reporting lags). As a result, loss reserves for lines with short reporting lags are likely to have less variation from initial loss estimates. For lines with short reporting lags, which include commercial automobile, primary workers' compensation, other liability (claims-made) and property business, the key assumption is the loss emergence pattern used to project ultimate loss estimates from known losses paid or reported to date. For lines of business with long reporting lags, which include other liability (occurrence), products liability, excess workers' compensation and liability reinsurance, the key assumption is the expected loss ratio since there is often little paid or incurred loss data to consider. Historically, the Company has experienced less variation from its initial loss estimates for lines of businesses with short reporting lags than for lines of business with long reporting lags.

The key assumptions used in calculating the most recent estimate of the loss reserves are reviewed each quarter and adjusted, to the extent necessary, to reflect historical changes, current trends and other factors observed. If the actual level of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management's estimate. The following table reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity, relative to our assumptions, on our loss estimate for claims occurring in 2014:

(In thousands) Severity (+/-)	Frequency (+/-)		
	1%	5%	10%
1%	\$ 70,266	\$ 211,497	\$ 388,037
5%	211,497	358,322	541,853
10%	388,037	541,853	734,123

Our net reserves for losses and loss expenses of approximately \$9 billion as of March 31, 2015 relate to multiple accident years. Therefore, the impact of changes in frequency or severity for more than one accident year could be higher or lower than the amounts reflected above.

Approximately \$1.4 billion, or 16%, of the Company's net loss reserves as of March 31, 2015 relate to the Reinsurance-Global segment. There is a higher degree of uncertainty and greater variability regarding estimates of assumed loss reserves because those estimates are based, in part, upon information received from ceding companies. If information received from ceding companies is not timely or correct, the Company's estimate of ultimate losses may not be accurate. Furthermore, due to delayed reporting of claim information by ceding companies, the claim settlement tail for assumed reinsurance is extended. Management considers the impact of delayed reporting in its selection of assumed loss development factors.

Information received from ceding companies is used to set initial expected loss ratios, to establish case reserves and to estimate reserves for incurred but not reported losses on assumed reinsurance business. This information, which is generally provided through reinsurance intermediaries, is gathered through the underwriting process and from periodic claim reports and other correspondence with ceding companies. The Company performs underwriting and claim audits of selected ceding companies to determine the accuracy and completeness of information provided to the Company. The information received from the ceding companies is supplemented by the Company's own loss development experience with similar lines of business as well as industry loss trends and loss development benchmarks.

Following is a summary of the Company's reserves for losses and loss expenses by business segment as of March 31, 2015 and December 31, 2014:

(In thousands)	2015	2014
Insurance-Domestic	\$ 6,875,226	\$ 6,767,374
Insurance-International	737,889	750,613
Reinsurance-Global	1,444,997	1,452,654
Net reserves for losses and loss expenses	9,058,112	8,970,641
Ceded reserves for losses and loss expenses	1,416,842	1,399,060
Gross reserves for losses and loss expenses	\$ 10,474,954	\$ 10,369,701

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Following is a summary of the Company's net reserves for losses and loss expenses by major line of business as of March 31, 2015 and December 31, 2014:

(In thousands)	Reported Case Reserves	Incurred But Not Reported	Total
March 31, 2015			
Other liability	\$ 1,037,025	\$ 1,817,434	\$ 2,854,459
Workers' compensation (1)	1,632,649	1,207,815	2,840,464
Professional liability	320,807	447,972	768,779
Commercial automobile	325,213	216,869	542,082
Short-tail lines	326,884	280,447	607,331
Total primary	3,642,578	3,970,537	7,613,115
Reinsurance (1)	610,189	834,808	1,444,997
Total	<u>\$ 4,252,767</u>	<u>\$ 4,805,345</u>	<u>\$ 9,058,112</u>
December 31, 2014			
Other liability	\$ 1,035,442	\$ 1,785,598	\$ 2,821,040
Workers' compensation (1)	1,603,310	1,201,117	2,804,427
Professional liability	308,887	453,557	762,444
Commercial automobile	319,700	203,085	522,785
Short-tail lines	330,010	277,281	607,291
Total primary	3,597,349	3,920,638	7,517,987
Reinsurance (1)	603,851	848,803	1,452,654
Total	<u>\$ 4,201,200</u>	<u>\$ 4,769,441</u>	<u>\$ 8,970,641</u>

(1) Reserves for excess and assumed workers' compensation business are net of an aggregate net discount of \$736 million and \$746 million as of March 31, 2015 and December 31, 2014, respectively.

The Company evaluates reserves for losses and loss adjustment expenses on a quarterly basis. Changes in estimates of prior year losses are reported when such changes are made. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends.

Certain of the Company's insurance and reinsurance contracts are retrospectively rated, whereby the Company collects more or less premiums based on the level of loss activity. For those contracts, changes in loss and loss adjustment expenses for prior years may be fully or partially offset by additional or return premiums.

Net prior year development (i.e, the sum of prior year reserve changes and prior year earned premiums changes) for each of the three months ended March 31, 2015 and 2014 are as follows:

(In thousands)	2015	2014
Net decrease in prior year loss reserves	\$ 2,499	\$ 19,035
Increase in prior year earned premiums	9,304	5,865
Net favorable prior year development	<u>\$ 11,803</u>	<u>\$ 24,900</u>

Favorable prior year development (net of additional and return premiums) was \$12 million in the three months ended March 31, 2015, compared with \$25 million in 2014. Overall, the reported emergence of losses on prior accident years during the first quarter of 2015 was close to our expectations.

Substantially all of the favorable development in 2015 related to the Insurance-Domestic segment. The Insurance-Domestic segment experienced favorable development for the other liability, workers' compensation and property lines of business, which was partially offset by unfavorable development in commercial automobile liability. The other liability favorable development resulted from the continuation of favorable claim frequency trends (i.e., number of reported claims per unit of exposure) and related primarily to accident years 2009 through 2014. The property favorable development related mainly to accident year 2014 and resulted from the resolution of a number of claims during

compensation favorable development related to better than expected loss emergence for the 2014 accident year as well as the settlement of several excess claims from accident years 2005 and prior. The adverse commercial auto liability development resulted from a higher than expected number of large losses, particularly for long-haul trucking business, related to accident years 2011 through 2014.

The favorable prior year development in 2014 was primarily related to the Insurance-Domestic segment and was driven by excess and surplus lines casualty business for accident years 2007 through 2013.

