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 June 30, 2016

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	**22-1867895**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
475 Steamboat Road, Greenwich, Connecticut	**06830**
(Address of principal executive offices)	(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 ☐ (Do not check if a smaller reporting company)	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 July 29, 2016 : 122,755,417

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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)

	June 30, 2016 (Unaudited)	December 31, 2015 (Audited)
Assets		
Investments:		
Fixed maturity securities	$ 12,954,922	$ 12,444,394
Investment funds	1,205,133	1,170,040
Real estate	1,024,102	936,367
Arbitrage trading account	496,522	376,697
Loans receivable	142,858	273,103
Equity securities available for sale	286,652	150,866
Total investments	16,110,189	15,351,467
Cash and cash equivalents	948,710	763,631
Premiums and fees receivable	1,843,386	1,669,186
Due from reinsurers	1,602,750	1,532,829
Deferred policy acquisition costs	563,842	513,128
Prepaid reinsurance premiums	450,199	394,387
Trading account receivables from brokers and clearing organizations	349,223	383,115
Property, furniture and equipment	346,024	348,224
Goodwill	154,327	153,291
Accrued investment income	127,027	123,164
Federal and foreign income taxes	—	48,952
Other assets	530,186	442,782
Total assets	$ 23,025,863	$ 21,724,156
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	$ 10,897,876	$ 10,669,150
Unearned premiums	3,417,068	3,137,133
Due to reinsurers	246,490	224,752
Trading account securities sold but not yet purchased	120,663	37,035
Federal and foreign income taxes	40,162	—
Other liabilities	828,787	837,937
Senior notes and other debt	1,808,522	1,844,621
Subordinated debentures	727,242	340,320
Total liabilities	18,086,810	17,090,948
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, 122,641,527 and 123,307,837 shares, respectively	47,024	47,024
Additional paid-in capital	1,021,614	1,005,455
Retained earnings	6,375,893	6,178,070
Accumulated other comprehensive income (loss)	57,282	(66,698)
Treasury stock, at cost, 112,476,391 and 111,810,081 shares, respectively	(2,599,312)	(2,563,605)
Total stockholders’ equity	4,902,501	4,600,246
Noncontrolling interests	36,552	32,962
Total equity	4,939,053	4,633,208

Total liabilities and equity	$ 23,025,863	$ 21,724,156

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 June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
REVENUES:				
Net premiums written	$ 1,642,569	$ 1,543,925	$ 3,306,291	$ 3,119,327
Change in net unearned premiums	(82,776)	(50,884)	(219,163)	(154,273)
Net premiums earned	1,559,793	1,493,041	3,087,128	2,965,054
Net investment income	129,049	127,583	259,182	251,822
Insurance service fees	36,939	35,942	77,301	72,460
Net realized investment gains	6,315	27,557	31,772	46,601
Other-than-temporary impairments	—	—	(18,114)	—
Revenues from non-insurance businesses	123,764	105,596	225,544	198,202
Other income	54	46	312	305
Total revenues	1,855,914	1,789,765	3,663,125	3,534,444
OPERATING COSTS AND EXPENSES:				
Losses and loss expenses	964,162	906,235	1,886,483	1,806,943
Other operating costs and expenses	581,955	573,582	1,164,414	1,124,628
Expenses from non-insurance businesses	116,731	98,730	212,262	188,400
Interest expense	34,752	33,031	66,976	67,569
Total operating costs and expenses	1,697,600	1,611,578	3,330,135	3,187,540
Income before income taxes	158,314	178,187	332,990	346,904
Income tax expense	(49,408)	(55,138)	(103,837)	(105,411)
Net income before noncontrolling interests	108,906	123,049	229,153	241,493
Noncontrolling interests	61	(14)	(676)	(151)
Net income to common stockholders	$ 108,967	$ 123,035	$ 228,477	$ 241,342
NET INCOME PER SHARE:				
Basic	$ 0.89	$ 0.99	$ 1.86	$ 1.93
Diluted	$ 0.85	$ 0.95	$ 1.78	$ 1.84

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 June 30,		For the Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Net income before noncontrolling interests	$ 108,906	$ 123,049	$ 229,153	$ 241,493
Other comprehensive income (loss):				
Change in unrealized currency translation adjustments	(55,870)	33,627	(57,917)	(14,178)
Change in unrealized investment gains, net of taxes	105,033	(99,620)	181,888	(83,329)
Other comprehensive income (loss)	49,163	(65,993)	123,971	(97,507)
Comprehensive income	158,069	57,056	353,124	143,986
Noncontrolling interest	56	(24)	(667)	(139)
Comprehensive income to common stockholders	$ 158,125	$ 57,032	$ 352,457	$ 143,847

See accompanying notes to interim consolidated financial statements.

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

	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
COMMON STOCK:		
Beginning and end of period	$ 47,024	$ 47,024
ADDITIONAL PAID-IN CAPITAL:		
Beginning of period	$ 1,005,455	$ 991,512
Restricted stock units issued including tax benefit	(191)	(2,295)
Restricted stock units expensed	16,350	14,350
End of period	$ 1,021,614	$ 1,003,567
RETAINED EARNINGS:		
Beginning of period	$ 6,178,070	$ 5,732,410
Net income to common stockholders	228,477	241,342
Dividends	(30,654)	(28,447)
End of period	$ 6,375,893	$ 5,945,305
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Unrealized investment gains (losses):		
Beginning of period	$ 180,695	$ 306,199
Unrealized gains (losses) on securities not other-than-temporarily impaired	180,714	(83,332)
Unrealized gains on other-than-temporarily impaired securities	1,183	15
End of period	362,592	222,882
Currency translation adjustments:		
Beginning of period	$ (247,393)	$ (122,649)
Net change in period	(57,917)	(14,178)
End of period	(305,310)	(136,827)
Total accumulated other comprehensive income	$ 57,282	$ 86,055
TREASURY STOCK:		
Beginning of period	$ (2,563,605)	$ (2,364,551)
Stock exercised/vested	1,717	2,919
Stock repurchased	(37,424)	(218,132)
End of period	$ (2,599,312)	$ (2,579,764)
NONCONTROLLING INTERESTS:		
Beginning of period	$ 32,962	$ 34,189
Contributions (distributions)	2,923	(183)
Net income	676	151
Other comprehensive income (loss), net of tax	(9)	(12)
End of period	$ 36,552	$ 34,145

See accompanying notes to interim consolidated financial statements.

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

	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
CASH FROM OPERATING ACTIVITIES:		
Net income to common stockholders	$ 228,477	$ 241,342
Adjustments to reconcile net income to net cash from operating activities:		
Net investment gains	(13,658)	(46,601)
Depreciation and amortization	46,873	42,267
Noncontrolling interests	676	151
Investment funds	(35,092)	(27,912)
Stock incentive plans	17,876	14,973
Change in:		
Arbitrage trading account	(2,303)	(702)
Premiums and fees receivable	(174,811)	(133,227)
Reinsurance accounts	(100,545)	(60,595)
Deferred policy acquisition costs	(50,578)	(34,245)
Income taxes	8,269	48,929
Reserves for losses and loss expenses	239,621	285,204
Unearned premiums	276,815	174,108
Other	(109,302)	(170,809)
Net cash from operating activities	332,318	332,883
CASH FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds from sale of fixed maturity securities	716,674	794,106
Proceeds from sale of equity securities	14,558	23,547
Distributions from investment funds	7,632	129,181
Proceeds from maturities and prepayments of fixed maturity securities	1,191,548	1,534,982
Purchase of fixed maturity securities	(2,238,683)	(2,168,400)
Purchase of equity securities	(126,414)	(8,543)
Real estate purchased	(114,434)	(84,826)
Change in loans receivable	130,267	62,601
Net additions to property, furniture and equipment	(21,224)	(23,504)
Change in balances due to security brokers	51,918	18,298
Payment for business purchased net of cash aquired	(41,213)	—
Net cash from (used in) investing activities	(429,371)	277,442
CASH FROM (USED IN) FINANCING ACTIVITIES:		
Repayment of senior notes and other debt	(38,427)	(275,788)
Net proceeds from issuance of debt	388,901	3,749
Cash dividends to common stockholders	(30,655)	(28,447)
Purchase of common treasury shares	(37,424)	(218,132)
Other, net	(926)	(91)
Net cash from (used in) financing activities	281,469	(518,709)
Net impact on cash due to change in foreign exchange rates	663	(9,689)
Net increase in cash and cash equivalents	185,079	81,927
Cash and cash equivalents at beginning of year	763,631	674,441
Cash and cash equivalents at end of period	$ 948,710	$ 756,368

See accompanying notes to interim consolidated financial statements.

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

(1) General

The unaudited consolidated financial statements, which include the accounts of W. R. Berkley Corporation and its subsidiaries (the "Company") have been prepared on the basis of 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 in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the revenues and expenses reflected during the reporting period. 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, 2015 . Reclassifications have been made in the 2015 financial statements as originally reported to conform to the presentation of the 2016 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. Stock options for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on EPS and, accordingly, are excluded from the calculation.

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 June 30,		For the Six Months Ended June 30,	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Basic	122,616	123,781	122,698	124,869
Diluted	128,575	129,988	128,562	131,228

(3) Recent Accounting Pronouncements

In February 2015, the Financial Accounting Standards Board ("FASB") issued ASU 2015-02, Consolidation. ASU 2015-02 makes targeted amendments to the current consolidation accounting guidance, in response to accounting complexity concerns. The guidance simplifies consolidation accounting by reducing the number of approaches to consolidation. The Company adopted this updated guidance on January 1, 2016. This adoption did not have a material effect on the Company's financial condition or results of operations, but did result in additional disclosures.

