

W. R. Berkley Corporation NYSE:WRB

FQ4 2025 Earnings Call Transcripts

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S&P Global Market Intelligence Estimates

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Call Participants

EXECUTIVES

Richard Mark Baio
Executive VP & CFO

Unknown Executive

William Robert Berkley
President, CEO & Director

ANALYSTS

Andrew Scott Kligerman
TD Cowen, Research Division

Robert Cox
Goldman Sachs Group, Inc., Research Division

Brian Robert Meredith
UBS Investment Bank, Research Division

Ryan James Tunis
Cantor Fitzgerald & Co., Research Division

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Tracy Benguigui
Wolfe Research, LLC

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

Unknown Analyst

Jian Huang
Morgan Stanley, Research Division

Yaron Joseph Kinar
Mizuho Securities USA LLC, Research Division

Joshua David Shanker
BofA Securities, Research Division

Katie Sakys

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

Michael David Zaremski
BMO Capital Markets Equity Research

Presentation

Operator

Ladies and gentlemen, thank you for joining us, and welcome to the W.R. Berkley Corporation Fourth Quarter and Full Year 2025 Earnings Call. This conference call is being recorded. [Operator Instructions]

The speaker's remarks may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words, including, without limitation, believes, expects or estimates. We caution you that such forward-looking statements should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will, in fact, be achieved. Please refer to our annual report on Form 10-K for the year ended December 31, 2024, and our other filings made with the SEC for a description of the business environment in which we operate and the important factors that may materially affect our results.

W.R. Berkley Corporation is not under any obligation and expressly disclaims any such obligation to update or alter its forward-looking statements, whether as a result of new information, future events or otherwise. I would now like to turn the call over to Mr. Rob Berkley. Please go ahead, sir.

William Robert Berkley
President, CEO & Director

Kevin thank you very much, and good afternoon all, and let me echo Kevin's welcome to our fourth quarter call, and we appreciate everyone finding the time to tune in and certainly are grateful for your interest in the company.

On this end of the call, you also -- in addition to me, you have Rich Baio and Bill Berkley. And we are going to be following our typical pattern as we have in the past, where I'm going to offer a couple of quick sound bites, and we're going to hand it over to Rich, he's going to do the heavy lift as far as walking us through some highlights on the quarter and the year, then I will trail behind him with a few more sound bites and then, of course, we're very pleased to entertain questions.

Before we get rolling here though, it seems like perhaps the most appropriate place to start would be with a few words of gratitude. Those of you that have had an opportunity to review the release. And certainly, as you hear Rich's comments, I think it will come into sharp focus that 2025 was yet another great year for the company. As I've shared with some in the past, these type of outcomes. They don't happen on their own. They happen because people make it happen, people go above and beyond to achieve a goal. And I just wanted to express my gratitude and heartfelt congratulations to approximately 7,600 people that all come together to really deliver a great outcome for the good, not only of our shareholders, but to all stakeholders that we serve. So again, thank you, and congratulations.

A couple of macro observations, not particularly insightful, but perhaps it will invite some conversation a little bit later on. Number one is, I think it is clear today that the world is moving at an ever-increasing pace. The world is becoming ever more complicated. And in my mind, and I think the minds of many others is the simple question whether this industry is going to be able to keep up with that pace of change. We are not an industry that has been able to embrace change. In fact, I think the industry has really struggled with the change of our generations, but the challenges before us. Clearly, one of the areas that is creating some of the greatest challenge and is driving this trajectory of change to be so steep and the velocity to be so significant is technology. And the tip of that spear without a doubt these days is AI. There's a lot of discussion around AI and what it means for the industry. Much of the conversation appropriately is focused on the adoption. How will the industry adopt these tools? What will it mean from an operational perspective? And these are certainly questions that we are grappling with actively, and we are well on our way to be utilizing many of these tools throughout our organization.

But from our perspective, that's not the only question. One also needs to be grappling with the question of what does this mean for us as underwriters? How do we think about these new technologies and the impact they're having on society, the impact that they're having on our insurers, what it means for risk and our ability to fully understand that risk so we can control it, select it and price for it. We, as an organization, are particularly well situated or quite frankly, built for this type of change. We have the best of both worlds. We have the scale, to be able to participate at any level. At the same time, because of our structure, we have the agility to be able to pivot quickly. And in addition to that, we have the benefit of not putting all of our chips on red or black. In fact, we have 60 different incubators where we're able to experiment, learn and then cross-pollinate.

Another area of great change is the topic of distribution. There is no doubt that customers are changing, customers' priorities are changing. But in addition to that, the relationship between traditional distribution and carriers is without a doubt evolving. Once upon a time, it was a very simple, straightforward relationship. One was the factory. The other was the distributor. But today, traditional partners. Traditional distribution oftentimes is not just a partner but is actually a competitor. Furthermore, we are actively looking at changes, as I mentioned a moment ago, in the behaviors of customers. Customers are much more comfortable with a self-serve model. and it is becoming increasingly clear that convenience is more important to many customers than price. Please do not misunderstand my comments. We are very committed to our partners. At the same time, it is not lost on us that the customer is clean or [indiscernible] and that we, as an organization, are going to do what we need to do to meet them where, when and how they wish to be met.

Let me Move on to a couple of comments about the marketplace more specifically. Let me start with the ugly auto liability is something that we have been talking about, I don't know, Rich, it's got to be a couple of years at this stage. It continues to be a challenge. And from my perspective, while we did speak about possibly seeing some green shoots, I guess it would have been early in '25. That proved to be a mirage. As it's turned out, their market has continued to find new lows and our hope is as we make our way towards the end of '26, we find a bottom. In addition to that, we -- I think last quarter and perhaps the quarter before, but certainly last quarter, we talked about large account property, particularly Sheraton layered. I would suggest to you that this market is a feeding frenzy -- at this stage and furthermore, I would tell you that London particularly Lloyd's is perhaps the hotspot for the speeding frenzy.

