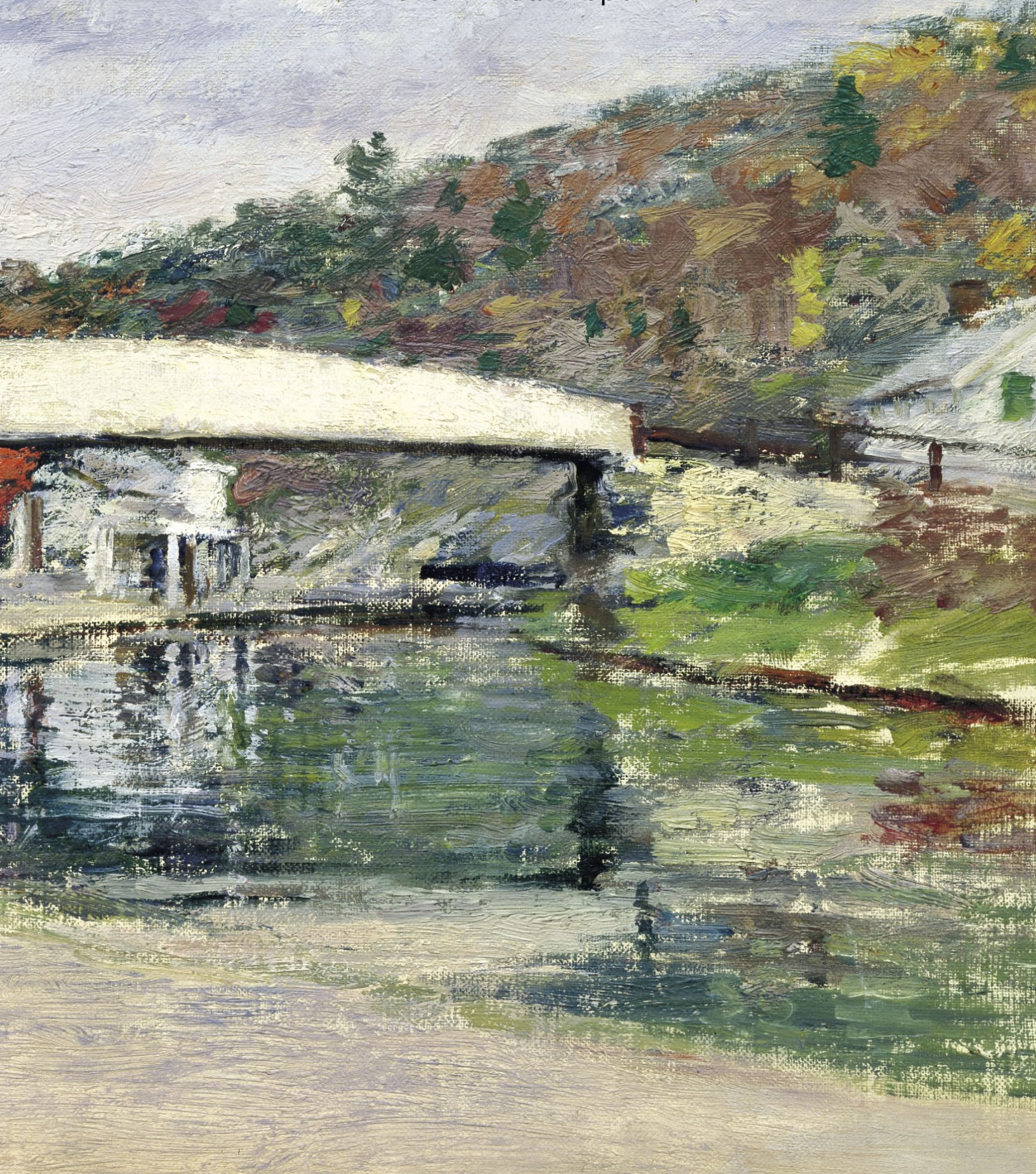


W. R. BERKLEY CORPORATION

2013 Annual Report



2013 FINANCIAL HIGHLIGHTS

We believe our Company is well positioned and, unlike many, we have not lowered our standards in these more difficult economic times. We continue to target a 15% after-tax return.

11.6%

Return on stockholders' equity averaged 17% over the past 10 years.

\$3.55

Net income per share increased 92% in the past 5 years.

\$6.4 billion

Total revenues increased 10% in 2013.

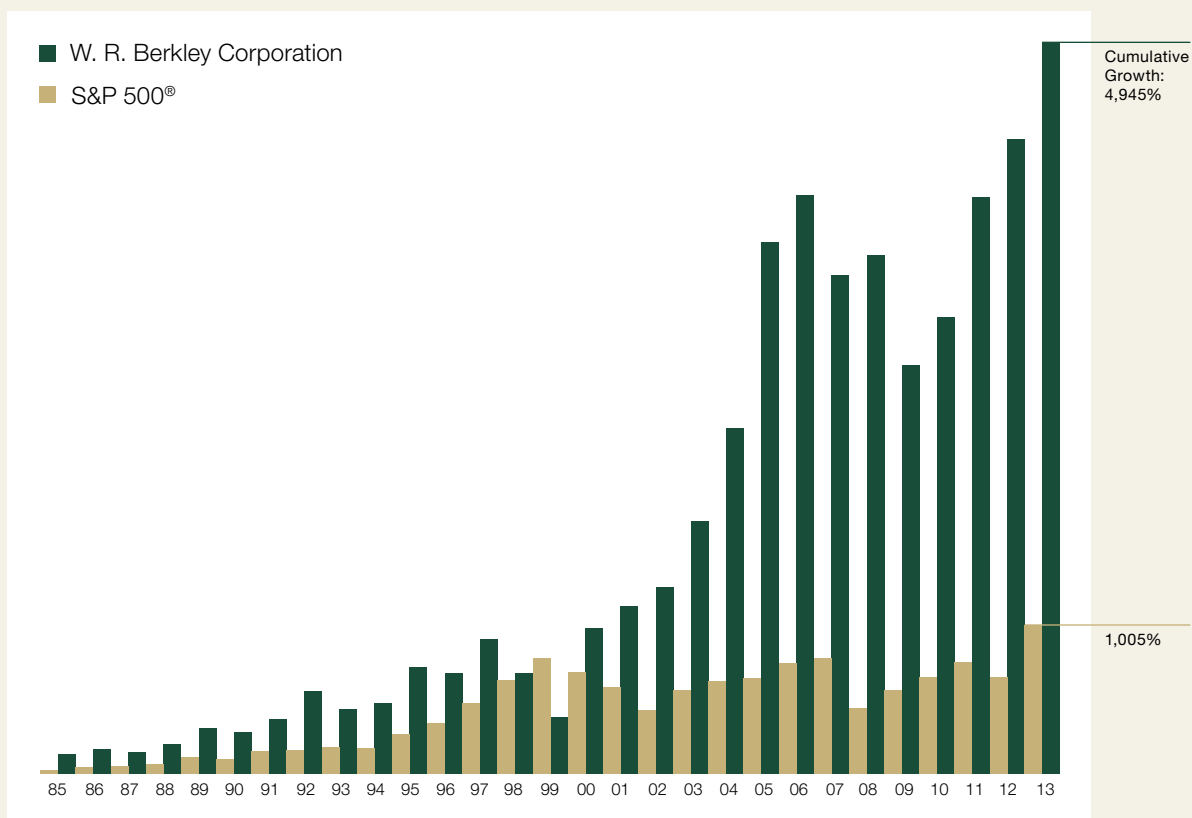
95.1%

Combined ratio averaged 95.9% over the past 5 years.

TABLE OF CONTENTS

Our Business	03
Chairman's Letter	05
Segment Overview	12
Form 10-K	15
Operating Units	125
Board of Directors	136
Corporate Information	138

RELATIVE STOCK PRICE PERFORMANCE



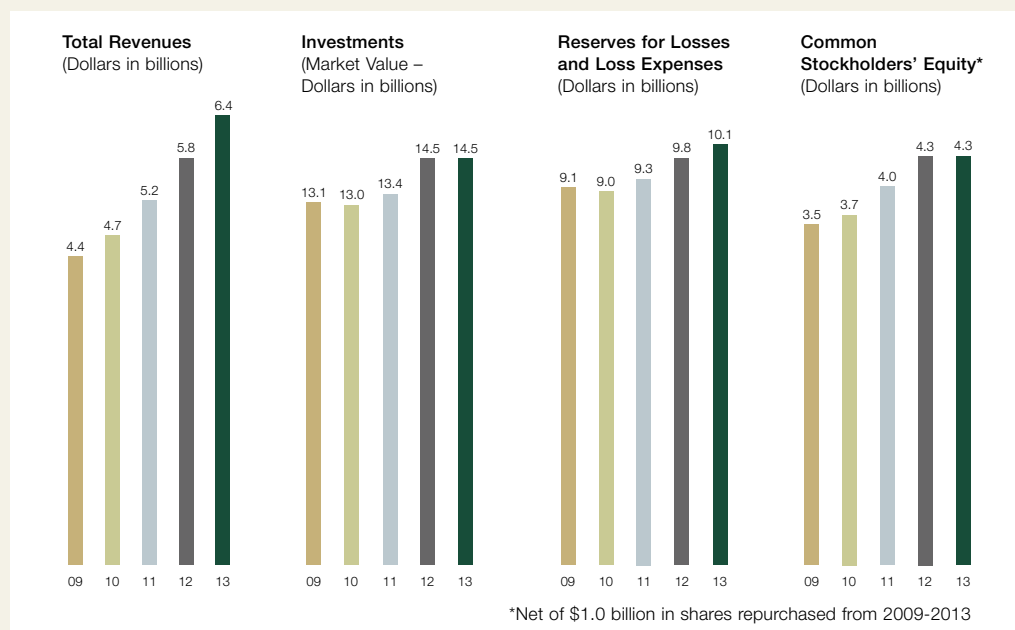
In thousands, except per share data

Years ended December 31,	2013	2012	2011	2010	2009
Total revenues	\$ 6,408,534	\$ 5,823,554	\$ 5,155,984	\$ 4,724,069	\$ 4,431,178
Net premiums written	5,500,173	4,898,539	4,357,368	3,850,926	3,730,095
Net investment income	544,291	586,763	526,351	530,525	379,008
Insurance service fees	107,513	103,133	92,843	85,405	93,245
Net income to common stockholders	499,925	510,592	391,211	446,405	307,506
Net income per common share:					
Basic	3.69	3.72	2.80	3.00	1.92
Diluted	3.55	3.56	2.69	2.88	1.85
Return on common stockholders' equity	11.6%	12.9%	10.7%	12.6%	10.3%

At Year End

Total assets	\$20,551,796	\$20,155,896	\$18,403,873	\$17,477,070	\$17,280,001
Total investments	14,548,630	14,467,440	13,439,518	12,995,393	13,050,238
Reserves for losses and loss expenses	10,080,941	9,751,086	9,337,134	9,016,549	9,071,671
Common stockholders' equity	4,336,035	4,306,217	3,953,356	3,651,399	3,547,472
Common shares outstanding	132,233	136,018	137,520	141,010	156,552
Common stockholders' equity per share	32.79	31.66	28.75	25.89	22.66

AT A GLANCE



W. R. Berkley Corporation, founded in 1967, is one of the nation's premier commercial lines property casualty insurance providers. Each of the operating units in the Berkley group participates in a niche market requiring specialized knowledge about a territory or product.

Our competitive advantage lies in our long-term strategy of decentralized operations, allowing each of our units to identify and respond quickly and effectively to changing market conditions and local customer needs. This decentralized structure provides financial accountability and incentives to local management and enables us to attract and retain the highest caliber professionals. We have the expertise and resources to utilize our strengths in the present environment, and the flexibility to anticipate, innovate and respond to whatever opportunities and challenges the future may hold.

How we are different:

Accountability

The business is operated with an ownership perspective and a clear sense of fiduciary responsibility to shareholders.

People-Oriented Strategy

New businesses are started when opportunities are identified and, most importantly, when the right talent is found to lead a business. Of the Company's 49 operating units, 42 were developed internally and seven were acquired.

Responsible Financial Practices

Risk exposures are managed proactively. A strong balance sheet, including a high-quality investment portfolio, ensures ample resources to grow the business profitably whenever there are opportunities to do so.

Risk-Adjusted Returns

Management company-wide is focused on obtaining the best potential returns with a real understanding of the amount of risk being assumed. Superior risk-adjusted returns are generated over the insurance cycle.

Transparency

Consistent and objective standards are used to measure performance — and, the same standards are used regardless of the environment.

OUR BUSINESS

Today, as yesterday and tomorrow, the combined expertise of underwriting, risk management, claims handling and investing will deliver outstanding risk-adjusted returns.

Insurance-Domestic

The Insurance-Domestic units underwrite commercial insurance business, including excess and surplus lines and admitted lines, primarily throughout the United States.

