

W. R. Berkley Corporation NYSE:WRB
FQ1 2026 Earnings Call Transcripts
Tuesday, April 21, 2026 9:00 PM GMT

Table of Contents

Call Participants	3
Presentation	4
Question and Answer	7

Call Participants

EXECUTIVES

Richard Mark Baio
Executive VP & CFO

W. Robert Berkley, Jr.

ANALYSTS

Andrew E. Andersen
Jefferies LLC, Research Division

Andrew Scott Kligerman
TD Cowen, Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

Robert Cox
Goldman Sachs Group, Inc., Research Division

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Taylor Alexander Scott
Barclays Bank PLC, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Tracy Benguigui
Wolfe Research, LLC

Joshua David Shanker
BofA Securities, Research Division

Unknown Analyst

Katie Sakys
Autonomous Research US LP

Mark Douglas Hughes
Truist Securities, Inc., Research Division

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

Michael David Zaremski
BMO Capital Markets Equity Research

Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the W. R. Berkley Corporation First Quarter 2026 Earnings Call. This conference call is being recorded. [Operator Instructions]

The speakers' 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, beliefs, 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, in fact, be achieved. Please refer to our annual report on Form 10-K for the year ended December 31, 2025, 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 turn the call over to Mr. Rob Berkley. Please go ahead, sir.

W. Robert Berkley, Jr.

Alexandra, thank you very much, and good afternoon to all. Thank you for finding time and your challengers to join us. My colleagues and I, we appreciate your interest in the company. So speaking of colleagues joining me on this end of the phone, we also have Executive Chairman, Bill Berkley, as well as Group Chief Financial Officer, Rich Baio. We're going to follow a similar path to what we have used in the past. Where I'm going to offer a few more quick comments. Then Rich is going to provide us a summary on the quarter. I will follow behind with a few additional thoughts. And then we will be very pleased to take your questions and the conversation in any direction you wish to take it.

Before I do hand it over to Rich, just a couple of observations for me, perhaps a bit stating the obvious. One is let there be no confusion. This continues to be very much a cyclical industry. As we've discussed in the past, the cycle is driven by two human emotions, greed and fear. And without a doubt, these days, it would seem as though the year is fading and the greed is fully percolating in many of the corners of the marketplace today. One of the things that we've talked about in the past couple of quarters is where is some of this competition coming from or much of this competition coming from. We've talked about MGAs and MGUs delegated authority, a lot of that capacity coming from a variety of different sources, in particular, the reinsurance market as well as we talked about Lloyd's as a marketplace providing a lot of capacity to delegated authority. One of the things that we've taken note of over the past 90 days or so is a notable shift in the appetite of the standard market, in particular, national carriers who seem to be broadening their appetite and having reached a new level of I would suggest competitive nature that we haven't seen in some number of years, though it tends to be focused in certain pockets. A couple of other comments on the marketplace, focusing on the reinsurance market for a moment. I think no surprise, property and property cat within the reinsurance space. It has been more and more competitive. We're not surprised with it directionally, but we have been taking it back a bit by the pace of change and how that level of competition has really taken hold at an accelerating pace. In addition to that, the casualty market or the liability market within the reinsurance space never seemed to have gotten much of the bounce that we saw in the property market. Nevertheless, it remains very competitive, and we remain concerned for the health and well-being of that marketplace over time, as there is more competition in the property market, that will undoubtedly, at least history would suggest create more irrational behavior that will be plentiful in both the property cat market as well as the liability market. A couple of thoughts on the insurance marketplace, speaking of property and how it can turn into a marketplace that quickly erodes. We are definitely seeing that, particularly with cat exposed property on the insurance side. GL and umbrella, I would suggest are areas where rate is still available with good reason.

Professional, as we talked about in the past, continues to be a mixed bag. D&O remains one that we are very focused on and seems to be continuing to flirt with the bottom. On the other hand, EPLI in certain jurisdictions is an area from our perspective to be very cautious. I would call out California, particularly Southern California, as one that we are paying closed attention to. Speaking of California as it relates to workers' compensation, we've talked about in the past, and we remain convinced that California this time around is out in front of much of the broader workers' comp market. And without a doubt, all eyes remain on the WCIRB, and what is to come in the not-too-distant future. And that the possibility of, I guess, finishing on a bit of a low note, I guess, auto would continue to be an area of great concern from our perspective. It's unclear to us that the marketplace has really wrapped their head around loss cost trend, and what action needs to be taken.

The punch line before I hand it over to Rich, is that at the intersection of a cyclical industry, a focus on risk-adjusted return, undoubtedly is a concept that we subscribe to and hopefully, others do known as cycle management. The good news for us, as we

exercise cycle management, the decoupling of product lines as to where they are in the cycle, combined with the breadth of our offering allows us to be more resilient than many of our peers that have a narrow offering. So why don't I pause there and speaking of resilient, Rich, over to you, please.

