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W. R. Berkley Corporation NYSE:WRB

FQ2 2026 Earnings Call Transcripts

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Table of Contents

Call Participants

EXECUTIVES

Richard Mark Baio
Executive VP & CFO

William Robert Berkley
President, CEO & Chairman

ANALYSTS

Andrew E. Andersen
Jefferies LLC, Research Division

Andrew Scott Kligerman
TD Cowen, Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

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

Michael David Zaremski
BMO Capital Markets Equity Research

Robert Cox
Goldman Sachs Group, Inc., Research Division

Tracy Benguigui
Wolfe Research, LLC

Presentation

Operator

Thank you for joining us, and welcome to the W. R. Berkley Corporation's Second Quarter 2026 Earnings Call. This conference call is being recorded. [Operator Instructions]

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, expect, or estimates. These 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 other filings made with 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 like to turn the call over to Mr. Rob Berkley. Please go ahead, sir.

William Robert Berkley
President, CEO & Chairman

Thank you very much. And let me echo your welcome to all participants. Thank you for finding time and your schedule to join us today. So I'm joined on this end of the phone by Rich Baio, and we're going to follow our typical agenda, where momentarily, Rich is going to walk us through some highlights from the quarter. I will then follow with a few of my own observations and then the two of us will be available to answer any questions that participants may have.

Before I do hand it over to Rich, I'd like to take a moment on behalf of my colleagues, my family and myself to express our gratitude for the very kind outreach and support we have received on the heels of the loss of our founder, Bill Berkley. His extraordinary contributions to society, our industry and our company cannot be overstated. His spirit, values and priorities remain foundational to who we are, and how we operate as a team. One of these great achievements while leading this company was the institutionalization of the business and making clear that this business is a team sport, not an individual one. While his vision and character remains central to our foundation, the performance and success of this company continues to be a reflection of the hard work and commitment of thousands of people that make up this team. Thank you again to all of those who have been so supportive during this difficult moment.

Rich, if you would, please?

Richard Mark Baio
Executive VP & CFO

Of course. Thank you, Rob. Good evening, everyone. Operating earnings per diluted share grew 21% to $1.27 or $497 million resulting in an annualized return on beginning of year equity of 20.5%. The company's second fast quarterly pretax underwriting income was $318 million and record quarterly pretax net investment income of $419 million contributed to the excellent second quarter results. We continue to generate meaningful excess capital as evidenced by total capital return to shareholders of $334 million through regular and special dividends as well as share repurchases. While there's no predetermined amount of capital to be returned each quarter, this amount is consistent with what we did in the first quarter. Underwriting performance yielded a current accident year combined ratio excluding catastrophe losses of 88.1% and a calendar year combined ratio of 90%. Cat losses in the current accident year decreased $37 million to $62 million in the second quarter of 2026, or 2 loss ratio points compared with 3.2 loss ratio points in the prior year's quarter. The current accident year loss ratio, excluding cats of 59.6% compared with 59.9% in the prior year. The overall expense ratio was flat quarter-over-quarter at 28.5% and remains below our previously shared expectations, that being comfortably below 30%, but increasing modestly over 2025 barring material changes in the marketplace. Drilling down by segment, Insurance reported growth in gross premiums written of 5.4% to a record $3.8 billion and net premiums written increased 3.7%, also to a record $3.1 billion.

The current accident year loss ratio, excluding cats is 61% comparable with the first quarter this year. Expense ratio of 28.3% was flat over the prior year, bringing our current accident year combined ratio excluding cats to 89.3%. The reinsurance and monoline access segment continued to experience heightens competition in both property and casualty lines, which resulted in a decrease in net premiums written to $306 million. Having said that, the underlying performance of the business benefited in the quarter from lower cat and non-cat property losses giving rise to a current accident year combined ratio, excluding cats of 78.7%.

Turning to investments. Net invested assets have grown to $34.2 billion. Strong operating cash flows have contributed to the growth despite the significant cattle return to investors. Over the prior 12 months, we've returned capital of more than [$1.3 billion] or approximately 14% to stockholders' equity and nearly 70% of the first half of 2026 earnings. Strong second quarter operating cash flow was $800 million and will continue to contribute to the growth in net investment income. Income from the core portfolio grew 13% over the prior year to $371 million, and in cement funds performed well, growing 5.6% to $28.8 million. The credit quality of our portfolio remains very strong at AA- with the duration on our fixed maturity portfolio, including cash and cash equivalents increasing in the second quarter to 3.2 years, which remains below the average life of our insurance reserves. The effective tax rate of 21.4% was below our normalized run rate of 23%, plus or minus due to the mix of earnings from foreign operations taxed at higher marginal tax rates as well as the nonrecurring utilization of certain tax credits. Stockholders' equity increased to a record of more than $9.8 billion and capital returned to shareholders comprised regular and special dividends of $223 million as well as share repurchases of approximately $111 million.

