

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 September 30, 2021

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the Transition Period from _____ to _____.

Commission File Number 1-15202

W. R. BERKLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-1867895

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

475 Steamboat Road

(Address of principal executive offices)

Greenwich

Connecticut

06830

(Zip Code)

(203) 629-3000

(Registrant's telephone number, including area code)

None

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

Securities registered pursuant to Section 12(b) of the Act:

Title	Trading Symbol	Name
Common Stock, par value \$.20 per share	WRB	New York Stock Exchange
5.70% Subordinated Debentures due 2058	WRB-PE	New York Stock Exchange
5.10% Subordinated Debentures due 2059	WRB-PF	New York Stock Exchange
4.25% Subordinated Debentures due 2060	WRB-PG	New York Stock Exchange
4.125% Subordinated Debentures due 2061	WRB-PH	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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 ☒
Non-accelerated filer ☐

Accelerated filer ☐
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 October 28, 2021: 176,640,439

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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)

	September 30, 2021 (Unaudited)	December 31, 2020 (Audited)
Assets		
Investments:		
Fixed maturity securities (amortized cost of \$15,809,028 and \$13,755,858; allowance for expected credit losses of \$17,283 and \$2,580 at September 30, 2021 and December 31, 2020, respectively)	\$ 16,073,135	\$ 14,159,369
Real estate	1,842,400	1,960,914
Investment funds	1,400,932	1,309,430
Arbitrage trading account	860,339	341,473
Equity securities	818,738	625,667
Loans receivable (net of allowance for expected credit losses of \$1,737 and \$5,437 at September 30, 2021 and December 31, 2020, respectively)	115,495	84,913
Total investments	<u>21,111,039</u>	<u>18,481,766</u>
Cash and cash equivalents	2,069,029	2,372,366
Premiums and fees receivable (net of allowance for expected credit losses of \$23,676 and \$22,883 at September 30, 2021 and December 31, 2020, respectively)	2,524,109	2,167,799
Due from reinsurers (net of allowance for expected credit losses of \$7,277 and \$7,801 at September 30, 2021 and December 31, 2020, respectively)	2,792,811	2,424,502
Deferred policy acquisition costs	662,636	556,168
Prepaid reinsurance premiums	670,913	648,376
Trading account receivables from brokers and clearing organizations	221,165	524,727
Property, furniture and equipment	419,941	405,930
Goodwill	169,652	169,652
Accrued investment income	126,245	120,464
Current and deferred federal and foreign income taxes	63,654	—
Other assets	713,094	700,215
Total assets	<u>\$ 31,544,288</u>	<u>\$ 28,571,965</u>
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	\$ 14,919,576	\$ 13,784,430
Unearned premiums	4,769,313	4,073,191
Due to reinsurers	557,478	426,124
Trading account securities sold but not yet purchased	739	10,048
Current and deferred federal and foreign income taxes	—	48,495
Other liabilities	1,367,353	1,178,546
Senior notes and other debt	2,258,646	1,623,025
Subordinated debentures	1,007,472	1,102,309
Total liabilities	<u>24,880,577</u>	<u>22,246,168</u>
Equity:		
Preferred stock, par value \$0.10 per share:		
Authorized 5,000,000 shares; issued and outstanding - none	—	—
Common stock, par value \$0.20 per share:		
Authorized 750,000,000 shares, issued and outstanding, net of treasury shares, 176,638,884 and 177,825,150 shares, respectively	70,535	70,535
Additional paid-in capital	1,018,300	1,012,483
Retained earnings	8,920,334	8,348,381
Accumulated other comprehensive loss	(190,862)	(62,172)
Treasury stock, at cost, 176,037,616 and 174,851,350 shares, respectively	<u>(3,169,866)</u>	<u>(3,058,425)</u>
Total stockholders' equity	6,648,441	6,310,802
Noncontrolling interests	15,270	14,995
Total equity	<u>6,663,711</u>	<u>6,325,797</u>
Total liabilities and equity	<u>\$ 31,544,288</u>	<u>\$ 28,571,965</u>

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
REVENUES:				
Net premiums written	\$ 2,325,138	\$ 1,879,316	\$ 6,587,357	\$ 5,464,980
Change in net unearned premiums	(244,120)	(130,395)	(684,759)	(347,727)
Net premiums earned	2,081,018	1,748,921	5,902,598	5,117,253
Net investment income	179,851	142,650	506,615	402,844
Net investment gains (losses):				
Net realized and unrealized gains (losses) on investments	17,187	(7,772)	89,407	(89,404)
Change in allowance for expected credit losses on investments	2,314	46,750	(11,003)	29,093
Net investment gains (losses)	19,501	38,978	78,404	(60,311)
Revenues from non-insurance businesses	120,374	87,495	316,927	256,966
Insurance service fees	21,467	21,635	69,531	67,256
Other income	2,072	140	3,163	2,446
Total revenues	2,424,283	2,039,819	6,877,238	5,786,454
OPERATING COSTS AND EXPENSES:				
Losses and loss expenses	1,298,392	1,114,632	3,623,630	3,357,011
Other operating costs and expenses	643,045	593,969	1,907,020	1,753,142
Expenses from non-insurance businesses	115,465	85,036	308,453	256,032
Interest expense	35,100	39,768	109,846	114,874
Total operating costs and expenses	2,092,002	1,833,405	5,948,949	5,481,059
Income before income taxes	332,281	206,414	928,289	305,395
Income tax expense	(64,963)	(54,048)	(191,577)	(84,900)
Net income before noncontrolling interests	267,318	152,366	736,712	220,495
Noncontrolling interests	(6,021)	(688)	(8,652)	(1,975)
Net income to common stockholders	\$ 261,297	\$ 151,678	\$ 728,060	\$ 218,520
NET INCOME PER SHARE:				
Basic	\$ 1.41	\$ 0.82	\$ 3.93	\$ 1.17
Diluted	\$ 1.40	\$ 0.81	\$ 3.89	\$ 1.15

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net income before noncontrolling interests	\$ 267,318	\$ 152,366	\$ 736,712	\$ 220,495
Other comprehensive (loss) income:				
Change in unrealized currency translation adjustments	(32,822)	40,194	(26,235)	(36,553)
Change in unrealized investment (losses) gains, net of taxes	(35,596)	38,273	(102,454)	98,016
Other comprehensive (loss) income	(68,418)	78,467	(128,689)	61,463
Comprehensive income	198,900	230,833	608,023	281,958
Noncontrolling interests	(6,021)	(685)	(8,651)	(1,973)
Comprehensive income to common stockholders	<u>\$ 192,879</u>	<u>\$ 230,148</u>	<u>\$ 599,372</u>	<u>\$ 279,985</u>

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
COMMON STOCK:				
Beginning and end of period	\$ 70,535	\$ 70,535	\$ 70,535	\$ 70,535
ADDITIONAL PAID-IN CAPITAL:				
Beginning of period	\$ 1,035,166	\$ 1,076,043	\$ 1,012,482	\$ 1,056,042
Restricted stock units issued	(28,741)	(23,387)	(28,668)	(26,773)
Restricted stock units expensed	11,875	12,063	34,486	35,450
End of period	\$ 1,018,300	\$ 1,064,719	\$ 1,018,300	\$ 1,064,719
RETAINED EARNINGS:				
Beginning of period	\$ 8,682,088	\$ 7,927,280	\$ 8,348,381	\$ 7,932,372
Cumulative effect adjustment resulting from changes in accounting principles	—	—	—	(30,514)
Net income to common stockholders	261,297	151,678	728,060	218,520
Dividends (\$0.13, \$0.12, \$0.88 and \$0.35 per share, respectively)	(23,051)	(21,402)	(156,107)	(62,822)
End of period	\$ 8,920,334	\$ 8,057,556	\$ 8,920,334	\$ 8,057,556
ACCUMULATED OTHER COMPREHENSIVE LOSS:				
Unrealized investment gains (losses):				
Beginning of period	\$ 222,855	\$ 209,210	\$ 289,714	\$ 124,514
Cumulative effect adjustment resulting from changes in accounting principles	—	—	—	24,952
Change in unrealized (losses) gains on securities without an allowance for expected credit losses	(35,707)	35,111	(112,852)	77,537
Change in unrealized gains on securities with an allowance for expected credit losses	111	3,159	10,397	20,477
End of period	187,259	247,480	187,259	247,480
Currency translation adjustments:				
Beginning of period	(345,299)	(458,560)	(351,886)	(381,813)
Net change in period	(32,822)	40,194	(26,235)	(36,553)
End of period	(378,121)	(418,366)	(378,121)	(418,366)
Total accumulated other comprehensive loss	\$ (190,862)	\$ (170,886)	\$ (190,862)	\$ (170,886)
TREASURY STOCK:				
Beginning of period	\$ (3,087,069)	\$ (3,023,392)	\$ (3,058,425)	\$ (2,726,711)
Stock exercised/vested	9,946	9,537	10,985	11,758
Stock repurchased	(92,743)	(12,957)	(122,426)	(311,859)
End of period	\$ (3,169,866)	\$ (3,026,812)	\$ (3,169,866)	\$ (3,026,812)
NONCONTROLLING INTERESTS:				
Beginning of period	\$ 9,678	\$ 44,275	\$ 14,995	\$ 43,403
Distributions	(429)	(400)	(8,376)	(816)
Net income	6,021	688	8,652	1,975
Other comprehensive income (loss), net of tax	—	(3)	(1)	(2)
End of period	\$ 15,270	\$ 44,560	\$ 15,270	\$ 44,560

See accompanying notes to interim consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2021	2020
CASH FROM OPERATING ACTIVITIES:		
Net income to common stockholders	\$ 728,060	\$ 218,520
Adjustments to reconcile net income to net cash from operating activities:		
Net investment (gains) losses	(78,404)	60,311
Depreciation and amortization	101,330	96,195
Noncontrolling interests	8,652	1,975
Investment funds	(169,538)	(1,260)
Stock incentive plans	36,486	37,842
Change in:		
Arbitrage trading account	(224,613)	(40,487)
Premiums and fees receivable	(365,092)	(175,636)
Reinsurance accounts	(255,126)	(204,396)
Deferred policy acquisition costs	(108,131)	(43,955)
Income taxes	(81,574)	(56,955)
Reserves for losses and loss expenses	1,164,594	879,277
Unearned premiums	707,658	407,227
Other	60,092	(41,713)
Net cash from operating activities	1,524,394	1,136,945
CASH (USED IN) FROM INVESTING ACTIVITIES:		
Proceeds from sale of fixed maturity securities	1,631,849	3,525,926
Proceeds from sale of equity securities	100,366	66,850
Distributions from investment funds	124,892	83,935
Proceeds from maturities and prepayments of fixed maturity securities	4,672,562	2,876,642
Purchase of fixed maturity securities	(8,442,260)	(6,074,429)
Purchase of equity securities	(340,424)	(77,840)
Real estate sold (purchased)	182,998	(42,405)
Change in loans receivable	(27,764)	1,202
Net purchases of property, furniture and equipment	(53,558)	(31,047)
Change in balances due to security brokers	110,752	36,561
Other	14	65
Net cash (used in) from investing activities	(2,040,573)	365,460
CASH FROM FINANCING ACTIVITIES:		
Repayment of senior notes and other debt	(503,914)	(302,453)
Net proceeds from issuance of debt	1,032,404	747,399
Cash dividends to common stockholders	(156,107)	(62,822)
Purchase of common treasury shares	(122,426)	(311,859)
Other, net	(27,941)	(18,465)
Net cash from financing activities	222,016	51,800
Net impact on cash due to change in foreign exchange rates	(9,174)	(6,468)
Net change in cash and cash equivalents	(303,337)	1,547,737
Cash and cash equivalents at beginning of period	2,372,366	1,023,710
Cash and cash equivalents at end of period	\$ 2,069,029	\$ 2,571,447

See accompanying notes to interim consolidated financial statements.

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

(1) General

The unaudited consolidated financial statements, which include the accounts of W. R. Berkley Corporation and its subsidiaries (the “Company”), have been prepared on the basis of U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all the information and notes required by GAAP for annual financial statements. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly the Company’s financial position and results of operations on a basis consistent with the prior audited consolidated financial statements. Operating results for interim periods are not necessarily indicative of the results that may be expected for the year. All significant intercompany accounts and transactions have been eliminated. Reclassifications have been made in the 2020 financial statements as originally reported to conform to the presentation of the 2021 financial statements. 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 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, 2020.

The income tax provision has been computed based on the Company’s estimated annual effective tax rate. The effective income tax rate differs from the federal income tax rate of 21% principally because of tax-exempt investment income and tax benefits related to equity-based compensation, which was partially offset by state and foreign income taxes.