Richard Mark Baio
Executive VP & CFO

Great. Thanks, Rob. Good afternoon, everyone. First quarter marked an excellent start to 2026 with record net investment income and strong underwriting profits contributing to a return on beginning of year stockholders' equity of 21.2%. Net income for the quarter was \$515 million or \$1.31 per share, while record operating income was \$540 million or \$1.30 per share. Others drivers benefiting the quarter compared to the prior year included lower catastrophe losses and an improved effective tax rate. Starting with underwriting performance, current accident year combined ratio, excluding cat losses, was 88.3%, and the calendar year combined ratio was 90.7%. The difference was current accident year cat losses of 2.4 loss ratio points or \$76 million compared with the prior year of \$111 million or 3.7 loss ratio points. Unlike last year, which was heavily influenced by California wildfires in the first quarter, this year, the industry experienced significant winter storm activity occurring in January and February. The current accident year loss ratio ex cats for 2026 was 59.7% compared with 59.4% for the prior year which reflects a shift in business mix as we look to maximize profitability. The insurance segment's current accident year loss ratio ex cats increased 10 basis points to 60.9%, while the reinsurance and monoline access segment increased to 51.1%. The expense ratio of 28.6% and is comparable to the recent sequential quarters and reflects a small impact from the decline in net premiums earned from the reinsurance and monoline Access segment. We continue to believe that the 2026 expense ratio will be comfortably below 30%, barring any material changes in the marketplace. On top line production, despite heightened competition in certain pockets of the market, the insurance segment grew gross premiums written by 4.5% to \$3.4 billion and net premiums written by 3.2% to \$2.8 billion.

As you can see from the supplemental information on Page 7 of the earnings release, Net premiums written grew in all lines of business, apart from workers' compensation. The reinsurance and monoline access segment reported net premiums written of \$395 million, reflecting decreases in property and casualty lines of business. Net investment income increased 12.2% to a record \$404 million driven by growth in the core portfolio of 11.8% to \$354 million and an increase in investment fund income of 46.3% to \$40 million. As a reminder, we report the investment funds under 1 quarter lag at an average quarterly range for investment fund income is \$10 million to \$20 million. We expect that strong operating cash flow of \$668 million in the current quarter should continue to contribute to the growth in that investment if some. The duration of our fixed maturity portfolio, including cash and cash equivalents increased during the quarter to 3.1 years, which remains below the average life of our insurance reserves. The credit quality of the investment portfolio continues to improve to a very strong AA-. The effective tax rate in the first quarter was lower than our normalized run rate of 23%, plus or minus, which is usually attributable to higher taxes on foreign earnings and the ability to utilize such foreign tax credits.

In the current quarter, we reflected a net nonrecurring tax benefit, reducing our effective tax rate from 22.8% to 16.3% as reported. We expect the remainder of 2026 will return to our normalized run rate. During the quarter, we repurchased approximately 4.5 million common shares amounting to \$302 million and paid regular dividends of \$34 million. Stockholders' equity increased to approximately \$9.75 billion despite the significant capital management.

In summary, another positive quarter with meaningful growth in earnings and 21% plus return on beginning equity. Rob, I'll turn it back to you.

W. Robert Berkley, Jr.

Thank you, Rich. A little disappointed that this isn't our new run rate on the tax front. I guess you got a whole quarter to figure that out.

Richard Mark Baio
Executive VP & CFO

Yes.

W. Robert Berkley, Jr.

So let me just offer a couple of more quick sound bites and then we'll move on to Q&A. First off, you would have taken a note on the rate came in reasonably healthy at the 7.2% ex comp just as another perhaps relevant data point. The renewal retention ratio continues to sit at around 80% and that thing fluctuates between 78.5% and 81.5%. It doesn't move very much. And I look at it as one barometer to really understand whether we are turning the book or not in our efforts to get rates. So that's an encouraging sign from

my perspective. Just another quick sound bite on the topic of rate. And we touched on this briefly when we had our fourth quarter call, and I think you're going to see it come into more and more focus we've taken a tremendous amount of rate over not just the past couple of quarters, the past few years. I think there are many pockets of the organization we're feeling very good with what the margin is. And the -- I guess, the need for rate is perhaps not going to be as strong going forward. So what's the punchline? We are actively rethinking what the balance is between rate versus growth. And over the coming quarters, you may see us take our foot slightly off the rate pedal and look to push harder on the growth in particular lines where we see the margin is particularly attractive and exposure growth is of more interest to us than rate. Rich talked about the top line overall growth. It was obviously some pretty separate and distinct pieces, and it does map back at least in my mind, to the topic of cycle management you would have seen. We took a pretty firm position, which, quite frankly, given our comments in the Q4 call and earlier last year, shouldn't have surprised anyone. We all know what's been going on with the rate. We've been very transparent about our view on the casualty or liability lines. And the discipline that we'll be exercising there and kudos to our colleagues that are actually putting that discipline into practice.

The other side of the coin, as Rich pointed out, we are still finding opportunities to grow within the insurance space, clearly, a bit of a mixed bag I think the note between the gross versus net, again, highlights, hopefully, in the eyes of those that are observing that this is probably a moment, generally speaking, where it's better to be a buyer of reinsurance than a seller of reinsurance, hence the delta between the gross and the net.

I do think just a final quick comment on the top line in the insurance space. there is a reasonable chance that we will see a bit more growth as the year unfolds, and we are revisiting this notion of balance between growth and rate. Pivoting over quickly to the loss ratio. I think in a nutshell, it's winter storms. We had more exposure to that than some. That having been said, we think it is still a good trade. The comments on the expense ratio. I share very much Richard's view that we'll be keeping it below 30. The movement that you would have seen in the reinsurance and excess segment, was primarily a result of a reduction in premium on the reinsurance front.