On the topic of property reinsurance maybe a little forward-looking because it relates to 1/1. A data point for you all as it relates to our property cat treaty, our main treaty. Our rate -- risk-adjusted rate decrease was 19%. So from my perspective, I think that speaks volumes to the challenges in the market and perhaps what will be waterfalling and making the marketplace more competitive. Let me also suggest that we are seeing early signs that the competitiveness in the property cat market would seem to be spilling over into the casualty market. I think many participants are struggling quite frankly, with getting to their premium targets on the property front. And as a result of that, are trying to lean into the casualty to try and hit their top line. The big difference is the property cat market had a bounce a couple of years ago. So they are starting from a different altitude, casualty never really had that bounce.

Moving over to Professional. As we've talked about in the past, D&O remains a challenge, and I would add A&E architects and engineers. Some of the brighter spots because it is not all doom and gloom, I would suggest, is the casualty market. In particular, I would tell you that the smaller end of town and the excess and umbrella market are both offering opportunity for meaningful rate. E&S also stands out, but there is clearly opportunity in the standard market as well. I would also flag within the A&H space, medical stop loss continues to be an attractive place from our perspective. Berkley One, our private client operation continues to see great opportunity to grow as they continue to be a preferred alternative in the marketplace. And finally, last but not least, what we've been talking about for some extended period of time, workers' compensation, while it is not rosy at this stage, there are early signs that are coming into focus that perhaps participants in the California market are starting to come to grips with reality and that there is some early signs of a backbone reemerging. So I went on a lot longer than I promised, but that's not the first time that's happened. But that's just because after they listen to you, Rich, they all tune out.

So I got it off my chest, and why don't you go ahead and run with it, please.

Richard Mark Baio
Executive VP & CFO

Okay. Great. Thanks, Rob. Good evening, everyone. As Rob mentioned, the fourth quarter closed out an outstanding 2025 full year with record quarterly operating earnings of \$450 million or \$1.13 per share growing 9.5% over the prior year with a 21.4% return on beginning of year equity. Net income of \$450 million or \$1.13 per share also resulted in a 21.4% return on beginning of year equity. Record quarterly pretax underwriting income and strong net investment income from our core portfolio contributed to the excellent quarterly results.

Beginning first with our underwriting performance, continued rate improvement, lower catastrophe losses and prudent expense management resulted in record quarterly pretax underwriting income of \$338 million, an improvement of 14.9% over the prior year. Current accident year cat losses in the current quarter declined to \$48 million or 1.5 loss ratio points. The expense ratio improved to 28.2%, driven by record net premiums earned of \$3.2 billion as well as operational efficiencies arising from investments in technology, business process outsourcing and a nonrecurring benefit for commission-related accruals. We expect that our expense ratio will continue to be comfortably below 30% in 2026, barring a meaningful change in the marketplace. The current accident year loss ratio, excluding cats for the quarter, was 59.7%, slightly better than the 2 preceding sequential quarters. The shift from one quarter to the next is largely driven by each operating unit's contribution to the whole, which is influenced by where we may be growing or pulling back based on market conditions. In sum, the current accident year combined ratio ex cats is 87.9% and the calendar year combined ratio was 89.4%. By segment, current accident year loss ratio ex cat for insurance improved to 6.6% and remained relatively

flat to the full year results for 2024 and 2025. The Reinsurance & Monoline Excess segment was 53.9%, resulting in a strong current accident year combined ratio ex cat of 83%.

Strong operating cash flows of nearly \$1 billion for the quarter and \$3.6 billion for the full year have contributed to the increase in our invested assets which grew 11.4% during 2025 to \$33.2 billion, reaching a record level. The combination of investable assets like cash and short-term assets as well as the roll-off of fixed maturities at book yields below the new money rate positions us well for future growth and investment income. This improvement was evident in our investment income attributable to the fixed maturity portfolio, which grew 13.3% quarter-over-quarter to \$346 million. Partially offsetting this growth in the fourth quarter of 2025 was investment fund losses of \$32 million, bringing our overall pretax net investment income to \$338 million. The credit quality of the investment portfolio remains very strong at AA- while the duration of our fixed maturity portfolio, including cash and cash equivalents increased to 3 years. As a reminder, the duration was 2.6 years as of year-end 2024 and has been increasing throughout 2025, yet remain shorter than the average life of our liabilities. The effective tax rate in the fourth quarter was 20.5% and benefited from a lower effective tax rate relating to foreign earnings and the utilization of foreign tax credits. We expect the annual effective tax rate will approximate 23% for the full year of 2026.

Turning to capital management. We returned \$608 million of capital to investors in the fourth quarter, comprising special and regular dividends of \$412 million and share repurchases of \$196 million. Earlier in the year, we returned an additional \$363 million made up of dividends and share repurchases, bringing the total for the year to \$971 million. Besides bringing more than -- beside returning more than 10% of stockholders' equity to investors, we grew stockholders' equity by 15.6%. We continue to thoughtfully manage our capital position, which is further evidenced by our historically low financial leverage ratio of 22.6% with the next scheduled maturity in 2037. In summary, 2025 was an outstanding year with record top line, both gross and net premiums written of \$15.1 billion and \$12.7 billion, respectively. Underwriting income of \$1.2 billion net investment income of \$1.4 billion, operating income of \$1.7 billion and net income of \$1.8 billion. These record results culminated in growth in book value per share before and after dividends and share repurchases of 26.7% and 16.4%, respectively.

Rob, I'll stop there and pass it back to you.