(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 7,767,874 and 7,575,168 common shares held in a grantor trust as of September 30, 2021 and 2020, 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:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Basic	185,031	185,765	185,127	187,338
Diluted	186,742	187,717	187,060	189,515

(3) Recent Accounting Pronouncements and Accounting Policies

Recently adopted accounting pronouncements:

All accounting and reporting standards that have become effective in 2021 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:

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

(4) Consolidated Statements of Comprehensive 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 nine months ended September 30, 2021			
Changes in AOCI			
Beginning of period	\$ 289,714	\$ (351,886)	\$ (62,172)
Other comprehensive (loss) income before reclassifications	(120,695)	(26,235)	(146,930)
Amounts reclassified from AOCI	18,241	—	18,241
Other comprehensive (loss) income	(102,454)	(26,235)	(128,689)
Unrealized investment gain related to noncontrolling interest	(1)	—	(1)
End of period	<u>\$ 187,259</u>	<u>\$ (378,121)</u>	<u>\$ (190,862)</u>
Amounts reclassified from AOCI			
Pre-tax	\$ 23,091 (1)	\$ —	\$ 23,091
Tax effect	(4,850) (2)	—	(4,850)
After-tax amounts reclassified	<u>\$ 18,241</u>	<u>\$ —</u>	<u>\$ 18,241</u>
Other comprehensive (loss) income			
Pre-tax	\$ (130,201)	\$ (26,235)	\$ (156,436)
Tax effect	27,747	—	27,747
Other comprehensive (loss) income	<u>\$ (102,454)</u>	<u>\$ (26,235)</u>	<u>\$ (128,689)</u>
As of and for the three months ended September 30, 2021			
Changes in AOCI			
Beginning of period	\$ 222,855	\$ (345,299)	\$ (122,444)
Other comprehensive (loss) income before reclassifications	(36,249)	(32,822)	(69,071)
Amounts reclassified from AOCI	653	—	653
Other comprehensive (loss) income	(35,596)	(32,822)	(68,418)
Unrealized investment gain related to noncontrolling interest	—	—	—
Ending balance	<u>\$ 187,259</u>	<u>\$ (378,121)</u>	<u>\$ (190,862)</u>
Amounts reclassified from AOCI			
Pre-tax	\$ 827 (1)	\$ —	\$ 827
Tax effect	(174) (2)	—	(174)
After-tax amounts reclassified	<u>\$ 653</u>	<u>\$ —</u>	<u>\$ 653</u>
Other comprehensive (loss) income			
Pre-tax	\$ (45,270)	\$ (32,822)	\$ (78,092)
Tax effect	9,674	—	9,674
Other comprehensive (loss) income	<u>\$ (35,596)</u>	<u>\$ (32,822)</u>	<u>\$ (68,418)</u>

As of and for the nine months ended September 30, 2020
Changes in AOCI

Beginning of period	\$	124,514	\$	(381,813)	\$	(257,299)
Cumulative effect adjustment resulting from changes in accounting principles		24,952		—		24,952
Restated beginning of period		149,466		(381,813)		(232,347)
Other comprehensive income (loss) before reclassifications		76,474		(36,553)		39,921
Amounts reclassified from AOCI		21,542		—		21,542
Other comprehensive income (loss)		98,016		(36,553)		61,463
Unrealized investment gain related to noncontrolling interest		(2)		—		(2)
End of period	\$	247,480	\$	(418,366)	\$	(170,886)
Amounts reclassified from AOCI						
Pre-tax	\$	27,268 (1)	\$	—	\$	27,268
Tax effect		(5,726) (2)		—		(5,726)
After-tax amounts reclassified	\$	21,542	\$	—	\$	21,542
Other comprehensive income (loss)						
Pre-tax	\$	111,756	\$	(36,553)	\$	75,203
Tax effect		(13,740)		—		(13,740)
Other comprehensive income (loss)	\$	98,016	\$	(36,553)	\$	61,463

As of and for the three months ended September 30, 2020
Changes in AOCI

Beginning of period	\$	209,210	\$	(458,560)	\$	(249,350)
Other comprehensive income (loss) before reclassifications		39,488		40,194		79,682
Amounts reclassified from AOCI		(1,215)		—		(1,215)
Other comprehensive income (loss)		38,273		40,194		78,467
Unrealized investment gain related to noncontrolling interest		(3)		—		(3)
Ending balance	\$	247,480	\$	(418,366)	\$	(170,886)
Amounts reclassified from AOCI						
Pre-tax	\$	(1,538) (1)	\$	—	\$	(1,538)
Tax effect		323 (2)		—		323
After-tax amounts reclassified	\$	(1,215)	\$	—	\$	(1,215)
Other comprehensive income (loss)						
Pre-tax	\$	48,980	\$	40,194	\$	89,174
Tax effect		(10,707)		—		(10,707)
Other comprehensive income (loss)	\$	38,273	\$	40,194	\$	78,467

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

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

(5) Statements of Cash Flows

Interest payments were \$119,381,000 and \$126,932,000 for the nine months ended September 30, 2021 and 2020, respectively. Income taxes were \$244,029,000 and \$96,000,000 for the nine months ended September 30, 2021 and 2020, respectively.

(6) Investments in Fixed Maturity Securities

At September 30, 2021 and December 31, 2020, investments in fixed maturity securities were as follows:

(In thousands)	Amortized Cost	Allowance for Expected Credit Losses (1)	Gross Unrealized		Fair Value	Carrying Value
			Gains	Losses		
September 30, 2021						
Held to maturity:						
State and municipal	\$ 68,920	\$ (396)	\$ 10,548	\$ —	\$ 79,072	\$ 68,524
Residential mortgage-backed	5,250	—	774	—	6,024	5,250
Total held to maturity	74,170	(396)	11,322	—	85,096	73,774
Available for sale:						
U.S. government and government agency	506,703	—	12,137	(507)	518,333	518,333
State and municipal:						
Special revenue	2,019,757	—	74,682	(2,967)	2,091,472	2,091,472
State general obligation	376,534	—	26,967	(629)	402,872	402,872
Pre-refunded	209,547	—	16,933	(917)	225,563	225,563
Corporate backed	170,962	—	8,271	(1,317)	177,916	177,916
Local general obligation	400,760	—	31,267	(505)	431,522	431,522
Total state and municipal	3,177,560	—	158,120	(6,335)	3,329,345	3,329,345
Mortgage-backed:						
Residential	835,729	—	14,156	(7,185)	842,700	842,700
Commercial	125,768	—	4,979	(110)	130,637	130,637
Total mortgage-backed	961,497	—	19,135	(7,295)	973,337	973,337
Asset-backed	4,660,976	—	8,780	(14,201)	4,655,555	4,655,555
Corporate:						
Industrial	3,057,258	(12)	85,049	(9,933)	3,132,362	3,132,362
Financial	1,657,059	—	44,534	(1,753)	1,699,840	1,699,840
Utilities	402,952	—	17,228	(1,327)	418,853	418,853
Other	173,504	—	154	(649)	173,009	173,009
Total corporate	5,290,773	(12)	146,965	(13,662)	5,424,064	5,424,064
Foreign government	1,137,349	(16,875)	12,864	(34,611)	1,098,727	1,098,727
Total available for sale	15,734,858	(16,887)	358,001	(76,611)	15,999,361	15,999,361
Total investments in fixed maturity securities	\$ 15,809,028	\$ (17,283)	\$ 369,323	\$ (76,611)	\$ 16,084,457	\$ 16,073,135

(1) Represents the amount of impairment that has resulted from credit-related factors. The change in the allowance for expected credit losses is recognized in the consolidated statements of income. Amount excludes unrealized losses relating to non-credit factors.

(In thousands)	Amortized Cost	Allowance for Expected Credit Losses (1)	Gross Unrealized		Fair Value	Carrying Value
			Gains	Losses		
December 31, 2020						
Held to maturity:						
State and municipal	\$ 67,117	\$ (798)	\$ 13,217	\$ —	\$ 79,536	\$ 66,319
Residential mortgage-backed	6,455	—	1,043	—	7,498	6,455
Total held to maturity	73,572	(798)	14,260	—	87,034	72,774
Available for sale:						
U.S. government and government agency	586,020	—	18,198	(347)	603,871	603,871
State and municipal:						
Special revenue	2,137,162	—	96,924	(714)	2,233,372	2,233,372
State general obligation	417,397	—	33,407	—	450,804	450,804
Pre-refunded	250,081	—	21,472	(162)	271,391	271,391
Corporate backed	206,356	—	8,755	(638)	214,473	214,473
Local general obligation	410,583	—	40,596	(555)	450,624	450,624
Total state and municipal	3,421,579	—	201,154	(2,069)	3,620,664	3,620,664
Mortgage-backed:						
Residential	813,187	—	24,664	(5,238)	832,613	832,613
Commercial	181,105	—	6,725	(113)	187,717	187,717
Total mortgage-backed securities	994,292	—	31,389	(5,351)	1,020,330	1,020,330
Asset-backed	3,218,048	—	10,035	(33,497)	3,194,586	3,194,586
Corporate:						
Industrial	2,456,516	(518)	115,926	(7,449)	2,564,475	2,564,475
Financial	1,513,943	—	62,947	(987)	1,575,903	1,575,903
Utilities	389,267	—	31,931	(33)	421,165	421,165
Other	109,353	—	696	(11)	110,038	110,038
Total corporate	4,469,079	(518)	211,500	(8,480)	4,671,581	4,671,581
Foreign government	993,268	(1,264)	28,007	(44,448)	975,563	975,563
Total available for sale	13,682,286	(1,782)	500,283	(94,192)	14,086,595	14,086,595
Total investments in fixed maturity securities	\$ 13,755,858	\$ (2,580)	\$ 514,543	\$ (94,192)	\$ 14,173,629	\$ 14,159,369

(1) Represents the amount of impairment that has resulted from credit-related factors. The change in the allowance for expected credit losses, excluding the cumulative effect adjustment resulting from changes in accounting principles, is recognized in the consolidated statements of income. Amount excludes unrealized losses relating to non-credit factors.

The following table presents the rollforward of the allowance for expected credit losses for state and municipal held to maturity securities for the nine months ended September 30, 2021 and 2020:

(In thousands)	2021	2020
Allowance for expected credit losses, beginning of period	\$ 798	\$ —
Cumulative effect adjustment resulting from changes in accounting principles	—	69
Provision for expected credit losses	(402)	802
Allowance for expected credit losses, end of period	\$ 396	\$ 871

The following table presents the rollforward of the allowance for expected credit losses for state and municipal held to maturity securities for the three months ended September 30, 2021 and 2020:

(In thousands)	2021	2020
Allowance for expected credit losses, beginning of period	\$ 453	\$ 948
Provision for expected credit losses	(57)	(77)
Allowance for expected credit losses, end of period	\$ 396	\$ 871

The following table presents the rollforward of the allowance for expected credit losses for available for sale securities for the nine months ended September 30, 2021 and 2020:

(In thousands)	2021			2020		
	Foreign Government	Corporate	Total	Foreign Government	Corporate	Total
Allowance for expected credit losses, beginning of period	\$ 1,264	\$ 518	\$ 1,782	\$ —	\$ —	\$ —
Cumulative effect adjustment resulting from changes in accounting principles	—	—	—	35,645	—	35,645
Expected credit losses on securities for which credit losses were not previously recorded	19,072	16	19,088	12,494	7,058	19,552
Expected credit losses on securities for which credit losses were previously recorded	(2,967)	(517)	(3,484)	295	(3,767)	(3,472)
Reduction due to disposals	(494)	(5)	(499)	(47,344)	(2,685)	(50,029)
Allowance for expected credit losses, end of period	\$ 16,875	\$ 12	\$ 16,887	\$ 1,090	\$ 606	\$ 1,696

The following table presents the rollforward of the allowance for expected credit losses for available for sale securities for the three months ended September 30, 2021 and 2020:

(In thousands)	2021			2020		
	Foreign Government	Corporate	Total	Foreign Government	Corporate	Total
Allowance for expected credit losses, beginning of period	\$ 18,899	\$ 12	\$ 18,911	\$ 44,769	\$ 724	\$ 45,493
Expected credit losses on securities for which credit losses were not previously recorded	82	—	82	—	261	261
Expected credit losses on securities for which credit losses were previously recorded	(2,106)	—	(2,106)	(252)	(9)	(261)
Reduction due to disposals	—	—	—	(43,427)	(370)	(43,797)
Allowance for expected credit losses, end of period	\$ 16,875	\$ 12	\$ 16,887	\$ 1,090	\$ 606	\$ 1,696

During the nine months ended September 30, 2021, the Company increased the allowance for expected credit losses for available for sale securities utilizing its credit loss assessment process and inputs used in its credit loss model, primarily due to foreign government securities that had no reserve in prior periods. During the nine months ended September 30, 2020, the Company decreased the allowance for expected credit losses for available for sale securities primarily due to the disposition of securities which previously had an allowance recorded.

The amortized cost and fair value of fixed maturity securities at September 30, 2021, 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 (1)	Fair Value
Due in one year or less	\$ 1,620,333	\$ 1,622,938
Due after one year through five years	6,835,525	6,974,341
Due after five years through ten years	4,183,230	4,263,746
Due after ten years	2,202,797	2,244,071
Mortgage-backed securities	966,747	979,361
Total	<u>\$ 15,808,632</u>	<u>\$ 16,084,457</u>

(1) Amortized cost is reduced by the allowance for expected credit losses of \$396 thousand related to held to maturity securities.

At September 30, 2021 and December 31, 2020, 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 September 30, 2021 and December 31, 2020, investments in equity securities were as follows:

(In thousands)	Cost	Gross Unrealized		Fair Value	Carrying Value
		Gains	Losses		
September 30, 2021					
Common stocks	\$ 549,015	\$ 73,087	\$ (12,163)	\$ 609,939	\$ 609,939
Preferred stocks	221,887	8,702	(21,790)	208,799	208,799
Total	<u>\$ 770,902</u>	<u>\$ 81,789</u>	<u>\$ (33,953)</u>	<u>\$ 818,738</u>	<u>\$ 818,738</u>
December 31, 2020					
Common stocks	\$ 335,617	\$ 28,742	\$ (14,178)	\$ 350,181	\$ 350,181
Preferred stocks	180,397	95,581	(492)	275,486	275,486
Total	<u>\$ 516,014</u>	<u>\$ 124,323</u>	<u>\$ (14,670)</u>	<u>\$ 625,667</u>	<u>\$ 625,667</u>

(8) Arbitrage Trading Account

At September 30, 2021 and December 31, 2020, the fair and carrying values of the arbitrage trading account were \$860 million and \$341 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 and call options in order to mitigate the impact of potential changes in market conditions on the merger arbitrage trading account. These options are reported at fair value. As of September 30, 2021, the fair value of short option contracts outstanding was \$(273) thousand (notional amount of \$11.3 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 consisted of the following:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Investment income earned on:				
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 93,031	\$ 97,080	\$ 284,704	\$ 330,941
Investment funds	69,292	18,235	169,538	1,260
Arbitrage trading account	7,187	19,543	30,176	51,985
Equity securities	8,462	1,907	21,854	6,194
Real estate	3,485	7,666	5,517	18,807
Gross investment income	181,457	144,430	511,789	409,187
Investment expense	(1,606)	(1,780)	(5,174)	(6,343)
Net investment income	\$ 179,851	\$ 142,650	\$ 506,615	\$ 402,844

(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 \$458 million as of September 30, 2021.

Investment funds consisted of the following:

(In thousands)	Carrying Value as of		Income (Loss) from Investment Funds	
	September 30,	December 31,	For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Financial services	408,630	\$ 434,437	\$ 83,455	\$ 3,303
Transportation	340,721	190,125	31,805	(3,521)
Real Estate	263,079	310,783	18,497	2,140
Energy	150,414	140,935	14,065	(13,689)
Other funds	238,088	233,150	21,716	13,027
Total	\$ 1,400,932	\$ 1,309,430	\$ 169,538	\$ 1,260

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

Financial services investment funds include the Company's minority investment in Lifson Re, a Bermuda reinsurance company. Effective January 1, 2021, Lifson Re participates on a fully collateralized basis in a majority of the Company's reinsurance placements for a 22.5% share of placed amounts. This pertains to all traditional reinsurance/retrocessional placements for both property and casualty business where there is more than one open market reinsurer participating. For the nine months ended September 30, 2021, the Company has ceded approximately \$182 million of written premiums to Lifson Re.

