
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark one)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended September 30, 2015

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**
For the Transition Period from _____ to _____.

Commission File Number 1-15202

W. R. BERKLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

22-1867895

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

475 Steamboat Road, Greenwich, Connecticut

(Address of principal executive offices)

06830

(Zip Code)

(203) 629-3000

(Registrant's telephone number, including area code)

None

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of common stock, \$.20 par value, outstanding as of October 30, 2015 : 123,285,762

TABLE OF CONTENTS

[Part I — FINANCIAL INFORMATION](#)

[Item 1. Financial Statements](#)

[Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations](#)

[Item 3. Quantitative and Qualitative Disclosure About Market Risk](#)

[Item 4. Controls and Procedures](#)

[PART II — OTHER INFORMATION](#)

[Item 1. Legal Proceedings](#)

[Item 1A. Risk Factors](#)

[Item 2. Unregistered Sales of Equity Securities and Use of Proceeds](#)

[Item 6. Exhibits](#)

[SIGNATURES](#)

EX-10.1

EX-31.1

EX-31.2

EX-32.1

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Part I — FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2015 (Unaudited)	December 31, 2014 (Audited)
Assets		
Investments:		
Fixed maturity securities	\$ 12,368,319	\$ 12,705,160
Investment funds	1,140,218	1,211,401
Real estate	873,909	731,612
Arbitrage trading account	351,179	450,648
Loans receivable	286,273	322,012
Equity securities	177,877	170,991
Total investments	15,197,775	15,591,824
Cash and cash equivalents	879,934	674,441
Premiums and fees receivable	1,720,637	1,651,088
Due from reinsurers	1,559,277	1,503,441
Deferred policy acquisition costs	524,269	488,525
Prepaid reinsurance premiums	400,392	395,748
Trading account receivables from brokers and clearing organizations	401,941	371,034
Property, furniture and equipment	336,825	332,098
Goodwill	153,281	150,944
Accrued investment income	128,140	120,367
Federal and foreign income taxes	2,021	30,171
Other assets	434,074	369,558
Total assets	\$ 21,738,566	\$ 21,679,239
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	\$ 10,661,054	\$ 10,369,701
Unearned premiums	3,198,009	3,026,732
Due to reinsurers	230,008	237,270
Trading account securities sold but not yet purchased	33,360	106,079
Other liabilities	820,278	859,736
Senior notes and other debt	1,838,965	2,115,527
Subordinated debentures	340,255	340,060
Total liabilities	17,121,929	17,055,105
Equity:		
Preferred stock, par value \$.10 per share:		
Authorized 5,000,000 shares; issued and outstanding - none		
Common stock, par value \$.20 per share:		
Authorized 500,000,000 shares, issued and outstanding, net of treasury shares, 123,267,846 and 126,748,836 shares, respectively	47,024	47,024
Additional paid-in capital	989,547	991,512
Retained earnings	6,083,120	5,732,410
Accumulated other comprehensive income	28,111	183,550
Treasury stock, at cost, 111,850,072 and 108,369,082 shares, respectively	(2,564,536)	(2,364,551)
Total stockholders' equity	4,583,266	4,589,945
Noncontrolling interests	33,371	34,189
Total equity	4,616,637	4,624,134
Total liabilities and equity	\$ 21,738,566	\$ 21,679,239

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
REVENUES:				
Net premiums written	\$ 1,571,037	\$ 1,525,382	\$ 4,690,364	\$ 4,541,038
Change in net unearned premiums	(39,479)	(64,578)	(193,752)	(298,977)
Net premiums earned	1,531,558	1,460,804	4,496,612	4,242,061
Net investment income	133,214	179,225	385,036	486,665
Insurance service fees	35,192	26,345	107,652	81,970
Net realized investment gains	66,419	72,258	113,020	234,180
Other-than-temporary impairments	(12,515)	—	(12,515)	—
Revenues from wholly-owned investees	107,059	101,568	305,261	298,693
Other income	30	405	335	931
Total revenues	1,860,957	1,840,605	5,395,401	5,344,500
OPERATING COSTS AND EXPENSES:				
Losses and loss expenses	926,355	887,123	2,733,298	2,576,996
Other operating costs and expenses	573,541	544,303	1,698,169	1,593,619
Expenses from wholly-owned investees	100,500	97,797	288,900	290,823
Interest expense	31,641	32,929	99,210	93,570
Total operating costs and expenses	1,632,037	1,562,152	4,819,577	4,555,008
Income before income taxes	228,920	278,453	575,824	789,492
Income tax expense	(76,184)	(89,662)	(181,595)	(250,840)
Net income before noncontrolling interests	152,736	188,791	394,229	538,652
Noncontrolling interests	(129)	(252)	(280)	(479)
Net income to common stockholders	\$ 152,607	\$ 188,539	\$ 393,949	\$ 538,173
NET INCOME PER SHARE:				
Basic	\$ 1.24	\$ 1.48	\$ 3.17	\$ 4.20
Diluted	\$ 1.18	\$ 1.42	\$ 3.02	\$ 4.02

See accompanying notes to interim consolidated financial statements.

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Net income before noncontrolling interests	\$ 152,736	\$ 188,791	\$ 394,229	\$ 538,652
Other comprehensive income (loss):				
Change in unrealized currency translation adjustments	(62,535)	(49,380)	(76,713)	(28,590)
Change in unrealized investment gains (losses), net of taxes	4,497	(12,912)	(78,832)	108,232
Change in net pension asset, net of taxes	—	2,020	—	4,631
Other comprehensive income (loss)	(58,038)	(60,272)	(155,545)	84,273
Comprehensive income	94,698	128,519	238,684	622,925
Comprehensive (income) to the noncontrolling interest	(35)	(334)	(174)	(598)
Comprehensive income to common stockholders	<u>\$ 94,663</u>	<u>\$ 128,185</u>	<u>\$ 238,510</u>	<u>\$ 622,327</u>

See accompanying notes to interim consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2015	2014
COMMON STOCK:		
Beginning and end of period	\$ 47,024	\$ 47,024
ADDITIONAL PAID-IN CAPITAL:		
Beginning of period	\$ 991,512	\$ 967,440
Restricted stock units issued, net of tax	(25,394)	(6,383)
Stock incentive plans expensed	23,429	21,047
End of period	\$ 989,547	\$ 982,104
RETAINED EARNINGS:		
Beginning of period	\$ 5,732,410	\$ 5,265,015
Net income to common stockholders	393,949	538,173
Dividends	(43,239)	(40,782)
End of period	\$ 6,083,120	\$ 5,762,406
ACCUMULATED OTHER COMPREHENSIVE INCOME:		
Unrealized investment gains:		
Beginning of period	\$ 306,199	\$ 256,566
Unrealized gains (losses) on securities not other-than-temporarily impaired	(78,773)	107,501
Unrealized gains on other-than-temporarily impaired securities	47	612
End of period	227,473	364,679
Currency translation adjustments:		
Beginning of period	(122,649)	(60,524)
Net change in period	(76,713)	(28,590)
End of period	(199,362)	(89,114)
Net pension asset:		
Beginning of period	—	(6,651)
Net change in period	—	4,631
End of period	—	(2,020)
Total accumulated other comprehensive income	\$ 28,111	\$ 273,545
TREASURY STOCK:		
Beginning of period	\$ (2,364,551)	\$ (2,132,835)
Stock exercised/vested	23,044	6,384
Stock repurchased	(223,652)	(230,319)
Stock incentive plans expensed	623	594
End of period	\$ (2,564,536)	\$ (2,356,176)
NONCONTROLLING INTERESTS:		
Beginning of period	\$ 34,189	\$ 33,359
Contributions (distributions)	(992)	614
Net income	280	479
Other comprehensive income (loss), net of tax	(106)	119
End of period	\$ 33,371	\$ 34,571

See accompanying notes to interim consolidated financial statements.

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

	For the Nine Months Ended September 30,	
	2015	2014
CASH FROM OPERATING ACTIVITIES:		
Net income to common stockholders	\$ 393,949	\$ 538,173
Adjustments to reconcile net income to net cash from operating activities:		
Net investment gains	(100,505)	(234,180)
Depreciation and amortization	65,384	63,415
Noncontrolling interests	280	479
Investment funds	(50,838)	(150,502)
Stock incentive plans	24,052	21,549
Change in:		
Arbitrage trading account	(4,157)	1,781
Premiums and fees receivable	(99,541)	(125,319)
Reinsurance accounts	(62,272)	12,967
Deferred policy acquisition costs	(40,216)	(44,087)
Income taxes	80,587	11,092
Reserves for losses and loss expenses	362,854	277,542
Unearned premiums	198,534	345,521
Other	(147,776)	(143,645)
Net cash from operating activities	620,335	574,786
CASH FROM (USED IN) INVESTING ACTIVITIES:		
Proceeds from sale of fixed maturity securities	765,764	546,970
Proceeds from sale of equity securities	23,778	109,928
Distributions from investment funds	198,489	285,233
Proceeds from maturities and prepayments of fixed maturity securities	2,727,635	1,887,252
Purchase of fixed maturity securities	(3,387,648)	(3,098,477)
Purchase of equity securities	(37,754)	(28,606)
Additions to real estate	(150,940)	(253,007)
Real estate sold	—	343,723
Change in loans receivable	35,739	320
Net additions to property, furniture and equipment	(40,262)	(30,797)
Change in balances due to security brokers	43,429	68,411
Cash distributed in connection with business disposition	—	15,612
Payment for business purchased net of cash acquired	(7,156)	(65,423)
Net cash from (used in) investing activities	171,074	(218,861)
CASH FROM (USED IN) FINANCING ACTIVITIES:		
Repayment of senior notes and other debt	(279,204)	(1,829)
Net proceeds from issuance of debt	1,891	431,409
Cash dividends to common stockholders	(43,239)	(40,782)
Purchase of common treasury shares	(223,652)	(236,703)
Other, net	(3,345)	913
Net cash from (used in) financing activities	(547,549)	153,008
Net impact on cash due to change in foreign exchange rates	(38,367)	(6,386)
Net change in cash and cash equivalents	205,493	502,547
Cash and cash equivalents at beginning of year	674,441	839,738
Cash and cash equivalents at end of period	\$ 879,934	\$ 1,342,285

See accompanying notes to interim consolidated financial statements.

W. R. Berkley Corporation and Subsidiaries**NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****(1) General**

The accompanying unaudited consolidated financial statements of W. R. Berkley Corporation and its subsidiaries (the “Company”) have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information. Accordingly, they do not include all the information and notes required by GAAP for annual financial statements. The unaudited consolidated financial statements reflect all adjustments, consisting only of normal recurring items, which are necessary to present fairly the Company’s financial position and results of operations on a basis consistent with the prior audited consolidated financial statements. Operating results for interim periods are not necessarily indicative of the results that may be expected for the year. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements requires the use of management estimates. For further information related to a description of areas of judgment and estimates and other information necessary to understand the Company’s financial position and results of operations, refer to the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014 . Reclassifications have been made in the 2014 financial statements as originally reported to conform to the presentation of the 2015 financial statements.

The income tax provision has been computed based on the Company’s estimated annual effective tax rate. The effective tax rate for the quarter differs from the federal income tax rate of 35% principally because of tax-exempt investment income.

(2) Per Share Data

The Company presents both basic and diluted net income per share (“EPS”) amounts. Basic EPS is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the period and is calculated using the treasury stock method for stock incentive plans. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect.

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

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Basic	123,163	127,165	124,294	128,225
Diluted	128,947	133,001	130,563	133,886

(3) Recent Accounting Pronouncements

The Financial Accounting Standards Board issued ASC 2015-09, Financial Services – Insurance (Topic 944) – Disclosures about Short-Duration Contracts in 2015, which amended the disclosure required for insurance companies that issue short-duration contracts. This Accounting Standards Update is effective for annual periods beginning after December 15, 2015 and interim periods within annual reporting periods beginning after December 15, 2016.

(4) Acquisitions/Dispositions

In 2015, the Company acquired an aviation systems company for \$8.0 million .

In 2014, the Company acquired a specialty property and casualty insurance distribution company for \$83 million . The fair values of the assets acquired and liabilities assumed have been estimated based on a valuation prepared by a third party. The estimated useful lives of the intangible assets acquired range from 7 years to 15 years, with approximately \$10 million having an indefinite life.

In 2014, the Company sold an aviation-related business for \$ 16 million . The business had a net carrying value of \$15 million .

The following table summarizes the estimated fair value of net assets acquired and liabilities assumed for business combinations completed in 2014:

<u>(In thousands)</u>	<u>2014</u>
Cash and cash equivalents	\$ 17,457
Real estate, furniture and equipment	669
Goodwill and other intangibles assets	79,646
Premium and service fee receivable	24,432
Other assets	2,590
Total assets acquired	124,794
Deferred federal income tax	(7,107)
Debt	—
Other liabilities assumed	(34,809)
Net assets acquired	<u>\$ 82,878</u>

(5) Statement of Comprehensive Income (Loss)

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

(In thousands)	Unrealized Investment Gains (Losses)	Currency Translation Adjustments	Net Pension Asset	Accumulated Other Comprehensive Income (Loss)
<u>As of and for the nine months ended September 30, 2015:</u>				
<u>Changes in AOCI</u>				
Beginning of period	\$ 306,199	\$ (122,649)	\$ —	\$ 183,550
Other comprehensive income (loss) before reclassifications	(69,078)	(76,713)	—	(145,791)
Amounts reclassified from AOCI	(9,754)	—	—	(9,754)
Other comprehensive income (loss)	(78,832)	(76,713)	—	(155,545)
Unrealized investment gain related to non-controlling interest	106	—	—	106
End of period	\$ 227,473	\$ (199,362)	\$ —	\$ 28,111
<u>Amounts reclassified from AOCI</u>				
Pre-tax	\$ (15,006) (1)	\$ —	\$ —	\$ (15,006)
Tax effect (2)	5,252	—	—	5,252
After-tax amounts reclassified	\$ (9,754)	\$ —	\$ —	\$ (9,754)
<u>Other comprehensive income (loss)</u>				
Pre-tax	\$ (135,186)	\$ (76,713)	\$ —	\$ (211,899)
Tax effect	56,354	—	—	56,354
Other comprehensive income (loss)	\$ (78,832)	\$ (76,713)	\$ —	\$ (155,545)
<u>As of and for the three months ended September 30, 2015:</u>				
<u>Changes in AOCI</u>				
Beginning of period	\$ 222,882	\$ (136,827)	\$ —	\$ 86,055
Other comprehensive income (loss) before reclassifications	3,943	(62,535)	—	(58,592)
Amounts reclassified from AOCI	554	—	—	554
Other comprehensive income (loss)	4,497	(62,535)	—	(58,038)
Unrealized investment gain related to non-controlling interest	94	—	—	94
End of period	\$ 227,473	\$ (199,362)	\$ —	\$ 28,111
<u>Amounts reclassified from AOCI</u>				
Pre-tax	\$ 852 (1)	\$ —	\$ —	\$ 852
Tax effect (2)	(298)	—	—	(298)
After-tax amounts reclassified	\$ 554	\$ —	\$ —	\$ 554
<u>Other comprehensive income (loss)</u>				
Pre-tax	\$ (7,731)	\$ (62,535)	\$ —	\$ (70,266)
Tax effect	12,228	—	—	12,228
Other comprehensive income (loss)	\$ 4,497	\$ (62,535)	\$ —	\$ (58,038)

	Unrealized Investment Gains (Losses)	Currency Translation Adjustments	Net Pension Asset	Accumulated Other Comprehensive Income (Loss)
(In thousands)				
As of and for the nine months ended September 30, 2014:				
Changes in AOCI				
Beginning of period	\$ 256,566	\$ (60,524)	\$ (6,651)	\$ 189,391
Other comprehensive income (loss) before reclassifications	143,388	(28,590)	—	114,798
Amounts reclassified from AOCI	(35,156)	—	4,631	(30,525)
Other comprehensive income (loss)	108,232	(28,590)	4,631	84,273
Unrealized investment loss related to non-controlling interest	(119)	—	—	(119)
End of period	\$ 364,679	\$ (89,114)	\$ (2,020)	\$ 273,545
Amounts reclassified from AOCI				
Pre-tax	\$ (54,086) (1)	\$ —	\$ 7,125 (3)	\$ (46,961)
Tax effect (2)	18,930	—	(2,494)	16,436
After-tax amounts reclassified	\$ (35,156)	\$ —	\$ 4,631	\$ (30,525)
Other comprehensive income (loss)				
Pre-tax	\$ 163,651	\$ (28,590)	\$ 7,125	\$ 142,186
Tax effect	(55,419)	—	(2,494)	(57,913)
Other comprehensive income (loss)	\$ 108,232	\$ (28,590)	\$ 4,631	\$ 84,273
As of and for the three months ended September 30, 2014:				
Changes in AOCI				
Beginning of period	\$ 377,673	\$ (39,734)	\$ (4,040)	\$ 333,899
Other comprehensive income (loss) before reclassifications	3,099	(49,380)	—	(46,281)
Amounts reclassified from AOCI	(16,011)	—	2,020	(13,991)
Other comprehensive income (loss)	(12,912)	(49,380)	2,020	(60,272)
Unrealized investment loss related to non-controlling interest	(82)	—	—	(82)
End of period	\$ 364,679	\$ (89,114)	\$ (2,020)	\$ 273,545
Amounts reclassified from AOCI				
Pre-tax	\$ (24,632) (1)	\$ —	\$ 3,108 (3)	\$ (21,524)
Tax effect (2)	8,621	—	(1,088)	7,533
After-tax amounts reclassified	\$ (16,011)	\$ —	\$ 2,020	\$ (13,991)
Other comprehensive income (loss)				
Pre-tax	\$ (25,029)	\$ (49,380)	\$ 3,108	\$ (71,301)
Tax effect	12,117	—	(1,088)	11,029
Other comprehensive income (loss)	\$ (12,912)	\$ (49,380)	\$ 2,020	\$ (60,272)

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

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

(3) Other operating costs and expenses in the consolidated statements of income.