Reserve Discount. The Company discounts its liabilities for excess and assumed workers' compensation business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting the liabilities. The expected losses and loss expense payout pattern subject to discounting was derived from the Company's loss payout experience. For non-proportional business, reserves for losses and loss expenses have been discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. For proportional business, reserves for losses and loss expenses have been discounted at the statutory rate of 2.0%. As of March 31, 2015, the aggregate blended discount rates ranged from 2.0% to 6.5%, with a weighted average discount rate of 4.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was \$736 million and \$746 million as of March 31, 2015 and December 31, 2014, respectively.

Assumed Reinsurance Premiums. The Company estimates the amount of assumed reinsurance premiums that it will receive under treaty reinsurance agreements at the inception of the contracts. These premium estimates are revised as the actual amount of assumed premiums is reported to the Company by the ceding companies. As estimates of assumed premiums are made or revised, the related amount of earned premiums, commissions and incurred losses associated with those premiums are recorded. Estimated assumed premiums receivable were approximately \$85 million at both March 31, 2015 and December 31, 2014. The assumed premium estimates are based upon terms set forth in reinsurance agreements, information received from ceding companies during the underwriting and negotiation of agreements, reports received from ceding companies and discussions and correspondence with reinsurance intermediaries. The Company also considers its own view of market conditions, economic trends and experience with similar lines of business. These premium estimates represent management's best estimate of the ultimate amount of premiums to be received under its assumed reinsurance agreements.

Other-Than-Temporary Impairments (OTTI) of Investments. The cost of securities is adjusted where appropriate to include a provision for decline in value which is considered to be other-than-temporary. An other-than-temporary decline is considered to occur in investments where there has been a sustained reduction in fair value and where the Company does not expect the fair value to recover prior to the time of sale or maturity. Since equity securities do not have a contractual cash flow or maturity, the Company considers whether the price of an equity security is expected to recover within a reasonable period of time.

The Company classifies its fixed maturity securities and preferred stocks by credit rating, primarily based on ratings assigned by credit rating agencies. For purposes of classifying securities with different ratings, the Company uses the lower rating if two ratings were assigned and the middle rating if three ratings were assigned, unless the Company's own analysis indicates that the lower rating is more appropriate. Securities that are not rated by a rating agency are evaluated and classified by the Company on a case-by-case basis.

Fixed Maturity Securities – For securities that we intend to sell or, more likely than not, would be required to sell, a decline in value below amortized cost is considered to be OTTI. The amount of OTTI is equal to the difference between amortized cost and fair value at the balance sheet date. For securities that we do not intend to sell or expect to be required to sell, a decline in value below amortized cost is considered to be an OTTI if we do not expect to recover the entire amortized cost basis of a security (i.e., the present value of cash flows expected to be collected is less than the amortized cost basis of the security).

The portion of the decline in value considered to be a credit loss (i.e., the difference between the present value of cash flows expected to be collected and the amortized cost basis of the security) is recognized in earnings. The portion of the decline in value not considered to be a credit loss (i.e., the difference in the present value of cash flows expected to be collected and the fair value of the security) is recognized in other comprehensive income.

Impairment assessments for structured securities, including mortgage-backed securities and asset-backed securities, collateralized debt obligations and corporate debt, are generally evaluated based on the performance of the underlying collateral under various economic and default scenarios that may involve subjective judgments and estimates by management. Modeling these securities involves various factors, such as projected default rates, the nature and realizable value of the collateral, if any, the ability of the issuer to make scheduled payments, historical performance and other relevant economic and performance factors. If an OTTI determination is made, a discounted cash flow analysis is used to ascertain the amount of the credit impairment.

The following table provides a summary of fixed maturity securities in an unrealized loss position as of March 31, 2015:

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Unrealized loss less than 20% of amortized cost	314	\$ 2,078,607	\$ 29,710
Unrealized loss of 20% or greater of amortized cost:			
Less than twelve months	2	3,484	1,151
Twelve months and longer	12	58,609	20,084
Total	328	\$ 2,140,700	\$ 50,945

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at March 31, 2015 is presented in the table below:

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Mortgage-backed securities	9	\$ 26,168	\$ 1,658
Corporate	5	2,965	420
Total	14	\$ 29,133	\$ 2,078

The Company has evaluated its fixed maturity securities in an unrealized loss position and believes the unrealized loss is due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on its assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due and does not consider any of these securities to be OTTI.

Equity Securities – At March 31, 2015, there were seven equity securities in an unrealized loss position, with an aggregate fair value of \$75.3 million and a gross unrealized loss of \$13.2 million. Three of these equity securities are preferred stocks that are rated non-investment grade, and none are delinquent. Based upon management's view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI.

Loans Receivable – The Company monitors the performance of its loans receivable, including current market conditions for each loan and the ability to collect principal and interest. For loans where the Company determines it is probable that the contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. Loans receivable are reported net of a valuation reserve of \$2 million and \$3 million at March 31, 2015 and December 31, 2014, respectively.

The Company monitors the performance of its loans receivable and assesses the ability of each borrower to pay principal and interest based upon loan structure, underlying property values, cash flow and related financial and operating performance of the property and market conditions. Loans receivable with a potential for default are further assessed using discounted cash flow analysis and comparable cost and sales methodologies, if appropriate.

Fair Value Measurements . The Company's fixed maturity and equity securities available for sale and its trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. The fair value of the vast majority of the Company's portfolio is based on observable data (other than quoted prices) and, accordingly, is classified as Level 2.

In classifying particular financial securities in the fair value hierarchy, the Company uses its judgment to determine whether the market for a security is active and whether significant pricing inputs are observable. The Company determines the existence of an active market by assessing whether transactions occur with sufficient frequency and volume to provide reliable pricing information. The Company determines whether inputs are observable based on the use of such information by pricing services and external investment managers, the uninterrupted availability of such inputs, the need to make significant adjustments to such inputs and the volatility of such inputs over time. If the market for a security is determined to be inactive or

if significant inputs used to price a security are determined to be unobservable, the security is categorized in Level 3 of the fair value hierarchy.

Because many fixed maturity securities do not trade on a daily basis, the Company utilizes pricing models and processes which may include benchmark curves, benchmarking of like securities, sector groupings and matrix pricing. Market inputs used to evaluate securities include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. Quoted prices are often unavailable for recently issued securities that are infrequently traded or securities that are only traded in private transactions. For publicly traded securities for which quoted prices are unavailable, the Company determines fair value based on independent broker quotations and other observable market data. For securities traded only in private negotiations, the Company determines fair value based primarily on the cost of such securities, which is adjusted to reflect prices of recent placements of securities of the same issuer, financial data, projections and business developments of the issuer and other relevant information.

The following is a summary of pricing sources for the Company's fixed maturity securities available for sale as of March 31, 2015:

(In thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	\$ 12,357,001	98.5%
Syndicate manager	73,828	0.6
Directly by the Company based on:		
Observable data	118,236	0.9
Cash flow model	1,931	* -
Total	<u>\$ 12,550,996</u>	<u>100.0%</u>

*Less than 0.1%.

