REFINITIV STREETEVENTS

EDITED TRANSCRIPT

WRB.N - Q1 2024 W R Berkley Corp Earnings Call

EVENT DATE/TIME: APRIL 23, 2024 / 1:00PM GMT

OVERVIEW:

Company Summary

CORPORATE PARTICIPANTS

Richard Mark Baio *W. R. Berkley Corporation - Executive VP & CFO*

W. Robert Berkley, Jr.

William Robert Berkley *W. R. Berkley Corporation - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

Brian Robert Meredith *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

David Kenneth Motemaden *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

Elyse Beth Greenspan *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

Joshua David Shanker *BofA Securities, Research Division - MD*

Mark Douglas Hughes *Truist Securities, Inc., Research Division - MD*

Michael David Zaremski *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Ryan James Tunis *Autonomous Research US LP - Senior Analyst of Property & Casualty Insurance*

PRESENTATION

Operator

Good day and welcome to W.R. Berkley Corporation's First Quarter 2024 Earnings Conference Call. Today's conference call is being recorded. The speakers' remarks may contain forward-looking statements. Some of the forward-looking statements can be identified by the use of forward-looking words, including, without limitation, 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, 2023 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. Robert Berkley. Please go ahead, sir.

W. Robert Berkley, Jr.

Audra, thank you very much. And let me echo your words earlier with a warm welcome to all that are participating in the call today. We appreciate your time and look forward to discussing with you our Q1 '24 results. In addition to myself, we also have Bill Berkley on the call, Executive Chairman; and Rich Baio, Chief Financial Officer. And we are going to follow our typical agenda where I'm going to be handing it over to Rich shortly, he will be running through some highlights. Once he's completed his comments, I'll follow along with a few additional thoughts and then we will be pleased to open it up for questions, comments, discussion.

But before I do hand it over to Rich, I think anyone who's had an opportunity to flip through the earnings release would understand already but I'll say it regardless that we had a very strong and solid quarter, a great way to start the year. And when you really look at the results and unpack it a little bit as we'll be doing over the next hour or so, it's pretty clear that the business is firing on many cylinders or essentially all cylinders at this stage. Rich, again, will get into some details. And while there are a couple of moving pieces in the investment portfolio that merit some conversation or discussion, I think the overall story is that whether it's on the investment side or on the underwriting side, business continues to benefit from the foundation that was poured yesterday.

We continue to pour today and position the business for continued success. This is really a result of the whole team. And in particular, I think it's worth noting the level of expertise, the focus and as important as anything, the discipline that exists on both the underwriting part of the business as well as the investment part of the business. So for us, we're pleased with the quarter. Rich is going to give you some more detail on it. In addition to that, we're probably even more enthusiastic because of how we see the business unfolding not just for the balance of this year but with every passing day, we are laying the groundwork for what '25 and beyond will look like as well.

So with that, let me hand it to Rich and he will share with us some of his thoughts on the quarter. Rich, good morning.

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

Thanks, Rob. Appreciate it. As you mentioned, we're off to a terrific start in 2024 with record quarterly operating income, driven by record net investment income and our best first quarter underwriting income. Operating income increased 53.4% to $423 million or $1.56 per share, with an annualized operating return on beginning of year equity of 22.7%. Net income increased 50.4% to $442 million or $1.64 per share, with an annualized return on beginning of year equity of 23.7%.

Our growth in net premiums written accelerated to 10.7% to a record of almost $2.9 billion. Rate improvement and exposure growth continued to contribute to the increase in our top line. Before discussing the segment results, we reclassified a program management business from the Insurance segment to the Reinsurance & Monoline Excess segment. This reclassified business has similar characteristics to one of our reinsurance operations already in the Reinsurance & Monoline Excess segment and has common management for both operations. And accordingly, reclassifications have been made to the company's 2023 financial information to conform this presentation.

