UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark one)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2018

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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 May 1, 2018 : 121,669,098

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Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 2018 (Unaudited)	December 31, 2017 (Audited)
Assets		
Investments:		
Fixed maturity securities	$ 13,343,132	$ 13,551,250
Investment funds	1,161,127	1,155,677
Real estate	1,833,337	1,469,601
Arbitrage trading account	744,859	617,649
Equity securities	496,034	576,647
Loans receivable	75,902	79,684
Total investments	17,654,391	17,450,508
Cash and cash equivalents	956,603	950,471
Premiums and fees receivable	1,845,723	1,773,844
Due from reinsurers	1,868,667	1,783,200
Deferred policy acquisition costs	513,586	507,549
Prepaid reinsurance premiums	490,582	472,009
Trading account receivables from brokers and clearing organizations	26,667	189,280
Property, furniture and equipment	424,751	422,960
Goodwill	178,945	178,945
Accrued investment income	143,974	136,597
Other assets	483,943	434,554
Total assets	$ 24,587,832	$ 24,299,917
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	$ 11,784,895	$ 11,670,408
Unearned premiums	3,404,003	3,290,180
Due to reinsurers	248,746	246,460
Trading account securities sold but not yet purchased	29,453	64,358
Federal and foreign income taxes	96,735	98,091
Other liabilities	852,255	981,987
Senior notes and other debt	1,782,139	1,769,052
Subordinated debentures	897,426	728,218
Total liabilities	19,095,652	18,848,754
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, 121,543,951 and 121,514,852 shares, respectively	47,024	47,024
Additional paid-in capital	1,057,230	1,048,283
Retained earnings	7,322,201	6,956,882
Accumulated other comprehensive (loss) income	(258,982)	68,541
Treasury stock, at cost, 113,573,967 and 113,603,066 shares, respectively	(2,715,697)	(2,709,386)
Total stockholders' equity	5,451,776	5,411,344
Noncontrolling interests	40,404	39,819
Total equity	5,492,180	5,451,163
Total liabilities and equity	$ 24,587,832	$ 24,299,917

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017
REVENUES:		
Net premiums written	$ 1,665,338	$ 1,646,838
Change in net unearned premiums	(97,930)	(76,796)
Net premiums earned	1,567,408	1,570,042
Net investment income	174,518	148,858
Net realized and unrealized gains on investments	48,464	52,348
Revenues from non-insurance businesses	70,171	65,390
Insurance service fees	30,675	33,280
Other income	11	500
Total revenues	1,891,247	1,870,418
OPERATING COSTS AND EXPENSES:		
Losses and loss expenses	963,219	979,603
Other operating costs and expenses	610,439	603,700
Expenses from non-insurance businesses	69,543	66,019
Interest expense	37,056	36,799
Total operating costs and expenses	1,680,257	1,686,121
Income before income taxes	210,990	184,297
Income tax expense	(43,417)	(59,623)
Net income before noncontrolling interests	167,573	124,674
Noncontrolling interests	(1,177)	(1,227)
Net income to common stockholders	$ 166,396	$ 123,447
NET INCOME PER SHARE:		
Basic	$ 1.32	$ 1.01
Diluted	$ 1.30	$ 0.96

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2018	**2017**
Net income before noncontrolling interests	$ 167,573	$ 124,674
Other comprehensive (loss) income:		
Change in unrealized currency translation adjustments	12,799	22,735
Change in unrealized investment gains, net of taxes	(125,772)	(8,831)
Other comprehensive (loss) income	(112,973)	13,904
Comprehensive income	54,600	138,578
Noncontrolling interests	(1,188)	(1,208)
Comprehensive income to common stockholders	$ 53,412	$ 137,370

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2018	2017
COMMON STOCK:		
Beginning and end of period	$ 47,024	$ 47,024
ADDITIONAL PAID-IN CAPITAL:		
Beginning of period	$ 1,048,283	$ 1,037,446
Restricted stock units issued	(487)	(667)
Restricted stock units expensed	9,434	10,810
End of period	$ 1,057,230	$ 1,047,589
RETAINED EARNINGS:		
Beginning of period	$ 6,956,882	$ 6,595,987
Cumulative effect adjustment resulting from changes in accounting principles	215,939	—
Net income to common stockholders	166,396	123,447
Dividends	(17,016)	(15,759)
End of period	$ 7,322,201	$ 6,703,675
ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME:		
Unrealized investment gains:		
Beginning of period	$ 375,421	$ 427,154
Cumulative effect adjustment resulting from changes in accounting principles	(214,539)	—
Unrealized losses on securities not other-than-temporarily impaired	(125,796)	(8,913)
Unrealized gains on other-than-temporarily impaired securities	13	101
End of period	35,099	418,342
Currency translation adjustments:		
Beginning of period	(306,880)	(371,586)
Net change in period	12,799	22,735
End of period	(294,081)	(348,851)
Total accumulated other comprehensive (loss) income	$ (258,982)	$ 69,491
TREASURY STOCK:		
Beginning of period	$ (2,709,386)	$ (2,688,817)
Stock exercised/vested	488	644
Stock repurchased	(6,799)	—
End of period	$ (2,715,697)	$ (2,688,173)
NONCONTROLLING INTERESTS:		
Beginning of period	$ 39,819	$ 33,926
(Distributions) contributions	(603)	3,801
Net income	1,177	1,227
Other comprehensive income (loss), net of tax	11	(19)
End of period	$ 40,404	$ 38,935

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended March 31,	
	2018	2017
CASH (USED IN) FROM OPERATING ACTIVITIES:		
Net income to common stockholders	$ 166,396	$ 123,447
Adjustments to reconcile net income to net cash from operating activities:		
Net realized and unrealized gains on investments	(48,464)	(52,348)
Depreciation and amortization	29,027	18,133
Noncontrolling interests	1,177	1,227
Investment funds	(40,354)	(26,649)
Stock incentive plans	9,434	10,780
Change in:		
Arbitrage trading account	497	2,350
Premiums and fees receivable	(74,492)	(59,244)
Reinsurance accounts	(100,379)	67,205
Deferred policy acquisition costs	(6,851)	(6,126)
Income taxes	50,505	50,595
Reserves for losses and loss expenses	120,063	10,424
Unearned premiums	116,627	113,483
Other	(243,221)	(177,805)
Net cash (used in) from operating activities	(20,035)	75,472
CASH USED IN INVESTING ACTIVITIES:		
Proceeds from sale of fixed maturity securities	2,004,008	719,969
Proceeds from sale of equity securities	152,949	51,854
Distributions from (contributions to) investment funds	33,695	(11,290)
Proceeds from maturities and prepayments of fixed maturity securities	97,911	888,423
Purchase of fixed maturity securities	(2,085,683)	(1,767,208)
Purchase of equity securities	(44,219)	(103)
Real estate purchased	(336,601)	(48,710)
Change in loans receivable	2,058	3,147
Net additions to property, furniture and equipment	(14,102)	(12,457)
Change in balances due to security brokers	58,500	(22,034)
Payment for business purchased net of cash acquired	—	(71,346)
Net cash used in investing activities	(131,484)	(269,755)
CASH FROM (USED IN) FINANCING ACTIVITIES:		
Repayment of senior notes and other debt	(23)	(1,475)
Net proceeds from issuance of debt	181,792	—
Cash dividends to common stockholders	(17,016)	—
Purchase of common treasury shares	(6,799)	—
Other, net	(544)	(1,281)
Net cash from (used in) financing activities	157,410	(2,756)
Net impact on cash due to change in foreign exchange rates	241	10,147
Net change in cash and cash equivalents	6,132	(186,892)
Cash and cash equivalents at beginning of year	950,471	795,285
Cash and cash equivalents at end of period	$ 956,603	$ 608,393

See accompanying notes to interim consolidated financial statements.

(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, 2017 . Reclassifications have been made in the 2017 financial statements as originally reported to conform to the presentation of the 2018 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 21% principally because of tax-exempt investment income, as well as tax on income from foreign jurisdictions with different tax rates.

(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 (including 4,847,303 and 4,087,731 common shares held in a grantor trust as of March 31, 2018 and 2017, respectively). The common shares held in the grantor trust are for delivery upon settlement of vested but mandatorily deferred restricted stock units ("RSUs"). Shares held by the grantor trust do not affect diluted shares outstanding since the shares deliverable under vested RSUs were already included in diluted shares outstanding. Diluted EPS is based upon the weighted average number of basic and common equivalent shares outstanding during the period and is calculated using the treasury stock method for stock incentive plans. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

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

	For the Three Months Ended March 31,	
(In thousands)	**2018**	**2017**
Basic	126,375	121,893
Diluted	128,125	128,453

(3) Recent Accounting Pronouncements

Recently adopted accounting pronouncements:

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Customers. ASU 2014-09 clarifies the principles for recognizing revenue. While insurance contracts are not within the scope of this updated guidance, the Company’s insurance service fee revenue and non-insurance business revenue are subject to this updated guidance. The updated guidance requires an entity to recognize revenue as performance obligations are met, in order to reflect the transfer of promised goods or services to customers in an amount that reflects the consideration the entity is entitled to receive for those goods or services. The updated guidance, as amended by ASU 2015-14, was effective for public business entities for annual and interim reporting periods beginning after December 15, 2017. The Company adopted this guidance on January 1, 2018 on a prospective basis. The impact of applying this guidance prospectively was a cumulative effect adjustment that increased retained earnings, a component of stockholders' equity, by $1 million after-tax.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments. ASU 2016-01 amends the accounting guidance for financial instruments to require all equity investments with readily determinable fair values to be measured at fair value with changes in the fair value recognized in net income (other than those accounted for under equity method of accounting or those that result in consolidation of the investee). The updated guidance was effective for public business entities for annual reporting periods beginning after December 15, 2017 and interim periods within those years. The Company adopted this updated guidance on January 1, 2018 on a prospective basis. The impact of applying this guidance prospectively was a cumulative effect adjustment that increased retained earnings and decreased accumulated other comprehensive income ("AOCI") by offsetting amounts of $291 million , resulting in no net impact to total stockholders' equity. Following the adoption, the Company reported changes in fair value related to equity securities within net realized and unrealized gains on investments.

In February 2018, the FASB issued ASU 2018-02, Reporting Comprehensive Income, which amends previous guidance to allow a reclassification to retained earnings for stranded tax effects resulting from the Tax Cuts and Jobs Act of 2017 (the "Tax Act"). The amount of the reclassification includes the effect of the change in the U.S. federal corporate income tax rate on the gross deferred tax amounts and related valuation allowances, if any, at the date of the enactment of the Tax Act related to items in AOCI. The updated guidance will be effective for reporting periods beginning after December 15, 2018, and is eligible for early adoption. The Company adopted this updated guidance on January 1, 2018. The impact of applying this guidance was a cumulative effect adjustment that decreased retained earnings and increased AOCI by offsetting amounts of $76 million , resulting in no net impact to total stockholders' equity.

All other accounting and reporting standards that have become effective in 2018 were either not applicable to the Company or their adoption did not have a material impact on the Company.

Accounting and reporting standards that are not yet effective:

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-of-use asset and a lease liability for leases with terms of more than 12 months. The right-of-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-of-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 can be adopted prospectively or 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 a 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 year the guidance becomes effective.

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) Consolidated Statement of Comprehensive (Loss) Income

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

(In thousands)	Unrealized Investment Gains (Losses)		Currency Translation Adjustments	Accumulated Other Comprehensive (Loss) Income
As of and for the three months ended March 31, 2018				
Changes in AOCI				
Beginning of period	$ 375,421		$ (306,880)	$ 68,541
Cumulative effect adjustment resulting from changes in accounting principles	(214,539)		—	(214,539)
Restated beginning of period	160,882		(306,880)	(145,998)
Other comprehensive (loss) income before reclassifications	(118,189)		12,799	(105,390)
Amounts reclassified from AOCI	(7,583)		—	(7,583)
Other comprehensive (loss) income	(125,772)		12,799	(112,973)
Unrealized investment gain related to noncontrolling interest	(11)		—	(11)
End of period	$ 35,099		$ (294,081)	$ (258,982)
Amounts reclassified from AOCI				
Pre-tax	$ (9,599)	(1)	$ —	$ (9,599)
Tax effect	2,016	(2)	—	2,016
After-tax amounts reclassified	$ (7,583)		$ —	$ (7,583)
Other comprehensive (loss) income				
Pre-tax	$ (160,848)		$ 12,799	$ (148,049)
Tax effect	35,076		—	35,076
Other comprehensive (loss) income	$ (125,772)		$ 12,799	$ (112,973)
As of and for the three months ended March 31, 2017:				
Changes in AOCI				
Beginning of period	$ 427,154		$ (371,586)	$ 55,568
Other comprehensive income before reclassifications	19,994		22,735	42,729
Amounts reclassified from AOCI	(28,825)		—	(28,825)
Other comprehensive (loss) income	(8,831)		22,735	13,904
Unrealized investment loss related to noncontrolling interest	19		—	19
End of period	$ 418,342		$ (348,851)	$ 69,491
Amounts reclassified from AOCI				
Pre-tax	$ (44,346)	(1)	$ —	$ (44,346)
Tax effect	15,521	(2)	—	15,521
After-tax amounts reclassified	$ (28,825)		$ —	$ (28,825)
Other comprehensive (loss) income				
Pre-tax	$ (9,571)		$ 22,735	$ 13,164
Tax effect	740		—	740
Other comprehensive (loss) income	$ (8,831)		$ 22,735	$ 13,904

(1) Net realized and unrealized gains on investments in the consolidated statements of income.
(2) Income tax expense in the consolidated statements of income.