(6) Statements of Cash Flow

Interest payments were \$124,632,000 and \$108,688,000 and income taxes paid were \$96,364,000 and \$238,030,000 in the three months ended September 30, 2015 and 2014 , respectively.

(7) Investments in Fixed Maturity Securities

At September 30, 2015 and December 31, 2014 , investments in fixed maturity securities were as follows:

(In thousands)	Amortized Cost	Gross Unrealized		Fair Value	Carrying Value
		Gains	Losses		
September 30, 2015					
Held to maturity:					
State and municipal	\$ 76,065	\$ 15,824	\$ —	\$ 91,889	\$ 76,065
Residential mortgage-backed	20,025	2,637	—	22,662	20,025
Corporate	5,000	65	—	5,065	5,000
Total held to maturity	101,090	18,526	—	119,616	101,090
Available for sale:					
U.S. government and government agency	641,696	32,748	(1,476)	672,968	672,968
State and municipal:					
Special revenue	2,476,539	104,030	(4,848)	2,575,721	2,575,721
State general obligation	602,995	28,828	(4,511)	627,312	627,312
Pre-refunded	442,026	34,132	—	476,158	476,158
Corporate backed	385,972	13,156	(709)	398,419	398,419
Local general obligation	321,376	24,968	(197)	346,147	346,147
Total state and municipal	4,228,908	205,114	(10,265)	4,423,757	4,423,757
Mortgage-backed securities:					
Residential (1)	1,038,903	27,601	(7,084)	1,059,420	1,059,420
Commercial	67,003	1,236	(35)	68,204	68,204
Total mortgage-backed securities	1,105,906	28,837	(7,119)	1,127,624	1,127,624
Corporate:					
Industrial	1,888,762	80,342	(17,257)	1,951,847	1,951,847
Asset-backed	1,634,056	17,722	(11,681)	1,640,097	1,640,097
Financial	1,264,970	35,728	(11,980)	1,288,718	1,288,718
Utilities	187,325	10,549	(1,549)	196,325	196,325
Other	80,796	446	(18)	81,224	81,224
Total corporate	5,055,909	144,787	(42,485)	5,158,211	5,158,211
Foreign	854,313	46,433	(16,077)	884,669	884,669
Total available for sale	11,886,732	457,919	(77,422)	12,267,229	12,267,229
Total investments in fixed maturity securities	\$ 11,987,822	\$ 476,445	\$ (77,422)	\$ 12,386,845	\$ 12,368,319

(In thousands)	Amortized Cost	Gross Unrealized		Fair Value	Carrying Value
		Gains	Losses		
December 31, 2014					
Held to maturity:					
State and municipal	\$ 72,901	\$ 17,501	\$ —	\$ 90,402	\$ 72,901
Residential mortgage-backed	23,278	2,854	—	26,132	23,278
Corporate	4,998	291	—	5,289	4,998
Total held to maturity	101,177	20,646	—	121,823	101,177
Available for sale:					
U.S. government and government agency	773,192	33,353	(3,157)	803,388	803,388
State and municipal:					
Special revenue	2,264,210	111,841	(2,084)	2,373,967	2,373,967
State general obligation	674,022	37,615	(787)	710,850	710,850
Pre-refunded	504,778	35,619	(289)	540,108	540,108
Corporate backed	413,234	18,976	(855)	431,355	431,355
Local general obligation	281,622	25,099	(5)	306,716	306,716
Total state and municipal	4,137,866	229,150	(4,020)	4,362,996	4,362,996
Mortgage-backed securities:					
Residential (1)	1,201,924	27,124	(9,449)	1,219,599	1,219,599
Commercial	74,479	1,610	(52)	76,037	76,037
Total mortgage-backed securities	1,276,403	28,734	(9,501)	1,295,636	1,295,636
Corporate:					
Asset-backed	2,019,032	18,868	(11,974)	2,025,926	2,025,926
Industrial	1,606,724	117,206	(5,131)	1,718,799	1,718,799
Financial	1,140,801	38,080	(7,673)	1,171,208	1,171,208
Utilities	184,107	12,436	(1)	196,542	196,542
Other	86,294	1,370	(2)	87,662	87,662
Total corporate	5,036,958	187,960	(24,781)	5,200,137	5,200,137
Foreign	897,668	62,223	(18,065)	941,826	941,826
Total available for sale	12,122,087	541,420	(59,524)	12,603,983	12,603,983
Total investments in fixed maturity securities	\$ 12,223,264	\$ 562,066	\$ (59,524)	\$ 12,725,806	\$ 12,705,160

(1) Gross unrealized losses for residential mortgage-backed securities include \$1,023,313 and \$1,095,671 as of September 30, 2015 and December 31, 2014 , respectively, related to the non-credit portion of other-than-temporary impairments (“OTTI”) recognized in accumulated other comprehensive income.

The amortized cost and fair value of fixed maturity securities at September 30, 2015 , by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay obligations.

(In thousands)	Amortized Cost	Fair Value
Due in one year or less	\$ 872,912	\$ 884,845
Due after one year through five years	3,896,880	4,043,852
Due after five years through ten years	3,572,074	3,706,649
Due after ten years	2,520,025	2,601,213
Mortgage-backed securities	1,125,931	1,150,286
Total	\$ 11,987,822	\$ 12,386,845

At September 30, 2015 , there were no investments that exceeded 10% of common stockholders’ equity, other than investments in United States government and government agency securities,

(8) Investments in Equity Securities

At September 30, 2015 and December 31, 2014, investments in equity securities were as follows:

(In thousands)	Cost	Gross Unrealized		Fair Value	Carrying Value
		Gains	Losses		
September 30, 2015					
Common stocks	\$ 64,382	\$ —	\$ (22,254)	\$ 42,128	\$ 42,128
Preferred stocks	118,783	20,756	(3,790)	135,749	135,749
Total	\$ 183,165	\$ 20,756	\$ (26,044)	\$ 177,877	\$ 177,877
December 31, 2014					
Common stocks	\$ 69,870	\$ 11,929	\$ (5,453)	\$ 76,346	\$ 76,346
Preferred stocks	90,425	8,385	(4,165)	94,645	94,645
Total	\$ 160,295	\$ 20,314	\$ (9,618)	\$ 170,991	\$ 170,991

(9) Arbitrage Trading Account

At September 30, 2015 and December 31, 2014, the carrying value of the arbitrage trading account was \$351 million and \$451 million, respectively. The primary focus of the trading account is merger arbitrage. Merger arbitrage is the business of investing in the securities of publicly held companies which are the targets in announced tender offers and mergers. Arbitrage investing differs from other types of investing in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period (usually four months or less). The Company believes that this makes merger arbitrage investments less vulnerable to changes in general financial market conditions.

(10) Net Investment Income

Net investment income consists of the following:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Investment income earned on:				
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 104,936	\$ 117,289	\$ 318,095	\$ 331,947
Investment funds	22,926	59,077	50,838	135,232
Arbitrage trading account	2,608	47	11,470	12,508
Equity securities available for sale	1,109	1,369	3,513	5,418
Real estate	4,389	3,042	9,270	9,207
Gross investment income	135,968	180,824	393,186	494,312
Investment expense	(2,754)	(1,599)	(8,150)	(7,647)
Net investment income	\$ 133,214	\$ 179,225	\$ 385,036	\$ 486,665

(11) Investment Funds

Investment funds consist of the following:

(In thousands)	Carrying Value as of		Income (Loss) from Investment Funds	
	September 30,	December 31,	For the Nine Months Ended	
	2015	2014	2015	2014
Real estate	\$ 534,854	\$ 466,703	\$ 51,467	\$ 24,341
Energy	108,830	152,056	(25,124)	18,136
Arbitrage	69,417	282,335	(3,925)	15,270
Other	427,117	310,307	28,420	77,485
Total	<u>\$ 1,140,218</u>	<u>\$ 1,211,401</u>	<u>\$ 50,838</u>	<u>\$ 135,232</u>

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

Other includes private equity investments carried on the equity method of accounting, which includes a publicly traded common stock investment in HealthEquity, Inc. (HQQ). Our ownership interest in HQY as of September 30, 2015 is 21% with a fair value of \$353.7 million and a carrying value of \$44.2 million .

(12) Real Estate

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

(In thousands)	Carrying Value	
	September 30,	December 31,
	2015	2014
Properties in operation	\$ 226,930	\$ 196,980
Properties under development	646,979	534,632
Total	<u>\$ 873,909</u>	<u>\$ 731,612</u>

Properties in operation include a long-term ground lease in Washington, D.C. and office buildings in West Palm Beach and Palm Beach, Florida. Properties in operation are net of accumulated depreciation and amortization of \$7,561,000 and \$1,609,000 as of September 30, 2015 and December 31, 2014, respectively. Related depreciation expense was \$5,991,000 and \$3,228,000 for the nine months ended September 30, 2015 and 2014, respectively. Future minimum rental income expected on operating leases relating to properties in operation is \$3,119,438 in 2015, \$12,259,281 in 2016, \$12,210,962 in 2017, \$11,224,190 in 2018, \$8,177,750 in 2019, \$6,111,665 in 2020 and \$330,978,082 thereafter.

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

(13) Loans Receivable

Loans receivable are as follows:

<u>(In thousands)</u>	<u>September 30, 2015</u>	<u>December 31, 2014</u>
Amortized cost:		
Real estate loans	\$ 203,064	\$ 243,407
Commercial loans	83,209	78,605
Total	<u>\$ 286,273</u>	<u>\$ 322,012</u>
Fair value:		
Real estate loans	\$ 204,350	\$ 245,112
Commercial loans	84,711	80,107
Total	<u>\$ 289,061</u>	<u>\$ 325,219</u>
Valuation allowance:		
Specific	\$ 75	\$ 115
General	2,330	2,371
Total	<u>\$ 2,405</u>	<u>\$ 2,486</u>

	For the Three Months Ended September 30,	
	2015	2014
Increase (decrease) in valuation allowance	\$ 19	\$ (24)
Loans receivable charged off	—	—

	For the Nine Months Ended September 30,	
	2015	2014
Increase (decrease) in valuation allowance	\$ (81)	\$ 455
Loans receivable charged off	—	—

Loans receivable in non-accrual status were \$5.7 million and \$14.2 million as of September 30, 2015 and December 31, 2014, respectively.

The Company monitors the performance of its loans receivable and assesses the ability of the borrower to pay principal and interest based upon loan structure, underlying property values, cash flow and related financial and operating performance of the property and market conditions. Loans receivable with a potential for default are further assessed using discounted cash flow analysis and comparable cost and sales methodologies, if appropriate.

The real estate loans are secured by commercial real estate primarily located in Arizona, Maryland, New York and Tennessee. These loans generally earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. The commercial loans are with small business owners who have secured the related financing with the assets of the business. Commercial loans generally earn interest on a fixed basis and have varying maturities not exceeding 10 years.

The Company utilizes a risk rating system to assign a risk to each of its real estate loans. The loan rating system takes into consideration credit quality indicators including loan to value ratios, which compare the outstanding loan amount to the estimated value of the property, the borrower's financial condition and performance with respect to loan terms, the Company's position in the capital structure, and the overall leverage in the capital structure. Based on this rating system, none of the real estate loans were considered to be impaired at September 30, 2015, and accordingly, the Company determined that a specific valuation allowance was not required.

(14) Realized and Unrealized Investment Gains (Losses)

Realized and unrealized investment gains (losses) are as follows:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30:	
	2015	2014	2015	2014
Realized investment gains (losses):				
Fixed maturity securities:				
Gains	\$ 1,341	\$ 13,803	\$ 8,178	\$ 17,263
Losses	(2,171)	(2,208)	(2,810)	(3,727)
Equity securities available for sale	(21)	9,729	9,639	39,310
Investment funds	70,648	50,919	92,821	95,675
Real estate	—	15	—	85,659
Other	(3,378)	—	5,192	—
Total	66,419	72,258	113,020	234,180
Net of other-than-temporary impairments:				
Other-than-temporary impairments	(12,515)	—	(12,515)	—
Income tax expense	(18,866)	(25,290)	(35,177)	(81,963)
Total after-tax realized investment gains	\$ 35,038	\$ 46,968	\$ 65,328	\$ 152,217
Change in unrealized investment gains (losses):				
Fixed maturity securities	\$ 2,449	\$ 10,722	\$ (102,863)	\$ 190,242
Previously impaired fixed maturity securities	50	188	73	941
Equity securities available for sale	(2,353)	(27,548)	(15,977)	(19,215)
Investment funds	(7,876)	(8,391)	(16,417)	(8,317)
Total change in unrealized investment gains (losses)	(7,730)	(25,029)	(135,184)	163,651
Income tax benefit (expense)	12,229	12,117	56,354	(55,419)
Noncontrolling interests	94	(82)	106	(119)
Total after-tax unrealized gains (losses)	\$ 4,593	\$ (12,994)	\$ (78,724)	\$ 108,113

OTTI recognized in earnings were \$12.5 million for the three and nine months ended September 30, 2015 . There was no OTTI for the three and nine months ended September 30, 2014 . OTTI related to common stocks and fixed maturity securities were \$3.5 million and \$9.0 million , respectively.

