

Call Participants

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Andrew Scott Kligerman
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Elyse Beth Greenspan
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Joshua David Shanker
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Presentation

Operator

Good day, and welcome to W. R. Berkley Corporation's First Quarter 2025 Earnings Conference Call. Today's conference call is being recorded. The speaker's remarks may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words, including, without limitation, believes, expects or estimates. We caution you that such forward-looking statements should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will be, in fact, be achieved.

Please refer to our annual report on Form 10-K for the year ended December 31, 2024, and our other filings made with the SEC for a description of the business environment in which we operate and the important factors that may materially affect our results. W. R. Berkley Corporation is not under any obligation and expressly disclaims any such obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise.

I would now like to call -- I'd like to turn the call over to Mr. Rob Berkley. Please go ahead.

W. Robert Berkley, Jr.

Krista, thank you very much, and good afternoon, good evening, all. Thanks for dialing in. And let me echo Krista's warm welcome to our Q1 call. So in addition to me on this end of the phone, you also have Executive Chairman, Bill Berkley, as well as Principal Financial Officer, Rich Baio. We're going to follow our typical agenda where momentarily, I'll be handing it over to Rich. He's going to run you all through some of the highlights from the quarter. I will follow behind him with a couple of additional observations and then we'll be very pleased to open it up for Q&A.

Before I hand it over to Rich, maybe just a sound bite or 2 from me, perhaps stating the obvious or not perhaps actually stating the obvious, I think, the world is chockablock full of volatility these days, these weeks, these months and perhaps this year and maybe beyond. It seems to be presenting itself in a variety of different ways, political, social, economic and certainly natural catastrophes as well.

But it is without a doubt a moment where the realities of risk-adjusted return come into very sharp focus. And from our perspective, it applies to both of the business activities that we participate in, that being underwriting and investing. The resilience of our business model was once again demonstrated over the first quarter, and we feel as though it is another example of how this organization is not just built to perform well during moments where there is a tailwind or smooth seas. But in fact, it is built to continue to excel or succeed during more challenging environment circumstances.

From our perspective, it's very important to not lose sight of the goal of the exercise. The goal is to create value. And in our opinion, it's not just about the steps forward you take, it's also about the steps backwards that you avoid. So as we talk about the quarter, there is going to be no but fors. There is going to be no lipstick on the pig or any other analogy. We're going to talk about what the results were with cat activity and with a variety of other events and how we managed to navigate through it. It is the reality, again, that when it comes to value creation and the power of compounding and what that means for value creation, avoiding steps backwards is very consequential.

So with that, I will hand it over to Rich. Rich, if you want to run us through the highlights, please. And I apologize every now and then if you hear a cough or a sneeze, here in the Northeast, it is very much peak allergy season.

Richie, over to you.

Richard Mark Baio Executive VP & CFO

Great. Thanks, Rob. Appreciate it, and good evening, everyone. As you saw, the company started 2025 with a strong first quarter, reporting net income of \$418 million or \$1.04 per share and an annualized return on beginning of year equity of 19.9%. Despite significant industry-wide catastrophic activity led by the California wildfires, we continue to demonstrate stability in underwriting earnings and continued growth in net investment income. Operating earnings were \$405 million or \$1.01 per share yielding an annualized return on beginning of year equity of 19.3%.

The calendar year combined ratio was 90.9%, and the current accident year combined ratio, excluding cat losses, was 87.2%. The driver for this difference was cat losses of 3.7 loss ratio points or \$111 million, representing an above-average cat quarter, primarily

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attributable to the California wildfires. Prior year development was favorable in the current quarter by approximately \$1 million, with small offsets between segments.

Accordingly, the current accident year loss ratio, excluding cats, was 59.4%, representing a 30 basis point increase over the prior year, largely due to business mix. The expense ratio of 27.8% continues to benefit from the growth in net premiums earned, which grew to a record \$3 billion. In addition, the 80 basis point improvement over the prior year quarter includes a nonrecurring compensation-related benefit of approximately half of this amount. We believe the expense ratio should be comfortably below 30% for the full year as we continue to invest in our newer operating units and make investments in our infrastructure.

As it relates to premium production, the company grew net premiums written to a record of more than \$3.1 billion. The insurance segment grew 10.2% to our second best quarter of \$2.7 billion with growth in all lines of business. The Reinsurance & Monoline Excess segment grew 8.2% to a record quarter of \$439 million with growth in property and excess workers' compensation partially offset by a small decrease in casualty.