Switching over to the investment portfolio for a moment. And Rich flagged for you all the strength of the quality with a very strong AA minus, almost flirting with a AA. But a couple of other points that I would flag is that the book yield on the portfolio is about 4.7%. New money rate is 5% plus. So we still got some room there for improvement. In addition to that, the duration, as Rich pointed out, is sitting at 3.1 years. As a friendly reminder, the average life of our loss reserves, which is a big part of what we're investing is a hair inside of 4 years. So what's the punchline? The punch line is a couple of things. One, the quality is high. There's opportunity with the book yield moving up and we have flexibility around pushing that duration out which is a plus as well. So even if you discount the growth in the portfolio due to the strength of the cash flow that Rich was referencing, which is there is real and you see it quarter after quarter. But even if you put that aside, there is meaningful upside on the depending on whether you look at the overall including cash, \$28 billion or if you want to back out the cash \$25.5 billion, there's meaningful upside from there, both because of growth of investable assets as well as the new money rate, which, again, with the duration we have flexibility.

On the topic of flexibility, and I promise last topic for me, at least for the moment, is capital. And I know it's not something that we spend a lot of time talking about on these calls, but I did want to draw folks' attention to it. And that is our financial leverage, which is sitting at about 22.6% these days, which is a -- I don't know if it's an all-time low, but it's an all-time low in my -- some number of decades at the organization. I think it's important to take note of that for a couple of reasons. Number one, when you look at the returns that we're generating, we're generating it with a much higher level of capital or equity for that matter, more specifically in the business. Number two, I would draw your attention to the fact that we, as an organization, do not have an expectation for 22.6% to keep going down from here. This is a very comfortable place. We think we've got lots of room if an opportunity presented itself. So what does that mean? That means if you look at this business that's earning, I don't know, between \$1.750 billion and \$2 billion and something a year, give or take. And you think about where our leverage ratios are, what that means is we are generating capital significantly more quickly than we can consume it and that we will have significant amounts of capital to return to shareholders for the foreseeable. And to that end, even with us doing that, we still have a tremendous amount of flexibility to take advantage of whatever unforeseen opportunities may be coming our way. So I flagged that because what you saw in the quarter with the repurchase, what you've seen us do with special dividends and recognizing the earnings power of the business, and how we see the growth opportunities before us that we are going to, in all likelihood, have large amounts of capital to continue to return to shareholders and what we believe is the most effective and efficient way that is in the best interest of our shareholders. So I know we talk about repurchase every now and then. People talk about special dividends, but I just wanted to put those data points out there. And again, we can talk more about it during the Q&A if people wish to, but it seemed like that was a relevant topic of the day. So why don't we take a pause there, Alexandra, if we could please open it up for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Elyse Greenspan with Wells Fargo.

Elyse Beth Greenspan

Wells Fargo Securities, LLC, Research Division

My first question, I guess I'm just trying to, Rob, square away your comments, right? You started off by saying just pointing to read and fear in the market and then you were talking about standard market carriers especially national carriers, right, that brought in appetite and pointing to the market getting more competitive. But then you also right ended your comments by saying that there's perhaps some better opportunities to push for a little less price and show better growth. So can you just help me square what felt like introductory comments that...

W. Robert Berkley, Jr.

Thank you for the question, Elyse. And what perhaps was not as clear as I should have been with my opening comments is that I think there are still pockets where there is good opportunity. I think a lot of those pockets tend to be more casualty related. We, as an organization, have a bent towards casualty as opposed to shorter tail lines, particularly property where the competition is most pronounced. So do I think overall, the market is a bit more competitive today than it was yesterday? Yes, I do. Do I think there are still pockets of the marketplace that we are a meaningful participant that offer opportunity? Yes, I do.

Elyse Beth Greenspan

Wells Fargo Securities, LLC, Research Division

Okay. And then as we translate that in terms of just thinking about premium growth? And I guess, my comment is more focused on the insurance segment, right? It got slightly better this quarter. But I think from your comments on last quarter's call, right, I think you had insinuated growth in January might have been within range of 7%, right? So we could see the things -- it seems like slowed in February and March. So how are you thinking about just the level of pickup of growth that we could see...

W. Robert Berkley, Jr.

I don't know -- you're right, Anthony, there's a lag. Sorry to interrupt you, Elyse, that your part there's a bit of a lag on the line. But I think to answer your question, and maybe we confuse the situation if we did, apologies. But we actually saw the top line improve as we made our way through the quarter as opposed to the other way around. So January was not -- did not prove to be our best month.

Elyse Beth Greenspan

Wells Fargo Securities, LLC, Research Division

Okay. But then -- so for your comments about growth getting better, I guess, my last question, is that a Q2 comment? Is that more maybe Q3, Q4, just based on how you see that today.

W. Robert Berkley, Jr.

We are hopeful that we will be able to do better in Q2, but I can't promise that right now. What I can tell you is that we, as an organization, oftentimes our quoting 90 days out, sometimes 60 days out, sometimes even longer than 90 days out. So the -- as we identify pockets where we are willing to make a trade as far as maybe a bit less rate in order for a bit more growth, it takes a little bit of time for that to come into focus. How that will play out, I can't promise that. I know what I've talked to my colleagues about, and I hear from them how they're thinking about things, and that's what I'm trying to share with you. So I can't promise that in Q2, we will grow x amount more. We'll have to see how it unfolds. But I am trying to give you a little bit of a flavor as to what the dialogue is within our club house.