Independent pricing services – The vast majority of the Company's fixed maturity securities available for sale were priced by independent pricing services (generally one U.S. pricing service plus additional pricing services with respect to a limited number of foreign securities held by the Company). The prices provided by the independent pricing services are generally based on observable market data in active markets (e.g., broker quotes and prices observed for comparable securities). The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class. The Company reviews the prices provided by pricing services for reasonableness based upon current trading levels for similar securities. If the prices appear unusual to the Company, they are re-examined and the value is either confirmed or revised. In addition, the Company periodically performs independent price tests of a sample of securities to ensure proper valuation and to verify our understanding of how securities are priced. As of March 31, 2015, the Company did not make any adjustments to the prices provided by the pricing services. Based upon the Company's review of the methodologies used by the independent pricing services, these securities were classified as Level 2.

Syndicate manager – The Company has a 15% participation in a Lloyd's syndicate, and the Company's share of the securities owned by the syndicate is priced by the syndicate's manager. The majority of the securities are liquid, short duration fixed maturity securities. The Company reviews the syndicate manager's pricing methodology and audited financial statements and holds discussions with the syndicate manager as necessary to confirm its understanding and agreement with security prices. Based upon the Company's review of the methodologies used by the syndicate manager, these securities were classified as Level 2.

Observable data – If independent pricing is not available, the Company prices the securities directly. Prices are based on observable market data where available, including current trading levels for similar securities and non-binding quotations from brokers. The Company generally requests two or more quotes. If more than one quote is received, the Company sets a price within the range of quotes received based on its assessment of the credibility of the quote and its own evaluation of the security. The Company generally does not adjust quotes obtained from brokers. Since these securities were priced based on observable data, they were classified as Level 2.

Cash flow model – If the above methodologies are not available, the Company prices securities using a discounted cash flow model based upon assumptions as to prevailing credit spreads, interest rates and interest rate volatility, time to maturity and subordination levels. Discount rates are adjusted to reflect illiquidity where appropriate. These securities were classified as Level 3.

Results of Operations for the Three Months Ended March, 2015 and 2014

Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of premiums earned), expense ratios (underwriting expenses expressed as a percentage of premiums earned) and United States Generally Accepted Accounting Principles (“GAAP”) combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the three months ended March 31, 2015 and 2014. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(\$ in thousands)	2015	2014
Insurance-Domestic:		
Gross premiums written	\$ 1,409,177	\$ 1,342,942
Net premiums written	1,193,631	1,126,381
Net premiums earned	1,117,542	1,003,507
Loss ratio	61.6%	59.7%
Expense ratio	31.2%	32.5%
GAAP combined ratio	92.8%	92.2%
Insurance-International:		
Gross premiums written	\$ 283,226	\$ 277,186
Net premiums written	231,508	225,821
Net premiums earned	193,734	185,324
Loss ratio	57.9%	59.2%
Expense ratio	39.1%	40.1%
GAAP combined ratio	97.0%	99.3%
Reinsurance-Global:		
Gross premiums written	\$ 159,402	\$ 185,139
Net premiums written	150,263	173,678
Net premiums earned	160,737	174,781
Loss ratio	62.2%	64.6%
Expense ratio	35.8%	32.8%
GAAP combined ratio	98.0%	97.4%
Consolidated:		
Gross premiums written	\$ 1,851,805	\$ 1,805,267
Net premiums written	1,575,402	1,525,880
Net premiums earned	1,472,013	1,363,612
Loss ratio	61.2%	60.3%
Expense ratio	32.7%	33.6%
GAAP combined ratio	93.9%	93.9%

Net Income to Common Stockholders . The following table presents the Company's net income to common stockholders and net income per diluted share for the three months ended March 31, 2015 and 2014:

(In thousands, except per share data)	2015	2014
Net income to common stockholders	\$ 118,307	\$ 169,673
Weighted average diluted shares	132,484	135,429
Net income per diluted share	\$ 0.89	\$ 1.25

The Company reported net income of \$118 million in 2015 compared to \$170 million in 2014. The 30% decrease in net income was primarily due to decreases in after-tax net investment income of \$29 million and in after-tax net investment gains of \$22 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2015 and 2014.

Premiums . Gross premiums written were \$1,852 million in 2015, an increase of 3% from \$1,805 million in 2014. The growth was due primarily to rate increases. Approximately 79.2% of policies expiring in 2015 were renewed, compared with a 78.6% renewal retention rate for policies expiring in 2014.

Average renewal premium rates (adjusted for change in exposures) increased 3.1% in 2015. However, overall loss costs are also increasing, and current market price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives.

A summary of gross premiums written in 2015 compared with 2014 by line of business within each business segment follows:

- Insurance-Domestic gross premiums increased 5% to \$1,409 million in 2015 from \$1,343 million in 2014. Gross premiums increased \$24 million (25%) for professional liability, \$19 million (5%) for other liability, \$16 million (6%) for short-tail lines, \$4 million (3%) for commercial auto and \$3 million (1%) for workers' compensation.
- Insurance-International gross premiums increased 2% to \$283 million in 2015 from \$277 million in 2014. Gross premiums increased \$11 million (39%) for other liability, \$5 million (30%) for workers' compensation and \$2 million (7%) for commercial auto. Insurance-International gross premiums decreased \$9 million (5%) for short-tail lines and \$3 million (12%) for professional liability. In local currency terms, international gross premiums increased 14% in 2015.
- Reinsurance-Global gross premiums decreased 14% to \$159 million in 2015 from \$185 million in 2014, due to increasingly competitive conditions. Gross premiums written decreased \$14 million (11%) for casualty lines and \$12 million (20%) for property lines.

Net premiums written were \$1,575 million in 2015, an increase of 3% from \$1,526 million in 2014. Ceded reinsurance premiums as a percentage of gross written premiums were 15% in 2015 and 2014.

Premiums earned increased 8% to \$1,472 million in 2015 from \$1,364 million in 2014. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly recent rate increases will be earned over the upcoming quarters. Premiums earned in 2015 are related to business written during both 2015 and 2014. Audit premiums were \$37 million in 2015 compared with \$30 million in 2014.