Turning to investments. Net investment income increased 12.6% to \$360 million. The improvement is primarily attributable to 2 items: First, our record net invested assets of \$30.7 billion and higher new money rates on our growing fixed maturity portfolio, along with strong operating cash flows in the quarter of \$744 million. And second, higher investment fund income arising from transportation and financial services related sectors. As a reminder, we report investment funds on a 1-quarter lag. And with the recent volatility seen in the equity markets, you may expect some correlation between public and private equity markets.

Accordingly, we anticipate investment fund income may be at the lower end of our quarterly range of \$10 million to \$20 million in the next quarter. The credit quality of our portfolio remains very strong at a AA- with the duration on our fixed maturity portfolio, including cash and cash equivalents increasing from the fourth quarter of 2.6 years to the current quarter of 2.7 years.

Foreign currency losses in the quarter of \$19 million related to the weakening U.S. dollar relative to most other currencies. Offsetting this income statement loss is an improvement in the currency translation loss and stockholders' equity of \$24 million. The effective tax rate was 22.5% in the quarter, and we continue to expect 2025 will be 23%, plus or minus. Stockholders' equity increased by more than \$500 million or 6.2% over the beginning of the year to a record \$8.9 billion.

Book value per share before dividends and share repurchases grew 7.1% in the quarter. Our balance sheet remains strong with cash and cash equivalents of more than \$1.9 billion and financial leverage of 24.2%, the lowest level in decades with no debt maturities until 2037.

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

W. Robert Berkley, Jr.

Great. Rich, thank you very much. That was great. Let me offer a couple of additional comments just to piggyback on what Rich just shared. As far as the top line goes, came in where we were up about 10% or to be more specific, if I were a CPA, I would call it, 9.9%. But we are pretty pleased with that. Obviously, rate contributed to that ex comp coming in at 8.3%. In addition to that, the renewal retention ratio continues to hang around 80%. I mean it's like ballast to the ship. It just doesn't move around very much.

But I think it's a relevant data point because it tells you, as we continue to push for rate and making sure that we're getting paid what we need to get paid, we are not churning the book. Drilling down a little bit more on the insurance front, particularly as it relates to market conditions. And I would tell you that professional liability has become particularly competitive. We've been talking to you all about the D&O market for some period of time. I would add cyber as well as far as competitive and at the risk of being a little bit rude, which I apologize for in advance, I think, transactional liability as far as the marketplace probably gets the stupid award.

As far as maybe one other data point, we've chatted with you all about some of our reservations around workers' compensation and medical trend. And you might look at our numbers in the release and some of the exhibits and say, well, how does that reconcile with the growth that they're seeing. And let me, again, similar to last quarter, flag for you that the growth that we are seeing is really driven by specialty comp. And what do I mean by that? Typically, it's a little higher hazard in nature.

There is less competition, and you're not seeing both regional and in particular, national carriers trying to play the game and leverage the multiline offering to get the comp. So that continues to be a good opportunity from our perspective. Switching over to the other segment that being reinsurance and excess. I would call out here. I don't think we break out all this detail, but it will be in the Q. And that is professional liability as a component of casualty. So our professional liability book as it relates to reinsurance was down a little over 25%. That is really just a reflection of market conditions.

And quite frankly, our colleagues have the discipline and the courage to do the right thing. So we'll have to see, I've commented in the past, it seems like the reinsurance market, just as it was some number of years ago, sluggish to respond to property, particularly cat. It seems as though yet again, we're seeing something similar just in the casualty lines and in particular, professionals. So we will stay tuned and see how that unfolds.

Rich covered the loss ratio earlier. As far as the ex-cat accident year and how it ticked up about 30 basis points. As he mentioned, that's really due to mix. The only other comment I would make is we are paying close attention, as you would expect, to the tariffs, and it is a very fluid situation as everyone has an appreciation. So trying to unpack that and figure out what it means for loss costs. That's something that we are working on actively. And again, as that comes into sharper focus, that may be instructive to us as to how we think about both loss ratio as well as rate need.

Just on as far as the expense piece goes, I would echo Rich's comment about comfortably under 30%. The only other comment I would make, yes, he did flag that we had a bit of a benefit from an over accrual from last year. So maybe that's skewed it a little bit in the quarter, but arguably, it also meant that we overstated our expense ratio a little bit as it turns out last year. So it was actually a little bit better last year than we had reported.