Operator

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

Robert Cox

Goldman Sachs Group, Inc., Research Division

Just first question on property. I hear your comments this quarter and in recent quarters that the property dynamics are repeating themselves I'm curious where you think property is from a price adequacy perspective, whether it's ROE or whatever metric, and how you would bifurcate across insurance, reinsurance and maybe by geography?

W. Robert Berkley, Jr.

So I think that's a pretty big question from my perspective. I think that there's still margin in a lot of places, but it's fallen off pretty quickly. I think it's fallen off most quickly in the reinsurance marketplace. I think then it would want or fall down into cat exposed or E&S property and probably the place where there's been the least level of sea change would be the admitted or standard risk property market overall. That having been said, that part of the market probably got the least bounce. But in my mind, the reinsurance market led the way up and the reinsurance market is leading the way down.

Robert Cox

Goldman Sachs Group, Inc., Research Division

Okay. That's helpful. And then I just had a follow-up. Professional lines, you mentioned pricing trying to bottom there? Looked like your strongest growth at Berkeley since the first quarter of 2022 in professional lines this quarter. I don't think a lot of that was pricing. It seems like exposure grew. Do you anticipate seeing further opportunities in professional lines? And is there any other color you could provide on the quarter?

W. Robert Berkley, Jr.

Sure. So I think Professional is a pretty broad category. I tried to fashion my comments around two areas that gave us reason for pause D&O, particularly public D&O and certain components of the EPLI market. That having been said, a lot of the growth that you saw on the professional front, much of it came from outside of the United States. My earlier comments were really focused on the U.S. market. So that's really what I can offer on that. As far as the places specifically where we think it's the best opportunity, that's not something we're going to unpack publicly.

Operator

Your next question comes from the line of Alex Scott with Barclays.

Taylor Alexander Scott

Barclays Bank PLC, Research Division

First one is on reinsurance. I know you mentioned better to be a buyer than a seller at the moment. So I just wanted to take your temperature on what to expect there for the full year. And when we look at the growth numbers for this quarter, is there anything funky in there around like restatement premiums or anything like that, that we should consider? I just want to make sure I understand the right kind of run rate to that business.

W. Robert Berkley, Jr.

Nothing funky to use your words in the reinsurance numbers. And I think it's just a reflection of market conditions from our perspective, and you're seeing a combination certainly of a more competitive market. And simultaneously, you're seeing a couple of signs of ceding struggling to get their top line where they want it. So they're increasing their net. And that may feel good in the short run, we'll see how it works out in the long run.

Taylor Alexander Scott

Barclays Bank PLC, Research Division

Makes sense. Okay. I wanted to come back to the casualty reserves a little bit. I know this is sort of old news because you guys put out the for results -- sorry, the 4Q results. But would we be interested if you have any comments you'd share on the other liability and just what we see in there related to some of the early years is releasing on shorter tail casualty versus some building reserves in longer tail. I mean what would you say to us to help us kind of wrap our arms around that and get more comfortable with the trends we see.

W. Robert Berkley, Jr.

As far as that goes, I think that's probably a bigger conversation than probably makes sense to hold up everyone's time on it. We have put a fair amount of information out and supplements out. In addition to that, I think some of our folks in an effort to help piece it all together, have reached that to yourself and to others. And if you'd like to further the conversation, we're happy to help you piece

together the public information. Obviously, there's a bit of a constraint as to how far we can go, but we'd be very happy to pick that up with the Alex offline, but I think that's not going to be a quick answer.

Operator

Your next question comes from the line of Andrew Kligerman with TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

The first question is around the capital management, Rob. I'm trying to frame your appetite in terms of what's bigger? Is it the buyback, the onetime big dividend, special dividend? Or is it growth in a challenged market. Because as I look at what you did in the first quarter, \$302 million, that's a lot of buyback as much as you did in all of 2024 when the stock price was about 20% lower and the earnings were very similar to what we're seeing today. So yes, where do you do a big dividend like you did in '24 or '25? And then where should that leverage ratio be? You said 22.6% is too low, where would you like it to level out? So sorry for the long wind on this one, but why the big buyback in the quarter? And what's the appetite buyback versus dividend and where will the leverage be? So a lot to unpack.

W. Robert Berkley, Jr.

Okay. Well, thank you for the question, Andrew. I guess a couple of things there. First off, as far as the 22.6%, I did not suggest or and if I misspoke, Shame on me, but I didn't suggest that we wanted to go lower or higher. I think what I tried to suggest to you is that we didn't see it going much lower than that. I'm not suggesting that we want it to go considerably higher. It really depends on the circumstances at any moment in time, and how we're positioning the business for what we see today and what we envision for tomorrow. Number two, the point that I was trying to articulate earlier is that the opportunity for growth for the organization today and what we see in all likelihood tomorrow is -- we think we'll be able to grow, but it's not going to be the growth rate that we enjoyed some number of years in the past or for some number of years. So that's just a reality of market conditions. So again, will there be growth? Yes. Was there going to be the kind of growth we saw in the past? Probably not. So with that all having been said, the reality is with the company generating, call it, 20-plus percent returns or said differently, call it, flirting with \$2 billion of net income that is a lot of capital that we need to figure out if we don't need it, how we're going to return it to our shareholders. And that's just the reality. As far as what levers we utilize to return capital to shareholders, that's something that we grapple with every day and we think about what is in the best interest of all shareholders as far as -- whether it's special dividend, whether it's repurchase, whatever it may be. As far as what we did in the past and when we bought back, I'm not we can take it offline and try and unpack what we did this quarter versus that quarter. A lot of it has to do with valuation at the moment in time. A lot of it has to do with how we see growth opportunity. So there's a lot of things that we consider. If you're looking for more guidance as to what we're specifically going to do to be returning this surplus of -- significant surplus of capital that we're generating at this today and expect to be generating tomorrow. I don't have a particular road map to share with you but it's certainly something that we will continue to be transparent about on a quarterly basis.