(5) Statements of Cash Flow

Interest payments were $61,890,000 and $61,782,000 and income taxes paid were none and $1,610,000 in the three months ended March 31, 2018 and 2017 , respectively.

(6) Investments in Fixed Maturity Securities

At March 31, 2018 and December 31, 2017 , investments in fixed maturity securities were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
March 31, 2018					
Held to maturity:					
State and municipal	$ 66,459	$ 12,185	$ —	$ 78,644	$ 66,459
Residential mortgage-backed	12,772	988	—	13,760	12,772
Total held to maturity	79,231	13,173	—	92,404	79,231
Available for sale:					
U.S. government and government agency	479,330	6,692	(6,113)	479,909	479,909
State and municipal:					
Special revenue	2,644,248	36,059	(22,675)	2,657,632	2,657,632
State general obligation	404,710	12,113	(2,610)	414,213	414,213
Pre-refunded	443,852	18,131	(87)	461,896	461,896
Corporate backed	368,073	7,415	(1,610)	373,878	373,878
Local general obligation	389,887	17,227	(3,209)	403,905	403,905
Total state and municipal	4,250,770	90,945	(30,191)	4,311,524	4,311,524
Mortgage-backed securities:					
Residential (1)	1,067,814	6,233	(22,334)	1,051,713	1,051,713
Commercial	338,683	1,164	(4,563)	335,284	335,284
Total mortgage-backed securities	1,406,497	7,397	(26,897)	1,386,997	1,386,997
Asset-backed	2,101,896	11,435	(11,640)	2,101,691	2,101,691
Corporate:					
Industrial	2,378,793	27,145	(31,817)	2,374,121	2,374,121
Financial	1,411,529	22,100	(15,031)	1,418,598	1,418,598
Utilities	270,915	8,163	(4,546)	274,532	274,532
Other	43,682	1	(233)	43,450	43,450
Total corporate	4,104,919	57,409	(51,627)	4,110,701	4,110,701
Foreign	850,866	25,791	(3,578)	873,079	873,079
Total available for sale	13,194,278	199,669	(130,046)	13,263,901	13,263,901
Total investments in fixed maturity securities	$ 13,273,509	$ 212,842	$ (130,046)	$ 13,356,305	$ 13,343,132

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
December 31, 2017					
Held to maturity:					
State and municipal	$ 65,882	$ 14,499	$ —	$ 80,381	$ 65,882
Residential mortgage-backed	13,450	1,227	—	14,677	13,450
Total held to maturity	79,332	15,726	—	95,058	79,332
Available for sale:					
U.S. government and government agency	372,748	8,824	(3,832)	377,740	377,740
State and municipal:					
Special revenue	2,663,245	53,512	(10,027)	2,706,730	2,706,730
State general obligation	439,358	16,087	(711)	454,734	454,734
Pre-refunded	436,241	22,701	(9)	458,933	458,933
Corporate backed	375,268	10,059	(860)	384,467	384,467
Local general obligation	417,955	23,242	(967)	440,230	440,230
Total state and municipal	4,332,067	125,601	(12,574)	4,445,094	4,445,094
Mortgage-backed securities:					
Residential (1)	1,043,629	9,304	(13,547)	1,039,386	1,039,386
Commercial	261,652	1,521	(2,628)	260,545	260,545
Total mortgage-backed securities	1,305,281	10,825	(16,175)	1,299,931	1,299,931
Asset-backed	2,111,132	11,024	(10,612)	2,111,544	2,111,544
Corporate:					
Industrial	2,574,400	52,210	(7,718)	2,618,892	2,618,892
Financial	1,402,161	37,744	(5,138)	1,434,767	1,434,767
Utilities	284,886	11,316	(1,248)	294,954	294,954
Other	40,560	5	(66)	40,499	40,499
Total corporate	4,302,007	101,275	(14,170)	4,389,112	4,389,112
Foreign	819,345	32,018	(2,866)	848,497	848,497
Total available for sale	13,242,580	289,567	(60,229)	13,471,918	13,471,918
Total investments in fixed maturity securities	$ 13,321,912	$ 305,293	$ (60,229)	$ 13,566,976	$ 13,551,250

(1) Gross unrealized gains (losses) for residential mortgage-backed securities include $89,704 and $76,467 as of March 31, 2018 and December 31, 2017 , respectively, related to securities with the non-credit portion of other-than-temporary impairments ("OTTI") recognized in accumulated other comprehensive income.

The amortized cost and fair value of fixed maturity securities at March 31, 2018 , 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	$ 813,191	$ 816,313
Due after one year through five years	4,580,074	4,621,880
Due after five years through ten years	3,110,432	3,158,810
Due after ten years	3,350,543	3,358,545
Mortgage-backed securities	1,419,269	1,400,757
Total	$ 13,273,509	$ 13,356,305

At March 31, 2018 and December 31, 2017 , there were no investments that exceeded 10% of common stockholders' equity, other than investments in United States government and government agency securities.

(7) Investments in Equity Securities

At March 31, 2018 and December 31, 2017 , investments in equity securities were as follows:

(In thousands)	Cost	Gross Unrealized (1) Gains	Gross Unrealized (1) Losses	Fair Value	Carrying Value
March 31, 2018					
Common stocks	$ 95,447	$ 232,206	$ (7,218)	$ 320,435	$ 320,435
Preferred stocks	124,150	53,423	(1,974)	175,599	175,599
Total	$ 219,597	$ 285,629	$ (9,192)	$ 496,034	$ 496,034
December 31, 2017					
Common stocks	$ 81,855	$ 272,309	$ (1,960)	$ 352,204	$ 352,204
Preferred stocks	124,150	102,890	(2,597)	224,443	224,443
Total	$ 206,005	$ 375,199	$ (4,557)	$ 576,647	$ 576,647

(1) Effective January 1, 2018, the Company adopted new accounting guidance that requires all equity investments with readily determinable fair values (subject to certain exceptions) to be measured at fair value with changes in the fair value recognized through net income. Refer to Note 3 for additional information.

(8) Arbitrage Trading Account

At March 31, 2018 and December 31, 2017 , the fair and carrying values of the arbitrage trading account were $745 million and $618 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 March 31, 2018 , the fair value of long option contracts outstanding was $1.0 million (notional amount of $17.6 million) and the fair value of short option contracts outstanding was $0.2 million (notional amount of $27.0 million). Other than with respect to the use of these trading account securities, the Company does not make use of derivatives.

(9) Net Investment Income

Net investment income consists of the following:

(In thousands)	For the Three Months Ended March 31, 2018	For the Three Months Ended March 31, 2017
Investment income earned on:		
Fixed maturity securities, including cash and cash equivalents and loans receivable	$ 123,246	$ 112,346
Investment funds	40,354	26,649
Arbitrage trading account	5,191	6,360
Real estate	6,568	4,566
Equity securities	646	639
Gross investment income	176,005	150,560
Investment expense	(1,487)	(1,702)
Net investment income	$ 174,518	$ 148,858

(10) 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 investment 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 its unfunded commitments, which were $376 million as of March 31, 2018 .

Investment funds consisted of the following:

	Carrying Value as of		Income from Investment Funds	
			For the Three Months Ended March 31,	
	March 31,	December 31,		
(In thousands)	2018	2017	2018	2017
Real estate	$ 624,716	$ 606,995	$ 26,051	$ 4,532
Energy	80,833	82,882	74	3,245
Other funds	455,578	465,800	14,229	18,872
Total	$ 1,161,127	$ 1,155,677	$ 40,354	$ 26,649

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.

(11) Real Estate

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

	Carrying Value	
	March 31,	December 31,
(In thousands)	2018	2017
Properties in operation	$ 739,405	$ 451,691
Properties under development	1,093,932	1,017,910
Total	$ 1,833,337	$ 1,469,601

In 2018, properties in operation included a long-term ground lease in Washington, D.C., a hotel in Memphis, Tennessee, two office complexes in New York City and office buildings in West Palm Beach and Palm Beach, Florida. Properties in operation are net of accumulated depreciation and amortization of $29,477,000 and $25,646,000 as of March 31, 2018 and December 31, 2017, respectively. Related depreciation expense was $3,815,000 and $1,648,000 for the three months ended March 31, 2018 and 2017, respectively. Future minimum rental income expected on operating leases relating to properties in operation is $38,716,924 in 2018, $54,741,633 in 2019, $53,127,758 in 2020, $52,210,617 in 2021, $48,472,505 in 2022, $41,829,736 in 2023 and $498,985,951 thereafter.

Properties under development include an office building in London and a mixed-use project in Washington, D.C.

(12) Loans Receivable

Loans receivable are as follows:

(In thousands)	March 31, 2018	December 31, 2017
Amortized cost (net of valuation allowance):		
Real estate loans	$ 63,191	$ 66,057
Commercial loans	12,711	13,627
Total	$ 75,902	$ 79,684
Fair value:		
Real estate loans	$ 64,026	$ 66,917
Commercial loans	14,212	15,130
Total	$ 78,238	$ 82,047
Valuation allowance:		
Specific	$ 1,200	$ 1,200
General	2,183	2,183
Total	$ 3,383	$ 3,383

	For the Three Months Ended March 31,	
	2018	2017
Decrease in valuation allowance	$ —	$ (14)

Loans receivable in non-accrual status were $1.5 million and $4.3 million as of March 31, 2018 and December 31, 2017 , 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 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 primarily earn interest on a fixed basis and have varying maturities generally 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 March 31, 2018, and accordingly, the Company determined that a specific valuation allowance was not required.

(13) Net Realized and Unrealized Gains (Losses) on Investments

Net r ealized and unrealized gains (losses) on investments are as follows:

(In thousands)	For the Three Months Ended March 31, 2018	2017
Net realized and unrealized gains (losses) on investments in earnings		
Fixed maturity securities:		
Gains	$ 13,339	$ 5,605
Losses	(3,740)	(3,965)
Equity securities (1):		
Net realized gains on investment sales	122,321	42,707
Change in unrealized gains	(94,205)	—
Investment funds	119	1,267
Real estate	7,998	3,300
Loans receivable	2,058	—
Other	574	3,434
Net realized and unrealized gains on investments in earnings before OTTI	48,464	52,348
Other-than-temporary impairments (2)	—	—
Net realized and unrealized gains on investments in earnings	48,464	52,348
Income tax expense	(10,177)	(18,322)
After-tax net realized and unrealized gains on investments in earnings	$ 38,287	$ 34,026
Change in unrealized investment gains of available for sale securities:		
Fixed maturity securities	$ (159,727)	$ 37,984
Previously impaired fixed maturity securities	13	101
Equity securities available for sale (3)	—	(48,862)
Investment funds	(1,134)	1,206
Total change in unrealized investment gains	(160,848)	(9,571)
Income tax benefit	35,076	740
Noncontrolling interests	(11)	19
After-tax change in unrealized investment gains of available for sale securities	$ (125,783)	$ (8,812)

(1) The net realized gains or losses on investment sales represent the total gains or losses from the purchase dates of the equity securities. The change in unrealized gains consists of two components: (i) the reversal of the gain or loss recognized in previous periods on equity securities sold and (ii) the change in unrealized gain or loss resulting from mark-to-market adjustments on equity securities still held.

(2) There were no other than temporary impairments (OTTI) for the three months ended March 31, 2018 and 2017 .

(3) Effective January 1, 2018, the Company adopted new accounting guidance that requires all equity investments with readily determinable fair values (subject to certain exceptions) to be measured at fair value with changes in the fair value recognized in net income. The Company recorded an adjustment of $291 million to opening AOCI net of tax as a result of this guidance. Refer to Note 3 for further information.

(14) Fixed Maturity Securities in an Unrealized Loss Position

The following tables summarize all fixed maturity securities in an unrealized loss position at March 31, 2018 and December 31, 2017 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**
March 31, 2018						
U.S. government and government agency	$ 138,917	$ 2,978	$ 71,224	$ 3,135	$ 210,141	$ 6,113
State and municipal	1,514,028	20,922	303,246	9,269	1,817,274	30,191
Mortgage-backed securities	754,800	12,603	362,331	14,294	1,117,131	26,897
Asset-backed securities	1,271,743	9,444	160,263	2,196	1,432,006	11,640
Corporate	1,912,850	42,874	168,813	8,753	2,081,663	51,627
Foreign government	216,681	3,301	25,541	277	242,222	3,578
Fixed maturity securities	$ 5,809,019	$ 92,122	$ 1,091,418	$ 37,924	$ 6,900,437	$ 130,046
December 31, 2017						
U.S. government and government agency	$ 92,167	$ 1,491	$ 72,055	$ 2,341	$ 164,222	$ 3,832
State and municipal	735,972	5,944	345,755	6,630	1,081,727	12,574
Mortgage-backed securities	480,435	5,110	373,956	11,065	854,391	16,175
Asset-backed securities	1,127,309	8,298	167,412	2,314	1,294,721	10,612
Corporate	1,103,747	8,224	170,858	5,946	1,274,605	14,170
Foreign government	244,139	2,615	25,824	251	269,963	2,866
Fixed maturity securities	$ 3,783,769	$ 31,682	$ 1,155,860	$ 28,547	$ 4,939,629	$ 60,229

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at March 31, 2018 is presented in the table below:

($ in thousands)	**Number of Securities**	**Aggregate Fair Value**	**Gross Unrealized Loss**
Corporate	10	$ 86,345	$ 4,429
Foreign government	8	$ 30,997	$ 739
Asset-backed securities	3	370	140
Mortgage-backed securities	5	4,532	117
State and municipal	1	3,641	3
Total	27	$ 125,885	$ 5,428

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.