Flipping over to the investment components. So really, things are firing on all cylinders, not that there aren't challenges, but we're really pleased with the portfolio, how it's managed, how it's been positioned. Rich commented on the duration, ticked out to 2.7 years and continue to maintain that very strong quality at a strong AA minus. I think one of the important punch lines here is the opportunity or the upside that we see, both on the underwriting side and now specifically in the investment side.

So we have a book yield on the domestic portfolio of approximately 4.7%. We got -- what's rolling off the portfolio is something below that. So we're going to see some lift from that. And in addition to that, we have a new money rate that's probably give or take around 5.2%. You got a \$30 billion investment portfolio, call it, \$27 billion or so, interest-sensitive/fixed income, cash, et cetera. So if you take, call it, 50-plus basis points and you apply that to \$27 billion. That gives you a sense of where the earnings power is going.

It's certainly possible that at some point, you could see the interest rates at the shorter end of the curve come down. But from our perspective, the intermediate and longer term end, we don't see that backing off. If anything, it could tick up from here. So long story short, the business had a very good quarter to say the least. Flirting with a 20% return in an environment such as this, where we saw exceptional cat activity, I think, is a very strong outcome.

What is, in my opinion, even more encouraging is, the rate accuracy that we continue to maintain while growing the business and in addition to that, what we've been able to do with the investment portfolio. So as rosy as the picture is here, and it's not that there aren't headwinds and challenges. I think it's pretty evident that not only did we have a good quarter, but the balance of '25 is looking very encouraging and the foundation that we're beginning to pour for '26 appears to be quite solid as well.

So why don't -- did you guys have anything else you want to add. Okay. Then Krista, why don't we take a pause there and we're very pleased to open it up to any Q&A that folks would like to have.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Andrew Kligerman with TD Securities.

Andrew Scott Kligerman
TD Cowen, Research Division

I was particularly interested in the short-tail lines up 13%, Rob, what areas did you get excited about? Because as I'm thinking about the property subset. And you called out rates being up 8.3% ex property, meaning like...

W. Robert Berkley, Jr.

Andrew, I beg your pardon, it's 8.3 ex comp, I'm sorry, if I misspoke it. So it's 8.3 ex comp.

And as far as -- sure, and as far as the growth goes, we're seeing -- we continue to see opportunity on the property lines. And in addition to that, we are seeing opportunity in the A&H space as well. And those are probably the big drivers as far as the short tail.

Andrew Scott Kligerman
TD Cowen, Research Division

I see A&H and property. And within the property component, I mean, I guess, property pricing is -- there's so many sublines, but I'm hearing kind of down mid-single digit. Could you maybe elaborate a little bit on that? Like what property lines do you like? And what are you seeing in rate in property?

W. Robert Berkley, Jr.

So as far as the insurance market space with regards to property and obviously, it's a pretty broad space. We continue to see opportunity to push rate at a pretty healthy pace on the risk front, on the cat front. Certainly, there's a bit more competition, particularly coming out of the likes of Lloyds, both directly as well as through binding authorities that they seem to for some reason, be empowering.

In addition to that, Berkley One, our private client, high net worth personal lines business, continues to be able to demonstrate their considerable value proposition to the marketplace and grow their footprint while simultaneously taking very healthy rate. And then lastly, our A&H business, which has a rich history of performing at a very high level, continues to be able to capitalize on market conditions.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. And in the reinsurance segment, I mean, again, you put up another fabulous combined ratio. I guess you did an [85.4%] and that's even with 10.9 points of cats. Should we be thinking about that as a stable kind of run rate for reinsurance? I mean...

W. Robert Berkley, Jr.

Well, I don't -- I think that we are very pleased with the performance of the business and how our colleagues very effectively positioned it. I don't think any of us know what tomorrow will bring with certainty. That having been said, I think the portfolio and how it has been created and put together has put us on a very firm ground both where we are today and how we're positioned to capitalize tomorrow. So I think that we, again, remain very encouraged with that business and how it's positioned.

Operator

Your next question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

My first question, I know I think in the prepared remarks, you guys said -- you pointed out the \$1 million of development in the quarter. And I think said it seems like nothing to call out in the segments. Would you be willing to give us just if it's immaterial numbers, just how much reserves in the quarter moved in both insurance and reinsurance?