Net Investment Income. Following is a summary of net investment income for the three months ended March 31, 2015 and 2014:

(In thousands)	Amount		Average Annualized Yield	
	2015	2014	2015	2014
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 108,129	\$ 106,898	3.3%	3.4%
Investment funds	6,061	53,799	2.0	21.1
Arbitrage trading account	8,979	5,519	6.8	4.6
Real estate	2,767	3,102	1.5	1.7
Equity securities available for sale	1,180	1,946	2.9	3.7
Gross investment income	127,116	171,264	3.2	4.5
Investment expenses	(2,877)	(2,553)		
Total	\$ 124,239	\$ 168,711	3.1	4.5

Net investment income decreased 26% to \$124 million in 2015 from \$169 million in 2014 due to a \$48 million decrease in income from investment funds. The decrease in investment income from investment funds (reported on a one-quarter lag) was primarily due to losses from energy funds, partially offset by higher earnings from real estate funds. Average invested assets, at cost (including cash and cash equivalents) were \$16.0 billion in 2015 and \$15.1 billion in 2014.

Insurance Service Fees. The Company is a servicing carrier of workers' compensation assigned risk plans for 20 states and provides insurance program management services to self-insureds, captives, governmental entities, risk retention groups, and insurance companies. Service fees increased to \$37 million in 2015 from \$29 million in 2014 as a result of the acquisition of a specialty property and casualty insurance distribution company in late 2014.

Net Realized Gains on Investment Sales. The Company buys and sells securities on a regular basis in order to maximize its total return on investments. Decisions to sell securities are based on management's view of the underlying fundamentals of specific securities as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized gains on investment sales were \$19 million in 2015 compared with \$53 million in 2014. The realized gains in 2014 included a gain of \$45 million from the sale of an investment in commercial real estate investment fund.

Revenues from Wholly-Owned Investees. Revenues from wholly-owned investees were derived from aviation-related businesses that provide services to aviation markets, including (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenues from wholly-owned investees was \$93 million in both 2015 and 2014.

Losses and Loss Expenses. Losses and loss expenses increased to \$901 million in 2015 from \$822 million in 2014. The consolidated loss ratio was 61.2% in 2015 and 60.3% in 2014. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were \$14 million in 2015 and 2014. Favorable prior year reserve development (net of premium offsets) was \$12 million in 2015 compared with \$25 million in 2014, a difference of 1.0 loss ratio point. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.1 point to 61.0% in 2015 from 61.1% in 2014. A summary of loss ratios in 2015 compared with 2014 by business segment follows:

- **Insurance-Domestic** - The loss ratio of 61.6% in 2015 was 1.9 points higher than the loss ratio of 59.7% in 2014. Catastrophe losses were \$14 million in 2015 compared with \$13 million in 2014. Favorable prior year reserve development was \$12 million in 2015 compared with \$28 million in 2014. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.2 points to 61.4% in 2015 from 61.2% in 2014.
- **Insurance-International** - The loss ratio of 57.9% in 2015 was 1.3 points lower than the loss ratio of 59.2% in 2014. There were no catastrophe losses in 2015 compared with \$1 million in 2014, a difference of 0.5 loss ratio points. There was no change in prior year reserve development in 2015 compared with an increase in prior year reserves of \$2 million in 2014, a difference of 1.6 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.8 points to 57.9% in 2015 from 57.1% in 2014.
- **Reinsurance-Global** - The loss ratio of 62.2% in 2015 was 2.4 points lower than the loss ratio of 64.6% in 2014. There was no change in prior year reserves in 2015 compared with an increase in prior year reserves of \$1 million in 2014, a difference of 0.4 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 2.0 points to 62.3% in 2015 from 64.3% in 2014.

Other Operating Costs and Expenses. Following is a summary of other operating costs and expenses:

(In thousands)	2015	2014
Underwriting expenses	\$ 482,060	\$ 458,138
Service expenses	31,084	22,257
Net foreign currency gains	(567)	(334)
Other costs and expenses	38,469	35,105
Total	<u>\$ 551,046</u>	<u>\$ 515,166</u>

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 5% compared with an increase in net premiums earned of 8%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 32.7% in 2015, down from 33.6% in 2014, primarily due to higher earned premiums and to the impact of expense reduction initiatives.

Service expenses, which represent the costs associated with the fee-based businesses, increased to \$31 million in 2015 from \$22 million in 2014 as a result of the acquisition of a specialty property and casualty insurance distribution company in late 2014.

Foreign currency gains and losses result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were \$0.6 million in 2015 and \$0.3 million in 2014.

Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans. Other costs and expenses increased to \$38 million in 2015 from \$35 million in 2014 due primarily to higher compensation costs, including costs relating to long-term incentive plans.

Expenses from Wholly-Owned Investees. Expenses from wholly-owned investees represent costs associated with aviation-related businesses that include (i) cost of goods sold related to aircraft and products sold and services provided, and (ii) general and administrative expenses. Expenses from wholly-owned investees were \$90 million in 2015 compared to \$92 million in 2014.

Interest Expense. Interest expense was \$35 million in 2015 compared with \$30 million in 2014. In August 2014, the Company issued \$350 million of 4.75% senior notes due 2044. A portion of the proceeds will be used to repay \$200 million of 5.60% senior notes that are due on May 15, 2015.

Income Taxes. The effective income tax rate was 30% in 2015 compared to 31% in 2014. The effective income tax rate differs from the federal income tax rate of 35% primarily because interest on the Company's state and local bonds is taxed at a lower rate. The decrease in the effective tax rate in 2015 compared with 2014 is due to lower income from investment funds and investment gains, which are generally taxed at the 35% federal income tax rate.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$58.7 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$3.2 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

Investments

As part of its investment strategy, the Company establishes a level of cash and highly liquid short-term and intermediate-term securities that, combined with expected cash flow, it believes is adequate to meet its payment obligations. Due to the historically low fixed maturity investment returns, the Company has increasingly invested in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

The Company also attempts to maintain an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration of the fixed maturity portfolio was 3.2 years at March 31, 2015 and December 31, 2014. The Company's fixed maturity investment portfolio and investment-related assets as of March 31, 2015 were as follows:

(\$ in thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	\$ 752,467	4.5%
State and municipal:		
Special revenue	2,491,791	14.9
State general obligation	714,723	4.3
Pre-refunded (1)	556,195	3.3
Corporate backed	418,080	2.5
Local general obligation	341,889	2.1
Total state and municipal	4,522,678	27.1
Mortgage-backed securities:		
Agency	963,796	5.8
Residential-Prime	116,486	0.7
Commercial	72,884	0.4
Residential-Alt A	67,600	0.4
Total mortgage-backed securities	1,220,766	7.3
Corporate:		
Asset-backed	1,934,916	11.6
Industrial	1,780,211	10.7
Financial	1,203,139	7.2
Utilities	195,297	1.2
Other	104,076	0.6
Total corporate	5,217,639	31.3
Foreign government and foreign government agencies	938,719	5.6
Total fixed maturity securities	12,652,269	75.8
Equity securities		
Preferred stocks	113,609	0.7
Common stocks	61,100	0.4
Total equity securities	174,709	1.1
Investment funds	1,214,272	7.3
Arbitrage trading account	972,629	5.8
Real estate	761,856	4.6
Cash and cash equivalents	614,695	3.7
Loans receivable	280,769	1.7
Total investments	\$ 16,671,199	100.0%

(1) Pre-refunded securities are securities for which an escrow account has been established to fund the remaining payments of principal and interest through maturity. Such escrow accounts are funded almost exclusively with U.S. Treasury and U.S. government agency securities.