Andrew Scott Kligerman
TD Cowen, Research Division

Okay. And with regard to the gross versus net written premium, the net being 3.2 against the gross at 4.5. Any read through there with the lower net? Any color that you can share on why that net was materially lower?

W. Robert Berkley, Jr.

It's a combination of mix of business. And in addition to that, as we tried to flag earlier, there were opportunities to buy some reinsurance of what we believe to be attractive terms.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. And just to sneak one last one. Prior year development, anything unusual in the casualty lines, plus or minus?

W. Robert Berkley, Jr.

Nothing particularly exciting. If you want to do a deeper dive at least to the extent we're able -- we'll share with you whatever we're allowed to share with you on that. And obviously, there'll be more detail available in the queue.

Operator

Your next question comes from the line of Michael Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

First question kind of pivoting back to social inflationary lines. Rob, loud and clear, we heard your comment, I think most would agree with you that the industry is still getting their hands around loss cost trend. Industry is doing very well, though overall. Would you be willing to come in paint a broad brush on kind of how brokes loss trend in GL, umbrella, commercial auto, because like back to Alex Scott's questions, we all do see Berkley like peers adding truing up your loss picks a bit higher as well. So curious if you could add any color there.

W. Robert Berkley, Jr.

If you're asking me to share with you what our trend assumptions are by product line, that's not something that we put out, generally speaking, for public consumption, as it relates to our loss picks. We are constantly looking at our data. And what is it telling us? We're constantly looking at industry data, and we're looking at other data sets as well, both traditional and nontraditional and trying to respond to that. We put it all into our sausage maker and then a lot of folks sit around and try and apply our judgment to the best of our ability. So I'm not sure what more I can add, Mike, at this stage other than we are very focused on making sure that our picks are appropriate. And based on what we conclude on that front, we are looking to actively respond from a rate perspective, terms and conditions. And I think one of the points I should have made earlier that we tend to not always focus on as much as we could or should is the role that jurisdiction or territory plays as a component of selection. So anyways, I suspect there's not a satisfactory answer amongst my commentary to you. But the long and the short of it is, we just don't get into that level of detail by product line, what our view around trend is. But I can assure you, we are very focused on it, and we are responding in what we believe is a timely manner, not just for the PIC, but the action that, that would suggest we should be taken from a selection and pricing perspective.

Michael David Zaremski
BMO Capital Markets Equity Research

That's fair. Yes, I just thought worth asking some of your peers have reluctantly, I guess, disclosed some broad-brush trends. Just kind of pivoting back to the debt-to-cap discussion. And maybe I'll try another way, you gave the context earlier, but we can see, as you kind of alluded to, your very long-term average at the cap escalates low 20s, mid-30s, but it's averaged 30 plus. So can you maybe remind us, are there like circumstances when you when you are increasing your leverage, is it when you feel there's -- you're very bullish about the marketplace, or any additional context you think worth mentioning.

W. Robert Berkley, Jr.

The answer is that when we see opportunity in the market, we are very happy to, in the short run, flex that leverage up. But quite frankly, we are very comfortable where we are today, but we certainly have the ability to flex it up if the opportunity presented itself.

Operator

Your next question comes from the line of Bob Huang with Morgan Stanley.

Unknown Analyst

So my first question is also on the capital side in a different way, right, I think you talked about willingness to grow your business you clearly have capital. Is there some way to think about the balance between growing organically versus buyback and dividends? Are there lines with...

W. Robert Berkley, Jr.

Bob, what -- to make sure I'm following, when you say inorganically as opposed to organically, are you talking about like M&A?

Unknown Analyst

Yes, sir. Yes, sir. Yes. So like if we think like it does M&A make sense for you guys? Are there lines where you think M&A makes sense?

W. Robert Berkley, Jr.

It's certainly some. Most things at investment bankers are out trying to sell. We get a phone call on most of the time when you hear about a transaction, we're already somewhat aware of it because we got the phone call. But as we've shared with some, we tend to

err on the side of being cautious and cheap. And we recognize that most M&A transactions in this industry, not all but most. If folks could do it all over again, at least the buyers, they probably wouldn't. So I would never say never. We certainly look at things from time to time, but we are very comfortable with the organic growth model. We are pretty disciplined in how we operate the business, and we are willing to be patient because of this philosophy around risk and return. But again, you never know what tomorrow will bring, but there's a reason why we have not been historically active on that front. SPI Really appreciate that.

Unknown Analyst

My second question is on the growth side of things, right? And this is some of the thing that's been asked somewhat. And I'm just curious, in the beginning of the call, you kind of talked about the market is in a greedy environment, so to speak, right? And as you think about pivoting to growth, are there areas where you feel the market maybe is too greedy and then you just kind of have to avoid. Are there areas where you think maybe the market is too cautious, and it represents a very big opportunity for you or a semi big opportunity for just maybe if you can give us a little bit more of a breakdown there.