2013 Results: Total revenues were \$4.3 billion. Pre-tax income was \$649 million.

Insurance-International

The Insurance-International units underwrite insurance business primarily in the United Kingdom, Continental Europe, South America, Canada, Scandinavia, and Australia.

2013 Results: Total revenues were \$770 million. Pre-tax income was \$57 million.

Reinsurance-Global

The Reinsurance-Global units write reinsurance business on a facultative and treaty basis, primarily in the United States, United Kingdom, Continental Europe, Australia, and the Asia-Pacific Region.

2013 Results: Total revenues were \$810 million. Pre-tax income was \$110 million.

W. R. BERKLEY CORPORATION'S PERFORMANCE VS. THE S&P 500®

Annual Percentage Change

Year	in Per-Share Book Value of W. R. Berkley with Dividends Included	in S&P 500® with Dividends Included	Relative Results
	(1)	(2)	(1)-(2)
1974	50.0%	-26.4%	76.4%
1975	12.5%	37.2%	-24.7%
1976	29.6%	23.6%	6.0%
1977	28.6%	-7.4%	36.0%
1978	24.4%	6.4%	18.0%
1979	18.2%	18.2%	0.0%
1980	9.4%	32.3%	-22.9%
1981	14.5%	-5.0%	19.5%
1982	-9.0%	21.4%	-30.4%
1983	-11.6%	22.4%	-34.0%
1984	-16.9%	6.1%	-23.0%
1985	59.6%	31.6%	28.0%
1986	106.8%	18.6%	88.2%
1987	23.5%	5.1%	18.4%
1988	22.5%	16.6%	5.9%
1989	13.2%	31.7%	-18.5%
1990	7.8%	-3.1%	10.9%
1991	20.8%	30.5%	-9.7%
1992	13.5%	7.6%	5.9%
1993	16.7%	10.1%	6.6%
1994	-10.8%	1.3%	-12.1%
1995	34.5%	37.6%	-3.1%
1996	7.9%	23.0%	-15.1%
1997	15.9%	33.4%	-17.5%
1998	1.9%	28.6%	-26.7%
1999	-18.1%	21.0%	-39.1%
2000	17.1%	-9.1%	26.2%
2001	7.6%	-11.9%	19.5%
2002	31.2%	-22.1%	53.3%
2003	26.7%	28.7%	-2.0%
2004	25.6%	10.9%	14.7%
2005	21.9%	4.9%	17.0%
2006	30.1%	15.8%	14.3%
2007	16.3%	5.5%	10.8%
2008	-4.1%	-37.0%	32.9%
2009	23.3%	26.5%	-3.2%
2010	15.4%	15.1%	0.3%
2011	12.2%	2.1%	10.1%
2012	14.8%	16.0%	-1.2%
2013	14.2%	32.4%	-18.2%

Average Annual Gain - 1974-2013

18.0%

10.9%

7.1%

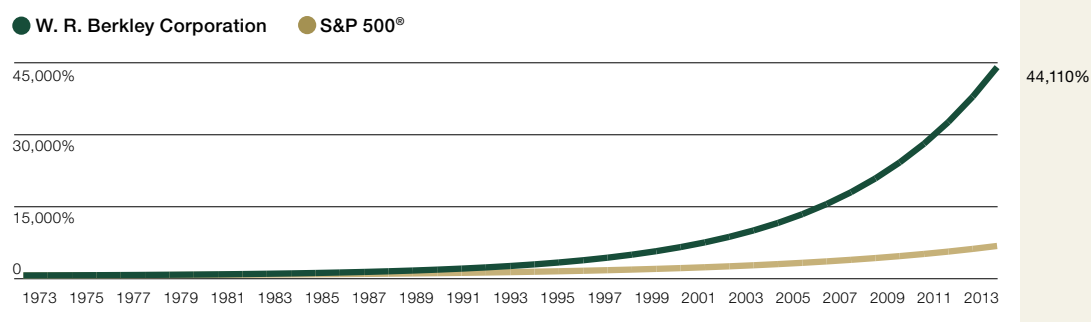
Overall Gain - 1973-2013

37,730%

6,249%

Overall gain 1973-2013 with dividends compounded = 44,110%

Compound Annual Gain 1974-2013 = 16.4%



Notes: W. R. Berkley Corporation's book value per share has been adjusted for stock dividends paid from 1975 to 1983. Stock dividends were 6% in each year from 1975 to 1978, 14% in 1979, and 7% in each year from 1980 to 1983. The Company has paid cash dividends each year since 1978.

CHAIRMAN'S LETTER



Left to Right: W. Robert Berkley, Jr., *President and Chief Operating Officer*
William R. Berkley, *Chairman of the Board and Chief Executive Officer*

To Our Shareholders:

By almost any measure 2013 was a good year. Our underwriting results were strong and improving, our reserves continued to develop modestly redundant, and the concomitant risks taken to achieve these results were well controlled. While other companies have shown results which in one year were better, and less good in another, we manage our business to avoid much of the unpredictable volatility that

generally is not justified by the return that comes with this type of exposure. Our business is managed to optimize risk-adjusted return. Risk is not only measured in an absolute sense but also in terms of volatility and exposure to the possibility of the unforeseen event. We are rewarded for our talented underwriters and their abilities to see opportunity when others only see risk. The

CHAIRMAN'S LETTER

best risk selection is further improved by our skilled claims management. We believe it is just such judgments that allow us to achieve better long-term risk-adjusted returns.

Several years ago as interest rates moved lower, and people became concerned with the risks of both inflation and deflation, we carefully examined our balance sheet. We recognized that our balance sheet gained strength in deflationary times both because our reserves became redundant and our fixed-income

believe our Company is well positioned and, unlike many, we have not lowered our standards in these more difficult economic times. We continue to target a 15% after-tax return.

I would be remiss if I did not comment on our disappointment in addressing the Federal tax issue. We have been unsuccessful to date in persuading our Congress to pass legislation to level the playing field on taxation for property casualty insurance companies. Thus, while our pre-tax earnings continue to generally keep us in a leading position, a number of our competitors who pay little or no tax are able to report better after-tax returns. Despite the proposals being in the President's budget, as well as others put forth by various members of Congress, it is hard to be optimistic that legislation will be enacted in the near term.

On an operating basis the Company continued to make substantial progress. We were successful in increasing prices approximately 6.5% on average during the past year and our overall premium volume increased by approximately 13%. Our core strength was in the U.S., with improved profitability led in particular by our domestic direct businesses. There were a few disappointments, but most of the issues that brought them about were singular events which we believe are behind us. Thus we are optimistic for the coming year.

By almost any measure 2013 was a good year. We are optimistic about 2014.

assets became more valuable. Thus, our thinking focused on the risks of inflation more than the risks of deflation. At the same time, since investment income represents a key part of our profitability, we also had to consider the impact of declining interest rates, all of which we have attempted to address in the composition of our investment portfolio. We

CHAIRMAN'S LETTER

We believe that our competitive advantage relates to being closer to the customer and our ability to make decisions that allow us to be an outcome-focused company in a process-focused industry. We continue to diligently work on bringing focus to our companies. Each of our 49 operating units can benefit from the efficiencies of the scale our enterprise provides, while at the same time there are things because of our structure that allow them to be more responsive to their customers and provide them a competitive advantage. We are working to be sure that our unique model empowers our companies with the flexibility they need, but we do not want to dissipate resources with autonomy that is of no value to our customers or shareholders. Seeking this balance is a key goal for our organization. It is required if we are to be competitive in the years going forward that we achieve this balance. We have no interest in being another large national company but we do want to focus on delivering customized service in the most efficient way possible in order to better meet the real or perceived needs of our customers.

Most of our operating units that have been started in the last six years are gaining the required scale to be viable and competitive. This is a result of our expertise being demonstrated every day when combined with the financial strength of W. R. Berkley Corporation. We provide the financial stability,

underwriting expertise and flexibility which few if any of our competitors can match.

In times such as these, where management changes seem to happen every day and

16%

Total Return

Stock price plus dividends

financial uncertainties arise frequently, our Company provides a state of predictability which allows brokers and agents to act with confidence. They can rely on our enterprise. We manage with a constant set of cultural values that is built around our responsibilities to our agents, brokers and our ultimate customer, with a group of employees who actually believe doing the right thing is important, and a management and board who take their fiduciary responsibilities to all of the various constituencies in a serious way. This means in a business like property casualty insurance where the cornerstone value is trust, the people who have relationships with our companies can be confident we will meet our obligations in

We believe that our competitive advantage relates to being closer to the customer and our ability to make decisions that allow us to be an outcome-focused company in a process-focused industry.

accordance with the terms of our agreement. The people who work at W. R. Berkley Corporation and its member companies are proud of what we do, and take our obligations to our clients seriously. This is a business where people frequently use price as the major determinant in selecting which company they do business with. However, these same people buy insurance to provide protection in case of an unforeseen event. When that happens, it is how claims are handled that becomes the most important thing. We believe that while price is and will continue to be a driving force, over time, customers realize that those companies that focus on appropriate and fair treatment in claims payment are better alternatives in

making a decision in regard to what insurance company to do business with.

In managing our balance sheet, we start by examining how we discern the risks inherent in the loss reserves. We start by measuring the duration of our liabilities, which is currently 4.3 years. For some parts of our business, such as excess workers' compensation, the duration might be as much as 11 years and for other parts the duration might just be 1 year. The 4.3 is an average starting point for our investment portfolio. We take an amount of money equal to our insurance liabilities and invest it in fixed-income securities with a duration that is plus or minus one year from the duration of our liabilities. If we think we are entering a time of deflation, we would have a portfolio a year longer than the duration of our liabilities. If we had a time where we were most worried about inflation, we would have a duration approximately a year short of these liabilities. We have been biased for the past several years to be somewhat shorter than the duration of our liabilities because we have been concerned with the Federal budget deficits and we also believe that in the event of deflation, our balance sheet would benefit through the development of redundant loss reserves. Thus, the prudent decision is to manage to protect from the possibility of inflation.

CHAIRMAN'S LETTER

The balance of our portfolio we invest in an array of items including fixed-income securities. We have been patient in searching out alternative investments that we think can give us double-digit returns. Many of these investments require future commitments. They may be real estate projects that take years for commitments to be invested or long-term portfolios whose commitment levels go up and down. They can be private equities that have not taken up all the money made available. We have generated significant realized gains from these investments and expect that to continue. The gains from most of these investments do not get marked to market, thus, the inherent benefit from this portion of our portfolio does not show up quarter to quarter. And while we recognize that the lack of consistent quarter-to-quarter investment income is not as comfortable for some of our investors, it seemed the appropriate strategy given the current interest rate environment.

We believe the slightly more lumpy gains from this investing will help return our Company to the 15% after-tax objective that we have set for ourselves. We continue to believe that adequate liquidity and a high-quality fixed-income securities portfolio should be the foundation for any property casualty insurance company no matter what the size. Our job is to always be prepared for the unforeseen or unanticipated event. That clearly puts a burden

on us. But that is a responsibility for the equation of trust that we have accepted.

We formed two new operating units in 2013: Berkley Design Professional Underwriters, led by Stephen Porcelli, and Berkley Southeast Insurance Group, led by Dennis Barger. Gerald Bushey, Alastair Blades and Keith Mitchell, who have each been part of our organization for a number of years, assumed the leadership of Carolina Casualty Insurance Group, W. R. Berkley Syndicate 1967, and Union Standard Insurance Group, respectively. Timothy Galvin also joined us during the year to lead Midwest Employers Casualty Company.

As we look back on the past five years, where our returns have averaged 11.6%, we have not been satisfied. While compared to Treasuries and the low risk we believe inherent in our business model, these returns may look attractive, yet they have not met our standard. We have slowly moved our portfolio to achieve improving returns. We expect that will be more

18%

Average Annual Gain
1974-2013

in per share book value with
dividends included

CHAIRMAN'S LETTER

We provide the financial stability, underwriting expertise and flexibility which few if any of our competitors can match.

visible in 2014. At the same time, the consequence of our focus on increasing prices and reducing expenses should also bring about visible improvement in our results. We are optimistic about 2014. Optimism is however derived from the inputs of hard work and a thoughtful strategy. We have every reason to believe that the upcoming year, while not without its challenges, will be rewarding to our shareholders.

Our Company could not be a success without the commitment of our more than 7,000 employees each of whom individually makes a significant difference to the success of our enterprise. To our officers and directors, whose advice Rob and I rely upon throughout the year, and to the thousands of agents and brokers

who regularly submit business to our companies and trust us to appropriately deal with their most precious relationships, we express our ongoing appreciation.

As the price increases convert to earned premium, and our newer ventures achieve the necessary scale for economic success, we are confident. The insurance industry is in a period of many changes. Today, as yesterday and tomorrow, the combined expertise of underwriting, risk management, claims handling and investing will deliver outstanding risk-adjusted returns. We believe W. R. Berkley Corporation will continue to do this.