Having said that, the Insurance segment increased net premiums written by 11.9% to more than $2.4 billion, and the Reinsurance & Monoline Excess segment increased 4.2% to more than $400 million. Pretax underwriting income increased 31.8% to $309 million. And our calendar year combined ratio improved 1.8 points from the prior year to 88.8%. The current accident year combined ratio ex cats was flat year-over-year at 87.7%. A reduction in the current accident year catastrophe losses contributed to a benefit of 80 basis points to the calendar year loss ratio of 60.2%.

Cat losses were $31 million or 1.1 loss ratio points in the current quarter versus $48 million or 1.9 loss ratio points in the first quarter of 2023. Combining this improvement, along with the prior year favorable development of approximately $1 million, brings our first quarter 2024 accident year loss ratio ex cats to 59.1%. The slight uptick in the ratio from the prior year is due to business mix. The expense ratio improved 20 basis points to 28.6% due to a nonrecurring benefit associated with compensation. We remain confident that our 2024 full year expense ratio should be comfortably below 30% even with the previously announced new start-up operating unit expenses.

Pretax net investment income grew 43.2% to a record $320 million in the current quarter. Our core portfolio increased more than 63%, which was influenced by Argentine inflation-linked securities. We don't expect the remainder of 2024 to benefit significantly from much of these securities which have matured in the first quarter. Partially offsetting this benefit is a loss of $29 million from investment funds.

As you may recall, we report investment funds on a 1 quarter lag. And since our first quarter represents the fourth quarter of the year for investment funds, we believe their mark-to-market process is more rigorous due to financial statement audits. The 2 primary fund strategies for the current quarter's loss were transportation and financial services. To synthesize this down for the second quarter of 2024, we expect investment funds will have less impact from mark-to-market and perform more like they did in the fourth quarter of 2023 as we expect the Argentine inflation linkers to do as well.

We had very strong operating cash flow of $746 million in the first quarter, an increase of almost 68% compared with last year. The combination of new money rates above the roll-off yield on our fixed maturity portfolio and increasing investable asset base, the company is well positioned for our future investment income growth. In addition, credit quality of the portfolio remains at a AA minus, duration increased from 2.4 years to 2.5 years in the first quarter.

The effective tax rate increased to 23% in the first quarter and we expect this to remain elevated throughout 2024 when compared to the prior year. The amount of foreign income and its contribution to the global earnings of the company at tax rates greater than 21% statutory rate in the

U.S. will likely result in a higher annual expected effective tax rate. Our stockholders' equity remains very strong at a record $7.8 billion despite an increase in unrealized losses and currency translation losses of $98 million in the quarter. Book value per share was $30.34 at quarter end, an increase of 4.4% from year-end and 14.7% over the prior year quarter.

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

W. Robert Berkley, Jr.

Okay. Rich, thank you. So let me start with a few sort of comments on the marketplace and then I'll offer a few further observations on our quarter. So perhaps a place to begin would be bifurcating between insurance versus reinsurance, which, obviously, these markets are related but they're not one and the same. And starting with insurance, maybe calling out E&S as a part of the market, I think there's been some commentary around perhaps E&S is losing some momentum.

And I would suggest that one needs to use -- at least through my lens, somewhat of a finer brush. As far as we can see the momentum for the liability lines or the -- continues to be as strong as ever, to the extent you're seeing any slowing in the momentum of E&S, it's likely to be property related. As far as the property market in general, when it comes to insurance, we think that it still does have some momentum but it probably does not have the level of momentum that it had last year.

We're still seeing rates moving up and we expect they will continue to move up for the immediate future. That having been said, I think part of what you're seeing is the insurance marketplace catching up to what the reinsurance marketplace had taken action around and their costs of the capacity they rent has gone up. As far as GL, again, from our perspective, it remains very robust, both admitted and non-admitted. And no surprise, it's the social inflation continuing to persist, that is driving that.

Just on the topic of social inflation, auto, which as I think I've commented on in the past, continues to be very much in the crosshairs of social inflation. We think that, that is part of the market that you're going to see considerable additional firming going on, specifically in commercial auto. Excess and umbrella, particularly to the extent that it relates to the commercial auto market, you're going to see additional firming there as well. Workers' compensation, we have offered our more defensive view around that. And of course, as far as professional liability goes, we have called out D&O, where obviously, some number of years it spiked, more recently, it has been dropping at somewhat of a precipitous rate. And at this stage, we view that -- it is not bottomed but it is closing in on the bottom.