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

William Robert Berkley
President, CEO & Chairman

Okay. Rich, thank you very much. A couple of quick additional comments for me. And then again, we'll be pleased to open it up for questions. Maybe starting on the more macro side with regards to market conditions. Clearly, it is ever more a fragmented market as market conditions by product line. And that puts that much more emphasis and value around the combination of expertise and discipline key ingredients for cycle management regardless where you -- any product may be in the cycle.

Let me start by flagging a few areas where we're seeing some headwinds, and then we will pivot to where we're enjoying tailwinds and get into that a bit more, I guess, taking the approach of vegetables before dessert. Long story short, I guess a little reminiscent of press comments from us. We continue to have great concern around much of the MGU model, and how it's participating in the marketplace. We have always had questions around delegated authority and the lack of alignment of interest. That having been said, it just seems like this is just musing and ultimately is going to end in tiers for some market participants that are not having the appropriate control over the capital, and how it is being managed. From our perspective, the greatest stupidity can be found most easily in the property arena. Shared and layered, as we've been talking about for some number of quarters is particularly concerning, and we're seeing that water falling through to other parts of the property market. With that having been said, the casualty market, by and large, is offering greater discipline though there are a few isolated pockets within casualty that give us reason for pause. Two that I'll call out, in particular, would be habitational as well as liquor quite frankly, examples of where we're seeing business where rates are being cut by 20%, 30%, and we kind of look at it from a distance and say, you could have had it if you cut it as my father used to suggest this is the type of behavior that turns long tail lines into short-tail lines, but we will see how that unfolds.

Continuing on some of the challenging areas. As Rich referenced, reinsurance is particularly concerning. From our perspective, yes, property is eroding rapidly, but casualty never enjoyed the balance that property got. So you can see in our numbers, as Rich alluded to, actually, we are shrinking more quickly on the casualty side than we are on the property side.

Turning to some of the more encouraging areas. I would tell you the broader casualty market overall with a few exceptions that I referenced remains attractive. We continue to find ways to put capital to work and we believe will generate very attractive returns. In addition to the broader casualty market, I would tell you there are a few pockets within the short tail lines that we also find attractive as we flagged in the past couple of quarters. Two of those that I'll call out or one would be within the A&H space, and the other one would be private client personal lines, which, again, on both those fronts, we continue to get great traction. Rich walked us through, again, a bit on the results. I'll just echo a few quick comments on that front specifically. The top line growth clearly is being driven by what we're able to achieve on the insurance front with the growth coming in at mid-single digits.

Just to be clear, much of that is being driven, obviously, by the margins that we find attractive and also while we're still very good contribution, I should say, coming from rate increases. So the rate increase for the quarter was -- ex comp was 3.8%. And now before anyone overreacts, I would remind you, this is exactly what we said we were going to be doing when we talked last quarter. And I believe the quarter before that, where we see that there is attractive margin in the business, and our priority is to increase count or exposure and where we will keep our foot on the rate pedal, but we may not be pressing down on it as hard. So this is in line very much with our expectations and quite frankly, is keeping with our historic approach to cycle management and trying to maximize the opportunity, and again, grow where the margin is that's the approach, that's the game plan, and that's what we're executing on.

On the loss ratio front, I guess the only thing I would add is a moment like we just went through, we certainly benefit from somewhat of a relatively benign Cat quarter given the time of year. That having been said, for us as an organization, you really see us stand out when it comes to cap when there's serious or significant activity, that is when our approach to Mannington volatility comes into sharper focus.