(15) Fair Value Measurements

The Company's fixed maturity securities, equity securities and arbitrage trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, 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 March 31, 2018 and December 31, 2017 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
March 31, 2018				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	$ 479,909	$ —	$ 479,909	$ —
State and municipal	4,311,524	—	4,311,524	—
Mortgage-backed securities	1,386,997	—	1,386,997	—
Asset-backed securities	2,101,691	—	2,101,528	163
Corporate	4,110,701	—	4,110,701	—
Foreign government	873,079	—	873,079	—
Total fixed maturity securities available for sale	13,263,901	—	13,263,738	163
Equity securities:				
Common stocks	320,435	311,329	—	9,106
Preferred stocks	175,599	—	164,756	10,843
Total equity securities	496,034	311,329	164,756	19,949
Arbitrage trading account	744,859	434,470	306,547	3,842
Total	$ 14,504,794	$ 745,799	$ 13,735,041	$ 23,954
Liabilities:				
Trading account securities sold but not yet purchased	$ 29,453	$ 29,444	$ 9	$ —
December 31, 2017				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	$ 377,740	$ —	$ 377,740	$ —
State and municipal	4,445,094	—	4,445,094	—
Mortgage-backed securities	1,299,931	—	1,299,931	—
Asset-backed securities	2,111,544	—	2,111,372	172
Corporate	4,389,112	—	4,389,112	—
Foreign government	848,497	—	848,497	—
Total fixed maturity securities available for sale	13,471,918	—	13,471,746	172
Equity securities:				
Common stocks	352,204	342,834	—	9,370
Preferred stocks	224,443	—	213,600	10,843
Total equity securities	576,647	342,834	213,600	20,213
Arbitrage trading account	617,649	471,420	146,229	—
Total	$ 14,666,214	$ 814,254	$ 13,831,575	$ 20,385
Liabilities:				
Trading account securities sold but not yet purchased	$ 64,358	$ 64,358	$ —	$ —

There were no significant transfers between Levels 1 and 2 during the three months ended March 31, 2018 or during the year ended December 31, 2017 .

The following tables summarize changes in Level 3 assets and liabilities for the three months ended March 31, 2018 and for the year ended December 31, 2017 :

			Gains (Losses) Included in:						
(In thousands)	Beginning Balance	Earnings (Losses)	Other Comprehensive Income (Loss)	Impairments	Purchases	(Sales)	Paydowns / Maturities	Transfers In / (Out)	Ending Balance
Three Months Ended March 31, 2018									
Assets:									
Fixed maturities securities available for sale:									
Asset-backed securities	$ 172	$ 2	$ 4	$ —	$ —	$ (15)	$ —	$ —	$ 163
Total	172	2	4	—	—	(15)	—	—	163
Equity securities:									
Common stocks	9,370	(264)	—	—	—	—	—	—	9,106
Preferred stocks	10,843	—	—	—	—	—	—	—	10,843
Total	20,213	(264)	—	—	—	—	—	—	19,949
Arbitrage trading account	—	(40)	—	—	3,882	—	—	—	3,842
Total	$ 20,385	$ (302)	$ 4	$ —	$ 3,882	$ (15)	$ —	$ —	$ 23,954
Year ended December 31, 2017									
Assets:									
Fixed maturities securities available for sale:									
Asset-backed securities	$ 183	$ 3	$ 34	$ —	$ —	$ (48)	$ —	$ —	$ 172
Total	183	3	34	—	—	(48)	—	—	172
Equity securities:									
Common stocks	8,754	—	616	—	—	—	—	—	9,370
Preferred stocks	3,662	8	—	—	7,173	—	—	—	10,843
Total	12,416	8	616	—	7,173	—	—	—	20,213
Arbitrage trading account	—	8	—	—	—	(8)	—	—	—
Total	$ 12,599	$ 19	$ 650	$ —	$ 7,173	$ (56)	$ —	$ —	$ 20,385

During the three months ended March 31, 2018 and for the year ended December 31, 2017 , there were no t ransfers out of Level 3.

(16) Reserves for Loss and Loss Expenses

The Company's reserves for losses and loss expenses are comprised of case reserves and incurred but not reported liabilities ("IBNR"). When a claim is reported, a case reserve is established for the estimated ultimate payment based upon known information about the claim. As more information about the claim becomes available over time, case reserves are adjusted up or down as appropriate. Reserves are also established on an aggregate basis to provide for IBNR liabilities and expected loss reserve development on reported claims.

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. 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” 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.

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 priced and 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.

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.

The table below provides a reconciliation of the beginning and ending reserve balances:

(In thousands)	March 31, 2018	March 31, 2017
Net reserves at beginning of year	$ 10,056,914	$ 9,590,265
Net provision for losses and loss expenses:		
Claims occurring during the current year (1)	956,181	958,684
(Decrease) increase in estimates for claims occurring in prior years (2) (3)	(3,582)	8,727
Loss reserve discount accretion	10,620	12,192
Total	963,219	979,603
Net payments for claims:		
Current year	111,030	97,461
Prior year	810,709	773,571
Total	921,739	871,032
Foreign currency translation	2,501	23,204
Net reserves at end of period	10,100,895	9,722,040
Ceded reserve at end of period	1,684,000	1,502,284
Gross reserves at end of period	$ 11,784,895	$ 11,224,324

(1) Claims occurring during the current year are net of loss reserve discounts of $ 6,448,000 and $ 5,761,000 for the three months ended March 31, 2018 and 2017 , respectively.

(2) The decrease or increase in estimates for claims occurring in prior years is net of loss reserve discount. On an undiscounted basis, the estimates for claims occurring in prior years decreased by $ 6,662,000 and increased by $ 4,841,000 for the three months ended March 31, 2018 and 2017 , respectively.

(3) For certain retrospectively rated insurance policies and reinsurance agreements, reserve development is offset by additional or return premiums. Favorable development, net of additional and return premiums, was $12 million and $2 million for the three months ended March 31, 2018 and 2017 , respectively.

During the three months ended March 31, 2018, favorable prior year development (net of additional and return premiums) of $12.2 million included $16.3 million of favorable development for the Insurance segment, offset by $4.1 million of adverse development for the Reinsurance segment. The favorable development for the Insurance segment was primarily attributable to workers’ compensation business. The favorable workers’ compensation development was spread across many accident years, including prior to 2008, but was most significant in accident years 2015 through 2017. The favorable workers’ compensation development reflects a continuation of the benign loss cost trends experienced during recent years, particularly the favorable claim frequency trends (i.e., number of reported claims per unit of exposure). The adverse development for the Reinsurance segment was mainly driven by US casualty facultative business from accident years 2008 and prior related to construction projects.

During the three months ended March 31, 2017, favorable prior year development (net of additional and return premiums) of $2.4 million included $26.2 million of favorable development for the Insurance segment, largely offset by $23.8 million of adverse development for the Reinsurance segment. The favorable development for the Insurance segment was primarily attributable to workers' compensation business, including excess workers' compensation. The favorable workers' compensation development was spread across many accident years, including prior to 2008, but was most significant in accident years 2014 and 2015. The favorable workers' compensation development reflects a continuation of the benign loss cost trends experienced during 2016, particularly the favorable claim frequency trends (i.e., number of reported claims per unit of exposure). The adverse development for the Reinsurance segment was almost entirely due to reserve strengthening associated with claims impacted by the change in the Ogden discount rate in the U.K. The Ogden rate is the discount rate used to calculate lump-sum bodily injury payouts in the U.K. and was recently reduced by the U.K. Ministry of Justice from +2.5% to -0.75% . The adverse development mostly related to U.K. motor bodily injury claims which we reinsured on an excess of loss basis in accident years 2012 through 2016.

(17) Fair Value of Financial Instruments

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

(In thousands)	March 31, 2018		December 31, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	$ 13,343,132	$ 13,356,305	$ 13,551,250	$ 13,566,976
Equity securities	496,034	496,034	576,647	576,647
Arbitrage trading account	744,859	744,859	617,649	617,649
Loans receivable	75,902	78,238	79,684	82,047
Cash and cash equivalents	956,603	956,603	950,471	950,471
Trading account receivables from brokers and clearing organizations	26,667	26,667	189,280	189,280
Liabilities:				
Due to broker	74,450	74,450	15,920	15,920
Trading account securities sold but not yet purchased	29,453	29,453	64,358	64,358
Subordinated debentures	897,426	929,948	728,218	769,060
Senior notes and other debt	1,782,139	1,921,635	1,769,052	1,945,313

The estimated fair values of the Company’s fixed maturity securities, equity securities and arbitrage trading account securities are based on various valuation techniques that rely on fair value measurements as described in Note 15 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:

(In thousands)	For the Three Months Ended March 31,	
	2018	2017
Written premiums:		
Direct	$ 1,787,235	$ 1,721,062
Assumed	192,187	215,145
Ceded	(314,084)	(289,369)
Total net premiums written	$ 1,665,338	$ 1,646,838
Earned premiums:		
Direct	$ 1,674,550	$ 1,613,364
Assumed	188,866	208,626
Ceded	(296,008)	(251,948)
Total net premiums earned	$ 1,567,408	$ 1,570,042
Ceded losses and loss expenses incurred	$ 238,995	$ 35,192
Ceded commissions earned	$ 66,356	$ 56,550

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 both March 31, 2018 and December 31, 2017 .

(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 $9 million and $11 million for the three months ended March 31, 2018 and 2017 , respectively. A summary of RSUs issued in the three months ended March 31, 2018 and 2017 follows:

($ in thousands)	Units	Fair Value
2018	4,174	$ 290
2017	1,853	$ 129

(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, plus a corporate segment:

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

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 (1)**	**Pre-Tax Income (Loss)**	**Net Income (Loss) to Common Stockholders**
Three months ended March 31, 2018						
Insurance	$ 1,432,337	$ 135,862	$ 18,968	$ 1,587,167	$ 229,028	$ 181,626
Reinsurance	135,071	24,650	—	159,721	14,592	11,654
Corporate, other and eliminations (2)	—	14,006	81,889	95,895	(81,094)	(65,170)
Net realized and unrealized gains on investments	—	—	48,464	48,464	48,464	38,286
Total	$ 1,567,408	$ 174,518	$ 149,321	$ 1,891,247	$ 210,990	$ 166,396
Three months ended March 31, 2017						
Insurance	$ 1,413,170	$ 111,909	$ 18,287	$ 1,543,366	$ 199,994	$ 134,095
Reinsurance	156,872	24,778	—	181,650	4,594	3,099
Corporate, other and eliminations (2)	—	12,171	80,883	93,054	(72,639)	(47,773)
Net realized and unrealized gains on investments	—	—	52,348	52,348	52,348	34,026
Total	$ 1,570,042	$ 148,858	$ 151,518	$ 1,870,418	$ 184,297	$ 123,447

(1) Revenues for Insurance from foreign countries for the three months ended March 31, 2018 and 2017 were $183 million and $184 million , respectively. Revenues for Reinsurance from foreign countries for the three months ended March 31, 2018 and 2017 were $56 million and $49 million , respectively.

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

Identifiable Assets

(In thousands)	**March 31, 2018**	**December 31, 2017**
Insurance	$ 19,322,526	$ 19,263,193
Reinsurance	3,093,808	3,169,731
Corporate, other and eliminations	2,171,498	1,866,993
Consolidated	$ 24,587,832	$ 24,299,917

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

(In thousands)	For the Three Months Ended March 31, 2018	2017
Insurance:		
Other liability	$ 464,167	$ 451,830
Workers' compensation	365,948	361,136
Short-tail lines (1)	295,105	296,790
Commercial automobile	175,199	170,571
Professional liability	131,918	132,843
Total Insurance	1,432,337	1,413,170
Reinsurance:		
Casualty	90,570	94,739
Property	44,501	62,133
Total Reinsurance	135,071	156,872
Total	$ 1,567,408	$ 1,570,042

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

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 2018 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 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 2018 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 worldwide in two segments of the property and casualty business: 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 healthcare, cyber security, energy and agriculture, and on growing international markets, including the Asia-Pacific region, South America and Mexico.

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.

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 have been at historically low levels for an extended period.

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.

Effective January 1, 2018, the Company adopted new accounting standards including ASU 2014-09, Revenue from Customers, ASU 2016-01, Financial Instruments and ASU 2018-02, Reporting Comprehensive Income. Refer to Note 3 in the financial statements for further information on the accounting guidance and impact of adoption for each on the Company's results and financial position.