William R. Berkley

*Chairman of the Board and
Chief Executive Officer*

Investments

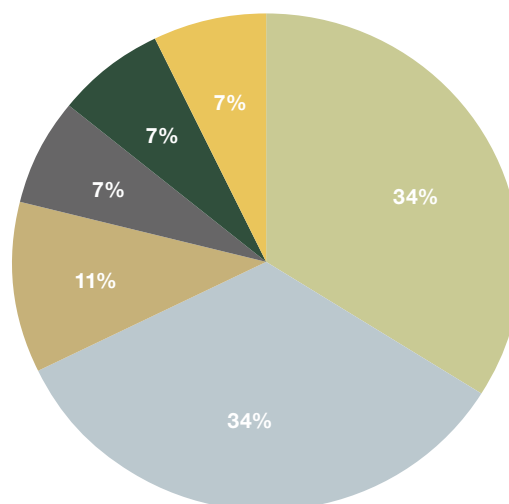
\$15.4 Billion Cash and Invested Assets

In this extended low interest rate environment, we are investing for total return. The biggest question we face is the tension between the risk of inflation and the threat of deflation. We have attempted to address all of these factors in the composition of our investment portfolio.

Breakdown of Fixed Maturity Securities

(Including cash) (By percentage)

- State and Municipal Bonds
- Corporate Bonds
- Mortgage-backed Securities
- Foreign Bonds
- Cash and Cash Equivalents
- U.S. Government and Government Agency Bonds



Investment Data

(Dollars in millions)

	2013	2012
Cash and invested assets:		
Invested assets	\$14,548	\$14,467
Cash and cash equivalents	\$ 840	\$ 906
Total	\$15,388	\$15,373
Net investment income	\$ 544	\$ 587
Net investment gains	\$ 122	\$ 210

SEGMENT OVERVIEW

Each of our three business segments – Insurance-Domestic, Insurance-International and Reinsurance-Global – comprises individual operating units that serve a market defined by geography, products, services, or types of customers. Our growth is based on meeting the needs of customers, maintaining a high-quality balance sheet, and allocating capital to our best opportunities.

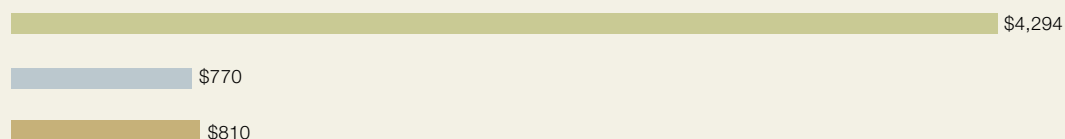
We combine capital with outstanding people and wrap it all in a culture that is focused on optimizing risk-adjusted returns. It creates a permanent competitive advantage that can only be acquired over many years with consistent discipline.

2013 Segment Revenues and Pre-tax Income

- Insurance-Domestic
- Insurance-International
- Reinsurance-Global

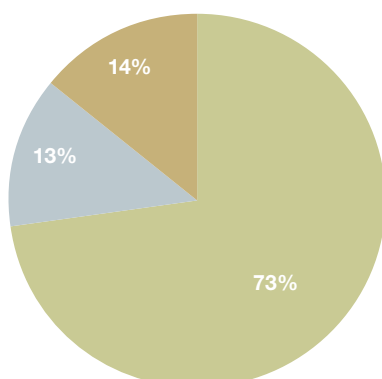
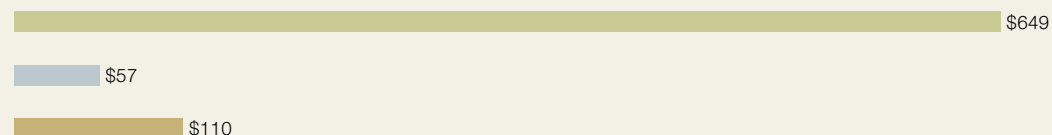
2013 Revenues

(Dollars in millions)

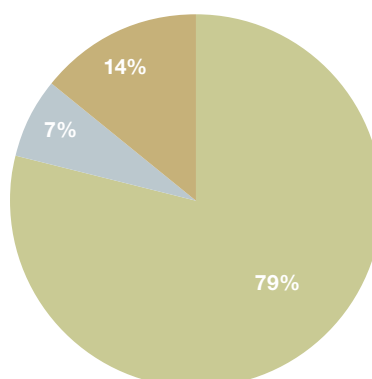


2013 Pre-tax Income

(Dollars in millions)



2013 Revenues
(By Percentage)



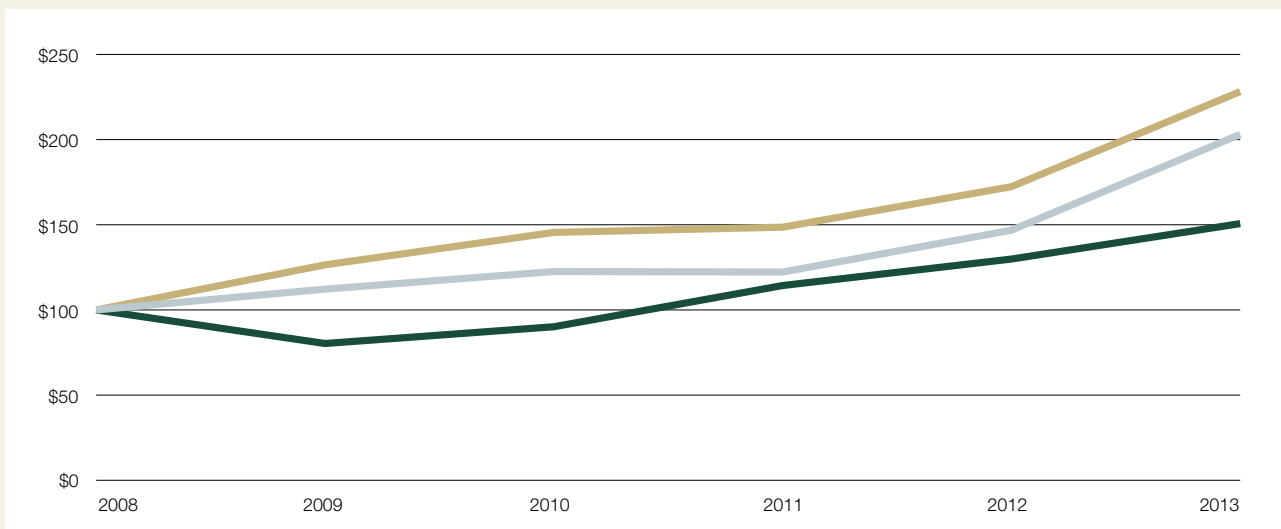
2013 Pre-tax Income
(By Percentage)

Comparison of Cumulative Total Returns

Assumes initial investment of \$100 on January 01, 2009 and 2004, respectively, with dividends reinvested

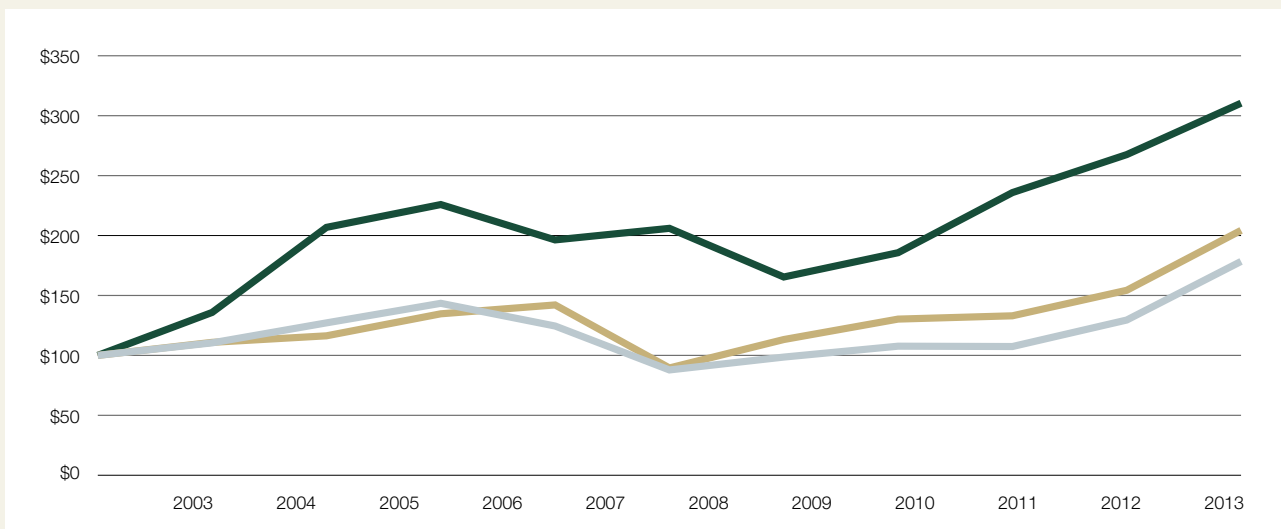
■ W. R. Berkley Corporation ■ S&P 500® Index ■ S&P 500® Property & Casualty Insurance Index

5 Year



	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13
W. R. Berkley Corporation	\$100.00	\$ 80.29	\$ 90.13	\$114.33	\$129.87	\$150.69
S&P 500® Index	\$100.00	\$126.46	\$145.51	\$148.59	\$172.37	\$228.19
S&P 500® Property & Casualty Insurance Index	\$100.00	\$112.21	\$122.55	\$122.24	\$146.82	\$203.04

10 Year



	Dec 03	Dec 04	Dec 05	Dec 06	Dec 07	Dec 08	Dec 09	Dec 10	Dec 11	Dec 12	Dec 13
W. R. Berkley Corporation	\$100.00	\$135.86	\$206.82	\$225.86	\$196.36	\$206.01	\$165.41	\$185.68	\$235.54	\$267.54	\$310.43
S&P 500® Index	\$100.00	\$110.88	\$116.33	\$134.70	\$142.10	\$ 89.53	\$113.22	\$130.28	\$133.03	\$154.32	\$204.30
S&P 500® Property & Casualty Insurance Index	\$100.00	\$110.45	\$127.13	\$143.45	\$124.51	\$ 87.86	\$ 98.59	\$107.68	\$107.40	\$129.00	\$178.40

The S&P 500® Property and Casualty Insurance Index consists of ACE Ltd., Allstate Corporation, The Chubb Corporation, Cincinnati Financial Corporation, Progressive Corporation, The Travelers Companies, Inc., and XL Group, plc.

Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2014.
Index Data: Copyright Standard and Poor's Inc. Used with permission. All rights reserved.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

☒ [x]

For the fiscal year ended December 31, 2013
OR

☐ [] **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____.

Commission file number 1-15202

W. R. BERKLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

*(State or other jurisdiction
of incorporation or organization)*

475 Steamboat Road, Greenwich, CT

(Address of principal executive offices)

22-1867895

*(I.R.S. Employer
Identification Number)*

06830

(Zip Code)

Registrant's telephone number, including area code: (203) 629-3000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$.20 per share	New York Stock Exchange
5.625% Subordinated Debentures due 2053	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

Yes ☐ No ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Annual Report on Form 10-K or any amendment to this Annual Report on Form 10-K. ☒

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

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of the last business day of the registrant's most recently completed second fiscal quarter was \$4,360,513,620.

Number of shares of common stock, \$.20 par value, outstanding as of February 25, 2014: 128,538,265

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, are incorporated herein by reference in Part III.