(11) Real Estate

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

(In thousands)	Carrying Value	
	September 30, 2021	December 31, 2020
Properties in operation	\$ 1,617,524	\$ 1,738,144
Properties under development	224,876	222,770
Total	<u>\$ 1,842,400</u>	<u>\$ 1,960,914</u>

As of September 30, 2021, properties in operation included a long-term ground lease in Washington, D.C., an office complex in New York City, an office building in London, U.K., and the completed portion of a mixed-use project in Washington D.C. Properties in operation are net of accumulated depreciation and amortization of \$68,026,000 and \$86,970,000 as of September 30, 2021 and December 31, 2020, respectively. Related depreciation expense was \$14,412,000 and \$19,818,000 for the nine months ended September 30, 2021 and 2020, respectively. Future minimum rental income expected on operating leases relating to properties in operation is \$14,397,620 in 2021, \$59,304,963 in 2022, \$53,608,253 in 2023, \$52,738,386 in 2024, \$50,218,665 in 2025, \$47,171,116 in 2026 and \$596,395,513 thereafter.

During the second quarter of 2021, the Company sold two office buildings in Palm Beach and West Palm Beach, Florida. One of these sales also resulted in a \$102 million reduction of the Company's non-recourse debt that was supporting the property.

A mixed-use project in Washington, D.C. has been under development in 2021 and 2020, with the completed portion reported in properties in operation as of September 30, 2021.

(12) Loans Receivable

At September 30, 2021 and December 31, 2020, loans receivable were as follows:

(In thousands)	September 30, 2021	December 31, 2020
Amortized cost (net of allowance for expected credit losses):		
Real estate loans	\$ 89,635	\$ 51,910
Commercial loans	25,860	33,003
Total	<u>\$ 115,495</u>	<u>\$ 84,913</u>
Fair value:		
Real estate loans	\$ 91,064	\$ 53,593
Commercial loans	25,859	33,003
Total	<u>\$ 116,923</u>	<u>\$ 86,596</u>

The real estate loans are secured by commercial and residential real estate primarily located in New York. These loans generally earn interest at fixed or stepped interest rates and have maturities through 2026. 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.

Loans receivable in non-accrual status were both \$0.2 million as of September 30, 2021 and December 31, 2020.

The following table presents the rollforward of the allowance for expected credit losses for loans receivable for the nine months ended September 30, 2021 and 2020:

(In thousands)	2021			2020		
	Real Estate Loans	Commercial Loans	Total	Real Estate Loans	Commercial Loans	Total
Allowance for expected credit losses, beginning of period	\$ 1,683	\$ 3,754	\$ 5,437	\$ 1,502	\$ 644	\$ 2,146
Cumulative effect adjustment resulting from changes in accounting principles	—	—	—	(905)	548	(357)
Provision for expected credit losses	(254)	(3,446)	(3,700)	1,162	2,892	4,054
Allowance for expected credit losses, end of period	<u>\$ 1,429</u>	<u>\$ 308</u>	<u>\$ 1,737</u>	<u>\$ 1,759</u>	<u>\$ 4,084</u>	<u>\$ 5,843</u>

During the nine months ended September 30, 2021, the Company reduced the allowance primarily due to the disposal of certain loans.

The following table presents the rollforward of the allowance for expected credit losses for loans receivable for the three months ended September 30, 2021 and 2020:

(In thousands)	2021			2020		
	Real Estate Loans	Commercial Loans	Total	Real Estate Loans	Commercial Loans	Total
Allowance for expected credit losses, beginning of period	\$ 1,501	\$ 469	\$ 1,970	\$ 4,318	\$ 4,401	\$ 8,719
Provision for expected credit losses	(72)	(161)	(233)	(2,559)	(317)	(2,876)
Allowance for expected credit losses, end of period	<u>\$ 1,429</u>	<u>\$ 308</u>	<u>\$ 1,737</u>	<u>\$ 1,759</u>	<u>\$ 4,084</u>	<u>\$ 5,843</u>

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.

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.

(13) Net Investment Gains (Losses)

Net investment gains (losses) were as follows:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Net investment gains (losses):				
Fixed maturity securities:				
Gains	\$ 2,943	\$ 3,811	\$ 16,623	\$ 23,586
Losses	(1,124)	(39,162)	(5,431)	(53,243)
Equity securities (1):				
Net realized gains on investment sales	2	(176)	14,830	5,551
Change in unrealized (losses) gains	(19,244)	30,693	(61,818)	(61,859)
Investment funds	2,526	203	49,897	31,299
Real estate	33,364	3,841	95,765	(3,983)
Loans receivable	—	—	(881)	—
Other	(1,280)	(6,982)	(19,578)	(30,755)
Net realized and unrealized gains (losses) on investments in earnings before allowance for expected credit losses	17,187	(7,772)	89,407	(89,404)
Change in allowance for expected credit losses on investments:				
Fixed maturity securities	2,081	43,874	(14,703)	33,147
Loans receivable	233	2,876	3,700	(4,054)
Change in allowance for expected credit losses on investments	2,314	46,750	(11,003)	29,093
Net investment gains (losses)	19,501	38,978	78,404	(60,311)
Income tax expense	(4,266)	(8,855)	(15,417)	13,622
After-tax net investment gains (losses)	\$ 15,235	\$ 30,123	\$ 62,987	\$ (46,689)
Change in unrealized investment (losses) gains on available for sale securities:				
Fixed maturity securities without allowance for expected credit losses	\$ (41,041)	\$ 46,164	\$ (135,099)	\$ 89,363
Fixed maturity securities with allowance for expected credit losses	111	5,036	10,397	30,027
Investment funds	(4,098)	(198)	(4,355)	(3,632)
Other	(242)	(2,022)	(1,144)	(4,002)
Total change in unrealized investment (losses) gains	(45,270)	48,980	(130,201)	111,756
Income tax benefit (expense)	9,674	(10,707)	27,747	(13,740)
Noncontrolling interests	—	(3)	(1)	(2)
After-tax change in unrealized investment (losses) gains of available for sale securities	\$ (35,596)	\$ 38,270	\$ (102,455)	\$ 98,014

(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 (losses) 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.

(14) Fixed Maturity Securities in an Unrealized Loss Position

The following tables summarize all fixed maturity securities in an unrealized loss position at September 30, 2021 and December 31, 2020 by the length of time those securities have been continuously in an unrealized loss position:

(In thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
September 30, 2021						
U.S. government and government agency	\$ 61,386	\$ 394	\$ 17,342	\$ 113	\$ 78,728	\$ 507
State and municipal	353,630	4,345	28,562	1,990	382,192	6,335
Mortgage-backed	318,897	4,502	84,883	2,793	403,780	7,295
Asset-backed	3,373,100	12,389	105,823	1,812	3,478,923	14,201
Corporate	1,465,027	11,044	54,678	2,618	1,519,705	13,662
Foreign government	371,164	7,249	47,331	27,362	418,495	34,611
Fixed maturity securities	<u>\$ 5,943,204</u>	<u>\$ 39,923</u>	<u>\$ 338,619</u>	<u>\$ 36,688</u>	<u>\$ 6,281,823</u>	<u>\$ 76,611</u>
December 31, 2020						
U.S. government and government agency	\$ 47,649	\$ 347	\$ 17	\$ —	\$ 47,666	\$ 347
State and municipal	147,754	1,165	20,528	904	168,282	2,069
Mortgage-backed	212,388	5,121	23,943	230	236,331	5,351
Asset-backed	1,389,133	6,563	656,877	26,934	2,046,010	33,497
Corporate	612,177	6,721	39,985	1,759	652,162	8,480
Foreign government	143,729	22,871	6,218	21,577	149,947	44,448
Fixed maturity securities	<u>\$ 2,552,830</u>	<u>\$ 42,788</u>	<u>\$ 747,568</u>	<u>\$ 51,404</u>	<u>\$ 3,300,398</u>	<u>\$ 94,192</u>

Substantially all of the securities in an unrealized loss position are rated investment grade, except for the securities in the foreign government classification. A significant amount of the unrealized loss on foreign government securities is the result of changes in currency exchange rates.

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at September 30, 2021 is presented in the table below:

(\$ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Foreign government	31	\$ 119,141	\$ 32,048
Corporate	13	49,623	1,879
State and municipal	2	39,693	335
Mortgage-backed	4	249	16
Asset-backed	1	94	3
Total	<u>51</u>	<u>\$ 208,800</u>	<u>\$ 34,281</u>

For 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.

(15) Fair Value Measurements

The Company's fixed maturity available for sale securities, equity securities and its arbitrage trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels, 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 September 30, 2021 and December 31, 2020 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
September 30, 2021				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 518,333	\$ —	\$ 518,333	\$ —
State and municipal	3,329,345	—	3,329,345	—
Mortgage-backed	973,337	—	973,337	—
Asset-backed	4,655,555	—	4,655,555	—
Corporate	5,424,064	—	5,424,064	—
Foreign government	1,098,727	—	1,098,727	—
Total fixed maturity securities available for sale	15,999,361	—	15,999,361	—
Equity securities:				
Common stocks	609,939	600,672	—	9,267
Preferred stocks	208,799	—	199,466	9,333
Total equity securities	818,738	600,672	199,466	18,600
Arbitrage trading account	860,339	837,237	23,102	—
Total	\$ 17,678,438	\$ 1,437,909	\$ 16,221,929	\$ 18,600
Liabilities:				
Trading account securities sold but not yet purchased	\$ 739	\$ 739	\$ —	\$ —
December 31, 2020				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 603,871	\$ —	\$ 603,871	\$ —
State and municipal	3,620,664	—	3,620,664	—
Mortgage-backed	1,020,330	—	1,020,330	—
Asset-backed	3,194,586	—	3,194,586	—
Corporate	4,671,581	—	4,670,581	1,000
Foreign government	975,563	—	975,563	—
Total fixed maturity securities available for sale	14,086,595	—	14,085,595	1,000
Equity securities:				
Common stocks	350,181	340,966	—	9,215
Preferred stocks	275,486	—	266,155	9,331
Total equity securities	625,667	340,966	266,155	18,546
Arbitrage trading account	341,473	298,359	43,114	—
Total	\$ 15,053,735	\$ 639,325	\$ 14,394,864	\$ 19,546
Liabilities:				
Trading account securities sold but not yet purchased	\$ 10,048	\$ 10,048	\$ —	\$ —

The following tables summarize changes in Level 3 assets and liabilities for the nine months ended September 30, 2021 and for the year ended December 31, 2020:

Gains (Losses) Included in:

(In thousands)	Beginning Balance	Earnings (Losses)	Other Comprehensive Income	Impairments	Purchases	(Sales)	Paydowns / Maturities	Transfers In / (Out)	Ending Balance
Nine Months Ended September 30, 2021									
Assets:									
Fixed maturities securities available for sale:									
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ (1,000)	\$ —	\$ —	\$ —
Total	1,000	—	—	—	—	(1,000)	—	—	—
Equity securities:									
Common stocks	\$ 9,215	\$ 613	\$ —	\$ —	\$ —	\$ (561)	\$ —	\$ —	\$ 9,267
Preferred stocks	9,331	2	—	—	—	—	—	—	9,333
Total	18,546	615	—	—	—	(561)	—	—	18,600
Arbitrage trading account	—	8	—	—	—	(8)	—	—	—
Total	\$ 19,546	\$ 623	\$ —	\$ —	\$ —	\$ (1,569)	\$ —	\$ —	\$ 18,600
Year Ended December 31, 2020									
Assets:									
Fixed maturities securities available for sale:									
Asset-backed securities	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Corporate	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,000	\$ 1,000
Total	—	—	—	—	—	—	—	1,000	1,000
Equity securities:									
Common stocks	9,053	1,228	—	—	—	(1,066)	—	—	9,215
Preferred stocks	6,505	(174)	—	—	3,000	—	—	—	9,331
Total	15,558	1,054	—	—	3,000	(1,066)	—	—	18,546
Arbitrage trading account	—	19	—	—	—	(19)	—	—	—
Total	\$ 15,558	\$ 1,073	\$ —	\$ —	\$ 3,000	\$ (1,085)	\$ —	\$ 1,000	\$ 19,546

For the nine months ended September 30, 2021, there were no securities transferred into or out of Level 3. For the year ended December 31, 2020, a fixed maturity security was transferred from Level 2 into Level 3 as a result of observable valuation inputs no longer being available.

(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)	September 30,	
	2021	2020
Net reserves at beginning of period	\$ 11,620,393	\$ 10,697,998
Cumulative effect adjustment resulting from changes in accounting principles	—	5,927
Restated net reserves at beginning of period	11,620,393	10,703,925
Net provision for losses and loss expenses:		
Claims occurring during the current year (1)	3,598,969	3,328,827
Increase in estimates for claims occurring in prior years (2) (3)	1,552	849
Loss reserve discount accretion	23,109	27,335
Total	3,623,630	3,357,011
Net payments for claims:		
Current year	547,082	570,924
Prior years	2,161,877	2,077,945
Total	2,708,959	2,648,869
Foreign currency translation	(53,935)	(21,003)
Net reserves at end of period	12,481,129	11,391,064
Ceded reserves at end of period	2,438,447	2,068,295
Gross reserves at end of period	\$ 14,919,576	\$ 13,459,359

(1) Claims occurring during the current year are net of loss reserve discounts of \$16 million and \$8 million for the nine months ended September 30, 2021 and 2020, respectively.

(2) The change 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 \$13 million and \$19 million for the nine months ended September 30, 2021 and 2020, 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 \$5 million and \$12 million for the nine months ended September 30, 2021 and 2020, respectively.

The COVID-19 global pandemic has impacted, and may further impact, the Company's results through its effect on claim frequency and severity. Loss cost trends have been impacted and may be further impacted by COVID-19-related claims in certain lines of business. Losses incurred from COVID-19-related claims have been offset, to a certain extent, by lower claim frequency in certain lines of our businesses; however, as the economy and legal systems have reopened, the benefit of lower claim frequency has begun to abate. Although as populations have continued to be vaccinated against the virus and the effects of the pandemic have receded in many jurisdictions, most particularly the United States, it remains too early to determine the ultimate net impact of COVID-19 on the Company. New variants of the COVID-19 virus, including the "Delta" variant, and the slowing of vaccination rates among certain populations continue to create risks with respect to loss costs and the potential for renewed impact of the other effects of COVID-19 associated with economic conditions, inflation, and social distancing and work from home rules.

Most of the COVID-19-related claims reported to the Company to date involve certain short-tailed lines of business, including contingency and event cancellation, business interruption, and film production delay. The Company has also received COVID-19-related claims for longer-tailed casualty lines of business such as workers' compensation and other liability; however, the estimated incurred loss impact for these reported claims are not material at this time. Given the continuing uncertainty regarding the pandemic's pervasiveness, the future impact that the pandemic may have on claim frequency and severity remains uncertain at this time.

The Company has estimated the potential COVID-19 impact to its contingency and event cancellation, workers' compensation, and other lines of business under a number of possible scenarios; however, due to COVID-19's continued evolving impact, there remains a high degree of uncertainty around the Company's COVID-19 reserves. In addition, should the pandemic continue or worsen as a result of new COVID-19 variants or otherwise, governments in the jurisdictions where we operate may renew their efforts to expand policy coverage terms beyond the policy's intended coverage. Accordingly, losses arising from these actions, and the other factors described above, could exceed the Company's reserves established for those related policies.