In May 2015, the FASB issued ASU 2015-09, Disclosures about Short-Duration Contracts. ASU 2015-09 requires companies that issue short duration insurance contracts to disclose additional information, including: (i) incurred and paid claims development tables; (ii) frequency and severity of claims; and (iii) information about material changes in judgments made in calculating the liability for unpaid claim adjustment expenses, including reasons for the change and the effects on the financial statements. ASU 2015-09 is effective for annual periods beginning after December 15, 2015, and interim periods within annual periods beginning after December 15, 2016. The amendments in ASU 2015-09 should be applied retrospectively by providing comparative disclosures for each period presented, except for those requirements that apply only to the current period. As the requirements are disclosure only, the adoption of this guidance will not impact our financial condition or results of operations.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. ASU 2016-01 which amends the accounting guidance for financial instruments to require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The updated guidance is effective for public business entities for annual reporting periods beginning after December 15, 2017 and interim periods within those years. The adoption of this guidance is not expected to have a material effect on the Company's financial condition upon adoption, but will impact results of operations after adoption of this guidance as unrealized gains and losses on equity securities will no longer be reported directly in AOCI, but will instead be reported in net income.

In February 2016, the FASB issued ASU 2016-02, Leases, which amends the accounting and disclosure guidance for leases. This guidance retains the two classifications of a lease, as either an operating or finance lease, both of which will require lessees to recognize a right-to-use asset and a lease liability for leases with terms of more than 12 months. The right-to-use asset and the lease liability will be determined based upon the present value of cash flows. Finance leases will reflect the financial arrangement by recognizing interest expense on the lease liability separately from the amortization expense of the right-to-use asset. Operating leases will recognize lease expense (with no separate recognition of interest expense) on a straight-line basis over the term of the lease. The accounting by lessors is not significantly changed by the updated guidance. The updated guidance is effective for reporting periods beginning after December 15, 2018, and will require that the earliest comparative period presented include the measurement and recognition of existing leases with an adjustment to equity as if the updated guidance had always been applied. The Company is currently evaluating the impact that the adoption of this guidance will have on its results of operations, financial position and liquidity.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses, which amends the accounting guidance for credit losses on financial instruments. The updated guidance amends the current other-than-temporary impairment model for available-for-sale debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between security's amortized cost basis and its fair value. This guidance also applies a new current expected credit loss model for determining credit-related impairments for financial instruments measured at amortized cost. The updated guidance is effective for reporting periods beginning after December 15, 2019. The Company will not be able to determine the impact the adoption of this guidance will have on its results of operations, financial position or liquidity until the updated guidance is adopted.

All other 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) Acquisition

In February 2016, the Company acquired an 85% ownership interest for $42.3 million in a company engaged in the distribution of promotional merchandise. The fair value of the assets acquired and liabilities assumed have been estimated based on a preliminary valuation. The fair values of the assets and liabilities will be adjusted, as needed, following completion of the final valuation.

The following table summarizes the initial estimated fair value of net assets acquired and liabilities assumed for the business combination completed in 2016:

(In thousands)		**2016**
Cash and cash equivalents	$	1,072
Real estate, furniture and equipment		701
Goodwill and other intangibles assets		40,282
Premiums and service fees receivable		3,845
Other assets		5,166
Total assets acquired		51,066
Other liabilities assumed		(4,931)
Noncontrolling interest		(3,850)
Net assets acquired	$	42,285

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(5) Consolidated Statement of Comprehensive Income (Loss)

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

(In thousands)	Unrealized Investment Gains (Losses)		Currency Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
As of and for the six months ended June 30, 2016:				
Changes in AOCI				
Beginning of period	$ 180,695		$ (247,393)	$ (66,698)
Other comprehensive income (loss) before reclassifications	191,791		(57,917)	133,874
Amounts reclassified from AOCI	(9,903)		—	(9,903)
Other comprehensive income (loss)	181,888		(57,917)	123,971
Unrealized investment gain related to non-controlling interest	9		—	9
End of period	$ 362,592		$ (305,310)	$ 57,282
Amounts reclassified from AOCI				
Pre-tax	$ (15,235)	(1)	$ —	$ (15,235)
Tax effect	5,332	(2)	—	5,332
After-tax amounts reclassified	$ (9,903)		$ —	$ (9,903)
Other comprehensive income (loss)				
Pre-tax	$ 270,995		$ (57,917)	$ 213,078
Tax effect	(89,107)		—	(89,107)
Other comprehensive income (loss)	$ 181,888		$ (57,917)	$ 123,971
As of and for the three months ended June 30, 2016:				
Changes in AOCI				
Beginning of period	$ 257,564		$ (249,440)	$ 8,124
Other comprehensive income (loss) before reclassifications	113,549		(55,870)	57,679
Amounts reclassified from AOCI	(8,516)		—	(8,516)
Other comprehensive income (loss)	105,033		(55,870)	49,163
Unrealized investment gain related to non-controlling interest	(5)		—	(5)
End of period	$ 362,592		$ (305,310)	$ 57,282
Amounts reclassified from AOCI				
Pre-tax	$ (13,101)	(1)	$ —	$ (13,101)
Tax effect	4,585	(2)	—	4,585
After-tax amounts reclassified	$ (8,516)		$ —	$ (8,516)
Other comprehensive income (loss)				
Pre-tax	$ 156,605		$ (55,870)	$ 100,735
Tax effect	(51,572)		—	(51,572)
Other comprehensive income (loss)	$ 105,033		$ (55,870)	$ 49,163

(In thousands)	Unrealized Investment Gains (Losses)		Currency Translation Adjustments	Accumulated Other Comprehensive Income (Loss)
As of and for the six months ended June 30, 2015:				
Changes in AOCI				
Beginning of period	$ 306,199		$ (122,649)	$ 183,550
Other comprehensive income (loss) before reclassifications	(73,021)		(14,178)	(87,199)
Amounts reclassified from AOCI	(10,308)		—	(10,308)
Other comprehensive income (loss)	(83,329)		(14,178)	(97,507)
Unrealized investment gain related to non-controlling interest	12		—	12
End of period	$ 222,882		$ (136,827)	$ 86,055
Amounts reclassified from AOCI				
Pre-tax	$ (15,858)	(1)	$ —	$ (15,858)
Tax effect	5,550	(2)	—	5,550
After-tax amounts reclassified	$ (10,308)		$ —	$ (10,308)
Other comprehensive income (loss)				
Pre-tax	$ (127,455)		$ (14,178)	$ (141,633)
Tax effect	44,126		—	44,126
Other comprehensive income (loss)	$ (83,329)		$ (14,178)	$ (97,507)
As of and for the three months ended June 30, 2015:				
Changes in AOCI				
Beginning of period	$ 322,512		$ (170,454)	$ 152,058
Other comprehensive income (loss) before reclassifications	(97,613)		33,627	(63,986)
Amounts reclassified from AOCI	(2,007)		—	(2,007)
Other comprehensive income (loss)	(99,620)		33,627	(65,993)
Unrealized investment gain related to non-controlling interest	(10)		—	(10)
End of period	$ 222,882		$ (136,827)	$ 86,055
Amounts reclassified from AOCI				
Pre-tax	$ (3,087)	(1)	$ —	$ (3,087)
Tax effect	1,080	(2)	—	1,080
After-tax amounts reclassified	$ (2,007)		$ —	$ (2,007)
Other comprehensive income (loss)				
Pre-tax	$ (151,991)		$ 33,627	$ (118,364)
Tax effect	52,371		—	52,371
Other comprehensive income (loss)	$ (99,620)		$ 33,627	$ (65,993)

(1) Net investment (gains) losses in the consolidated statements of income.
(2) Income tax expense in the consolidated statements of income.

(6) Statements of Cash Flow

Interest payments were $64,109,000 and $67,786,000 and income taxes paid were $86,695,000 and $54,324,000 in the six months ended June 30, 2016 and 2015 , respectively.