SAFE HARBOR STATEMENT

PART I

ITEM	1. BUSINESS	1
ITEM	1A. RISK FACTORS	19
ITEM	1B. UNRESOLVED STAFF COMMENTS	27
ITEM	2. PROPERTIES	27
ITEM	3. LEGAL PROCEEDINGS	27
ITEM	4. MINE SAFETY DISCLOSURES	27

PART II

ITEM	5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	28
ITEM	6. SELECTED FINANCIAL DATA	29
ITEM	7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	29
ITEM	7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	52
ITEM	8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	53
ITEM	9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	85
ITEM	9A. CONTROLS AND PROCEDURES	86
ITEM	9B. OTHER INFORMATION	89

PART III

ITEM	10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	89
ITEM	11. EXECUTIVE COMPENSATION	89
ITEM	12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	89
ITEM	13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	89
ITEM	14. PRINCIPAL ACCOUNTING FEES AND SERVICES	89

PART IV

ITEM	15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	89
EX-23	CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	
EX-31.1	CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) /15d-14(a)	
EX-31.2	CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) /15d-14(a)	
EX-32.1	CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002	
EX-101	INSTANCE DOCUMENT	
EX-101	SCHEMA DOCUMENT	
EX-101	CALCULATION LINKBASE DOCUMENT	
EX-101	LABELS LINKBASE DOCUMENT	
EX-101	PRESENTATION LINKBASE DOCUMENT	
EX-101	DEFINITION LINKBASE DOCUMENT	

SAFE HARBOR STATEMENT
UNDER THE PRIVATE SECURITIES
LITIGATION REFORM ACT OF 1995

This is a “Safe Harbor” Statement under the Private Securities Litigation Reform Act of 1995. This document may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Some of the forward-looking statements can be identified by the use of forward-looking words such as “believes,” “expects,” “potential,” “continued,” “may,” “will,” “should,” “seeks,” “approximately,” “predicts,” “intends,” “plans,” “estimates,” “anticipates” or the negative version of those words or other comparable words. Any forward-looking statements contained in this report including statements related to our outlook for the industry and for our performance for the year 2014 and beyond, are based upon our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us that the future plans, estimates or expectations contemplated by us will be achieved. They are subject to various risks and uncertainties, including but not limited to:

- the cyclical nature of the property casualty industry;
- the impact of significant competition, including new alternative entrants to the industry;
- the long-tail and potentially volatile nature of the insurance and reinsurance business;
- product demand and pricing;
- claims development and the process of estimating reserves;
- investment risks, including those of our portfolio of fixed maturity securities and investments in equity securities, including investments in financial institutions, municipal bonds, mortgage-backed securities, loans receivable, investment funds, real estate, merger arbitrage and private equity investments;
- the effects of emerging claim and coverage issues;
- the uncertain nature of damage theories and loss amounts;
- natural and man-made catastrophic losses, including as a result of terrorist activities;
- general economic and market activities, including inflation, interest rates and volatility in the credit and capital markets;
- the impact of conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response to it, on our results and financial condition;
- foreign currency and political risks relating to our international operations;
- our ability to attract and retain key personnel and qualified employees;
- continued availability of capital and financing;
- the success of our new ventures or acquisitions and the availability of other opportunities;
- the availability of reinsurance;
- our retention under the Terrorism Risk Insurance Act of 2002, as amended ("TRIA"), and the potential expiration of TRIA;
- the ability of our reinsurers to pay reinsurance recoverables owed to us;
- other legislative and regulatory developments, including those related to business practices in the insurance industry;
- credit risk relating to our policyholders, independent agents and brokers;
- changes in the ratings assigned to us or our insurance company subsidiaries by rating agencies;
- the availability of dividends from our insurance company subsidiaries;
- potential difficulties with technology and/or data security;
- the effectiveness of our controls to ensure compliance with guidelines, policies and legal and regulatory standards; and
- other risks detailed in this Form 10-K and from time to time in our other filings with the Securities and Exchange Commission (“SEC”).

We describe these risks and uncertainties in greater detail in Item 1A, Risk Factors. These risks and uncertainties could cause our actual results for the year 2014 and beyond to differ materially from those expressed in any forward-looking statement we make. Any projections of growth in our revenues would not necessarily result in commensurate levels of earnings. Our future financial performance is dependent upon factors discussed elsewhere in this Form 10-K and our other SEC filings. Forward-looking statements speak only as of the date on which they are made.

PART I
ITEM 1. BUSINESS

W. R. Berkley Corporation is an insurance holding company that is among the largest commercial lines writers in the United States. It operates in the following segments of the property casualty insurance business:

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

Each of our three business segments is composed of individual operating units that serve a market defined by geography, products, services or types of customers. Each of our operating units is positioned close to its customer base and participates in a niche market requiring specialized knowledge about a territory or product. This strategy of decentralized operations allows each of our units to identify and respond quickly and effectively to changing market conditions and local customer needs, while capitalizing on the benefits of centralized capital, investment and reinsurance management, and corporate actuarial, financial, enterprise risk management and legal staff support.

Our business approach is focused on meeting the needs of our customers, maintaining a high quality balance sheet, and allocating capital to our best opportunities. New businesses are started when opportunities are identified and when the right talent and expertise are found to lead a business. Of our 49 operating units, 42 have been organized and developed internally and seven have been added through acquisition. Of these units, 24 have been formed since 2006.

Net premiums written, as reported based on United States generally accepted accounting principles (“GAAP”), for each of our operating segments for each of the past five years were as follows:

(In thousands)	Year Ended December 31,				
	2013	2012	2011	2010	2009
Net premiums written:					
Net premiums written:	\$ 3,994,387	\$ 3,569,883	\$ 3,238,120	\$ 2,938,223	\$ 2,931,188
Insurance-International	756,185	664,459	551,910	430,252	302,594
Reinsurance-Global	749,601	664,197	567,338	482,451	496,313
Total	<u>\$ 5,500,173</u>	<u>\$ 4,898,539</u>	<u>\$ 4,357,368</u>	<u>\$ 3,850,926</u>	<u>\$ 3,730,095</u>

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Percentage of net premiums written:					
Insurance-Domestic	72.6%	72.8%	74.3%	76.3%	78.6%
Insurance-International	13.8	13.6	12.7	11.2	8.1
Reinsurance-Global	13.6	13.6	13.0	12.5	13.3
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Twenty-six of our twenty-seven insurance company subsidiaries rated by A.M. Best Company, Inc. (“A.M. Best”) have ratings of A+ (Superior) (the second highest rating out of 15 possible ratings), and one is rated A (Excellent) (the third highest rating). A.M. Best's ratings are based upon factors of concern to policyholders, insurance agents and brokers and are not directed toward the protection of investors. A.M. Best states: “The Financial Strength Rating opinion addresses the relative ability of an insurer to meet its ongoing insurance obligations. The ratings are not assigned to specific insurance policies or contracts and do not address any other risk.” A.M. Best reviews its ratings on a periodic basis, and its ratings of the Company's subsidiaries are therefore subject to change.

The twenty-three insurance company subsidiaries rated by Standard & Poor's (“S&P”) have financial strength ratings of A+ (the seventh highest rating out of twenty-seven possible ratings).

Our Moody's ratings are A2 for Berkley Insurance Company, Berkley Regional Insurance Company and Admiral Insurance Company (the sixth highest rating out of twenty-one possible ratings).

The following sections describe our reporting segments and their operating units in greater detail. These operating units underwrite on behalf of one or more affiliated insurance companies within the group. Certain operating units are identified by us herein for descriptive purposes only and are not legal entities. Unless otherwise indicated, all references in this Form 10-K to “W. R. Berkley,” “we,” “us,” “our,” the “Company” or similar terms refer to W. R. Berkley Corporation together with its subsidiaries and operating units. W. R. Berkley Corporation is a Delaware corporation formed in 1970.

Insurance-Domestic

Certain of our Insurance -Domestic operating units underwrite specialty risks within the excess and surplus lines market and on an admitted basis. The risks are highly complex, often unique exposures that typically fall outside the underwriting guidelines of the standard insurance market or are best served by specialized knowledge of a particular industry. The specialty lines of business include premises operations, commercial automobile, property, products liability and professional liability lines. The customers are highly diverse. Each operating unit delivers their products through a variety of distribution channels, depending on the customer base and particular risks insured.

Other operating units provide insurance products and services that meet the specific needs of each regionally differentiated customer base by developing expertise in the niches that drive local communities. They provide commercial insurance products to customers primarily in 45 states and the District of Columbia. Key clients of these units are small-to-mid-sized businesses and state and local governmental entities. Business is sold through a network of non-exclusive independent agents who are compensated on a commission basis. These operating units are organized geographically in order to provide them with the flexibility to adapt quickly to local market conditions and customer needs.

Often, alternative methods of risk management result in our customers choosing to retain more risk than they might otherwise retain in the traditional insurance market. To address this need, our operating units offer insurance products, analytical tools and risk management services such as loss control and claims management that enable clients to select their risk tolerance and manage it appropriately. These units specialize in insuring, reinsuring and administering self-insurance programs and other alternative risk transfer mechanisms for clients such as commercial and governmental entity employers, employer groups, insurers, and other groups or entities seeking alternative ways to manage their exposure to risks. In addition to providing insurance products, the alternative markets units also provide a wide variety of fee-based services, including claims, administrative and consulting services.

Operating units comprising the Insurance-Domestic segment are as follows:

Acadia Insurance is a Northeast regional property casualty underwriter offering a broad portfolio of products exclusively through local independent agents in Connecticut, Maine, Massachusetts, New Hampshire, New York and Vermont. In addition to its general offerings, Acadia has specialized expertise in insuring regional businesses and industries such as construction, lumber and fishing.

Admiral Insurance provides excess and surplus lines coverage for commercial risks that generally consist of hard-to-place, specialized risks that involve moderate to high degrees of hazard. Its lines of business include general liability, professional liability, property, and excess and umbrella coverage. Admiral's professional liability and program operations include special coverages for technology, ambulatory surgery centers, chiropractors and concierge physicians. Its products are distributed exclusively by wholesale brokers.

American Mining Insurance offers workers' compensation insurance as well as general liability, automobile, and excess liability coverages to a broad range of firms within the mining and aggregate industries in the United States. It also serves as a third-party administrator of workers' compensation mining claims for clients in several states.

Berkley Accident and Health underwrites accident and health insurance and reinsurance products in four primary areas: medical stop loss, managed care, special risk and group captive. It has a diversified product and service portfolio serving a range of clients from small employers, health care organizations, and membership groups to Fortune 500 companies.

Berkley Asset Protection provides products designed to protect a broad spectrum of high-value commercial and personal assets, including coverage for fine art risks such as museums, galleries and corporate and private collections; fidelity/crime for commercial and public entity risks; jewelers block for wholesale, retail, manufacturing and mining risks; cash-in-transit carriers and certain inland marine risks. Package coverages include property, general liability, umbrella and workers' compensation.

Berkley Aviation offers a wide range of aviation insurance products, including coverage for airlines, helicopters, miscellaneous general aviation operations, non-owned aircraft, fixed-base operations, control towers, airports and other specialized niche programs. It places its business on an admitted and non-admitted basis nationwide.

Berkley Custom Insurance focuses on the excess casualty insurance market and offers umbrella liability, pollution liability, excess liability, construction wrap-ups and completed operations coverages to wholesalers, retailers, manufacturers, insurance companies, financial institutions and construction companies.

Berkley Design Professional specializes in professional liability insurance products and services for the design professional industry including architects, engineers and consultants.

Berkley FinSecure serves the insurance needs of financial institutions, credit unions, mortgage lenders, mortgage servicers and trust managers. It offers a comprehensive range of property, casualty, professional liability, and specialty lines insurance products and loss control services, including financial institution-specific commercial package policies, workers' compensation, umbrella, commercial auto, management liability coverages, and financial institution bonds.

Berkley Life Sciences offers a comprehensive spectrum of property casualty products to the life sciences industry on a global basis, including primary and excess liability coverage and commercial insurance. It serves pharmaceutical and biologic/biotech companies, medical device companies, dietary supplement manufacturers, medical and research software developers, contract service organizations, research institutions and organizations, and other related businesses.

Berkley Medical Excess insures healthcare organizations such as hospitals and clinics that retain a portion of their risk exposure through a self-funded mechanism and seek to maximize the effectiveness and efficiency of their excess risk financing program.

Berkley Mid-Atlantic Group provides commercial property casualty coverages to a wide variety of businesses in Delaware, the District of Columbia, Maryland, Ohio, Pennsylvania, and Virginia. Focusing on middle market accounts, it complements its standard writings with specialized products in areas such as social services, nonprofit organizations and inland marine.

Berkley Net Underwriters focuses on niche insurance products for small and medium-sized commercial risks, using a web-based system to allow producers to quote, bind and service workers' compensation insurance products on behalf of W. R. Berkley Corporation member companies.

Berkley North Pacific provides local underwriting, claims and risk management services from its home office in Seattle, Washington and branch offices in Boise, Idaho, Spokane, Washington and Salt Lake City, Utah. It operates with a select group of agents in Washington, Oregon, Idaho, Montana and Utah to sell and service property and casualty policies for larger middle-market standard businesses and the specialty lines of agribusiness, motor carrier, petroleum distribution and construction.

Berkley Offshore Underwriting Managers is a specialist global underwriter of energy and marine risks. Its three divisions provide specialty insurance products in the energy upstream, energy liability and marine sectors.

Berkley Oil & Gas provides property casualty products and risk services to the United States energy sector. Its customer base includes risks of any size that work in the oil patch, including operators, drillers, geophysical contractors, well-servicing contractors, and manufacturers/distributors of oil field products.

Berkley Professional Liability specializes in professional liability insurance for publicly-traded and private entities based in the United States and Canada. Its liability coverages include directors and officers, fiduciary, employment practices, and sponsored insurance agents.

Berkley Program Specialists is a program management company offering both admitted and non-admitted insurance support on a nationwide basis for commercial casualty and inland marine program administrators with specialized insurance expertise. Its book is built around blocks of homogeneous business, or programs, allowing for efficient processes, effective oversight of existing programs and sound implementation of new programs.

Berkley Public Entity specializes in public entities and intergovernmental pools or trusts. Products include general liability, auto, property employment practices, incidental medical, miscellaneous professionals, crime and liability for law enforcement, public officials and educators.