As of September 30, 2021, the Company had recognized losses for COVID-19-related claims activity, net of reinsurance, of approximately \$256 million, of which \$220 million relates to the Insurance segment and \$36 million relates to

the Reinsurance & Monoline Excess segment. Such \$256 million of COVID-19-related losses included \$219 million of reported losses and \$37 million of IBNR. For the nine months ended September 30, 2021, the Company recognized current accident year losses for COVID-19-related claims activity, net of reinsurance, of approximately \$46 million, of which \$43 million relates to the Insurance segment and \$3 million relates to the Reinsurance & Monoline Excess segment.

During the nine months ended September 30, 2021, favorable prior year development (net of additional and return premiums) of \$5 million included \$8 million of favorable development for the Insurance segment, partially offset by \$3 million of adverse development for the Reinsurance & Monoline Excess segment.

The overall favorable development for the Insurance segment was primarily attributable to favorable development on the 2020 accident year, partially offset by adverse development on the 2016 through 2019 accident years. The favorable development on the 2020 accident year was largely concentrated in the commercial auto liability and other liability lines of business including commercial multi-peril liability. During 2020 the Company achieved larger rate increases in these lines of business than were contemplated in our budget and in our initial loss ratio selections. The Company also experienced significantly lower reported claim frequency in these lines in 2020 relative to historical averages, and lower reported incurred losses relative to our expectations. We believe that the lower claim frequency and lower reported incurred losses were caused by the impacts of the COVID-19 pandemic, for example, lockdowns, reduced driving and traffic, work from home, and court closures. However, due to the uncertainty regarding the ultimate impacts of the pandemic on accident year 2020 incurred losses, the Company elected not to react to these lower reported trends during 2020. As more information becomes available and the 2020 accident year continues to mature, during 2021 we have started to recognize favorable accident year 2020 development in response to the continuing favorable reported loss experience relative to our expectations. The adverse development on the 2016 through 2019 accident years is concentrated largely in the other liability line of business including commercial multi-peril liability, but is also seen to a lesser extent in commercial auto liability. The adverse development on these years is driven by a higher than expected number of large losses reported, and particularly impacted the directors and officers liability and excess and surplus lines casualty classes of business. We also believe that increased social inflation is contributing to the increased number of large losses.

The overall adverse development for the Reinsurance & Monoline Excess segment was driven by adverse development in the other liability and non-proportional reinsurance assumed liability lines of business, related primarily to accident years 2017 through 2019, partially offset by favorable development in excess workers' compensation which was spread across many prior accident years. The adverse development was driven by higher than expected reported losses on excess of loss treaties written in the U.S. and U.K.

During the nine months ended September 30, 2020, favorable prior year development (net of additional and return premiums) of \$12 million included \$19 million of favorable development for the Insurance segment, partially offset by \$7 million of adverse development for the Reinsurance & Monoline Excess segment.

The overall favorable development for the Insurance segment was primarily attributable to favorable development on workers' compensation business, partially offset by adverse development on professional liability business. The favorable workers' compensation development was spread across many prior accident years, including prior to 2010, but was especially significant in accident year 2019. The favorable workers' compensation development reflects a continuation of the benign loss cost trends experienced during recent years, particularly the favorable claim frequency trends. Our ongoing workers' compensation claims management efforts, including active medical case management and use of networks and specialty vendors to control medical and pharmaceutical benefit costs, have also added to the favorable workers' compensation prior year development. The adverse professional liability development was mainly concentrated in accident years 2016 through 2018 and was largely driven by higher than expected large losses being reported in the directors and officers and lawyers professional liability lines of business.

The adverse development for the Reinsurance & Monoline Excess segment was mainly driven by non-proportional reinsurance assumed liability business written in the U.K. for accident years 2016 through 2018, partially offset by favorable development on excess workers' compensation business. The adverse development was driven by a greater than expected number of reported large losses.

(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)	September 30, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	\$ 16,073,135	\$ 16,084,457	\$ 14,159,369	\$ 14,173,629
Equity securities	818,738	818,738	625,667	625,667
Arbitrage trading account	860,339	860,339	341,473	341,473
Loans receivable	115,495	116,923	84,913	86,596
Cash and cash equivalents	2,069,029	2,069,029	2,372,366	2,372,366
Trading account receivables from brokers and clearing organizations	221,165	221,165	524,727	524,727
Due from broker	—	—	2,585	2,585
Liabilities:				
Due to broker	107,435	107,435	—	—
Trading account securities sold but not yet purchased	739	739	10,048	10,048
Senior notes and other debt	2,258,646	2,502,912	1,623,025	1,892,444
Subordinated debentures	1,007,472	1,104,166	1,102,309	1,202,842

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. 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) Premiums and Reinsurance Related Information

The following is a summary of insurance and reinsurance financial information:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Written premiums:				
Direct	\$ 2,490,875	\$ 2,018,530	\$ 7,063,151	\$ 5,875,379
Assumed	296,623	244,015	870,295	750,784
Ceded	(462,360)	(383,229)	(1,346,089)	(1,161,183)
Total net premiums written	<u>\$ 2,325,138</u>	<u>\$ 1,879,316</u>	<u>\$ 6,587,357</u>	<u>\$ 5,464,980</u>
Earned premiums:				
Direct	\$ 2,276,173	\$ 1,877,234	\$ 6,430,957	\$ 5,511,791
Assumed	273,808	237,815	792,515	699,025
Ceded	(468,963)	(366,128)	(1,320,874)	(1,093,563)
Total net premiums earned	<u>\$ 2,081,018</u>	<u>\$ 1,748,921</u>	<u>\$ 5,902,598</u>	<u>\$ 5,117,253</u>
Ceded losses and loss expenses incurred	<u>\$ 318,283</u>	<u>\$ 209,706</u>	<u>\$ 872,186</u>	<u>\$ 677,761</u>
Ceded commissions earned	<u>\$ 113,523</u>	<u>\$ 89,104</u>	<u>\$ 322,037</u>	<u>\$ 255,742</u>

The following table presents the rollforward of the allowance for expected credit losses for premiums and fees receivable for the nine months ended September 30, 2021 and 2020:

(In thousands)	2021	2020
Allowance for expected credit losses, beginning of period	\$ 22,883	\$ 19,823
Cumulative effect adjustment resulting from changes in accounting principles	—	1,270
Provision for expected credit losses	793	1,940
Allowance for expected credit losses, end of period	<u>\$ 23,676</u>	<u>\$ 23,033</u>

The following table presents the rollforward of the allowance for expected credit losses for premiums and fees receivable for the three months ended September 30, 2021 and 2020:

(In thousands)	2021	2020
Allowance for expected credit losses, beginning of period	\$ 24,808	\$ 22,106
Provision for expected credit losses	(1,132)	927
Allowance for expected credit losses, end of period	<u>\$ 23,676</u>	<u>\$ 23,033</u>

The Company reinsures a portion of its insurance exposures in order to reduce its net liability on individual risks and catastrophe losses. The Company also cedes premiums to state assigned risk plans and captive insurance companies. Estimated amounts due from reinsurers are reported net of an allowance for expected credit losses.

The following table presents the rollforward of the allowance for expected credit losses associated with due from reinsurers for the nine months ended September 30, 2021 and 2020:

(In thousands)	2021	2020
Allowance for expected credit losses, beginning of period	\$ 7,801	\$ 690
Cumulative effect adjustment resulting from changes in accounting principles	—	5,927
Provision for expected credit losses	(524)	1,124
Allowance for expected credit losses, end of period	<u>\$ 7,277</u>	<u>\$ 7,741</u>

The following table presents the rollforward of the allowance for expected credit losses associated with due from reinsurers for the three months ended September 30, 2021 and 2020:

(In thousands)	2021	2020
Allowance for expected credit losses, beginning of period	\$ 7,283	\$ 7,175
Provision for expected credit losses	(6)	566
Allowance for expected credit losses, end of period	<u>\$ 7,277</u>	<u>\$ 7,741</u>

(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 \$34 million and \$35 million for the nine months ended September 30, 2021 and 2020 respectively. A summary of RSUs issued in the nine months ended September 30, 2021 and 2020 follows:

(\$ in thousands)	Units	Fair Value
2021	847,119	\$ 62,981
2020	953,519	\$ 59,683

(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) Leases

Lessees are required to recognize a right-of-use asset and a lease liability for leases with terms of more than 12 months on the balance sheet. All leases disclosed within this footnote are classified as operating leases. Recognized right-of-use asset and lease liability are reported within other assets and other liabilities, respectively, in the consolidated balance sheet. Lease expense is reported in other operating costs and expenses in the consolidated statement of income and accounted for on a straight-line basis over the lease term.

To determine the discount rate used to calculate present value of future minimum lease payments, the Company uses its incremental borrowing rate during the lease commencement period in line with the respective lease duration. In certain cases, the Company has the option to renew the lease. Lease renewal future payments are included in the present value of the future minimum lease payments when the Company determines it is reasonably certain to renew.

The main leases entered into by the Company are for office space used by the Company's operating units across the world. Additionally, the Company, to a lesser extent, has equipment leases mainly for office equipment. Further information relating to operating lease expense and other operating lease information are as follows:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Leases:				
Lease cost	\$ 11,741	\$ 11,016	\$ 34,434	\$ 33,130
Cash paid for amounts included in the measurement of lease liabilities reported in operating cash flows	\$ 11,212	\$ 11,560	\$ 34,509	\$ 33,869
Right-of-use assets obtained in exchange for new lease liabilities	\$ 31,249	\$ 1,344	\$ 31,098	\$ 5,639

(\$ in thousands)	As of September 30,	
	2021	2020
Right-of-use assets	\$ 170,729	\$ 172,473
Lease liabilities	\$ 207,636	\$ 211,808
Weighted-average remaining lease term	7.3 years	6.7 years
Weighted-average discount rate	4.96 %	5.93 %

Contractual maturities of the Company's future minimum lease payments are as follows:

(In thousands)	September 30, 2021
Contractual Maturities:	
2021	\$ 11,387
2022	42,708
2023	41,574
2024	35,935
2025	26,941
Thereafter	86,940
Total undiscounted future minimum lease payments	245,485
Less: Discount impact	(37,849)
Total lease liability	\$ 207,636

(22) 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 & Monoline Excess - 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, as well as operations that solely retain risk on an excess basis.

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					Net Income (Loss) to Common Stockholders
(In thousands)	Earned Premiums (1)	Investment Income	Other	Total (2)	Pre-Tax Income (Loss)	
Three months ended September 30, 2021						
Insurance	\$ 1,819,071	\$ 118,770	\$ 7,289	\$ 1,945,130	\$ 314,000	\$ 252,333
Reinsurance & Monoline Excess	261,947	48,504	—	310,451	52,742	41,964
Corporate, other and eliminations (3)	—	12,577	136,624	149,201	(53,962)	(48,235)
Net investment gains	—	—	19,501	19,501	19,501	15,235
Total	<u>\$ 2,081,018</u>	<u>\$ 179,851</u>	<u>\$ 163,414</u>	<u>\$ 2,424,283</u>	<u>\$ 332,281</u>	<u>\$ 261,297</u>
Three months ended September 30, 2020						
Insurance	\$ 1,531,093	\$ 87,828	\$ 9,463	\$ 1,628,384	\$ 178,971	\$ 130,266
Reinsurance & Monoline Excess	217,828	40,306	—	258,134	61,532	49,070
Corporate, other and eliminations (3)	—	14,516	99,807	114,323	(73,067)	(57,781)
Net investment gains	—	—	38,978	38,978	38,978	30,123
Total	<u>\$ 1,748,921</u>	<u>\$ 142,650</u>	<u>\$ 148,248</u>	<u>\$ 2,039,819</u>	<u>\$ 206,414</u>	<u>\$ 151,678</u>
Nine months ended September 30, 2021						
Insurance	\$ 5,151,253	\$ 340,710	\$ 23,780	\$ 5,515,743	\$ 862,399	\$ 681,354
Reinsurance & Monoline Excess	751,345	133,092	—	884,437	196,185	155,770
Corporate, other and eliminations (3)	—	32,813	365,841	398,654	(208,699)	(172,051)
Net investment gains	—	—	78,404	78,404	78,404	62,987
Total	<u>\$ 5,902,598</u>	<u>\$ 506,615</u>	<u>\$ 468,025</u>	<u>\$ 6,877,238</u>	<u>\$ 928,289</u>	<u>\$ 728,060</u>
Nine months ended September 30, 2020						
Insurance	\$ 4,481,092	\$ 255,392	\$ 25,953	\$ 4,762,437	\$ 431,464	\$ 315,733
Reinsurance & Monoline Excess	636,161	101,477	—	737,638	110,611	88,947
Corporate, other and eliminations (3)	—	45,975	300,715	346,690	(176,369)	(139,471)
Net investment losses	—	—	(60,311)	(60,311)	(60,311)	(46,689)
Total	<u>\$ 5,117,253</u>	<u>\$ 402,844</u>	<u>\$ 266,357</u>	<u>\$ 5,786,454</u>	<u>\$ 305,395</u>	<u>\$ 218,520</u>

(1) Certain amounts included in earned premiums of each segment are related to inter-segment transactions.

(2) Revenues for Insurance from foreign countries for the three months ended September 30, 2021 and 2020 were \$220 million and \$183 million, respectively, and for the nine months ended September 30, 2021 and 2020 were \$638 million and \$500 million, respectively. Revenues for Reinsurance & Monoline Excess from foreign countries for the three months ended September 30, 2021 and 2020 were \$100 million and \$77 million, respectively, and for the nine months ended September 30, 2021 and 2020 were \$278 million and \$212 million, respectively.

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

Identifiable Assets

(In thousands)	September 30, 2021	December 31, 2020
Insurance	\$ 23,745,201	\$ 21,702,328
Reinsurance & Monoline Excess	4,857,288	4,654,158
Corporate, other and eliminations	2,941,799	2,215,479
Consolidated	<u>\$ 31,544,288</u>	<u>\$ 28,571,965</u>

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

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	2020	2021	2020
Insurance:				
Other liability	\$ 682,362	\$ 561,595	\$ 1,922,669	\$ 1,653,189
Short-tail lines (1)	347,835	326,019	1,012,465	917,466
Workers' compensation	286,474	271,802	845,394	852,101
Commercial automobile	257,314	203,047	715,519	583,024
Professional liability	245,086	168,630	655,206	475,312
Total Insurance	1,819,071	1,531,093	5,151,253	4,481,092
Reinsurance & Monoline Excess:				
Casualty reinsurance	164,095	130,186	466,264	383,375
Monoline excess (2)	52,361	43,577	146,481	126,800
Property reinsurance	45,491	44,065	138,600	125,986
Total Reinsurance & Monoline Excess	261,947	217,828	751,345	636,161
Total	\$ 2,081,018	\$ 1,748,921	\$ 5,902,598	\$ 5,117,253

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

(2) Monoline excess includes operations that solely retain risk on an excess basis.