Moving to reinsurance, barring what Mother Nature may do tomorrow, it would seem as though the property cat cycle has run a bit of its course. From our perspective, rates were off for property cat reinsurance at [1/1] by 5% or more risk adjusted. And we'll have to see how that unfolds. That having been said, we are seeing some potential green shoots of discipline returning to the liability market within -- under the umbrella of reinsurance. We have been reasonably outspoken about our concerns around discipline over the past couple of years within the liability -- or the reinsurance liability market and we'll see what comes of that.

Turning to our quarter. Top line, just shy of 11%. As you would have noted in the release, we are pleased with the rate increase that we got at the 7.8%, which, in our opinion, is comfortably outpacing trend in the aggregate. And the renewal retention ratio continues to be at approximately 80%, which is what we would expect. The strength in the insurance growth, as Rich referenced, just shy of 13%, is quite strong. Property, in particular, was a contributor as we take advantage of that market opportunity and again, in keeping with my comments about market conditions.

On the reinsurance front, you would have seen us continuing to exercise discipline when it comes to the casualty or liability lines. As far as our loss ratio goes, clearly, a good performance in the quarter and we believe that the stage is set for a good balance of the year as well as increasingly what we should be expecting for '25 and beyond. Just as a data point that I share from time to time because I think it's a helpful indicator or certainly a truth that we can all hang our hat on, during the quarter, our paid loss ratio was 45.8%, which is the second lowest it's been in the past 8 years and the only time it was lower by 50 basis points. So we are in a very comfortable place on that front.

Just on the topic of losses, maybe spending a few moments on the topic of loss reserves. And I think there's a shared appreciation for the challenges that stem from just to put a stake in the ground, '19 and prior and what that may mean. From our perspective, I think that we are well on our way, as I've suggested to some, to having that behind us. The average life of our reserves is just inside of 4 years. So at this stage, that period is getting very much towards the tail end. Is there perhaps a little bit out there still? We'll see what time it's possible. But certainly, our expectation is that much of it has been processed, if you will.

I think a few other data points that are worth noting, at least we find them to be helpful as leading indicators when it comes to strength of reserves and putting aside the comment about paid losses, we would encourage people to consider having a look at IBNR as a percent of total reserves, the ratio of IBNR to case reserves. And while some people may look at those 2 data points and say, well, they could be impacted by the growth in the business and certainly, there would be that reality to a certain extent though I would suggest that people should look more carefully at how much of our growth was coming from rate.

That all having been said, there is another data point that we look to and we would encourage others to consider as well. And that is initial IBNR as a percent of net premium earned. I think all of these data points that I am drawing to -- your attention to are worth your consideration. And I think would suggest the -- this -- our reserves are in a improving -- a good place and more likely than not continuing to improve and we will see that mature over time.

As far as the expenses go, Rich walked through that. In particular, I would just call out that we had 4 businesses that had been in their infancy in the first quarter of this year. It's the first time we pulled them into the expense ratio and we're pleased to see how they are developing and maturing. Just on the investment portfolio, Rich had walked you through this as well but a couple of highlights from my perspective, he referenced to AA minus and it happens to be a very strong AA minus. So there could be a lot of credit activity and we would still be in a very comfortable place.

As Rich flagged the duration, it nudged out from ['24 to '25]. Do we continue to look for opportunities to nudge it out? Yes, absolutely. Do we feel any pressure that we need to do that overnight? Absolutely not. The book yield, as Rich referenced, or maybe he didn't, I'll be referencing now was 5.9% but if you back out the Argentine component, the book yield is actually 4.2%. I think that's relevant because when we talk about how we're sort of laying the ground for the future here or what one should expect going forward, with our sort of core domestic portfolio, which is the lion's share of what we have at [4.2%] and a new money rate that's somewhere between [5.25 and 5.50], I think that combined with the strength of our cash flow, should give you a sense as to the earnings power of the business and the contribution that we will be receiving from the investment portfolio, which again, I think there's considerable upside from here, again, with the domestic core fixed income portfolio that's 100 basis points plus upside from here.