(15) Securities in an Unrealized Loss Position

The following tables summarize all securities in an unrealized loss position at September 30, 2015 and December 31, 2014 by the length of time those securities have been continuously in an unrealized loss position:

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In thousands)						
September 30, 2015						
U.S. government and government agency	\$ 18,390	\$ 222	\$ 68,963	\$ 1,254	\$ 87,353	\$ 1,476
State and municipal	543,568	7,670	110,634	2,595	654,202	10,265
Mortgage-backed securities	115,152	889	200,490	6,230	315,642	7,119
Corporate	1,782,625	28,626	155,263	13,859	1,937,888	42,485
Foreign	96,348	11,117	22,355	4,960	118,703	16,077
Fixed maturity securities	2,556,083	48,524	557,705	28,898	3,113,788	77,422
Common stocks	24,109	21,352	8,112	902	32,221	22,254
Preferred stocks	4,791	396	22,280	3,394	27,071	3,790
Equity securities	28,900	21,748	30,392	4,296	59,292	26,044
Total	\$ 2,584,983	\$ 70,272	\$ 588,097	\$ 33,194	\$ 3,173,080	\$ 103,466

December 31, 2014

U.S. government and government agency	\$ 84,750	\$ 522	\$ 84,850	\$ 2,635	\$ 169,600	\$ 3,157
State and municipal	158,594	631	150,284	3,389	308,878	4,020
Mortgage-backed securities	75,739	332	312,922	9,169	388,661	9,501
Corporate	1,586,238	8,697	214,628	16,084	1,800,866	24,781
Foreign	76,471	3,907	85,025	14,158	161,496	18,065
Fixed maturity securities	1,981,792	14,089	847,709	45,435	2,829,501	59,524
Common stocks	15,929	5,453	—	—	15,929	5,453
Preferred stocks	27,126	1,139	22,648	3,026	49,774	4,165
Equity securities	43,055	6,592	22,648	3,026	65,703	9,618
Total	\$ 2,024,847	\$ 20,681	\$ 870,357	\$ 48,461	\$ 2,895,204	\$ 69,142

Fixed Maturity Securities – A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at September 30, 2015 is presented in the table below:

	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
(In thousands)			
Mortgage-backed securities	7	\$ 23,109	\$ 1,530
Corporate	17	147,430	9,428
Foreign government	4	26,277	5,305
Total	28	\$ 196,816	\$ 16,263

For OTTI of fixed maturity securities that management does not intend to sell or, more likely than not, would not be required to sell, the portion of the decline in value considered to be due to credit factors is recognized in earnings and the portion of the decline in value considered to be due to non-credit factors is recognized in other comprehensive income. For the nine months ended September 30, 2015 and 2014, there were no changes in the portion of impairments recognized in earnings for those securities that have been impaired due to both credit factors and non-credit factors.

For the three and nine months ended September 30, 2015, OTTI for fixed maturity securities recognized in earnings was \$9.0 million, all of which was considered due to credit factors. There were no OTTI of fixed maturity securities for the three and nine months ended September 30, 2014.

The Company has evaluated its fixed maturity securities in an unrealized loss position and believes the unrealized losses are due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on its assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due and does not consider any of these securities to be OTTI.

Equity Securities – At September 30, 2015, there were six equity securities in an unrealized loss position, with an aggregate fair value of \$59.3 million and a gross unrealized loss of \$26.0 million. Two of these equity securities are preferred stocks that are rated non-investment grade with an aggregate fair value of \$4.8 million and a gross unrealized loss of \$0.4 million. Based upon management's view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI. For the three and nine months ended September 30, 2015, OTTI for common stocks was \$3.5 million. There were no OTTI of common stocks for the three and nine months ended September 30, 2014.

Loans Receivable – The Company monitors the performance of its loans receivable, including current market conditions for each loan and the ability to collect principal and interest. For loans where the Company determines it is probable that the contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. Loans receivable are reported net of a valuation reserve of \$2 million and \$3 million at September 30, 2015 and December 31, 2014, respectively.

(16) Fair Value Measurements

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 - Quoted prices for similar assets or valuations based on inputs that are observable.

Level 3 - Estimates of fair value based on internal pricing methodologies using unobservable inputs. Unobservable inputs are only used to measure fair value to the extent that observable inputs are not available.

Substantially all of the Company's fixed maturity securities were priced by independent pricing services. The prices provided by the independent pricing services are estimated based on observable market data in active markets utilizing pricing models and processes, which may include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, sector groupings, matrix pricing and reference data. The pricing services may prioritize inputs differently on any given day for any security based on market conditions, and not all inputs are available for each security evaluation on any given day. The pricing services used by the Company have indicated that they will only produce an estimate of fair value if objectively verifiable information is available. The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class. The Company reviews the prices provided by pricing services for reasonableness and periodically performs independent price tests of a sample of securities to ensure proper valuation.

If prices from independent pricing services are not available for fixed maturity securities, the Company estimates the fair value. For Level 2 securities, the Company utilizes pricing models and processes which may include benchmark yields, sector groupings, matrix pricing, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, bids, offers and reference data. Where broker quotes are used, the Company generally requests two or more quotes and sets a price within the range of quotes received based on its assessment of the credibility of the quote and its own evaluation of the security. The Company generally does not adjust quotes received from brokers. For securities traded only in private negotiations, the Company determines fair value based primarily on the cost of such securities, which is adjusted to reflect prices of recent placements of securities of the same issuer, financial projections, credit quality and business developments of the issuer and other relevant information.

For Level 3 securities, the Company generally uses a discounted cash flow model to estimate the fair value of fixed maturity securities. The cash flow models are based upon assumptions as to prevailing credit spreads, interest rate and interest rate volatility, time to maturity and subordination levels. Projected cash flows are discounted at rates that are adjusted to reflect illiquidity, where appropriate.

The following tables present the assets and liabilities measured at fair value, on a recurring basis, as of September 30, 2015 and December 31, 2014 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
<u>September 30, 2015</u>				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 672,968	\$ —	\$ 672,968	\$ —
State and municipal	4,423,757	—	4,423,757	—
Mortgage-backed securities	1,127,624	—	1,127,624	—
Corporate	5,158,211	—	5,158,057	154
Foreign government	884,669	—	884,669	—
Total fixed maturity securities available for sale	12,267,229	—	12,267,075	154
Equity securities available for sale:				
Common stocks	42,128	33,709	—	8,419
Preferred stocks	135,749	—	132,125	3,624
Total equity securities available for sale	177,877	33,709	132,125	12,043
Arbitrage trading account	351,179	226,115	124,464	600
Total	\$ 12,796,285	\$ 259,824	\$ 12,523,664	\$ 12,797
Liabilities:				
Securities sold but not yet purchased	\$ 33,360	\$ 33,336	\$ 24	\$ —
<u>December 31, 2014</u>				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 803,388	\$ —	\$ 803,388	\$ —
State and municipal	4,362,996	—	4,362,996	—
Mortgage-backed securities	1,295,636	—	1,295,636	—
Corporate	5,200,137	—	5,179,372	20,765
Foreign government	941,826	—	941,826	—
Total fixed maturity securities available for sale	12,603,983	—	12,583,218	20,765
Equity securities available for sale:				
Common stocks	76,346	65,605	—	10,741
Preferred stocks	94,645	—	90,932	3,713
Total equity securities available for sale	170,991	65,605	90,932	14,454
Arbitrage trading account	450,648	295,047	154,881	720
Total	\$ 13,225,622	\$ 360,652	\$ 12,829,031	\$ 35,939
Liabilities:				
Securities sold but not yet purchased	\$ 106,079	\$ 106,074	\$ 5	\$ —

There were no significant transfers between Levels 1 and 2 during the nine months ended September 30, 2015 or during the year ended December 31, 2014 .

[Table of Contents](#)

The following tables summarize changes in Level 3 assets and liabilities for the nine months ended September 30, 2015 and for the year ended December 31, 2014 :

Gains (Losses) Included in:									
(In thousands)	Beginning Balance	Earnings	Other Comprehensive Income	Impairments	Purchases	(Sales)	Paydowns / Maturities	Transfers In / (Out)	Ending Balance
Nine months ended September 30, 2015									
Assets:									
Fixed maturities available for sale:									
Corporate	\$ 20,765	\$ 15	\$ 180	\$ —	\$ —	\$ —	\$ (1,673)	\$ (19,133)	\$ 154
Total	20,765	15	180	—	—	—	(1,673)	(19,133)	154
Equity securities available for sale:									
Common stocks	10,741	—	9	(2,331)	—	—	—	—	8,419
Preferred stocks	3,713	(89)	—	—	—	—	—	—	3,624
Total	14,454	(89)	9	(2,331)	—	—	—	—	12,043
Arbitrage trading account	720	(375)	—	—	72,640	(71,921)	—	(464)	600
Total	\$ 35,939	\$ (449)	\$ 189	\$ (2,331)	\$ 72,640	\$ (71,921)	\$ (1,673)	\$ (19,597)	\$ 12,797
Liabilities:									
Securities sold but not yet purchased	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Year ended December 31, 2014:									
Assets:									
Fixed maturities available for sale:									
Corporate	\$ 42,864	\$ 47	\$ (3,711)	\$ —	\$ 238	\$ (15,244)	\$ (3,429)	\$ —	\$ 20,765
Total	42,864	47	(3,711)	—	238	(15,244)	(3,429)	—	20,765
Equity securities available for sale:									
Common stocks	1,238	—	(911)	—	11,343	(929)	—	—	10,741
Preferred stocks	3,752	(17)	—	—	3,430	(3,452)	—	—	3,713
Total	4,990	(17)	(911)	—	14,773	(4,381)	—	—	14,454
Arbitrage trading account	1,780	2,274	—	—	4,942	(14,073)	—	5,797	720
Total	\$ 49,634	\$ 2,304	\$ (4,622)	\$ —	\$ 19,953	\$ (33,698)	\$ (3,429)	\$ 5,797	\$ 35,939
Liabilities:									
Securities sold but not yet purchased	\$ —	\$ (20)	\$ —	\$ —	\$ 31	\$ (11)	\$ —	\$ —	\$ —

During the nine months ended September 30, 2015, five securities were transferred out of Level 3 where an observable price was available. During the year ended December 31, 2014, two securities were transferred into Level 3 where the quoted prices were no longer available. One of these securities was sold during the second quarter of 2014.

(17) Fair Value of Financial Instruments

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

(In thousands)	September 30, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	\$ 12,368,319	\$ 12,386,845	\$ 12,705,160	\$ 12,725,806
Equity securities available for sale	177,877	177,877	170,991	170,991
Arbitrage trading account	351,179	351,179	450,648	450,648
Loans receivable	286,273	289,061	322,012	325,219
Cash and cash equivalents	879,934	879,934	674,441	674,441
Trading account receivables from brokers and clearing organizations	401,941	401,941	371,034	371,034
Liabilities:				
Due to broker	64,343	64,343	23,133	23,133
Trading account securities sold but not yet purchased	33,360	33,360	106,079	106,079
Subordinated debentures	340,255	343,000	340,060	332,640
Senior notes and other debt	1,838,965	2,047,134	2,115,527	2,344,292

The estimated fair values of the Company's fixed maturity securities, equity securities available for sale and arbitrage trading account securities are based on various valuation techniques that rely on fair value measurements as described in Note 16 above. The fair value of loans receivable are estimated by using current institutional purchaser yield requirements for loans with similar credit characteristics, which is considered a Level 2 input. The fair value of the senior notes and other debt and the subordinated debentures is based on spreads for similar securities, which is considered a Level 2 input.

(18) Reinsurance

The following is a summary of reinsurance financial information:

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Written premiums:				
Direct	\$ 1,601,344	\$ 1,553,493	\$ 4,852,584	\$ 4,699,319
Assumed	221,237	225,863	633,200	657,704
Ceded	(251,544)	(253,974)	(795,420)	(815,985)
Total net premiums written	\$ 1,571,037	\$ 1,525,382	\$ 4,690,364	\$ 4,541,038
Earned premiums:				
Direct	\$ 1,575,624	\$ 1,505,738	\$ 4,646,343	\$ 4,336,463
Assumed	217,668	216,889	632,362	667,566
Ceded	(261,734)	(261,823)	(782,093)	(761,968)
Total net premiums earned	\$ 1,531,558	\$ 1,460,804	\$ 4,496,612	\$ 4,242,061
Ceded losses incurred	\$ 123,765	\$ 128,903	\$ 374,084	\$ 319,156
Ceded commissions earned	\$ 45,946	\$ 40,821	\$ 129,766	\$ 116,047

The Company reinsures a portion of its insurance exposures in order to reduce its net liability on individual risks and catastrophe losses. The Company also cedes premiums to state assigned risk plans and captive insurance companies. Estimated amounts due from reinsurers are reported net of reserves for uncollectible reinsurance of \$1 million as of September 30, 2015 and December 31, 2014.

(19) Restricted Stock Units

Pursuant to its stock incentive plan, the Company may issue restricted stock units (RSUs) to employees of the Company and its subsidiaries. The RSUs generally vest three to five years from the award date and are subject to other vesting and forfeiture provisions contained in the award agreement. RSUs are expensed pro-ratably over the vesting period. RSU expenses were \$ 23 million and \$ 20 million for the nine months ended September 30, 2015 and 2014 , respectively. A summary of RSUs issued in the nine months ended September 30, 2015 and 2014 follows:

(\$ in thousands)	Units	Fair Value
Nine months ended September 30,		
2015	971,457	\$ 54,439
2014	1,135,900	\$ 50,791

(20) Litigation and Contingent Liabilities

In the ordinary course of business, the Company is subject to disputes, litigation and arbitration arising from its insurance and reinsurance businesses. These matters are generally related to insurance and reinsurance claims and are considered in the establishment of loss and loss expense reserves. In addition, the Company may also become involved in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. The Company expects its ultimate liability with respect to such matters will not be material to its financial condition. However, adverse outcomes on such matters are possible, from time to time, and could be material to the Company's results of operations in any particular financial reporting period.

(21) Business Segments

The Company's financial results are presented for the following reportable business segments, plus a corporate segment:

- Insurance-Domestic - commercial insurance business, including excess and surplus lines and admitted lines, primarily throughout the United States;
- Insurance-International - insurance business primarily in the United Kingdom, Continental Europe, South America, Canada, Scandinavia, and Australia; and
- Reinsurance-Global - reinsurance business on a facultative and treaty basis, primarily in the United States, United Kingdom, Continental Europe, Australia, and the Asia-Pacific Region.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Income tax expense and benefits are calculated based upon the Company's overall effective tax rate.

Summary financial information about the Company's business segments is presented in the following tables:

	Revenues						
		Earned Premiums	Investment Income	Other	Total	Pre-Tax Income (Loss)	Net Income (Loss) to Common Stockholders
(In thousands)							
Three months ended September 30, 2015:							
Insurance-Domestic	\$	1,181,923	\$ 93,394	\$ 23,021	\$ 1,298,338	\$ 191,582	\$ 130,445
Insurance-International		197,578	13,595	—	211,173	12,527	9,001
Reinsurance-Global		152,057	19,468	—	171,525	22,413	15,807
Corporate and eliminations (1)		—	6,757	119,260	126,017	(51,506)	(37,684)
Net investment gains		—	—	53,904	53,904	53,904	35,038
Total	\$	1,531,558	\$ 133,214	\$ 196,185	\$ 1,860,957	\$ 228,920	\$ 152,607
Three months ended September 30, 2014:							
Insurance-Domestic	\$	1,093,554	\$ 125,792	\$ 26,408	\$ 1,245,754	\$ 228,359	\$ 154,718
Insurance-International		205,529	19,957	—	225,486	12,603	9,217
Reinsurance-Global		161,721	26,916	—	188,637	29,005	20,207
Corporate and eliminations (1)		—	6,560	101,910	108,470	(63,772)	(42,571)
Net investment gains		—	—	72,258	72,258	72,258	46,968
Total	\$	1,460,804	\$ 179,225	\$ 200,576	\$ 1,840,605	\$ 278,453	\$ 188,539
Nine months ended September 30, 2015							
Insurance-Domestic	\$	3,459,118	\$ 269,160	\$ 72,981	\$ 3,801,259	\$ 534,401	\$ 365,933
Insurance-International		583,041	40,177	—	623,218	41,347	29,648
Reinsurance-Global		454,453	54,575	—	509,028	69,797	49,134
Corporate and eliminations (1)		—	21,124	340,267	361,391	(170,226)	(116,094)
Net investment gains		—	—	100,505	100,505	100,505	65,328
Total	\$	4,496,612	\$ 385,036	\$ 513,753	\$ 5,395,401	\$ 575,824	\$ 393,949
Nine months ended September 30, 2014:							
Insurance-Domestic	\$	3,138,806	\$ 347,002	\$ 82,159	\$ 3,567,967	\$ 607,399	\$ 414,588
Insurance-International		592,721	47,885	—	640,606	41,860	29,938
Reinsurance-Global		510,534	72,102	—	582,636	86,945	60,624
Corporate and eliminations (1)		—	19,676	299,435	319,111	(180,892)	(119,194)
Net investment gains		—	—	234,180	234,180	234,180	152,217
Total	\$	4,242,061	\$ 486,665	\$ 615,774	\$ 5,344,500	\$ 789,492	\$ 538,173