William Robert Berkley
President, CEO & Director

All right. Thanks, Richie. That's tough to follow. So just a couple of more sound bites and then as promised on to Q&A. Regarding the top line, First off, unpacking that a little bit for folks. I think it's worth noting that October and November from a growth perspective, were particularly disappointing, I would call it flattish. And December, I don't have the net number in front of me. I left it in my office, unfortunately, but the net and the growth track pretty closely and the GWP was up 7% in December. So I would caution people not to lead to the conclusion that what you saw for the quarter is the new reality. I think it's quite the contrary in all likelihood. And to that end, early returns on January, again, we haven't even gotten to the end of the month, but we are seeing some encouraging signs as it relates to the top line there. You would have seen the rate ex comp just a little bit over 7%. I would tell you that they are -- given what we're seeing in some of the more recent years, granted it's early, but how they seem to be developing out, we are not feeling across the board the same level of pressure to keep pushing on rate.

I think we will continue to be diligent. We will continue to stay on top of it. We are not interested in our margins eroding, but we think that we're in a pretty good place, and we are looking at that carefully. The expense ratio, again, I'm not going to do a deep dive on that. Rich touched on it already. But I would tell you that the 28.2%, excuse me, a very comfortable number. That having been said, we are going to be making some pretty meaningful investments some we've already made, but we're going to be leaning into it a bit harder, both on the tech side and the broader banner, both data, AI, et cetera, and that will come at a price, but we're confident that these are going to be investments that generate very good returns. I think one of the things that's worth noting about this organization, and it's something that we talk about from time to time is the consistency of the results. We are not an organization that looks to have a lumpy performance. We are an organization that is very focused on hitting base hits every day consistently.

From our experience, assuming that one of the leading goals is to build book value through making a good underwriting margin, we look to manage volatility through thick and thin. So we are very pleased with the results that we've delivered in the quarter and the year. But again, part of what distinguishes us is the consistency of those results. Rich talked about the investment portfolio. I would just highlight that the AA is teetering on almost becoming a AA. And in addition to that, yes, while we have pushed the duration out to neutral for us is probably closer to just inside of 4. If you look at the average duration of our loss reserves or I should say the average life of our loss reserves. Still room if you compare what's rolling off the portfolio over the foreseeable, call it, give or take, 4, 6 is coming off, and we're still able to put money to work, you call it 5. So when you look at the situation, the business is really firing on all cylinders. We are generating very strong returns. We already had a surplus even after the capital management of capital that would be measured in 10 figures. And quite frankly, given the returns and the market conditions, well, we would love to have an opportunity

to put the capital to work right now, we're generating capital more quickly, and we can utilize it, and you should expect us to continue to look for thoughtful ways to return the excess capital to those that it belongs that being our shareholders. So I will pause there. And Kevin, at this time, if we could please open it up for questions.

Question and Answer

Operator

[Operator Instructions]

William Robert Berkley
President, CEO & Director

Kevin, you run a tight ship. One question per person. All right. We'll see if anybody pays attention.

Operator

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

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

I thought you said one question and one follow-up, but we'll see. I guess my first question was just in terms of premium growth, Rob, I appreciate the color on October, November and then also on January. But just given your view of the market, right, your -- just the growth you saw in the quarter, I think you also said, right, that there is probably perhaps less of a need to continue to push for the same amount of price. How are you seeing this all translating into premium growth, I guess, with your expectation that '26 is better than the fourth quarter, maybe weaker than the full year '25. How does this all come together in your mind?

William Robert Berkley
President, CEO & Director

I think it's likely that the insurance activities will primary and perhaps an excess. We'll likely do better than what the total number was in the fourth quarter. I think that the reinsurance marketplace, some version of history may be repeating itself. A little early to declare that, but it would seem like the table is being set.

Elyse Beth Greenspan
Wells Fargo Securities, LLC, Research Division

And then I guess my second question is on the expense ratio. You guys guided to comfortably below 30% in '26. It sounds like '26, based on commentary, you described it like an investment year if saying that correctly, you can correct me if I'm wrong. So would you expect like the AI and the tech type investments, I guess, would be higher in '26 and then we start to see a return on those investments in '27? Or how are you thinking through the moving pieces there?

William Robert Berkley
President, CEO & Director

I think it's exactly what Rich and I alluded to that we are going to be making meaningful investments in '26, and I expect we will continue to make meaningful investments in '27. I mean this space, and it's in part what I was alluding to earlier in the call, Elyse, I just did it in a very clumsy way, was that this is a trajectory of how the tools are coming to be available and how we, as an organization, are adopting them. And it's not a one and done. This is just an ongoing process. So do I think that when are the benefits going to show up? I would like to think that we're going to start to see benefits certainly in '27. And I think it will scale from there. But it's going to -- it certainly does take some time because it's not just you drop it in, it's a more complicated process than that.

Operator

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

Tracy Benguigui
Wolfe Research, LLC

I always appreciate hearing your market commentary. You sounded it's had more constructive on workers' comp. You were mentioning that while it's not rosy now, California is coming to grips. But if we zoom out of California, one of the large brokers had said at their Investor Day that medical inflation is rampant and it'll show up in rate. Are you seeing something similar? I mean can you also comment about the reduction in premiums just in 4Q, if that was largely exposure based?

William Robert Berkley
President, CEO & Director

Yes. So a couple of things there. So first off, as far as medical trends and how that ties in with severity, I think that's something that we've been talking about at least as long as we've been talking about auto liability. And I think it's finally coming into focus for many. From our perspective, we think the medical costs. And just quite frankly, claims activity in general within the space of workers' comp has been somewhat artificially suppressed because of how it gets -- the benefits get priced and reimbursement gets priced in many, many states. Regarding our growth in the quarter, it was primarily exposure based where we -- as there were certain pockets where we didn't see the opportunity at those rates.

Tracy Benguigui
Wolfe Research, LLC

Got it. And also, in your press release, you were talking about exceeding 15% ROE and maybe 15% not new, that's a longer-term goal throughout the cycle. And some estimates are well above that. How should we think about a nearer-term ROE given your comments about returning excess capital?