W. Robert Berkley, Jr.

Yes. Richie, do you -- I don't have it, Rich. Do you have each segment because it was -- again, I think people look at the combined and they kind of scratch their head, but we got a lot of moving pieces that come out to this in the loss. So what were the pieces?

Richard Mark Baio
Executive VP & CFO

So for the Insurance segment, it was \$11 million unfavorable prior year development. And in the Reinsurance & Monoline Excess, it was favorable by \$12 million.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my second question was on the underlying loss ratio. I think you guys said mix, right? And the prior question, right, on reinsurance, which had a strong improvement in the quarter. We did see some year-over-year deterioration in insurance in the Q1. Can you just -- I'm assuming maybe mix was also attributed to that segment. Can you just walk us through what was going on within the underlying loss ratio and insurance in the Q1?

W. Robert Berkley, Jr.

Go ahead, Richie.

Richard Mark Baio
Executive VP & CFO

So as you pointed out, Elyse, yes, it is business mix. Obviously, one of the elements that plays into that is also our outward reinsurance purchasing that we do. And you might recall, we purchased reinsurance both at the group level, but we also purchased it at the operating unit level, and we've got 58-plus operating units across the group. So theoretically, if some businesses are growing, others are shrinking. Perhaps the level of reinsurance plays into that because of the impact on the ceding commissions, on the quota share arrangements, et cetera. So that's really, in large part, what drives that 30 basis point swing from the prior quarter.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my last one. Obviously, you guys recently announced that Mitsui Sumitomo is going to take like the 15% stake in the company. I know in the presentation that was put out, it pointed to them starting in May. I'm not sure if this is a question for you or them, but is there an update on the regulatory process? And is that May time frame still intact?

W. Robert Berkley, Jr.

So they are going through the process that they need to go through, and we try to be helpful as we would with any shareholder. But I think as you pointed out, Elyse, it's more of a question for them than for us. We are not in the -- all of the details -- it won't be in the details because we are not going to be precluded from being able to repurchase stock in the ordinary course as we have in the past.

Operator

Your next question comes from the line of Rob Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

I wanted to zone back in on the tariffs impact. I know you guys are still assessing. But maybe specifically on the property lines of business and the high net worth homeowners, how are you thinking about what the impact of tariffs might be?

W. Robert Berkley, Jr.

Well, as you'd expect, Rob, we're particularly focused on the shorter tail lines, both auto, particularly around the physical damage as well as property. But I think it would be a mistake for one to discount other lines as well. So for example, workers' compensation and what the impact could be around pharma. A lot of drugs are manufactured outside of the United States.

So it's something that we're very focused on. The whole tariff situation, again, as mentioned earlier, and I know you and others appreciate, is very fluid. We are doing our best to try and read the tea leaves, and we are actively doing a variety of different analyses to try and figure out what this means for loss picks and how that would instruct rate need.

So yes, does it have an impact on property? Yes, potentially, it would. Would that include personal lines and homeowners? Without a doubt. And certainly, another obvious one is auto physical damage. But while those may be the 2 more significant spots, I would encourage folks not to underestimate or completely ignore other product lines as well.

Robert Cox

Goldman Sachs Group, Inc., Research Division

Got it. That's very helpful. And then maybe just as a follow-up on the pricing. It sounds like it accelerated 60 basis points or so in the quarter. What are you seeing in terms of outliers by line of business? Is that any different from recent quarters? And what kind of the acceleration?

W. Robert Berkley, Jr.

Yes. I think it's pretty consistent with what we've seen in the past and there are some product lines that we talked about in the past, like auto liability, as an example, where we are very focused on loss cost trends, social inflation and doing what we need to do to keep up with that and other liability lines as well. But as we've called out in the past, auto liability and particularly umbrella and how the auto liability feeds the umbrella exposure are areas that we continue to push pretty hard on.

But I also would suggest that I wouldn't get overly preoccupied with 60 basis points, one way or the other. I would suggest in my mind the takeaway is that the company remains very focused on rate adequacy and keeping up with trend. And I think that is evidenced both in what we've delivered this quarter as well as what we've delivered for the past many quarters.