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

Identifiable assets by segment are as follows:

(In thousands)	September 30, 2015	December 31, 2014
Insurance-Domestic	\$ 16,298,153	\$ 16,036,513
Insurance-International	1,821,712	1,876,347
Reinsurance-Global	2,482,325	2,708,090
Corporate and eliminations	1,136,376	1,058,289
Total	\$ 21,738,566	\$ 21,679,239

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

(In thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2015	2014	2015	2014
Insurance-Domestic:				
Other liability	\$ 395,400	\$ 368,818	\$ 1,146,884	\$ 1,070,525
Workers' compensation	322,896	291,297	940,636	824,541
Short-tail lines	230,733	222,561	687,626	642,833
Commercial automobile	138,483	134,197	411,951	385,667
Professional liability	94,411	76,681	272,021	215,240
Total	1,181,923	1,093,554	3,459,118	3,138,806
Insurance-International:				
Other liability	22,733	27,705	69,527	70,036
Workers' compensation	24,849	18,012	69,643	52,578
Short-tail lines	96,624	100,417	285,980	303,119
Commercial automobile	32,177	29,076	94,278	86,318
Professional liability	21,195	30,319	63,613	80,670
Total	197,578	205,529	583,041	592,721
Reinsurance-Global:				
Casualty	103,198	122,741	314,462	372,894
Property	48,859	38,980	139,991	137,640
Total	152,057	161,721	454,453	510,534
Total	\$ 1,531,558	\$ 1,460,804	\$ 4,496,612	\$ 4,242,061

SAFE HARBOR STATEMENT

This is a “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. Any forward-looking statements contained herein, including statements related to our outlook for the industry and for our performance for the year 2015 and beyond, are based upon the Company’s historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. They are subject to various risks and uncertainties, including but not limited to: the cyclical nature of the property casualty industry; the impact of significant competition, including new alternative entrants to the industry; the long-tail and potentially volatile nature of the insurance and reinsurance business; product demand and pricing; claims development and the process of estimating reserves; investment risks, including those of our portfolio of fixed maturity securities and investments in equity securities, including investments in financial institutions, municipal bonds, mortgage-backed securities, loans receivable, investment funds, including real estate, merger arbitrage, energy related and private equity investments; the effects of emerging claim and coverage issues; the uncertain nature of damage theories and loss amounts; natural and man-made catastrophic losses, including as a result of terrorist activities; general economic and market activities, including inflation, interest rates, and volatility in the credit and capital markets; the impact of the conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response to it, on our results and financial condition; foreign currency and political risks relating to our international operations; our ability to attract and retain key personnel and qualified employees; continued availability of capital and financing; the success of our new ventures or acquisitions and the availability of other opportunities; the availability of reinsurance; our retention under the Terrorism Risk Insurance Act of 2002, as amended (“TRIA”); the ability of our reinsurers to pay reinsurance recoverables owed to us; other legislative and regulatory developments, including those related to business practices in the insurance industry; credit risk related to our policyholders, independent agents and brokers; changes in the ratings assigned to us or our insurance company subsidiaries by rating agencies; the availability of dividends from our insurance company subsidiaries; potential difficulties with technology and/or data security; the effectiveness of our controls to ensure compliance with guidelines, policies and legal and regulatory standards; and other risks detailed from time to time in the Company’s filings with the Securities and Exchange Commission. These risks and uncertainties could cause our actual results for the year 2015 and beyond to differ materially from those expressed in any forward-looking statement we make. Any projections of growth in our revenues would not necessarily result in commensurate levels of earnings. Our future financial performance is dependent upon factors discussed in our Annual Report on Form 10-K, elsewhere in this Form 10-Q and our other SEC filings. Forward-looking statements speak only as of the date on which they are made. Except to the extent required by applicable laws, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

W. R. Berkley Corporation is an insurance holding company that is among the largest commercial lines writers in the United States and operates in three business segments: Insurance-Domestic, Insurance-International and Reinsurance-Global. Our decentralized structure provides us with the flexibility to respond quickly and efficiently to local or specific market conditions and to pursue specialty business niches. It also allows us to be closer to our customers in order to better understand their individual needs and risk characteristics. While providing our business units with certain operating autonomy, our structure allows us to capitalize on the benefits of economies of scale through centralized capital, investment, reinsurance, enterprise risk management, and actuarial, financial and corporate legal staff support. The Company's primary sources of revenues and earnings are its insurance operations and its investments.

An important part of our strategy is to form new operating units to capitalize on various business opportunities. Since 2006, the Company has formed 24 new operating units that are focused on important parts of the economy in the U.S., including healthcare, energy and agriculture, and on growing international markets, including Scandinavia, Australia, the Asia-Pacific region and South America.

The profitability of the Company's insurance business is affected primarily by the adequacy of premium rates. The ultimate adequacy of premium rates is not known with certainty at the time an insurance policy is issued because premiums are determined before claims are reported. The ultimate adequacy of premium rates is affected mainly by the severity and frequency of claims, which are influenced by many factors, including natural and other disasters, regulatory measures and court decisions that define and change the extent of coverage and the effects of economic inflation on the amount of compensation for injuries or losses. General insurance prices are also influenced by available insurance capacity, i.e., the level of statutory capital and surplus employed in the industry, and the industry's willingness to deploy that capital.

From 2005 through 2010, the property casualty insurance market was very competitive and insurance rates decreased across most business lines. Although prices have generally increased since the beginning of 2011, the current market is highly competitive and price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives. Part of the Company's strategy is to selectively reduce its business in areas where it believes returns are not adequate. Price changes are reflected in the Company's results over time as premiums are earned.

The Company's profitability is also affected by its investment income and investment gains. The Company's invested assets, which are derived from its own capital and cash flow from its insurance business, are invested principally in fixed maturity securities. The return on fixed maturity securities is affected primarily by general interest rates, as well as the credit quality and duration of the securities. Returns available on fixed maturity investments are at historically low levels. The Company's investment income has been negatively impacted by the low fixed maturity investment returns, and will be further impacted if investment returns remain at this level.

The Company invests in equity securities, merger arbitrage securities, investment funds (including energy related funds), private equity, loans and real estate related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

Critical Accounting Estimates

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

Reserves for Losses and Loss Expenses. To recognize liabilities for unpaid losses, either known or unknown, insurers establish reserves, which is a balance sheet account representing estimates of future amounts needed to pay claims and related expenses with respect to insured events which have occurred. Estimates and assumptions relating to reserves for losses and loss expenses are based on complex and subjective judgments, often including the interplay of specific uncertainties with related accounting and actuarial measurements. Such estimates are also susceptible to change as significant periods of time may elapse between the occurrence of an insured loss, the report of the loss to the insurer, the ultimate determination of the cost of the loss and the insurer's payment of that loss.

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

other fees and general expenses of administering the claims adjustment process. Reserves are established based upon the then current legal interpretation of coverage provided.

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

Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what management expects the ultimate settlement and claim administration will cost. While the methods for establishing reserves are well tested over time, some of the major assumptions about anticipated loss emergence patterns are subject to unanticipated fluctuation. These estimates, which generally involve actuarial projections, are based on management's assessment of facts and circumstances then known, as well as estimates of trends in claims severity and frequency, judicial theories of liability and other factors, including the actions of third parties which are beyond the Company's control. These variables are affected by external and internal events, such as inflation and economic volatility, judicial and litigation trends, reinsurance coverage, legislative changes and claim handling and reserving practices, which make it more difficult to accurately predict claim costs. The inherent uncertainties of estimating reserves are greater for certain types of liabilities where long periods of time elapse before a definitive determination of liability is made. Because setting reserves is inherently uncertain, the Company cannot provide assurance that its current reserves will prove adequate in light of subsequent events.

Loss reserves included in the Company's financial statements represent management's best estimates based upon an actuarially derived point estimate and other considerations. The Company uses a variety of actuarial techniques and methods to derive an actuarial point estimate for each operating unit. These methods include paid loss development, incurred loss development, paid and incurred Bornhuetter-Ferguson methods and frequency and severity methods. In circumstances where one actuarial method is considered more credible than the others, that method is used to set the point estimate. For example, the paid loss and incurred loss development methods rely on historical paid and incurred loss data. For new lines of business, where there is insufficient history of paid and incurred claims data, or in circumstances where there have been significant changes in claim practices, the paid and incurred loss development methods would be less credible than other actuarial methods. The actuarial point estimate may also be based on a judgmental weighting of estimates produced from each of the methods considered. Industry loss experience is used to supplement the Company's own data in selecting "tail factors" and in areas where the Company's own data is limited. The actuarial data is analyzed by line of business, coverage and accident or policy year, as appropriate, for each operating unit.

The establishment of the actuarially derived loss reserve point estimate also includes consideration of qualitative factors that may affect the ultimate losses. These qualitative considerations include, among others, the impact of re-underwriting initiatives, changes in the mix of business, changes in distribution sources and changes in policy terms and conditions. Examples of changes in terms and conditions that can have a significant impact on reserve levels are the use of aggregate policy limits, the expansion of coverage exclusions, whether or not defense costs are within policy limits, and changes in deductibles and attachment points.

The key assumptions used to arrive at the best estimate of loss reserves are the expected loss ratios, rate of loss cost inflation, and reported and paid loss emergence patterns. Expected loss ratios represent management's expectation of losses at the time the business is written, before any actual claims experience has emerged. This expectation is a significant determinant of the estimate of loss reserves for recently written business where there is little paid or incurred loss data to consider. Expected loss ratios are generally derived from historical loss ratios adjusted for the impact of rate changes, loss cost trends and known changes in the type of risks underwritten. Expected loss ratios are estimated for each key line of business within each operating unit. Expected loss cost inflation is particularly important for the long-tail lines, such as excess casualty, and claims with a high medical component, such as workers' compensation. Reported and paid loss emergence patterns are used to project current reported or paid loss amounts to their ultimate settlement value. Loss development factors are based on the historical emergence patterns of paid and incurred losses, and are derived from the Company's own experience and industry data. The paid loss emergence pattern is also significant to excess and assumed workers' compensation reserves because those reserves are discounted to their estimated present value based upon such estimated payout patterns. Management believes the estimates and assumptions it makes in the reserving process provide the best estimate of the ultimate cost of settling claims and related expenses with respect to insured events which have occurred; however, different assumptions and variables could lead to significantly different reserve estimates.

Loss frequency and severity are measures of loss activity that are considered in determining the key assumptions described in our discussion of loss and loss expense reserves, including expected loss ratios, rate of loss cost inflation and

reported and paid loss emergence patterns. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Factors affecting loss frequency include the effectiveness of loss controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include changes in policy limits, retentions, rate of inflation and judicial interpretations.

Another factor affecting estimates of loss frequency and severity is the loss reporting lag, which is the period of time between the occurrence of a loss and the date the loss is reported to the Company. The length of the loss reporting lag affects our ability to accurately predict loss frequency (loss frequencies are more predictable for lines with short reporting lags) as well as the amount of reserves needed for incurred but not reported losses (less IBNR is required for lines with short reporting lags). As a result, loss reserves for lines with short reporting lags are likely to have less variation from initial loss estimates. For lines with short reporting lags, which include commercial automobile, primary workers' compensation, other liability (claims-made) and property business, the key assumption is the loss emergence pattern used to project ultimate loss estimates from known losses paid or reported to date. For lines of business with long reporting lags, which include other liability (occurrence), products liability, excess workers' compensation and liability reinsurance, the key assumption is the expected loss ratio since there is often little paid or incurred loss data to consider. Historically, the Company has experienced less variation from its initial loss estimates for lines of businesses with short reporting lags than for lines of business with long reporting lags.

The key assumptions used in calculating the most recent estimate of the loss reserves are reviewed each quarter and adjusted, to the extent necessary, to reflect historical changes, current trends and other factors observed. If the actual level of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management's estimate. The following table reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity, relative to our assumptions, on our loss estimate for claims occurring in 2014:

(In thousands) Severity (+/-)	Frequency (+/-)		
	1%	5%	10%
1%	\$ 70,266	\$ 211,497	\$ 388,037
5%	211,497	358,222	541,853
10%	388,037	541,853	734,123

Our net reserves for losses and loss expenses of approximately \$9.2 billion as of September 30, 2015 relate to multiple accident years. Therefore, the impact of changes in frequency or severity for more than one accident year could be higher or lower than the amounts reflected above.

Approximately \$1.4 billion, or 15%, of the Company's net loss reserves as of September 30, 2015 relate to the Reinsurance-Global segment. There is a higher degree of uncertainty and greater variability regarding estimates of assumed loss reserves because those estimates are based, in part, upon information received from ceding companies. If information received from ceding companies is not timely or correct, the Company's estimate of ultimate losses may not be accurate. Furthermore, due to delayed reporting of claim information by ceding companies, the claim settlement tail for assumed reinsurance is extended. Management considers the impact of delayed reporting in its selection of assumed loss development factors.

Information received from ceding companies is used to set initial expected loss ratios, to establish case reserves and to estimate reserves for incurred but not reported losses on assumed reinsurance business. This information, which is generally provided through reinsurance intermediaries, is gathered through the underwriting process and from periodic claim reports and other correspondence with ceding companies. The Company performs underwriting and claim audits of selected ceding companies to determine the accuracy and completeness of information provided to the Company. The information received from the ceding companies is supplemented by the Company's own loss development experience with similar lines of business as well as industry loss trends and loss development benchmarks.

Following is a summary of the Company's reserves for losses and loss expenses by business segment as of September 30, 2015 and December 31, 2014:

(In thousands)	2015	2014
Insurance-Domestic	\$ 7,086,421	\$ 6,767,374
Insurance-International	743,905	750,613
Reinsurance-Global	1,395,795	1,452,654
Net reserves for losses and loss expenses	9,226,121	8,970,641
Ceded reserves for losses and loss expenses	1,434,933	1,399,060
Gross reserves for losses and loss expenses	\$ 10,661,054	\$ 10,369,701

Following is a summary of the Company's net reserves for losses and loss expenses by major line of business as of September 30, 2015 and December 31, 2014:

(In thousands)	Reported Case Reserves	Incurred But Not Reported	Total
September 30, 2015			
Other liability	\$ 1,065,529	\$ 1,854,890	\$ 2,920,419
Workers' compensation (1)	1,654,042	1,266,311	2,920,353
Professional liability	293,527	477,608	771,135
Commercial automobile	344,095	244,143	588,238
Short-tail lines	334,200	295,981	630,181
Total primary	3,691,393	4,138,933	7,830,326
Reinsurance (1)	615,198	780,597	1,395,795
Total	\$ 4,306,591	\$ 4,919,530	\$ 9,226,121
December 31, 2014			
Other liability	\$ 1,035,442	\$ 1,785,598	\$ 2,821,040
Workers' compensation (1)	1,603,310	1,201,117	2,804,427
Professional liability	308,887	453,557	762,444
Commercial automobile	319,700	203,085	522,785
Short-tail lines	330,010	277,281	607,291
Total primary	3,597,349	3,920,638	7,517,987
Reinsurance (1)	603,851	848,803	1,452,654
Total	\$ 4,201,200	\$ 4,769,441	\$ 8,970,641

(1) Reserves for workers' compensation and reinsurance are net of an aggregate net discount of \$718 million and \$746 million as of September 30, 2015 and December 31, 2014, respectively.

The Company evaluates reserves for losses and loss adjustment expenses on a quarterly basis. Changes in estimates of prior year losses are reported when such changes are made. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends.

Certain of the Company's insurance and reinsurance contracts are retrospectively rated, whereby the Company collects more or less premiums based on the level of loss activity. For those contracts, changes in loss and loss adjustment expenses for prior years may be fully or partially offset by additional or return premiums.