William Robert Berkley
President, CEO & Director

I think that we believe that the company is firing on all cylinders at the moment. And we got a lot of momentum, and that momentum is both on the underwriting side as well as the investment side. So I can't promise you that the return will be this or that. But I can tell you that this is the nature of the business, barring the unforeseen event, and now to a great extent, '26 is almost the results, again, barring the unforeseen event, they're kind of cooked, right, because of how the premium earn through and the way the investment portfolio unfolds. So again, I can't sit here and promise you what a return will be. But barring the unforeseen event, it's not that hard to connect the dots, so it should be another very good year. And with every passing day, we're setting the table for '27. .

Operator

Your next question comes from David Motemaden with Evercore.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Sorry, guys. Can you guys hear me now?

William Robert Berkley
President, CEO & Director

Yes. Thank you.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Yes. Sorry about that. Just wanted to just go back just on the PYD. And so it looks like a little bit under \$11 million in insurance of adverse offset by about \$13 million of favorable in reinsurance. Could you just talk a little bit about what is driving the adverse on the insurance side, any different accident years, you would point to just sort of keeping in mind your comment, Rob, on maybe not seeing the same level of pressure to keep pushing on REIT. Just trying to understand that given what's going on, on the PYD side in the insurance business.

William Robert Berkley
President, CEO & Director

Yes. So if you don't mind maybe -- I don't have the answers in front of me just because in the scheme of 18-point-something billion of reserves, I didn't do a deep dive on the \$11 million. But if you wouldn't mind, we'll have Karen and/or Rich a follow-up with you tomorrow, and we'll give through all the detail that we're able to.

David Kenneth Motemaden
Evercore ISI Institutional Equities, Research Division

Got it. Okay. That would be great. And then also -- just trying to get the right jump-off point on the expense ratio. Rich, I think you mentioned a nonrecurring benefit for commission-related accruals that helped the expense ratio this quarter. Could you just size that benefit?

Richard Mark Baio
Executive VP & CFO

Sure. That was about 30 basis points impact on the expense ratio.

Operator

And your next question comes from Bob Huang with Morgan Stanley.

Jian Huang
Morgan Stanley, Research Division

Thank you for just the detailed commentary there. Maybe just a follow-up on pricing and what you said about pricing trend in casualty. I understand that some lines are softening. But you -- are there any lines of business right now where you feel within casualty or you feel the pricing trend is beginning to not make sense anymore. In other words, are there any lines of business where you feel like you might need to start cutting exposure as we go forward into 2026 and 2027?

William Robert Berkley
President, CEO & Director

Yes. I mean auto liability would be one where if you look at what our top line is and relative to our rate, we are clearly shrinking the business from an exposure perspective. So that would probably be a leading example.

Jian Huang
Morgan Stanley, Research Division

Got it. And then in other businesses, you don't feel the other lines of business are as bad or as obvious. Is that a fair statement?

William Robert Berkley
President, CEO & Director

We certainly have some concerns and reservations about some of the professional lines that I alluded to earlier. And I think that also we don't do a lot of it. So it doesn't really move the needle for us in a huge way, but the large account property stuff, the Sheraton layered stuff, we're that's getting pretty tight.

Jian Huang
Morgan Stanley, Research Division

Got it. I really appreciate that. My follow-up is your -- the next stage of the AI growth. It is very clear that you're really leaning into the capabilities here. I think previously, you've talked about early stages of hybrid model where both the group-wide and individual tools can be implemented. And then that's been -- like are there any things going into the rest of the year and next year where you feel that are somewhat of a low high-end fruit where the payoff realization can happen relatively quickly? Or are there any specific capabilities you feel that are more closer to reality in today's environment that gets you really excited?

William Robert Berkley
President, CEO & Director

I think probably what is underway now if we focus on the underwriting side, we can talk about claims separately. But on the underwriting side, what's here and now and happening is on the intake side, where we are able to utilize certain technologies, and they are enabling us to increase our efficiency dramatically. So we are able to get to more business and we are able to effectively prioritize.

Yes. So said differently, we -- people's time is utilized much more effectively.

Operator

Your next question comes from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

So 2 questions here. First, Rob, I wanted to dive into your comment about maybe laying off rate a little bit, but keeping margins, I think, is what you also said. And I'm wondering if that implies you think that trend is starting to moderate some here. And then as we look into 2026, that maybe loss picks are kind of stable then if you don't want margin to deteriorate?

William Robert Berkley
President, CEO & Director

So my take on that is it's premature to reach any conclusions with confidence but some of the activity that we are seeing or lack of activity in some of the more recent years would suggest that we're in a comfortable place. I think as we've discussed in the past, Brian, a trend is a moving target. So I don't think it's that we take our foot off the pedal, but maybe the foot doesn't have to be stepping down on the pedal quite as hard selectively.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then just with respect to loss ratio loss picks?

William Robert Berkley
President, CEO & Director

I'm sorry, I didn't hear you. I beg your pardon?

Brian Robert Meredith
UBS Investment Bank, Research Division

No. I mean with respect to your kind of jumping off point here with respect to loss picks, if you're going to keep margins stable and it sounds like your expense ratio is going to be flat to up a little bit. It would imply that loss ratio is going to be pretty stable, too.

William Robert Berkley
President, CEO & Director

We are looking to preserve our margins to the best of our ability as long as the market will allow us to. And right now, we think we can do that. [indiscernible] to be in the insurance business, I think the reinsurance marketplace is probably going to become more challenged more quickly.

Brian Robert Meredith
UBS Investment Bank, Research Division

That makes sense. And then just quickly going back to your comments about distribution and distribution competing with you a little bit now, and customers want simplicity. Does that mean that perhaps one you may lean into a little bit more utilizing MGAs and/or buying MGAs and that maybe that's a quicker way to kind of get to where you want to get to with respect to distribution?