(7) Investments in Fixed Maturity Securities

At June 30, 2016 and December 31, 2015 , investments in fixed maturity securities were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
June 30, 2016					
Held to maturity:					
State and municipal	$ 70,704	$ 19,312	$ —	$ 90,016	$ 70,704
Residential mortgage-backed	17,315	2,446	—	19,761	17,315
Total held to maturity	88,019	21,758	—	109,777	88,019
Available for sale:					
U.S. government and government agency	532,492	28,680	(682)	560,490	560,490
State and municipal:					
Special revenue	2,595,942	141,661	(1,038)	2,736,565	2,736,565
State general obligation	577,408	35,119	(987)	611,540	611,540
Pre-refunded	448,185	36,443	—	484,628	484,628
Corporate backed	387,006	17,599	(545)	404,060	404,060
Local general obligation	343,913	35,703	—	379,616	379,616
Total state and municipal	4,352,454	266,525	(2,570)	4,616,409	4,616,409
Mortgage-backed securities:					
Residential (1)	1,010,596	31,157	(3,630)	1,038,123	1,038,123
Commercial	97,524	970	(770)	97,724	97,724
Total mortgage-backed securities	1,108,120	32,127	(4,400)	1,135,847	1,135,847
Asset-backed	1,919,279	13,333	(16,336)	1,916,276	1,916,276
Corporate:					
Industrial	2,093,170	128,048	(6,795)	2,214,423	2,214,423
Financial	1,196,178	50,925	(7,565)	1,239,538	1,239,538
Utilities	203,145	12,391	(972)	214,564	214,564
Other	70,442	584	(9)	71,017	71,017
Total corporate	3,562,935	191,948	(15,341)	3,739,542	3,739,542
Foreign	836,109	66,413	(4,183)	898,339	898,339
Total available for sale	12,311,389	599,026	(43,512)	12,866,903	12,866,903
Total investments in fixed maturity securities	$ 12,399,408	$ 620,784	$ (43,512)	$ 12,976,680	$ 12,954,922

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
December 31, 2015					
Held to maturity:					
State and municipal	$ 77,129	$ 16,246	$ —	$ 93,375	$ 77,129
Residential mortgage-backed	19,138	2,207	—	21,345	19,138
Total held to maturity	96,267	18,453	—	114,720	96,267
Available for sale:					
U.S. government and government agency	645,092	27,660	(2,333)	670,419	670,419
State and municipal:					
Special revenue	2,510,816	102,909	(3,737)	2,609,988	2,609,988
State general obligation	583,456	28,068	(2,070)	609,454	609,454
Pre-refunded	439,772	32,056	(31)	471,797	471,797
Corporate backed	388,904	14,039	(402)	402,541	402,541
Local general obligation	342,158	24,270	(29)	366,399	366,399
Total state and municipal	4,265,106	201,342	(6,269)	4,460,179	4,460,179
Mortgage-backed securities:					
Residential (1)	1,126,382	18,935	(11,180)	1,134,137	1,134,137
Commercial	64,975	875	(128)	65,722	65,722
Total mortgage-backed securities	1,191,357	19,810	(11,308)	1,199,859	1,199,859
Asset-backed	1,706,694	12,892	(14,414)	1,705,172	1,705,172
Corporate:					
Industrial	1,976,393	75,168	(30,027)	2,021,534	2,021,534
Financial	1,153,096	31,744	(11,819)	1,173,021	1,173,021
Utilities	192,857	8,321	(2,527)	198,651	198,651
Other	81,607	245	(20)	81,832	81,832
Total corporate	3,403,953	115,478	(44,393)	3,475,038	3,475,038
Foreign	799,839	50,310	(12,689)	837,460	837,460
Total available for sale	12,012,041	427,492	(91,406)	12,348,127	12,348,127
Total investments in fixed maturity securities	$ 12,108,308	$ 445,945	$ (91,406)	$ 12,462,847	$ 12,444,394

(1) Gross unrealized losses for residential mortgage-backed securities include $985,213 and $1,269,491 as of June 30, 2016 and December 31, 2015 , 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 June 30, 2016 , 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.

(In thousands)	Amortized Cost	Fair Value
Due in one year or less	$ 844,750	$ 878,691
Due after one year through five years	4,599,884	4,784,106
Due after five years through ten years	3,321,186	3,544,108
Due after ten years	2,508,153	2,614,167
Mortgage-backed securities	1,125,435	1,155,608
Total	$ 12,399,408	$ 12,976,680

At June 30, 2016 and 2015, there were no investments that exceeded 10% of common stockholder's equity, other than investments in United States government and government agency securities.

(8) Investments in Equity Securities Available for Sale

At June 30, 2016 and December 31, 2015 , investments in equity securities were as follows:

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
June 30, 2016					
Common stocks	$ 136,868	$ 4,434	$ (2,415)	$ 138,887	$ 138,887
Preferred stocks	125,948	23,597	(1,780)	147,765	147,765
Total	$ 262,816	$ 28,031	$ (4,195)	$ 286,652	$ 286,652
December 31, 2015					
Common stocks	$ 56,462	$ —	$ (19,189)	$ 37,273	$ 37,273
Preferred stocks	108,730	8,216	(3,353)	113,593	113,593
Total	$ 165,192	$ 8,216	$ (22,542)	$ 150,866	$ 150,866

(9) Arbitrage Trading Account

At June 30, 2016 and December 31, 2015 , the fair and carrying values of the arbitrage trading account were $497 million and $377 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 uses put options, call options and swap contracts in order to mitigate the impact of potential changes in market conditions on the merger arbitrage trading account. These options and contracts are reported at fair value. As of June 30, 2016 , the fair value of long option contracts outstanding was $0.7 million (notional amount of $19.2 million) and the fair value of short option contracts outstanding was $0.6 million (notional amount of $46.4 million). Other than with respect to the use of these trading account securities, the Company does not make use of derivatives.

(10) Net Investment Income

Net investment income consists of the following:

(In thousands)	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Investment income (loss) earned on:				
Fixed maturity securities, including cash and cash equivalents and loans receivable	$ 108,342	$ 105,030	$ 217,177	$ 213,159
Investment funds	18,456	21,851	35,092	27,912
Arbitrage trading account	3,252	(117)	6,442	8,862
Equity securities available for sale	1,280	1,224	2,148	2,404
Real estate	1,250	2,114	3,967	4,881
Gross investment income	132,580	130,102	264,826	257,218
Investment expense	(3,531)	(2,519)	(5,644)	(5,396)
Net investment income	$ 129,049	$ 127,583	$ 259,182	$ 251,822

(11) Investment Funds

The Company evaluates whether it is an investor in a variable interest entity (VIE). Such entities do not have sufficient equity at risk to finance their activities without additional subordinated financial support, or the equity investors, as a group, do not have the characteristics of a controlling financial interest (primary beneficiary). The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE's capital structure, contractual terms, nature of the VIE's operations and purpose, and the Company's relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE and on an ongoing basis. The Company is not the primary beneficiary in any of its investment funds, and accordingly, carries its interests in investments funds under the equity method of accounting.

The Company’s maximum exposure to loss with respect to these investments is limited to the carrying amount reported on the Company’s consolidated balance sheet and any unfunded commitment.

Investment funds consist of the following:

	Carrying Value as of		Income (Loss) from Investment Funds	
	June 30,	December 31,	Six Months Ended June 30,	
(In thousands)	2016	2015	2016	2015
Real estate	$ 624,998	$ 580,830	$ 22,414	$ 42,337
Energy	81,527	93,719	1,153	(27,484)
Hedge equity	68,550	70,580	(2,030)	(590)
Other funds	430,058	424,911	13,555	13,649
Total	$ 1,205,133	$ 1,170,040	$ 35,092	$ 27,912

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 June 30, 2016 is approximately 21% with a fair value of $363.7 million and a carrying value of $50.1 million .

(12) Real Estate

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

	Carrying Value	
	June 30,	December 31,
(In thousands)	2016	2015
Properties in operation	$ 244,178	$ 226,055
Properties under development	779,924	710,312
Total	$ 1,024,102	$ 936,367

In 2016, properties in operation included a long-term ground lease in Washington, D.C., a hotel in Memphis, Tennessee and office buildings in West Palm Beach and Palm Beach, Florida. Properties in operation are net of accumulated depreciation and amortization of $12,507,000 and $9,073,000 as of June 30, 2016 and December 31, 2015, respectively. Related depreciation expense was $3,279,000 and $4,264,000 for the six months ended June 30, 2016 and 2015, respectively. Future minimum rental income expected on operating leases relating to properties in operation is $5,748,577 in 2016, $16,781,578 in 2017, $18,316,352 in 2018, $16,340,608 in 2019, $14,908,179 in 2020, $15,068,226 in 2021 and $381,463,809 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.

(13) Loans Receivable

Loans receivable are as follows:

(In thousands)	**June 30, 2016**	**December 31, 2015**
Amortized cost (net of valuation allowance):		
Real estate loans	$ 122,232	$ 200,499
Commercial loans	20,626	72,604
Total	$ 142,858	$ 273,103
Fair value:		
Real estate loans	$ 123,240	$ 201,641
Commercial loans	22,127	74,106
Total	$ 145,367	$ 275,747
Valuation allowance:		
Specific	$ 555	$ —
General	2,200	2,094
Total	$ 2,755	$ 2,094

	For the Three Months Ended June 30,	
	2016	**2015**
Increase (decrease) in valuation allowance	$ 93	$ (53)

	For the Six Months Ended June 30,	
	2016	**2015**
Increase (decrease) in valuation allowance	$ 661	$ (100)

Loans receivable in non-accrual status were $11.1 million and $3.1 million as of June 30, 2016 and December 31, 2015, respectively.

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 Delaware, Virginia, and New York. 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.

In evaluating the real estate loans, the Company considers their 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 position in the capital structure, the overall leverage in the capital structure and other market conditions. Based on these considerations, none of the real estate loans were considered to be impaired at June 30, 2016, 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:

(In thousands)	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Realized investment gains (losses):				
Fixed maturity securities:				
Gains	$ 10,110	$ 3,612	$ 33,174	$ 7,759
Losses	(1,480)	(484)	(4,420)	(1,561)
Equity securities available for sale	4,471	(42)	4,596	9,660
Investment funds	(4,793)	23,684	(5,253)	22,173
Real estate	(464)	—	4,560	—
Other	(1,529)	787	(885)	8,570
Net realized gains on investments sales	6,315	27,557	31,772	46,601
Other-than-temporary impairments (1)	—	—	(18,114)	—
Net investment gains	6,315	27,557	13,658	46,601
Income tax expense	(2,210)	(9,645)	(4,780)	(16,311)
After-tax net realized investment gains	$ 4,105	$ 17,912	$ 8,878	$ 30,290
Change in unrealized investment gains (losses) of available for sale securities:				
Fixed maturity securities	$ 122,893	$ (147,792)	$ 215,321	$ (105,312)
Previously impaired fixed maturity securities	1,874	15	1,819	23
Equity securities available for sale	27,814	(6,779)	40,950	(13,624)
Investment funds	4,004	2,566	12,885	(8,541)
Total change in unrealized investment gains (losses)	156,585	(151,990)	270,975	(127,454)
Income tax benefit (expense)	(51,552)	52,370	(89,087)	44,125
Noncontrolling interests	(5)	(10)	9	12
After-tax change in unrealized investment gains (losses) of available for sale securities	$ 105,028	$ (99,630)	$ 181,897	$ (83,317)

(1) Other than temporary impairments (OTTI) for the six months ended June 30, 2016 were $18.1 million related to common stock.