Moving over to the expense ratio. Rich obviously covered this in some detail. I would just offer a couple of additional comments. One being, and -- I was surprised that Rich didn't show this caveat in because being the good CPA, he's usually trying to manage expectations and nobody more than me. But we do believe that we'll be able to keep the expense ratio at 30% or better. That having been said, we are making significant investments in the organization as we have in the past, and we continue to lean into it harder and harder. Certainly, on the tech front, the data front and maybe to give a few specific examples very much on the AI front. AI is an interesting topic. There has been a moment of remarkable activity in the broader economy and certainly we're seeing it in the industry. And there have been moments in time where we've seen people talking about AI, and it's almost as if they felt like I need to do something because I can't not do anything. We are big believers in doing something, but we're not going to participate within AI for the purpose of the headline. We are clearly looking to make investments. We are looking to create value, and we expect to generate returns on those investments.

In addition to that, we have a recognition as to what our strengths are and what our limits are. And we are certainly not in a position that we are going to go out and try and create our own large language model. For our purposes, the notion that we are going to try and recreate with the likes of an anthropic or open AI or anyone else and spend tens of billions of dollars. That is not our strength. What is our strength is to take the tools that are out there and then layer on our own approach on top of that. What is our strength is to use our 60 different laboratories, each one of our businesses to be experimenting with tools and then to coalesce around the best solutions and leverage those. So two examples amongst many, but two that I thought we would call out in this conversation. One would be on the underwriting side and the other one would be related to claims.

On the underwriting side, we focused very much on underwriting work benches and the idea of how we digitalize activity right from intake straight through to quote. Early returns on that front where we've begun to utilize it, that we are getting 20-plus percent uplift in efficiency, and we're reasonably confident that there's significant additional juice to squeeze out of that. So plenty of upside from there. And the second area would be claims, which is our efforts to try and use AI and other tools to move in the direction of straight-through processing where it is appropriate where it makes sense. Ultimately, if you have a look at our claims profile, if you will, approximately 50% of our claims settled for $5,000 or less. And there are lots of examples where we are showing up to a situation with a sledgehammer when a fly water is really what is required. So using some of this technology, where appropriate, we are able to deliver a better solution for clients in a more timely way. So more to come on both of those fronts, but we are making good progress and we are, quite frankly, as an organization, very excited about our ability to reallocate people's time in other directions and utilize the technology to drive these improvements.

A couple of quick soundbites really just echoing some of what Rich said on the investment stuff. Long story short, we're in a pretty good place, and it's pretty clear -- we have a pretty clear sight to an even better spot. Rich mentioned the strength of the cash flow at $800 million in the quarter. Just as a point of reference, which you would have seen in the release, that's up from $700 million in the corresponding period. That kind of growth is really driving how you're seeing the investment portfolio to continue to increase in scale. That, combined with the reality of a new money rate that is well above our book -- domestic book yield of 4.8%. So if you say the domestic book yield is 4.8%, and you think about a new money rate that certainly comfortably starts with a that gives you a lot of upside from here. So we look forward to being able to continue to deliver on that. And obviously, the duration piece Rich flagged that is [3.2.] And just as a reminder, we are -- the average life of our reserves, or how long we hold on to the money is 3.9. So we have a fair amount of room to take that duration out if and when we believe it is appropriate.

There is no doubt that in certain product lines, as I mentioned earlier, there are clouds building. Those that are weighted towards certain lines such as property, it is going to get tougher before it gets easier I think we're going through a period of time where Mother Nature is lowing the property market into a false sense of comfort. And this will go on perhaps for some period of time. And then once again, the industry will learn the hard way. Fortunately for us, as an organization, if you look at the parts of the market that we participate in. Those parts of the market are not getting cloudy. In fact, there's still plenty of sunshine, and we continue to lean into those opportunities whether it be much of the casualty market or some of the shorter tail lines that I called out earlier.
So with that, Kristen, we'll open it up for questions. And Rich and I will do our best to address any topics people would like to discuss.

Question and Answer

Operator

[Operator Instructions]

William Robert Berkley
President, CEO & Chairman

So that's one question with how many parts, Kirsten?

Operator

You have one question and one follow-up.

William Robert Berkley
President, CEO & Chairman

Okay, okay.

Operator

Here, your first question comes from the line of Elyse Greenspan from Wells Fargo.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Before I get into my questions, I just wanted to express my sympathies to you and just everyone at Berkley on the passing of Bill, I'm sure he'll be missed right by everyone on the buy and sell side. So I want to extend my sympathies there. And then I get getting into my first question, going to the premium growth and pricing conversation that you hit on in your prepared remarks, you have spoken about top line growth improving as rate slows. So like as you think about just think out from here, not only in the back half of this year, but for '27 as well. Do you expect an incremental slowdown in rate? And then how are you expecting insurance growth when you think about what happens to pricing from here?