So when you put it all together, I think that we have been thoughtful and prudent on the underwriting side. We responded as we -- to the data and pushed rate and adjusted terms, conditions and appetite, mix of business and we are seeing the benefits of that. But we don't want to quite frankly, as we've shared with you in the past, declare victory prematurely and -- but more likely in my opinion than not, that we'll see with time good news to come on that front.

In addition to that, as I just suggested, as it relates to the other part of our economic model, our investment portfolio, very well positioned, benefiting from the focus and the discipline and the opportunity to take advantage of a new money rate that is 100 basis points above where our book yield of our core portfolio will prove to be very advantageous.

So with that, I will pause there and Audra, if we could please open it up for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Mike Zaremski at BMO.

Michael David Zaremski - *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Thanks for the data point on the (inaudible) you incurred and the color on the reserves. Just curious, your -- what we did see in the [stat] statements too, that the reserve ratios appear to be getting better. Just curious, do you guys make any material changes or maybe top off a little bit the '23 vintage as well?

W. Robert Berkley, Jr.

When you say top off, what are -- what is your...

Michael David Zaremski - *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Just curious if you made any changes to kind of your view on the more -- on the '23 vintage as well, which we couldn't see any of the -- any changes there on the [stat] data, we won't see that until next year.

W. Robert Berkley, Jr.

Nothing particularly material at this stage. Again, we think that the -- look, we're constantly looking at our loss picks and trying to tweak and refine. So it's not like we've come up with these picks and then they're frozen indefinitely. That having been said, there was nothing material or consequential to the portfolio overall as far as changes during '23.

Michael David Zaremski - *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Okay. Got it. In your prepared remarks, Rob, in the beginning, it sounded like you're just as optimistic or maybe more optimistic about how the portfolio is coming together than you were last quarter. I guess pricing power, I know it's just a quarter, doesn't make a trend, looks like it's kind of flattish. Are you -- are we still kind of on the view that top line growth is likely to be in the low double digits for the year? Or do you think things could play out a bit better, especially as pricing on the cash lease side for the industry starts to move a bit north.

W. Robert Berkley, Jr.

My best guesstimate at this stage and that's with a capital G, is that we should be able to grow the business, given what I see, between 10% and 15%. As Mike, I know you're aware of and we all presumably have a shared appreciation, we have 60 different businesses all focused on different niches within the marketplace. And at any moment in time, there are parts of the market that we participate in that are improving and there are parts of the market that are facing more of a headwind. One of the things, again, as I think we've discussed in the past is that once upon a time, these product lines marched in lockstep, at this stage, they have seem to be decoupling more and more every day. So there'll be some puts and there'll be some takes. But overall, I think that there's a better-than-average chance that we can grow between 10% and 15% for the foreseeable future. Could there be a quarter that we come in shy of that? Yes. Could there be a quarter that we exceed that? Yes. But that's sort of the channel markers I would offer you.

Michael David Zaremski - *BMO Capital Markets Equity Research - MD & Senior Equity Research Analyst*

Okay. And just lastly, on property. I feel like there was a couple of comments made. You said that maybe that's an area that could lose a bit of pricing momentum in the E&S marketplace, given it's a more, in my words, a little bit more commoditized line in terms of ability for people to come in and out. But then you also said you're -- I think you've been growing in the property a bit over time. So I just want to be clear. Do you still feel like property is an area that over the course of the year, returns are good that, Berkley, which is underweight, can play more offense?