(15) Securities in an Unrealized Loss Position

The following tables summarize all securities in an unrealized loss position at June 30, 2016 and December 31, 2015 by the length of time those securities have been continuously in an unrealized loss position:

	Less Than 12 Months		12 Months or Greater		Total	
(In thousands)	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
June 30, 2016						
U.S. government and government agency	$ 7,993	$ 50	$ 41,081	$ 632	$ 49,074	$ 682
State and municipal	57,499	667	132,435	1,903	189,934	2,570
Mortgage-backed securities	170,852	1,871	110,882	2,529	281,734	4,400
Asset-backed securities	866,041	7,972	322,613	8,364	1,188,654	16,336
Corporate	84,791	4,208	207,097	11,133	291,888	15,341
Foreign	35,055	2,346	22,116	1,837	57,171	4,183
Fixed maturity securities	1,222,231	17,114	836,224	26,398	2,058,455	43,512
Common stocks	17,683	849	8,213	1,566	25,896	2,415
Preferred stocks	5,793	788	24,681	992	30,474	1,780
Equity securities available for sale	23,476	1,637	32,894	2,558	56,370	4,195
Total	$ 1,245,707	$ 18,751	$ 869,118	$ 28,956	$ 2,114,825	$ 47,707
December 31, 2015						
U.S. government and government agency	$ 101,660	$ 487	$ 64,500	$ 1,846	$ 166,160	$ 2,333
State and municipal	501,952	4,404	106,681	1,865	608,633	6,269
Mortgage-backed securities	381,986	3,639	184,807	7,669	566,793	11,308
Asset-backed securities	1,091,078	7,703	190,467	6,711	1,281,545	14,414
Corporate	1,232,940	35,406	76,797	8,987	1,309,737	44,393
Foreign	169,190	8,822	19,528	3,867	188,718	12,689
Fixed maturity securities	3,478,806	60,461	642,780	30,945	4,121,586	91,406
Common stocks	18,641	18,005	7,829	1,184	26,470	19,189
Preferred stocks	—	—	22,320	3,353	22,320	3,353
Equity securities available for sale	18,641	18,005	30,149	4,537	48,790	22,542
Total	$ 3,497,447	$ 78,466	$ 672,929	$ 35,482	$ 4,170,376	$ 113,948

Fixed Maturity Securities – A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at June 30, 2016 is presented in the table below:

($ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Mortgage-backed securities	10	$ 23,910	$ 1,410
Asset-backed securities	4	9,844	388
Corporate	12	74,180	4,702
Foreign government	7	32,885	2,003
Total	33	$ 140,819	$ 8,503

For OTTI of fixed maturity securities that management does not intend to sell or, to be required to sell, the portion of the decline in value that is considered to be due to credit factors is recognized in earnings, and the portion of the decline in value that is considered to be due to non-credit factors is recognized in other comprehensive income.

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.

Preferred Stocks – At June 30, 2016 , there were two preferred stocks in an unrealized loss position, with an aggregate fair value of $30.5 million and a gross unrealized loss of $1.8 million . Based upon management’s view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI.

Common Stocks – At June 30, 2016 , there were three common stocks in an unrealized loss position, with an aggregate fair value of $25.9 million and a gross unrealized loss of $2.4 million . Based on management's view of the underlying 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 $3 million and $2 million at June 30, 2016 and December 31, 2015, respectively.

(16) Fair Value Measurements

The Company’s fixed maturity and equity securities classified as 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, as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Quoted prices for similar assets or valuations based on inputs that are observable.

Level 3 - Estimates of fair value based on internal pricing methodologies using unobservable inputs. Unobservable inputs are only used to measure fair value to the extent that observable inputs are not available.

Substantially all of the Company’s fixed maturity securities were priced by independent pricing services. The prices provided by the independent pricing services are estimated based on observable market data in active markets utilizing pricing models and processes, which may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, sector groupings, matrix pricing and reference data. The pricing services may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs are available for each security evaluation on any given day. The pricing services used by the Company have indicated that they will only produce an estimate of fair value if objectively verifiable information is available. 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 and periodically performs independent price tests of a sample of securities to ensure proper valuation.

If prices from independent pricing services are not available for fixed maturity securities, the Company estimates the fair value. For Level 2 securities, the Company utilizes pricing models and processes which may include benchmark yields, sector groupings, matrix pricing, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers and reference data. Where broker quotes are used, the Company generally requests two or more quotes and 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 received from brokers. 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.

For Level 3 securities, the Company generally uses a discounted cash flow model to estimate the fair value of fixed maturity securities. The cash flow models are based upon assumptions as to prevailing credit spreads, interest rate and interest rate volatility, time to maturity and subordination levels. Projected cash flows are discounted at rates that are adjusted to reflect illiquidity, where appropriate.

The following tables present the assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
June 30, 2016				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	$ 560,490	$ —	$ 560,490	$ —
State and municipal	4,616,409	—	4,616,409	—
Mortgage-backed securities	1,135,847	—	1,135,847	—
Asset-backed securities	1,916,276	—	1,916,088	188
Corporate	3,739,542	—	3,739,542	—
Foreign government	898,339	—	898,339	—
Total fixed maturity securities available for sale	12,866,903	—	12,866,715	188
Equity securities available for sale:				
Common stocks	138,887	130,674	—	8,213
Preferred stocks	147,765	—	144,108	3,657
Total equity securities available for sale	286,652	130,674	144,108	11,870
Arbitrage trading account	496,522	324,664	171,843	15
Total	$ 13,650,077	$ 455,338	$ 13,182,666	$ 12,073
Liabilities:				
Trading account securities sold but not yet purchased	$ 120,663	$ 120,659	$ 4	$ —
December 31, 2015				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	$ 670,419	$ —	$ 670,419	$ —
State and municipal	4,460,179	—	4,460,179	—
Mortgage-backed securities	1,199,859	—	1,199,859	—
Asset-backed securities	1,705,172	—	1,704,973	199
Corporate	3,475,038	—	3,474,884	154
Foreign government	837,460	—	837,460	—
Total fixed maturity securities available for sale	12,348,127	—	12,347,774	353
Equity securities available for sale:				
Common stocks	37,273	29,444	—	7,829
Preferred stocks	113,593	—	109,969	3,624
Total equity securities available for sale	150,866	29,444	109,969	11,453
Arbitrage trading account	376,697	256,914	119,607	176
Total	$ 12,875,690	$ 286,358	$ 12,577,350	$ 11,982
Liabilities:				
Trading account securities sold but not yet purchased	$ 37,035	$ 35,559	$ 1,476	$ —

There were no significant transfers between Levels 1 and 2 during the six months ended June 30, 2016 or during the year ended December 31, 2015 .

The following tables summarize changes in Level 3 assets and liabilities for the six months ended June 30, 2016 and for the year ended December 31, 2015 :

(In thousands)	Beginning Balance	Gains (Losses) Included in: Earnings (Losses)	Gains (Losses) Included in: Other Comprehensive Income (Loss)	Impairments	Purchases	(Sales)	Paydowns / Maturities	Transfers In / (Out)	Ending Balance
Six Months Ended June 30, 2016:									
Assets:									
Fixed maturities securities available for sale:									
Asset-backed securities	$ 199	$ 2	$ 8	$ —	$ —	$ —	$ (21)	$ —	$ 188
Corporate	154	177	—	—	—	(331)	—	—	—
Total	353	179	8	—	—	(331)	(21)	—	188
Equity securities available for sale:									
Common stocks	7,829	—	(381)	—	765	—	—	—	8,213
Preferred stocks	3,624	33	—	—	—	—	—	—	3,657
Total	11,453	33	(381)	—	765	—	—	—	11,870
Arbitrage trading account	176	(161)	—	—	—	—	—	—	15
Total	$ 11,982	$ 51	$ (373)	$ —	$ 765	$ (331)	$ (21)	$ —	$ 12,073
Year Ended December 31, 2015:									
Assets:									
Fixed maturities securities available for sale:									
Asset-backed securities	$ 20,611	$ 19	$ 191	$ —	$ —	$ —	$ (1,820)	$ (18,802)	$ 199
Corporate	154	—	—	—	—	—	—	—	154
Total	20,765	19	191	—	—	—	(1,820)	(18,802)	353
Equity securities available for sale:									
Common stocks	10,741	—	(273)	(2,331)	—	(308)	—	—	7,829
Preferred stocks	3,713	(89)	—	—	—	—	—	—	3,624
Total	14,454	(89)	(273)	(2,331)	—	(308)	—	—	11,453
Arbitrage trading account	720	(799)	—	—	72,640	(71,921)	—	(464)	176
Total	$ 35,939	$ (869)	$ (82)	$ (2,331)	$ 72,640	$ (72,229)	$ (1,820)	$ (19,266)	$ 11,982

During the six months ended June 30, 2016, there were no transfers out of Level 3. During the year ended December 31, 2015, five securities were transferred out of Level 3 as an observable price became available.