William Robert Berkley
President, CEO & Chairman

So it's, in some ways, easier to predict longer -- farther out than it is because I think directionally, we know where a lot of things are going, but it's not necessarily clear how quickly that will unfold. Based on what we're seeing and early returns in July, we're reasonably encouraged as far as the top line the month isn't done. And nobody knows exactly what tomorrow will bring. But from our perspective, we have many pockets where we're very, very pleased with the margin that we believe is available. And as a result of that, if the situation warrants it, we feel as though we have considerable room in the rate to adjust we are not going to do that prematurely. Ultimately, our goal is to try and optimize between rate and growth. So long story short, do I think that things are going to fall off considerably from here? No. And do I think things can improve from here? I think it is certainly possible.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then my follow-up is, I guess, triangulating some of that pricing commentary to just the underlying loss ratio, right? I mean if you guys are taking the insurance pricing down, would you expect to start to see more compression on the underlying loss ratio? Or are there other things, mix or whatever it might be that would kind of offset compression from the level of earned rate going down?

William Robert Berkley
President, CEO & Chairman

Well, obviously, there's several components to that at least one of them would be business mix and how that unfolds and how that gets weighted over time. In addition to that, as we get more comfortable with the margin that we believe is in the business that could have implications for how we think about what the loss ratios are that we need to book the business to. Said differently, the rate we charge and the loss ratio, as you point out, they're not exclusive of one another, and we may feel as though there was more room in the pick than we recognized.

Operator

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

Robert Cox
Goldman Sachs Group, Inc., Research Division

I just wanted to ask you maybe on other liability and commercial auto, a couple areas where I think just looking at what you disclosed on pricing, maybe you're not growing exposure quite as much. Obviously, we don't know your pricing by product. But can you just talk about if there's more growth in those two lines? Or if you are shrinking exposure, why you don't think it's a good time to grow there?

William Robert Berkley
President, CEO & Chairman

So as far as the other liability goes, we continue to find opportunity to grow. But as you point out, there is a rate component there. As far as the auto goes, we are taking much more rate than this at first blush would suggest. In fact, and the exposure is coming down considerably. That having been said, the auto line, we're lumping together Berkley One, along with the commercial auto piece and that we continue to see opportunity. So that's offsetting it a little bit. But long story short, the auto -- commercial auto line, the rate is up a lot, and the exposure is coming down pretty quickly.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Okay. That's helpful. And then I just wanted to ask you on competition that you're seeing from admitted markets on E&S products, has there been any sort of change there throughout this year?

William Robert Berkley
President, CEO & Chairman

We were seeing it incrementally more. But as I suggested earlier, the big thorn in the side of the marketplace tends to be these people running around with the pen for someone else, and they get paid based on the policy they write as opposed to the underwriting results they achieved. And so that's really the challenge. As far as the standard market coming in, yes, incrementally, could that become more an issue over time, certainly possible.

Operator

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

Michael David Zaremski
BMO Capital Markets Equity Research

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Just wanted to start off at going Elyse's comments about -- my sympathies regarding Bill's passing. He'll obviously be missed and also remembered.

William Robert Berkley
President, CEO & Chairman

Thank you, Michael.

Michael David Zaremski
BMO Capital Markets Equity Research

Yes, of course. My first question, regarding the deceleration in pricing power, I wouldn't say it's surprising given the data points we've seen in the industry's profitability level. But would you say it's also coming with maybe a better view of loss cost trend as well? I know that travelers alluded to slightly different views to every company is different loss cost trend, that could maybe rationalize some of the kind of the decel, the industry is experiencing.

William Robert Berkley
President, CEO & Chairman

Yes. Obviously, I'm not in a position to comment on travelers. That's a better question for Alan than me. As far as what we are seeing is we have a pretty clear view as to how much margin is in the business, and there are some places where the returns are exceptional. And to the extent the choices backing off on the rate incrementally and having more of that exceptional business, then that's a trade that my colleagues are willing to make and has our support. In addition to that, that will certainly in some situations, perhaps invite an examination of the loss ticks that we've been carrying for the past couple of years and a further examination as to whether there's more room in those than perhaps had been recognized at the time that they were originally booked. But as far as trend goes, that would be one component of a variety of components that go into the analysis as I know you appreciate.