Fixed Maturity Securities. The Company's investment policy with respect to fixed maturity securities is generally to purchase instruments with the expectation of holding them to their maturity. However, management of the available for sale portfolio is considered necessary to maintain an approximate matching of assets and liabilities as well as to adjust the portfolio as a result of changes in financial market conditions and tax considerations.

The Company's philosophy related to holding or selling fixed maturity securities is based on its objective of maximizing total return. The key factors that management considers in its investment decisions as to whether to hold or sell fixed maturity securities are its view of the underlying fundamentals of specific securities as well as its expectations regarding interest rates, credit spreads and currency values. In a period in which management expects interest rates to rise, the Company may sell longer duration securities in order to mitigate the impact of an interest rate rise on the fair value of the portfolio. Similarly, in a period in which management expects credit spreads to widen, the Company may sell lower quality securities, and in a period in which management expects certain foreign currencies to decline in value, the Company may sell securities denominated in those foreign currencies. The sale of fixed maturity securities in order to achieve the objective of maximizing total return may result in realized gains; however, there is no reason to expect these gains to continue in future periods.

At March 31, 2015, investments in foreign government fixed maturity securities were as follows:

(In thousands)	Carrying Value
Australia	\$ 246,168
United Kingdom	181,002
Canada	165,311
Argentina	144,529
Germany	54,802
Brazil	53,160
Supranational (1)	47,729
Norway	36,351
Singapore	6,204
Uruguay	3,463
Total	<u>\$ 938,719</u>

(1) Supranational represents investments in the North American Development Bank, European Investment Bank and Inter-American Development Bank.

Equity Securities. Equity securities primarily represent investments in high-dividend yielding common and preferred stocks issued by large market capitalization companies.

Investment Funds. At March 31, 2015, the carrying value of investment funds was \$1,214 million, including investments in real estate funds of \$482 million, arbitrage funds of \$281 million and energy funds of \$120 million. Investment funds are primarily reported on a one-quarter lag.

Real Estate. Real estate is directly owned property held for investment. At March 31, 2015, real estate properties in operation included a long-term ground lease in Washington D.C. and an office building in West Palm Beach, Florida. In addition, there are three properties under development: an office building in London, a mixed-use project in Washington D.C. and an office complex in New York City. The Company expects to fund further development costs for these projects with a combination of its own funds and external financing.

Arbitrage Trading Account. The arbitrage trading account is comprised of direct investments in arbitrage securities. Merger arbitrage is the business of investing in the securities of publicly held companies that are the targets in announced tender offers and mergers.

Loans Receivable. Loans receivable, which are carried at amortized cost, had an aggregate cost of \$280.8 million and an aggregate fair value of \$283.8 million at March 31, 2015. The amortized cost of loans receivable is net of a valuation allowance of \$2.4 million as of March 31, 2015. Loans receivable include real estate loans of \$203.6 million that are secured by commercial real estate located primarily in Arizona, Illinois, Maryland, New York, North Carolina, Texas and Virginia. Real estate loans receivable generally earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. Loans receivable include commercial loans of \$77 million that are secured by business assets and have fixed interest rates with varying maturities not exceeding 10 years.

Market Risk. The fair value of the Company's investments is subject to risks of fluctuations in credit quality and interest rates. The Company uses various models and stress test scenarios to monitor and manage interest rate risk. The Company attempts to manage its interest rate risk by maintaining an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration for the fixed maturity portfolio was 3.2 years at March 31, 2015 and December 31, 2014. In addition, the fair value of the Company's international investments is subject to currency risk. The Company attempts to manage its currency risk by matching its foreign currency assets and liabilities where considered appropriate.

Liquidity and Capital Resources

Cash Flow. Cash flow provided from operating activities decreased to \$61 million in the first three months of 2015 from \$143 million in the comparable period in 2014, primarily due to the timing of premium collections and expense payments.

The Company's insurance subsidiaries' principal sources of cash are premiums, investment income, service fees and proceeds from sales and maturities of portfolio investments. The principal uses of cash are payments for claims, taxes, operating expenses and dividends. The Company expects its insurance subsidiaries to fund the payment of losses with cash received from premiums, investment income and fees. The Company targets an average duration for its investment portfolio that is within one year of the average duration of its liabilities so that portions of its investment portfolio mature throughout the claim cycle and are available for the payment of claims if necessary. In the event operating cash flow and proceeds from maturities and prepayments of fixed income securities are not sufficient to fund claim payments and other cash requirements, the remainder of the Company's cash and investments is available to pay claims and other obligations as they become due. The Company's investment portfolio is highly liquid, with approximately 81% invested in cash, cash equivalents and marketable fixed maturity securities as of March 31, 2015. If the sale of fixed maturity securities were to become necessary, a realized gain or loss equal to the difference between the cost and sales price of securities sold would be recognized.

Debt. At March 31, 2015, the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of \$2,453 million and a face amount of \$2,477 million. The maturities of the outstanding debt are \$274 million in 2015, \$30 million in 2016, \$44 million in 2017, \$450 million in 2019, \$300 million in 2020, \$427 million in 2022, \$2 million in 2029, \$250 million in 2037, \$350 million in 2044 and \$350 million in 2053.

In August 2014, the Company issued \$350 million of 4.75% senior notes due 2044. A portion of the proceeds will be used to repay \$200 million of 5.60% senior notes that are due on May 15, 2015. In addition, in 2014 the Company assumed \$71 million of debt in conjunction with the purchase of an office building in West Palm Beach, Florida, that matures in August 2015.

Equity. At March 31, 2015, total common stockholders' equity was \$4.6 billion, common shares outstanding were approximately 125 million and stockholders' equity per outstanding share was \$36.65. During the three months ended March 31, 2015, the Company repurchased 1,830,490 shares of its common stock for \$91 million.