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 2017 :

(In thousands)	**Frequency (+/-)**		
Severity (+/-)	**1%**	**5%**	**10%**
1%	$ 79,667	$ 239,794	$ 439,953
5%	239,794	406,263	614,349
10%	439,953	614,349	832,344

Our net reserves for losses and loss expenses of approximately $10.1 billion as of March 31, 2018 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 $1.7 billion, or 17%, of the Company's net loss reserves as of March 31, 2018 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)	**March 31, 2018**	**December 31, 2017**
Insurance	$ 8,415,984	$ 8,341,622
Reinsurance	1,684,911	1,715,292
Net reserves for losses and loss expenses	10,100,895	10,056,914
Ceded reserves for losses and loss expenses	1,684,000	1,613,494
Gross reserves for losses and loss expenses	$ 11,784,895	$ 11,670,408

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
March 31, 2018			
Other liability	$ 1,289,211	$ 2,235,130	$ 3,524,341
Workers' compensation (1)	1,561,486	1,242,754	2,804,239
Professional liability	294,457	619,821	914,277
Commercial automobile	355,785	277,551	633,336
Short-tail lines (2)	263,793	275,997	539,790
Total Insurance	3,764,732	4,651,252	8,415,984
Reinsurance (1)	908,358	776,553	1,684,911
Total	$ 4,673,090	$ 5,427,805	$ 10,100,895
December 31, 2017			
Other liability	$ 1,261,957	$ 2,189,596	$ 3,451,553
Workers' compensation (1)	1,543,379	1,242,501	2,785,880
Professional liability	295,269	618,107	913,376
Commercial automobile	364,900	269,942	634,842
Short-tail lines (2)	297,777	258,194	555,971
Total Insurance	3,763,282	4,578,340	8,341,622
Reinsurance (1)	919,497	795,795	1,715,292
Total	$ 4,682,779	$ 5,374,135	$ 10,056,914

(1) Reserves for workers' compensation and reinsurance are net of an aggregate net discount of $583 million and $591 million as of March 31, 2018 and December 31, 2017 , 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 three months ended March 31, 2018 and 2017 are as follows:

(In thousands)	2018	2017
Net decrease (increase) in prior year loss reserves	$ 3,582	$ (8,727)
Increase in prior year earned premiums	8,622	11,173
Net favorable prior year development	$ 12,204	$ 2,446

During the three months ended March 31, 2018, favorable prior year development (net of additional and return premiums) of $12.2 million included $16.3 million of favorable development for the Insurance segment, offset by $4.1 million of adverse development for the Reinsurance segment. The favorable development for the Insurance segment was primarily attributable to workers' compensation business. The favorable workers' compensation development was spread across many accident years, including prior to 2008, but was most significant in accident years 2015 through 2017. The favorable workers' compensation development reflects a continuation of the benign loss cost trends experienced during recent years, particularly the favorable claim frequency trends (i.e., number of reported claims per unit of exposure). The adverse development for the Reinsurance segment was mainly driven by US casualty facultative business from accident years 2008 and prior related to construction projects.

During the three months ended March 31, 2017, favorable prior year development (net of additional and return premiums) of $2.4 million included $26.2 million of favorable development for the Insurance segment, largely offset by $23.8 million of adverse development for the Reinsurance segment. The favorable development for the Insurance segment was primarily attributable to workers' compensation business, including excess workers' compensation. The favorable workers' compensation development was spread across many accident years, including prior to 2008, but was most significant in accident years 2014 and 2015. The favorable workers' compensation development reflects a continuation of the benign loss cost trends experienced during 2016, particularly the favorable claim frequency trends (i.e., number of reported claims per unit of exposure). The adverse development for the Reinsurance segment was almost entirely due to reserve strengthening associated with claims impacted by the change in the Ogden discount rate in the U.K. The Ogden rate is the discount rate used to calculate lump-sum bodily injury payouts in the U.K. and was recently reduced by the U.K. Ministry of Justice from +2.5% to -0.75%. The adverse development mostly related to U.K. motor bodily injury claims which we reinsured on an excess of loss basis in accident years 2012 through 2016.

Reserve Discount . The Company discounts its liabilities for certain workers’ compensation reserves. The amount of workers’ compensation reserves that were discounted was $1,838 million and $1,855 million at March 31, 2018 and December 31, 2017 , respectively. The aggregate net discount for those reserves, after reflecting the effects of ceded reinsurance, was $583 million and $591 million at March 31, 2018 and December 31, 2017 , respectively. At March 31, 2018 , discount rates by year ranged from 2.0% to 6.5%, with a weighted average discount rate of 3.8%.

Substantially all of the workers’ compensation discount (97% of total discounted reserves at March 31, 2018) 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 March 31, 2018), 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 $51 million at March 31, 2018 and $56 million at December 31, 2017 . 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.

The Company classifies its fixed maturity securities by credit rating, primarily based on ratings assigned by credit rating agencies. For purposes of classifying securities with different ratings, the Company uses the average of the credit ratings assigned, unless in limited situations the Company’s own analysis indicates an internal rating is more appropriate. Securities that are not rated by a rating agency are evaluated and classified by the Company on a case-by-case basis.

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

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

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

The following table provides a summary of fixed maturity securities in an unrealized loss position as of March 31, 2018 :

($ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Unrealized loss less than 20% of amortized cost	1,018	$ 6,900,270	$ 129,939
Unrealized loss of 20% or greater of amortized cost:			
Twelve months and longer	3	167	107
Total	1,021	$ 6,900,437	$ 130,046

A summary of the Company’s non-investment grade fixed maturity securities that were in an unrealized loss position at March 31, 2018 is presented in the table below:

($ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Corporate	10	$ 86,345	$ 4,429
Foreign government	8	$ 30,997	$ 739
Asset-backed securities	3	370	140
Mortgage-backed securities	5	4,532	117
State and municipal	1	3,641	3
Total	27	$ 125,885	$ 5,428

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.

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 at both March 31, 2018 and December 31, 2017 .

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

In classifying particular financial securities in the fair value hierarchy, the Company uses its judgment to determine whether the market for a security is active and whether significant pricing inputs are observable. The Company determines the existence of an active market by assessing whether transactions occur with sufficient frequency and volume to provide reliable pricing information. The Company determines whether inputs are observable based on the use of such information by pricing services and external investment managers, the uninterrupted availability of such inputs, the need to make significant adjustments to such inputs and the volatility of such inputs over time. If the market for a security is determined to be inactive or if significant inputs used to price a security are determined to be unobservable, the security is categorized in Level 3 of the fair value hierarchy.

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

The following is a summary of pricing sources for the Company's fixed maturity securities available for sale as of March 31, 2018 :

($ in thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	$ 13,081,232	98.6%
Syndicate manager	41,523	0.3
Directly by the Company based on:		
Observable data	140,983	1.1
Cash flow model	163	—
Total	$ 13,263,901	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 March 31, 2018 , the Company did not make any adjustments to the prices provided by the pricing services. Based upon the Company’s review of the methodologies used by the independent pricing services, these securities were classified as Level 2.

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

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

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

Results of Operations for the Three Months Ended March 31, 2018 and 2017

Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of premiums earned), expense ratios (underwriting expenses expressed as a percentage of premiums earned) and United States Generally Accepted Accounting Principles ("GAAP") combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the three months ended March 31, 2018 and 2017 . 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)	2018	2017
Insurance:		
Gross premiums written	$ 1,837,971	$ 1,769,405
Net premiums written	1,543,052	1,494,135
Net premiums earned	1,432,337	1,413,170
Loss ratio	60.6%	60.9%
Expense ratio	32.8%	32.9%
GAAP combined ratio	93.4%	93.8%
Reinsurance:		
Gross premiums written	$ 141,450	$ 166,802
Net premiums written	122,286	152,703
Net premiums earned	135,071	156,872
Loss ratio	69.9%	75.9%
Expense ratio	37.5%	37.0%
GAAP combined ratio	107.4%	112.9%
Consolidated:		
Gross premiums written	$ 1,979,421	$ 1,936,207
Net premiums written	1,665,338	1,646,838
Net premiums earned	1,567,408	1,570,042
Loss ratio	61.4%	62.4%
Expense ratio	33.2%	33.3%
GAAP combined ratio	94.6%	95.7%

Net Income to Common Stockholders . The following table presents the Company's net income to common stockholders and net income per diluted share for the three months ended March 31, 2018 and 2017 :

(In thousands, except per share data)	2018	2017
Net income to common stockholders	$ 166,396	$ 123,447
Weighted average diluted shares	128,125	128,453
Net income per diluted share	$ 1.30	$ 0.96

The Company reported net income of $166 million in 2018 compared to $123 million in 2017 . The 35% increase in net income was primarily due to an after-tax increase in net investment income of $20 million mainly driven by growth in the fixed income security portfolio and real estate investment funds, an after-tax increase in underwriting income of $13 million, and a $21 million decrease in tax expense due to the reduction of the federal corporate tax rate from 35% to 21%, partially offset by an increase in after-tax foreign currency losses of $6 million, an after-tax reduction in insurance service fee income of $4 million, and a decrease in after-tax net investment gains of $3 million. The number of weighted average diluted shares decreased slightly primarily due to share repurchases.

Premiums . Gross premiums written were $1,979 million in 2018 , an increase of 2% from $1,936 million in 2017 . The increase was due to an increase in the Insurance segment of $68 million, partially offset by a decrease in the Reinsurance segment of $25 million. Approximately 78.3% of policies expiring in 2018 were renewed, compared with a 78.4% renewal retention rate for policies expiring in 2017 .

Average renewal premium rates for insurance and facultative reinsurance increased 3.5% in 2018 when adjusted for change in exposures.

A summary of gross premiums written in 2018 compared with 2017 by line of business within each business segment follows:

- Insurance - gross premiums increased 4% to $1,838 million in 2018 from $1,769 million in 2017 . Gross premiums increased $36 million (7%) for other liability, $20 million (11%) for professional liability, $16 million (4%) for short-tail lines, and $12 million (5%) for commercial auto and decreased $15 million (3%) for workers' compensation.

- Reinsurance - gross premiums decreased 15% to $142 million in 2018 from $167 million in 2017 . Gross premiums decreased $14 million (22%) for property lines and $11 million (11%) for casualty lines.

Net premiums written were $1,665 million in 2018 , an increase of 1% from $1,647 million in 2017 . Ceded reinsurance premiums as a percentage of gross written premiums were 16% in 2018 and 15% in 2017 .

Premiums earned decreased less than 1% to $1,567 million in 2018 from $1,570 million in 2017 . 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 2018 are related to business written during both 2018 and 2017 . Audit premiums were $49 million in 2018 compared with $40 million in 2017 .

Net Investment Income . Following is a summary of net investment income for the three months ended March 31, 2018 and 2017 :

	Amount		Average Annualized Yield	
($ in thousands)	**2018**	**2017**	**2018**	**2017**
Fixed maturity securities, including cash and cash equivalents and loans receivable	$ 123,246	$ 112,346	3.5%	3.2%
Investment funds	40,354	26,649	13.7	8.5
Arbitrage trading account	5,191	6,360	3.3	5.4
Real estate	6,568	4,566	1.6	1.5
Equity securities	646	639	1.2	1.2
Gross investment income	176,005	150,560	3.9	3.5
Investment expenses	(1,487)	(1,702)	—	—
Total	$ 174,518	$ 148,858	3.9%	3.5%

Net investment income increased 17% to $175 million in 2018 from $149 million in 2017 due primarily to a $14 million increase in income from investment funds mainly from real estate funds, an $11 million increase in income from fixed maturity securities mainly driven by growth in the fixed income security portfolio and a $2 million increase from real estate, partially offset by a $1 million decrease from the arbitrage trading account. Average invested assets, at cost (including cash and cash equivalents), were $18.1 billion in 2018 and $17.3 billion in 2017.

Insurance Service Fees . The Company earns fees from an insurance distribution business, a third-party administrator and as a servicing carrier of workers' compensation assigned risk plans for certain states. Insurance service fees decreased to $31 million in 2018 from $33 million in 2017 .

Net Realized and Unrealized Gains on Investments . The Company buys and sells securities and other investment assets on a regular basis in order to maximize its total return on investments. Decisions to sell securities and other investment assets are based on management’s view of the underlying fundamentals of specific investments as well as management’s expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized and unrealized gains on investments were $48 million in 2018 compared with $52 million in 2017. Effective January 1, 2018, the Company adopted new accounting guidance that requires all equity investments with readily determinable fair values to be measured at fair value with changes in the fair value recognized through net income (other than those equity securities accounted for under equity method of accounting or those that result in consolidation of the investee). During the three months ended March 31, 2018, the gains of $48 million include net realized gains on investment sales of $142 million reduced by a change in unrealized gains on equity securities of $94 million.

Other-Than-Temporary Impairments . There were no impairments for the three months ended March 31, 2018 and 2017.

Revenues from Non-Insurance Businesses . Revenues from non-insurance businesses were derived from businesses engaged in the distribution of promotional merchandise, world-wide textile solutions 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 $70 million in 2018 and $65 million in 2017. The increase mainly relates to revenues from the textile business purchased in March 2017.