Operator

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

Michael David Zaremski

BMO Capital Markets Equity Research

I guess going back to the macro and appreciating that with the tariffs, there's lots of uncertainty. But maybe curious if you can kind of talk high level about your view on work comp profitability under a recession scenario? I know you just kind of typically said keeping an eye on tariffs impact on pharma costs. But I'm -- I guess curious more specifically, has higher than historical wage inflation levels, has that been a material tailwind in recent years that we should be thinking about too under a recession scenario? Or just any kind of high-level thoughts given that this line of business continues to be just highly profitable and we're getting a lot of recession questions.

W. Robert Berkley, Jr.

So I think the answer is, yes. I think coming out of COVID, when we saw significant wage inflation that comfortably outpaced much of the medical inflation equation. That created a bit more tailwind or wiggle room for the industry. Obviously, that can cut both ways. And medical costs are a little bit more than 50% of every claims dollar. So one should not, in our opinion, underestimate the significance around that. So long story short, to your point, Mike, I think it does cut both ways and one will need to see how it unfolds.

But again, as far as the growth that we're seeing in comp, it partly has been to -- due to wage inflation, but even more so, as we flagged earlier today as well as, I think in the prior call, we see opportunity in some of the comp market that is less commoditized and it's more specialty in nature. So yes, I think, to get to your specific question, I think wage inflation was a plus, but that can cut both ways. And to your point, I think, people need to be very conscious of that.

Michael David Zaremski

BMO Capital Markets Equity Research

Okay. That's very helpful. Maybe switching gears a bit to lawsuits/social inflation. If thinking, kind of looking at Berkley's [PAT] disclosure and just the industry as well. Other liability occurrence continues to be. I know you said no analogies, but kind of pig through the python. Do you feel pricing levels for other liability occurrence, I know that it works its way through different lines. But do you feel that pricing is that kind of a level where directionally roughly can start playing offense? Or do we really need to see -- continue to see a material increase in pricing there to really feel like the coast is clear?

W. Robert Berkley, Jr.

I think that we've done a pretty good job keeping up with it. And the question really is how the balance of the market will behave, and we are encouraged by what we saw, quite frankly, more recently with additional discipline coming into the market in certain product lines. That having been said, we don't know necessarily what tomorrow will bring.

So will there be an opportunity for us to accelerate the growth, we'll have to see with time, Mike. But again, one of the things, and I think, you're in some ways, flagging it right now is how different the market is and our product lines have decoupled. And one of the benefits that we, as an organization, are enjoying is the breadth of our offering. So there are parts of the marketplace that we participate in, where we are maintaining very much of a defensive posture and there are other parts of the marketplace where we're finding opportunity to lean in.

Other liability occurrence, we'll have to see how it unfolds. Clearly, there are many folks that have taken some bumps and bruises, particularly on the excess and umbrella. And historically, that would suggest that will lead to opportunity. And if that is the case, we look forward to participating.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Got it. We'll sneak in just a follow-up question to Rob Cox's question and your answer about tariffs impacting more than just the auto line. I probably just need to do more homework myself. But is there -- have you been willing to quantify just directionally commercial property? Would tariffs under their current form potentially impact loss ratio by like just I don't know if you have a corridor like very low-single digits?

W. Robert Berkley, Jr.

So Mike, the answer is that the tariff discussion coming out of Washington, particularly led by the administration, I think, is still a bit of a moving target. So for us to put a number down right now, that -- I'm hoping that that's something we can do, give or take, 90 days from now for you and others. But right now, I think it would be premature. My message to you is that we are very focused on it and making sure that we will take the appropriate actions from a loss ratio as well as what that -- what those implications are from a pricing perspective as well. The short answer is if it comes to be as it's been advertised, yes, it's going to drive up loss cost. Do I have a number for you?

No, not that would be particularly valuable to you or valuable to us sharing with anyone at this moment.

Operator

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

Joshua David Shanker
BofA Securities, Research Division

I wanted to dig in just some of the comments. You mentioned in your prepared remarks that you have to concentrate on specialty workers' comp to understand why Berkley grew in the quarter in otherwise tepid comp environment. But you always have a specialty as what you're writing. Is it -- were there a few unique opportunities that you saw in 1Q '25? And should we expect that workers' comp is going to be a unique area that Berkley is able to grow for the next few quarters while the industry struggles?