Berkley Regional Specialty provides excess and surplus lines coverage on a national basis to small to medium-sized insureds with low to moderate insurance risk. Its product lines include general liability, liquor liability and some property and inland marine coverage. It serves a limited distribution channel consisting of select W. R. Berkley Corporation member company agents.

Berkley Risk Administrators provides insurance program management services to a variety of organizations, including self-insureds, captives, governmental entities, risk retention groups, and insurance companies. It is also a nationwide third-party claims administrator and is the nation's third largest servicing carrier for workers' compensation assigned risk plans, serving plans in 20 states.

Berkley Select specializes in underwriting professional liability insurance with a particular emphasis on large law firms, accounting firms and medical institution facilities. Its products are distributed nationwide through a limited number of brokers.

Berkley Specialty Underwriting Managers has two underwriting divisions. Its entertainment and sports division underwrites property casualty insurance products, both on an admitted and non-admitted basis, for the entertainment industry

and sports-related organizations. The environmental division underwrites specialty insurance products for environmental customers such as contractors, consultants and owners of sites and facilities.

Berkley Southeast offers a wide array of commercial lines products in six southeastern states: Mississippi, Alabama, Georgia, Tennessee, North Carolina and South Carolina.

Berkley Surety provides a broad array of surety products for contract and commercial surety risks, including specialty niches such as environmental and secured credit for small contractors, through an independent agency and broker platform across a nationwide network of 16 field offices.

Berkley Technology Underwriters provides a broad range of first and third-party insurance programs for technology exposures and technology industries on both a local and global basis.

Carolina Casualty Insurance provides commercial insurance products and services to the transportation industry with an emphasis on intermediate and long-haul trucking and various classes of business and public automobile coverage. It underwrites on an admitted basis in all 50 states and the District of Columbia.

Clermont Specialty Managers is a provider of package insurance programs for high-end cooperative, condominium, and quality rental apartment buildings and upscale restaurants in the New York, New Jersey and Chicago metropolitan markets.

Continental Western Group is a Midwest regional property and casualty insurance operation based in Des Moines, Iowa, providing underwriting and risk management services to a broad array of regional businesses in thirteen Midwest states. In addition to its generalist portfolio, Continental Western offers specialty underwriting solutions for diversified agriculture, construction, light manufacturing, transportation, volunteer fire departments, rural utilities, collector cars, public entity and implement dealers. Through its division, Berkley Agribusiness Risk Specialists, the company offers insurance for larger commercial risks across the United States for clients involved in the supply, storage, handling, processing and distribution of commodities related to the agriculture and food industries.

Gemini Transportation is a national provider of excess liability insurance for various domestic surface transportation industry businesses. It underwrites liability insurance policies for the railroad industry as well as excess liability policies for the trucking, busing and other industries that use rubber-wheeled vehicles for over-the-road use.

Key Risk Insurance is a provider of workers' compensation insurance products and services for employers in the public and private sectors throughout the Eastern United States. It focuses on middle-market accounts in specialty niches and on larger self-insured entities, with a special emphasis on expert claims and managed-care services. Additionally, Key Risk's affiliate, Key Risk Management Services, provides third party administration of self-insured workers' compensation programs.

Midwest Employers Casualty provides excess workers' compensation insurance products to individual employers, groups and workers' compensation insurance companies across the United States. Its workers' compensation excess of loss products include self-insured excess of loss coverages, large deductible policies and reinsurance. Through its relationship with Berkley Net Underwriters, Midwest Employers Casualty also offers multi-state coverage for group self-insureds. It has developed sophisticated, proprietary analytical tools and risk management services that help its insureds lower their total cost of risk.

Monitor Liability Managers provides executive and professional liability insurance to small to middle-market risks on a nationwide basis. Its primary professional liability products are management liability, employment practices and fiduciary coverages for private companies and nonprofit organizations, and errors and omissions policies for accounting and law firms.

Nautilus Insurance Group insures excess and surplus lines risks for small to medium-sized commercial risks with low to moderate susceptibility to loss. It writes commercial excess and surplus lines business nationwide and admitted lines commercial business in a limited number of states. A substantial portion of Nautilus' business is written through its close, long-standing network of general agents, who are chosen on a highly selective basis.

Preferred Employers Insurance focuses exclusively on workers' compensation products and services for businesses in California. It serves over 12,000 customers covering a broad spectrum of industries throughout the state.

Regional Excess Underwriters is a full service excess and surplus lines brokerage and general agent offering commercial coverages to agents contracted with W. R. Berkley Corporation member companies and select other agents and brokers throughout the continental United States. Surplus lines risks are placed either within the W. R. Berkley group of insurance companies, or by drawing upon the resources of other non-admitted insurance carriers.

Riverport Insurance Services provides property casualty insurance coverages to human services organizations, including nonprofit and for-profit organizations, public entities, sports and recreational organizations, and self-insured companies, associations and purchasing groups. Its product offerings include traditional primary coverages, as well as alternative market solutions for clients who wish to retain a larger share of their own risk.

Union Standard offers preferred commercial property and casualty insurance products and services to a wide range of small to medium size commercial entities through independent agents in Arizona, Arkansas, New Mexico, Oklahoma and Texas.

Union Standard's strategy is built around relationships and service. In 2013, it formed Berkley Fire & Marine as a division to offer a wider range of inland marine products nationwide to customers of the regional operating units.

Vela Insurance Services specializes in commercial casualty insurance on an excess and surplus lines basis. Its primary focus is on general liability insurance for construction, manufacturing and general casualty clients as well as products liability and miscellaneous professional liability coverages distributed through wholesale insurance brokers.

Verus Underwriting Managers offers general liability, professional liability and property coverages for small to mid-sized commercial risks in the excess and surplus lines insurance market through a select group of appointed wholesale brokers and agents.

The following table sets forth the percentage of gross premiums written by each Insurance-Domestic operating unit:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Acadia Insurance	8.2%	8.6%	9.0%	9.2%	9.3%
Admiral Insurance	5.9	6.1	6.8	7.5	8.9
American Mining	0.8	0.9	1.0	1.0	1.0
Berkley Accident and Health	3.0	3.6	3.3	2.2	1.2
Berkley Asset Protection	1.1	1.0	0.8	0.7	0.5
Berkley Aviation	1.0	1.5	1.7	1.8	1.6
Berkley Custom Insurance	2.8	0.7	—	—	—
Berkley Design Professional	—	—	—	—	—
Berkley FinSecure	0.9	0.8	0.8	0.5	0.3
Berkley Life Sciences	1.1	0.8	0.6	0.5	0.5
Berkley Medical Excess	0.9	0.9	1.0	1.2	1.0
Berkley Mid-Atlantic Group	4.4	4.9	5.4	6.1	6.2
Berkley Net Underwriters	4.0	3.5	2.5	2.2	2.1
Berkley North Pacific	1.8	1.8	1.5	1.4	—
Berkley Offshore Underwriting Managers	2.3	2.2	2.0	1.7	1.2
Berkley Oil & Gas	3.9	3.2	2.2	0.4	—
Berkley Professional Liability	1.3	1.2	1.1	1.1	0.9
Berkley Program Specialists	1.5	1.8	3.1	3.1	2.7
Berkley Public Entity	0.4	0.2	—	—	—
Berkley Regional Specialty	0.4	0.4	0.4	0.4	0.4
Berkley Risk Administrators	4.9	4.8	4.0	3.2	4.7
Berkley Select	2.7	2.9	2.6	2.5	2.3
Berkley Specialty Underwriting Managers	6.6	7.9	7.0	5.4	3.7
Berkley Southeast	—	—	—	—	—
Berkley Surety	1.3	1.3	1.6	1.7	1.3
Berkley Technology Underwriters	0.3	0.1	—	—	—
Carolina Casualty Insurance	2.4	2.3	2.3	2.2	4.0
Clermont Specialty Managers	1.5	1.6	1.7	1.8	1.8
Continental Western Group	5.9	6.4	7.0	8.2	10.7
Gemini Transportation	1.0	1.1	1.0	0.8	0.5
Key Risk Insurance	3.3	3.2	3.1	3.3	3.5
Midwest Employers Casualty	2.9	3.4	4.4	6.3	7.6
Monitor Liability Managers	3.1	3.1	3.9	4.5	4.5
Nautilus Insurance Group	5.8	6.2	6.6	7.2	7.3
Preferred Employers Insurance	2.1	2.0	1.9	1.9	1.6
Regional Excess Underwriters	—	—	—	—	—
Riverport Insurances Services	0.8	1.4	1.7	1.5	—
Union Standard	5.2	5.3	5.5	6.3	6.8
Vela Insurance Services	3.5	2.2	2.1	2.2	1.9
Verus Underwriting Managers	1.0	0.7	0.4	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The following table sets forth percentages of gross premiums written, by line, by our Insurance-Domestic operations:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Other liability	32.4%	30.7%	31.2%	30.4%	30.9%
Workers' compensation	27.0	26.8	25.3	26.3	26.6
Short-tail lines	22.0	23.5	23.5	22.4	20.4
Commercial auto	10.7	11.2	12.1	12.7	14.2
Professional liability	7.9	7.8	7.9	8.2	7.9
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Insurance-International

Through our Insurance-International operating units, we write business in almost 40 countries worldwide, with branches or offices in 15 locations outside the United States, including the United Kingdom, Continental Europe, South America, Canada, Scandinavia, and Australia. In each of our operating territories, we have built decentralized structures that allow products and services to be tailored to each regional customer base. Our businesses are managed by teams of professionals with expertise in local markets and knowledge of regional environments.

Berkley Canada underwrites specialty, casualty and surety lines of business on behalf of the Canadian branch of Berkley Insurance Company. It specializes in commercial casualty and professional liability, and offers a broad portfolio of risk products that include commercial general liability, umbrella, professional liability, directors' and officers', commercial property and surety, in addition to niche products for specific industries such as technology and life sciences.

Berkley Latinoamérica is a leading provider of property, casualty, automobile, surety, group life and health and workers' compensation products and services in its operating territories of Argentina, Brazil and Uruguay. Its largest operation, Berkley International Seguros, offers a wide range of property casualty products in Argentina, where it is a leading provider of surety, engineering, cargo and personal accident coverages. Berkley International ART, Berkley Latinoamérica's workers' compensation carrier in Argentina, is focused on small to medium-sized risks in its operating territories. Berkley International Seguros do Brasil provides surety products to small and medium-sized risks throughout Brazil, and Berkley International Seguros (Uruguay) is a provider of customized property casualty insurance products and services to small and medium-sized businesses in Uruguay.

W. R. Berkley Insurance (Europe) is based in the United Kingdom, with branches in Spain, Australia, Ireland, Norway, Sweden and Germany. Its product offering includes professional indemnity, directors' and officers' liability, medical malpractice, general liability, personal accident and travel, engineering and construction. It also offers expertise in marine, cargo, and commercial property and casualty packages.

W. R. Berkley Syndicate 1967 at Lloyd's focuses on lines of business more global in nature and where access to the Lloyd's distribution platform allows us to further expand our international reach. It works actively with select W. R. Berkley Corporation member companies to access business for which the Lloyd's platform is best suited. Syndicate 1967's book of business includes accident and commercial property and a specialized book of marine business.

The following table sets forth the percentages of gross premiums written by our Insurance-International operating units:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
W. R. Berkley Insurance (Europe)	40.1%	38.1%	35.4%	36.0%	40.4%
Berkley Latinoamérica	32.6	34.9	38.2	43.8	49.9
W. R. Berkley Syndicate 1967	22.9	22.4	21.5	16.3	7.2
Berkley Canada	4.4	4.6	4.9	3.9	2.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The following table sets forth percentages of gross premiums written, by line, by our Insurance-International operations:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Short-tail lines	51.8%	49.4%	41.4%	35.7%	22.8%
Commercial auto	15.5	18.0	19.8	23.3	19.5
Professional liability	12.9	15.1	17.6	20.0	28.0
Other liability	10.4	7.2	10.3	9.5	16.6
Workers' compensation	9.4	10.3	10.9	11.5	13.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Reinsurance-Global

We provide other insurance companies and self-insureds with assistance in managing their net risk through reinsurance on either a portfolio basis, through treaty reinsurance, or on an individual basis, through facultative reinsurance.

Berkley Re America is a specialty treaty reinsurance underwriter with an emphasis on providing solutions for insurance companies, or units within insurance companies, that have a successful business model built upon specialization in the products they underwrite. Its lines of business include general and products liability, environmental liability, professional liability, medical malpractice, automobile, umbrella and excess liability, workers' compensation, and property.

Berkley Re Asia Pacific, which comprises the Australian, Hong Kong and Singapore branches of Berkley Insurance Company, provides property and casualty reinsurance to the Asia Pacific marketplace. With offices in Brisbane, Sydney, Hong Kong and Singapore, each branch focuses on excess of loss reinsurance, targeting both property and casualty treaty and facultative contracts, through multiple distribution channels.