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 2021 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 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, including claims for cybersecurity-related risks; natural and man-made catastrophic losses, including as a result of terrorist activities; the ongoing COVID-19 pandemic; the impact of climate change, which may alter the frequency and increase the severity of catastrophe events; 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 2019; the ability or willingness 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 cyber security issues; 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 2021 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 & Monoline Excess. 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 capital 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 low levels for an extended period.

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

The COVID-19 pandemic, including the related impact on the U.S. and global economies, has adversely affected our results of operations. For the nine months ended September 30, 2021, the Company recorded approximately \$46 million for current accident year COVID-19-related losses, net of reinsurance. At the same time, COVID-19 has led to reduced loss frequency in certain lines of business (which has begun a return to pre-pandemic levels as many economies and legal systems have reopened as a result of populations becoming vaccinated). The ultimate impact of COVID-19 on the economy and the Company's results of operations, financial position and liquidity is not within the Company's control and unclear due to, among other factors, uncertainty in connection with its claims, reserves and reinsurance recoverables.

The scope, duration and magnitude of the direct and indirect effects of COVID-19 continue to evolve in ways that are difficult or impossible to anticipate. While many of the potential impacts on the Company have receded as populations have begun to become vaccinated, new variants of the COVID-19 virus, including the "Delta" variant, and the slowing of vaccination rates among certain populations, continue to create risks to the Company. As a result, the impact of COVID-19 on the Company's results of operations for the nine months of 2021 is not necessarily indicative of its impact for the remainder of 2021 or beyond. Despite the effects of COVID-19 to date, the Company's financial position and liquidity improved for the nine months ended September 30, 2021.

Critical Accounting Estimates

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

Reserves for Losses and Loss Expenses. To recognize liabilities for unpaid losses, either known or unknown, insurers establish reserves, which is a balance sheet account representing estimates of future amounts needed to pay claims and

related expenses with respect to insured events which have occurred. Estimates and assumptions relating to reserves for losses and loss expenses are based on complex and subjective judgments, often including the interplay of specific uncertainties with related accounting and actuarial measurements. Such estimates are also susceptible to change as significant periods of time may elapse between the occurrence of an insured loss, the report of the loss to the insurer, the ultimate determination of the cost of the loss and the insurer's payment of that loss.

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

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

Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what management expects the ultimate settlement and claim administration will cost. While the methods for establishing reserves are well tested over time, some of the major assumptions about anticipated loss emergence patterns are subject to 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 2020:

(In thousands) Severity (+/-)	Frequency (+/-)		
	1%	5%	10%
1%	\$ 89,102	\$ 268,193	\$ 492,056
5%	268,193	454,376	687,105
10%	492,056	687,105	930,917

Our net reserves for losses and loss expenses of approximately \$12.5 billion as of September 30, 2021 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 \$2.7 billion, or 22%, of the Company's net loss reserves as of September 30, 2021 relate to the Reinsurance & Monoline Excess segment. There is a higher degree of uncertainty and greater variability regarding estimates of excess workers' compensation and assumed reinsurance loss reserves. In the case of excess workers' compensation, our policies generally attach at \$1 million or higher. The claims which reach our layer therefore tend to involve the most serious injuries and many remain open for the lifetime of the claimant, which extends the claim settlement tail. These claims also occur less frequently but tend to be larger than primary claims, which increases claim variability. In the case of assumed reinsurance our loss reserve 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 also extended. Management considers the impact of delayed reporting and the extended tail in its selection of loss development factors for these lines of business.

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)	September 30, 2021	December 31, 2020
Insurance	\$ 9,758,754	\$ 9,034,969
Reinsurance & Monoline Excess	2,722,375	2,585,424
Net reserves for losses and loss expenses	12,481,129	11,620,393
Ceded reserves for losses and loss expenses	2,438,447	2,164,037
Gross reserves for losses and loss expenses	<u>\$ 14,919,576</u>	<u>\$ 13,784,430</u>

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
September 30, 2021			
Other liability	\$ 1,692,098	\$ 3,079,753	\$ 4,771,851
Workers' compensation (1)	1,001,955	918,438	1,920,393
Professional liability	450,592	1,049,223	1,499,815
Commercial automobile	473,821	416,273	890,094
Short-tail lines (2)	317,863	358,738	676,601
Total Insurance	3,936,329	5,822,425	9,758,754
Reinsurance & Monoline Excess (1) (3)	1,490,320	1,232,055	2,722,375
Total	<u>\$ 5,426,649</u>	<u>\$ 7,054,480</u>	<u>\$ 12,481,129</u>
December 31, 2020			
Other liability	\$ 1,534,514	\$ 2,864,760	\$ 4,399,274
Workers' compensation (1)	977,035	873,072	1,850,107
Professional liability	414,104	875,163	1,289,267
Commercial automobile	442,975	398,688	841,663
Short-tail lines (2)	295,313	359,345	654,658
Total Insurance	3,663,941	5,371,028	9,034,969
Reinsurance & Monoline Excess (1) (3)	1,442,099	1,143,325	2,585,424
Total	<u>\$ 5,106,040</u>	<u>\$ 6,514,353</u>	<u>\$ 11,620,393</u>

(1) Reserves for workers' compensation and Reinsurance & Monoline Excess are net of an aggregate net discount of \$462 million and \$483 million as of September 30, 2021 and December 31, 2020, 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.

(3) Reinsurance & Monoline Excess includes property and casualty reinsurance, as well as operations that solely retain risk on an excess basis.

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 nine months ended September 30, 2021 and 2020 are as follows:

(In thousands)	2021	2020
Net increase in prior year loss reserves	\$ (1,552)	\$ (849)
Increase in prior year earned premiums	6,918	12,869
Net favorable prior year development	\$ 5,366	\$ 12,020

The COVID-19 global pandemic has impacted, and may further impact, the Company's results through its effect on claim frequency and severity. Loss cost trends have been impacted and may be further impacted by COVID-19-related claims in certain lines of business. Losses incurred from COVID-19-related claims have been offset, to a certain extent, by lower claim frequency in certain lines of our businesses; however, as the economy and legal systems have reopened, the benefit of lower claim frequency has begun to abate. Although as populations have continued to be vaccinated against the virus and the effects of the pandemic have receded in many jurisdictions, most particularly the United States, it remains too early to determine the ultimate net impact of COVID-19 on the Company. New variants of the COVID-19 virus, including the "Delta" variant, and the slowing of vaccination rates among certain populations continue to create risks with respect to loss costs and the potential for renewed impact of the other effects of COVID-19 associated with economic conditions, inflation, and social distancing and work from home rules.

Most of the COVID-19-related claims reported to the Company to date involve certain short-tailed lines of business, including contingency and event cancellation, business interruption, and film production delay. The Company has also received COVID-19-related claims for longer-tailed casualty lines of business such as workers' compensation and other liability; however, the estimated incurred loss impact for these reported claims are not material at this time. Given the continuing uncertainty regarding the pandemic's pervasiveness, the future impact that the pandemic may have on claim frequency and severity remains uncertain at this time.

The Company has estimated the potential COVID-19 impact to its contingency and event cancellation, workers' compensation, and other lines of business under a number of possible scenarios; however, due to COVID-19's continued evolving impact, there remains a high degree of uncertainty around the Company's COVID-19 reserves. In addition, should the pandemic continue or worsen as a result of new COVID-19 variants or otherwise, governments in the jurisdictions where we operate may renew their efforts to expand policy coverage terms beyond the policy's intended coverage. Accordingly, losses arising from these actions, and the other factors described above, could exceed the Company's reserves established for those related policies.

As of September 30, 2021, the Company had recognized losses for COVID-19-related claims activity, net of reinsurance, of approximately \$256 million, of which \$220 million relates to the Insurance segment and \$36 million relates to the Reinsurance & Monoline Excess segment. Such \$256 million of COVID-19-related losses included \$219 million of reported losses and \$37 million of IBNR. For the nine months ended September 30, 2021, the Company recognized current accident year losses for COVID-19-related claims activity, net of reinsurance, of approximately \$46 million, of which \$43 million relates to the Insurance segment and \$3 million relates to the Reinsurance & Monoline Excess segment.

During the nine months ended September 30, 2021, favorable prior year development (net of additional and return premiums) of \$5 million included \$8 million of favorable development for the Insurance segment, partially offset by \$3 million of adverse development for the Reinsurance & Monoline Excess segment.

The overall favorable development for the Insurance segment was primarily attributable to favorable development on the 2020 accident year, partially offset by adverse development on the 2016 through 2019 accident years. The favorable development on the 2020 accident year was largely concentrated in the commercial auto liability and other liability lines of business including commercial multi-peril liability. During 2020 the Company achieved larger rate increases in these lines of business than were contemplated in our budget and in our initial loss ratio selections. The Company also experienced significantly lower reported claim frequency in these lines in 2020 relative to historical averages, and lower reported incurred losses relative to our expectations. We believe that the lower claim frequency and lower reported incurred losses were caused by the impacts of the COVID-19 pandemic, for example, lockdowns, reduced driving and traffic, work from home, and court closures. However, due to the uncertainty regarding the ultimate impacts of the pandemic on accident year 2020 incurred losses, the Company elected not to react to these lower reported trends during 2020. As more information becomes available and the 2020 accident year continues to mature, during 2021 we have started to recognize favorable accident year 2020 development in response to the continuing favorable reported loss experience relative to our expectations. The adverse development on the 2016 through 2019 accident years is concentrated largely in the other liability line of business including commercial multi-peril

liability, but is also seen to a lesser extent in commercial auto liability. The adverse development on these years is driven by a higher than expected number of large losses reported, and particularly impacted the directors and officers liability and excess and surplus lines casualty classes of business. We also believe that increased social inflation is contributing to the increased number of large losses.

The overall adverse development for the Reinsurance & Monoline Excess segment was driven by adverse development in the other liability and non-proportional reinsurance assumed liability lines of business, related primarily to accident years 2017 through 2019, partially offset by favorable development in excess workers' compensation which was spread across many prior accident years. The adverse development was driven by higher than expected reported losses on excess of loss treaties written in the U.S. and U.K.

During the nine months ended September 30, 2020, favorable prior year development (net of additional and return premiums) of \$12 million included \$19 million of favorable development for the Insurance segment, partially offset by \$7 million of adverse development for the Reinsurance & Monoline Excess segment.

The overall favorable development for the Insurance segment was primarily attributable to favorable development on workers' compensation business, partially offset by adverse development on professional liability business. The favorable workers' compensation development was spread across many prior accident years, including prior to 2010, but was especially significant in accident year 2019. The favorable workers' compensation development reflects a continuation of the benign loss cost trends experienced during recent years, particularly the favorable claim frequency trends. Our ongoing workers' compensation claims management efforts, including active medical case management and use of networks and specialty vendors to control medical and pharmaceutical benefit costs, have also added to the favorable workers' compensation prior year development. The adverse professional liability development was mainly concentrated in accident years 2016 through 2018 and was largely driven by higher than expected large losses being reported in the directors and officers and lawyers professional liability lines of business.

The adverse development for the Reinsurance & Monoline Excess segment was mainly driven by non-proportional reinsurance assumed liability business written in the U.K. for accident years 2016 through 2018, partially offset by favorable development on excess workers' compensation business. The adverse development was driven by a greater than expected number of reported large losses.

Reserve Discount. The Company discounts its liabilities for certain workers' compensation reserves. The amount of workers' compensation reserves that were discounted was \$1,395 million and \$1,655 million at September 30, 2021 and December 31, 2020, respectively. The aggregate net discount for those reserves, after reflecting the effects of ceded reinsurance, was \$462 million and \$483 million at September 30, 2021 and December 31, 2020, respectively. At September 30, 2021, discount rates by year ranged from 0.7% to 6.5%, with a weighted average discount rate of 3.4%.

Substantially all of the workers' compensation discount (97% of total discounted reserves at September 30, 2021) 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 September 30, 2021), 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 \$61 million at September 30, 2021 and \$44 million at December 31, 2020. 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.

Allowance for Expected Credit Losses on Investments.

Fixed Maturity Securities – For fixed maturity securities in an unrealized loss position where the Company intends to sell, or it is more likely than not that it will be required to sell the security before recovery in value, the amortized cost basis is written down to fair value through net investment gains (losses). For fixed maturity securities in an unrealized loss position where the Company does not intend to sell, or it is more likely than not that it will not be required to sell the security before recovery in value, the Company evaluates whether the decline in fair value has resulted from credit losses or all other factors (non-credit factors). In making this assessment, the Company considers the extent to which fair value is less than amortized cost, changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an allowance for expected credit losses is recorded for the credit loss through net investment gains (losses), limited by the amount that the fair value is less than the amortized cost basis. Effective January 1, 2020, the allowance is adjusted for any change in expected credit losses and subsequent recoveries through net investment gains (losses). The impairment related to non-credit factors is recognized in other comprehensive income (loss).

The Company's credit assessment of allowance for expected credit losses uses a third party model for available for sale and held to maturity securities, as well as loans receivable. The allowance for expected credit losses is generally based on the performance of the underlying collateral under various economic and default scenarios that 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. A discounted cash flow analysis is used to ascertain the amount of the allowance for expected credit losses, if any. In general, the model reverts to the rating-level long-term average marginal default rates based on 10 years of historical data, beyond the forecast period. For other inputs, the model in most cases reverts to the baseline long-term assumptions linearly over 5 years beyond the forecast period. The long-term assumptions are based on the historical averages.

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.

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at September 30, 2021 is presented in the table below:

(\$ in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Foreign government	31	\$ 119,141	\$ 32,048
Corporate	13	49,623	1,879
State and municipal	2	39,693	335
Mortgage-backed	4	249	16
Asset-backed	1	94	3
Total	51	\$ 208,800	\$ 34,281

As of September 30, 2021, the Company has recorded an allowance for expected credit losses on fixed maturity securities of \$17 million. The Company has evaluated the remaining 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.

Loans Receivable – For loans receivable, the Company estimates an allowance for expected credit losses based on relevant information about past events, including historical loss experience, current conditions and forecasts that affect the expected collectability of the amortized cost of the financial asset. The allowance for expected credit losses is presented as a reduction to amortized cost of the financial asset in the consolidated balance sheet and changes to the estimate for expected credit losses are recognized through net investment gains (losses). Loans receivable are reported net of an allowance for expected credit losses of \$2 million and \$5 million as of September 30, 2021 and December 31, 2020, respectively.