Total Capital. Total capitalization (equity, debt and subordinated debentures) was \$7 billion at March 31, 2015. The percentage of the Company's capital attributable to debt and subordinated debentures was 35% at March 31, 2015 and 32% at December 31, 2014.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

Reference is made to the information under "Investments - Market Risk" under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Form 10-Q.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. The Company's management, including its Chief Executive Officer and Chief Financial Officer, has conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-14 as of the end of the period covered by this quarterly report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company has in place effective controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Securities Exchange Act of 1934, as amended, and the rules thereunder, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

Changes in Internal Control over Financial Reporting. During the quarter ended March 31, 2015, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Please see Note 20 to the notes to the interim consolidated financial statements.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2014.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Set forth below is a summary of the shares repurchased by the Company during the three months ended March 31, 2015 and the number of shares remaining authorized for purchase by the Company.

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 2015	9,400	\$ 49.77	9,400	7,176,717
February 2015	1,248,549	49.79	1,248,549	5,928,168
March 2015	572,541	49.93	572,541	5,355,627

Item 6. ExhibitsNumber

- | | |
|--------|--|
| (10.1) | Form of 2015 Performance Unit Award Agreement under the W. R. Berkley Corporation 2014 Long-Term Incentive Plan. |
| (31.1) | Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a). |
| (31.2) | Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a). |
| (32.1) | Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

W. R. BERKLEY CORPORATION

Date: May 4, 2015

/s/ William R. Berkley
William R. Berkley
Chairman of the Board and Chief Executive Officer

Date: May 4, 2015

/s/ Eugene G. Ballard
Eugene G. Ballard
Senior Vice President - Chief Financial Officer

2015 Performance Unit Award Agreement

Under the W. R. Berkley Corporation 2014 Long-Term Incentive Plan

This 2015 Performance Unit Award Agreement (this “Agreement”), effective January 1, 2015, represents an Award of Performance Units by W. R. Berkley Corporation (the “Company”), to the Participant named below, pursuant to the provisions of the W. R. Berkley Corporation 2014 Long-Term Incentive Plan (the “Plan”). The value of the Performance Units will be determined based on the increase in the Company’s Book Value Per Share during the Performance Period, as determined below.

The Plan provides a complete description of the terms and conditions governing the Performance Units. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan’s terms shall completely supersede and replace the conflicting terms of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. The parties hereto agree as follows:

1. General Grant Information. The individual named below has been selected to be a Participant in the Plan and receive a grant of Performance Units, as specified below:

(a) Participant :

(b) Number of Performance Units Granted :

(c) Initial Value of Performance Units : \$0.00

(d) Date of Grant : January 1, 2015

(e) Performance Measure : Increase in Book Value Per Share, as set forth in Section 3 below.

2. Performance Period. The Performance Period commences on January 1, 2015, and ends on December 31, 2019; provided, however, that, in the event that the Participant dies or experiences a Qualifying Termination, the Performance Period for such Participant shall be deemed to end on December 31 of the fiscal year immediately prior to the fiscal year in which such death or Qualifying Termination occurred.

3. Value of a Performance Unit. Each Performance Unit shall have a value determined by multiplying the Increase in Book Value Per Share by three and fifty-nine hundredths (3.59), subject to a maximum value of one hundred dollars (\$100.00) per Performance Unit.

4. Eligibility for Earned Performance Units. The Participant shall only be eligible for payment of earned Performance Units. Performance Units will be earned only if the Participant’s employment with the Company continues through the end of the Performance Period. Notwithstanding anything herein to the contrary, the Performance Units shall not be earned and shall not become payable unless and until the Participant has complied with the Competitive Action restriction set forth in Section 5(d) below on or prior to the Settlement Date.

5. Payout of Performance Units. (a) Except as set forth in Section 5(b) or 8 below, the aggregate positive value, if any, of the earned Performance Units, based on the value of the earned Performance Units on the last day of the Performance Period as determined in accordance with this Agreement and

subject to the maximum value set forth in Section 3 hereof, shall be paid to the Participant in cash following the last day of the Performance Period but in no event later than March 31, 2020.

(b) In the event of the death or Qualifying Termination of the Participant, payment of the value, if any, of the earned Performance Units in accordance with the terms of this Agreement shall extinguish the Company's obligation hereunder, and the Participant shall not be entitled to any further payment or appreciation in the value of the Performance Units. In the event such payment is made due to the Participant's death, such payment shall be made to the Participant's beneficiary (or the Participant's estate if no beneficiary has been chosen or if such beneficiary has predeceased the Participant). Any payment upon death or any Qualifying Termination shall be made within ninety (90) calendar days following such death or Qualifying Termination; provided, however, that if such ninety (90) day period spans two separate taxable years, such payment shall be made in the later taxable year; provided further, however, that any payment hereunder (calculated as of the end of the fiscal year immediately prior to the fiscal year in which such Qualifying Termination occurred) upon a Qualifying Termination shall be delayed until the earlier of (x) March 31, 2020 and (y) such time as the Participant has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such payment shall be made to the Participant according to the schedule set forth in this Section 5 (b) as if the Participant had undergone such Qualifying Termination (under the same circumstances) on the date of such "separation from service." Notwithstanding anything herein to the contrary, to the extent the Participant is a "specified employee" as defined in Treas. Reg. 1.409A-1(i), any payment to be made upon the Participant's "separation from service" shall be delayed until and made upon the earlier of (i) the six (6) month anniversary of the Participant's "separation from service" and (ii) the Participant's death.

(c) This Award shall expire and the Company shall have no further obligation to make any payment hereunder once a payment is made pursuant to Section 5(a) or (b) above or Section 8 below.

(d) If on or prior to the Settlement Date, the Participant engages in a Competitive Action or enters into, or has entered into, an agreement (written, oral or otherwise) to engage in Competitive Action or has engaged in Misconduct, all of the Performance Units, whether earned or unearned, shall be immediately forfeited, and the Participant shall have no further rights with respect to such Performance Units. In the event that the Participant engages in any Competitive Action or enters into, or has entered into, an agreement (written, oral or otherwise) to engage in Competitive Action or engages in Misconduct after the Settlement Date but on or prior to the second anniversary of the Settlement Date, the Participant shall pay to the Company, upon demand by the Company, an amount equal to the amount paid to the Participant in respect of the Performance Units on the Settlement Date. The determination as to whether the Participant has engaged in any Competitive Action or Misconduct shall be made by the Committee in its sole and absolute discretion. The Committee has sole and absolute discretion to determine whether, notwithstanding its determination that the Participant has engaged in a Competitive Action or Misconduct, recapture or forfeiture as provided herein shall not occur. The Committee's exercise or nonexercise of such discretion with respect to any particular event or occurrence by or with respect to the Participant or any other recipient of Performance Units under the Plan shall not in any way reduce or eliminate the authority of the Committee to (i) determine that any event or occurrence by or with respect to the Participant constitutes engaging in Competitive Action or Misconduct, or (ii) determine the related Competitive Action or Misconduct date. The Participant acknowledges that the restriction with respect to engaging in a Competitive Action, in view of the nature of the business in which the Company is engaged, is reasonable in scope (as to both the temporal and geographical limits) and necessary in order to protect the legitimate business interests of the Company. The Participant acknowledges further that engaging in a Competitive Action or Misconduct would result in irreparable injuries to the Company and would cause loss in an amount that cannot be readily quantified. The Participant acknowledges further the amounts required to be paid to the Company pursuant to this provision are reasonable and are not liquidated damages nor shall they be characterized as such.