(17) Fair Value of Financial Instruments

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

	June 30, 2016		December 31, 2015	
(In thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Assets:				
Fixed maturity securities	$ 12,954,922	$ 12,976,680	$ 12,444,394	$ 12,462,847
Equity securities available for sale	286,652	286,652	150,866	150,866
Arbitrage trading account	496,522	496,522	376,697	376,697
Loans receivable	142,858	145,367	273,103	275,747
Cash and cash equivalents	948,710	948,710	763,631	763,631
Trading account receivables from brokers and clearing organizations	349,223	349,223	383,115	383,115
Due from broker	—	—	1,713	1,713
Liabilities:				
Due to broker	50,343	50,343	—	—
Trading account securities sold but not yet purchased	120,663	120,663	37,035	37,035
Subordinated debentures	727,242	764,392	340,320	355,880
Senior notes and other debt	1,808,522	2,011,434	1,844,621	2,029,572

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 subordinated debentures is based on spreads for similar securities, which is considered a Level 2 input.

(18) Reinsurance

The following is a summary of reinsurance financial information:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
(In thousands)	**2016**	**2015**	**2016**	**2015**
Written premiums:				
Direct	$ 1,708,535	$ 1,603,899	$ 3,417,664	$ 3,251,240
Assumed	230,830	207,499	477,398	411,963
Ceded	(296,796)	(267,473)	(588,771)	(543,876)
Total net premiums written	$ 1,642,569	$ 1,543,925	$ 3,306,291	$ 3,119,327
Earned premiums:				
Direct	$ 1,609,644	$ 1,545,983	$ 3,177,712	$ 3,070,719
Assumed	225,643	211,352	444,009	414,694
Ceded	(275,494)	(264,294)	(534,593)	(520,359)
Total net premiums earned	$ 1,559,793	$ 1,493,041	$ 3,087,128	$ 2,965,054
Ceded losses and loss expenses incurred	$ 167,265	$ 131,928	$ 294,194	$ 250,319
Ceded commissions earned	$ 50,172	$ 40,169	$ 96,494	$ 83,820

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 June 30, 2016 and December 31, 2015 .

(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 $16 million and $15 million for the six months ended June 30, 2016 and 2015 , respectively. A summary of RSUs issued in the six months ended June 30, 2016 and 2015 follows:

($ in thousands)	Units	Fair Value
Six Months Ended June 30,		
2016	17,654	$ 964
2015	22,011	$ 1,102

(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 reportable segments include the following two business segments:

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

Commencing with the first quarter of 2016, the Company changed the aggregation of its business segments. Insurance-Domestic operating units and Insurance-International operating units, previously reported separately, have been aggregated into the Insurance segment. The segment disclosures for prior periods have been revised to be consistent with the new reportable business segment presentation.

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 reporting segments is presented in the following tables. Income (loss) before income taxes by segment includes allocated investment income. Identifiable assets by segment are those assets used in or allocated to the operation of each segment.

	Revenues					
(In thousands)	**Earned Premiums**	**Investment Income**	**Other**	**Total**	**Pre-Tax Income (Loss)**	**Net Income (Loss) to Common Stockholders**
Three months ended June 30, 2016:						
Insurance	$ 1,399,865	$ 100,162	$ 27,603	$ 1,527,630	$ 183,261	$ 123,766
Reinsurance	159,928	19,365	—	179,293	17,073	12,001
Corporate, other and eliminations (1)	—	9,522	133,154	142,676	(48,335)	(30,906)
Net investment gains	—	—	6,315	6,315	6,315	4,106
Total	$ 1,559,793	$ 129,049	$ 167,072	$ 1,855,914	$ 158,314	$ 108,967
Three months ended June 30, 2015						
Insurance	$ 1,351,382	$ 103,264	$ 24,385	$ 1,479,031	$ 183,470	$ 126,096
Reinsurance	141,659	18,066	—	159,725	27,122	18,827
Corporate, other and eliminations (1)	—	6,253	117,199	123,452	(59,962)	(39,799)
Net investment gains	—	—	27,557	27,557	27,557	17,911
Total	$ 1,493,041	$ 127,583	$ 169,141	$ 1,789,765	$ 178,187	$ 123,035
Six Months Ended June 30, 2016:						
Insurance	$ 2,775,223	$ 205,391	$ 54,396	$ 3,035,010	$ 389,176	$ 263,036
Reinsurance	311,905	37,766	—	349,671	38,870	27,117
Corporate, other and eliminations (1)	—	16,025	248,761	264,786	(108,714)	(70,554)
Net investment gains	—	—	13,658	13,658	13,658	8,878
Total	$ 3,087,128	$ 259,182	$ 316,815	$ 3,663,125	$ 332,990	$ 228,477
Six Months Ended June 30, 2015:						
Insurance	$ 2,662,658	$ 202,348	$ 49,960	$ 2,914,966	$ 371,639	$ 256,135
Reinsurance	302,396	35,107	—	337,503	47,384	33,327
Corporate, other and eliminations (1)	—	14,367	221,007	235,374	(118,720)	(78,410)
Net investment gains	—	—	46,601	46,601	46,601	30,290
Total	$ 2,965,054	$ 251,822	$ 317,568	$ 3,534,444	$ 346,904	$ 241,342

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

Identifiable Assets

(In thousands)	**June 30, 2016**	**December 31, 2015**
Insurance	$ 18,475,060	$ 18,063,730
Reinsurance	2,562,790	2,441,340
Corporate, other and eliminations	1,988,013	1,219,086
Consolidated	$ 23,025,863	$ 21,724,156

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

(In thousands)	For the Three Months Ended June 30, 2016	For the Three Months Ended June 30, 2015	For the Six Months Ended June 30, 2016	For the Six Months Ended June 30, 2015
Insurance:				
Other liability	$ 443,120	$ 401,374	$ 866,075	$ 798,278
Workers' compensation	346,305	347,796	691,808	662,534
Short-tail lines	327,783	323,159	659,640	646,249
Commercial automobile	159,892	170,009	316,709	335,569
Professional liability	122,765	109,044	240,991	220,028
Total Insurance	1,399,865	1,351,382	2,775,223	2,662,658
Reinsurance:				
Casualty	96,282	98,448	196,615	211,264
Property	63,646	43,211	115,290	91,132
Total Reinsurance	159,928	141,659	311,905	302,396
Total	$ 1,559,793	$ 1,493,041	$ 3,087,128	$ 2,965,054

(22) Subsequent Event

In July 2016, the Company agreed to sell a wholly-owned investment, Aero Precision Industries, and certain related aviation services businesses. The Company expects to realize a pre-tax gain of approximately $130 million from the sale, which is expected to close in the third quarter of 2016.

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 2016 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, on our results and financial condition; foreign currency and political risks (including those associated with the United Kingdom's expected withdrawal from the European Union, or "Brexit") 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 Program Reauthorization Act of 2015; 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 2016 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 two business segments: Insurance and Reinsurance. 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, 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. Over the years, the Company has formed numerous operating units that are focused on important parts of the economy in the U.S., including high net worth personal lines, healthcare, energy and agriculture, and on growing international markets, including Scandinavia, Australia, the Asia-Pacific region, South America and South Africa.

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.

Although insurance prices have generally increased for most lines of business since 2011, the rate of increase has declined in more recent years. Loss costs have also increased over that period of time. With the low level of interest rates available, current 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 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 invests in equity securities, merger arbitrage securities, investment funds (including energy related 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.

Commencing with the first quarter of 2016, the Company changed the aggregation of its business segments. Insurance-Domestic operating units and Insurance-International operating units, previously reported separately, have been aggregated into the Insurance segment. The segment disclosures for prior periods have been revised to be consistent with the new reportable business segment presentation.

In July 2016 the Company agreed to sell a wholly-owned investment, Aero Precision Industries, and certain related aviation services businesses. The Company expects to realize a pre-tax gain of approximately $130 million from the sale which is expected to close in the third quarter of 2016.

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 administrating 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 uncertainty. 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 the latest reported loss data, 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 2015:

(In thousands)	**Frequency (+/-)**		
Severity (+/-)	**1%**	**5%**	**10%**
1%	$ 73,437	$ 221,040	$ 405,545
5%	221,040	374,490	566,302
10%	405,545	566,302	767,248

Our net reserves for losses and loss expenses of approximately $9.4 billion as of June 30, 2016 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. The impact of such changes would likely be manifested gradually over the course of many years, as the magnitude of the changes became evident.