Berkley Re Direct is a direct casualty facultative reinsurance underwriter serving clients through a nationwide network of regional offices. Its facultative reinsurance products include automatic, semi-automatic and individual risk assumed reinsurance. Berkley Re Direct also provides its customers value-added services across its lines, including underwriting, claims and actuarial consultation.

Berkley Re UK writes international property casualty treaty accounts. Its territorial scope includes reinsured clients domiciled in the United Kingdom, Europe, Africa, the Middle East and the Caribbean.

Facultative ReSources is a broker market casualty, professional liability and property facultative underwriter based in Stamford, Connecticut with branch offices in Chicago, Atlanta and Los Angeles. It provides expertise across many lines of facultative business, and has recently broadened its expertise in a number of specialized areas, including professional liability and property hazards in emerging technologies.

Lloyd's Reinsurance represents the Company's minority participation in a Lloyd's syndicate that writes a broad range of mainly short-tail classes of business.

The following table sets forth the percentages of gross premiums written by each Reinsurance-Global operating unit:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Berkley Re America	43.7%	45.9%	49.9%	53.6%	50.3%
Berkley Re Asia Pacific	24.8	22.1	24.4	18.1	14.6
Berkley Re UK	9.1	6.9	0.2	—	—
Facultative ReSources	8.6	8.4	7.9	11.6	16.6
Lloyd's Reinsurance	7.3	10.5	10.4	8.9	10.5
Berkley Re Direct	6.5	6.2	7.2	7.8	8.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The following table sets forth the percentages of gross premiums written, by property versus casualty business, by our Reinsurance-Global operations:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Casualty	65.6%	66.9%	70.7%	69.0%	71.7%
Property	34.4	33.1	29.3	31.0	28.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Results by Industry Segment

Summary financial information about our segments is presented on a GAAP basis in the following table:

(In thousands)	Year Ended December 31,				
	2013	2012	2011	2010	2009
<u>Insurance-Domestic</u>					
Revenue	\$ 4,294,213	\$ 3,944,942	\$ 3,586,181	\$ 3,434,686	\$ 3,429,075
Income before income taxes	648,740	578,500	467,126	589,138	487,835
<u>Insurance-International</u>					
Revenue	770,190	677,637	545,467	407,704	294,054
Income before income taxes	56,922	51,639	36,912	15,172	20,691
<u>Reinsurance-Global</u>					
Revenue	810,060	731,585	628,872	600,265	544,909
Income before income taxes	110,425	103,690	85,271	134,996	88,058
<u>Other(1)</u>					
Revenue	534,071	469,390	395,464	281,414	163,140
Loss before income taxes	(117,199)	(31,901)	(76,223)	(140,396)	(216,706)
<u>Total</u>					
Revenue	6,408,534	5,823,554	5,155,984	4,724,069	4,431,178
Income before income taxes	698,888	701,928	513,086	598,910	379,878

(1) Represents corporate revenues, corporate expenses, net investment gains and losses, and revenues and expenses from investments in wholly-owned, non-insurance subsidiaries that are consolidated for financial reporting purposes.

The table below represents summary underwriting ratios on a GAAP basis for our segments. Loss ratio is losses and loss expenses incurred expressed as a percentage of net premiums earned. Expense ratio is underwriting expenses expressed as a percentage of net premiums earned. Underwriting expenses do not include expenses related to insurance services or unallocated corporate expenses. Combined ratio is the sum of the loss ratio and the expense ratio. The combined ratio represents a measure of underwriting profitability, excluding investment income. A number in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Insurance-Domestic					
Loss ratio	61.3%	63.5%	64.9%	61.1%	62.0%
Expense ratio	32.7	32.5	32.6	32.5	31.2
Combined ratio	94.0%	96.0%	97.5%	93.6%	93.2%
Insurance-International					
Loss ratio	59.4%	59.7%	57.4%	59.2%	56.8%
Expense ratio	39.0	40.2	42.7	43.6	43.8
Combined ratio	98.4%	99.9%	100.1%	102.8%	100.6%
Reinsurance-Global					
Loss ratio	62.2%	64.3%	64.3%	55.9%	59.9%
Expense ratio	34.8	36.3	38.0	38.6	37.3
Combined ratio	97.0%	100.6%	102.3%	94.5%	97.2%
Total					
Loss ratio	61.2%	63.1%	63.9%	60.2%	61.4%
Expense ratio	33.9	34.1	34.6	34.4	32.9
Combined ratio	95.1%	97.2%	98.5%	94.6%	94.3%

Investments

Investment results, before income taxes, were as follows:

(In thousands)	Year Ended December 31,				
	2013	2012	2011	2010	2009
Average investments, at cost(1)	\$14,848,386	\$14,545,371	\$13,631,552	\$13,356,380	\$12,918,039
Net investment income(1)	\$ 544,291	\$ 586,763	\$ 526,351	\$ 530,525	\$ 379,008
Percent earned on average investments(1)	3.7%	4.0%	3.9%	4.0%	3.0%
Net investment gains (losses)(2)	\$ 121,544	\$ 210,465	\$ 125,481	\$ 56,581	\$ (38,408)
Change in unrealized investment gains (losses)(3)	\$ (399,122)	\$ 135,282	\$ 147,998	\$ 176,588	\$ 557,444

- (1) Includes investments, cash and cash equivalents, trading accounts receivable from brokers and clearing organizations, trading account securities sold but not yet purchased and unsettled purchases.
- (2) Represents realized gains and losses on investments not classified as trading account securities.
- (3) Represents the change in unrealized investment gains (losses) for available for sale securities.

For comparison, the following are the coupon returns for the Barclays U.S. Aggregate Bond Index and the dividend returns for the S&P 500® Index:

	Year Ended December 31,				
	2013	2012	2011	2010	2009
Barclays U.S. Aggregate Bond Index	3.1%	3.5%	4.0%	4.2%	4.9%
S&P 500® Index	2.4	2.5	2.1	2.3	3.0

The percentages of the fixed maturity portfolio categorized by contractual maturity, based on fair value, on the dates indicated, are set forth below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay certain obligations.

	Year Ended December 31,				
	2013	2012	2011	2010	2009
1 year or less	8.0%	5.8%	6.6%	6.7%	5.3%
Over 1 year through 5 years	30.5	30.7	28.3	27.3	27.2
Over 5 years through 10 years	27.5	23.4	25.3	25.9	27.2
Over 10 years	22.3	25.5	25.5	27.1	26.0
Mortgage-backed securities	11.7	14.6	14.3	13.0	14.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%

At December 31, 2013, the fixed maturity portfolio had an average duration of 3.3 years.

Loss and Loss Adjustment Expense Reserves

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

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

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

The risk and complexity of estimating loss reserves are greater when economic conditions are uncertain. It is especially difficult to estimate the impact of inflation on loss reserves given the current economic environment and related government actions. Whereas a slowing economy would generally lead to lower inflation or even deflation, increased government spending would generally lead to higher inflation. A change in our assumptions regarding inflation would result in reserve increases or decreases that would be reflected in our earnings in periods in which such assumptions are changed.

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

We discount our liabilities for excess workers' compensation business and the workers' compensation portion of our reinsurance business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting the liabilities. The expected losses and loss expense payout pattern subject to discounting was derived from the Company's loss payout experience. For non-proportional business, reserves for losses and loss expenses have been discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. At December 31, 2013, the discount rates by year ranged from 2.1% to 6.5% with a weighted average discount rate of 4.1%. For proportional business, reserves for losses and loss expenses have been discounted at the statutory rate permitted by the Department of Insurance of the State of Delaware of 2.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, is \$837 million, \$867 million and \$892 million at December 31, 2013, 2012 and 2011, respectively.

To date, known asbestos and environmental claims at our insurance company subsidiaries have not had a material impact on our operations. These claims have not materially impacted us because these subsidiaries generally did not insure the larger industrial companies which were subject to significant asbestos or environmental exposures prior to 1986 when an absolute pollution exclusion was incorporated into standard policy language.

Our net reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were \$36 million and \$34 million at December 31, 2013 and 2012, respectively. The Company's gross reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were \$59 million and \$56 million at December 31, 2013 and 2012, respectively. Net incurred losses and loss expenses for reported asbestos and environmental claims increased by approximately \$5 million, \$2 million and \$1 million in 2013, 2012 and 2011, respectively. Net paid losses and loss expenses for reported asbestos and environmental claims were approximately \$3 million, \$2 million and \$3 million in 2013, 2012 and 2011, respectively. The estimation of these liabilities is subject to significantly greater than normal variation and uncertainty because it is difficult to make a reasonable actuarial estimate of these liabilities due to the absence of a generally accepted actuarial methodology for these exposures and the potential effect of significant unresolved legal matters, including coverage issues as well as the cost of litigating the legal issues. Additionally, the determination of ultimate damages and the final allocation of such damages to financially responsible parties are highly uncertain.

The table below provides a reconciliation of the beginning of year and end of year property casualty reserves for the indicated years:

(In thousands)	2013	2012	2011
Net reserves at beginning of year	\$ 8,411,851	\$ 8,172,112	\$ 7,999,521
Net provision for losses and loss expenses:			
Claims occurring during the current year(1)	3,221,393	2,997,995	2,791,860
Decrease in estimates for claims occurring in prior years(2)(3)	(78,810)	(102,571)	(181,282)
Loss reserve discount amortization	54,441	53,055	47,787
Total	3,197,024	2,948,479	2,658,365
Net payments for claims:			
Current year	822,787	698,834	765,440
Prior years	2,055,284	2,010,101	1,721,558
Total	2,878,071	2,708,935	2,486,998
Foreign currency translation	(47,007)	195	1,224
Net reserves at end of year	8,683,797	8,411,851	8,172,112
Ceded reserves at end of year	1,397,144	1,339,235	1,165,022
Gross reserves at end of year	<u>\$ 10,080,941</u>	<u>\$ 9,751,086</u>	<u>\$ 9,337,134</u>
Net change in premiums and losses occurring in prior years:			
Decrease in estimates for claims occurring in prior years(2)	\$ 78,810	\$ 102,571	\$ 181,282
Retrospective premium adjustments for claims occurring in prior years (3)	19,046	—	—
Net favorable premium and reserve development on prior years	<u>\$ 97,856</u>	<u>\$ 102,571</u>	<u>\$ 181,282</u>

- (1) Claims occurring during the current year are net of discounts of \$22,680,000, \$26,078,000 and \$43,286,000 in 2013, 2012 and 2011, respectively.
- (2) The decrease in estimates for claims occurring in prior years is net of discounts. On an undiscounted basis, the estimates for claims occurring in prior years decreased by \$77,430,000 in 2013, \$100,667,000 in 2012, and \$182,937,000 in 2011.
- (3) For certain retrospectively rated insurance policies and reinsurance agreements, changes in loss and loss adjustment expenses for prior years are offset by additional or return premiums.

Also, see Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for further information regarding the decrease in estimates for claims occurring in prior years.

A reconciliation between the reserves as of December 31, 2013 as reported in the accompanying consolidated GAAP financial statements and those reported on the basis of statutory accounting principles (“SAP”) in the Company’s U.S. regulatory filings is as follows:

(In thousands)	
Net reserves reported in U.S. regulatory filings on a SAP basis	\$ 8,367,260
Reserves for non-U.S. companies	623,341
Loss reserve discounting(1)	(306,750)
Ceded reserves	1,397,144
Other	(54)
Gross reserves reported in the consolidated GAAP financial statements	<u>\$ 10,080,941</u>

- (1) For statutory purposes, the Company discounts its workers’ compensation reinsurance reserves at 2.2% as permitted by the Department of Insurance of the State of Delaware. In its GAAP financial statements, the Company discounts excess workers’ compensation reserves at the risk-free rate and assumed workers’ compensation reserves at the statutory rate.

The following table presents the development of net reserves for 2003 through 2013. The top line of the table shows the estimated reserves for unpaid losses and loss expenses recorded at the balance sheet date for each of the indicated years. This represents the estimated amount of losses and loss expenses for claims arising in all prior years that are unpaid at the balance sheet date, including losses that had been incurred but not reported to us. The upper portion of the table shows the re-estimated amount of the previously recorded reserves based on experience as of the end of each succeeding year. The estimate changes as more information becomes known about the frequency and severity of claims for individual years.

The “cumulative redundancy” represents the aggregate change in the estimates over all prior years. The impact on the results of operations of the past three years of changes in reserve estimates is shown in the reconciliation tables above. It should be noted that the table presents a “run off” of balance sheet reserves, rather than accident or policy year loss development. Therefore, each amount in the table includes the effects of changes in reserves for all prior years. For example, assume a claim that occurred in 2003 is reserved for \$2,000 as of December 31, 2003. Assuming this claim estimate was changed in 2013 to \$2,300, and was settled for \$2,300 in 2013, the \$300 deficiency would appear as a deficiency in each year from 2003 through 2013.