W. Robert Berkley, Jr.

So I think the -- maybe -- thanks for flagging that, Josh, and let me try and do a better job articulating the thought than I did. You're absolutely right that by and large, all we do is specialty in nature. But some of what we do that is specialty in nature, oftentimes by the standard market is mistakenly not recognized as specialty, and that tends to be smaller and midsized accounts.

So as they are mistakenly coming into that marketplace that creates more competition and we have no qualms letting that part of the portfolio shrink. That having been said, what I was attempting to flag was there is a part of the comp market, which is perhaps even more specialized. And what I mean by that, it's even higher hazard in nature, where the standard market has a greater recognition for the complexity and is less inclined to try and come into that marketplace and cut rates and try and leverage their multiline offering. So apologies if I muddled the waters, but hopefully, that adds a bit of clarity.

Joshua David Shanker
BofA Securities, Research Division

And is there anything we can use by looking at this number to think about the remainder of the year?

W. Robert Berkley, Jr.

Well, Josh, both you and I, along with others, know that nobody knows exactly what tomorrow will bring. If market conditions in that part of the comp market continue as they have been more recently, then we will look forward to continuing to lean into that opportunity. If that opportunity or window of opportunity were to close, then you will see us do what you would expect us to do and we will have no qualms letting the business move in a different direction or away from us?

Joshua David Shanker

BofA Securities, Research Division

So if I could ask the same question, but about a different market about commercial auto liability. It's been a tough market for a while. But this is the first time that I've really seen Berkley's premium volume really fade compared to the prior quarters. Has something changed in the last 3 months?

W. Robert Berkley, Jr.

I think what it is, is just our commitment to rate adequacy and the rest of the marketplace has been a bit sluggish, particularly earlier in Q1. I would tell you more recently, perhaps, there's early signs of a green shoot coming through. Hard to know whether that is green grass or a weed but we remain hopeful.

Joshua David Shanker

BofA Securities, Research Division

Okay. And if I can sneak one other in. Andrew mentioned about the cats. Notably, Berkley has no exposure to California homeowners, which they avoided the -- didn't avoid completely obviously, they avoided the line of business that was most exposed to the biggest cat in the quarter. Yet this was quite a big quarter for catastrophe losses for Berkley. Has the premium footprint changed as you've moved into short tail lines and exposed yourself more to property such that we should revise our priors and how we think Berkley's cat loss exposure evolves relative to the market more broadly?

W. Robert Berkley, Jr.

Josh, so the way I would answer that is no, not really. First off, as far as the homeowners piece, I want to make sure there's no misunderstanding. It wasn't that Berkley One didn't get to expanding to California, a conscious and deliberate decision was made not to enter California. As far as the balance of the loss as it relates to that, it has to do with our commercial lines book.

And we have felt as though the property market, as we've talked about in the past, is reasonably well priced, and that's why we were prepared to take on a bit more exposure. I think that view was validated because if you look at the result we delivered, even with having opportunistically modestly expanded our footprint or participation in the property space, we still delivered a 19-plus percent return. So long story short, do I think you should come away from this, feeling like there's been a sea change in our approach to property and cat-exposed property, no, I think that would be a mistake.

Do I hope that you'll continue to recognize that we are an organization that is opportunistic. And when we see things that are well priced, we're willing to take on a bit more exposure? Yes, I would hope that, that would be the takeaway. But no, there is not a sea change in our appetite for cat, if you will, and that's why arguably a \$40 billion to \$50 billion event relative to our size, I think, by any measure, we are underweighted as far as our cat loss.

Operator

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

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

I had just a follow-up question on the reserve development within the Insurance segment, the \$11 million. I was hoping to get a little bit more detail in terms of some of the moving pieces there?

W. Robert Berkley, Jr.

I don't have that in front of me. If you'd like -- maybe you could give Karen or Richard a call tomorrow, and we can unpack it. I think we have about \$17 billion of reserves. So I didn't view \$11 million as the be all and end all, but we're happy to do our best to unpack that for you.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Great. And then I was -- I know not a big line for you guys either, but the property reinsurance growth was a pretty nice tailwind this quarter, ticked up quite a bit, I guess, how should we think about how sustainable growth is in that market within the property cat market?