Fair Value Measurements. The Company's fixed maturity available for sale securities, equity securities, and its arbitrage trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an

asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. 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 September 30, 2021:

(\$ in thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	\$ 15,680,757	98.0 %
Syndicate manager	49,600	0.3
Directly by the Company based on:		
Observable data	269,004	1.7
Total	\$ 15,999,361	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 September 30, 2021, 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 Nine Months Ended September 30, 2021 and 2020

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 net premiums earned), expense ratios (underwriting expenses expressed as a percentage of net premiums earned) and GAAP combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the nine months ended September 30, 2021 and 2020. 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)	2021		2020	
Insurance:				
Gross premiums written	\$	7,008,617	\$	5,841,328
Net premiums written		5,741,229		4,754,791
Net premiums earned		5,151,253		4,481,092
Loss ratio		61.4 %		65.5 %
Expense ratio		28.5 %		30.6 %
GAAP combined ratio		89.9 %		96.1 %
Reinsurance & Monoline Excess:				
Gross premiums written	\$	924,829	\$	784,835
Net premiums written		846,128		710,189
Net premiums earned		751,345		636,161
Loss ratio		61.5 %		66.5 %
Expense ratio		30.1 %		32.1 %
GAAP combined ratio		91.6 %		98.6 %
Consolidated:				
Gross premiums written	\$	7,933,446	\$	6,626,163
Net premiums written		6,587,357		5,464,980
Net premiums earned		5,902,598		5,117,253
Loss ratio		61.4 %		65.6 %
Expense ratio		28.7 %		30.8 %
GAAP combined ratio		90.1 %		96.4 %

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 nine months ended September 30, 2021 and 2020:

(In thousands, except per share data)	2021		2020	
Net income to common stockholders	\$	728,060	\$	218,520
Weighted average diluted shares		187,060		189,515
Net income per diluted share	\$	3.89	\$	1.15

The Company reported net income to common stockholders of \$728 million in 2021 compared to \$219 million in 2020. The \$509 million increase in net income was primarily due to an after-tax increase in underwriting income of \$316 million mainly due to the growth in premium rates and exposure as well as reductions in loss ratio partly due to lower catastrophe losses and in expense ratio driven by net earned premium growth outpacing expense growth, an after-tax increase in net investment gains of \$110 million primarily due to sale of real estate assets, an after-tax increase in net investment income of \$82 million primarily due to investment funds, a reduction of \$22 million in tax expense due to a change in the effective tax rate, an after-tax increase in profits from non-insurance businesses of \$6 million, an after-tax savings from interest expenses of \$4 million due to early refinancings, an after-tax increase in profit from insurance service businesses of \$2 million and a less than \$1 million after-tax increase in other income, partially offset by an after-tax increase in corporate expenses of \$23 million which includes an after-tax debt extinguishment expense of \$9 million on debt redeemed and increased incentive compensation costs, an after-tax increase of \$7 million in minority interest and an after-tax decrease in foreign currency gains of \$4 million. The number of weighted average diluted shares decreased by 2.5 million for 2021 compared to 2020 mainly reflecting shares repurchased in 2020 and 2021.

Premiums. Gross premiums written were \$7,933 million in 2021, an increase of 20% from \$6,626 million in 2020. The increase was due to a \$1,167 million increase in the Insurance segment and a \$140 million increase in the Reinsurance & Monoline Excess segment. Approximately 82% of premiums expiring in 2021 were renewed, and 79% of premiums expiring in 2020 were renewed.

Average renewal premium rates for insurance and facultative reinsurance increased 9.5% in 2021 when adjusted for changes in exposures, and increased 10.8% excluding workers' compensation.

A summary of gross premiums written in 2021 compared with 2020 by line of business within each business segment follows:

- **Insurance** - gross premiums increased 20% to \$7,009 million in 2021 from \$5,841 million in 2020. Gross premiums increased \$410 million (20%) for other liability, \$376 million (45%) for professional liability, \$186 million (27%) for commercial auto, \$175 million (13%) for short-tail lines and \$21 million (2%) for workers' compensation.
- **Reinsurance & Monoline Excess** - gross premiums increased 18% to \$925 million in 2021 from \$785 million in 2020. Gross premiums increased \$111 million (25%) for casualty reinsurance, \$27 million (16%) for monoline excess and \$2 million (1%) for property reinsurance.

Net premiums written were \$6,587 million in 2021, an increase of 21% from \$5,465 million in 2020. Ceded reinsurance premiums as a percentage of gross written premiums were 17% in 2021 and 18% in 2020.

Premiums earned increased 15% to \$5,903 million in 2021 from \$5,117 million in 2020. 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 2021 are related to business written during both 2021 and 2020. Audit premiums were \$138 million in 2021 compared with \$111 million in 2020.

Net Investment Income. Following is a summary of net investment income for the nine months ended September 30, 2021 and 2020:

(\$ in thousands)	Amount		Average Annualized Yield	
	2021	2020	2021	2020
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 284,704	\$ 330,941	2.2 %	2.9 %
Investment funds	169,538	1,260	16.5	0.1
Arbitrage trading account	30,176	51,985	6.5	12.4
Equity securities	21,854	6,194	5.0	2.4
Real estate	5,517	18,807	0.4	1.2
Gross investment income	511,789	409,187	3.1	2.8
Investment expenses	(5,174)	(6,343)	—	—
Total	\$ 506,615	\$ 402,844	3.1 %	2.7 %

Net investment income increased 26% to \$507 million in 2021 from \$403 million in 2020 due primarily to a \$168 million increase in income from investment funds primarily from financial services and transportation funds, a \$16 million increase from equity securities and a \$1 million decrease in investment expense, partially offset by a \$46 million decrease in income from fixed maturity securities mainly driven by lower investment yields, a \$22 million decrease from the arbitrage trading account and a \$13 million decrease in real estate. The Company shortened the duration of its fixed maturity security portfolio, thereby reducing the potential impact of mark-to-market on the portfolio and positioning the Company to react quickly to changes in the current interest rate environment. Average invested assets, at cost (including cash and cash equivalents), were \$21.9 billion in 2021 and \$19.8 billion in 2020.

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 increased to \$70 million in 2021 from \$67 million in 2020, mainly due to the business recovery from the pandemic.

Net Realized and Unrealized Gains (Losses) 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 \$89 million in 2021 compared with net losses of \$89 million in 2020. The gains of \$89 million in 2021 reflect net realized gains on investments of \$151 million (primarily due to the sale of certain real estate assets and the disposition of an investment fund) partially offset by unrealized losses on equity securities of \$62 million. In 2020, the net losses of \$89 million reflected net realized losses on investment sales of \$27 million and an increase in unrealized losses on equity securities of \$62 million, which was primarily due to market disruptions as a result of COVID-19.

Change in Allowance for Expected Credit Losses on Investments. Based on credit factors, the allowance for expected credit losses is increased or decreased depending on the percentage of unrealized loss relative to amortized cost by security, changes in rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. For the nine months ended September 30, 2021, the pre-tax change in allowance for expected credit losses on investments increased by \$11 million (\$9 million after-tax), which is reflected in net investment gains (losses), primarily related to foreign government securities which did not previously have an allowance. For the nine months ended September 30, 2020, the pre-tax change in allowance for expected credit losses on investments decreased by \$29 million (\$23 million after-tax), which is reflected in net investment gains (losses) primarily due to the disposition of securities which previously had an allowance recorded.

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 \$317 million in 2021 and \$257 million in 2020. The increase mainly relates to the business recovery from COVID-19 on aviation-related and textile businesses.

Losses and Loss Expenses. Losses and loss expenses increased to \$3,624 million in 2021 from \$3,357 million in 2020. The consolidated loss ratio was 61.4% in 2021 and 65.6% in 2020. Catastrophe losses, net of reinsurance recoveries, were \$154 million (including current accident year losses of approximately \$46 million related to COVID-19) in 2021 and \$297 million (including losses of approximately \$143 million related to COVID-19) in 2020. Favorable prior year reserve development (net of premium offsets) was \$5 million in 2021 and \$12 million in 2020. The loss ratio excluding catastrophe losses and prior year reserve development was 58.9% in 2021 and 60.0% in 2020.

A summary of loss ratios in 2021 compared with 2020 by business segment follows:

- **Insurance** - The loss ratio was 61.4% in 2021 and 65.5% in 2020. Catastrophe losses were \$109 million in 2021 compared with \$245 million in 2020. The Company reflected a best estimate (net of reinsurance) based upon available information for current accident year COVID-19-related losses of approximately \$43 million, primarily related to contingency and event cancellation coverage. Favorable prior year reserve development was \$8 million in 2021 and \$19 million in 2020. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.9 points to 59.5% in 2021 from 60.4% in 2020.
- **Reinsurance & Monoline Excess** - The loss ratio was 61.5% in 2021 and 66.5% in 2020. Catastrophe losses were \$45 million in 2021 compared with \$53 million in 2020. The Company reflected a best estimate (net of reinsurance) based upon available information for current accident year COVID-19-related losses of approximately \$3 million, primarily related to excess workers' compensation. Adverse prior year reserve development was \$3 million in 2021 and \$7 million in 2020. The loss ratio excluding catastrophe losses and prior year reserve development decreased 2.1 points to 55.1% in 2021 from 57.2% in 2020.

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

(\$ in thousands)	2021	2020
Policy acquisition and insurance operating expenses	\$ 1,694,548	\$ 1,574,507
Insurance service expenses	63,817	64,029
Net foreign currency gains	(19,216)	(23,845)
Debt extinguishment costs	11,521	—
Other costs and expenses	156,350	138,451
Total	<u>\$ 1,907,020</u>	<u>\$ 1,753,142</u>

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 8% and net premiums earned increased 15% from 2020. The expense ratio (underwriting expenses expressed as a percentage of net premiums earned) was 28.7% in 2021 and 30.8% in 2020. The improvement is primarily attributable to higher

net premiums earned outpacing compensation expense growth and lower travel and entertainment expenses due to the global pandemic. However, to the extent our net premiums earned decrease or travel and entertainment expenses increase, due to the impact of the COVID-19 pandemic or otherwise, our expense ratio would be expected to increase.

Service expenses, which represent the costs associated with the fee-based businesses, were \$64 million in both 2021 and 2020.

Net foreign currency gains result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were \$19 million in 2021 compared to \$24 million in 2020. The reduction in gains is primarily related to less weakening of the Argentine Peso and U.K. sterling compared to the U.S. dollar in 2021 versus 2020.

Debt extinguishment costs of \$12 million related to the redemption of \$400 million of subordinated debentures in March and June 2021 that were due in 2056.

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 increased to \$156 million in 2021 from \$138 million in 2020, primarily due to the increase in performance-based compensation costs in 2021.

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 \$308 million in 2021 compared to \$256 million in 2020. The increase mainly relates to the business recovery from COVID-19 on aviation-related and textile businesses.

Interest Expense. Interest expense was \$110 million in 2021 and \$115 million in 2020. In May 2020, the Company issued \$300 million aggregate principal amount of 4.00% senior notes due 2050. In September 2020, the Company issued an additional \$170 million aggregate principal amount of 4.00% senior notes due 2050 and \$250 million aggregate principal amount of 4.25% subordinated debentures due 2060 and repaid \$300 million aggregate principal amount of 5.375% senior notes at maturity. In October 2020, the Company redeemed \$350 million aggregate principal amount of 5.625% subordinated debentures due 2053. In February 2021, the Company issued \$300 million aggregate principal amount of 4.125% subordinated debenture due 2061. In March 2021, the Company issued \$400 million aggregate principal amount of 3.55% senior notes due 2052 and redeemed its \$110 million aggregate principal amount of 5.90% subordinated debentures due 2056. In June 2021, the Company redeemed the \$290 million aggregate principal amount of its 5.75% subordinated debentures due 2056. In September 2021, the Company issued \$350 million aggregate principal amount of 3.15% senior notes due 2061. The redemptions resulted in debt extinguishment costs of \$12 million during the nine months ended September 30, 2021. Additionally in the second quarter of 2021, the Company sold a real estate asset which resulted in a \$102 million reduction of the Company's non-recourse debt that was supporting the property.

The redemption of debentures and issuance of additional debentures in 2021, as described below in "Liquidity and Capital Resources -- Debt," are expected to decrease interest expense in 2021 and forward.

Income Taxes. The effective income tax rate was 20.6% in 2021 and 27.8% in 2020. For the nine months ended September 30, 2021, the effective income tax rate differs from the federal income tax rate of 21% principally because of tax-exempt investment income and tax benefits related to equity-based compensation, which was partially offset by state and foreign income taxes. The increased effective income tax rate for the nine months ended September 30, 2020 was principally because utilization of losses in certain foreign jurisdictions was limited.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$132.4 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.

Results of Operations for the Three Months Ended September 30, 2021 and 2020

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 net premiums earned), expense ratios (underwriting expenses expressed as a percentage of net premiums earned) and GAAP combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the three months ended September 30, 2021 and 2020. 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)	2021		2020	
Insurance:				
Gross premiums written	\$	2,446,758	\$	1,981,816
Net premiums written		2,007,194		1,628,316
Net premiums earned		1,819,071		1,531,093
Loss ratio		61.4 %		64.4 %
Expense ratio		27.9 %		29.7 %
GAAP combined ratio		89.3 %		94.1 %
Reinsurance & Monoline Excess:				
Gross premiums written	\$	340,740	\$	280,729
Net premiums written		317,945		251,000
Net premiums earned		261,947		217,828
Loss ratio		69.3 %		59.1 %
Expense ratio		29.1 %		31.2 %
GAAP combined ratio		98.4 %		90.3 %
Consolidated:				
Gross premiums written	\$	2,787,499	\$	2,262,545
Net premiums written		2,325,138		1,879,316
Net premiums earned		2,081,018		1,748,921
Loss ratio		62.4 %		63.7 %
Expense ratio		28.0 %		30.0 %
GAAP combined ratio		90.4 %		93.7 %

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 September 30, 2021 and 2020:

(In thousands, except per share data)	2021		2020	
Net income to common stockholders	\$	261,297	\$	151,678
Weighted average diluted shares		186,742		187,717
Net income per diluted share	\$	1.40	\$	0.81

The Company reported net income to common stockholders of \$261 million in 2021 compared to \$152 million in 2020. The \$109 million increase in net income was primarily due to an after-tax increase in underwriting income of \$71 million mainly due to the growth in premium rates and exposure, an after-tax increase in net investment income of \$30 million primarily due to investment funds, an after-tax increase in foreign currency gains of \$14 million as the U.S. dollar strengthened against other major currencies during the quarter, a reduction of \$14 million in tax expense due to a change in the effective tax rate, an after-tax saving on interest expense of \$4 million due to early refinancings, an after-tax increase in profits from non-insurance businesses of \$2 million and a \$1 million after-tax increase in other income, partially offset by an after-tax reduction in net investment gains of \$16 million, an after-tax increase in corporate expenses of \$6 million and an after-tax increase of \$5 million in minority interest. The number of weighted average diluted shares decreased by approximately one million for 2021 compared to 2020 mainly reflecting shares repurchased in 2020 and 2021.