W. Robert Berkley, Jr.

Look, so let's maybe just to bifurcate it a little bit between insurance and reinsurance. So first off, I think that one needs to understand, just because pricing has peaked, that doesn't mean there's not still good margin to have. So if you look at our reinsurance business and the opportunity that we still see in property, we view it as still a healthy line. That having been said, barring the unforeseen event, we think that property cat specifically has perhaps seen the peak. We'll see with time. Obviously, the reinsurance marketplace has an impact on the insurance market. When reinsurance costs are up, then obviously that, there is a trickle through or a waterfall effect for the insurance market and there is a little bit of a delay in that.

So the reinsurance market, which forced the firming, I think, is out ahead. I think there's still margin to be had there. I think the impact that it's had on the insurance market is still very real as the insurance market is still coming to grips with that higher cost of capacity that they rent from the reinsurance marketplace. But I don't think that there is the same level of pressure or urgency in the insurance marketplace, in particular E&S, that we saw or felt 1 year ago. That doesn't mean there's not still opportunity. That doesn't mean we don't feel like the margin and don't still want to have a second helping of whatever the market can offer. We have a view as to what adequate rate is in order to achieve the risk-adjusted return that we think is appropriate. Right now, we think that opportunity, generally speaking, still exists in property. How quickly that will dissipate? I don't know. But we play close attention to it and we will not have an issue shutting off the spigot if we don't think it is a good use of capital going forward.

Operator

We'll take our next question from Josh Shanker at Bank of America.

Joshua David Shanker - *BofA Securities, Research Division - MD*

I was interested in just getting a little bit of past perspective and maybe future perspective on the impact of the Argentine component of the investment portfolio in the traditional NII? How has it impacted the past this quarter? And how should we think about it in the future as a one-off line item?

W. Robert Berkley, Jr.

Okay. So it's -- what I would describe is somewhat of a recent phenomenon that is a reflection of the shift in the political environment. As far as data points go, Richie, I know that in your comments, you alluded to what we saw in the -- I guess, it would have been the fourth quarter of last year, which was really the, I think, one of the first meaningful contributions or impacts that we saw and we saw a even greater impact in the fourth quarter and we'll see how it unfolds from here. So Rich, do you want to just spend a moment maybe sharing with Josh and others that may be interested in what has transpired with these linked securities in Argentina?

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

Sure. Happy to do that, Rob. So Rob had alluded to earlier, the impact excluding Latin America in terms of our book yield being 4.2%. If we were to look to the prior period a year earlier, if you will, just to show an appreciation for the increase in the domestic portfolio that would have been around 3.6%. So certainly saw some pickup there in regards to our overall yield. We did have a majority of our Argentine positions mature in the first quarter. And so for that reason, that's why we're saying that we would not anticipate the same level of investment income that we saw in the first quarter of this year but would anticipate that we would get back down to a more leveled basis as it relates to the Latin American portfolio in the second quarter and it will continue to decrease as the remainder of those inflation linkers mature throughout the remainder of this year.

Joshua David Shanker - *BofA Securities, Research Division - MD*

So given that sort of situation, if we think about the amount of the portfolio that matured this year or was preempted by a sale of investments, it was no different than in prior quarters. We can look at the sort of the trajectory and where investment income has gone excluding 1Q and think about that might be a way to think about as we head to a 5.5% yield on the overall portfolio that it will continue along the trajectory towards that path?

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

I think that's a fairly reasonable approach, Josh, yes.

Joshua David Shanker - *BofA Securities, Research Division - MD*

Okay. And just on the reserve releases, historically, you tend to be pretty conservative in your portfolio, not releasing a lot of reserves. Sometimes there was one, of course, where it happened. What happened in this quarter that made you feel that there was a reason to throw off some reserves here?

W. Robert Berkley, Jr.

Josh, we -- as I think we've discussed in the past, we look at our reserves in a variety of different ways by each one of the operations that makes up the group, by product line, at a very granular level. We also look at it at the aggregate as well, the group level and we assess where we are and what we need and what tweaking needs to happen. I think there tend to be some folks that intend to maybe not try and tweak as regularly as we do but we are constantly looking at it and trying to make sure that we're not getting the porridge too hot or too cold. So at any moment in time, there's 60 different moving pieces but we feel as though that things are in a good place.

Operator

We'll go next to David Motemaden at Evercore ISI.