Net prior year development (i.e., the sum of prior year reserve changes and prior year earned premiums changes) for the nine months ended September 30, 2015 and 2014 are as follows:

(In thousands)	2015	2014
Net decrease in prior year loss reserves	\$ 39,095	\$ 55,219
Increase in prior year earned premiums	9,733	7,098
Net favorable prior year development	\$ 48,828	\$ 62,317

In 2015, favorable prior year development (net of additional and return premiums) was \$49 million, and included \$36 million for the Insurance-Domestic segment, \$5 million for the Insurance-International segment and \$8 million for the Reinsurance-Global segment. The favorable development for the Insurance-Domestic segment was primarily attributable to excess and surplus lines casualty business from accident years 2009 through 2014, partially offset by adverse development in commercial auto liability from accident years 2011 through 2014. The favorable development for excess and surplus lines reflects the continuation of favorable claim frequency trends (i.e., number of reported claims per unit of exposure), while the unfavorable development for commercial auto liability is driven by higher large loss activity.

In 2014, favorable reserve development (net of additional and return premiums) of \$62 million was primarily related to the Insurance-Domestic segment and was also driven by excess and surplus lines casualty business.

Reserve Discount. The Company discounts its liabilities for certain workers' compensation reserves. The amount of workers' compensation reserves that were discounted was \$2,052 million and \$2,187 million at September 30, 2015 and December 31, 2014, respectively. The aggregate net discount for those reserves, after reflecting the effects of ceded reinsurance, was \$718 million and \$746 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, discount rates by year ranged from 2.0% to 6.5%, with a weighted average discount rate of 4.0%.

Substantially all of discounted workers' compensation reserves (98% of total discounted reserves at September 30, 2015) are excess workers' compensation reserves. In order to properly match loss expenses with income earned on investment securities supporting the liabilities, reserves for excess workers' compensation business are discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. These rates are determined annually based on the weighted average rate for the period. Once established, no adjustments are made to the discount rate for that period, and any increases or decreases in loss reserves in subsequent years are discounted at the same rate, without regard to when any such adjustments are recognized. The expected loss and loss expense payout patterns subject to discounting are derived from the Company's loss payout experience.

The Company also discounts reserves for certain other long-duration workers' compensation reserves (representing approximately 2% of total discounted reserves at September 30, 2015), including reserves for quota share reinsurance and reserves related to losses regarding occupational lung disease. These reserves are discounted at statutory rates permitted by the Department of Insurance of the State of Delaware.

Assumed Reinsurance Premiums. The Company estimates the amount of assumed reinsurance premiums that it will receive under treaty reinsurance agreements at the inception of the contracts. These premium estimates are revised as the actual amount of assumed premiums is reported to the Company by the ceding companies. As estimates of assumed premiums are made or revised, the related amount of earned premiums, commissions and incurred losses associated with those premiums are recorded. Estimated assumed premiums receivable were approximately \$66 million at September 30, 2015 and \$85 million at December 31, 2014. The assumed premium estimates are based upon terms set forth in reinsurance agreements, information received from ceding companies during the underwriting and negotiation of agreements, reports received from ceding companies and discussions and correspondence with reinsurance intermediaries. The Company also considers its own view of market conditions, economic trends and experience with similar lines of business. These premium estimates represent management's best estimate of the ultimate amount of premiums to be received under its assumed reinsurance agreements.

Other-Than-Temporary Impairments (OTTI) of Investments. The cost of securities is adjusted where appropriate to include a provision for decline in value which is considered to be other-than-temporary. An other-than-temporary decline is considered to occur in investments where there has been a sustained reduction in fair value and where the Company does not expect the fair value to recover prior to the time of sale or maturity. Since equity securities do not have a contractual cash flow or maturity, the Company considers whether the price of an equity security is expected to recover within a reasonable period of time.

The Company classifies its fixed maturity securities and preferred stocks by credit rating, primarily based on ratings assigned by credit rating agencies. For purposes of classifying securities with different ratings, the Company uses the lower rating if two ratings were assigned and the middle rating if three ratings were assigned, unless the Company's own analysis indicates that the lower rating is more appropriate. Securities that are not rated by a rating agency are evaluated and classified by the Company on a case-by-case basis.

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

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

Impairment assessments for structured securities, including mortgage-backed securities and asset-backed securities, collateralized debt obligations and corporate debt, are generally evaluated based on the performance of the underlying collateral under various economic and default scenarios that may involve subjective judgments and estimates by management. Modeling these securities involves various factors, such as projected default rates, the nature and realizable value of the collateral, if any,

the ability of the issuer to make scheduled payments, historical performance and other relevant economic and performance factors. If an OTTI determination is made, a discounted cash flow analysis is used to ascertain the amount of the credit impairment.

The following table provides a summary of fixed maturity securities in an unrealized loss position as of September 30, 2015:

(\$ in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Unrealized loss less than 20% of amortized cost	400	\$ 3,048,625	\$ 55,882
Unrealized loss of 20% or greater of amortized cost:			
Less than twelve months	7	10,177	4,402
Twelve months and longer	20	54,986	17,138
Total	427	\$ 3,113,788	\$ 77,422

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at September 30, 2015 is presented in the table below:

(\$ in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Mortgage-backed securities	7	\$ 23,109	\$ 1,530
Corporate	17	147,430	9,428
Foreign government	4	26,277	5,305
Total	28	\$ 196,816	\$ 16,263

The Company has evaluated its fixed maturity securities in an unrealized loss position and believes the unrealized loss is due primarily to temporary market and sector-related factors rather than to issuer-specific factors. None of these securities are delinquent or in default under financial covenants. Based on its assessment of these issuers, the Company expects them to continue to meet their contractual payment obligations as they become due and does not consider any of these securities to be OTTI. For the three and nine months ended September 30, 2015, OTTI for fixed maturity securities recognized in earnings was \$9.0 million, all of which was considered due to credit factors. There were no OTTI of fixed maturity securities for the three and nine months ended September 30, 2014.

Equity Securities – At September 30, 2015, there were six equity securities in an unrealized loss position, with an aggregate fair value of \$59.3 million and a gross unrealized loss of \$26.0 million. Two of these equity securities are preferred stocks that are rated non-investment grade with an aggregate fair value of \$4.8 million and a gross unrealized loss of \$0.4 million. Based upon management's view of the underlying value of these securities, the Company does not consider these equity securities to be OTTI. For the three and nine months ended September 30, 2015, OTTI for common stocks was \$3.5 million. There were no OTTI of common stocks for the three and nine months ended September 30, 2014.

Loans Receivable – The Company monitors the performance of its loans receivable, including current market conditions for each loan and the ability to collect principal and interest. For loans where the Company determines it is probable that the contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. Loans receivable are reported net of a valuation reserve of \$2 million and \$3 million at September 30, 2015 and December 31, 2014, respectively.

The Company monitors the performance of its loans receivable and assesses the ability of each borrower to pay principal and interest based upon loan structure, underlying property values, cash flow and related financial and operating performance of the property and market conditions. Loans receivable with a potential for default are further assessed using discounted cash flow analysis and comparable cost and sales methodologies, if appropriate.

Fair Value Measurements . The Company's fixed maturity and equity securities available for sale and its trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used

to measure fair value to the extent that observable inputs are not available. The fair value of the vast majority of the Company's portfolio is based on observable data (other than quoted prices) and, accordingly, is classified as Level 2.

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

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

The following is a summary of pricing sources for the Company's fixed maturity securities available for sale as of September 30, 2015:

(In thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	\$ 12,023,492	98.0%
Syndicate manager	58,198	0.5
Directly by the Company based on:		
Observable data	185,385	1.5
Cash flow model	154	* -
Total	<u>\$ 12,267,229</u>	<u>100.0%</u>

*Less than 0.1%.

Independent pricing services – Substantially all of the Company's fixed maturity securities available for sale were priced by independent pricing services (generally one U.S. pricing service plus additional pricing services with respect to a limited number of foreign securities held by the Company). The prices provided by the independent pricing services are generally based on observable market data in active markets (e.g., broker quotes and prices observed for comparable securities). The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class. The Company reviews the prices provided by pricing services for reasonableness based upon current trading levels for similar securities. If the prices appear unusual to the Company, they are re-examined and the value is either confirmed or revised. In addition, the Company periodically performs independent price tests of a sample of securities to ensure proper valuation and to verify our understanding of how securities are priced. As of September 30, 2015, the Company did not make any adjustments to the prices provided by the pricing services. Based upon the Company's review of the methodologies used by the independent pricing services, these securities were classified as Level 2.

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

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

The Company generally does not adjust quotes obtained from brokers. Since these securities were priced based on observable data, they were classified as Level 2.

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

Results of Operations for the Nine Months Ended September 30, 2015 and 2014

Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of premiums earned), expense ratios (underwriting expenses expressed as a percentage of premiums earned) and United States Generally Accepted Accounting Principles (“GAAP”) combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the nine months ended September 30, 2015 and 2014. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(\$ in thousands)	2015		2014	
Insurance-Domestic:				
Gross premiums written	\$	4,289,042	\$	4,087,752
Net premiums written		3,644,959		3,432,803
Net premiums earned		3,459,118		3,138,806
Loss ratio		61.5%		60.2%
Expense ratio		31.2%		32.0%
GAAP combined ratio		92.7%		92.2%
Insurance-International:				
Gross premiums written	\$	713,561	\$	747,639
Net premiums written		593,585		620,025
Net premiums earned		583,041		592,721
Loss ratio		58.2%		60.9%
Expense ratio		41.4%		39.9%
GAAP combined ratio		99.6%		100.8%
Reinsurance-Global:				
Gross premiums written	\$	483,181	\$	521,633
Net premiums written		451,820		488,210
Net premiums earned		454,453		510,534
Loss ratio		58.9%		64.2%
Expense ratio		37.8%		32.9%
GAAP combined ratio		96.7%		97.1%
Consolidated:				
Gross premiums written	\$	5,485,784	\$	5,357,024
Net premiums written		4,690,364		4,541,038
Net premiums earned		4,496,612		4,242,061
Loss ratio		60.8%		60.7%
Expense ratio		33.2%		33.2%
GAAP combined ratio		94.0%		93.9%

Net Income to Common Stockholders. The following table presents the Company’s net income to common stockholders and net income per diluted share for the nine months ended September 30, 2015 and 2014:

(In thousands, except per share data)	2015		2014	
Net income to common stockholders	\$	393,949	\$	538,173
Weighted average diluted shares		130,563		133,886
Net income per diluted share	\$	3.02	\$	4.02

The Company reported net income of \$394 million in 2015 compared to \$538 million in 2014. The 27% decrease in net income was primarily due to a decrease in after-tax net investment gains of \$87 million and a decrease in after-tax net investment income of \$72 million. The number of weighted average diluted shares decreased as a result of the Company’s repurchases of its common stock in 2015 and 2014.

Premiums. Gross premiums written were \$5,486 million in 2015, an increase of 2% from \$5,357 million in 2014. The growth was due primarily to rate increases. Approximately 79% of policies expiring in each of 2015 and 2014 were renewed. Average renewal premium rates (adjusted for change in exposures) increased 1.5% in 2015. However, overall loss costs are

also increasing, and current market price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives.

A summary of gross premiums written in 2015 compared with 2014 by line of business within each business segment follows:

- Insurance-Domestic gross premiums increased 5% to \$4,289 million in 2015 from \$4,088 million in 2014. Gross premiums increased \$81 million (7%) for workers' compensation, \$57 million (4%) for other liability, \$43 million (12%) for professional liability, \$16 million (2%) for short-tail lines and \$4 million (1%) for commercial auto.
- Insurance-International gross premiums decreased 5% to \$714 million in 2015 from \$748 million in 2014. Gross premiums increased \$18 million (34%) for workers' compensation, \$10 million (11%) for other liability and \$7 million (7%) for commercial auto. Insurance-International gross premiums decreased \$52 million (12%) for short-tail lines and \$17 million (19%) for professional liability. In local currency terms, Insurance-International gross premiums increased 7% in 2015.
- Reinsurance-Global gross premiums decreased 7% to \$483 million in 2015 from \$522 million in 2014, due to increasingly competitive conditions. Gross premiums written decreased \$31 million (9%) for casualty lines and \$7 million (4%) for property lines.

Net premiums written were \$4,690 million in 2015, an increase of 3% from \$4,541 million in 2014. Ceded reinsurance premiums as a percentage of gross written premiums were 14% in 2015 and 15% in 2014.

Premiums earned increased 6% to \$4,497 million in 2015 from \$4,242 million in 2014. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly recent rate increases will be earned over the upcoming quarters. Premiums earned in 2015 are related to business written during both 2015 and 2014. Audit premiums were \$112 million in 2015 compared with \$85 million in 2014.

Net Investment Income. Following is a summary of net investment income for the nine months ended September 30, 2015 and 2014:

(In thousands)	Amount		Average Annualized Yield	
	2015	2014	2015	2014
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 318,095	\$ 331,947	3.3%	3.5%
Investment funds	50,838	135,232	5.6	18.0
Arbitrage trading account	11,470	12,508	2.7	2.8
Real estate	9,270	9,207	1.6	1.5
Equity securities available for sale	3,513	5,418	2.8	3.8
Gross investment income	393,186	494,312	3.3	4.3
Investment expenses	(8,150)	(7,647)		
Total	\$ 385,036	\$ 486,665	3.2	4.3

Net investment income decreased 21% to \$385 million in 2015 from \$487 million in 2014 due primarily to a \$84 million decrease in income from investment funds, as well as lower yields on our fixed maturity securities. The decrease in investment income from investment funds (reported on a one-quarter lag) was primarily due to a loss of \$25 million from energy funds in 2015 compared with a profit of \$18 million in 2014, as well as to lower earnings from aviation and arbitrage funds, partially offset by higher earnings from real estate funds. Based on information received from energy fund managers, the Company expects to report an after-tax loss from energy funds of approximately \$9 million in the fourth quarter of 2015. Average invested assets, at cost (including cash and cash equivalents), were \$15.9 billion in 2015 and \$15.4 billion in 2014.

Insurance Service Fees. The Company earns fees from an insurance distribution business and as a servicing carrier of workers' compensation assigned risk plans for certain states. Service fees increased to \$108 million in 2015 from \$82 million in 2014 as a result of the acquisition of a specialty property and casualty insurance distribution company in late 2014.

Net Realized Gains on Investment Sales. The Company buys and sells securities on a regular basis in order to maximize its total return on investments. Decisions to sell securities are based on management's view of the underlying fundamentals of specific securities as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized gains on investment sales were \$113 million in 2015 compared with \$234 million in 2014.

The realized gains in 2014 included a gain of \$86 million from the sale of an investment in a commercial real estate investment fund.

Other-Than-Temporary Impairments. Other-than-temporary impairments were \$12 million in 2015; no such impairments were taken in 2014.

Revenues from Wholly-Owned Investees. Revenues from wholly-owned investees were derived from aviation-related businesses that provide services to aviation markets, including (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenues from wholly-owned investees was \$305 million in 2015 and \$299 million in 2014.

Losses and Loss Expenses. Losses and loss expenses increased to \$2,733 million in 2015 from \$2,577 million in 2014. The consolidated loss ratio was 60.8% in 2015 and 60.7% in 2014. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were \$46 million in 2015 and \$69 million in 2014. Favorable prior year reserve development (net of premium offsets) was \$49 million in 2015 compared with \$62 million in 2014, a difference of 0.4 loss ratio point. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.3 points to 60.9% in 2015 from 60.6% in 2014. A summary of loss ratios in 2015 compared with 2014 by business segment follows:

- **Insurance-Domestic** - The loss ratio of 61.5% in 2015 was 1.3 points higher than the loss ratio of 60.2% in 2014. Catastrophe losses were \$41 million in 2015 compared with \$59 million in 2014. Favorable prior year reserve development was \$36 million in 2015 compared with \$72 million in 2014, a difference of 1.3 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.7 points to 61.3% in 2015 from 60.6% in 2014.
- **Insurance-International** - The loss ratio of 58.2% in 2015 was 2.7 points lower than the loss ratio of 60.9% in 2014. Catastrophe losses were \$2 million in 2015 compared with \$9 million in 2014. Favorable prior year reserve development was \$5 million in 2015 compared with unfavorable prior year development of \$10 million in 2014, a difference of 2.6 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.9 points to 58.7% in 2015 from 57.8% in 2014.
- **Reinsurance-Global** - The loss ratio of 58.9% in 2015 was 5.3 points lower than the loss ratio of 64.2% in 2014. Catastrophe losses were \$3 million in 2015 compared with \$2 million in 2014. Favorable prior year reserve development was \$8 million in 2015 compared with \$0.5 million in 2014, a difference of 1.6 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 4.0 points to 60.0% in 2015 from 64.0% in 2014.