Michael David Zaremski
BMO Capital Markets Equity Research

Understood. And just regarding kind of the still constructive view on top line growth. Does some of that underpinning, I think you alluded to, that come from what you discussed in previous quarters about new means of distribution with certain new partners that are -- where you could be accessing different types of risk that have the same business classification and what we see, but just coming from different actual underlying risks.

William Robert Berkley
President, CEO & Chairman

So the short answer is yes. And as we do reference and we've spoken about in the past, as far -- we are very committed to our traditional distribution at the same time in the end. Our view is that the client or the insured is queen or king, and we need to meet them wherever they and however they wish to be met. So we are fully committed to traditional distribution. At the same time, we're not going to ignore the shift in behaviors of customers as well. And specifically to your question, does that contribute to this Yes, it does contribute to this today, and we expect in all likelihood, it will contribute more tomorrow.

Michael David Zaremski
BMO Capital Markets Equity Research

Got it. And just as a follow-up, in still, we heard that expense ratio guidance. So if those distribution methods came with a slightly different expense ratio, obviously, maybe a different loss ratio, no, still not impactful enough to call out any expense ratio changes, right?

William Robert Berkley
President, CEO & Chairman

Not at the moment. Rich has had -- was going up and down. So clearly, that was the right answer as far as he is concerned.

Operator

Your first -- your next question comes from the line of Andrew Kligerman from TD Cowen.

Andrew Scott Kligerman
TD Cowen, Research Division

Unfortunately, I had some technical difficulties for the first 10 minutes. So hopefully, I'm not covering old ground. But the first question is prior year development by accident year. Could you share a little color on the liability lines, and how that played out in the quarter?

William Robert Berkley
President, CEO & Chairman

I do not have that here. I don't think Rich got into those details, but if you wouldn't mind us circling back up with Karen or Rich afterwards, and they'll give you whatever it is that we're that have been sensitized by a herd of attorneys.

Andrew Scott Kligerman
TD Cowen, Research Division

100%. It sounds like there wasn't much going on if you're not calling anything out. So you mentioned the...

William Robert Berkley
President, CEO & Chairman

No, pretty benign.

Andrew Scott Kligerman
TD Cowen, Research Division

Yes. So you mentioned 3.8% rate ex comp. Did that include exposure as well, or was it just purely rate? And with that, could you elaborate a little bit on how property played out and how casualty played out? And what's the loss cost underneath that...

William Robert Berkley
President, CEO & Chairman

Sure. So long story short, and I know that there are different organizations throw around different metrics, and we have a very -- a variety of different metrics. But the one that I was referring to and that we are sort of laser locked in on is rate. So from our perspective, what it's all about is how much are you charging -- how much more are you charging relative to a unit of exposure. So if we think about a trucking account as an example, if the trucking account has 10 trucks and the rate goes up 5%, that means you're getting 5% more per power unit. If the trucking account ends up adding another 10 trucks, but the rate -- the premium only goes up 5%, that's not a very good answer. So long story short, what we focus on is how much more are you getting per unit of exposure irrelevant as to how many more units you actually are covering. That is something we watch, but that's not what we obsess about. Pure rate per unit of exposure is what I was referring to and what we are focused on because ultimately, that's what drives or impacts margins. As far as how we think about trends or product lines, that's something that we, generally speaking, are just not sharing with the world.

Andrew Scott Kligerman
TD Cowen, Research Division

Okay. And how about loss cost underlying the 3.8%, how did that move?

William Robert Berkley
President, CEO & Chairman

So again, a loss cost trend is not something that we publish by product line or for that matter in general.

Operator

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

Joshua David Shanker
BofA Securities, Research Division

And at the risk of repeating, there's no reason not to repeat. I mean, Bill Berkley was a giant and he always made time for me, which was I'm grateful for, and I appreciate everything that he accomplished and the organization he built. So congratulations to you on what he's done in his memory will be always cherished. Thank you.

William Robert Berkley
President, CEO & Chairman

Thank you, Josh.

Joshua David Shanker
BofA Securities, Research Division

One thing that I was curious, I noticed that basically, over each of the last few quarters, the duration, the main question for Rich has moved up by about 1/10 in a year, and it's been going on for a couple of years now. I realize the duration of the portfolio was exceptionally short but a lot of market prognosticators are things that we're in a higher for longer cycle. And maybe that's not what Berkley think or maybe just there's so much gap between the asset liabilities that you feel you need to narrow it. Can you talk a little bit about where...