William Robert Berkley
President, CEO & Director

No. The short answer is, I don't think we're going to necessarily be leaning into or acquiring. Generally speaking, I think as we've torqued you all in the past, we have a real caution around delegated authority. And quite frankly, the valuations of some of these businesses, we think have gotten to the point where oftentimes it's irrational. And there's a lot of private equity money still trying to figure out how they're going to make it all work. But in the meantime, we're pleased to continue to partner with traditional distribution. But I think the point is it's not lost on us that some of the traditional distribution is looking to have the pen or, in some ways, have a different relationship with capital. We're aware of that. We are responding to it. And it also means that we're thinking about distribution maybe a little bit in a way that we wouldn't have thought about it 5 years ago.

Operator

And your next question comes from Alex Scott, Barclays.

Unknown Analyst

All right. So first one I had is just a follow-up on the technology improvements you're working on. How would you characterize the way you're thinking about that over the medium term? Is that something that as you bring the expense ratio down, some of it can drop to the bottom line? Or is this something that is going to potentially just help to make it more competitive? You might be able to

get back on price a little bit, get a little more competitive and improve growth. I'd just be interested in how you're approaching those investments.

William Robert Berkley
President, CEO & Director

I think the answer is all of the above. I mean, ultimately, we certainly are looking to have efficiency and savings. And how much of that we hold on to versus how much gets passed on to the customer in part depends on the marketplace and quite frankly, competitors what they are doing and what kind of efficiencies they're capturing and what they're passing on to customer. So look, when the day is all done, I appreciate that a lot of the focus may be around pricing and margin. But I would suggest to you that a lot of these tools, it's not just about dollars saved it's also about value creation. And I think that, that's an additional way to consider these tools, how they will be incorporated and how they will attack the business that the 3 of us work for.

Unknown Analyst

That's helpful. And I guess just looking at the growth and thinking about increased competition. I was just interested if you could talk about to any degree you're seeing a flow back into admitted at this point? Like is that something that's affecting the growth rate at all? Or is it more just competition within the E&S market?

William Robert Berkley
President, CEO & Director

I would tell you in the very, very small end of town as far as account size. You might see a standard market slip in there a little bit. But by and large, they are, for the most part, for the moment, staying within their swim lane. That having been said, national carriers in particular, but some of the regional carriers on the standard side. within their swim lane, they are being remarkably aggressive at this stage of the game.

Operator

And your next question comes from Rob Cox with Goldman Sachs.

Robert Cox
Goldman Sachs Group, Inc., Research Division

First question, could you just unpack some of your comments on the property cat environment leaking into casualty dynamics a bit. Just curious how that is playing out, how meaningful you think it is? And if you think the strong net investment income contributions are contributing to that as well?

William Robert Berkley
President, CEO & Director

The answer is, I think we'll know more when we all have an opportunity to reflect on Q1 and see who did what. But my sense is that, again, a lot of people that have a lot of capital and they feel pressure to put it to work, and they're trying to hit budgets and so on. And as a result of that, when the premium is coming in short on the property cat, they're looking to try and figure out what other levers they can pull. And casualty would appear to be one of them or a liability, including the professional. So we'll have to see over time. Do I think investment income is a component of it? Yes, probably. Can I quantify for you how much is one versus the other? No, not with any confidence, but I do think that -- I think that one proved to be more competitive. And from our perspective, it seemed to spill over into the casualty lines more than we would have anticipated. Now having said that, we buy a lot of reinsurance and that's not a bad thing for us. Where we assume we'll deal with it just as we have in the past. Our colleagues are interested in making money not writing business.

Robert Cox
Goldman Sachs Group, Inc., Research Division

Rob, that's helpful. The follow-up on home insurance I think you mentioned Berkley One is one of the good places to grow right now where you see some opportunity. Curious of your views on the excess profit discussions from regulators and particularly the New York state in the -- with regards to the 2-year look back. Is that something you think is rational? And do you have any views on the rationality of that?

William Robert Berkley
President, CEO & Director

I think that regulators tend to focus on a moment in time, and I think that they need to look at historical results, particularly given the volatility that exists in the homeowners line in particular. I think that as far as Berkley One goes, it's less high on a regulator's radar screen perhaps because, for the most part, regulators don't give a s*** about rich people.

Operator

And your next question comes from the line of Yaron Kinar with Mizuho.

Yaron Joseph Kinar
Mizuho Securities USA LLC, Research Division

Can you hear me?

William Robert Berkley
President, CEO & Director

Yes, we can.

Yaron Joseph Kinar
Mizuho Securities USA LLC, Research Division

Great. Thanks, here. In insurance, I'm trying to connect the dots. It sounds like the slowdown opinions in October, November was more driven by increased competition. And I think you're so cautioning not to read too much into that. Is that because you see competition flattening out here? Or are you seeing greater appetite emerging for the company itself to go after more premiums?

William Robert Berkley
President, CEO & Director

I think the point that we are trying to make is a couple of fold. One is that October and November are just 2 months, and we would -- while they sort of shine brightly through in a quarter, we would caution people to [indiscernible] on to that too much, particularly given the data point to December and what we are seeing in January. In addition to that, we offered the comment earlier that from our perspective, there are certain pockets of our portfolio, certain parts of the market where given the early returns on the reserves, we are thinking that perhaps it is a more comfortable place than we appreciated.

Yaron Joseph Kinar
Mizuho Securities USA LLC, Research Division

Okay. And then I had another question on the tech investments here, specifically on the AI side, machine learning, I've always thought of that as being very data-driven. And I'm just trying to think how this plays out in a company that has always prided itself in having 50 different operating units plus/minus, how do you consolidate that run that efficiently and have the data to apply across the 50 units?

William Robert Berkley
President, CEO & Director

Just because we have more than 50 different businesses doesn't mean that we're not able to aggregate and use the data amongst the businesses and make it available to the businesses within the group. So I think the notion perhaps that you had that each one is a self-contained island, and there is no way for them to work together on things such as data or for us to aggregate or for us to build tools and try and leverage them across the broader organization. I would encourage you to maybe think about that a little differently.