David Kenneth Motemaden - *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

Just had a question if you could just let us know, I understand it's about $1 million of favorable PYD. How much of that was coming from the insurance segment versus the reinsurance segment? And maybe just a little color in terms of the movement between lines and accident years.

W. Robert Berkley, Jr.

So David, to make a long story short, the amount of movement from each one of the 2 segments was what I would define relative to the overall reserve position of each segment, let alone the aggregate, one could say it's immaterial. And as far as the development goes, if you wouldn't mind just catching up with Karen on those details but there wasn't anything out of the ordinary from -- based on what I have, the sheet that I have in front of me. But why don't you catch up with Karen, she can try and give you a little bit more detail on that. But if your question is, are we taking lots of reserves out of the current year or the more recent year, no, the answer is, we're not. And as a reminder, our -- life of our reserves is just inside of 4 years and the incurred tail is inside of 3 years.

David Kenneth Motemaden - *Evercore ISI Institutional Equities, Research Division - MD & Fundamental Research Analyst*

Got it. That's helpful. And then just following up on that, just looking at the accident year loss ratio ex cat in the insurance business, assuming negligible PYD to sort of back into that, it looks like it deteriorated around 100 basis points year-on-year. I'm wondering, was there any change that you guys made to loss trend or anything on the mix side that you would just call out as sort of pushing that up?

W. Robert Berkley, Jr.

Richie, is there anything that you recall?

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

I think certainly, with social inflation, some of our loss picks maybe are slightly higher than where they had been the year earlier but it really is just the mix of the business that's still keeping right through that.

W. Robert Berkley, Jr.

Yes. And probably the areas -- well, not probably, the areas that we are looking at hardest at the picks would be around commercial auto and it's less that we have concerns about prior years, it's more that we just have concerns about the environment and where it seems to be today and where we expect it's going tomorrow and we've got to keep up with that. Commercial auto and quite frankly, the -- some of the excess and umbrella as well.

Operator

We'll move next to Elyse Greenspan at Wells Fargo.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

My first question is just in terms of the flow of business you guys are seeing to the E&S market. We saw some stamping capacity out of 3 of the largest E&S states turned negative in March, which I recognize is only 1 month of data but just curious what you're seeing with the flow to the E&S market? And any color you have just on what we saw in those 3 states in March?

W. Robert Berkley, Jr.

So I'm not familiar with the data, Elyse, that perhaps you have in front of you. But speaking to our experience, we continue to see during the first quarter, very robust activity on the E&S front, particularly on the casualty or liability in general. Property, there continues to be an opportunity. But again, I think it's probably not what it was 1 year ago. And I think that's just the reality of things and the cycle. So we are more of a liability shop than a property shop though we do participate in property. I expect that we'll try and make some more hay in property before we call it a day. But it is possible that, that may have not peaked but property is peaking.

On the liability front, there is nothing that leads me to believe that the momentum is going to be subsiding anytime soon. I think the reality is that social inflation, the legal environment, the social environment persists and that continues to drive loss cost. And I think that there's some reasonable chance that the reinsurance marketplace is becoming more acutely aware of this social inflation issue and you're going to see them look for opportunity to try and put pressure on the insurance marketplace when it comes to casualty and liability lines like they did on the property front. As it relates to us, we are less exposed or susceptible to that because we are a small limits player, approximately 90% of our policies that are legally allowed to have a limit, have a limit of $2 million or less. So we are not as exposed to the wins of the reinsurance market. But we look forward to the reinsurance market embracing greater discipline on the casualty lines.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

And then going back to one of the prior questions on the loss ratio, I guess, within insurance. I know you guys mentioned mix driving that up and it sounds like there's nothing else going on there except some prudence you pointed to within the picks around commercial auto. So given that you guys have these designed loss ratios, would you expect like the underlying loss ratio over the balance of the year in insurance to be pretty consistent with what we saw in the first quarter?

W. Robert Berkley, Jr.

I think that we will continue to look at the business and the data and how we think things are performing. And Elyse, hopefully, you would expect we will respond accordingly. So that's the best I can do. Sorry, if it's not good enough.