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

(In thousands)	2015	2014
Underwriting expenses	\$ 1,491,109	\$ 1,407,608
Service expenses	93,314	69,130
Net foreign currency gains	(3,234)	(1,018)
Other costs and expenses	116,980	117,899
Total	\$ 1,698,169	\$ 1,593,619

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 5.9% compared with an increase in net premiums earned of 6.0%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 33.2% in both 2015 and 2014.

Service expenses, which represent the costs associated with the fee-based businesses, increased to \$93 million in 2015 from \$69 million in 2014 as a result of the acquisition of a specialty property and casualty insurance distribution company in late 2014.

Foreign currency gains result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were \$3 million in 2015 compared to \$1 million in 2014.

Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans. Other costs and expenses decreased to \$117 million in 2015 from \$118 million in 2014.

Expenses from Wholly-Owned Investees. Expenses from wholly-owned investees represent costs associated with aviation-related businesses that include (i) cost of goods sold related to aircraft and products sold and services provided, and (ii) general and administrative expenses. Expenses from wholly-owned investees were \$289 million in 2015 compared to \$291 million in 2014.

Interest Expense. Interest expense was \$99 million in 2015 compared with \$94 million in 2014. In August 2014, the Company issued \$350 million of 4.75% senior notes due 2044. A portion of the proceeds were used to repay \$200 million of 5.60% senior notes at maturity on May 15, 2015.

Income Taxes. The effective income tax rate was 32% in 2015 and 2014. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$43 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$1 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

Results of Operations for the Three Months Ended September 30, 2015 and 2014

Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of premiums earned), expense ratios (underwriting expenses expressed as a percentage of premiums earned) and United States Generally Accepted Accounting Principles (“GAAP”) combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the three months ended September 30, 2015 and 2014. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(\$ in thousands)	2015		2014	
Insurance-Domestic:				
Gross premiums written	\$	1,457,943	\$	1,393,186
Net premiums written		1,248,740		1,182,579
Net premiums earned		1,181,923		1,093,554
Loss ratio		61.2%		59.8%
Expense ratio		30.8%		31.1%
GAAP combined ratio		92.0%		90.9%
Insurance-International:				
Gross premiums written	\$	193,303	\$	205,253
Net premiums written		163,587		171,582
Net premiums earned		197,578		205,529
Loss ratio		57.0%		62.7%
Expense ratio		43.4%		40.7%
GAAP combined ratio		100.4%		103.4%
Reinsurance-Global:				
Gross premiums written	\$	171,335	\$	180,917
Net premiums written		158,710		171,221
Net premiums earned		152,057		161,721
Loss ratio		59.1%		64.5%
Expense ratio		39.0%		34.2%
GAAP combined ratio		98.1%		98.7%
Consolidated:				
Gross premiums written	\$	1,822,581	\$	1,779,356
Net premiums written		1,571,037		1,525,382
Net premiums earned		1,531,558		1,460,804
Loss ratio		60.5%		60.7%
Expense ratio		33.2%		32.8%
GAAP combined ratio		93.7%		93.5%

Net Income to Common Stockholders. The following table presents the Company’s net income to common stockholders and net income per diluted share for the three months ended September 30, 2015 and 2014:

(In thousands, except per share data)	2015		2014	
Net income to common stockholders	\$	152,607	\$	188,539
Weighted average diluted shares		128,947		133,001
Net income per diluted share	\$	1.18	\$	1.42

The Company reported net income of \$153 million in 2015 compared to \$189 million in 2014. The 19% decrease in net income was primarily due to decreases in after-tax net investment income of \$34 million and in after-tax net investment gains of \$12 million. The number of weighted average diluted shares decreased as a result of the Company’s repurchases of its common stock in 2015 and 2014.

Premiums. Gross premiums written were \$1,823 million in 2015, an increase of 2% from \$1,779 million in 2014. Average renewal premium rates (adjusted for change in exposures) increased 0.8% in 2015. However, overall loss costs are also increasing, and current market price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives.

A summary of gross premiums written in 2015 compared with 2014 by line of business within each business segment follows:

- Insurance-Domestic gross premiums increased 5% to \$1,458 million in 2015 from \$1,393 million in 2014. Gross premiums increased \$34 million (10%) for workers' compensation, \$33 million (8%) for other liability and \$1 million (1%) for professional liability, and decreased \$2 million (1%) for short-tail lines and \$1 million (1%) for commercial auto.
- Insurance-International gross premiums decreased 6% to \$193 million in 2015 from \$205 million in 2014. Gross premiums increased \$7 million (39%) for workers' compensation and \$2 million (8%) for commercial auto. Insurance-International gross premiums decreased \$12 million (39%) for professional liability, \$6 million (18%) for other liability and \$3 million (3%) for short-tail lines. In local currency terms, Insurance-International gross premiums increased 7% in 2015.
- Reinsurance-Global gross premiums decreased 5% to \$171 million in 2015 from \$181 million in 2014, due to increasingly competitive conditions. Gross premiums written decreased \$12 million (9%) for casualty lines and increased \$2 million (4%) for property lines.

Net premiums written were \$1,571 million in 2015, an increase of 3% from \$1,525 million in 2014. Ceded reinsurance premiums as a percentage of gross written premiums were 14% in 2015 and 2014.

Premiums earned increased 5% to \$1,532 million in 2015 from \$1,461 million in 2014. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly recent rate increases will be earned over the upcoming quarters. Premiums earned in 2015 are related to business written during both 2015 and 2014. Audit premiums were \$39 million in 2015 compared with \$32 million in 2014.

Net Investment Income. Following is a summary of net investment income for the three months ended September 30, 2015 and 2014:

(In thousands)	Amount		Average Annualized Yield	
	2015	2014	2015	2014
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 104,936	\$ 117,289	3.2%	3.6%
Investment funds	22,926	59,077	7.9	23.3
Arbitrage trading account	2,608	47	2.1	—
Real estate	4,389	3,042	2.1	0.8
Equity securities available for sale	1,109	1,369	2.6	3.3
Gross investment income	135,968	180,824	3.4	4.6
Investment expenses	(2,754)	(1,599)		
Total	\$ 133,214	\$ 179,225	3.3	4.6

Net investment income decreased 26% to \$133 million in 2015 from \$179 million in 2014 due primarily to a \$36 million decrease in income from investment funds, as well as lower yields on our fixed maturity securities. The decline in investment fund earnings was due primarily to lower earnings from aviation funds. Earnings from energy funds were \$2 million in 2015 compared with \$5 million in 2014. Based on information received from energy fund managers, the Company expects to report an after-tax loss from energy funds of approximately \$9 million in the fourth quarter of 2015. Average invested assets, at cost (including cash and cash equivalents), were \$15.9 billion in 2015 and \$15.8 billion in 2014.

Insurance Service Fees. The Company earns fees from an insurance distribution business and as a servicing carrier of workers' compensation assigned risk plans for certain states. Service fees increased to \$35 million in 2015 from \$26 million in 2014 as a result of the acquisition of a specialty property and casualty insurance distribution company in late 2014.

Net Realized Gains on Investment Sales. The Company buys and sells securities on a regular basis in order to maximize its total return on investments. Decisions to sell securities are based on management's view of the underlying fundamentals of specific securities as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized gains on investment sales were \$66 million in 2015 compared with \$72 million in 2014.

Other-Than-Temporary Impairments. Other-than-temporary impairments were \$12 million in 2015; no such impairments were taken in 2014.

Revenues from Wholly-Owned Investees. Revenues from wholly-owned investees were derived from aviation-related businesses that provide services to aviation markets, including (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenues from wholly-owned investees was \$107 million in 2015 and \$102 million in 2014.

Losses and Loss Expenses. Losses and loss expenses increased to \$926 million in 2015 from \$887 million in 2014. The consolidated loss ratio was 60.5% in 2015 and 60.7% in 2014. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were \$7 million in 2015 and \$15 million in 2014. Favorable prior year reserve development (net of premium offsets) was \$15 million in 2015 compared with \$13 million in 2014, a difference of 0.1 loss ratio point. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.4 points to 61.0% in 2015 from 60.6% in 2014. A summary of loss ratios in 2015 compared with 2014 by business segment follows:

- **Insurance-Domestic** - The loss ratio of 61.2% in 2015 was 1.4 points higher than the loss ratio of 59.8% in 2014. Catastrophe losses were \$4 million in 2015 compared with \$8 million in 2014. Favorable prior year reserve development was \$7 million in 2015 compared with \$18 million in 2014, a difference of 1.0 loss ratio point. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.7 points to 61.4% in 2015 from 60.7% in 2014.
- **Insurance-International** - The loss ratio of 57.0% in 2015 was 5.7 points lower than the loss ratio of 62.7% in 2014. Catastrophe losses were \$2 million in 2015 compared with \$7 million in 2014. Favorable prior year reserve development was \$3 million in 2015 compared to unfavorable prior year reserve development of \$5 million in 2014, a difference of 3.7 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.5 points to 57.5% in 2015 from 57.0% in 2014.
- **Reinsurance-Global** - The loss ratio of 59.1% in 2015 was 5.4 points lower than the loss ratio of 64.5% in 2014. Catastrophe losses were \$1 million in each of 2015 and 2014. Favorable prior year reserve development was \$5 million in 2015 compared with \$0.8 million in 2014, a difference of 2.8 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 3.0 points to 61.8% in 2015 from 64.8% in 2014.

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

(In thousands)	2015	2014
Underwriting expenses	\$ 508,815	\$ 479,174
Service expenses	29,856	23,266
Net foreign currency gains	(5,743)	(2,677)
Other costs and expenses	40,613	44,540
Total	\$ 573,541	\$ 544,303

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 6.2% compared with an increase in net premiums earned of 4.8%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 33.2% in 2015, up from 32.8% in 2014, primarily due to an increase in commission expenses for certain reinsurance business.

Service expenses, which represent the costs associated with the fee-based businesses, increased to \$30 million in 2015 from \$23 million in 2014 as a result of the acquisition of a specialty property and casualty insurance distribution company in late 2014.

Foreign currency gains result from transactions denominated in a currency other than a company's operating functional currency. Net foreign currency gains were \$6 million in 2015 compared to \$3 million in 2014.

Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans. Other costs and expenses were \$41 million in 2015 and \$45 million in 2014.

Expenses from Wholly-Owned Investees. Expenses from wholly-owned investees represent costs associated with aviation-related businesses that include (i) cost of goods sold related to aircraft and products sold and services provided, and (ii) general and administrative expenses. Expenses from wholly-owned investees were \$101 million in 2015 compared to \$98 million in 2014.

Interest Expense. Interest expense was \$32 million in 2015 compared with \$33 million in 2014. In August 2014, the Company issued \$350 million of 4.75% senior notes due 2044. A portion of the proceeds were used to repay \$200 million of 5.60% senior notes at maturity on May 15, 2015.

Income Taxes. The effective income tax rate was 33% in 2015 compared to 32% in 2014. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income.

Investments

As part of its investment strategy, the Company establishes a level of cash and highly liquid short-term and intermediate-term securities that, combined with expected cash flow, it believes is adequate to meet its payment obligations. Due to the historically low fixed maturity investment returns, the Company invests in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

The Company also attempts to maintain an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration of the fixed maturity portfolio was 3.2 years at September 30, 2015 and December 31, 2014. The Company's fixed maturity investment portfolio and investment-related assets as of September 30, 2015 were as follows:

(\$ in thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	\$ 672,968	4.2%
State and municipal:		
Special revenue	2,598,060	16.1
State general obligation	659,199	4.1
Pre-refunded (1)	477,118	3.0
Corporate backed	398,419	2.5
Local general obligation	367,026	2.3
Total state and municipal	4,499,822	28.0
Mortgage-backed securities:		
Agency	876,970	5.5
Residential-Prime	142,439	0.9
Commercial	68,204	0.4
Residential-Alt A	60,036	0.4
Total mortgage-backed securities	1,147,649	7.2
Corporate:		
Industrial	1,951,847	12.1
Asset-backed	1,640,097	10.2
Financial	1,293,718	8.0
Utilities	196,325	1.2
Other	81,224	0.5
Total corporate	5,163,211	32.0
Foreign government and foreign government agencies	884,669	5.5
Total fixed maturity securities	12,368,319	76.9
Equity securities:		
Preferred stocks	135,749	0.8
Common stocks	42,128	0.3
Total equity securities	177,877	1.1
Investment funds	1,140,218	7.1
Cash and cash equivalents	879,934	5.5
Real estate	873,909	5.4
Arbitrage trading account	351,179	2.2
Loans receivable	286,273	1.8
Total investments	\$ 16,077,709	100.0%

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

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

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

At September 30, 2015, investments in foreign government fixed maturity securities (which are generally held by the Company's foreign operations) were as follows:

(In thousands)	Carrying Value
Australia	\$ 223,787
United Kingdom	167,601
Canada	151,572
Argentina	136,293
Germany	67,030
Brazil	48,030
Supranational (1)	36,986
Norway	30,354
Singapore	6,079
Colombia	5,270
Netherlands	4,515
Austria	3,643
Uruguay	3,509
Total	\$ 884,669

(1) Supranational represents investments in the North American Development Bank, European Investment Bank and Inter-American Development Bank.

Equity Securities. Equity securities primarily represent investments in high-dividend yielding common and preferred stocks issued by large market capitalization companies.

Investment Funds. At September 30, 2015, the carrying value of investment funds was \$1,140 million, including investments in real estate funds of \$535 million, energy funds of \$109 million and arbitrage funds of \$69 million. Investment funds are primarily reported on a one-quarter lag.

Real Estate. Real estate is directly owned property held for investment. At September 30, 2015, real estate properties in operation included a long-term ground lease in Washington D.C. and office buildings in West Palm Beach and Palm Beach, Florida. In addition, there are three properties under development: an office building in London, a mixed-use project in Washington D.C. and an office complex in New York City. The Company expects to fund further development costs for these projects with a combination of its own funds and external financing.

Arbitrage Trading Account. The arbitrage trading account is comprised of direct investments in arbitrage securities. Merger arbitrage is the business of investing in the securities of publicly held companies that are the targets in announced tender offers and mergers.

Loans Receivable. Loans receivable, which are carried at amortized cost, had an aggregate cost of \$286 million and an aggregate fair value of \$289 million at September 30, 2015. The amortized cost of loans receivable is net of a valuation allowance of \$2 million as of September 30, 2015. Loans receivable include real estate loans of \$203 million that are secured by commercial real estate located primarily in Arizona, Maryland, New York and Tennessee. Real estate loans receivable

generally earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. Loans receivable include commercial loans of \$83 million that are secured by business assets and have fixed interest rates with varying maturities not exceeding 10 years.

Market Risk. The fair value of the Company's investments is subject to risks of fluctuations in credit quality and interest rates. The Company uses various models and stress test scenarios to monitor and manage interest rate risk. The Company attempts to manage its interest rate risk by maintaining an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration for the fixed maturity portfolio was 3.2 years at September 30, 2015 and December 31, 2014. In addition, the fair value of the Company's international investments is subject to currency risk. The Company attempts to manage its currency risk by matching its foreign currency assets and liabilities where considered appropriate.

Liquidity and Capital Resources

Cash Flow. Cash flow provided from operating activities increased to \$620 million in the first nine months of 2015 from \$575 million in the comparable period in 2014, primarily due to the timing of tax payments, premium collections and expense payments.

The Company's insurance subsidiaries' principal sources of cash are premiums, investment income, service fees and proceeds from sales and maturities of portfolio investments. The principal uses of cash are payments for claims, taxes, operating expenses and dividends. The Company expects its insurance subsidiaries to fund the payment of losses with cash received from premiums, investment income and fees. The Company targets an average duration for its investment portfolio that is within one year of the average duration of its liabilities so that portions of its investment portfolio mature throughout the claim cycle and are available for the payment of claims if necessary. In the event operating cash flow and proceeds from maturities and prepayments of fixed income securities are not sufficient to fund claim payments and other cash requirements, the remainder of the Company's cash and investments is available to pay claims and other obligations as they become due. The Company's investment portfolio is highly liquid, with approximately 80% invested in cash, cash equivalents and marketable fixed maturity securities as of September 30, 2015. If the sale of fixed maturity securities were to become necessary, a realized gain or loss equal to the difference between the cost and sales price of securities sold would be recognized.