Losses and Loss Expenses . Losses and loss expenses decreased to $963 million in 2018 from $980 million in 2017. The consolidated loss ratio was 61.4% in 2018 and 62.4% in 2017. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were $7 million in 2018 and $15 million in 2017. Favorable prior year reserve development (net of premium offsets) was $12 million in 2018 and $2 million in 2017. The loss ratio excluding catastrophe losses and prior year reserve development was 61.7% in both 2018 and 2017.

A summary of loss ratios in 2018 compared with 2017 by business segment follows:

- Insurance - The loss ratio was 60.6% in 2018 and 60.9% in 2017. Catastrophe losses were $7 million in 2018 compared with $14 million in 2017. Favorable prior year reserve development was $16 million in 2018 and $26 million in 2017. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.5 points to 61.3% in 2018 from 61.8% in 2017.

- Reinsurance - The loss ratio of 69.9% in 2018 was 6 points lower than the loss ratio of 75.9% in 2017. Catastrophe losses were $0.3 million in 2018 compared with $0.2 million in 2017. Adverse prior year reserve development was $4 million in 2018 and $24 million in 2017. The 2017 adverse development was largely due to the impact of the change in the Ogden discount rate in the U.K. and adverse development related to U.S. facultative casualty excess of loss business. The loss ratio excluding catastrophe losses and prior year reserve development increased 5.9 points to 66.6% in 2018 from 60.7% in 2017.

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

($ in thousands)	**2018**	**2017**
Policy acquisition and insurance operating expenses	$ 520,231	$ 523,409
Insurance service expenses	32,712	29,933
Net foreign currency losses	13,484	5,508
Other costs and expenses	44,012	44,850
Total	$ 610,439	$ 603,700

Policy acquisition and insurance operating expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Policy acquisition and insurance operating expenses increased 1 % compared with an increase in net premiums earned of less than 1%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 33.2% and 33.3% for the three months ended March 31, 2018 and 2017 , respectively.

Service expenses, which represent the costs associated with the fee-based businesses, increased to $33 million in 2018 from $30 million in 2017 .

Net foreign currency (gains) losses result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency losses were $13 million in 2018 compared to losses of $6 million in 2017 .

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 and new business ventures. Other costs and expenses decreased to $44 million in 2018 from $45 million in 2017 .

Expenses from Non-Insurance Businesses . Expenses from non-insurance businesses represent costs associated with businesses engaged in the distribution of promotional merchandise, world-wide textile solutions 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 $70 million in 2018 compared to $66 million in 2017 . The increase mainly relates to expenses from the textile business purchased in March 2017.

Interest Expense . Interest expense was $37 million in both 2018 and 2017 . In March 2018, the Company issued $175 million aggregate principal amount of 5.70% subordinated debentures due 2058. Additionally in 2018, the Company issued subsidiary debt of $13 million.

Income Taxes . The effective income tax rate was 20.6% in 2018 and 32.4% in 2017 . The effective income tax rate differs from the federal income tax rate of 21% primarily because of tax-exempt investment income and tax on income from foreign jurisdictions with different tax rates. The decrease in the effective tax rate in 2018 from 2017 was due, in part, to the Tax Cuts and Jobs Act of 2017, which reduced the federal corporate tax rate from 35% to 21%.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately $23 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. In the future, if such earnings were distributed the Company projects that the incremental tax, if any, will be immaterial.

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 March 31, 2018 and December 31, 2017 . The Company's fixed maturity investment portfolio and investment-related assets as of March 31, 2018 were as follows:

($ in thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	$ 479,909	2.6%
State and municipal:		
Special revenue	2,676,724	14.4
Pre-refunded (1)	467,758	2.5
State general obligation	450,878	2.4
Local general obligation	408,745	2.2
Corporate backed	373,878	2.0
Total state and municipal	4,377,983	23.5
Mortgage-backed securities:		
Agency	827,309	4.4
Commercial	335,284	1.8
Residential-Prime	218,183	1.2
Residential-Alt A	18,993	0.1
Total mortgage-backed securities	1,399,769	7.5
Asset-backed securities	2,101,691	11.3
Corporate:		
Industrial	2,374,121	12.8
Financial	1,418,598	7.6
Utilities	274,532	1.5
Other	43,450	0.2
Total corporate	4,110,701	22.1
Foreign government and foreign government agencies	873,079	4.7
Total fixed maturity securities	13,343,132	71.7
Equity securities:		
Common stocks	320,435	1.7
Preferred stocks	175,599	0.9
Total equity securities	496,034	2.6
Real estate	1,833,337	9.9
Investment funds	1,161,127	6.2
Cash and cash equivalents	956,603	5.1
Arbitrage trading account	744,859	4.0
Loans receivable	75,902	0.5
Total investments	$ 18,610,994	100.0%

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

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

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

Equity Securities . Equity securities primarily represent investments in common and preferred stocks in companies with potential growth opportunities in different sectors, including healthcare and financial institutions.

Investment Funds . At March 31, 2018 , the carrying value of investment funds was $1,161 million, including investments in real estate funds of $625 million, energy funds of $81 million, and other funds of $455 million. Investment funds are generally reported on a one-quarter lag.

Real Estate . Real estate is directly owned property held for investment. At March 31, 2018 , real estate properties in operation included a long-term ground lease in Washington, D.C., a hotel in Memphis, Tennessee, two office complexes in New York City and office buildings in West Palm Beach and Palm Beach, Florida. In addition, there are two properties under development: an office building in London and a mixed-use project in Washington, D.C. 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 $76 million and an aggregate fair value of $78 million at March 31, 2018 . The amortized cost of loans receivable is net of a valuation allowance of $3 million as of March 31, 2018 . Loans receivable include real estate loans of $63 million that are secured by commercial real estate located primarily in 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 $13 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 March 31, 2018 and December 31, 2017 .

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 used in operating activities was $20 million in the first three months of 2018 as compared to $75 million provided from operating activities in the first three months of 2017 , primarily due to the timing of loss and loss expense payments, certain long-term incentive plan payments and payments to taxing authorities.

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 77% invested in cash, cash equivalents and marketable fixed maturity securities as of March 31, 2018 . If the sale of fixed maturity securities were to become necessary, a realized gain or loss equal to the difference between the cost and sales price of securities sold would be recognized.

Debt . At March 31, 2018 , the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of $2,680 million and a face amount of $2,718 million. The maturities of the outstanding debt are $452 million in 2019, $314 million in 2020, $427 million in 2022, $250 million in 2037, $350 million in 2044, $350 million in 2053, $400 million in 2056, and $175 million in 2058.

In March 2018, the Company issued $175 million aggregate principal amount of 5.70% subordinated debentures due 2058. Additionally in 2018, the Company issued subsidiary debt of $13 million.

Equity . At March 31, 2018 , total common stockholders’ equity was $5.5 billion, common shares outstanding were 121,543,951 and stockholders’ equity per outstanding share was $44.85. The Company repurchased 101,000 common shares for $6.8 million during the three months ended March 31, 2018 . The number of common shares outstanding excludes shares held in a grantor trust established by the Company for delivery upon settlement of vested but mandatorily deferred RSUs.

Total Capital . Total capitalization (equity, debt and subordinated debentures) was $8.1 billion at March 31, 2018 . The percentage of the Company’s capital attributable to senior notes, subordinated debentures and other debt was 33% at March 31, 2018 and 32% at December 31, 2017 .

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Item 4. Controls and Procedures

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

Changes in Internal Control over Financial Reporting . During the quarter ended March 31, 2018 , there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's annual report on From 10-K for the fiscal year ended December 31, 2017 .

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

Set forth below is a summary of the shares repurchased by the Company during the three months ended March 31, 2018 and the number of shares remaining authorized for purchase by the Company:

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
January 2018	101,000	$ 67.31	101,000	9,167,997
February 2018	—	—	—	9,167,997
March 2018	—	—	—	9,167,997

Item 6. Exhibits

Number	
(10.1)	Form of 2018 Performance Unit Award Agreement under the W. R. Berkley Corporation 2014 Long-Term Incentive Plan.
(31.1)	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
(31.2)	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
(32.1)	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

W. R. BERKLEY CORPORATION

Date: May 7, 2018	/s/ W. Robert Berkley, Jr.
	W. Robert Berkley, Jr.
	President and Chief Executive Officer
Date: May 7, 2018	/s/ Richard M. Baio
	Richard M. Baio
	Senior Vice President - Chief Financial Officer and Treasurer

2018 Performance Unit Award Agreement

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

This 2018 Performance Unit Award Agreement (this "Agreement"), effective January 1, 2018, represents an Award of Performance Units by W. R. Berkley Corporation (the "Company"), to the Participant named below, pursuant to the provisions of the W. R. Berkley Corporation 2014 Long-Term Incentive Plan (the "Plan"). The value of the Performance Units will be determined based on the increase in the Company's Book Value Per Share during the Performance Period, as determined below.

The Plan provides a complete description of the terms and conditions governing the Performance Units. If there is any inconsistency between the terms of this Agreement and the terms of the Plan, the Plan's terms shall completely supersede and replace the conflicting terms of this Agreement. All capitalized terms shall have the meanings ascribed to them in the Plan, unless specifically set forth otherwise herein. Important jurisdiction-specific modifications to this Agreement are contained in Exhibit A hereto and are incorporated herein by reference.

The parties hereto agree as follows:

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

(a) Participant :

(b) Number of Performance Units Granted :

(c) Initial Value of Performance Units : $0.00

(d) Date of Grant : January 1, 2018

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

2. **Performance Period.** The Performance Period commences on January 1, 2018, and ends on December 31, 2022; provided , however , that, in the event that the Participant dies or experiences a Qualifying Termination, the Performance Period for such Participant shall be deemed to end on December 31 of the fiscal year immediately prior to the fiscal year in which such death or Qualifying Termination occurred.

3. **Value of a Performance Unit.** Each Performance Unit shall have a value determined by multiplying the Increase in Book Value Per Share by two and eighty-four hundredths (2.84), subject to a maximum value of one hundred dollars ($100.00) per Performance Unit.

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

5. **Payout of Performance Units.** (a) Except as set forth in Section 5(b) or 8 below, the aggregate positive value, if any, of the earned Performance Units, based on the value of the earned Performance Units on the last day of the Performance Period as determined in accordance with this Agreement and subject to the maximum value set forth in Section 3 hereof, shall be paid to the Participant in cash following the last day of the Performance Period but in no event later than March 31, 2023 (also referred to as the Settlement Date).

(b) In the event of the death or Qualifying Termination of the Participant, payment of the value, if any, of the earned Performance Units in accordance with the terms of this Agreement shall extinguish the Company's obligation hereunder, and the Participant shall not be entitled to any further payment or appreciation in the value of the Performance Units. In the event such payment is made due to the Participant's death, such payment shall be made to the Participant's beneficiary (or the Participant's estate if no beneficiary has been chosen or if such beneficiary has predeceased the Participant). Any payment upon death or any Qualifying Termination shall be made within ninety (90) calendar days following such death or Qualifying Termination; provided , however , that if such ninety (90) day period spans two separate taxable years, such payment shall be made in the later taxable year;

provided further, however, that any payment hereunder (calculated as of the end of the fiscal year immediately prior to the fiscal year in which such Qualifying Termination occurred) upon a Qualifying Termination shall be delayed until the earlier of (x) March 31, 2023 and (y) such time as the Participant has also undergone a "separation from service" as defined in Treas. Reg. 1.409A-1(h), at which time such payment shall be made to the Participant according to the schedule set forth in this Section 5(b) as if the Participant had undergone such Qualifying Termination (under the same circumstances), solely for the purpose of the date of payment, on the date of such "separation from service." Notwithstanding anything herein to the contrary, to the extent the Participant is a "specified employee" as defined in Treas. Reg. 1.409A-1(i), any payment to be made upon the Participant's "separation from service" shall be delayed until and made upon the earlier of (i) the six (6) month anniversary of the Participant's "separation from service" and (ii) the Participant's death.

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

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

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

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

7. Administration . This Agreement and the rights of the Participant hereunder are subject to all the terms and conditions of the Plan, as the same may be amended from time to time, as well as to such rules and regulations as the Committee may adopt for administration of the Plan. It is expressly understood that the Committee is authorized to administer, construe, and make all determinations necessary or appropriate to the administration of the Plan and this Agreement, all of which shall be final and binding upon the Participant, including without limitation any determination concerning a Competitive Action. Any inconsistency between the Agreement and the Plan shall be resolved in favor of the Plan. If there is any inconsistency between this Agreement and Exhibit A, Exhibit A shall prevail. The Participant hereby acknowledges that he or she has received a copy of the Plan and understands and agrees to the terms thereof. This Agreement, together with the Plan, constitutes the entire agreement by and between the parties hereto with respect to the subject matter hereof, and this Agreement and the Plan supersede all prior agreements, correspondence and understandings and all prior and contemporaneous oral agreements and understandings, among the parties hereto with regard to the subject matter hereof.

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

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

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

(c) For purposes of this Section 8, a Performance Unit shall be considered assumed or substituted for if, following the Change in Control, the Performance Unit is assumed or substituted for with one of comparable value and remains subject to the same terms and conditions that were applicable to the Performance Units immediately prior to the Change in Control.