W. Robert Berkley, Jr.

I think it depends on what tomorrow holds, how -- look, when the day is all done, the property market, particularly as it relates to reinsurance, was not as rosy at this [1/1] as it was a year earlier, but we still think that it's well priced. But as we've demonstrated in the past, whether it's property or any product line, if that opportunity shifts and is less attractive, we're very happy to let it go. So what will tomorrow bring? I don't know. But right now, we think that there's still a reasonable risk-adjusted return to be had. That having been said, we all saw a fair amount of erosion at 1/1. So I don't know if there's another year or not in the tank.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Got it. And then maybe just lastly. So there's been some efforts at tort reform in Georgia. I know you guys are a decent-sized player in Georgia within GL and commercial auto. I guess just curious on your thoughts in terms of what that does to sort of address some of the social inflation issues that have been problematic there?

W. Robert Berkley, Jr.

I guess the short answer is we're pleased that it's getting the attention, not sure if it's enough, but it's a step in the right direction.

Operator

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

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Anything to say on admitted versus E&S and the mix shift, it seems like it's continued in E&S. How did you see that play out this quarter? And any commentary on submission growth would be great.

W. Robert Berkley, Jr.

So using a pretty broad brush, we are pretty pleased with the continued flow in the E&S market, ever increasing, particularly around some of the liability lines, casualty in particular and for that matter, excess and umbrella. As far as the property piece goes, there's still opportunity there, but probably a bit less than there was yesterday. January was a little bit more challenging, but we were very pleased to see how the balance of the quarter unfolded and found it to be quite encouraging.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

And then, Rich, on the reinsurance purchasing that you talked about influencing the mix which influenced the current accident year. Is that an ongoing phenomenon, do you think? Or is that -- is there some timing about the purchasing of the reinsurance that might have influenced Q1 more than others?

Richard Mark Baio

Executive VP & CFO

I don't think it has to do with the timing of the purchasing. It really is just driven by each of those operations, whether they're growing or shrinking or moving in or out of particular businesses and what the contribution is to the overall. So if you have a business as an example that we quota share some of that out to third-party reinsurers, and you don't have as much net premiums written contributing to the overall total net premiums written, it will obviously have an impact one way or the other. So no, I think if you look at our cession rate, we kind of hover in that high 14% to low 15% rate. So I think that our cession rate is pretty consistent from period to period. It's really just the composition across the 58-plus operating units.

Operator

Your next question comes from the line of Andrew Andersen with Jefferies.

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Andrew E. Andersen
Jefferies LLC, Research Division

Just on casualty reinsurance, you had mentioned the professional liability component. I was just hoping you could touch on kind of the rate and discipline that you're seeing in the market. And expectations or thoughts of that may be improving as we go through the year?

W. Robert Berkley, Jr.

So the punch line is -- a lot of it has to do with -- a fair amount of it has to do with D&O, a fair amount of it has to do with cyber and transactional as well. And to make a long story short it's not that we're running the same number of treaties and the rates just getting cut or the underlying is collecting less premium. It's our colleagues drawing a line in the sand and saying, this treaty does not make any sense to us any longer. We are not going to do it given the economics, which we very much applaud, thank you [Kevin].

Andrew E. Andersen
Jefferies LLC, Research Division

Got it. So maybe still some nonrenewals as we go throughout the year on that line perhaps?

W. Robert Berkley, Jr.

Obviously, 1/1 is a big date, but we'll have to see how it unfolds. But again, of course, the stuff, it comes through throughout the year.

Andrew E. Andersen
Jefferies LLC, Research Division

Okay. And then just on specialty workers' comp. Is the rate there kind of similar to traditional workers' comp? Or what are you seeing in that market?

W. Robert Berkley, Jr.

It's a healthier market where we find the rates are higher, and we think the rate adequacy is more appropriate.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

Two quick ones here for you. First one, just on the property reinsurance, again, were there any kind of reinstatement premiums or anything in there that may have kind of elevated the growth on a year-over-year basis, just given the cat losses.

W. Robert Berkley, Jr.

Not material.

Brian Robert Meredith
UBS Investment Bank, Research Division

Okay. Excellent. And actually, the next one is for Bill. Just curious, Bill, during the 1970s, we had stagflation. Maybe give us -- tell us what that kind of means for the commercial insurance industry and kind of what it was like back then with stagflationary environment.

William Robert Berkley
Executive Chairman of the Board

Well, first of all, that's age discrimination. I think that the stagflation was a problem. But the inflation was somewhat different. It was much more focused and you saw it, it wasn't quite across the board in the stagnant economy. There were a lot of different moving parts. But I think that the industry when that happened went through a tough period of pricing pressures. But it wasn't a disaster by any means.