Yaron Joseph Kinar
Mizuho Securities USA LLC, Research Division

Maybe we can take this offline. I'm trying to understand how more than the concept of whether you can.

William Robert Berkley
President, CEO & Director

Yes. We would be very happy to try and give you a little more color. Please just call at your convenience.

Operator

And your next question comes from Andrew Kligerman with TD Cowen.

Andrew Scott Kligerman

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TD Cowen, Research Division

Great. Can you hear me?

William Robert Berkley
President, CEO & Director

Yes, sir, we can.

Andrew Scott Kligerman
TD Cowen, Research Division

Rob, I'd like to -- on the premium question. In the past, you've -- let's say, going back 2 years ago, your outlook was for double-digit more recently, you had talked about 8% to 10% for the year. Maybe big picture, how are you thinking about 2026 in terms of growth potential because of those kind of disparities between October, November versus December and January? What are you thinking this year?

William Robert Berkley
President, CEO & Director

I'm thinking that I don't get rewarded for providing estimates and these kind of forward-looking statements. That having been said, from my perspective, as mentioned earlier, I think the insurance business, both excess and primary should have an opportunity to grow more than what you saw us do in the quarter. And as I suggested, I think the reinsurance business, while we remain optimistic, we are even more so disciplined, and we can't control the market. So we'll have to see how that unfolds, but that seems to be becoming more challenging more quickly mean for [indiscernible].

Andrew Scott Kligerman
TD Cowen, Research Division

Fair enough, Rob. And then maybe just drilling into detail as I look at the net written premium. It looked like short tail lines grew a little more than the others. Could you share with us which areas of short tail that worked out well and...

William Robert Berkley
President, CEO & Director

The big drivers there are A&H as well as our private client business, Berkley One.

Andrew Scott Kligerman
TD Cowen, Research Division

I see. And then...

William Robert Berkley
President, CEO & Director

If you look at the Commercial Lines piece, particularly some of -- the commercial lines piece is it's not worth coming from at all.

Andrew Scott Kligerman
TD Cowen, Research Division

Got it. That makes a lot of sense. And then just the workers' comp piece, you touched on. I guess it sounded like you were writing fewer accounts because you didn't get the rate you wanted. This was an area about a year ago. There was some excitement just higher risk stuff. So maybe just a little color on what you're seeing...

William Robert Berkley
President, CEO & Director

Yes, we try to bifurcate the fact, Andrew, that there's sort of a more complex, higher hazard as you alluded to versus the Main Street stuff. I think the other piece with this, there was not a huge amount, but there was a bit of a timing issue with this as well. Rich, you want to talk about that for a minute.

Richard Mark Baio
Executive VP & CFO

Sure. So we had a couple of our operations, if you will, that renewals had transpired at different time periods relative to the fourth quarter of this year so that was the other reason for the change from the decline, if you will, in the workers' comp space.

Andrew Scott Kligerman
TD Cowen, Research Division

I see. So that might reverse a little bit in the next quarter.

Richard Mark Baio
Executive VP & CFO

Over time, yes, that's the expectation. .

Operator

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

Joshua David Shanker
BofA Securities, Research Division

So when you think about pricing business, sometimes you imagine that you need a certain amount of rate because loss costs rise at a certain trajectory. Sometimes you need rate because the loss cost trend has changed, and therefore, the way you're pricing it previously needed some correction. As you talk about the softening, we're not really seeing you or any competitors out there really talk about a different loss picking, we're not even seeing it in the paid loss trends, although we haven't seen the fourth quarter triangles yet. Are loss conditions changing beneath the industry's feat right now? Or is the industry unable to get the necessary price increases with the general trajectory that one would expect from where losses are supposed to go?

William Robert Berkley
President, CEO & Director

Was there a particular part of the market that you were focusing on or it's in general?

Joshua David Shanker
BofA Securities, Research Division

You say something like casualty, that's a very broad class, right? There's a lot of different kinds of casualty out there. So I guess, I mean, we can start broad, but maybe there's something specific going on that you want to highlight?

William Robert Berkley
President, CEO & Director

Okay. So here are a couple of sound bites. And if I'm missing the mark, please tell me. But I would tell you that in the excess and umbrella space, it seems like there is a reasonable amount of discipline and trend continues, and we and others are getting that. I think auto liability, as we discussed earlier, continues to be a problem and the marketplace is taking rate, though, I'm not convinced at this stage that it's enough. As far as property goes, people have super short memories and the notion of making sure you have an appropriate cat load I think, is a fading concept. Do you want me to keep going? Or is that enough?

Joshua David Shanker
BofA Securities, Research Division

I'm just -- what I'm hearing from you is rate doesn't feel enough. You're not seeing paid trends change in such a way that demand a different view. It's just like, look, things are going at a base we understand, and we're not getting the rate forward, I guess.

William Robert Berkley
President, CEO & Director

I think what I'm suggesting is, Josh, that different product lines are in different places, and you need to use a pretty fine brush in my opinion. I think that there are certain product lines where I would tell you there is a green light and it would be advisable to try and lean into it more. There are certain that are amber and there are some that are red. And ultimately, it's -- one makes a judgment as to what do you believe the loss pick is given what you're able to charge, how do you feel about that? And what is your confidence in that. And every day, we go through that process. Obviously, there are certain characteristics such as length of incurred tail that can make it that much more complicated. So I would tell you that from my perspective, there are certain product lines where, again, for

the comment I made earlier about rate, what we're feeling as though what we're in a pretty good place, maybe we don't need to be pushing quite so hard on rate. There are other places where we are dead serious about the rate that we need. And if the choice is you write it, if you don't get -- or get the rate or not, if you don't get the rate, don't write it. That's why you see certain parts of our business exposure-wise shrinking. So it's very difficult to have a one size fits all. But philosophically, that's how we think about the business. I don't know, for like 50 years, and we're still thinking about it that way.