Approximately $1.4 billion, or 15%, of the Company's net loss reserves as of June 30, 2016 relate to the Reinsurance 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:

(In thousands)	June 30, 2016	December 31, 2015
Insurance	$ 8,025,913	$ 7,876,193
Reinsurance	1,416,369	1,368,679
Net reserves for losses and loss expenses	9,442,282	9,244,872
Ceded reserves for losses and loss expenses	1,455,594	1,424,278
Gross reserves for losses and loss expenses	$ 10,897,876	$ 10,669,150

Following is a summary of the Company’s net reserves for losses and loss expenses by major line of business:

(In thousands)	Reported Case Reserves	Incurred But Not Reported	Total
June 30, 2016			
Other liability	$ 1,144,763	$ 2,014,651	$ 3,159,414
Workers’ compensation (1)	1,595,081	1,291,801	2,886,882
Professional liability	247,506	470,670	718,176
Commercial automobile	357,304	255,137	612,441
Short-tail lines (2)	338,641	310,359	649,000
Total Insurance	3,683,295	4,342,618	8,025,913
Reinsurance (1)	685,177	731,192	1,416,369
Total	$ 4,368,472	$ 5,073,810	$ 9,442,282
December 31, 2015			
Other liability	$ 1,079,641	$ 1,947,637	$ 3,027,278
Workers’ compensation (1)	1,655,726	1,263,508	2,919,234
Professional liability	256,783	478,796	735,579
Commercial automobile	352,208	242,071	594,279
Short-tail lines (2)	317,375	282,448	599,823
Total Insurance	3,661,733	4,214,460	7,876,193
Reinsurance (1)	631,666	737,013	1,368,679
Total	$ 4,293,399	$ 4,951,473	$ 9,244,872

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(1) Reserves for workers’ compensation and reinsurance are net of an aggregate net discount of $679 million and $699 million as of June 30, 2016 and December 31, 2015, respectively.

(2) Short-tail lines include commercial multi-peril (non-liability), inland marine, accident and health, fidelity and surety, boiler and machinery and other lines.

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 the six months ended June 30, 2016 and 2015 are as follows:

(In thousands)	2016	2015
Net decrease in prior year loss reserves	$ 15,511	$ 27,478
Increase in prior year earned premiums	13,145	6,645
Net favorable prior year development	$ 28,656	$ 34,123

In 2016, favorable prior year development (net of additional and return premiums) of $28.7 million included $24.8 million for the Insurance segment and $3.9 million for the Reinsurance segment. The favorable development for the Insurance segment was primarily attributable to workers' compensation business, partially offset by adverse development for commercial auto liability and professional liability. The favorable development for workers' compensation stems from accident years 2003 through 2015, but is concentrated in accident years 2014 and 2015; it reflects favorable claims frequency trends (i.e., number of reported claims per unit of exposure) which continue to be better than we expected. The unfavorable development for commercial auto liability was driven by higher large loss activity than expected in accident years 2014 and 2015, while the unfavorable development for medical professional liability was primarily in accident years 2011 through 2013 and stemmed from a particular class of medical professional liability that we discontinued writing in 2013.

In 2015, favorable reserve development (net of additional and return premiums) of $34.1 million was primarily related to the excess and surplus lines casualty business within the Insurance segment, partially offset by adverse development in commercial auto liability. The favorable development for excess and surplus lines reflected the continuation of favorable claim frequency trends (i.e. number of reported claims per unit of exposure), while the unfavorable development for commercial auto liability was driven by higher large loss activity.

Reserve Discount . The Company discounts its liabilities for certain workers' compensation reserves. The amount of workers' compensation reserves that were discounted was $1,988 million and $2,308 million at June 30, 2016 and December 31, 2015, respectively. The aggregate net discount for those reserves, after reflecting the effects of ceded reinsurance, was $679 million and $699 million at June 30, 2016 and December 31, 2015, respectively. At June 30, 2016, discount rates by year ranged from 1.9% to 6.5%, with a weighted average discount rate of 4.0%.

Substantially all of the workers' compensation discount (97% at June 30, 2016) relates to excess workers' compensation reserves. In order to properly match loss expenses with income earned on investment securities supporting the liabilities, reserves for excess workers' compensation business are discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. These rates are determined annually based on the weighted average rate for the period. Once established, no adjustments are made to the discount rate for that period, and any increases or decreases in loss reserves in subsequent years are discounted at the same rate, without regard to when any such adjustments are recognized. The expected loss and loss expense payout patterns subject to discounting are derived from the Company's loss payout experience.

The Company also discounts reserves for certain other long-duration workers' compensation reserves (representing approximately 3% of total discounted reserves at June 30, 2016), including reserves for quota share reinsurance and reserves related to losses regarding occupational lung disease. These reserves are discounted at statutory rates permitted by the Department of Insurance of the State of Delaware.

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 $65 million at June 30, 2016 and $62 million at December 31, 2015. 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 June 30, 2016:

($ in thousands)	**Number of Securities**	**Aggregate Fair Value**	**Unrealized Loss**
Unrealized loss less than 20% of amortized cost	293	$ 2,041,261	$ 37,746
Unrealized loss of 20% or greater of amortized cost:			
Less than twelve months	1	188	149
Twelve months and longer	4	17,006	5,617
Total	298	$ 2,058,455	$ 43,512

A summary of the Company’s non-investment grade fixed maturity securities that were in an unrealized loss position at June 30, 2016 is presented in the table below:

($ in thousands)	**Number of Securities**	**Aggregate Fair Value**	**Unrealized Loss**
Mortgage-backed securities	10	$ 23,910	$ 1,410
Asset-backed securities	4	9,844	388
Corporate	12	74,180	4,702
Foreign government	7	32,885	2,003
Total	33	$ 140,819	$ 8,503

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.

Preferred Stocks – At June 30, 2016, there were two preferred stocks in an unrealized loss position, with an aggregate fair value of $30.5 million and a gross unrealized loss of $1.8 million. Based on management's view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI.

Common Stocks – At June 30, 2016, there were three common stocks in an unrealized loss position, with an aggregate fair value of $25.9 million and a gross unrealized loss of $2.4 million. Based upon management's view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI. For the six months ended June 30, 2016 , the Company reported OTTI for common stocks of $18.1 million. There were no OTTI of common stocks for the three months ended June 30, 2016. There were no OTTI of common stocks for the three and six months ended June 30, 2015.

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 $3 million and $2 million at June 30, 2016 and December 31, 2015, 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 June 30, 2016:

($ in thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	$ 12,600,929	97.9%
Syndicate manager	65,892	0.5
Directly by the Company based on:		
Observable data	199,894	1.6
Cash flow model	188	—
Total	$ 12,866,903	100.0%

Independent pricing services – Substantially all 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 June 30, 2016, 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 Six Months Ended June 30, 2016 and 2015

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 six months ended June 30, 2016 and 2015 . 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)	2016	2015
Insurance:		
Gross premiums written	$ 3,516,343	$ 3,351,357
Net premiums written	2,960,486	2,826,217
Net premiums earned	2,775,223	2,662,658
Loss ratio	61.2%	61.2%
Expense ratio	32.4%	32.7%
GAAP combined ratio	93.6%	93.9%
Reinsurance:		
Gross premiums written	$ 378,719	$ 311,846
Net premiums written	345,805	293,110
Net premiums earned	311,905	302,396
Loss ratio	60.5%	58.8%
Expense ratio	39.2%	37.1%
GAAP combined ratio	99.7%	95.9%
Consolidated:		
Gross premiums written	$ 3,895,062	$ 3,663,203
Net premiums written	3,306,291	3,119,327
Net premiums earned	3,087,128	2,965,054
Loss ratio	61.1%	60.9%
Expense ratio	33.1%	33.1%
GAAP combined ratio	94.2%	94.0%

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 six months ended June 30, 2016 and 2015:

(In thousands, except per share data)	2016	2015
Net income to common stockholders	$ 228,477	$ 241,342
Weighted average diluted shares	128,562	131,228
Net income per diluted share	$ 1.78	$ 1.84

The Company reported net income of $228 million in 2016 compared to $241 million in 2015. The 5% decrease in net income was primarily due to a decrease in after-tax net investment gains of $21 million (inclusive of OTTI) and a decrease in after-tax insurance service income of $2 million, partially offset by an increase in after-tax net foreign currency gains of $8 million and an increase in after-tax net investment income of $5 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2016 and in 2015.

Premiums . Gross premiums written were $3,895 million in 2016, an increase of 6.3% from $3,663 million in 2015. The growth was largely due to an increase in new business in the insurance segment of 11.9%. Approximately 77.2% of policies expiring in 2016 were renewed, compared with a 78.2% renewal retention rate for policies expiring in 2015.

Average renewal premium rates for insurance and facultative reinsurance increased 0.4% in 2016 when adjusted for change in exposures.

A summary of gross premiums written in 2016 compared with 2015 by line of business within each business segment follows:

- Insurance - gross premiums increased 4.9% to $3,516 million in 2016 from $3,351 million in 2015. Gross premiums increased $122 million (13%) for other liability, $38 million (4%) for workers' compensation and $29 million (10%) for professional liability, and decreased $16 million (2%) for short-tail lines and $8 million (2%) for commercial auto.

- Reinsurance - gross premiums increased 21.5% to $379 million in 2016 from $312 million in 2015. Gross premiums increased $54 million (52.7%) for property lines and $13 million (6.1%) for casualty lines. The increase in property premiums was primarily due to growth in structured property reinsurance.

Net premiums written were $3,306 million in 2016, an increase of 6.0% from $3,119 million in 2015. Ceded reinsurance premiums as a percentage of gross written premiums were 15% in both 2016 and in 2015.

Premiums earned increased 4.1% to $3,087 million in 2016 from $2,965 million in 2015. 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 2016 are related to business written during both 2016 and 2015. Audit premiums were $80 million in 2016 compared with $73 million in 2015.