Premiums. Gross premiums written were \$2,787 million in 2021, an increase of 23% from \$2,263 million in 2020. The increase was due to a \$465 million increase in the Insurance segment and a \$59 million increase in the Reinsurance & Monoline Excess segment. Approximately 81.7% of premiums expiring in 2021 were renewed, and 78.5% of premiums expiring in 2020 were renewed.

Average renewal premium rates for insurance and facultative reinsurance increased 8.8% in 2021 when adjusted for changes in exposures, and increased 10.1% excluding workers' compensation.

A summary of gross premiums written in 2021 compared with 2020 by line of business within each business segment follows:

- **Insurance** - gross premiums increased 23% to \$2,447 million in 2021 from \$1,982 million in 2020. Gross premiums increased \$162 million (23%) for other liability, \$142 million (47%) for professional liability, \$74 million (16%) for short-tail lines, \$67 million (27%) for commercial auto and \$20 million (8%) for workers' compensation.
- **Reinsurance & Monoline Excess** - gross premiums increased 21% to \$340 million in 2021 from \$281 million in 2020. Gross premiums increased \$54 million (36%) for casualty reinsurance and \$6 million (10%) for monoline excess, partially offset by a \$1 million (1%) reduction for property reinsurance.

Net premiums written were \$2,325 million in 2021, an increase of 24% from \$1,879 million in 2020. Ceded reinsurance premiums as a percentage of gross written premiums were 17% in both 2021 and 2020.

Premiums earned increased 19% to \$2,081 million in 2021 from \$1,749 million in 2020. 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 2021 are related to business written during both 2021 and 2020. Audit premiums were \$54 million in 2021 compared with \$27 million in 2020.

Net Investment Income. Following is a summary of net investment income for the three months ended September 30, 2021 and 2020:

(\$ in thousands)	Amount		Average Annualized Yield	
	2021	2020	2021	2020
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 93,031	\$ 97,080	2.1 %	2.5 %
Investment funds	69,292	18,235	19.9	6.2
Arbitrage trading account	7,187	19,543	3.8	13.8
Equity securities	8,462	1,907	5.0	2.2
Real estate	3,485	7,666	0.8	1.5
Gross investment income	181,457	144,430	3.2	2.9
Investment expenses	(1,606)	(1,780)	—	—
Total	\$ 179,851	\$ 142,650	3.2 %	2.8 %

Net investment income increased 26% to \$180 million in 2021 from \$143 million in 2020 due primarily to a \$51 million increase in income from investment funds primarily from financial services and transportation funds and a \$6 million increase from equity securities, partially offset by a \$12 million decrease from the arbitrage trading account, a \$4 million decrease in income from fixed maturity securities mainly driven by lower investment yields and a \$4 million decrease in real estate. The Company shortened the duration of its fixed maturity security portfolio, thereby reducing the potential impact of mark-to-market on the portfolio and positioning the Company to react quickly to changes in the current interest rate environment. Average invested assets, at cost (including cash and cash equivalents), were \$22.5 billion in 2021 and \$20.3 billion in 2020.

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 were \$21 million in 2021 and \$22 million in 2020. The decrease is primarily due to a reduction of assigned risk plan business.

Net Realized and Unrealized Gains (Losses) 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 \$17 million in 2021 compared with net losses of \$8 million in 2020. The gains of \$17 million in 2021 reflect net realized gains on investments of \$36 million, partially offset by an increase in unrealized losses on equity securities of \$19 million. In 2020, the losses of \$8 million reflected net realized losses on investment sales of \$39 million and an increase in unrealized gains on equity securities of \$31 million.

Change in Allowance for Expected Credit Losses on Investments. Based on credit factors, the allowance for expected credit losses is increased or decreased depending on the percentage of unrealized loss relative to amortized cost by security, changes in rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. For the three months ended September 30, 2021, the pre-tax change in allowance for expected credit losses on investments decreased by \$2 million (\$1.6 million after-tax), which is reflected in net investment gains (losses). For the three months ended September 30, 2020, the pre-tax change in allowance for expected credit losses on investments decreased by \$47 million (\$37 million after-tax), which is reflected in net investment gains (losses), primarily due to disposition of securities which previously had an allowance recorded.

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 \$120 million in 2021 and \$87 million in 2020. The increase mainly relates to the business recovery from COVID-19 on aviation-related and textile businesses.

Losses and Loss Expenses. Losses and loss expenses increased to \$1,298 million in 2021 from \$1,115 million in 2020. The consolidated loss ratio was 62.4% in 2021 and 63.7% in 2020. Catastrophe losses, net of reinsurance recoveries, were \$74 million (including current accident year losses of approximately \$6 million related to COVID-19) in 2021 and \$73 million (no additional COVID-19-related losses were recognized in the three months ended September 30, 2020) in 2020. Favorable prior year reserve development (net of premium offsets) was \$2 million in 2021 and \$5 million in 2020. The loss ratio excluding catastrophe losses and prior year reserve development was 58.9% in 2021 and 59.8% in 2020.

A summary of loss ratios in 2021 compared with 2020 by business segment follows:

- **Insurance** - The loss ratio was 61.4% in 2021 and 64.4% in 2020. Catastrophe losses were \$39 million in 2021 compared with \$74 million in 2020. The Company reflected a best estimate (net of reinsurance) based upon available information for current accident year COVID-19-related losses of approximately \$5 million, primarily related to contingency and event cancellation coverage. Adverse prior year reserve development was \$3 million in 2021 and favorable prior year reserve development was \$7 million in 2020. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.0 point to 59.0% in 2021 from 60.0% in 2020.
- **Reinsurance & Monoline Excess** - The loss ratio was 69.3% in 2021 and 59.1% in 2020. Catastrophe losses were \$35 million in 2021 compared with (\$1) million in 2020. The Company reflected a best estimate (net of reinsurance) based upon available information for current accident year COVID-19-related losses of approximately \$1 million, primarily related to excess workers' compensation. Favorable prior year reserve development was \$5 million in 2021 and adverse prior year reserve development was \$2 million in 2020. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.8 points to 58.1% in 2021 from 58.9% in 2020.

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

(\$ in thousands)	2021	2020
Policy acquisition and insurance operating expenses	\$ 583,065	\$ 523,349
Insurance service expenses	21,243	21,034
Net foreign currency (gains) losses	(12,497)	5,078
Other costs and expenses	51,235	44,508
Total	\$ 643,046	\$ 593,969

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 11% and net premiums earned increased 19% from 2020. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 28.0% in 2021 and 30.0% in 2020. The improvement is primarily attributable to higher net premiums earned outpacing compensation expense growth. However, to the extent our net premiums earned decrease or travel and entertainment expenses increase, due to the impact of the COVID-19 pandemic or otherwise, our expense ratio would be expected to increase.

Service expenses, which represent the costs associated with the fee-based businesses, were \$21 million in both 2021 and 2020.

Net foreign currency gains result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains was \$12 million in 2021 compared to losses of \$5 million in 2020. The gains in 2021 were driven by the strengthening U.S. dollar against most major currencies in the third quarter of 2021.

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 increased to \$51 million in 2021 from \$45 million in 2020, primarily due to the increase in performance-based compensation costs in 2021.

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 \$115 million in 2021 compared to \$85 million in 2020. The increase mainly relates to the business recovery from COVID-19 on aviation-related and textile businesses.

Interest Expense. Interest expense was \$35 million in 2021 and \$40 million 2020. In May 2020, the Company issued \$300 million aggregate principal amount of 4.00% senior notes due 2050. In September 2020, the Company issued an additional \$170 million aggregate principal amount of 4.00% senior notes due 2050 and \$250 million aggregate principal amount of 4.25% subordinated debentures due 2060 and repaid \$300 million aggregate principal amount of 5.375% senior notes at maturity. In October 2020, the Company redeemed \$350 million aggregate principal amount of 5.625% subordinated debentures due 2053. In February 2021, the Company issued \$300 million aggregate principal amount of 4.125% subordinated debenture due 2061. In March 2021, the Company issued \$400 million aggregate principal amount of 3.55% senior notes due 2052 and redeemed its \$110 million aggregate principal amount of 5.90% subordinated debentures due 2056. In June, 2021, the Company redeemed the \$290 million aggregate principal amount of its 5.75% subordinated debentures due 2056. In September 2021, the Company issued \$350 million aggregate principal amount of 3.15% senior notes due 2061. Additionally in the second quarter of 2021, the Company sold a real estate asset which resulted in a \$102 million reduction of the Company's non-recourse debt that was supporting the property.

The redemption of debentures and issuance of additional debentures in 2021, as described below in "Liquidity and Capital Resources -- Debt," are expected to decrease interest expense in 2021 and forward.

Income Taxes. The effective income tax rate was 19.6% in 2021 and 26.2% in 2020. The effective income tax rate differs from the federal income tax rate of 21% principally because of tax-exempt investment income and tax benefits related to equity-based compensation, which was partially offset by state and foreign income taxes. The increased effective income tax rate for the three months ended September 30, 2020 was principally because the utilization of losses in certain foreign jurisdictions was limited.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$132.4 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 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 2.3 years at September 30, 2021 and 2.4 years at December 31, 2020. The Company's fixed maturity investment portfolio and investment-related assets as of September 30, 2021 were as follows:

(\$ in thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	\$ 518,333	2.2 %
State and municipal:		
Special revenue	2,110,271	9.1
State general obligation	447,320	1.9
Local general obligation	431,522	1.9
Pre-refunded (1)	230,840	1.0
Corporate backed	177,916	0.7
Total state and municipal	3,397,869	14.6
Mortgage-backed:		
Agency	681,798	2.9
Residential-Prime	159,826	0.7
Commercial	130,637	0.6
Residential-Alt A	6,326	—
Total mortgage-backed	978,587	4.2
Asset-backed	4,655,555	20.0
Corporate:		
Industrial	3,132,362	13.5
Financial	1,699,840	7.3
Utilities	418,853	1.8
Other	173,009	0.7
Total corporate	5,424,064	23.3
Foreign government and foreign government agencies	1,098,727	4.7
Total fixed maturity securities	16,073,135	69.0
Equity securities:		
Common stocks	609,939	2.6
Preferred stocks	208,799	0.9
Total equity securities	818,738	3.5
Cash and cash equivalents (2)	2,182,020	9.4
Real estate	1,842,400	7.9
Investment funds	1,400,140	6.0
Arbitrage trading account	860,339	3.7
Loans receivable	115,496	0.5
Total investments	\$ 23,292,268	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.
- (2) Cash and cash equivalents includes trading accounts receivable from brokers and clearing organizations, trading account securities sold but not yet purchased and unsettled purchases.

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, mainly in the financial institutions and energy sectors.

Investment Funds. At September 30, 2021, the carrying value of investment funds was \$1,401 million, including investments in financial services funds of \$409 million, transportation funds of \$341 million, real estate funds of \$263 million, other funds of \$238 million and energy funds of \$150 million. Investment funds are generally reported on a one-quarter lag.

Real Estate. Real estate is directly owned property held for investment. At September 30, 2021, real estate properties in operation included a long-term ground lease in Washington D.C., an office complex in New York City, an office building in London, and the completed portion of a mixed-use project in Washington D.C. In addition, part of the previously mentioned mixed-use project in Washington D.C. is under development. The Company expects to fund further development costs for the project 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 (net of allowance for expected credit losses), had an amortized cost of \$115 million and an aggregate fair value of \$117 million at September 30, 2021. The amortized cost of loans receivable is net of an allowance for expected credit losses of \$2 million as of September 30, 2021. Loans receivable include real estate loans of \$89 million that are secured by commercial and residential real estate located primarily in New York. Real estate loans generally earn interest at fixed or stepped interest rates and have maturities through 2026. Loans receivable include commercial loans of \$26 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 2.3 years at September 30, 2021 and 2.4 years at December 31, 2020.

In addition, the fair value of the Company's international investments is subject to currency risk. The Company attempts to manage its currency risk by matching its foreign currency assets and liabilities where considered appropriate.

Liquidity and Capital Resources

Cash Flow. Cash flow provided from operating activities increased to \$1,524 million in the first nine months of 2021 from \$1,137 million in the first nine months of 2020, primarily due to an increase in premium receipts, net of reinsurance and commissions settled, partially offset by an increase in tax payments.

The Company's insurance subsidiaries' principal sources of cash are premiums, investment income, service fees and proceeds from sales and maturities of portfolio investments. The principal uses of cash are payments for claims, taxes, operating expenses and dividends. The Company expects its insurance subsidiaries to fund the payment of losses with cash received from premiums, investment income and fees. The Company generally targets an average duration for its investment portfolio that is within 1.5 years 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 78.2% invested in cash, cash equivalents and marketable fixed maturity securities as of September 30, 2021. 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 September 30, 2021, the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of \$3,266 million and a face amount of \$3,292 million, including \$300 million aggregate principal amount of its 4.125% subordinated debentures due 2061 issued in February 2021, \$400 million aggregate principal amount of its 3.55% senior notes due 2052 issued in March 2021 and \$350 million aggregate principal amount of its 3.15% senior notes due 2061 issued in September 2021. The Company redeemed its \$110 million aggregate principal amount of 5.90% subordinated debentures due 2056 on March 1, 2021 and its \$290 million aggregate principal amount of 5.75% subordinated debentures due 2056 on June 1, 2021. Additionally in the second quarter of 2021, the Company sold a real estate asset which resulted in a \$102 million reduction of the Company's non-recourse debt that was supporting the property. The maturities of the outstanding debt are \$5 million in 2021, \$427 million in 2022, \$5 million in 2025, \$250 million in 2037, \$350 million in 2044, \$470 million in 2050, \$400 million in 2052, \$185 million in 2058, \$300 million in 2059, \$250 million in 2060, and \$650 million in 2061.

Equity. At September 30, 2021, total common stockholders' equity was \$6.6 billion, common shares outstanding were 176,638,884 and stockholders' equity per outstanding share was \$37.64. During the three months ended September 30, 2021, the Company repurchased 1,287,556 shares of its common stock for \$93 million. During the nine months ended September 30, 2021, the Company repurchased 1,752,619 shares of its common stock for \$122 million. In the third quarter of 2021, the board of directors of the Company declared a regular quarterly cash dividend of \$0.13 per share. 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 \$9.9 billion at September 30, 2021. The percentage of the Company's capital attributable to senior notes, subordinated debentures and other debt was 33% at September 30, 2021 and 30% at December 31, 2020.

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 September 30, 2021, there were no changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company's annual report on Form 10-K for the fiscal year ended December 31, 2020.