(In millions)

Year Ended December 31,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net reserves, discounted	\$ 3,505	\$ 4,723	\$ 5,867	\$ 6,948	\$ 7,823	\$ 8,123	\$ 8,148	\$ 8,000	\$ 8,172	\$ 8,412	\$ 8,684
Reserve discount	393	503	575	700	788	846	877	898	892	867	837
Net reserves, undiscounted	<u>\$ 3,898</u>	<u>\$ 5,226</u>	<u>\$ 6,442</u>	<u>\$ 7,648</u>	<u>\$ 8,611</u>	<u>\$ 8,969</u>	<u>\$ 9,025</u>	<u>\$ 8,898</u>	<u>\$ 9,064</u>	<u>\$ 9,279</u>	<u>\$ 9,521</u>
Net reserves re-estimated as of:											
One year later	\$ 4,220	\$ 5,440	\$ 6,499	\$ 7,560	\$ 8,431	\$ 8,737	\$ 8,778	\$ 8,715	\$ 8,963	9,202	
Two years later	4,552	5,588	6,578	7,494	8,239	8,560	8,596	8,624	8,866		
Three years later	4,720	5,763	6,592	7,363	8,192	8,420	8,543	8,504			
Four years later	4,949	5,816	6,556	7,370	8,137	8,433	8,460				
Five years later	5,041	5,834	6,636	7,376	8,195	8,373					
Six years later	5,082	5,929	6,677	7,437	8,144						
Seven years later	5,176	5,983	6,755	7,421							
Eight years later	5,222	6,041	6,762								
Nine years later	5,276	6,046									
Ten years later	5,296										
Cumulative redundancy (deficiency), undiscounted	<u>\$ (1,398)</u>	<u>\$ (820)</u>	<u>\$ (320)</u>	<u>\$ 227</u>	<u>\$ 467</u>	<u>\$ 596</u>	<u>\$ 565</u>	<u>\$ 394</u>	<u>\$ 198</u>	<u>\$ 77</u>	<u>\$ —</u>
Cumulative amount of net liability paid through:											
One year later	\$ 930	\$ 1,174	\$ 1,341	\$ 1,437	\$ 1,663	\$ 1,751	\$ 1,812	\$ 1,722	\$ 2,010	\$ 2,055	
Two years later	1,750	2,106	2,363	2,636	2,935	3,106	3,052	3,118	\$ 3,409		
Three years later	2,389	2,836	3,219	3,558	3,956	4,039	4,066	4,105			
Four years later	2,901	3,384	3,856	4,279	4,616	4,786	4,802				
Five years later	3,274	3,813	4,327	4,733	5,152	5,337					
Six years later	3,582	4,131	4,649	5,116	5,565						
Seven years later	3,804	4,355	4,937	5,424							
Eight years later	3,966	4,575	5,163								
Nine years later	4,128	4,740									
Ten years later	4,255										

For certain retrospectively rated insurance policies and reinsurance agreements, changes in loss and loss adjustment expenses for prior years are offset by additional or return premiums. Such premiums are not reflected in the above table.

The following table presents the development of gross reserves for 2003 through 2013.

(In millions)

Year Ended December 31,	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Net reserves, discounted	\$ 3,505	\$ 4,723	\$ 5,867	\$ 6,947	\$ 7,823	\$ 8,123	\$ 8,148	\$ 8,000	\$ 8,172	\$ 8,412	\$ 8,684
Ceded reserves	687	727	845	837	855	877	924	1,017	1,165	1,339	1,397
Gross reserves, discounted	4,192	5,450	6,712	7,784	8,678	9,000	9,072	9,017	9,337	9,751	10,081
Reserve discount	462	573	654	761	867	944	944	968	953	924	888
Gross reserves, undiscounted	\$ 4,654	\$ 6,023	\$ 7,366	\$ 8,545	\$ 9,545	\$ 9,944	\$ 10,016	\$ 9,985	\$ 10,290	\$ 10,675	\$ 10,969
Gross reserves re-estimated as of:											
One year later	\$ 5,030	\$ 6,241	\$ 7,406	\$ 8,509	\$ 9,396	\$ 9,696	\$ 9,810	\$ 9,879	\$ 10,179	\$ 10,673	
Two years later	5,380	6,382	7,529	8,454	9,178	9,566	9,662	9,749	10,141		
Three years later	5,546	6,600	7,561	8,300	9,163	9,445	9,580	9,681			
Four years later	5,807	6,670	7,508	8,335	9,081	9,427	9,539				
Five years later	5,915	6,680	7,617	8,316	9,109	9,386					
Six years later	5,956	6,804	7,635	8,360	9,082						
Seven years later	6,083	6,839	7,699	8,358							
Eight years later	6,107	6,888	7,716								
Nine years later	6,157	6,904									
Ten Years later	6,181										
Gross cumulative redundancy (deficiency)	\$ (1,527)	\$ (881)	\$ (350)	\$ 187	\$ 463	\$ 558	\$ 477	\$ 304	\$ 149	\$ 2	—

For certain retrospectively rated insurance policies and reinsurance agreements, changes in loss and loss adjustment expenses for prior years are offset by additional or return premiums. Such premiums are not reflected in the above table.

Reinsurance

We follow a common industry practice of reinsuring a portion of our exposures and paying to reinsurers a portion of the premiums received on the policies that we write. Reinsurance is purchased principally to reduce net liability on individual risks and to protect against catastrophic losses. Although reinsurance does not legally discharge an insurer from its primary liability for the full amount of the policies, it does make the assuming reinsurer contractually liable to the insurer to the extent of the reinsurance coverage. We monitor the financial condition of our reinsurers and attempt to place our coverages only with substantial, financially sound carriers. As a result, generally the reinsurers who reinsure our casualty insurance must have an A.M. Best rating of “A (Excellent)” or better with at least \$500 million in policyholder surplus and the reinsurers who cover our property insurance must have an A.M. Best rating of “A- (Excellent)” or better with at least \$250 million in policyholder surplus.

Regulation

U.S. Regulation

Our U.S. insurance subsidiaries are subject to varying degrees of regulation and supervision in the jurisdictions in which they do business.

Overview. Our domestic insurance subsidiaries are subject to statutes which delegate regulatory, supervisory and administrative powers to state insurance commissioners. This regulation relates to such matters as the standards of solvency which must be met and maintained; the licensing of insurers and their agents; the nature of and limitations on investments; deposits of securities for the benefit of policyholders; approval of certain policy forms and premium rates; periodic examination of the affairs of insurance companies; annual and other reports required to be filed on the financial condition of insurers or for other purposes; establishment and maintenance of reserves for unearned premiums, loss expenses and losses; and requirements regarding numerous other matters. Our property casualty subsidiaries, other than excess and surplus and reinsurance subsidiaries, must generally file all rates with the insurance department of each state in which they operate. Our excess and surplus and reinsurance subsidiaries generally operate free of rate and form regulation.

Holding Company Statutes. In addition to regulatory supervision of our insurance subsidiaries, we are subject to state statutes governing insurance holding company systems. Typically, such statutes require that we periodically file information with the appropriate state insurance commissioner, including information concerning our capital structure, ownership, financial condition and general business operations. Under the terms of applicable state statutes, any person or entity desiring to purchase more than a specified percentage (commonly 10%) of our outstanding voting securities would be required to obtain prior regulatory approval of the purchase.

The National Association of Insurance Commissioners (“NAIC”) adopted amendments to the model holding company law in 2010, expanding upon the regulation of holding company systems. The amendments include increased group-level reporting requirements, submission of an annual enterprise risk report by a regulated insurance company's ultimate controlling person and increased information made accessible to regulators regarding an insurer's non-insurer's affiliates.

These NAIC amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. To date, 24 states have adopted the amendments, and in order to maintain compliance with NAIC standards, the remaining states must adopt them in whole or substantial part by January 2016.

Additionally, the NAIC recently adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the “ORSA Model Act”). The ORSA Model Act will require an insurance holding company system’s chief risk officer to submit annually to its lead state insurance regulator an Own Risk and Solvency Assessment Summary Report (“ORSA”). The ORSA is a confidential internal assessment of the material and relevant risks associated with an insurer’s current business plan and the sufficiency of capital resources to support those risks.

The ORSA Model Act must be adopted by the individual state legislature and insurance regulators in order to be effective. It is expected that the ORSA Model Act’s requirements generally will become effective in the states on January 1, 2015.

We cannot predict the impact, if any, that these amendments and compliance with the ORSA Model Act will have on our business, financial condition or results of operations.

Risk Based Capital Requirements. The NAIC utilizes a Risk Based Capital (“RBC”) formula that is designed to measure the adequacy of an insurer's statutory surplus in relation to the risks inherent in its business. The RBC formula develops a risk adjusted target level of adjusted statutory capital by applying certain factors to various asset, premium and reserve items. The NAIC RBC Model Law provides for four incremental levels of regulatory attention for insurers whose surplus is below the calculated RBC target. These levels of attention range in severity from requiring the insurer to submit a plan for corrective action to actually placing the insurer under regulatory control. The RBC of each of our domestic insurance subsidiaries was above any RBC action level as of December 31, 2013.

Insurance Regulatory Information System. The NAIC also has developed a set of 13 financial ratios referred to as the Insurance Regulatory Information System (“IRIS”). On the basis of statutory financial statements filed with state insurance regulators, the NAIC annually calculates these IRIS ratios to assist state insurance regulators in monitoring the financial condition of insurance companies. The NAIC has established an acceptable range for each of the IRIS financial ratios.

Guaranty Funds. Our U.S. insurance subsidiaries are also subject to assessment by state guaranty funds when an insurer in a particular jurisdiction has been judicially declared insolvent and insufficient funds are available from the liquidated company to pay policyholders and claimants. The protection afforded under a state's guaranty fund to policyholders of the insolvent insurer varies from state to state. Generally, all licensed property casualty insurers are considered to be members of the fund, and assessments are based upon their pro rata share of direct written premiums. The NAIC Model Post-Assessment Guaranty Fund Act, which many states have adopted, limits assessments to an insurer to 2% of its subject premium and permits recoupment of assessments through rate setting. Likewise, several states (or underwriting organizations of which our insurance subsidiaries are required to be members) have limited assessment authority with regard to deficits in certain lines of business.

Additionally, state insurance laws and regulations require us to participate in mandatory property-liability “shared market,” “pooling” or similar arrangements that provide certain types of insurance coverage to individuals or others who otherwise are unable to purchase coverage voluntarily provided by private insurers. Shared market mechanisms include assigned risk plans and fair access to insurance requirement or “FAIR” plans. In addition, some states require insurers to participate in reinsurance pools for claims that exceed specified amounts. Our participation in these mandatory shared market or pooling mechanisms generally is related to the amount of our direct writings for the type of coverage written by the specific arrangement in the applicable state.

Excess and Surplus Lines. The regulation of our U.S. subsidiaries' excess and surplus lines insurance business differs significantly from the regulation of our admitted business. Our surplus lines subsidiaries are subject to the surplus lines regulation and reporting requirements of the jurisdictions in which they are eligible to write surplus lines insurance. Although the surplus lines business is generally less regulated than admitted business, strict regulations apply to surplus lines placements in the laws of every state and the regulation of surplus lines insurance may undergo changes in the future. Federal or state measures may be introduced to increase the oversight of surplus lines insurance in the future.

Dividends. We receive funds from our insurance company subsidiaries in the form of dividends and management fees for certain management services. Annual dividends in excess of maximum amounts prescribed by state statutes may not be paid without the approval of the insurance commissioner of the state in which an insurance subsidiary is domiciled. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources.”

Trade Practices. State insurance laws and regulations include numerous provisions governing trade practices and the marketplace activities of insurers, including provisions governing marketing and sales practices, policyholder services, claims management and complaint handling. State regulatory authorities generally enforce these provisions through periodic market conduct examinations.

Investment Regulation. Investments by our domestic insurance companies must comply with applicable laws and regulations which prescribe the kind, quality and concentration of investments. In general, these laws and regulations permit investments in federal, state and municipal obligations, corporate bonds, preferred and common equity securities, mortgage loans, real estate and certain other investments, subject to specified limits and certain other qualifications.

The Terrorism Risk Insurance Act. The Terrorism Risk Insurance Act of 2002 (as amended, “TRIA”), established a Federal program that provides for a system of shared public and private compensation for insured losses resulting from acts of terrorism. The program is effective through December 31, 2014. We cannot be certain that TRIA will be extended past such expiration date. TRIA is applicable to almost all commercial lines of property and casualty insurance but excludes commercial auto, burglary and theft, surety, professional liability and farm owners’ multi-peril insurance. Insurers with direct commercial property and casualty insurance exposure in the United States are required to participate in the program and make available coverage for certified acts of terrorism. The most recent amendment to TRIA broadened the definition of certified acts to include domestic terrorism. Federal participation will be triggered under TRIA when the Secretary of Treasury certifies an act of terrorism. Under the program, the federal government will pay 85% of an insurer’s covered losses in excess of the insurer’s applicable deductible. The insurer’s deductible is based on 20% percent of earned premium for the prior year for covered lines of commercial property and casualty insurance. Based on our 2013 earned premiums, our deductible under TRIA during 2014 will be approximately \$698 million. The federal program will not pay losses for certified acts unless such losses exceed \$100 million. TRIA limits the federal government’s share of losses at \$100 billion for a program year. In addition, an insurer that has satisfied its deductible is not liable for the payment of losses in excess of the \$100 billion cap.