William Robert Berkley
President, CEO & Chairman

Yes, we don't -- it's not that we -- it's a conscious decision. We do not feel obliged to narrow it. is based on how we think about where we are, how we think about interest rates and where they're going to be going. And as you pointed out, we were at one point, very,

very short. We are still short and we're comfortable incrementally nudging that out. We are not racing to push it out, but we are comfortable incrementally nudging that out and locking in the yield for a more extended period of time.

Joshua David Shanker
BofA Securities, Research Division

And with that, one thing that we -- if you look over, of course, a 50-year period, the amount you can earn on float has been an indicator of profits for the industry for a long period of time. It hasn't been for the recent past as and states have gone up underwriting margins have improved. And I know that you talked about markets and whatnot. And -- but is there a potential to be willing to compromise on underwriting margin, not necessarily but the but the industry in general because there's so much opportunity to earn attractive returns on float, or is that relationship growth for foreseeable future?

William Robert Berkley
President, CEO & Chairman

I think it is going to be impacted by how, and how long they stay up there. Do I think today that we're drifting into a cash flow underwriting environment I don't see that happening in the short term or today. If rates keep ticking up for long enough, then certainly, that could potentially invite that thinking. As far as the MGUs go, while there are some that are responsible operators, generally speaking, as we've been reasonably outspoken about I think it's inherently in many cases, a flawed map. And do I think people are just throwing around the pen and putting in people's hands and not carrying what the underwriting results are because they're looking at the cash flow. No, I think that it's a more fundamental error than that, that it's just our responsible management of capital.

Operator

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

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

I also want to extend my sympathies to you, your family and also the entire Berkeley team on Bill's passing. He obviously will be very missed. So on to my question, just on the rate front, the 3.8% that you disclosed. I'm just wondering if we're right to assume I guess, the main areas where you guys are taking the foot off the gas and have talked about that previously. Is that really more on the short-tail lines, or is that dynamic happening at all on the casualty side as well?

William Robert Berkley
President, CEO & Chairman

So I would tell you that it's more select than you're suggesting. It's not this property or casualty, it's much more of a sample than a clever as to how we think about rate and it gets quite granular, not just by a broad product line, but we will be looking at a subclass within a state and have a position as to how we feel about what we can or can't, should or shouldn't do to rates. One of the benefits of our organization where we have a collection of different businesses each one with its own management team, again, very focused at a granular level around their P&L and what kind of margin that they have, and we are having conversations with great regularity around incremental changes that are appropriate and in some cases, significant changes that are required. So I don't have specifics for you by product line.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes. No, that that makes sense. And then I think it's early, I guess, just given the decline in the pricing or the decel in the pricing this quarter versus last quarter. And I know it takes time for that to sort of work its way through the distribution system. But I'm wondering, are there any like early indicators that you can share, particularly around retention because I would think it would show up there a little sooner than on the new business front. So I think you've...

William Robert Berkley
President, CEO & Chairman

The renewal -- so in the aggregate, yes, in the aggregate, our renewal retention ratio continues to hover right -- sit right around 80%. So that would suggest that the book is quite stable.

Operator

Your next question comes from Mark Hughes from Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

you've described how you've leaned in and a meaningful part of that is you're doing absent or...

William Robert Berkley
President, CEO & Chairman

Just to be clear, to define you, I think it's our doing because they don't let me select our price risk just to be clear.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Yes, yes. And I didn't mean that in any negative way, but I think you're -- you've made in that you're seeing opportunity and are pursuing those opportunities. If you look at the market just absent that, how would you describe the pricing if you hadn't been pursuing those opportunities I think...

William Robert Berkley
President, CEO & Chairman

It varies dramatically by product line. No surprise, I'm sure, to you perhaps most pronounced and much of the commercial property market. I flagged a couple of pockets, isolated pockets within liability that has really made us pause and scratch our head. But long story short, markets, it's a fine brush, not a broad brush.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Appreciate that. Then the follow-up on casualty reinsurance, you described more pressure there. Does that have any impact on the primary markets? Are you seeing any knock-on impact or what is going on in casualty reinsurance?