W. Robert Berkley, Jr.

So the answer is -- and again, maybe I created more confusion than clarity with my opening comments and apologies for that. There is no doubt that if we want to use a broad brush, the market is overall more competitive today than it was a year ago, let alone 2 years ago or 3 years ago. That having been said, there are still pockets particularly within certain aspects of the liability space that offer some what we believe is attractive opportunities as far as available margins. It is not as broadly available as it once was, but it is still there. The shorter tail lines, not all, but much of them have become notably more competitive in certain aspects of the liability lines have become more competitive. But because of the breadth of our offering, we are still able to find opportunities where we still think that there are attractive margins that are available. And attractive enough to the point that we are willing to take our foot off of the rate pedal a little bit, which is why I'm suggesting as our colleagues are contemplating that and pivoting their behavior, there is a likelihood that you will see some level of growth that is coming from these niche opportunities. And we saw our colleagues pivoting more and more throughout the quarter, which is why I was suggesting to -- I believe it was a lease earlier that January, the growth was less relative to March, and that was primarily a result of our colleagues pivoting reminding you and others that we are oftentimes quoting 90 days out in advance. So it takes time for that pivot to convert into binders or written premium. What does that mean for Q2? Honestly, I can't promise anything. I can only share with you what the narrative is that's going on within our organization, and how we are seeing in the marketplace, and how we are adjusting our approach.

Operator

Your next question comes from the line of Tracy Benguigui with Wolfe Research.

Tracy Benguigui *Wolfe Research, LLC*

Since casualty reinsurance never got the same balance as you saw on property reinsurance, I'm curious, is this business rate adequate now, or is it approaching rate in adequacy?

W. Robert Berkley, Jr.

So I think you would have heard for some number of quarters or beyond us bitching and moaning about the casualty reinsurance marketplace, and how we didn't think seating commissions made sense, and that's a pretty broad brush that I'm using there. So if we're writing the business, we believe that it's an acceptable margin. But as you would have seen, our casualty portfolio within reinsurance was down considerably in the quarter. And that is not just because -- not because we're charging less for the same exposure, it's because that book of business is shrinking. I can't speak to the broader market. I can only talk to what our colleagues are doing as I understand it.

Tracy Benguigui *Wolfe Research, LLC*

Understood. Also, you mentioned potential upside from net investment income, and you also noted certain insurance pockets like casualty, you might prioritize growth over 8%. So are you taking more of a total return approach when setting combined targets for your underwriters, maybe putting more weight on net investment income, which will allow you to grow?

W. Robert Berkley, Jr.

The answer is no. We have a view on loss ratios. And to take your comment to an extreme, we, as an organization, have never subscribed to the notion of cash flow underwriting or anything akin to that. Are we conscious of what the contribution is from the

investment portfolio, of course, we are. We are acutely aware of that, but we are not willing to throw the underwriting discipline out the window because of where interest rates are today. We look to each component of our economic model to stand on its own 2 feet and justify the capital that it utilizes.

Operator

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

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Rob, you mentioned that -- yes, you mentioned that the large standard carriers are ramping up their appetite you saw a step up in competition. Is that largely on the casualty side you're referring to? Is that influencing the balance in the E&S and standard markets? A little more on that would be interesting.

W. Robert Berkley, Jr.

They are active on the property side and to the extent that it's on the casualty side, ironically. It's been in pockets of the casualty market that are okay, but not great. So it's really bizarre. They're not going after the good stuff. They're going after the marginal stuff. And in some cases, I mean, they're taking it for 30% off, which is bizarre because they could have had it for 10% off. So as we say around here, and certainly, my boss over here has reminded us, even long tail business, you write a cheaper tail business. So they'll -- they can keep going with 30% off, and we'll look forward to seeing it back in a couple of years.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Yes, very good. And then to the extent that you're successful in pivoting to growth here in the second quarter, does that have a meaning for your loss picks? Could we potentially see loss picks a little higher?

W. Robert Berkley, Jr.

Sorry, Mark, you broke up a little. Could you please repeat that?

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Yes. The question was if you do -- Rob, can you hear me now? .

W. Robert Berkley, Jr.

Yes. Thank you.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Okay. Well, very good. If you're successful in generating some better growth in the second quarter, does that have a meaningful loss pick could you possibly see loss fix go a little bit higher if you're not pushing as much on rate?

W. Robert Berkley, Jr.

I don't think that, that would be something that I would lead to, in my view. I think what we're really seeing is that there are pockets of the business where we've been very, very focused on rate, and we think we have room, and maybe it will prove to be that the picks were -- had more room in them than we had originally anticipated. But we'll have to see with time.

Operator

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

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Can you guys hear me? .

W. Robert Berkley, Jr.

Yes. Thank you.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Great. So just back on the topic of just maybe letting up a little bit on the rate increases in some lines. And I may have missed this, so I apologize in advance. But is there any like broad class of business that you had referred to? Is that short tail, is it casualty, is it professional lines? I'm not looking for like specific sub lines within those, but I was hoping you could elaborate on like a little bit just which broad area you think that you guys might have opportunities to let up on price and maybe we can see growth accelerate?

W. Robert Berkley, Jr.

Yes. We just haven't put that detail out there. We'll think about if there's something we can tuck into the queue. That could be helpful along those lines. But at this stage, we just haven't put anything out there yet, thank you.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Got it. And then the growth in the insurance business in the short-tail lines continues to tick along I was a little surprised at that, just given the pricing pressure on the commercial property side. So I was hoping maybe you could unpack that a little bit more for us and just how we should think about the durability of the growth there.