Debt. At September 30, 2015, the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of \$2,179 million and a face amount of \$2,203 million. The maturities of the outstanding debt are \$1 million in 2015, \$37 million in 2016, \$36 million in 2017, \$450 million in 2019, \$300 million in 2020, \$423 million in 2022, \$2 million in 2029, \$250 million in 2037, \$350 million in 2044 and \$340 million in 2053.

In August 2014, the Company issued \$350 million of 4.75% senior notes due 2044. A portion of the proceeds was used to repay \$200 million of 5.60% senior notes at maturity on May 15, 2015. In addition, in May 2015 the Company repaid \$71 million of debt that it had assumed in 2014 in conjunction with the purchase of an office building in West Palm Beach, Florida.

Equity. At September 30, 2015, total common stockholders' equity was \$4.6 billion, common shares outstanding were approximately 123 million and stockholders' equity per outstanding share was \$37.18. During the nine months ended September 30, 2015, the Company repurchased 4,502,025 shares of its common stock for \$224 million.

Total Capital. Total capitalization (equity, debt and subordinated debentures) was \$6.8 billion at September 30, 2015. The percentage of the Company's capital attributable to debt and subordinated debentures was 32% at September 30, 2015 and 35% at December 31, 2014.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

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

Item 4. Controls and Procedures

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

Changes in Internal Control over Financial Reporting. During the quarter ended September 30, 2015, there were no changes in the Company’s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

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

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2014.

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

Set forth below is a summary of the shares repurchased by the Company during the three months ended September 30, 2015 and the number of shares remaining authorized for purchase by the Company.

	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
July 2015	—	\$ —	—	9,353,091
August 2015	106,113	52.018	106,113	9,246,978
September 2015	—	—	—	9,246,978

Item 6. Exhibits

<u>Number</u>	
(10.1)	Form of 2015 Performance-Based Restricted Stock Unit Agreement Under the W. R. Berkley Corporation 2012 Stock Incentive Plan
(31.1)	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
(31.2)	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
(32.1)	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

W. R. BERKLEY CORPORATION

Date: November 9, 2015

/s/ W. Robert Berkley, Jr.

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

Date: November 9, 2015

/s/ Eugene G. Ballard

Eugene G. Ballard
Executive Vice President - Chief Financial Officer

PERFORMANCE-BASED RESTRICTED STOCK UNIT AGREEMENT

Under the W. R. Berkley Corporation 2012 Stock Incentive Plan

THIS AGREEMENT, dated as of August 5, 2015, by and between W. R. BERKLEY CORPORATION, a Delaware corporation (the “Company”), and grantee as set forth on Exhibit A hereto (the “Grantee”).

WITNESSETH:

WHEREAS, the Grantee is an employee of the Company or subsidiary thereof, and the Company wishes to grant the Grantee a notional interest in shares of the Company’s common stock, par value \$0.20 per share (the “Stock”), in the form of restricted stock units, subject to certain restrictions and on the terms and conditions set forth herein; and

WHEREAS, through the grant of these restricted stock units, the Company hopes to incentivize and retain the services of Grantee and encourage stock ownership by Grantee in order to give Grantee a proprietary interest in the Company’s success and align Grantee’s interest with those of the stockholders of the Company; and

WHEREAS, the Restricted Stock Units (as defined below) awarded Grantee hereunder vest based on the Company’s performance during the applicable Performance Period (as defined below), however, the issuance of the Stock after vesting is generally deferred until ninety (90) days following Grantee’s “separation from service” (as such term is used in Section 409A of the Internal Revenue Code of 1986, as amended (the “Code”)); and

WHEREAS, the Company and Grantee recognize that if Grantee engages in certain activities during or, in certain instances, following the termination of Grantee’s employment with the Company (the “Competitive Actions” or “Misconduct” as defined in Section 3 below), Grantee’s interests are no longer aligned with the interests of the Company and Grantee will no longer be entitled to retain certain benefits of the grants made herein.

NOW, THEREFORE, in consideration of the covenants and agreements herein contained, the parties hereto hereby agree as follows:

SECTION 1. **Grant of Restricted Stock Units**. As of the date hereof, subject to the terms and conditions of this Agreement and the W. R. Berkley Corporation 2012 Stock Incentive Plan, as amended and in effect from time to time (the “Plan”), the Company hereby grants to the Grantee the targeted number of restricted stock units set forth on Exhibit A hereto (the restricted stock units granted or earned hereunder are hereafter referred to as the “Restricted Stock Units”). A portion of the Restricted Stock Units shall be designated as Tranche 1 Restricted Stock Units, Tranche 2 Restricted Stock Units and Tranche 3 Restricted Stock Units, as set forth on Exhibit A. The number of Restricted Stock Units granted represents the number of Restricted Stock Units that would be earned if the Company were to achieve the target level of ROE Relative Performance for each of the Performance Periods. The number of Restricted Stock Units earned respectively, if any, is subject to increase or decrease based on the Company’s actual ROE Relative Performance and may range from 0% to 110% of the Restricted Stock Units. Each Restricted Stock Unit shall represent the right to receive one share of Stock subject to the terms and conditions set forth herein. Capitalized terms not defined herein, including Section 21, shall have the

meaning ascribed to them in the Plan. This grant shall be administered by the Compensation Committee (the “Committee”) of the Board of Directors of the Company (the “Board”).

SECTION 2. **Non-Transferability**. Except as specifically consented to by the Committee, the Grantee may not sell, transfer, pledge, or otherwise encumber or dispose of the Restricted Stock Units other than by will, the laws of descent and distribution, or as otherwise provided for in the Plan.

SECTION 3. **Vesting; Forfeiture; Recapture; Other Remedies**.

(a) Following the completion of each Performance Period, the Committee shall determine for such Performance Period, the Average Return on Equity, the ROE Relative Performance, the ROE Relative Performance Vesting Percentage and, respectively, the portion of the Tranche 1 Restricted Stock Units, Tranche 2 Restricted Stock Units and Tranche 3 Restricted Stock Units, as applicable, that have become earned (determined by multiplying the number of Restricted Stock Units subject to the applicable tranche by the ROE Relative Performance Vesting Percentage). Immediately following the Committee’s determination of the number of earned Tranche 1 Restricted Stock Units, Tranche 2 Restricted Stock Units and Tranche 3 Restricted Stock Units for a respective Performance Period, the earned Restricted Stock Units shall vest as of the last day of the applicable Performance Period (subject to forfeiture, as set forth in Section 3(d) below), provided the Grantee has remained continuously employed by the Company from the date hereof through the completion of the applicable Performance Period. Restricted Stock Units granted herein which have not become vested Restricted Stock Units following the completion of the applicable Performance Period or otherwise vested shall be immediately forfeited without payment of any consideration and the Grantee shall have no further rights with respect to such Restricted Stock Units.

(b) In the event that Grantee’s employment with the Company is terminated for any reason, all unvested Restricted Stock Units (except for those that vest immediately upon termination as provided in Sections 3(c) and 3(h) below) shall be forfeited, and the Grantee shall have no further rights with respect to such Restricted Stock Units. For purposes of this Agreement, Grantee’s employment will be considered terminated as of the date Grantee is no longer actively providing services to the Company (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Grantee is employed or the terms of Grantee’s employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, Grantee’s right to continue to vest in the Restricted Stock Units granted hereunder, if any, will terminate as of such date and will not be extended by any notice period arising under local law or contract (e.g., unless Grantee is actively providing substantial services during any notice period as required by the Company. However, Grantee’s period of service would not include any contractual notice period or any period of “garden leave” or similar period arising under employment laws in the jurisdictions where Grantee is employed or the terms of Grantee’s employment agreement, if any).

(c) In the event the Grantee’s employment with the Company is terminated on account of death or Disability prior to the completion of the applicable Performance Period, the number of earned Restricted Stock Units for any incomplete Performance Period (including, for the avoidance of doubt, any Performance Period that has yet to commence as of the date of such termination) shall be immediately determined assuming the Company achieved the target level of ROE Relative Performance for such Performance Period and the number of earned Tranche 1 Restricted Stock Units, earned Tranche 2 Restricted Stock Units and earned Tranche 3 Restricted Stock Units that become vested shall be determined by multiplying the number of earned Restricted Stock Units by a fraction, the numerator of which is the number of days the Grantee served as an employee from the date of this Agreement to the date of such termination and the denominator of which is 1,095 with respect to the Tranche 1 Restricted

Stock Units, 1,460 with respect to the Tranche 2 Restricted Stock Units and 1,825 with respect to the Tranche 3 Restricted Stock Units.

(d) The Restricted Stock Units granted hereunder shall be subject to the following forfeiture, recapture and other remedial provisions as provided below:

- A. In the event that the Committee determines that the Grantee, prior to the Vesting Date during Grantee's employment, has engaged in a Competitive Action or enters into, or has entered into, an agreement (written, oral or otherwise) to engage in a Competitive Action or has engaged in Misconduct, all of the unvested Restricted Stock Units granted hereunder shall be immediately forfeited, and the Grantee shall have no further rights with respect to such Restricted Stock Units.
 - B. In the event that the Committee determines that the Grantee, (1) on or after the Vesting Date during Grantee's employment or for a period of one year following Grantee's termination of employment for any reason, has engaged in a Competitive Action or has entered into an agreement (written, oral or otherwise) to engage in a Competitive Action, or (2) on or after the Vesting Date, has engaged in Misconduct, or prior to the Vesting Date Grantee has engaged in Misconduct that is not discovered or acted upon by the Company until on or after the Vesting Date, (x) the Grantee shall immediately forfeit all shares of Stock not yet delivered to Grantee with respect to the Restricted Stock Units and all rights to future payments of Dividend Equivalents (as defined below), and (y) the Grantee shall pay to the Company, upon demand by the Company, an amount equal to (i) the value, as of the Settlement Date (as defined below), of the number of shares of Stock delivered to the Grantee with respect to the Restricted Stock Units, (ii) all amounts paid to Grantee on or at any time prior to the Settlement Date in respect of Dividend Equivalents, and (iii) the value of all dividends, if any, paid to the Grantee in respect of the shares of Stock delivered to the Grantee on the Settlement Date. The Grantee may satisfy the payment obligation to the Company of the portion due under (i) above by returning the shares delivered to the Grantee on the Settlement Date, provided that any amounts due under (ii) and (iii) above must be remitted to the Company in addition to the return of the shares.
 - C. Grantee acknowledges that engaging in (1) a Competitive Action during the Noncompete Period within the geographic areas set forth in Section 3(e) below or (2) Misconduct is contrary to the interests of the Company and would result in irreparable injuries to the Company and would cause loss in an amount that cannot be readily quantified. Grantee acknowledges that retaining the amounts required to be paid to the Company pursuant to this Section 3(d) once Grantee has (x) chosen to engage in or to agree to engage in a Competitive Action or (y) engaged in Misconduct is contrary to the interests of the Company. The amounts forfeited or paid to the Company hereunder do not and are not intended to constitute actual or liquidated damages. Any action or inaction by the Company with respect to enforcing the forfeiture or recapture provisions set forth herein shall not reduce, eliminate or in any way affect the Company's right to enforce the forfeiture or recapture provisions in any other agreement with Grantee.
 - D. The term "Noncompete Period" as used herein shall mean the period beginning on the date hereof and ending one year following Grantee's termination of employment for any reason.
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E. Furthermore, if the Grantee engages in Misconduct or Competitive Action or has entered into an agreement (written, oral or otherwise) to engage in a Competitive Action during the Noncompete Period, then the Company shall be entitled to, and reserves the right to, pursue any other legal or equitable remedies in addition to the right to receive forfeitures and/or payments pursuant to this Section 3(d), including, but not limited to, the recovery of monetary damages resulting from such action set forth in Section 3(e) and injunctive relief.

(e) For purposes of this Agreement, the Grantee has engaged in a “Competitive Action” if, either directly or indirectly, and whether as an employee, consultant, independent contractor, partner, joint venturer or otherwise, the Grantee (i) who was employed by W. R. Berkley Corporation, engages in or directs any business activities, in or directed into any geographical area where the Company is engaged in business, which are competitive with any business activities conducted by the Company in such geographical area, (ii) who was employed by a subsidiary or subsidiaries of the Company, engages in or directs any business activities, in or directed into any geographical area where such subsidiary, or subsidiaries that previously employed Grantee, is or are engaged in business or outside of any such geographical area, in either case, which are competitive with any business activities conducted by such subsidiary or subsidiaries in such geographical area, (iii) on behalf of any person or entity engaged in business activities competitive with the business activities of the Company, solicits or induces, or in any manner attempts to solicit or induce, any person employed by, or as an agent or producer of, the Company to terminate such person’s employment, agency or producer relationship, as the case may be, with the Company, (iv) diverts, or attempts to divert, any person, concern or entity from doing business with the Company or attempts to induce any such person, concern or entity to cease being a customer of the Company, (v) solicits the business of the Company or (vi) makes use of, or attempts to make use of, the Company’s property or proprietary information, other than in the course of the performance of services to the Company or at the direction of the Company. The determination as to whether the Grantee has engaged in a Competitive Action shall be made by the Committee in its sole and absolute discretion. The Committee has sole and absolute discretion to determine whether, notwithstanding its determination that Grantee has engaged in a Competitive Action, recapture or forfeiture as provided herein shall not occur. The Committee’s exercise or nonexercise of its discretion with respect to any particular event or occurrence by or with respect to the Grantee or any other recipient of restricted stock units shall not in any way reduce or eliminate the authority of the Committee to (i) determine that any event or occurrence by or with respect to the Grantee constitutes engaging in a Competitive Action or (ii) determine the related Competitive Action date.

(f) For purposes of this Agreement, the Grantee has engaged in “Misconduct” if the Grantee, during Grantee’s employment with the Company, has engaged in an act which would, in the judgment of the Committee, constitute fraud that could be punishable as a crime or embezzlement against either the Company or one of its subsidiaries. The determination as to whether the Grantee has engaged in Misconduct shall be made by the Committee in its sole and absolute discretion. The Committee has sole and absolute discretion to determine whether, notwithstanding its determination that Grantee has engaged in Misconduct, recapture or forfeiture as provided herein shall not occur. The Committee’s exercise or nonexercise of such discretion with respect to any particular event or occurrence by or with respect to the Grantee or any other recipient of restricted stock units shall not in any way reduce or eliminate the authority of the Committee to (i) determine that any event or occurrence by or with respect to the Grantee constitutes an act of Misconduct or (ii) determine the related Misconduct date.

(g) The Grantee hereby agrees to notify the Company within ten (10) days of commencing any employment or other service provider relationship with any company or business during the Noncompete Period, specifying in reasonable detail (i) the name of such company or business and the line of business

in which it is engaged, and (ii) the Grantee's position or title and the types of services to be rendered by the Grantee in such position or title. The Grantee hereby acknowledges that this notice requirement is reasonable and necessary for the Company to enforce the provisions of Sections 3(d) hereof. Furthermore, if the Grantee fails to so notify the Company, the Grantee shall be required to repay (at the Committee's sole discretion) to the Company the amounts described in Section 3(d) hereof as if the Grantee had engaged in a Competitive Action during the Noncompete Period, unless the Grantee can provide dispositive evidence, which shall be determined in the Committee's sole discretion, that a Competitive Action did not occur.

(h) In the event of a Change in Control, unless otherwise specifically prohibited under applicable laws or by the rules and regulations of any governing governmental agencies or national securities exchanges, in the event that the Grantee's employment with the Company is terminated (i) by the Company without Cause or (ii) by the Grantee for Good Reason, in each case during the eighteen (18) month period following such Change in Control, the number of earned Restricted Stock Units for any incomplete Performance Period (including, for the avoidance of doubt, any Performance Period that has yet to commence as of the date of such termination) shall be immediately determined assuming the Company achieved the target level of ROE Relative Performance for such Performance Period and the number of earned Tranche 1 Restricted Stock Units, earned Tranche 2 Restricted Stock Units and earned Tranche 3 Restricted Stock Units shall immediately become vested Restricted Stock Units. All vested Restricted Stock Units pursuant to this Section 3(h) shall be settled in accordance with Section 4.