William Robert Berkley
President, CEO & Chairman

I think that there are people that are willing to write the business on the reinsurance side, it's ceding commissions that don't make sense to us. And our colleagues that are running our reinsurance businesses to their credit, they have the knowledge, expertise and discipline to do the right thing. And many of us refer to as cycle management, and they're doing it, and we are grateful for that. And the -- what will that mean over time, we'll have to see but I assume you would have taken note in the growth of our gross versus our net. And we are not naive to market conditions within the reinsurance marketplace and what that means for us as a buyer.

Operator

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

Brian Robert Meredith
UBS Investment Bank, Research Division

I just want to express my condolences as well. Bill is going to be hugely, hugely missed.

William Robert Berkley
President, CEO & Chairman

Thank you, Brian.

Brian Robert Meredith
UBS Investment Bank, Research Division

So my first question for you is when you talk about rate and kind of going down to 3.8%, tell me a little bit what's going on in terms and conditions? Are you starting to see terms and conditions loosen up? Are you thinking about loosening terms and conditions as well because that's just as important as the rate.

William Robert Berkley
President, CEO & Chairman

So generally speaking, we are not seeing a loosening of terms and conditions. It's -- quite frankly, it's just been more of a rate conversation in our shop. But the terms and conditions, we're not seeing those come unraveled at this stage, at least in our activity. What other people are doing, I can't speak to that. I think there are some folks out there that are very aggressive. And as I suggested, we'll see how that story ends for them. But as far as our ability to operate with our terms and conditions remaining intact, that's not an issue that we're dealing with today.

Brian Robert Meredith
UBS Investment Bank, Research Division

Great. That's perfect. And then my next question, we're hearing about retail agents out there doing their best to keep business in the admitted market and not go to the E&S market. Are you seeing that happen in the market? Is it affecting your E&S business at all? Kind of what are the kind of things you're seeing right now with the E&S versus admitted?

William Robert Berkley
President, CEO & Chairman

Well, I think if you look at how the E&S market has grown as a percentage of the overall, to the extent they're trying, it would seem as though they haven't succeeded particularly over the past couple of years. That having been said more recently, if I was a retail agent, I do everything in my power not to have to bring it to a wholesaler, which is obviously the path that most of that business would take. Why would I want to have to split the commission with a wholesaler. So yes, I think any retailer unless they had direct access to wholesale like product through retail distribution, of course, they should try and place it in the standard market. Almost hold the economics for them. I would, wouldn't you?

Brian Robert Meredith
UBS Investment Bank, Research Division

Yes. Make sense.

Operator

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

Tracy Benguigui
Wolfe Research, LLC

Huge condolences. You mentioned that there may be room...

William Robert Berkley
President, CEO & Chairman

Thank you, Tracy.

Tracy Benguigui
Wolfe Research, LLC

Yes, I'm really sorry. You mentioned that there may be more room in loss picks. Curious how many years of experience do you rely on to justify lower pick?

William Robert Berkley
President, CEO & Chairman

Totally depends on the product line. Obviously, as we both appreciate different product lines have different tails, both -- especially on the incurred front. So the way we take a view and develop confidence on outcome varies by product line. And again, the incurred tail is really what drives that.

Tracy Benguigui
Wolfe Research, LLC

Just a quick clarification on that. So the 3.9 year duration of your reserves, I'm assuming that's on a discounted basis, what would that be on a nominal basis?

William Robert Berkley
President, CEO & Chairman

I don't -- the answer is I don't have the math if you follow up with Rich, he can do it for you, but it's -- or Karen, for that matter, but it's not radically different. Because really the only consequential area of a discount in our reserves are many consequences excess comp. The rest of it -- maybe a little bit on the reinsurance, but the rest of it, which is the lion's share of our reserves are undiscounted, and we don't discount.

Tracy Benguigui
Wolfe Research, LLC

Okay. Got it. And then a cycle question. I'm curious if you think the soft cycle is any different than prior cycles, whether it be the key drivers or the duration?

William Robert Berkley
President, CEO & Chairman

I think that this cycle is radically different from past in some ways. In other ways, I think it's remarkably similar. I think it's remarkably similar because it's still as we've talked about in past calls, human emotion that drives it fear and greed. I think it's different because product lines have decoupled as to where they are in the cycle. When I got into this business for 1 million years ago when Rich got into this business. All product lines by and large, marked somewhat in lockstep. So it was either a hard market or a soft market. Today, you really unpack it a bit. It's notable how different product lines are different places in the cycle. So yes, I think that yes, similar fundamentals, but also radically different in how they present.