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

9. Miscellaneous.

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

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

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

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

(e) To the extent not preempted by federal law, this Agreement shall be governed by, interpreted and construed in accordance with, the laws of the State of Delaware, regardless of its conflicts of laws principles. The jurisdiction and venue for any dispute arising under, or any action brought to enforce or otherwise relating to, this Agreement will be exclusively in the courts of the State of Delaware, including the federal courts located in Delaware in the event federal jurisdiction exists. Participant hereby irrevocably consents to the exclusive personal jurisdiction and venue of the federal and State courts of the State of Delaware for the resolution of any disputes arising out of, or relating to, this Agreement and irrevocably waives any claim or argument that the courts of the State of Delaware are an inconvenient forum. In any action arising under or relating to this Agreement, the court shall not have the authority to, and shall not, conduct a *de novo* review of any determination made by the Committee or the Company but is instead authorized to determine solely whether the determination was the result of fraud or bad faith under Delaware law.

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

(g) The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision or provisions of this Agreement, which shall remain in full force and effect. If any provision of this Agreement is held to be invalid, void or unenforceable in any jurisdiction, any court so holding shall substitute a valid, enforceable provision that preserves, to the maximum lawful extent, the terms and intent of such provisions of this Agreement. If any of the provisions of, or covenants contained in, this Agreement are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalidity or unenforceability in such other jurisdiction. Any such holding shall affect such provision of this Agreement, solely as to that jurisdiction, without rendering that or any other provisions of this Agreement invalid, illegal or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant will be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable .

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

(i) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE PARTICIPANT, EVERY PERSON CLAIMING UNDER OR THROUGH THE PARTICIPANT, AND THE COMPANY HEREBY WAIVE AND RELEASE ANY CLAIM UNDER STATE OR FEDERAL LAW THEY MAY HAVE HAD TO A JURY TRIAL WITH RESPECT TO ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER, OR IN CONNECTION WITH THE PLAN OR THIS AWARD AGREEMENT ISSUED PURSUANT TO THE PLAN.

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

(i) **"Beginning Book Value Per Share"** means $43.97.

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

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

(B) shall be equal to the cumulative after-tax expense of the Company from January 1, 2018 through the end of such fiscal year arising from all the Awards made under the Plan,

(C) shall be equal to the cumulative cash dividends on the Company's common stock declared from January 1, 2018 through the end of such fiscal year,

(D) shall be equal to the cumulative cost of the Company's common stock repurchased by the Company from January 1, 2018 through the end of such fiscal year,

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

(F) shall be equal to the cumulative net proceeds from the sale of equity securities (other than securities of consolidated subsidiaries or securities accounted for on the equity method) from January 1, 2018 through the end of such fiscal year minus the book value of such equity securities,

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

(H) shall be equal to the sum of (i) unrealized gains or losses on equity securities as defined in F above as of December 31, 2017 (that were reclassified from accumulated other comprehensive income to retained earnings) and (ii) cumulative unrealized gains and losses on equity securities as defined in (F) above from January 1, 2018 through the end of such fiscal year,

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

(Y) shall be the cumulative number of shares of the Company's common stock repurchased by the Company from January 1, 2018 through the end of such fiscal year.

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

(iii) **"Cause"** means "Cause" as defined in any active employment agreement between the Participant and the Company or any Subsidiary or Affiliate, as applicable, or, in the absence of any such definition, means the occurrence of any one of the following events: (A) fraud, personal dishonesty, embezzlement or acts of gross negligence or gross misconduct on the part of the Participant in the course of his or her employment or services, (B) the Participant's engagement in conduct that is materially injurious to the Company, a Subsidiary or an Affiliate, (C) the Participant's conviction by a court of competent jurisdiction of, or pleading "guilty" or "no contest" to, (x) a felony or (y) any other criminal charge (other than minor traffic violations) which could reasonably be expected to have a material adverse impact on the Company's or a Subsidiary's or an Affiliate's reputation or business; (D) public or consistent drunkenness by the Participant or his or her illegal use of narcotics which is, or could reasonably be expected to become, materially injurious to the reputation or business of the Company, a Subsidiary or an Affiliate or which impairs, or could reasonably be expected to impair, the performance of the Participant's duties to the Company, a Subsidiary or an Affiliate; (E) willful failure by the Participant to follow the lawful directions of a superior officer; or (F) the Participant's continued and material failure to fulfill his or her employment obligations to the Company or any Subsidiary or Affiliate.

(iv) **"Client"** means any insured, agent, producer or other intermediary to or through whom the Company or its Subsidiaries or Affiliates provides insurance or reinsurance or related services.

(v) **"Competitive Action"** means, either directly or indirectly, whether as an employee, consultant, independent contractor, partner, joint venturer or otherwise, (A) engaging in or directing any business activities, except those which are ministerial or clerical in nature, which are competitive with any business activities conducted by the Company at the relevant time of enforcement in any geographical area (x) where the Participant had a responsibility on behalf of the Company or about which the Participant received Confidential Information and (y) in which the Company is engaged in business at the relevant time of enforcement, (B) on behalf of any person or entity engaged in business activities competitive with the business activities of the Company, soliciting or inducing, or in any manner attempting to solicit or induce, any person employed by, or as an agent or producer of, the Company to terminate such person's employment or agency or producer relationship, as the case may be, with the Company, (C) diverting, or attempting to divert, any Covered Business Partner from doing business with the Company or attempting to induce any Covered Business Partner to cease being a customer of the Company, (D) soliciting a Covered Business Partner to do business with a competitor or prospective competitor of the Company or (E) making use of, or attempting to make use of, the Company's property or Confidential Information, other than in the course of the performance of services to the Company or at the direction of the Company. References to the Company in this definition and Exhibit A to this Agreement shall include the Company and all Subsidiaries and Affiliates.

(vi) " **Confidential Information** " means an item of information or a compilation of information, in any form (tangible or intangible), related to the business of the Company or of a subsidiary for whom Participant performs services that the Company/subsidiary has not made public or authorized public disclosure of, and that is not generally known to the public through proper means, including but not limited to:

(A) underwriting premiums or quotes, income and receipts, claims records and levels, renewals, policy wording and terms, reinsurance quotas, profit commission;

(B) operating unit or other business projections and forecasts;

(C) Client lists, brokers lists and price sensitive information;

(D) technical information, reports, interpretations, forecasts, corporate and business plans and accounts, business methods, financial details, projections and targets;

(E) remuneration and personnel details;

(F) planned products, planned services, marketing surveys, research reports, market share and pricing statistics, budgets, fee levels;

(G) computer passwords, the contents of any databases, tables, know how documents or materials;

(H) commissions, commission charges, pricing policies and all information about research and development; and

(I) the Company's suppliers', Clients' or Prospective Clients' names, addresses (including email addresses), telephone, facsimile or other contact numbers and contact names, the nature of their business operations, their requirements for services supplied by the Company and all confidential aspects of their relationship with the Company.

(vii) " **Covered Business Partner** " means any person, concern or entity (including, without limitation, any Client) as to which Participant, or persons supervised by Participant, had more than de minimis business-related contact or received Confidential Information during the most recent two years of Participant's employment with the Company or its Subsidiaries or Affiliates or such shorter period of time as employed (the " **Look Back Period** ").

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

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

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

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

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

(xiii) " **Prospective Client** " means any person, concern or entity (including, without limitation, any potential insured, agent, producer or other intermediary) to or through whom the Company or any of its Subsidiaries or Affiliates has been in negotiations during the Look Back Period to provide insurance or reinsurance or related services.

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

(xvi) **"Restricted Period"** means the period beginning on the date hereof through the second anniversary of the Settlement Date.

(xv) **"Retirement"** means the Participant's retirement from service with the Company and all Subsidiaries and Affiliates with the written consent of the Executive Chairman of the Board of the Company or the Committee.

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

10. **Signature in Counterparts .** This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

11. **Protected Conduct** . Nothing in this Agreement prohibits the Participant from reporting an event that the Participant reasonably and in good faith believes is a violation of law to the relevant law-enforcement agency (such as the Securities and

Exchange Commission or Department of Labor), requires notice to or approval from the Company before doing so, or prohibits the Participant from cooperating in an investigation conducted by such a government agency. This may include a disclosure of trade secret information provided that it must comply with the restrictions in the Defend Trade Secrets Act of 2016 (DTSA). The DTSA provides that no individual will be held criminally or civilly liable under Federal or State trade secret law for the disclosure of a trade secret that: (i) is made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and made solely for the purpose of reporting or investigating a suspected violation of law; or, (ii) is made in a complaint or other document if such filing is under seal so that it is not made public. Also, the DTSA further provides that an individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order. To the extent that the Participant is covered by Section 7 of the National Labor Relations Act (NLRA) because the Participant is not in a supervisor or management role, nothing in this Agreement shall be construed to prohibit the Participant from using information the Participant acquires regarding the wages, benefits, or other terms and conditions of employment at the Company for any purpose protected under the NLRA.

[*Signatures to appear on following page*]

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed effective as of January 1, 2018.

W. R. Berkley Corporation

By: ___________________________

Name:

Title:

____

Participant

Please indicate the name of the Participant's beneficiary:

__

Name

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

EXHIBIT A

JURISDICTION SPECIFIC MODIFICATIONS

As used in this Exhibit A, the term "Company" includes W. R. Berkley Corporation and all of its Subsidiaries and Affiliates.

I. States of the United States of America

A. **Arkansas, Connecticut, Illinois, Indiana, Maryland, Minnesota, South Carolina, South Dakota, Texas, and Virginia** **:** Section 9(j)(v)(A) is further limited to situations where the Participant is performing services that are the same as or similar in function or purpose to the services the Participant performed for the Company (as appropriate) during the Look Back Period.

B. **Arizona** . For an Arizona resident, for so long as the Participant resides in Arizona and is subject to the laws of Arizona: (i) the restrictions in Sections 9(j)(v)(A), (C) and (D) will only apply within any geographical area (x) where the Participant had responsibilities on behalf of the Company or about which the Participant received Confidential Information during the Look Back Period and (y) in which the Company is engaged in business; (ii) Sections 9(j)(v)(A) is further limited to situations where the Participant is performing services that are the same as or similar in function or purpose to the services the Participant performed for the Company during the Look Back Period; and (iii) with respect to the Participant's nondisclosure obligation under Section 9(j)(v)(E), the Participant's nondisclosure obligation only extends during the Restricted Period (this is not a deviation from the text of the

Agreement, but a clarification for the avoidance of any doubt).

C. **California**. For a resident of California, for so long as the Participant resides in California and is subject to the laws of California: (i) no provision or requirement of this Agreement will be construed or interpreted in a manner contrary to the public policy of the State of California; (ii) the restrictions in Section 9(j)(v)(A) shall not apply; (iii) Sections 9(j)(v)(C) and (D) shall be limited to situations where the Participant is aided in his or her conduct by the Participant's use or disclosure of trade secrets (as defined by applicable law); and (iv) Section 9(i) shall not apply.

D. **Nebraska.** For a Nebraska resident, for so long as the Participant resides in Nebraska and is subject to the laws of Nebraska: (i) Section 9(j)(v)(A) shall not apply; and (ii) the definition of "Covered Business Partner" in Section 9(j)(vii) is modified so that it means any persons or entities with which the Participant, or persons supervised by the Participant, did business and had personal business-related contact during the Look Back Period.

E. **North Carolina**. For a North Carolina resident, for so long as the Participant resides in North Carolina and is subject to the laws of North Carolina: (i) Section 9(j)(v)(Ai) is further limited to situations where the Participant is performing services that are the same as or similar in function or purpose to the services the Participant performed for the Company during the Look Back Period; and (ii) the Look Back Period shall be calculated looking back two years from the date of enforcement and not from the date employment ends.

F. **North Dakota**. For a resident of North Dakota, for so long as the Participant resides in and is subject to the laws of North Dakota: (i) no provision or requirement of this Agreement will be construed or interpreted in a manner contrary to the public policy of the State of North Dakota; (ii) the restrictions in Section 9(j)(v)(A) shall not apply; and (iii) Sections 9(j)(v)(C) and (D) shall be limited to situations where the Participant is aided in his or her conduct by the Participant's use or disclosure of trade secrets (as defined by applicable law).

G. **Oklahoma**. For an Oklahoma resident, for so long as the Participant resides in Oklahoma and is subject to the laws of Oklahoma: the restrictions in Section 9(j)(v)(A) shall not apply and "Covered Business Partner" of the Company means any individual, company, or business entity (including, without limitation, any Client) with which the Company has transacted business within the Look Back Period and with which the Participant, or persons supervised by the Participant, had material business-related contact or about which the Participant had access to Confidential Information during the Look Back Period.

H. **Wisconsin**. For a Wisconsin resident, for so long as Participant resides in Wisconsin and is subject to the laws of Wisconsin: (i) Section 9(j)(v)(A) is further limited to situations where the Participant is performing services that are the same as or similar in function or purpose to the services the Participant performed for the Company during the Look Back Period; and (ii) Section 9(j)(v)(B) is rewritten as follows: "participating in soliciting or attempting to solicit any employee of the Company that is in a Sensitive Position to leave the employment of the Company on behalf of (or for the benefit of) a competing business, or knowingly assists a competing business in efforts to hire such an employee away from the Company. An employee in a "Sensitive Position" refers to an employee of the Company who is in a management, supervisory, sales, research and development, underwriting, claims, actuarial, loss control or similar role where the employee is provided Confidential Information or is involved in business dealings with the Company's customers."