(e) The Participant's employment will not be considered to continue if his or her employment has been terminated (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, the Participant's right to continue to earn pursuant to the Performance Units awarded hereunder, if any, will terminate as of such date and will not be extended by any notice period arising under local law or contract (*e.g.* , unless the Participant is actively providing substantial services as required by the Company during any notice period. However, the Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period arising under employment laws in the jurisdictions where the Participant is employed or the terms of Participant's employment agreement, if any).

6. Nontransferability. The Performance Units granted hereunder may not be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

7. Administration. This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be final and binding upon the Participant, including without limitation any determination concerning a Competitive Action. Any inconsistency between the Agreement and the Plan shall be resolved in favor of the Plan.

8. Change in Control. In the event of a Change in Control, unless otherwise specifically prohibited under applicable laws or by the rules and regulations of any governing governmental agencies or national securities exchanges:

(a) With respect to each outstanding Performance Unit that is assumed or substituted in connection with a Change in Control, in the event that the Participant's employment with the Company is terminated (i) by the Company or a Subsidiary or Affiliate, as applicable, without Cause or (ii) by the Participant for Good Reason, in each case during the eighteen (18) month period following such Change in Control, the value of all Performance Units shall be determined and fixed as of the end of the fiscal year immediately preceding the fiscal year in which such termination occurs, and such value shall be paid to the Participant in accordance with, and subject to, the provisions of Sections 4 and 5 hereof. Following such termination, Performance Units shall not accrue any additional value for the fiscal year in which such termination occurs or for any subsequent fiscal years.

(b) With respect to each outstanding Performance Unit that is not assumed or substituted in connection with a Change in Control, immediately upon the occurrence of the Change in Control, which shall be deemed the end of the Performance Period, the value of all Performance Units shall be determined and fixed as of the end of the fiscal year immediately preceding the fiscal year in which such Change in Control occurs, and such value shall be paid to the Participant within ninety (90) calendar days following the date of such Change in Control; provided, however, that if such ninety (90) day period spans two separate taxable years, such payment shall be made in the later taxable year. Following such Change in Control, Performance Units shall not accrue any additional value for the fiscal year in which such Change in Control occurs or for any subsequent fiscal years.

(c) For purposes of this Section 8, a Performance Unit shall be considered assumed or substituted for if, following the Change in Control, the Performance Unit is assumed or substituted for

with one of comparable value and remains subject to the same terms and conditions that were applicable to the Performance Units immediately prior to the Change in Control.

(d) For purposes of this Section 8, an event shall only constitute a Change in Control if the event constituting a Change in Control also constitutes “a change in the ownership or effective control of the Company, or in the ownership of a substantial portion of the assets of the Company” within the meaning of Section 409A(a)(2)(A)(v) of the Code and the regulations promulgated thereunder.

9. Miscellaneous.

(a) This Agreement shall not confer upon the Participant any right to continuation of employment by the Company, nor shall this Agreement interfere in any way with the Company’s right to terminate the Participant’s employment at any time.

(b) The Committee may terminate, amend, or modify the Plan; provided, however, that no such termination, amendment, or modification of the Plan may in any material way adversely affect the Participant’s rights under this Agreement.

(c) The Company or a Subsidiary or Affiliate, as applicable, shall have the authority to deduct or withhold from any payment hereunder or from any other source of the Participant’s compensation from the Company or a Subsidiary or Affiliate, as applicable, or may require the Participant to remit to the Company or a Subsidiary or Affiliate, as applicable, before payment hereunder, an amount sufficient to satisfy federal, state, and local taxes (including Participant’s FICA obligation) required by law to be withheld with respect to any taxable event arising out of this Agreement.

(d) This Agreement shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required.

(e) To the extent not preempted by federal law, this Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, regardless of its conflicts of laws principles.

(f) All obligations of the Company under the Plan and this Agreement with respect to the Performance Units shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business and/or assets of the Company.

(g) The provisions of this Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

(h) By accepting this Award or other benefit under the Plan, the Participant and each person claiming under or through the Participant shall be conclusively deemed to have indicated their acceptance and ratification of, and consent to, any action taken under the Plan by the Company, the Board or the Committee.

(i) The Participant, every person claiming under or through the Participant, and the Company hereby waive to the fullest extent permitted by applicable law any right to a trial by jury with respect to any litigation directly or indirectly arising out of, under, or in connection with the Plan or this Award Agreement issued pursuant to the Plan.

(j) Definitions. The following terms shall have the meanings ascribed to them when used in this Agreement:

(i) **“Beginning Book Value Per Share”** means \$34.76.

(ii) **“Book Value Per Share”** as of the end of any fiscal year shall be equal to the quotient of X divided by Z, where X is equal to the sum of A, B, C, D and E minus F, and Z is equal to the sum of W plus Y: $[(A+B+C+D+E-F) \div (W+Y)]$. For purposes of this calculation,

(A) shall be equal to the Company’s total common stockholders’ equity as of the end of such fiscal year, as determined in accordance with generally accepted accounting principles and reported in the Company’s audited financial statements,

(B) shall be equal to the cumulative after-tax expense of the Company from January 1, 2015 through the end of such fiscal year arising from all the Awards made under the Plan,

(C) shall be equal to the cumulative cash dividends on the Company’s common stock declared from January 1, 2015 through the end of such fiscal year,

(D) shall be equal to the cumulative cost of the Company’s common stock repurchased by the Company from January 1, 2015 through the end of such fiscal year,

(E) shall represent imputed interest on the cost of the Company’s common stock repurchased by the Company and the amount of special dividends (any dividend other than the regular quarterly cash dividend) paid by the Company during the Performance Period. Such interest shall be imputed on such repurchases and special dividends from the first day of the quarter following such repurchases and special dividends to the end of the Performance Period. The imputed interest rate shall be equal to the average annual Increase in Book Value Per Share for the Performance Period, before consideration of this subsection E,

(F) shall be equal to the Company’s accumulated other comprehensive income as of the end of such fiscal year,

(W) shall be equal to the number of shares of the Company’s common stock issued and outstanding, net of treasury shares, as of the end of such fiscal year, and

(Y) shall be the cumulative number of shares of the Company’s common stock repurchased by the Company from January 1, 2015 through the end of such fiscal year.