Tracy Benguigui
Wolfe Research, LLC

And what would that mean in terms of the duration of the cycle? Because what we've seen is past hard market cycles, the soft cycle tended to be much longer.

William Robert Berkley
President, CEO & Chairman

I think a lot of it has to do with the pain, and how long it takes for the pain to come into focus. That's really what it boils down to. And just a comment a little while ago about incurred tail. I think ultimately, what gives people the discipline and the courage to raise rates, is when all of a sudden they recognize the current situation is not sustainable and they're effectively destroying capital or not appropriately utilizing it. We see that happen time time again. So you saw it happen in the property market a few years ago, and all of a sudden, a Rush discipline entered. You've seen it happen at a different moment in time of the professional liability, particularly D&O. And I would offer an observation that we are on the eve of seeing that happen with California workers' compensation.

Operator

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

Andrew E. Andersen
Jefferies LLC, Research Division

I think this was asked a little bit ago, but I'll try again. Could you maybe just discuss how the hit rate or quote-to-bind improvement has been in line where you've lowered price and maybe how that's compared with expectations with expectations and if there's still meaningful room to improve that quote to bind.

William Robert Berkley
President, CEO & Chairman

So I don't have quote-to-bind data. What I did share with someone else earlier was our renewal retention ratio. It continues to sit at approximately 80% that number doesn't move a tremendous amount. But as a data point, hopefully, that gives you some visibility as to the book isn't shifting dramatically. And our colleagues are adjusting to the market where they see appropriate.

Andrew E. Andersen
Jefferies LLC, Research Division

Okay. And in the past, you've described workers' comp as a market where you're waiting for firmer conditions. I imagine that's still the case, but any update maybe in terms of where we left it last quarter in terms of price or how loss trends are moving on comp?

William Robert Berkley

President, CEO & Chairman

Yes. As far as comp goes, maybe as we've said for an extended period of time, California, and our estimation is ahead of the rest of the country as far as where it is in the cycle. And you would have seen perhaps some of the information coming out of the state recently where they shared that the 25 year, I believe it was running at an excellent year of [1.29.] So I don't know how the marketplace can make that [1.29] work. And historically, for the industry overall, comp and other product lines, when it looks bad, it's usually worse. So it would seem as though that there is a growing amount of catalyst for a shift in behavior, and we're seeing early signs of that in the rate market. But we'll have to see how it unfolds from here. As far as the rest of the country, as we have suggested for some time now, we think it's trailing California, but coming as well.

Operator

Your next question comes from Meyer Shields Keith Bretton Woods.

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

Rob, your debt was a good and great man, and I hope you find comfort in his memory. Two quick questions, if I can. One, firstly was one of the first companies, I think, in 2016 to talk about social inflation. And I'm wondering whether you're seeing any signs of it maybe tempering as part of the reason for smaller rate increase pushes?

William Robert Berkley
President, CEO & Chairman

Certainly, it is a topic that, as you point out, we've been very focused on for an extended period of time. And it has gotten the attention of many, including policymakers. And we've seen some examples of action being taken in certain states. What the consequence of that will be, and how that will come into focus over what period of time, we'll have to see, but are we aware of it? Yes. Do we feel as though we can quantify what that impact will be at this moment in time, not fully enough that we are taking credit for it.

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

Okay. That's helpful. And then I apologize for having to ask this question, but you talked about a 20% productivity improvement on policy ingestion. Is that 20% more accounts or submissions that you can look at? Or what is that 20% actually measuring?

William Robert Berkley
President, CEO & Chairman

That's -- we are getting to 20% more business, and we are able to run it through, and it is converted -- we're touching a lot more business, and we're getting able to get far more at bats and that is converting to, quite frankly, more productivity. And I would tell you that early returns are 20%, and we -- as I tried to suggest earlier, we think it grows from here.

Operator

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

William Robert Berkley
President, CEO & Chairman

Rich, anything you want to add before I -- sure? Okay. Well, thank you all very much for tuning in. We appreciate your time. We appreciate your interest in the company. I think that as we pass the 50-yard line here, the business continues to fire on all cylinders and perhaps what's most encouraging is that when we look out on the horizon, there's nothing that we see that we expect can get in the way of us continuing to generate really outstanding returns. Thank you again for your time. Have a good evening.

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