II. **Countries Other than the United States of America**

Argentina. For an Argentinian resident, for so long as the Participant resides in Argentina and is subject to the laws of Argentina:

(i) Section 9(e) shall be deleted in its entirety and replaced with the following:

> "(e) This Agreement shall be construed and interpreted in accordance with the laws of Argentina. The Participant hereby irrevocably consents to the exclusive personal jurisdiction of the Argentine courts for the resolution of any disputes arising out of, or relating, to this Agreement."

(ii) This Agreement shall not be effective unless the Participant physically signs an original Agreement.

Australia. For an Australian resident, for so long as the Participant resides in Australia and is subject to the laws of Australia:

(i) Section 9(e) shall be deleted in its entirety and replaced with the following:

> "(e) This Agreement shall be construed and interpreted in accordance with the laws of the State of New South Wales in Australia. The Participant hereby irrevocably consents to the personal jurisdiction of the federal and state courts of the State of New South Wales in Australia for the resolution of any disputes arising out of, or relating to, this Agreement."

(ii) The provisions in "Addendum for Australia, Canada, Hong Kong and Singapore" set forth below shall be applicable.

Canada. For a Canadian resident, for so long as the Participant resides in Canada and is subject to the laws of Canada:

The provisions in "Addendum for Australia, Canada, Hong Kong and Singapore" set forth below shall be applicable.

Colombia. For a Colombian resident, for so long as the Participant resides in Colombia and is subject to the laws of Colombia:

The Participant agrees that the Performance Units rights derived from this Agreement are not consideration for the services rendered by the Participant in Colombia. For this Agreement to be effective, the Participant must enter into a local agreement, governed by Colombian laws, with the Participant's current employer in which the Participant agrees to the statement in the prior sentence.

Hong Kong. For a Hong Kong resident, for so long as the Participant resides in Hong Kong and is subject to the laws of Hong Kong:

(i) Section 6 shall be deleted in its entirety and replaced with the following:

SECTION 6. **Non-Transferability**. (a) Subject to Section 6(b) below and except as specifically consented to by the Committee, the Participant may not sell, transfer, pledge, or otherwise encumber or dispose of the Performance Units other than by will, the laws of descent and distribution, or as otherwise provided for in the Plan.

(b) Notwithstanding any other provisions of this Agreement, if the Participant resides in, or received this offer in Hong Kong, the Participant shall have no rights or entitlement to sell, transfer or otherwise dispose of the Performance Units, except if such sale, transfer or disposal is permitted pursuant to the Plan and specifically consented to by the Committee.

(ii) The provisions in "Addendum for Australia, Canada, Hong Kong and Singapore" set forth below shall be applicable.

Norway. For a Norwegian resident, for so long as Participant resides in Norway and is subject to the laws of Norway:

(i) In Section 5(d), the words "or Solicitation" shall be added, in each instance after the phrase "Competitive Action";

(ii) In Section 5(d), in the second sentence, solely with respect to Solicitation the word "second" shall be replaced with "first";

(iii) In Section 9(j)(v), subsections (C) and (D) shall be deleted and subsection (E) shall be renumbered as subsection (C); and

(iv) In Section 9(j), the following new subsection (xvii) shall be added:

"(xvii) **"Solicitation"** . For purposes of this Agreement, the Participant has engaged in " Solicitation " if the Participant from the date hereof through the first anniversary of the Settlement Date, directly or indirectly (i) diverts, or attempts to divert, any person, concern or entity from doing business with the Company or attempts to induce any such person, concern or entity to cease being a customer of the Company, (ii) solicits the business of the Company or (iii) influences customers, suppliers and/or other business associates/contract parties of the Company to limit or terminate their relationship with the Company . With respect to customers, the preceding sentence only applies to customers which the Participant has had contact with and/or responsibility for during the last 12 months prior to the time of the written statement as mentioned below.

(v) In Section 5, a new subsection (f) shall be added:

(f) The Company may, upon the request from the Participant and in connection with termination, summary dismissal or other cessation of employment, decide whether and to what extent the Participant's obligation to refrain from Solicitation shall be invoked. With respect to customers, the procedure in connection with such a decision shall comply with the mandatory provisions of Chapter 14A in the Norwegian Working Environment Act, including the specification of which customers are covered by the Participant's obligation to refrain from Solicitation in a written statement."

Singapore. For a Singaporean resident, for so long as the Participant resides in Singapore and is subject to the laws of the Republic of Singapore:

(i) In second sentence of Section 5(d),the phrase "that, in the Committee's sole and absolute discretion, reflects the seriousness of the Competitive Action and/or Misconduct; the maximum amount that the Company may demand from the Participant is" shall be added after the words "an amount" ;

(ii) In Section 5(d), in the last sentence, the following phrase shall be deleted:

"and are not liquidated damages nor shall they be characterized as such";

(iii) Section 9(e) shall be deleted in its entirety and replaced with the following:
"(e) This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware. The Participant hereby irrevocably consents to the personal jurisdiction of the courts of the Republic of Singapore for the resolution of any disputes arising out of, or relating to, this Agreement."

(iv) The provisions in "Addendum for Australia, Canada, Hong Kong and Singapore" set forth below shall be applicable.

United Kingdom. For a United Kingdom resident, for so long as the Participant resides in the United Kingdom and is subject to the laws of England and Wales or if the Participant is employed under an employment contract which is governed by English law at the time of grant of the Performance Units: (i) in the last sentence of Section 4 the phrase "the Competitive Action restriction set forth in Section 5(d)" shall be deleted and replaced with "the restrictions set forth in Exhibit A II. Countries other than the United States of America: United Kingdom" and (ii) the following terms and provisions shall amend and supersede the terms and provisions of Section 5(d), Section 9(e), Section 9(j)(iv), Section 9(j)(v), Section 9(j)(vi), Section 9(j)(vii), Section 9(j)(xii) and Section 9(j)(xiii) of this Agreement as follows:

1. TERMINATION OF EMPLOYMENT

With effect from the earlier of the date of termination of the Participant's employment or the date that the Participant gives or receives notice of termination of the Participant's employment for any reason, any unsettled Performance Units shall lapse and be forfeited (except as set out in Section 5(b) of this Agreement and subject to the forfeiture provisions in paragraph 3 below) and the Participant shall have no further rights with respect to any such unsettled Performance Units.

2. RESTRICTIVE COVENANTS

2.1 The Participant covenants with the Company and the Group that the Participant will not, save with the prior written consent of the Committee (in its absolute discretion):

2.1.1. during the Restricted Period directly or indirectly be employed, engaged or retained by or otherwise concerned or interested in any Competing Business. For this purpose, the Participant is directly or indirectly employed, engaged or retained by or concerned or interested in a Competing Business if:

(a) the Participant carries it on as principal or agent; or

(b) the Participant is a partner, director, employee, secondee, consultant or agent in, of or to any person who carries on the Competing Business;

(c) the Participant has any direct or indirect financial interest (as shareholder, creditor or otherwise) in any person who carries on the Competing Business; and/or

(d) the Participant is a partner, director, employee, secondee, consultant or agent in, of or to any person who has a direct or indirect financial interest (as shareholder, creditor or otherwise) in any person who carries on the Competing Business,

disregarding any financial interest the Participant may have in securities which are listed or dealt in on a recognised investment exchange if the Participant is interested in securities which amount to less than 3% of the issued securities of that class and which, in all circumstances, carry less than 3% of the voting rights (if any) attaching to the issued securities of that class;

2.1.2 during the Restricted Period and whether directly or indirectly, either alone or with or on behalf of any person, firm, company or entity and whether on his or her own account or as principal, partner, shareholder, director, employee, consultant or in any other capacity whatsoever, have any business dealings with any Client or Prospective Client in relation to or for the benefit of a Competing Business;

2.1.3 during the Restricted Period and whether directly or indirectly, either alone or with or on behalf of any person, firm, company or entity and whether on his or her own account or as principal, partner, shareholder, director, employee, consultant or in any other capacity whatsoever, canvass or solicit business or custom from or seek to entice away any Client or Prospective Client from the Company or any Group Company in relation to or for the benefit of a Competing Business;

2.1.4 during the Restricted Period, directly or indirectly, solicit or endeavour to solicit the employment or engagement of any Key Employee (whether or not such person would thereby breach their contract of employment or engagement);

2.1.5 at any time after the Termination Date represent himself as being in any way connected with (other than as a former employee) or interested in the business of the Company or any Group Company or use any registered names, domain names or trading names the same as or that could reasonably be expected to be confused with any such names used by the Company or any Group Company.

2.1.6 before or after the Termination Date, and except in the proper performance of his or her duties of employment by the Company or any Group Company, directly or indirectly use for his or her own purposes or those of a third party or disclose to any third party any Confidential Information. The Participant will use his or her best endeavours to prevent any unauthorised use or disclosure of Confidential Information. The obligations contained in this clause 2.1.6 will not apply to any disclosures required by law or to any information or documents which after the Termination Date are in the public domain other than by way of unauthorised disclosure.

2.2 The Participant gives the covenants above to the Company as trustee for itself (and any company forming part of the Group).

2.3 Each restriction contained in this clause 2 is an entirely separate and independent restriction, despite the fact that they may be contained in the same phrase, and if any part is found to be unenforceable the remainder will remain valid and enforceable.

2.4 While the restrictions in this clause 2 are considered by the parties to be fair and reasonable in the circumstances, it is agreed that if any such restriction should be held to be void or ineffective for any reason but would be treated as valid and effective if some part of parts of the restriction were deleted, the restriction in question will apply with such deletion as may be necessary to make it valid and effective.

2.5 If, during the Participant's employment or any period during which these restrictions apply, any person, firm, company or entity offers the Participant any employment, engagement, arrangement or contract which might or would cause him or her to breach any of the restrictions, he or she will notify that person, firm, company or entity of the terms of these restrictions.

2.6 The period of any restraint on the Participant's activities after the Termination Date imposed pursuant to clauses 2.1.1 to 2.1.4 shall be reduced pro rata by any period of garden leave served by the Participant pursuant to his or her service agreement with the Company or any Group Company.

2.7 If the Participant breaches any of the covenants contained in clauses 2.1.1 to 2.1.6, then any unsettled Performance Units will lapse with immediate effect and the Participant will be obliged to return all amounts paid to the Participant in respect of the Performance Units within the Restricted Period to the Company within 14 days of being notified by the Company of its discovery of the breach.

2.8 In this clause, the following definitions shall apply:

"Client"	means any person, firm, company or other business entity whom or which during the Relevant Period: (a) to whom the Company or any Group Company provided insurance or reinsurance; or (b) was an insurance intermediary which introduced such insurance or reinsurance business to the Company or any Group Company, and in each case with whom or which during the Relevant Period: i) the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or ii) about whom or which the Participant has had Confidential Information during the course of his or her employment.
"Competing Business"	means any business which at any time is in or which intends to be in competition with any Relevant Business.
"Confidential Information"	means any and all information which is of a confidential nature or which the Company reasonably regards as being confidential or a trade secret concerning the business, business performance or prospective business, financial information or arrangements, plans or internal affairs of the Company, any Group Company or any of their respective Clients or Prospective Clients including without prejudice to the generality of the foregoing all information, records and materials relating to:

	(1) underwriting premiums or quotes, income and receipts, claims records and levels, renewals, policy wording and terms, reinsurance quotas, profit commission; (2) syndicate or other business projections and forecasts; (3) Client lists, brokers lists and price sensitive information; (4) technical information, reports, interpretations, forecasts, corporate and business plans and accounts, business methods, financial details, projections and targets; (5) remuneration and personnel details; (6) planned products, planned services, marketing surveys, research reports, market share and pricing statistics, budgets, fee levels; (7) computer passwords, the contents of any databases, tables, know how documents or materials; (8) commissions, commission charges, pricing policies and all information about research and development; and (9) the Company’s or any Group Company’s suppliers’, Clients’ or Prospective Clients’ names, addresses (including email addresses), telephone, facsimile or other contact numbers and contact names, the nature of their business operations, their requirements for services supplied by the Company or any Group Company and all confidential aspects of their relationship with the Company or any Group Company.
“directly or indirectly”	means (without prejudice to the generality of the expression) either alone or jointly with or on behalf of any other person and whether on his or her own account or in partnership with another or others or as the holder of any interest in or as officer, employee or agent of or consultant to any other person.
“Group”	means the Company, its subsidiaries or holding companies from time to time and any subsidiary of any holding company from time to time; and “Group Company” means any company within the Group.
“Key Employee”	means any director or officer of the Company or any Group Company and/or any employee (other than administrative or clerical personnel) of the Company or any Group Company, in each case who, at any time during the Relevant Period: i) was employed by the Company or any Group Company; and ii) with whom the Participant has had Material Dealings or exercised control or had management responsibility for; and/or iii) has had access to or has obtained Confidential Information during the Relevant Period.
“Material Dealings”	means receiving orders, instructions or enquiries from, contracting or making preparations to contract with, making sales or presenting to or with, tendering for business from, having responsibility with or for, having personal knowledge of or otherwise having significant other contact.
“Prospective Client”	means any person, firm, company or other business entity who was at any time during the Relevant Period: (a) in negotiations with the Company or any Group Company for the provision of insurance or reinsurance; or (b) an insurance intermediary who may introduce such insurance or reinsurance business to the Company or any Group Company, and in each case with whom or which during the Relevant Period: i) the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or ii) about whom or which the Participant has had Confidential Information during the course of Participant’s employment.