SECTION 4. **Delivery and Possession of Share Certificates.** Ninety (90) days following the Grantee's "separation from service" (for purposes of Section 409A of the Code) for any reason, including death or Disability (the "Settlement Date"), provided the Grantee has not engaged in, or entered into an agreement (written, oral or otherwise) to engage in, a Competitive Action or has not engaged in Misconduct, the Company shall deliver to the Grantee (or the Grantee's estate in the event of death) a certificate or certificates representing the number of shares of Stock equal to the number of vested Restricted Stock Units, if any, as of the date of such separation from service and Grantee shall take possession thereof; provided, however, that if the Grantee is a "specified employee" pursuant to Section 409A(a)(2)(B)(i) of the Code, distribution of shares of Stock shall be delayed for such period of time as may be necessary to satisfy Section 409A(a)(2)(B)(i) of the Code (generally six months), and on the earliest date on which such distribution can be made following such delay without violating the requirements of Section 409A(a)(2)(B)(i) of the Code, the Company shall deliver to the Grantee a certificate or certificates representing the number of shares of Stock equal to the number of such vested Restricted Stock Units. A delay shall not be required to the extent the Grantee terminates employment on account of death or Disability, provided that if in the event of a Disability the Grantee is "disabled" within the meaning of Section 409A(a)(2)(C) of the Code, then the Restricted Stock Units shall be settled ninety (90) days following the occurrence of such death or Disability. Notwithstanding the foregoing, in the event of a Change in Control, which also constitutes a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Section 409A(a)(2)(A)(v) of the Code, the Company shall immediately deliver to the Grantee a certificate or certificates representing the number of then vested Restricted Stock Units.

SECTION 5. **Dividends and Dividend Equivalents.** No dividends or dividend equivalents shall accrue or be paid with respect to any outstanding unvested Restricted Stock Units. On the second Tuesday of each January, April, July and October (each, a "Dividend Equivalent Payment Date") occurring during the period commencing on the Vesting Date and ending on the Settlement Date, the Grantee shall be paid an amount in cash, with respect to each vested Restricted Stock Unit then outstanding and held by such Grantee, equal to the aggregate cash dividends paid by the Company in respect of one share of Stock (the "Dividend Equivalent") following the immediately prior Dividend Equivalent Payment Date, or with

respect to the first Dividend Equivalent Payment Date only, on or following the Vesting Date; provided, however, that with respect to the first Dividend Equivalent Payment Date, no Dividend Equivalents shall be paid to the Grantee in respect of any cash dividends declared or paid by the Company prior to such Vesting Date. To the extent a cash dividend is paid by the Company on or prior to the Settlement Date but the Dividend Equivalent Payment Date relating thereto would not occur prior to the Settlement Date, the Dividend Equivalents relating thereto shall be paid to the Grantee on the Settlement Date. The Grantee's right to future payments of Dividend Equivalents shall be subject to forfeiture to the same extent that the corresponding Restricted Stock Units are subject to forfeiture pursuant to Section 3.

SECTION 6. **Rights of Stockholder**. Neither the Grantee nor any transferee will have any rights as a stockholder with respect to any share covered by this Agreement until the Grantee or transferee becomes the holder of record of such shares.

SECTION 7. **Company; Grantee**.

(a) The term "**Company**" as used in Section 3 or otherwise in this Agreement with reference to the Grantee's employment shall include the Company and its subsidiaries. The term "subsidiary" as used in this Agreement shall mean any subsidiary of the Company within the meaning of Section 424(f) of the Code.

(b) Whenever the word "**Grantee**" is used in any provision of this Agreement under circumstances where the provision should logically be construed to apply to the executors, the administrators, or the person or persons to whom the Restricted Stock Units may be transferred by will or by the laws of descent and distribution, the word "Grantee" shall be deemed to include such person or persons.

SECTION 8. **Compliance with Law**. Notwithstanding any of the provisions hereof, the Grantee hereby agrees and the Company will not be obligated to issue or transfer shares to Grantee hereunder, if the issuance or transfer of such shares will constitute a violation by the Grantee or the Company of any provision of any law or regulation of any governmental authority. Any determination in this connection by the Committee will be final, binding and conclusive. The Company shall in no event be obliged to register any securities pursuant to the Securities Act or to take any other affirmative action in order to cause the issuance or transfer of shares acquired pursuant to this Agreement to comply with any law or regulation of any governmental authority.

SECTION 9. **Notice**. Every notice or other communication relating to this Agreement shall be in writing, and shall be mailed to or delivered to the party for whom it is intended at such address as may from time to time be designated by it in a notice mailed or delivered to the other party as herein provided, provided that, unless and until some other address be so designated, all notices or communications by the Grantee to the Company shall be mailed or delivered to the Company at its principal executive office, and all notices or communications by the Company to the Grantee may be given to the Grantee personally or may be mailed to Grantee at the Grantee's last known address, as reflected in the Company's records.

SECTION 10. **Changes in Capital Structure**. The existence of this Agreement will not affect in any way the right or power of the Company or its stockholders to make or authorize any of the following:

(a) any adjustments, recapitalization, reorganizations or other changes in the Company's capital structure or its business;

(b) any merger or consolidation of the Company;

- (c) any issue of stock or of options, warrants or rights to purchase stock or of bonds, debentures, preferred to prior preference stocks ahead of or affecting the Stock or the rights thereof or convertible into or exchangeable for Stock;
- (d) the dissolution or liquidation of the Company;
- (e) any sale or transfer of all or any part of its assets or business; or
- (f) any other corporate act or proceeding.

SECTION 11. **Other Share Issues**. Except as expressly provided in the Plan, the issue by the Company of shares of stock of any class, or securities convertible into or exchangeable for shares of stock of any class, for cash, property or services, either upon direct sale or upon the exercise of options, rights or warrants, or upon conversion of shares or obligations of the Company convertible into such shares or other securities will not affect, and no adjustment by reason thereof will be made with respect to, the number of shares subject to this Agreement.

SECTION 12. **Withholding**. At the time of vesting and/or settlement of the Restricted Stock Units, as appropriate, the Committee shall require the Grantee to pay to the Company an amount sufficient to pay all federal, state and local withholding taxes applicable (including FICA taxes upon vesting), in the Committee's judgment, to the vesting or settlement of the Restricted Stock Units, and the Grantee's right to vesting and/or settlement, as appropriate, shall be contingent upon such payment. Such payment to the Company may be effected through (a) payment by the recipient to the Company of the aggregate withholding taxes in cash or cash equivalents; (b) at the discretion of the Committee, the Company's withholding from the number of shares of Stock that would otherwise be delivered to the Grantee upon settlement of the Restricted Stock Units, a number of shares of Stock with an aggregate fair market value on the date of settlement (as determined by the Committee) equal to the aggregate amount of withholding taxes; or (c) at the discretion of the Committee, any combination of these two methods.

SECTION 13. **Grantee's Tax Considerations**. The tax impact of the award hereunder can be quite complex and will vary with each Grantee. It is recommended that each Grantee review such Grantee's own tax situation and consult their tax advisor.

SECTION 14. **Waiver of Right to Trial by Jury**. BOTH PARTIES HEREBY WAIVE AND RELEASE ANY CLAIM UNDER STATE OR FEDERAL LAW THEY MAY HAVE HAD TO A JURY TRIAL IN CONNECTION WITH CLAIMS ARISING UNDER OR RELATED TO THIS AGREEMENT OR ANY ACTIONS TAKEN OR DETERMINATIONS MADE HEREUNDER.

SECTION 15. **No Right to Continued Service**. This Agreement does not confer upon the Grantee any right to continue as an employee of the Company, nor shall it interfere in any way with the right of the Company to terminate Grantee's employment at any time for any reason.

SECTION 16. **Agreement Confidentiality**. Grantee understands and agrees that Grantee will keep the terms and conditions of this Agreement strictly confidential unless Grantee is compelled to do otherwise by a court of competent jurisdiction, and Grantee further agrees not to disclose the terms and conditions of this Agreement to any third party other than Grantee's immediate family members, attorney, financial advisor, or accountant, all of whom must also agree to keep these terms and conditions strictly confidential unless compelled to do otherwise by a court of competent jurisdiction.

SECTION 17. **Binding Effect**. This Agreement shall be binding upon the heirs, executors, administrators and successors of the parties hereto.

SECTION 18. **The Plan**. The terms and provisions of the Plan are incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall govern. The Grantee hereby acknowledges that the Grantee has received a copy of the Plan and understands and agrees to the terms thereof. This Agreement, together with the Plan, constitutes the entire agreement by and between the parties hereto with respect to the subject matter hereof, and this Agreement and the Plan supersede all prior agreements, correspondence and understandings and all prior and contemporaneous oral agreements and understandings, among the parties hereto with regard to the subject matter hereof.

SECTION 19. **Governing Law**. This Agreement shall be construed and interpreted in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof. Grantee hereby irrevocably consents to the exclusive personal jurisdiction of the federal and State courts of the State of Delaware for the resolution of any disputes arising out of, or relating to, this Agreement. In any action arising under or relating to this Agreement, the court shall not have the authority to, and shall not, conduct a *de novo* review of any determination made by the Committee or the Company but is instead authorized to determine solely whether the determination was the result of fraud or bad faith under Delaware law.

SECTION 20. **Severability**. The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision or provisions of this Agreement, which shall remain in full force and effect. If any provision of this Agreement is held to be invalid, void or unenforceable in any jurisdiction, any court so holding shall substitute a valid, enforceable provision that preserves, to the maximum lawful extent, the terms and intent of such provisions of this Agreement. If any of the provisions of, or covenants contained in, this Agreement are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalidity or unenforceability in such other jurisdiction. Any such holding shall affect such provision of this Agreement, solely as to that jurisdiction, without rendering that or any other provisions of this Agreement invalid, illegal or unenforceable in any other jurisdiction. If any covenant should be deemed invalid, illegal or unenforceable because its scope is considered excessive, such covenant will be modified so that the scope of the covenant is reduced only to the minimum extent necessary to render the modified covenant valid, legal and enforceable.

SECTION 21. **Definitions**. The following terms shall have the following meanings:

(a) “**Average Return on Equity**” means the percentage equal to the product of four (4) times the result of (i) the sum of the Return on Equity for each quarter in the applicable Performance Period, divided by (ii) the number of quarters in the applicable Performance Period.

(b) “**Cause**” means “Cause” as defined in any active employment agreement between the Grantee and the Company or, in the absence of any such definition, means the occurrence of any one of

the following events: (i) fraud, personal dishonesty, embezzlement or acts of gross negligence or gross misconduct on the part of the Grantee in the course of his or her employment or services; (ii) the Grantee's engagement in conduct that is materially injurious to the Company; (iii) the Grantee's conviction by a court of competent jurisdiction of, or pleading "guilty" or "no contest" to, (x) a felony or (y) any other criminal charge (other than minor traffic violations) which could reasonably be expected to have a material adverse impact on the Company's reputation or business; (iv) public or consistent drunkenness by the Grantee or his or her illegal use of narcotics which is, or could reasonably be expected to become, materially injurious to the reputation or business of the Company or which impairs, or could reasonably be expected to impair, the performance of the Grantee's duties to the Company; (v) willful failure by the Grantee to follow the lawful directions of a superior officer; or (vi) the Grantee's continued and material failure to fulfill his or her employment obligations to the Company.

(c) "Disability" means the total and permanent disability of the Grantee, as determined by the Committee in its sole discretion.

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

(e) "Performance Period" means the Tranche 1 Performance Period, Tranche 2 Performance Period or Tranche 3 Performance Period, respectively.

(f) "ROE Relative Performance" means the Average Return on Equity less the Treasury Note Rate of Return, expressed in basis points.

(g) "ROE Relative Performance Vesting Percentage" means a function of the ROE Relative Performance during the applicable Performance Period, and shall be determined as follows:

ROE Relative Performance*	ROE Relative Performance Vesting Percentage (% of Target)*
Less than +500 basis points	0%
≥+500 basis points	80.0%
≥+633 basis points	90.0%
≥+766 basis points	100.0% (target)
≥+900 basis points	110.0%

*In the event that the ROE Relative Performance falls between any two values listed in the table above, the ROE Relative Performance Vesting Percentage shall be determined using a straight line interpolation between such two values. For the avoidance of doubt if the ROE Relative Performance is less than +500 basis points (*i.e.* , the Average Return on Equity is less than 6.71%), the ROE Relative Vesting Percentage shall be 0% (*i.e.* , no linear interpolation between 0% and 80%) and if the ROE Relative Performance is equal to or greater than +900 basis points (*i.e.* , the Average Return on Equity at least 10.71%), the ROE Relative Vesting Percentage shall be 110%.

(h) “ Return on Equity ” means for a quarter, a fraction (expressed as percentage) equal to the consolidated net income from continuing operations of the Company as determined under U.S. Generally Accepted Accounting Principles divided by the stockholders’ equity at the beginning of the calendar year for that quarter.

(i) “ Tranche 1 Performance Period ” means the period commencing July 1, 2015 and ending on June 30, 2018.

(j) “ Tranche 2 Performance Period ” means the period commencing July 1, 2016 and ending on June 30, 2019.

(k) “ Tranche 3 Performance Period ” means the period commencing July 1, 2017 and ending on June 30, 2020.

(l) “ Treasury Note Rate of Return ” means the five-year Treasury Note rate on July 1, 2015, which is 1.71%.

(m) “ Vesting Date ” means the date on which the Tranche 1 Restricted Stock Units, Tranche 2 Restricted Stock Units, and Tranche 3 Restricted Stock Units, as applicable, vest hereunder.

SECTION 22. Signature in Counterparts. This Agreement may be signed in counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

* * *

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

W. R. BERKLEY CORPORATION

By: _____

Name: William R. Berkley

Title: Chairman and CEO

Grantee

Exhibit A

**to the Restricted Stock Unit Agreement dated
as of _____ Under the W. R. Berkley Corporation
2012 Stock Incentive Plan**

NAME OF GRANTEE:

TARGET NUMBER OF TRANCHE 1 RESTRICTED STOCK UNITS AWARDED TO GRANTEE:

TARGET NUMBER OF TRANCHE 2 RESTRICTED STOCK UNITS AWARDED TO GRANTEE:

TARGET NUMBER OF TRANCHE 3 RESTRICTED STOCK UNITS AWARDED TO GRANTEE:

TOTAL TARGET NUMBER OF RESTRICTED STOCK UNITS AWARDED TO GRANTEE:

By accepting this Agreement by either clicking on the action icon “accept” or signing this Agreement, you acknowledge that you have read and agree to all the terms and conditions set forth in this Agreement, including without limitation, the forfeiture and recapture

CERTIFICATIONS

I, W. Robert Berkley, Jr., President and Chief Executive Officer of W. R. Berkley Corporation (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2015

/s/ W. Robert Berkley, Jr.

W. Robert Berkley, Jr.

President and
Chief Executive Officer

CERTIFICATIONS

I, Eugene G. Ballard, Executive Vice President-Chief Financial Officer of W. R. Berkley Corporation (the “registrant”), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 9, 2015

/s/ Eugene G. Ballard

Eugene G. Ballard

Executive Vice President -
Chief Financial Officer

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

In connection with the Quarterly Report of W. R. Berkley Corporation (the “Company”) on Form 10-Q for the period ended September 30, 2015 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, W. Robert Berkley, Jr., President and Chief Executive Officer of the Company, and Eugene G. Ballard, Executive Vice President-Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ W. Robert Berkley, Jr.

W. Robert Berkley, Jr.

President and Chief Executive Officer

/s/ Eugene G. Ballard

Eugene G. Ballard

Executive Vice President — Chief Financial Officer

November 9, 2015

A signed original of this written statement required by Section 906 has been provided to W. R. Berkley Corporation (the “Company”) and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.