Book Value Per Share shall be calculated without taking into account any forward or reverse split of the Company’s common stock or any stock dividend declared on the Company’s common stock and there shall be no adjustment to the number of Performance Units awarded hereunder in either event. Notwithstanding anything herein to the contrary the formula to determine Book Value Per Share may be further modified to take into account any factor set forth in Section 7.2 of the Plan.

(iii) **“Cause”** means “Cause” as defined in any active employment agreement between the Participant and the Company or any Subsidiary or Affiliate, as applicable, or, in the absence of any such definition, means the occurrence of any one of the following events: (i) fraud, personal dishonesty, embezzlement or acts of gross negligence or gross misconduct on the part of the Participant in the course of his or her employment or services, (ii) the Participant’s engagement in conduct that is materially injurious to the Company, a Subsidiary or an Affiliate, (iii) the Participant’s conviction by a

court of competent jurisdiction of, or pleading “guilty” or “no contest” to, (x) a felony or (y) any other criminal charge (other than minor traffic violations) which could reasonably be expected to have a material adverse impact on the Company’s or a Subsidiary’s or an Affiliate’s reputation or business; (iv) public or consistent drunkenness by the Participant or his or her illegal use of narcotics which is, or could reasonably be expected to become, materially injurious to the reputation or business of the Company, a Subsidiary or an Affiliate or which impairs, or could reasonably be expected to impair, the performance of the Participant’s duties to the Company, a Subsidiary or an Affiliate; (v) willful failure by the Participant to follow the lawful directions of a superior officer; or (vi) the Participant’s continued and material failure to fulfill his or her employment obligations to the Company or any Subsidiary or Affiliate.

(iv) **“Competitive Action”** means, either directly or indirectly, whether as an employee, consultant, independent contractor, partner, joint venturer or otherwise, (i) in any geographical area where the Company is engaged in business, engaging in or directing any business activities which are competitive with any business activities conducted by the Company in such geographical area, (ii) on behalf of any person or entity engaged in business activities competitive with the business activities of the Company, soliciting or inducing, or in any manner attempting to solicit or induce, any person employed by, or as an agent or producer of, the Company to terminate such person’s employment or agency or producer relationship, as the case may be, with the Company, (iii) diverting, or attempting to divert, any person, concern or entity from doing business with the Company or attempting to induce any such person, concern or entity to cease being a customer of the Company, (iv) soliciting the business of the Company or (v) making use of, or attempting to make use of, the Company’s property or proprietary information, other than in the course of the performance of services to the Company or at the direction of the Company. References to the Company in this definition shall include the Company and all Subsidiaries and Affiliates.

(v) **“Disability”** means the inability of the Participant to continue to perform services for the Company or any Subsidiary or Affiliate, as applicable, on account of his or her total and permanent disability as determined by the Committee.

(vi) **“Ending Book Value Per Share”** means the highest Book Value Per Share determined as of the end of each fiscal year in the Performance Period.

(vii) **“Good Reason”** means “Good Reason” as defined in any active employment agreement between the Participant and the Company or any Subsidiary or Affiliate, as applicable, or, in the absence of any such definition, means the occurrence of any one of the following events, unless the Participant agrees in writing that such event shall not constitute Good Reason: (i) a material reduction in the Participant’s duties or responsibilities from those in effect immediately prior to a Change in Control; (ii) a material reduction in the Participant’s base salary below the levels in effect immediately prior to a Change in Control; or (iii) relocation of the Participant’s primary place of employment to a location more than fifty (50) miles from its location, and further from the Participant’s primary residence, immediately prior to a Change in Control; provided, however, that with respect to any Good Reason termination, the Company will be given not less than thirty (30) days’ written notice by the Participant (within sixty (60) days of the occurrence of the event constituting Good Reason) of the Participant’s intention to terminate the Participant’s employment for Good Reason, such notice to state in detail the particular act or acts or failure or failures to act that constitute the grounds on which the proposed termination for Good Reason is based, and such termination shall be effective at the expiration of such thirty (30) day notice period only if the Company has not fully cured such act or acts or failure or failures to act that give rise to Good Reason during such period. Further notwithstanding any provision in this definition to the contrary, in order to constitute a termination for Good Reason, such termination must occur within six (6) months of the initial existence of the applicable condition.

(viii) **“Increase in Book Value Per Share”** means the amount, if any, by which the Ending Book Value Per Share exceeds Beginning Book Value Per Share for the Performance Period.

(ix) **“Misconduct”** means the Participant’s engagement, during the Participant’s employment with the Company or any Subsidiary or any Affiliate, in an act which would, in the judgment of the Committee, constitute fraud that could be punishable as a crime, or embezzlement against either the Company, any Subsidiary or any Affiliate.

(x) **“Qualifying Termination”** means the termination of the Participant’s employment with the Company and all Subsidiaries and Affiliates prior to the end of the Performance Period as a result of: (i) Disability or Retirement; (ii) an action by the Company or a Subsidiary or Affiliate, as applicable, for any reason other than Cause; or, (iii) following a Change in Control, an action by the Participant for Good Reason.

(xi) **“Retirement”** means the Participant’s retirement from service with the Company and all Subsidiaries and Affiliates with the written consent of the Chairman of the Board of the Company or the Committee.

(xii) **“Settlement Date”** means the date on which the value of the Performance Units is actually paid to the Participant.

[Signatures to appear on following page]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of January 1, 2015.

W. R. Berkley Corporation

By:_____

Name:

Title:

Participant

Please indicate the name of the Participant’s beneficiary:

Name

The Participant may change his or her beneficiary hereunder only by written notice to the Company, which change will become effective only upon receipt by the Company during the Participant’s lifetime.

CERTIFICATIONS

I, William R. Berkley, Chairman of the Board and Chief Executive Officer of W. R. Berkley Corporation (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 4, 2015

/s/ William R. Berkley

William R. Berkley

Chairman of the Board and
Chief Executive Officer

CERTIFICATIONS

I, Eugene G. Ballard, Senior Vice President-Chief Financial Officer of W. R. Berkley Corporation (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 4, 2015

/s/ Eugene G. Ballard

Eugene G. Ballard

Senior Vice President -
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of W. R. Berkley Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, William R. Berkley, Chairman of the Board and Chief Executive Officer of the Company, and Eugene G. Ballard, Senior Vice President-Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ William R. Berkley

William R. Berkley

Chairman of the Board and Chief Executive Officer

/s/ Eugene G. Ballard

Eugene G. Ballard

Senior Vice President — Chief Financial Officer

May 4, 2015

A signed original of this written statement required by Section 906 has been provided to W. R. Berkley Corporation (the “Company”) and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.