Elyse Beth Greenspan - *Wells Fargo Securities, LLC, Research Division - Director & Senior Analyst*

No, that is good enough. And one last one on workers' comp. Anything that you're seeing there? I know at times, you kind of called for a floor and a turn and obviously, that's been good opportunities for folks for a while and I know that business for you guys, we did see a little bit of a decline in the Q1. But how are you thinking about the comp market, not only in '24 but also going into 2025 as well.

W. Robert Berkley, Jr.

Look, my colleagues and I, we continue to have a view that frequency remains the industry's friend. And we, along with others, have benefited from that but are sensitive to or maybe I'd take a step further and suggest concerned about medical costs and where they are likely going and then there's a delay there. So are we at the bottom? It would seem as though my calling the bottom, I was just -- some might say early, others might just say wrong. That having been said, I think we are seeing more signs of California bottoming out and the rest of the country or much of the rest of the country is probably a pace or two behind.

Operator

We'll move next to Ryan Tunis of Autonomous Research.

Ryan James Tunis - *Autonomous Research US LP - Senior Analyst of Property & Casualty Insurance*

Yes. So just, I guess, on this E&S point, if we do get into an environment where business starts to flow from E&S back to admitted, can you just talk about, I guess, the capability of your business to be above [weighted] or admitted paper as well. And I would guess you'd have better capability to do that on the casualty side than the property side. But I'm not sure about that but I'm just curious, like I know as you've kind of been "standard" not admitted player, you kind of live between. So yes, just curious on your thoughts.

W. Robert Berkley, Jr.

Ryan, thanks for the question. And the long story short, obviously, we have both the tools and the expertise to write both non-admitted and admitted. I mean, ultimately, what it really boils down to is when some of those exposures make their way back into the standard market, is that something that we think is a sensible use of our capital when the standard market, if it were to become more competitive, at that time, do we still think that it's a good use of capital. So do we have the ability to do it? Yes but we'll need to look at the pricing, the terms and conditions and my colleagues will have to reach a conclusion as to whether they get sensible or not. So the tools and the capabilities, yes and colleagues will have to decide whether it makes sense or not.

Ryan James Tunis - *Autonomous Research US LP - Senior Analyst of Property & Casualty Insurance*

Got it. And then shifting gears, I guess, thinking about the expense ratio, I guess, just looking at the model this morning, this cycle, there's been more underlying combined ratio improvement on the expense ratio than there's been on the loss ratio, which is a good thing, assuming it's sticky. You've obviously talked about a sub-30 combined but you didn't use to have that. So I just wanted to clarify like is that short-term guidance? Or is like this type of expense ratio level plus or minus a point where you think you can do (inaudible) perpetuity?

W. Robert Berkley, Jr.

Our expectation is that it's going to start with a 2 indefinitely. Is it possible there could be some extraordinary something or other that could change that? Yes, of course. But at this stage, we feel that we are in a good place and that this is very sustainable.

Operator

We'll go next to Mark Hughes at Truist.

Mark Douglas Hughes - *Truist Securities, Inc., Research Division - MD*

I think you've expressed more enthusiasm about the other liability than commercial auto but commercial auto accelerated a bit and kind of outgrew other liability, which decelerated a little bit in terms of net premiums written. Anything to read into that?

W. Robert Berkley, Jr.

I think the takeaway should be how hard we are pushing on the commercial auto rate and the markets accepting it to a great extent.

Mark Douglas Hughes - *Truist Securities, Inc., Research Division - MD*

What do you see in terms of pricing in the liability line? You've obviously given us kind of your consolidated nonworkers' comp number but anything specifically about the other liability?

W. Robert Berkley, Jr.

Rich, my recollection is that we don't break out our rate increase by product line. Is that correct?

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

That's correct, Rob.

W. Robert Berkley, Jr.

Yes. So Mark, what I would offer you for your consideration is that we feel comfortable that we are outpacing comfortably our view on trend or certainly, without a doubt, keeping up with it and likely outpacing it.