Joshua David Shanker
BofA Securities, Research Division

And are there parts of the market that are earning, let's say, 91% to 94% combined ratio that you could write and you could grow, but that's not good enough? Or are there not these pockets that are worse than your 89% or 87% depending on how you want to call it, but it's just done out there to be found?

William Robert Berkley
President, CEO & Director

Maybe to answer the question a little differently is, please understand we are a return-driven business, not a combined ratio driven business. We figure out what type of combined we need in order to achieve the return.

Joshua David Shanker
BofA Securities, Research Division

Okay. And so there's not a pocket that just are track -- are marginally attractive. I mean look, 2% growth, it's not terrific given what we're used to. But there might be nothing out there for you, I guess.

William Robert Berkley
President, CEO & Director

I think that the answer is that there are different parts of the market that are in different places in the cycle. And my colleagues to their credit, understand very clearly what the goal of the exercise is to make money, make good returns, not to issue insurance policies. And there are certain product lines that are in a moment of transition. In fact, all product lines are in some sense of transition but some more than others. And we are navigating and responding to market conditions and also responding to the data that we have as to how we see the margins that currently we are in place.

Operator

And your next question comes from Meyer Shields of KBW.

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

You can hear me?

William Robert Berkley
President, CEO & Director

Yes, sir.

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

Fantastic. Rob, you mentioned -- I just want to go back to the comments where you talked about how reevaluating recent accident years suggests less of a need to push for rate. I know in the past, we've talked about some fame made claim frequency coming in below expectations, and that's actually translated into some reserve releases, lines of business where the claims didn't happen. Is that what you're talking about is this is the same subject?

William Robert Berkley
President, CEO & Director

So it's really across the board, where even where there is some tail to it, and we have tail factors and how we would expect it to develop that there are certain early indications that in some of the more recent years, that even the lines that have some tail to it, it would seem as though the underwriting actions and the rate actions are having the impact plus that we had hoped for.

Meyer Shields

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

Okay. No, that's very helpful. Is there any way breaking down...

William Robert Berkley

President, CEO & Director

Just to give you a little bit more, it is not limited to the claims made form. So again, we're not going to get ahead of ourselves, but we're watching it.

Meyer Shields

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

Okay. No, that's helpful. I was wondering if there's a way of breaking down whether that's positive emergence on the frequency side or on the severity side?

William Robert Berkley

President, CEO & Director

I would invite you to give Rich a call and he can torture you with all kinds of data.

Meyer Shields

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

Okay. I look forward to it. And last question, does any of that initial more changing viewpoint impact the full year '25 acting your loss picks for the relevant lines?

William Robert Berkley

President, CEO & Director

Sorry, could you once more, I beg your pardon there?

Meyer Shields

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

Yes. So let me rephrase it. If there's more optimism about how these recent years are going, did that show up in the [indiscernible] '25 loss picks for the exposed lines? Or did you maintain the loss picks and then just feel less need for pricing?

William Robert Berkley

President, CEO & Director

No, we did not touch them.

Operator

And your next question comes from Katie Sakys of Autonomous Research. .

Katie Sakys

Just a quick one for me. I just kind of like to break down your philosophy on capital return going into the new year here. I think the size of the buyback this quarter was perhaps a bit higher than expected in the context of some of your commentary last quarter. Was this quarter...

William Robert Berkley

President, CEO & Director

Well, I say last quarter.

Katie Sakys

I think you had kind of phrased it as not necessarily seeing like a huge opportunity for buyback, and I recognize that can change over time. So would you say that the 4Q repurchase was opportunistic? Or do you anticipate continuing to repurchase at these higher levels as long as you continue to access more capital than you feel you can put to work?

William Robert Berkley
President, CEO & Director

Okay. Well, I have good news for you. The gentleman who is the Head of our repurchase desk and also the Head of our Capital Management Committee. And I don't know, you probably have some other fancy titles. Do you want to take that one?

Unknown Executive

Sure. I think that we're constantly looking what to do our excess capital, how much you generate and how much we can use for various things in our business. So it's really constantly changing opportunities. When the opportunity arose is advantage of it. I can't tell you how and what we'll do on the next day. We think that our business returning 20-plus percent of capital, which candidly, I'm optimistic that we'll continue to be able to do that. At the moment, it's a pretty good investment from my point of view. So I would expect that we'll continue to look if opportunities present themselves to buy back stock. The alternative is to give stock -- give money back to our shareholders and special dividends. I don't think we have a rule. The judgment as move through the year. And as we look at opportunities and what we're going to do. We still had a huge amount of excess capital that we generate. And one of the things people don't understand is we become a very much more financially conservative company. We've gone from 35% debt to equity to 22% debt to equity. We've got lots of capacity to do lots of things and that gives us a lot of flexibility. So it's not just the cash we generate, it's the balance sheet we have, the risk we have in here and running the business. Then we look at the opportunities with those things together. And we're a very much more conservative company. So I can't give you an answer, but I can tell you we -- we have lots of opportunities. And our job is to run the business is now we own the whole thing and how would we use our count most effectively for the owners of the business. And we'll make that decision on a constantly evolving and changing basis.

Operator

And your next question comes from Ryan Tunis of Cantor.

Ryan James Tunis
Cantor Fitzgerald & Co., Research Division

First question just on the investment fund returns, bit a bit mix. Just curious, maybe you could go into a little bit more detail there. Is that individual fund specific, just I don't know, peel back the onion a little bit on what's going on in the investment funds.

William Robert Berkley
President, CEO & Director

Long story short, the noise that you saw in the financial category was primarily driven by one fund, and it was a disappointing result. And quite frankly, it's been a disappointing relationship. We do not expect that to be the norm going forward.