I think the industry was able to move along raising prices and keep up with that. But there was less growth because the economy really wasn't growing. So less growth, pricing was okay. And the industry lifeblood of new companies and change was diminished. So flexible modest size and larger-sized companies did well. Not a lot of new companies getting started. It was really when we were just getting into the business and you have lots of issues, including things when we faced, we were just getting into the business.

So in fact, just looking back at what that was, it opened the doors to really a much improving period of time. But margins were not what they were, although interest rates moved up. So we had improving interest rates. That was with -- interest rates started to move up where they had been settled at 3% to where they became settled at 6%. So it was an okay time for the industry. If you paid attention to risk. But overall, bigger companies did better than smaller companies and opportunities existed. So like everything, there's no broad brush that gives you an answer, very, very differentiated.

Operator

Your next question comes from the line of Wes Carmichael with Autonomous Research.

Wesley Collin Carmichael
Autonomous Research US LP

I just wanted to come back quickly to the increase in the underlying loss ratio that was driven by mix. And Rich, I heard your commentary on reinsurance. And I don't think it sounds like it, but I just want to confirm, is there any mix standpoint on the expense ratio that you're seeing?

Richard Mark Baio
Executive VP & CFO

There could be as well because, as I was alluding to earlier, depending on the contribution from quota shares with ceding commissions that could also have an impact on the expense ratio. So yes.

W. Robert Berkley, Jr.

In this case, that was less the [case] in the quarter.

Richard Mark Baio
Executive VP & CFO

Correct. That's right.

Wesley Collin Carmichael
Autonomous Research US LP

Okay. Understood. And then just in the insurance segment, I wonder if you could just unpack growth a bit more. And Rob, you talked about workers' comp for a while. So any more color on the other lines, including other liability that you might call out in the quarter going forward?

W. Robert Berkley, Jr.

I think it's a combination of just making sure we're staying on top of it with the rate and market conditions where we are seeing opportunity to grow, and we are making the most of that where the opportunities are. So a long story short, some of the product lines, it's rate, rate, rate all day like auto as an example. There are other product lines where rate adequacy remains very important and market conditions are such that it's allowing us not just to grow through rate, but to grow through exposure.

Operator

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

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

If I can go back to the specialty workers' compensation driving the growth, are the underwriting and claims handling tools different from the prior book of workers' compensation at Berkley.

W. Robert Berkley, Jr.

Sorry, what was the last piece, Meyer, I peg your pardon? Are they different from what?

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

So the legacy, in other words, the workers' compensation business that you've written over the last few years.

W. Robert Berkley, Jr.

Well, I think the answer is that each one of the businesses are specialized in nature and some of the opportunities, as we alluded to earlier, with some of the higher hazard is creating a meaningful opportunity for us, and we are leaning into that. And is it -- yes, it has teams of people, as you know, were set up, a decentralized structure with different businesses with their own focus and expertise to support that area of focus or to go hand-in-hand with that area of focus. So the answer is yes.

Meyer Shields

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

Okay. And then completely changing topics. So in the press release confirming Mitsui Sumitomo, their President and CEO talked about deploying their network to grow the value of their investment, which I think means Berkley. I was hoping you could flesh out what that means in terms of growth potential for Berkley.

W. Robert Berkley, Jr.

We'll have to see over time. Obviously, they are a large organization with a meaningful footprint in different parts of the world. And if there is opportunity for us to partner with them and bring some of our expertise and skills, then if that's something that makes sense for the business. That's something that we're very open to.

Meyer Shields

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

Okay. But that's nothing in 2025?

W. Robert Berkley, Jr.

We'll have to see.

Operator

And that concludes our question-and-answer session. And I will now turn the call over to Mr. Rob Berkley for closing comments.

W. Robert Berkley, Jr.

Krista, thank you very much, and thank you all for dialing in. As suggested earlier, I think, by any measure, a very solid quarter, let alone when we had a cat of this size. Additionally, I think, it was very encouraging, the top line that we are able to enjoy. And of course, that was nicely complemented by the continued benefit on the investment portfolio as well. Thank you all, and we look forward to connecting with you in 90 days or so. Have a good night.

Operator

This concludes today's conference call. Thank you for your participation, and you may now disconnect.

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