Mark Douglas Hughes - *Truist Securities, Inc., Research Division - MD*

Very good. And then final question. The cash from operations is quite strong. If you touched on that earlier, I apologize but what was the big driver of the year-over-year increase?

W. Robert Berkley, Jr.

Richie -- go ahead, Rich.

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

It's really driven by the underwriting performance. So we had very strong cash collections on a net premium basis. And then our paid losses, as Rob alluded to earlier, from the paid loss ratio perspective, was very low as well. And so the combination of those 2 items was really the biggest driver.

Operator

We'll go next to Brian Meredith at UBS.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Two questions. Rich, I'm just curious, could you just give us the actual income that you generated from the Argentina inflation bonds in the quarter, just so I don't have to do the math?

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

Rob, I'm not sure we've then generally given that level of detail. I'm not sure.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

I can back into it with what you said in the yield but I just wanted to know what the actual number was.

Richard Mark Baio - *W. R. Berkley Corporation - Executive VP & CFO*

Why don't we take it offline? I don't think...

W. Robert Berkley, Jr.

Yes, Brian. He's just going to check with an attorney and call you back. How about that?

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Okay. Fair.

W. Robert Berkley, Jr.

The world we live in.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Rob, I'm just curious, perhaps you can remind us how much of your, call it short tail business is cat exposed. And how should we think about your kind of cat load here in '24 based upon just the growth you're seeing in that short tail business?

W. Robert Berkley, Jr.

I'm just trying to -- to make sure I understand, Brian, you want to know how much of our business is cat exposed.

Brian Robert Meredith - *UBS Investment Bank, Research Division - MD, Financials Research Sector Head & Global Insurance Strategist*

Yes. The short tail business, because you're seeing really good growth in that business and obviously, you said rate is good, right? And I'm just curious, how much of that is actually catastrophe-exposed kind of property versus non-cat exposed, where you're seeing the growth? And then if I look at your, call it, cat load that you've been -- had over the last 1 year or 2, it's kind of running around 2% to 3%. Is that pretty consistent what you think would look like going forward given your portfolio?

W. Robert Berkley, Jr.

The answer is the 2% to 3% is probably in the right ZIP code. It may be up a little bit from there. As far as how much of our portfolio is cat exposed, that's become perhaps a more complicated question than it once was because of what we've seen happen with wildfire and SCS over the past several years. So I don't have a percentage for you as to what's exposed to quake or particularly as we get earthquakes apparently now in the Northeast or exactly what is exposed to wind. We're happy to pick up the conversation offline. But we have a view that cat load has had to evolve from how people thought about it just a few years ago. So the short answer is, I don't have a percentage for you but we're happy to further the conversation, if you like.

Operator

We'll go next to Meyer Shields at KBW.

Unidentified Analyst

I just had one -- this is Dean on for Meyer. I just had one question. I was short of surprised to see -- I was sort of surprised to see that there were no share repurchases in the quarter. Is there anything -- any more color you could provide on that? And how should we think about repurchases for the remainder of the year?

W. Robert Berkley, Jr.

We have -- I think as we've discussed in the past, we have a view as to what the real book value of the business is, putting aside the various accounting principles. We have a view as to what we think the earnings power of the business is and obviously, we know what the stock is trading at. And when we see an opportunity to step in and buy the stock and then what we view is an attractive manner for the shareholders, we will do so. But at this stage, we have not felt as though that's the best mechanism to return capital to shareholders.

Operator

And that concludes our Q&A session. I will now turn the conference back over to Rob Berkley for closing remarks.

William Robert Berkley - *W. R. Berkley Corporation - President, CEO & Director*

Okay. Audra, thank you very much and thank you to all for finding time to dial in. We appreciate your interest in the company. Again, I think by any measure, a very strong quarter but perhaps, at least from my perspective, more interesting, more exciting is how the stage is set for what will not just be the balance of this year but likely more and more what '25 will shape up to be. Thank you. Take care. Bye-bye.

Operator

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