Ryan James Tunis
Cantor Fitzgerald & Co., Research Division

Sure. Got it. And then I guess just a follow-up. Yes, here in the aftermarket, a few of these big managed care companies like you and are getting woodshed and these stocks on Medicare Advantage of CMS proposal on 2027 rate increases of supposed legs being flat. Apparently, they need more than that. If memory serves, workers' comp pricing has some relationship to these Medicare price indications. I don't exactly remember how that works. Maybe you could refresh your memory.

William Robert Berkley
President, CEO & Director

So workers' comp rates in several states, prices off of multiple -- I think it's Medicare, not Medicaid schedules. Not all, but in many. And I think we all know that Medicare quite frankly, plays not just below market, but below cost. So comp has benefited from a multiple of that. Now what you're starting to see happen and you saw maybe a year or 18 months ago or something like that in Florida. And I think you're starting to see it in some other states is where they are going back and reviewing what the multiple is because the underlying Medicare rates are just so below market that is basically enriching the comp writers and they're looking to adjust that. I think you're going to see that more and more. I think, quite frankly, medical trend is going to prove to be a bigger and bigger challenge. Certainly, pharma is a piece of that in spite of the efforts from the administration, and I think it's going to be not just pharma. So that's how we think about it. And hopefully, that's helpful as far as the relationship between and Medicare.

Operator

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

Michael David Zaremski
BMO Capital Markets Equity Research

Just kind of going back to the competitive environment in the insurance cycle. And you and Bill, Rob have a lot of experience in terms of seeing a lot of past cycles. Does -- I know you wouldn't say that based on your commentary, that's rational for casualty pricing to start decelerating given social inflation levels remain an issue. But I guess -- but from just -- as a competitor, though, have you seen this kind of cycle before that until there's real pain and ROEs start eroding off high levels that the trajectory of casualty could be biased south a bit for the foreseeable future?

William Robert Berkley
President, CEO & Director

We're not seeing any -- as far as GL or excess and umbrella, we are not seeing that. I think we probably tortured the topic of auto liability enough. But as far as GL and the access an umbrella, we're not seeing signs of what you're referring to. Will it come eventually? Yes, absolutely. It's still a cyclical business. But is it here today? Certainly not something that we're observing at the moment.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Got it. And my follow-up is, Rob, in your prepared remarks, when you're talking about kind of meeting the customer where they -- where it's most convenient for them. I guess I was initially thinking you were talking about direct to consumer or direct to business insurance online. But in your follow-up to a question later, you talked about just doing different types of business with existing traditional insurance bookers. So I don't know if you're willing to just be more -- add a little more color.

William Robert Berkley
President, CEO & Director

Yes, maybe yes, a little more color, sure, Mike. I think the point that we were trying to make is that the sacredness of the relationship between carrier and distribution is not universally sacred anymore. There's been a lot of change that has occurred, whether it be the nature of the ownership of the distribution, whether it be consolidation, whether it be distribution getting into the underwriting business. It's evolved. Simultaneously, you have a meaningful shift in customer behavior. And while perhaps it's not particularly pronounced amongst large accounts, in the small part of town is much more akin to personal lines. So we, as an organization, are of the view in the end that we exist to serve the customer, and we are respectful of our partners, but we are going to meet the customer wherever she or he wishes to be met in the way they choose to be met. So we certainly have businesses that are solely dedicated to wholesale. We certainly have businesses that are solely dedicated to retail. We also have businesses in the group that are going direct to customer. We have a new venture that is going to start to get its sea legs during '26 called Berkley Embedded, where it's point of sale. So there's a whole host of different things that we're doing not looking to undermine partners but making sure that we are there to meet the customer how she or he wishes to be met. And what is becoming more and more apparent, I think I may have said this, if I didn't -- my mistake, is that the customer, of course, they care about price, almost every consumer does, but customers are more preoccupied with convenience, and they are more open to a self-serve model, and we need to be conscious of that and responsive to that.

Operator

And your final question comes from the line of Maxwell Fister with Truist Securities.

Unknown Analyst

I'm on for Mark Hughes. In the other liability line, you mentioned a pivot in your portfolio last quarter. Where do you stand with that now? And then separately, how did pricing in that line trend through the quarter maybe on a monthly basis if you have that level of granularity?

William Robert Berkley
President, CEO & Director

Honestly, maybe it's just the hour and a bit of a long day, but I do not have a clear recollection of what you suggested. We said around a pivot and other liability last quarter, I'm sorry. Is there any additional context you could offer, please?

Unknown Analyst

You had just mentioned that you're pivoting the portfolio maybe you different states or exposures. So I just wanted to see if you had an update for us there?

William Robert Berkley
President, CEO & Director

Maybe, again, I apologize, it's not ringing a bell. Maybe we could pick this up off-line, if you don't mind. And we can sort of try and unpack it a little bit more as to what the context was. But it's not striking a cord.

Unknown Analyst

Absolutely. That works. How about the pricing in other liability through the quarter, monthly, did it accelerate? Or how did you see that?

William Robert Berkley
President, CEO & Director

Yes. We don't, generally speaking, break out that type of detail by product line. But as we suggested earlier, on the liability side, we are feeling comfortable about where things are and how we see the market opportunity at least at this moment.

Unknown Analyst

Understood. And then separately on property. Any stabilization there in pricing? Or are you still seeing incremental pressure there?

William Robert Berkley
President, CEO & Director

Well, I think -- as we have suggested earlier, I think with the larger account stuff, we're seeing more than incremental pressure. Unfortunately, for us, that's not a big part of what we do. On the smaller property accounts, quite frankly, we're still seeing opportunity there.

And again, if you wish to follow up on that, please just give us a shot whenever you like. Kevin, was there anything else? Or are we through?

Operator

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

William Robert Berkley
President, CEO & Director

Kevin, thank you very much for your hospitality this evening. Thank you to all participants for your time and your interest in the company. Again, I think a solid quarter to say the least, yet another great year and the momentum continues for the most part, to be in our favor. So we look forward to catching up with you sometime in early April. And we wish you a good evening. Thank you again. Good night.

Operator

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

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