Net Investment Income . Following is a summary of net investment income for the six months ended June 30, 2016 and 2015:

	Amount		Average Annualized Yield	
($ In thousands)	**2016**	**2015**	**2016**	**2015**
Fixed maturity securities, including cash and cash equivalents and loans receivable	$ 217,177	$ 213,159	3.2%	3.2%
Investment funds	35,092	27,912	5.8	4.6
Arbitrage trading account	6,442	8,862	3.6	2.9
Real estate	3,967	4,881	0.8	1.3
Equity securities available for sale	2,148	2,404	2.4	2.9
Gross investment income	264,826	257,218	3.2	3.2
Investment expenses	(5,644)	(5,396)		
Total	$ 259,182	$ 251,822	3.2%	3.2%

Net investment income increased 2.8% to $259 million in 2016 from $252 million in 2015 due primarily to a $7.2 million increase in income from investment funds, partially offset by a decrease in income from the arbitrage trading account of $2.4 million. The increase in investment income from investment funds (reported on a one-quarter lag) was primarily due to improvement in the performance for energy funds partially offset by the real estate funds. Average invested assets, at cost (including cash and cash equivalents), were $16.4 billion in 2016 and $15.9 billion in 2015.

Insurance Service Fees . The Company earns fees from an insurance distribution business and as a servicing carrier of workers' compensation assigned risk plans for certain states. Service fees increased to $77 million in 2016 from $72 million in 2015.

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 $32 million in 2016 compared with $47 million in 2015.

Other-Than-Temporary Impairments . Other-than-temporary impairments of $18 million in 2016 were related to common stocks. There were no impairments in 2015.

Revenues from Non-Insurance Businesses . Revenues from non-insurance businesses were derived from a business engaged in the distribution of promotional merchandise and 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 non-insurance businesses were $226 million in 2016 and $198 million in 2015.

Losses and Loss Expenses . Losses and loss expenses increased to $1,886 million in 2016 from $1,807 million in 2015. The consolidated loss ratio was 61.1% in 2016 and 60.9% in 2015. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were $56 million in 2016 and $39 million in 2015. Favorable prior year reserve development (net of premium offsets) was $29 million in 2016 and $34 million in 2015. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.5 points to 60.2% in 2016 from 60.7% in 2015.

A summary of loss ratios in 2016 compared with 2015 by business segment follows:

- Insurance - The loss ratio was 61.2% in both 2016 and 2015. Catastrophe losses were $48 million in 2016 compared with $37 million in 2015. Favorable prior year reserve development was $25 million in 2016 and $31 million in 2015. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.7 points to 60.3% in 2016 from 61.0% in 2015.

- Reinsurance - The loss ratio of 60.5% in 2016 was 1.7 points higher than the loss ratio of 58.8% in 2015. Catastrophe losses were $8 million in 2016 compared with $2 million in 2015. Favorable prior year reserve development was $4 million in 2016 compared with $3 million in 2015. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.5 points to 59.6% in 2016 from 59.1% in 2015.

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

(In thousands)	**2016**	**2015**
Underwriting expenses	$ 1,021,542	$ 982,294
Service expenses	71,426	63,458
Net foreign currency (gains) losses	(9,356)	2,509
Other costs and expenses	80,802	76,367
Total	$ 1,164,414	$ 1,124,628

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 4% compared with an increase in net premiums earned of 4.1%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 33.1% for the six months ended June 30, 2016 and 2015.

Service expenses, which represent the costs associated with the fee-based businesses, increased to $71 million in 2016 from $63 million in 2015.

Net foreign currency losses (gains) result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were $9.4 million in 2016 compared to losses of $2.5 million in 2015.

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 $80.8 million in 2016 from $76.4 million in 2015.

Expenses from Non-Insurance Businesses . Expenses from non-insurance businesses represent costs associated with a business engaged in the distribution of promotional merchandise and 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 non-insurance businesses were $212 million in 2016 compared to $188 million in 2015.

Interest Expense . Interest expense was $67 million in 2016 compared with $68 million in 2015. The Company repaid $200 million of 5.60% senior notes at maturity on May 15, 2015. In February 2016, the Company issued $110 million of 5.9% subordinated debentures maturing in 2056, and in May 2016, the Company issued $290 million of 5.75% subordinated debentures maturing in 2056.

Income Taxes . The effective income tax rate was 31.2% in 2016 and 30.4% in 2015. The higher tax rate in 2016 was due, in part, to the higher overall effective tax rate related to the Company's foreign operations. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately $62.3 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 $7.2 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.

Results of Operations for the Three Months Ended June 30, 2016 and 2015

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 June 30, 2016 and 2015 . 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)	2016	2015
Insurance:		
Gross premiums written	$ 1,753,273	$ 1,658,954
Net premiums written	1,471,749	1,401,078
Net premiums earned	1,399,865	1,351,382
Loss ratio	61.9%	61.3%
Expense ratio	32.3%	33.0%
GAAP combined ratio	94.2%	94.3%
Reinsurance:		
Gross premiums written	$ 186,092	$ 152,444
Net premiums written	170,820	142,847
Net premiums earned	159,928	141,659
Loss ratio	61.3%	54.9%
Expense ratio	40.1%	38.7%
GAAP combined ratio	101.4%	93.6%
Consolidated:		
Gross premiums written	$ 1,939,365	$ 1,811,398
Net premiums written	1,642,569	1,543,925
Net premiums earned	1,559,793	1,493,041
Loss ratio	61.8%	60.7%
Expense ratio	33.1%	33.5%
GAAP combined ratio	94.9%	94.2%

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 June 30, 2016 and 2015:

(In thousands, except per share data)	2016	2015
Net income to common stockholders	$ 108,967	$ 123,035
Weighted average diluted shares	128,575	129,988
Net income per diluted share	$ 0.85	$ 0.95

The Company reported net income of $109 million in 2016 compared to $123 million in 2015. The 11% decrease in net income was primarily due to a decrease in after-tax net investment gains of $14 million, a decrease in after-tax underwriting income of $5 million and a decrease in after-tax service fee income of $3 million, partially offset by an increase in after-tax net foreign currency gains of $10 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2016 and 2015.

Premiums . Gross premiums written were $1,939 million in 2016, an increase of 7.1% from $1,811 million in 2015. The growth was largely due to an increase in new business in the insurance segment of 16.7%. Approximately 72.0% of policies expiring in 2016 were renewed, compared with a 78.8% renewal retention rate for policies expiring in 2015.

Average renewal premium rates for insurance and facultative reinsurance decreased 0.1% in 2016 when adjusted for change in exposures.

A summary of gross premiums written in 2016 compared with 2015 by line of business within each business segment follows:

- Insurance - gross premiums increased 5.7% to $1,753 million in 2016 from $1,659 million in 2015. Gross premiums increased $73 million (15%) for other liability, $18 million (11%) for professional liability, $6 million (1%) for workers' compensation and $2 million (1%) for commercial auto. Gross premiums decreased $5 million (1%) for short-tail lines.
- Reinsurance - gross premiums increased 22.1% to $186 million in 2016 from $152 million in 2015. Gross premiums increased $15 million (27.3%) for property lines and $19 million (19%) for casualty lines. The increase in property premiums was primarily due to growth in structured property reinsurance.

Net premiums written were $1,643 million in 2016, an increase of 6.4% from $1,544 million in 2015. Ceded reinsurance premiums as a percentage of gross written premiums were 15% in both 2016 and 2015.

Premiums earned increased 4.5% to $1,560 million in 2016 from $1,493 million in 2015. 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 2016 are related to business written during both 2016 and 2015. Audit premiums were $40 million in 2016 compared with $36 million in 2015.

Net Investment Income . Following is a summary of net investment income for the three months ended June 30, 2016 and 2015:

	Amount		Average Annualized Yield	
($ In thousands)	**2016**	**2015**	**2016**	**2015**
Fixed maturity securities, including cash and cash equivalents and loans receivable	$ 108,342	$ 105,030	3.2%	3.2 %
Investment funds	18,456	21,851	6.0	7.3
Arbitrage trading account	3,252	(117)	3.6	(0.1)
Real estate	1,250	2,114	0.5	1.1
Equity securities available for sale	1,280	1,224	2.5	3.0
Gross investment income	132,580	130,102	3.2	3.3
Investment expenses	(3,531)	(2,519)		
Total	$ 129,049	$ 127,583	3.1%	3.2 %

Net investment income increased 1% to $129 million in 2016 from $128 million in 2015 due primarily to a $3.4 million increase in income from the arbitrage trading account and a $3.3 million increase from fixed maturity securities, partially offset by a decrease in investment funds of $3.4 million and a decrease in real estate of $0.8 million. Average invested assets, at cost (including cash and cash equivalents), were $16.5 billion in 2016 and $15.9 billion in 2015.

Insurance Service Fees . The Company earns fees from an insurance distribution business and as a servicing carrier of workers' compensation assigned risk plans for certain states. Service fees increased to $37 million in 2016 from $36 million in 2015.

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 $6 million in 2016 compared with $28 million in 2015.

Other-Than-Temporary Impairments . There were no other-than-temporary impairments during the three months ended June 30, 2016 and 2015.

Revenues from Non-Insurance Businesses . Revenues from non-insurance businesses were derived from a business engaged in the distribution of promotional merchandise and 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 non-insurance businesses were $124 million in 2016 and $106 million in 2015.