W. Robert Berkley, Jr.

I think that you're focusing on it through the lens of commercial, and I would encourage you to broaden your lens to incorporate our A&H business that we've spoken of in the past as well as our private client business.

David Kenneth Motemaden

Evercore ISI Institutional Equities, Research Division

Got it. And then maybe just just one more, maybe just a high-level question. I think you talked about the average life of your reserves at about 4 years. I was a little surprised that it hasn't really changed that much. I think it's been there around like the last few years. But I guess I was wondering, it does feel like claims durations are extending. So I was hoping maybe just philosophically, just taking a step back, what you guys are seeing. Do you think we're seeing more stability here in claims payment patterns as we think about looking through the reserves?

W. Robert Berkley, Jr.

I think that at this stage, we feel pretty comfortable that -- maybe just take half a step back, David. I think that we all know that the industry got caught a bit flat-footed with inflation, particularly social inflation, and it's been a bit of a process of catch-up, I think that picture, as we've all discussed ad nauseam was clouded by COVID for us to a great extent. And I think at this stage, the industry and ourselves included, have adopted and adapted to the new reality of the claims environment and what we see coming out of the legal environment.

Operator

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

Joshua David Shanker

BofA Securities, Research Division

So I guess I want to talk about your go-to-market strategy or maybe apps go away from market strategy. As I see the decline in the reinsurance book. I'm trying to understand the complexion of your book. Sometimes people participate on syndicates and time as you have some unique one-off deals. I know your program business is in the program management -- in that reinsurance bucket, and that's probably seen some competition MGAs. Can you talk about as the business is leaving, are you walking away? Is it being completed away? What's the process? And what exactly are you losing?

W. Robert Berkley, Jr.

A lot of -- the lion's share of what we're losing would be a treaty reinsurance business. And it's due to how we think about appropriate pricing.

Joshua David Shanker

Copyright © 2026 S&P Global Market Intelligence, a division of S&P Global Inc. All Rights reserved.

spglobal.com/marketintelligence

BofA Securities, Research Division

[indiscernible] on that, or are those are one-off deals that you're managing?

W. Robert Berkley, Jr.

No. They tend to be a subscription market, if you like, or a treaty that has multiple participants.

Joshua David Shanker

BofA Securities, Research Division

And so someone else is coming with the capital, you're walking away and there's plenty of..

W. Robert Berkley, Jr.

Here coming into the capital or the cedents looking for better terms than we're prepared to offer and maybe they choose to keep it. Certainly, a trend that we're starting to see more of is cedents in some cases, if they can't get far better terms are looking to keep it as a way to bolster their own top line.

Joshua David Shanker

BofA Securities, Research Division

And then switching to the competition from MGAs right now to something we talked about in past calls. I mean the insurance growth looks fairly healthy. Are you seeing less competition in the past, or is it heavy as ever?

W. Robert Berkley, Jr.

No, we are not seeing the delegated authority model in MGA, et cetera. We're not seeing that subside in any way at this time.

Joshua David Shanker

BofA Securities, Research Division

And then one last one. As you're thinking about deployment of capital, obviously, returning capital is a big deal, but you'd like to yield in the market. Is there anything attractive in the alternative spaces compared to past quarters where you might be deploying money into more illiquid products.

W. Robert Berkley, Jr.

We certainly have a participation in the alternative space. I would add that we do not have a participation in the private credit space, just to make sure there's no question about that. But right now, given what the public fixed income market is offering as far as yield, we don't feel much need to look beyond that.

Operator

Your next question comes from the line of Katie Sakys with Autonomous Research.

Katie Sakys

Autonomous Research US LP

Really quickly, how do you describe your approach to managing auto exposures today versus your comments last quarter on shrinking exposures. I think with your very frank description of the auto liability market today, I'm just kind of curious as to what's giving you confidence in the growth showing that but it's not resulting in adverse selection.

W. Robert Berkley, Jr.

Well, just to be clear, the growth that we are experiencing is premium, not unit growth or exposure growth. So the rate that we are taking far exceeds the growth rate. So exposures shrinking and the rate is increasing. So the growth that you saw on page or whatever it is of the release it's all rate and then some.

Katie Sakys

Autonomous Research US LP

Yes. Makes sense. And then any new news on Berkeley embedded. I realize it's only been a couple of months, and I might be ahead of my skis here. But are there any products that have gone live with that? And if so, how are you guys thinking about channel conflict

with your traditional distribution partners there. So as far as Berkeley embedded, they are off to a great start, and they do have one product offering that is chugging along in the consumer space. And as it relates to channel conflict, right now, the type of business that we are entertaining through that avenue is really not something that we would be accessing in any other way. That having been said, there is a reality, as we've talked about in the past, once upon a time, there was a defined swim lane for carriers, and there was a defined swim lane distribution. And I think what we're seeing more and more of is those lines are getting somewhat [indiscernible]. And while we are very committed to our traditional distribution, ultimately in the end, our focus also has to be on the insured, and we need to be willing to meet insurers where they wish to be met.

Operator

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

Andrew E. Andersen
Jefferies LLC, Research Division

Just on workers' comp growth has been a little bit lighter there the last couple of quarters. To what extent is there an opportunity for that to pick up again, or is there maybe a binding constraint here you're thinking about with regards to price or medical trend uncertainty?