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 September 30, 2021, 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
July 2021	50,985	\$ 73.02	50,985	6,218,674
August 2021	496,171	\$ 72.16	496,171	5,722,503
September 2021	740,400	\$ 71.73	740,400	4,982,103

Item 6. Exhibits

Number

(10.1) Form of 2021 Performance Unit Award Agreement under the W. R. Berkley Corporation 2019 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:November 4, 2021

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

Date:November 4, 2021

/s/ Richard M. Baio
Richard M. Baio
Executive Vice President - Chief Financial Officer

2021 Performance Unit Award Agreement
Under the W. R. Berkley Corporation 2019 Long-Term Incentive Plan

This 2021 Performance Unit Award Agreement (this “Agreement”), effective January 1, 2021, 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 2019 Long-Term Incentive Plan (as may be amended from time to time, 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 binding and incorporated herein as set forth in Exhibit A.

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, 2021

(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, 2021, and ends on December 31, 2025; provided, however, that, in the event that the Participant dies or experiences a Qualifying Termination, the Performance Period for such Participant shall be deemed to end on December 31 of the fiscal year immediately prior to the fiscal year in which such death or Qualifying Termination occurred.

3. Value of a Performance Unit. Each Performance Unit shall have a value determined by multiplying the Increase in Book Value Per Share by three and fifty-two hundredths (3.52), 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 Obligations 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, 2026 (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, 2026 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 breached one or more of Participant's Obligations or agrees to enter into, or has entered into, an agreement (written, oral or otherwise) to breach one or more of Participant's Obligations 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 breached one or more of Participant's Obligations or agrees to enter into, or has entered into, an agreement (written, oral or otherwise) to breach one or more of Participant's Obligations or engages in Misconduct on or after the Settlement Date (or said Obligations 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 repay 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 breached one or more of Participant's Obligations 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 breached one or more of Participant's Obligations 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 breaching one or more of Participant's Obligations or Misconduct, or (ii) determine the related date of breach of the Participant's Obligations or Misconduct date. The Participant acknowledges that the terms set forth herein with respect to breaching one or more of Participant's Obligations, 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 breaching one or more of Participant's Obligations 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 repaid 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. Further, 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 applicable employment laws 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 breach of an Obligation. 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 govern. 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 as to any jurisdiction, the court shall substitute a valid, enforceable provision that preserves, to the maximum lawful extent, the terms and intent of such provisions of this Agreement, and shall modify the Agreement so that the scope of the provision is reduced only to the minimum extent necessary to cause the modified provision to be valid, legal and enforceable. If any of the provisions of, or covenants contained in, this Agreement are hereafter construed to be invalid or unenforceable as to any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof, including as to other jurisdictions or as to other participants or other agreements.

(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 FEDERAL, STATE OR LOCAL 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 OR ANY ACTIONS TAKEN OR DETERMINATIONS MADE HEREUNDER.

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

(i) **“Beginning Book Value Per Share”** means \$35.42.

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

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

(B) shall be equal to the cumulative after-tax expense of the Company from January 1, 2021 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, 2021 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, 2021 through the end of such fiscal year,

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

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

(G) shall be equal to the cumulative unrealized gains and losses, net of tax, on equity securities (other than securities of consolidated subsidiaries or securities accounted for on the equity method) reported in retained earnings at the end of such fiscal year as a result of Accounting Standards Update 2016-01,

(H) shall be equal to the cumulative allowance for credit losses, net of tax, on applicable assets reported in retained earnings at the end of such fiscal year as a result of Accounting Standards Update 2016-13,

(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, 2021 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, broker, producer or other intermediary to or through whom the Company or its Subsidiaries or Affiliates provides insurance or reinsurance or related services.

(v) **"Obligations"** mean, 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 during all of or part of the Relevant Period 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 during all of or part of the Relevant Period, (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) disclosing, 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 that the Company/subsidiary has not made known to the general public or authorized disclosure to the general public, and that is not generally known to the public through proper means, including but not limited to:

- A. underwriting premiums or quotes, pricing models and formulas, income and receipts, claims records and levels, renewals, policy wording and terms, reinsurance quotas, and profit commission;
- B. operating unit or other business projections and forecasts;
- C. Client lists, brokers lists and price sensitive information;
- D. technical information, including computer programs, reports, interpretations, forecasts, corporate and business plans and accounts, business methods, financial details, projections and targets;
- E. remuneration and confidential personnel details concerning other Company employees or contractors;
- F. planned products, planned services, marketing surveys, research reports, market share and pricing statistics, budgets, and fee levels;
- G. computer passwords, the contents of any databases, tables, internal templates, know-how, and training documents or materials;
- H. commissions, commission charges, pricing policies and all information about research and development; and
- I. the Company’s 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.

Participant acknowledges that in the course of performing services for the Company, the Participant has had and will have access to Confidential Information.

(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 business-related contact or received or learned 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) with whom or which the Committee determines Participant knew or should have known that 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) **"Relevant 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 (a) 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), (b) requires notice to or approval from the Company before doing so, or (c) prohibits the Participant from cooperating in an investigation conducted by such a government agency. Further Participant is hereby advised that under the Defend Trade Secrets Act of 2016 (DTSA), no individual will be held criminally or civilly liable under federal, state or local 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 filed in a lawsuit or other proceeding if such filing is made under seal. Also, the DTSA further provides that an individual who files 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 pursuant to 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, 2021.
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. **California**. For so long as the Participant primarily resides and works 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 express public policy of the State of California; (ii) the Obligations 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.

B. **Massachusetts**. For so long as Massachusetts General Laws Part I Title XXI Chapter 149 Section 24 L applies to the obligations of Participant under this Agreement: (i) the Obligations in Sections 9(j)(v)(A), (C) and (D) will only apply within any geographical area (x) where Participant had responsibilities on behalf of the Company or about which Participant received Confidential Information during the Look Back Period and (y) in which the Company is engaged in business; (ii) Section 9(j)(v)(A) is further limited to situations where Participant is performing services that are the same as or similar in function or purpose to the services Participant performed for the Company (as appropriate) during the Look Back Period and are not enforceable if the Participant has been terminated without cause or laid off; (iii) the second and third sentences of Section 9(e) are amended to replace “Delaware” with “Massachusetts”; (iv) Section 5(d) is amended by inserting after the phrase “but on the second anniversary of the Settlement Date” with the following: “and in no event longer than one year after the date the Participant terminates employment with the Company; and (v) this Agreement is amended to add the following new Section 12:

SECTION 12. The Company and Participant agree that the grant of Performance Units to Participant is fair and reasonable consideration for the obligations of Participant in this Agreement. The Company and Participant agree that the grant of Performance Units is consideration for the Participant’s Obligations under Section 5(d) and Section 9(j)(v)(A) (as applicable) of this Agreement (as such Obligations are modified by Exhibit A hereto) during the duration of such Obligations. For the avoidance of doubt, Participant has the right to consult with an attorney prior to accepting this award. Participant acknowledges that Participant has been given at least ten business days to accept this award.

C. **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 shall be construed or interpreted in a manner contrary to the express public policy of the State of North Dakota; (ii) the Obligations 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).

D. **Oklahoma**. For so long as the Participant resides in and is subject to the laws of Oklahoma: (i) the Obligations in Section 9(j)(v)(A) shall not apply and (ii) “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.

E. **Washington.** For so long as Participant primarily resides and works in Washington and is subject to the laws of Washington: (a) the Obligations in Section 9(j)(v)(A) shall only apply post-employment if Participant’s annualized earnings from the Company exceed \$100,000.00 per year (adjusted annually in accordance with Section 5 of Washington HP 1450); (b) the Obligations in Section 9(j)(v)(A) shall not be enforced against Participant if Participant is terminated from employment without cause or if Participant is laid off unless the Company pays the Participant during the Relevant Period an amount equal to the Participant’s base salary at the time of termination less any compensation earned by Participant during the Relevant Period; and (c) Section 9(e) shall not apply. Participant further understands that for the limited purposes of the application of Section 9(j)(v)(A), “cause” to terminate Participant’s employment exists if Participant has (i) committed, admitted committing, or plead guilty to a felony or crime involving moral turpitude, fraud, theft, misappropriation, or dishonesty, (ii) violated a material term of this Agreement or Company policy, (iii) engaged in insubordination, or failed or refused to perform assigned duties of Participant’s position despite reasonable opportunity to perform, (iv) failed to exercise reasonable care and diligence in the exercise of Participant’s duties for the Company, or (iv) engaged in conduct or omissions that Participant knew, or should have known (with the exercise of reasonable care), would cause, or be likely to cause, harm to the Company or its reputation in the business community. Participant agrees that this grant of Performance Units is independent consideration for the Obligations.

II. Countries Other than the United States of America

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

1. 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.

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

- a. 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.”

- a. The provisions in “Addendum for Australia, Canada, Hong Kong and Singapore” set forth below shall be applicable.

C. 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.

D. 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.

E. 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:

- a. 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.

- a. The provisions in “Addendum for Australia, Canada, Hong Kong and Singapore” set forth below shall be applicable.

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

- a. In Section 5(d), the words “or Solicitation” shall be added, in each instance after the word “Obligation(s)”;
 - a. In Section 5(d), in the second sentence, solely with respect to Solicitation the word “second” shall be replaced with “first”;
 - a. In Section 9(j)(v), subsections (C) and (D) shall be deleted and subsection (E) shall be renumbered as subsection (C); and
 - a. 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.”

G. 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:

a. In second sentence of Section 5(d), the phrase “that, in the Committee’s sole and absolute discretion, reflects the seriousness of the breach of the Obligation(s) and/or Misconduct; the maximum amount that the Company may demand from the Participant is” shall be added after the words “an amount” ;

a. 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”;

a. 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.”

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

H. 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 Obligations set forth in Section 5(d)” shall be deleted and replaced with “the Obligations 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. PARTICIPANT OBLIGATIONS

2.1 The Participant covenants with the Company and the Group that the following acts constitute a breach of Participant’s Obligations unless authorized by the Company:

2.1.1. during the Relevant Period directly or indirectly being 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 Relevant 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, having 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 Relevant 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, canvassing or soliciting 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 Relevant Period, directly or indirectly, soliciting or endeavouring 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 representing 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 using 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 using for his or her own purposes or those of a third party or disclosing 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 Obligation contained in this clause 2 is an entirely separate and independent Obligation, 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 Obligation in this clause 2 are considered by the parties to be fair and reasonable in the circumstances, it is agreed that if any such Obligation 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 for the Obligation were deleted, the Obligation 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 Obligations 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 Obligations, he or she will notify that person, firm, company or entity of the terms of these Obligations.

2.6 The length of time concerning any Relevant Period concerning 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 Compensation Committee determines in its sole and absolute discretion that Participant has breached 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 Compensation Committee may exercise its discretion to direct the Participant to return all amounts paid to the Participant in respect of the Performance Units within the Relevant 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 Business 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 Business Period: a. the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or b. 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, pricing models and formulas, income and receipts, claims records and levels, renewals, policy wording and terms, reinsurance quotas, and profit commission; 2. syndicate or other business projections and forecasts; 3. Client lists, brokers lists and price sensitive information; 4. technical information, including computer programs, reports, interpretations, forecasts, corporate and business plans and accounts, business methods, financial details, projections and targets; 5. remuneration and personnel details concerning other Company employees or contractors; 6. planned products, planned services, marketing surveys, internal templates, training materials, 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 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 Business Period: a. was employed by the Company or any Group Company; and b. with whom the Participant has had Material Dealings or exercised control or had management responsibility for; and/or c. has had access to or has obtained Confidential Information during the Relevant Business 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 Business 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 Business Period: a. the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or b. 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 Business Period.
“Relevant Business 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. This defined term shall replace the term “Look Back Period” in the body of this Agreement

“Relevant Period”	means the period beginning on the date hereof and ending two years following the Settlement 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, the Compensation Committee shall have the sole and absolute discretion to find breach 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 Compensation Committee shall have the sole and 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 under any other agreements with Participant 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 or its remedies under other applicable law.

- 3.3 The Committee may review any Performance Units granted to the Participant under the terms of this Agreement, in light of:
- 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;
 - the Participant having caused harm to the reputation of the Company or the Group;
 - 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
 - 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.

I. 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 it shall be a breach of Participant’s Obligations if the Participant, save with the prior written consent of the Committee (in its absolute discretion):

A. during the Relevant Period, directly or indirectly, is 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 Relevant 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, having any business dealings with any Client or Prospective Client in relation to or for the benefit of a Competing Business;

C. during the Relevant 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, canvassing or soliciting business or custom from or seeking 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 Relevant Period, directly or indirectly, soliciting or endeavouring 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 representing 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 using for his or her own purposes or those of a third party or disclosing 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 Obligation contained in this Section 5(f) is an entirely separate and independent Obligation, 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 Obligations 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 Obligation 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 Obligation were deleted, the Obligation in question will apply with such deletion as may be necessary to make it valid and effective.

The Length of period of any Relevant Period concerning 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 breached an Obligation 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 breached an Obligation, repayment 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 breaching an Obligation or (ii) determine the related date of breach of an Obligation.

In this Agreement, the following definitions shall apply:

“Client”	means any person, firm, company or other business entity whom or which during the Relevant Business 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 Business Period: a. the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or b. about whom or which the Participant has had Confidential Information during the course of his or her employment.
“Obligation”	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: a. underwriting premiums or quotes, pricing models and formulas, income and receipts, claims records and levels, renewals, policy wording and terms, reinsurance quotas, and profit commission; b. syndicate or other business projections and forecasts; c. Client lists, brokers lists and price sensitive information; d. technical information, including computer programs, 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, internal templates, training materials, 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 or any Group Company’s , 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 Business Period: a. was employed by the Company or any Group Company; and b. with whom the Participant has had Material Dealings or exercised control or had management responsibility for; and/or c. has had access to or has obtained Confidential Information during the Relevant Business 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 Business 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 Business Period: a. the Participant (or any person reporting to the Participant) had Material Dealings in relation to Relevant Business; or b. 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 Business 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. The term “Look Back Period” in the main Agreement shall be replaced with the defined term “Relevant Business Period”
“Termination Date”	means the date on which the Participant’s employment or engagement with the Company terminates for any reason.

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: November 4, 2021

/s/ W. Robert Berkley, Jr.

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

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: November 4, 2021

/s/ Richard M. Baio

Richard M. Baio

Executive Vice President - Chief Financial Officer

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

In connection with the Quarterly Report of W. R. Berkley Corporation (the "Company") on Form 10-Q for the period ended September 30, 2021 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.

W. Robert Berkley, Jr.

Robert Berkley, Jr.

President and Chief Executive Officer

Richard M. Baio

Richard M. Baio

Senior Vice President - Chief Financial Officer

November 4, 2021

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.