Losses and Loss Expenses . Losses and loss expenses increased to $964 million in 2016 from $906 million in 2015. The consolidated loss ratio was 61.8% in 2016 and 60.7% in 2015. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were $41 million in 2016 and $25 million in 2015. Favorable prior year reserve development (net of premium offsets) was $16 million in 2016 and $22 million 2015. The loss ratio, excluding catastrophe losses and prior year reserve development, decreased 0.2 points to 60.3% in 2016 from 60.5% in 2015.

A summary of loss ratios in 2016 compared with 2015 by business segment follows:

- Insurance - The loss ratio of 61.9% in 2016 was 0.6 points higher than the loss ratio of 61.3% in 2015. Catastrophe losses were $33 million in 2016 compared with $23 million in 2015. Favorable prior year reserve development was $13 million in 2016 and $20 million in 2015. The loss ratio, excluding catastrophe losses and prior year reserve development, decreased 0.7 points to 60.4% in 2016 from 61.1% in 2015.

- Reinsurance - The loss ratio of 61.3% in 2016 was 6.4 points higher than the loss ratio of 54.9% in 2015. Catastrophe losses were $8 million in 2016 compared with $2 million in 2015. Favorable prior year reserve development was $3 million in both 2016 and 2015. The loss ratio, excluding catastrophe losses and prior year reserve development, increased 4.0 points to 59.4% in 2016 from 55.4% in 2015.

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

(In thousands)	2016	2015
Underwriting expenses	$ 516,287	$ 500,234
Service expenses	37,628	32,374
Net foreign currency (gains) losses	(13,084)	3,076
Other costs and expenses	41,124	37,898
Total	$ 581,955	$ 573,582

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 3.2% compared with an increase in net premiums earned of 4.5%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) decreased to 33.1% from 33.5% in 2015.

Service expenses, which represent the costs associated with the fee-based businesses, increased to $38 million in 2016 from $32 million in 2015.

Net foreign currency losses (gains) result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were $13.1 million in 2016 compared to losses of $3.1 million in 2015.

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 $41.1 million in 2016 from $37.9 million in 2015.

Expenses from Non-Insurance Businesses . Expenses from non-insurance businesses represent costs associated with a business engaged in the distribution of promotional merchandise and 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 non-insurance businesses were $117 million in 2016 compared to $99 million in 2015.

Interest Expense . Interest expense was $35 million in 2016 compared with $33 million in 2015. The Company repaid $200 million of 5.60% senior notes at maturity on May 15, 2015. In February 2016, the Company issued $110 million of 5.9% subordinated debentures maturing in 2056, and in May 2016, the Company issued $290 million of 5.75% subordinated debentures maturing in 2056.

Income Taxes . The effective income tax rate was 31.2% in 2016 and 31.0% in 2015. The higher tax rate in 2016 was due, in part, to the higher overall effective tax rate related to the Company's foreign operations. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately $62.3 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 $7.2 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 invests 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, including cash and cash equivalents, was 3.0 years at June 30, 2016 , down from 3.3 years at December 31, 2015. The Company’s fixed maturity investment portfolio and investment-related assets as of June 30, 2016 were as follows:

($ in thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	$ 560,490	3.3%
State and municipal:		
Special revenue	2,759,821	16.2
State general obligation	644,791	3.8
Pre-refunded (1)	485,518	2.8
Corporate backed	404,060	2.4
Local general obligation	392,923	2.3
Total state and municipal	4,687,113	27.5
Mortgage-backed securities:		
Agency	770,222	4.5
Residential-Prime	241,798	1.4
Commercial	97,724	0.6
Residential-Alt A	43,418	0.3
Total mortgage-backed securities	1,153,162	6.9
Asset-backed securities	1,916,276	11.2
Corporate:		
Industrial	2,214,423	13.0
Financial	1,239,538	7.3
Utilities	214,564	1.3
Other	71,017	0.4
Total corporate	3,739,542	22.0
Foreign government and foreign government agencies	898,339	5.3
Total fixed maturity securities	12,954,922	76.2
Equity securities available for sale:		
Preferred stocks	147,765	0.9
Common stocks	138,887	0.8
Total equity securities available for sale	286,652	1.7
Investment funds	1,205,133	7.1
Real estate	1,024,102	6.0
Cash and cash equivalents	948,710	5.6
Arbitrage trading account	496,522	2.9
Loans receivable	142,858	0.5
Total investments	$ 17,058,899	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.

Mixed 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 June 30, 2016 , investments in foreign government fixed maturity securities (which are generally held by the Company's foreign operations) were as follows:

(In thousands)	Carrying Value
Australia	$ 238,363
Argentina	189,683
Canada	161,744
United Kingdom	140,600
Germany	46,177
Supranational (1)	35,706
Brazil	35,581
Norway	33,261
Singapore	6,436
Colombia	6,050
Uruguay	4,738
Total	$ 898,339

(1) Supranational represents investments in the North American Development Bank, European Investment Bank and International Bank for Reconstruction and Development.

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

Investment Funds . At June 30, 2016 , the carrying value of investment funds was $1,205 million, including investments in real estate funds of $625 million, energy funds of $82 million and hedge equity funds of $69 million. Investment funds are generally reported on a one-quarter lag.

Real Estate . Real estate is directly owned property held for investment. At June 30, 2016 , real estate properties in operation included a long-term ground lease in Washington D.C., a hotel in Memphis, Tennessee and office buildings in West Palm Beach and 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 $142.9 million and an aggregate fair value of $145.4 million at June 30, 2016 . The amortized cost of loans receivable is net of a valuation allowance of $3 million as of June 30, 2016 . Loans receivable include real estate loans of $122.3 million that are secured by commercial real estate located primarily in Delaware, Virginia, and New York. 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 $20.6 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 effective duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The effective duration for the fixed maturity portfolio (including cash and cash equivalents) was 3.0 years at June 30, 2016 , down from 3.3 years at December 31, 2015 .

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 slightly to $332 million in the first six months of 2016 from $333 million in the comparable period in 2015 .

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 82% invested in cash, cash equivalents and marketable fixed maturity securities as of June 30, 2016 . 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 June 30, 2016 , the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of $2,536 million and a face amount of $2,571 million. The maturities of the outstanding debt are $14 million in 2016, $39 million in 2017, $441 million in 2019, $300 million in 2020, $427 million in 2022, $250 million in 2037, $350 million in 2044, $350 million in 2053 and $400 million in 2056.

In February 2016, the Company issued $110 million aggregate principal amount of its 5.9% subordinated debentures due 2056, and in May 2016, the Company issued $290 million aggregate principal amount of its 5.75% subordinated debentures due 2056. In May 2015, the Company repaid $200 million of 5.60% senior notes at maturity and $71 million of mortgage loans.

Equity . At June 30, 2016 , total common stockholders' equity was $4.9 billion, common shares outstanding were approximately 123 million and stockholders' equity per outstanding share was $39.97. During the six months ended June 30, 2016 , the Company repurchased 734,055 shares of its common stock for $37.4 million.

Total Capital . Total capitalization (equity, debt and subordinated debentures) was $7 billion at June 30, 2016 . The percentage of the Company's capital attributable to debt and subordinated debentures was 34% at June 30, 2016 and 32% at December 31, 2015.

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 June 30, 2016 , 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

Other than as set forth below, 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, 2015.

The vote by the United Kingdom to leave the European Union ("E.U.") could adversely affect our business.

The recent U.K. referendum on its membership in the E.U. resulted in a majority of U.K. voters voting in favor of the U.K. exiting the E.U. ("Brexit"). As a result of this vote, negotiations are expected to commence to determine the terms of the U.K.'s withdrawal from the E.U. and its future relationship with the E.U. As a result, we face risks associated with the potential uncertainty and consequences related to the vote and Brexit, including with respect to volatility in financial markets, exchange rates and interest rates. These uncertainties could increase the volatility of, or reduce, our investment results in particular periods or over time. Brexit could adversely affect European or worldwide political, regulatory, economic or market conditions and could contribute to instability in political institutions and regulatory agencies. Brexit could also lead to legal uncertainty and differing laws and regulations between the U.K. and the E.U. Any of these potential effects, and others we cannot anticipate, could adversely affect our results of operations or financial condition.

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

The Company did not repurchase any shares during the three months ended June 30, 2016. As of June 30, 2016, 8,512,923 shares remained authorized for repurchase by the Company under its stock repurchase program.

Item 6. Exhibits

Number	
(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.

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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:	August 5, 2016	/s/ W. Robert Berkley, Jr.
		W. Robert Berkley, Jr.
		President and Chief Executive Officer
Date:	August 5, 2016	/s/ Richard M. Baio
		Richard M. Baio
		Senior Vice President - Chief Financial Officer and Treasurer

Exhibit 31.1

CERTIFICATIONS

I, W. Robert Berkley, Jr., President 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: August 5, 2016

/s/ W. Robert Berkley, Jr.

W. Robert Berkley, Jr.

President and
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Richard M. Baio, Senior Vice President - Chief Financial Officer and Treasurer 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: August 5, 2016

/s/ Richard M. Baio

Richard M. Baio
Senior Vice President — Chief Financial Officer and Treasurer

Exhibit 32.1

**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 June 30, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, W. Robert Berkley, Jr., President and Chief Executive Officer of the Company, and Richard M. Baio, Senior Vice President - Chief Financial Officer and Treasurer 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/ W. Robert Berkley, Jr.

W. Robert Berkley, Jr.
President and Chief Executive Officer

/s/ Richard M. Baio

Richard M. Baio
Senior Vice President — Chief Financial Officer and Treasurer

August 5, 2016

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.