W. Robert Berkley, Jr.

Yes. We're just I can't tell you exactly what the next quarter will be, but generally speaking, directionally, we have had somewhat of a defensive posture with much -- not all, but much out of the comp market that we participate in. And we're looking forward to that market, experiencing some type of firming at some point. And when it does, I think you will see us expand. And hopefully, the opportunity will be there for us to expand dramatically.

Andrew E. Andersen
Jefferies LLC, Research Division

Got it. And I know we've touched on this a bit, but just kind of high level here. When you're talking about the standard or national carriers taking back some business, would you describe this as more of normal ebb and flow, or are the standard national carriers may be going deeper into E&S and more into lines of business that have been stickier in the E&S channel historically.

W. Robert Berkley, Jr.

I don't think that they are going to derail the E&S marketplace, certainly not today and likely not tomorrow. But we certainly do see them more present in the market with an appetite that is seemingly a bit broader today than it was yesterday. And at times, it would appear as though they are misclassifying risks. I don't know how else you could get to some of the rates that they are entertaining. And we'll have to see how it unfolds. I think it's, again, more pronounced in some of the shorter tail lines it exists, but less visible in some of the liability lines.

Operator

Your next question comes from the line of Meyer Shields with Keefe, Bruyette, & Woods.

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

I appreciate you taking my call. First question, I guess, Rob, last quarter in this quarter, you talked a little bit about taking the collective foot off the gas in terms of pricing in some lines. Should we think of that as a top-down directive or is that bubbling up from the various underwriters?

W. Robert Berkley, Jr.

Look, we, just to be clear, are not a top-down organization in that sense. We certainly pay a tent, and we ask lots of questions. We want to understand. But we are not top-down directing our colleagues throughout the operations as to what they should or shouldn't charge. We looked at the data and grapple with them. But again, this is an organization where those types of decisions are driven by our colleagues that run the various businesses, and that's just part of our philosophy. That having been said, we do use group data that gets aggregated and other data sources to bring it to bear and put it in the hands of our colleagues running the businesses, so they have as good an information set as possible to make their decisions.

Meyer Shields

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

Okay. That's very helpful. And then very briefly, whether it's Lloyd's or Reinsurance business, does Berkley have any exposure to the Middle East conflict?

W. Robert Berkley, Jr.

Nothing of consequence and to our -- we're just not a big player in the war space. We're a very modest player in certain aspects of the marine market, and we are very active users of or exclusions.

Alexandra, anything else?

Operator

There is one phone question. This comes from the line of Brian Meredith with UBS.

Brian Robert Meredith

UBS Investment Bank, Research Division

I'll keep it just one question here. I'm just curious, in your growth thoughts for the year here. Is any of that related to perhaps your incubator type businesses transitioning into segments. And I'm thinking something like the Berkley Edge. Maybe you can talk a little bit about Berkley Edge, and how is that doing so far?

W. Robert Berkley, Jr.

So I think that some of the new ventures are off to a good start, but relative to the overall size of the group, while we look forward to their meaningful contributions it's not likely in the short run that they are going to get enough traction to move the needle for the group on their own. I think the opportunity is certainly going to come from their contributions, but will come from many others throughout the organization. As far as Berkley Edge, they are up, they are running, and they are off to a good start. But just to level set expectations, it was a standing start that they've begun from, but we're very pleased with the progress that they're making, and we think it's an outstanding group of people that are going to bring value to distribution customers and certainly to capital.

Operator

There are no further questions at this time. I will now turn the call back to Mr. Rob Berkley for closing remarks.

W. Robert Berkley, Jr.

Alexandra, thank you very much for your assistance this evening. Thank you to all who tuned in for, again, your interest in the company and the questions. As I hope people would have gathered by any measure, a very solid quarter. and perhaps equally, if not more exciting, how well positioned the businesses to continue to grow, prosper and generate value for stakeholders. We look forward to speaking with you over the summer. Thank you very much. Have a good evening.

Operator

This concludes today's call. Thank you for attending. You may now disconnect.

Copyright © 2026 by S&P Global Market Intelligence, a division of S&P Global Inc. All rights reserved.

These materials have been prepared solely for information purposes based upon information generally available to the public and from sources believed to be reliable. No content (including index data, ratings, credit-related analyses and data, research, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of S&P Global Market Intelligence or its affiliates (collectively, S&P Global). The Content shall not be used for any unlawful or unauthorized purposes. S&P Global and any third-party providers, (collectively S&P Global Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Global Parties are not responsible for any errors or omissions, regardless of the cause, for the results obtained from the use of the Content. THE CONTENT IS PROVIDED ON "AS IS" BASIS. S&P GLOBAL PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Global Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages. S&P Global Market Intelligence's opinions, quotes and credit-related and other analyses are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P Global Market Intelligence may provide index data. Direct investment in an index is not possible. Exposure to an asset class represented by an index is available through investable instruments based on that index. S&P Global Market Intelligence assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P Global Market Intelligence does not act as a fiduciary or an investment advisor except where registered as such. S&P Global keeps certain activities of its divisions separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain divisions of S&P Global may have information that is not available to other S&P Global divisions. S&P Global has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P Global may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P Global reserves the right to disseminate its opinions and analyses. S&P Global's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P Global publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.
© 2026 S&P Global Market Intelligence.