	Provided that this definition shall not apply to any such person, firm, company or other business entity which has withdrawn from or discontinued such negotiations or discussions, having stated its intention to do so (other than through any unlawful activity by the Participant).
“Relevant Business”	means any class or classes of insurance or reinsurance business which was underwritten in the twelve months immediately prior to the Termination Date by the Company or any Group Company and with which the Participant was directly or indirectly materially concerned or involved or had personal knowledge in the course of Participant’s duties during the Relevant Period.
“Relevant Period”	means (1) during employment, the twelve month period immediately prior to the action or activity that may be in breach of clauses 2.1.1 to 2.1.4 and (2) after termination of employment, the twelve month period immediately prior to the Termination Date.
“Restricted Period”	means the period beginning on the date hereof and ending two years following the Settlemant Date.
“ **Termination Date”**	means the date on which the Participant’s employment or engagement with the Company terminates for any reason.

3. CLAWBACK

3.1 If at any time under the terms of this Agreement the Committee becomes aware of any material wrongdoing, negligence or misconduct on the part of the Participant that would have entitled the Company to terminate the Participant's employment with or without notice for Cause, and (x) if such material wrongdoing, negligence or misconduct occurred prior to the Settlement Date, all Performance Units will lapse with immediate effect or (y) if such material wrongdoing, negligence or misconduct occurred on or after the Settlement Date or occurred prior to the Settlement Date but was not discovered until after the Settlement Date, the Company will be entitled, in its absolute discretion, to recover from the Participant up to 100% of the amount paid on the Settlement Date to the Participant in respect of the Performance Units (which have been settled within the 2 years prior to such determination by the Committee) to the Company within 14 days of being notified in writing by the Company of its discovery of the material wrongdoing, negligence or misconduct.

3.2 Clause 3.1 is without prejudice to the Company's other remedies for such wrongdoing or any other clawback policy that the Company may adopt from time to time as required by applicable laws or the applicable listing rules of any securities exchange.

3.3 The Committee may review any Performance Units granted to the Participant under the terms of this Agreement, in light of:

a. there being a significant deterioration in the financial health of the Company, the Group or the business area or team in which the Participant worked;

b. the Participant having caused harm to the reputation of the Company or the Group;

c. the Participant having deliberately misled the Company in relation to the financial performance of the Company, the Group or the business area or team in which he or she worked; and/or

d. the Participant’s actions having amounted to gross misconduct, incompetence or negligence.

Following a review, the Committee may, in its sole discretion, (x) if prior to the Settlement Date, determine that up to 100% of any unsettled Performance Units granted under this Agreement will lapse with immediate effect or, (y) if on or after the Settlement Date, the Company will be entitled in its absolute discretion to recover from the Participant up to 100% of the amount paid to the Participant in respect of the Performance Units granted under this Agreement (which have been settled within the 2 years prior to such determination by the Committee).

3.4 The Participant agrees that any sums owed to the Company or any Group Company under this Agreement including any adjustment, forfeiture or repayment may be deducted from any sums due to the Participant from the Company or any Group Company. For the avoidance of doubt, this is without prejudice to any right the Company or the Group may have at any time to recover any sums from the Participant and the Participant agrees that such sums are recoverable by the Company or any Group Company as a debt.

3.5 In this Clause 3, "Cause" means:

a. any serious negligence or gross misconduct by the Participant in connection with or affecting the business or affairs of the Company or any member of the Group;

b. the Participant being convicted of any arrestable offence other than an offence under road traffic legislation in the UK; or

c. the Participant being convicted of an offence under any statutory enactment or regulation relating to insider dealing or market abuse.

4. **CHOICE OF LAW**

4.1 Any dispute or claim (including non-contractual disputes or claims) arising out of or in connection with this Agreement or its subject matter or formation shall be governed by and construed in accordance with the law of England and Wales.

5. ARBITRATION

5.1 If at any time any dispute or question shall arise between the parties arising out of or in connection with this Agreement or its or their validity, construction or performance then the same shall be referred to and finally resolved by arbitration under the London Court of International Arbitration Rules, which Rules are deemed to be incorporated by reference into this clause.
The number of arbitrators shall be three.
The seat, or legal place, of arbitration shall be London, England.
The language to be used in the arbitral proceedings shall be English.
The governing law of the contract shall be the substantive law of England and Wales.

Addendum for Australia, Canada, Hong Kong and Singapore. For residents of Australia, Canada, Hong Kong or Singapore, for so long as Participant resides in his or her respective country and is subject to the laws of such country, Sections 9(j)(iv), 9(j)(v), 9(j)(vi), 9(j)(vii) and 9(j)(xiii) shall be deleted and the remaining subsections in Section 9(j) shall be renumbered accordingly.

In Section 5 a new subsection (f) shall be added as follows

(f) The Participant covenants with the Company and the Group that the Participant will not, save with the prior written consent of the Committee (in its absolute discretion):

A. during the Restricted Period, directly or indirectly, be employed, engaged or retained by or otherwise concerned or interested in any Competing Business. For this purpose, the Participant is directly or indirectly employed, engaged or retained by or concerned or interested in a Competing Business if:
(i) the Participant carries it on as principal or agent; or
(ii) the Participant is a partner, director, employee, secondee, consultant or agent in, of or to any person who carries on the Competing Business;
(iii) the Participant has any direct or indirect financial interest (as shareholder, creditor or otherwise) in any person who carries on the Competing Business; and/or
(iv) the Participant is a partner, director, employee, secondee, consultant or agent in, of or to any person who has a direct or indirect financial interest (as shareholder, creditor or otherwise) in any person who carries on the Competing Business,
disregarding any financial interest the Participant may have in securities which are listed or dealt in on a recognised investment exchange if the Participant is interested in securities which amount to less than 3% of the issued securities of that class and which, in all circumstances, carry less than 3% of the voting rights (if any) attaching to the issued securities of that class;

B. during the Restricted Period and whether directly or indirectly, either alone or with or on behalf of any person, firm, company or entity and whether on his or her own account or as principal, partner, shareholder, director, employee, consultant or in any other capacity whatsoever, have any business dealings with any Client or Prospective Client in relation to or for the benefit of a Competing Business;

C. during the Restricted Period and whether directly or indirectly, either alone or with or on behalf of any person, firm, company or entity and whether on his or her own account or as principal, partner, shareholder, director, employee, consultant or in any other capacity whatsoever, canvass or solicit business or custom from or seek to entice away any Client or Prospective Client from the Company or any Group Company in relation to or for the benefit of a Competing Business;

D. during the Restricted Period, directly or indirectly, solicit or endeavour to solicit the employment or engagement of any Key Employee (whether or not such person would thereby breach their contract of employment or engagement);

E. at any time after the Termination Date represent himself or herself as being in any way connected with (other than as a former employee) or interested in the business of the Company or any Group Company or use any registered names, domain names or trading names the same as or that could reasonably be expected to be confused with any such names used by the Company or any Group Company.

F. before or after the Termination Date and except in the proper performance of his or her duties of employment for the Company or Group Company directly or indirectly use for his or her own purposes or those of a third party or disclose to any third party any Confidential Information. The Participant will use his or her best endeavours to prevent any unauthorised use or disclosure of Confidential Information. The obligations contained in this subsection F will not apply to any disclosures required by law or to any information or documents which after the Termination Date are in the public domain other than by way of unauthorised disclosure.

The Participant gives the covenants above to the Company as trustee for itself (and any company forming part of the Group).

Each restriction contained in this Section 5(f) is an entirely separate and independent restriction, despite the fact that they may be contained in the same phrase, and if any part is found to be unenforceable the remainder will remain valid and enforceable.

While the restrictions in this Section 5(f) are considered by the parties to be fair and reasonable in the circumstances, it is agreed that if any such restriction should be held to be void or ineffective for any reason but would be treated as valid and effective if some part of parts of the restriction were deleted, the restriction in question will apply with such deletion as may be necessary to make it valid and effective.

The period of any restraint on the Participant's activities after the Termination Date imposed pursuant to sub-section A to D of Section 5(f) shall be reduced pro rata by any period of garden leave served by the Participant pursuant to his or her service agreement with the Company or any Group Company.

The determination as to whether the Participant has engaged in a Competitive Action shall be made by the Committee in its sole and absolute discretion. The Committee has sole and absolute discretion to determine whether, notwithstanding its determination that Participant has engaged in a Competitive Action, recapture or forfeiture as provided herein shall not occur. The Committee's exercise or nonexercise of its discretion with respect to any particular event or occurrence by or with respect to the Participant or any other recipient of restricted stock units shall not in any way reduce or eliminate the authority of the Committee to (i) determine that any event or occurrence by or with respect to the Participant constitutes engaging in a Competitive Action or (ii) determine the related Competitive Action date.

In this Agreement, the following definitions shall apply:

"Client"	means any person, firm, company or other business entity whom or which during the Relevant Period: (a) to whom the Company or any Group Company provided insurance or reinsurance; or (b) was an insurance intermediary which introduced such insurance or reinsurance business to the Company or any Group Company, and in each case with whom or which during the Relevant Period: i) the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or ii) about whom or which the Participant has had Confidential Information during the course of his or her employment.
"Competitive Action"	means any of the activities, individually or in the aggregate, described in sub-sections A through F of Section 5(f).
"Competing Business"	means any business which at any time is in or which intends to be in competition with any Relevant Business.

"Confidential Information"	means any and all information which is of a confidential nature or which the Company reasonably regards as being confidential or a trade secret concerning the business, business performance or prospective business, financial information or arrangements, plans or internal affairs of the Company, any Group Company or any of their respective Clients or Prospective Clients including without prejudice to the generality of the foregoing all information, records and materials relating to: (1) underwriting premiums or quotes, income and receipts, claims records and levels, renewals, policy wording and terms, reinsurance quotas, profit commission; (2) syndicate or other business projections and forecasts; (3) Client lists, brokers lists and price sensitive information; (4) technical information, reports, interpretations, forecasts, corporate and business plans and accounts, business methods, financial details, projections and targets; (5) remuneration and personnel details; (6) planned products, planned services, marketing surveys, research reports, market share and pricing statistics, budgets, fee levels; (7) computer passwords, the contents of any databases, tables, know how documents or materials; (8) commissions, commission charges, pricing policies and all information about research and development; and (9) the Company's or any Group Company's suppliers', Clients' or Prospective Clients' names, addresses (including email addresses), telephone, facsimile or other contact numbers and contact names, the nature of their business operations, their requirements for services supplied by the Company or any Group Company and all confidential aspects of their relationship with the Company or any Group Company.
"directly or indirectly"	means (without prejudice to the generality of the expression) either alone or jointly with or on behalf of any other person and whether on his or her own account or in partnership with another or others or as the holder of any interest in or as officer, employee or agent of or consultant to any other person.
"Group"	means the Company, its subsidiaries or holding companies from time to time and any subsidiary of any holding company from time to time; and "Group Company" means any company within the Group.
"Key Employee"	means any director or officer of the Company or any Group Company and/or any employee (other than administrative or clerical personnel) of the Company or any Group Company, in each case who, at any time during the Relevant Period: i) was employed by the Company or any Group Company; and ii) with whom the Participant has had Material Dealings or exercised control or had management responsibility for; and/or iii) has had access to or has obtained Confidential Information during the Relevant Period.
"Material Dealings"	means receiving orders, instructions or enquiries from, contracting or making preparations to contract with, making sales or presenting to or with, tendering for business from, having responsibility with or for, having personal knowledge of or otherwise having significant other contact.
"Prospective Client"	means any person, firm, company or other business entity who was at any time during the Relevant Period: (a) in negotiations with the Company or any Group Company for the provision of insurance or reinsurance; or (b) an insurance intermediary who may introduce such insurance or

	reinsurance business to the Company or any Group Company, and in each case with whom or which during the Relevant Period: i) the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or ii) about whom or which the Participant has had Confidential Information during the course of Participant's employment. Provided that this definition shall not apply to any such person, firm, company or other business entity which has withdrawn from or discontinued such negotiations or discussions, having stated its intention to do so (other than through any unlawful activity by the Participant).
"Relevant Business"	means any class or classes of insurance or reinsurance business which was underwritten in the twelve months immediately prior to the Termination Date by the Company or any Group Company and with which the Participant was directly or indirectly materially concerned or involved or had personal knowledge in the course of Participant's duties during the Relevant Period.
"Relevant Period"	means (1) during employment, the twelve month period immediately prior to the action or activity that may be in breach of clauses A to D of Section 5(f) and (2) after termination of employment, the twelve month period immediately prior to the Termination Date.
" **Termination Date"**	means the date on which the Participant's employment or engagement with the Company terminates for any reason.

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: May 7, 2018

/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: May 7, 2018

/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 March 31, 2018 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

May 7, 2018

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.