Federal Regulation. Although the federal government and its regulatory agencies generally do not directly regulate the business of insurance, federal initiatives could have an impact on our business in a variety of ways. In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which effected sweeping changes to financial services regulation in the United States. The Dodd-Frank Act created two new federal government bodies, the Federal Insurance Office (the “FIO”) and the Financial Stability Oversight Council (the “FSOC”), which may impact the regulation of insurance. Although the FIO has preemption authority over state insurance laws that conflict with certain international agreements, it does not have general supervisory or regulatory authority over the business of insurance. The FIO has authority to represent the United States in international insurance matters and is authorized to monitor the U.S. insurance industry and identify potential regulatory gaps that could contribute to systemic risk.

On December 12, 2013, the FIO delivered a report to Congress on how to modernize and improve the system of insurance regulation in the U.S. The report recommended that, in the short term, the U.S. system of insurance regulation can be modernized through state-based improvements combined with certain federal actions. The report identified areas for direct federal involvement in international standard setting, the FIO participation in supervisory colleges which monitor the regulation of large national and internationally active insurance groups and federal pursuit of international covered agreements to afford nationally uniform treatment of reinsurance collateral requirements. The report also made several recommendations for state reform of insurance regulation including changes to the state regulation of insurance company solvency, group supervision and corporate governance. The FIO report stated that the system of U.S. insurance regulation can be modernized and improved in the short-term, while warning that if the states do not act in the near term to effectively regulate matters on a consistent and cooperative basis, in the FIO’s view there will be a greater role for federal regulation of insurance.

The FIO also can recommend to the FSOC that it designate an insurer as an entity posing risks to the United States financial stability in the event of the insurer’s material financial distress or failure. An insurer so designated by FSOC could be subject to Federal Reserve supervision and heightened prudential standards. Based upon our current business model and balance sheet, we do not believe that we will be designated by the FSOC as such an institution. Although the potential impacts of the Dodd-Frank Act on the U. S. insurance industry is not clear, our business could be affected by changes to the U.S. system of insurance regulation or our designation or the designation of insurers or reinsurers with which we do business as systemically significant non-bank financial companies.

In April 2013, a federal savings association that was indirectly owned by the Company sold substantially all of its assets, and the Company deregistered as a savings and loan holding company.

International Regulation

Our insurance subsidiaries based in the United Kingdom are regulated by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"). The PRA's primary objective is to promote the safety and soundness of insurers for the protection of policyholders, while the FCA has three operational objectives: (i) to secure an appropriate degree of protection for consumers, (ii) to protect and enhance the integrity of the United Kingdom financial system, and (iii) to promote effective competition in the interests of consumers. The PRA and FCA oversee compliance with established periodic auditing and reporting requirements, risk assessment reviews, minimum solvency margins and individual capital assessment requirements, dividend restrictions, restrictions governing the appointment of key officers, restrictions governing controlling ownership interests and various other requirements. Our Lloyd's syndicate and managing agency are also regulated by the PRA, FCA and Lloyd's. Through Lloyd's, we are licensed to write business in various countries throughout the world by virtue of Lloyd's international licenses. In each such country, we are subject to the laws and insurance regulation of that country. Additionally, PRA and FCA regulations also impact us as "controller" (a PRA/FCA defined term) of our U.K.-regulated subsidiaries, whereby we are required to notify the PRA/FCA about significant events relating to their controllers (i.e. persons or entities which have certain levels of influence over the regulated entities) as well as changes of control, and to submit an annual report regarding their controllers. Through the PRA/FCA's Approved Persons regime, certain employees and directors are subject to regulation by the PRA and FCA as to their fitness. In addition, certain employees are individually registered at Lloyd's.

In the European Union, a new insurance regulatory regime governing, among other things, capital adequacy and risk management called "Solvency II" is scheduled to take effect on January 1, 2016. In anticipation of the implementation of Solvency II, Lloyd's applies a capital adequacy test to all Lloyd's syndicates, including our syndicate, that is based on Solvency II principles. Solvency II provides for the supervision of group solvency. Under Solvency II, it is possible that the U.S. parent of a European Union subsidiary could be subject to certain Solvency II requirements if the regulator determines that the subsidiary's capital position is dependent on the parent company and the U.S. company is not already subject to regulations deemed "equivalent" to Solvency II. While it is not certain how or if these actions will impact us, we do not currently expect the capital management strategies for our U.S. and international companies will be materially impacted.

Our international underwriting subsidiaries are also subject to varying degrees of regulation in certain countries in Scandinavia, Continental Europe, South America, Australia, Southeast Asia and Canada. Generally, our subsidiaries must satisfy local regulatory requirements. While each country imposes licensing, solvency, auditing and financial reporting requirements, the type and extent of the requirements differ substantially. Key areas where country regulations may differ include: (i) the type of financial reports to be filed; (ii) a requirement to use local intermediaries; (iii) the amount of reinsurance permissible; (iv) the scope of any regulation of policy forms and rates; and (v) the type and frequency of regulatory examinations.

Competition

The property casualty insurance and reinsurance businesses are highly competitive, with many insurance companies of various sizes, as well as other entities offering risk alternatives such as self-insured retentions or captive programs, transacting business in the United States and internationally. We compete directly with a large number of these companies. Competition in our industry is largely measured by the ability to provide insurance and services at a price and on terms that are reasonable and acceptable to the customer. Our strategy in this highly fragmented industry is to seek specialized areas or geographic regions where our insurance subsidiaries can gain a competitive advantage by responding quickly to changing market conditions. Our subsidiaries establish their own pricing practices based upon a Company-wide philosophy to price products with the intent of making an underwriting profit. As a result of increased competition, from 2005 to 2010 we generally experienced both downward pressure on pricing for many of our insurance lines as well as demands by insureds and cedants for better terms and conditions. Although insurance rates increased commencing in 2011, certain products continued to experience strong competition.

Competition for Insurance-Domestic business comes from other specialty insurers, regional carriers, large national multi-line companies and reinsurers. Our specialty operating units compete with excess and surplus insurers as well as standard carriers. Other regional units compete with mutual and other regional stock companies as well as national carriers. Additionally, direct writers of property casualty insurance compete with our regional units by writing insurance through their salaried employees, generally at a lower acquisition cost than through independent agents such as those used by the Company.

Our Insurance-International operations compete with native insurance operations both large and small, which in some cases are related to government entities, as well as with branches or local subsidiaries of multinational companies.

Competition for the Reinsurance-Global business comes from domestic and foreign reinsurers, which produce their business either on a direct basis or through the broker market. These competitors include Swiss Re, Munich Re, Berkshire Hathaway, Transatlantic Reinsurance, Partner Re and others.

In recent years, various institutional investors have increasingly sought to participate in the property and casualty insurance and reinsurance industries. Well-capitalized new entrants to the property and casualty insurance and reinsurance industries, or existing competitors that receive substantial infusions of capital, provide increasing competition, which may adversely impact our business and profitability. Further, an expanded supply of reinsurance capital may lower costs for insurers that rely on reinsurance and, as a consequence, those insurers may be able to price their products more competitively.

Additionally, competition from insurers and reinsurers based in Bermuda and other tax-advantaged jurisdictions continues to increase, including from domestic based subsidiaries of foreign-based entities in the excess and surplus lines businesses.

Employees

As of January 31, 2014, we employed 7,247 individuals. Of this number, our subsidiaries employed 7,126 persons and the remaining persons were employed at the parent company.

Other Information about the Company's Business

We maintain an interest in the acquisition and startup of complementary businesses and continue to evaluate possible acquisitions and new ventures on an ongoing basis. In addition, our insurance subsidiaries develop new coverages or lines of business to meet the needs of insureds.

Seasonal weather variations and other events affect the severity and frequency of losses sustained by the insurance and reinsurance subsidiaries. Although the effect on our business of catastrophes such as tornadoes, hurricanes, hailstorms, earthquakes and terrorist acts may be mitigated by reinsurance, they nevertheless can have a significant impact on the results of any one or more reporting periods.

We have no customer which accounts for 10 percent or more of our consolidated revenues.

Compliance by W. R. Berkley and its subsidiaries with federal, state and local provisions that have been enacted or adopted regulating the discharge of materials into the environment, or otherwise relating to protection of the environment, has not had a material effect upon our capital expenditures, earnings or competitive position.

The Company's internet address is www.wrberkley.com. The information on our website is not incorporated by reference in this annual report on Form 10-K. The Company's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act are accessible free of charge through this website as soon as reasonably practicable after they have been electronically filed with or furnished to the SEC.

ITEM 1A. RISK FACTORS

Our businesses face significant risks. If any of the events or circumstances described as risks below occur, our businesses, results of operations and/or financial condition could be materially and adversely affected. In addition to those described below, our businesses may also be adversely affected by risks and uncertainties not currently known to us or that we currently consider immaterial.

Risks Relating to Our Industry

Our results may fluctuate as a result of many factors, including cyclical changes in the insurance and reinsurance industry.

The results of companies in the property casualty insurance industry historically have been subject to significant fluctuations and uncertainties in demand and pricing, causing cyclical changes in the insurance and reinsurance industry. The demand for insurance is influenced primarily by general economic conditions, while the supply of insurance is often directly related to available capacity or the perceived profitability of the business. Although the insurance markets have recently hardened somewhat, we have faced in recent years increased competition in our business, as a result of new entrants and existing insurers seeking to gain market share, resulting in decreased premium rates and less favorable contract terms and conditions for certain lines of business. The adequacy of premium rates is affected mainly by the severity and frequency of claims, which are influenced by many factors, including natural disasters, regulatory measures and court decisions that define and expand the extent of coverage and the effects of economic inflation on the amount of compensation due for injuries or losses. In addition, investment rates of return have impacted rate adequacy, with interest rates remaining at historic lows. These factors can have a significant impact on ultimate profitability because a property casualty insurance policy is priced before its costs are known as premiums usually are determined long before claims are reported. These factors could produce results that would have a negative impact on our results of operations and financial condition.

We face significant competitive pressures in our businesses, which have reduced premium rates in certain areas and could harm our ability to maintain or increase our profitability and premium volume.

We compete with a large number of other companies in our selected lines of business. We compete, and will continue to compete, with major U.S. and non-U.S. insurers and reinsurers, other regional companies, as well as mutual companies, specialty insurance companies, underwriting agencies and diversified financial services companies. Competitiveness in our businesses is based on many factors, including premium charges, ratings assigned by independent rating agencies, commissions paid to producers, the perceived financial strength of the company, other terms and conditions offered, services provided (including ease of doing business over the internet), speed of claims payment and reputation and experience in the lines to be written.

Some of our competitors, particularly in the Reinsurance-Global business, have greater financial and marketing resources than we do. These competitors within the reinsurance segment include Swiss Re, Munich Re, Berkshire Hathaway, Transatlantic Reinsurance, and Partner Re. We expect that perceived financial strength, in particular, will become more important as customers seek high quality reinsurers. Certain of our competitors operate from Bermuda or other tax advantaged or less regulated jurisdictions that may provide them with additional competitive and pricing advantages.

Over the past several years, we have faced increased competition in our business, particularly in our Insurance-Domestic and Reinsurance-Global segments, as increased supply has led to reduced prices and, at times, less favorable terms and conditions. Our specialty operating units have also encountered competition from admitted companies seeking to increase market share. From 2005 through 2010, the property casualty insurance market was very competitive and insurance rates decreased across most business lines. Although prices have generally increased since the beginning of 2011, current market price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives. We expect to continue to face strong competition in these and our other lines of business and as a result could experience renewed pressure on pricing and policy terms and conditions.

In recent years, various institutional investors have increasingly sought to participate in the property and casualty insurance and reinsurance industries. Well-capitalized new entrants to the property and casualty insurance and reinsurance industries, or existing competitors that receive substantial infusions of capital, provide increasing competition, which may adversely impact our business and profitability. Further, an expanded supply of reinsurance capital may lower costs for insurers that rely on reinsurance and, as a consequence, those insurers may be able to price their products more competitively.

This intense competition could cause the supply and/or demand for insurance or reinsurance to change, which could affect our ability to price our products at attractive rates and retain existing business or write new products at adequate rates or on terms and conditions acceptable to us. If we are unable to retain existing business or write new business at adequate rates or on terms and conditions acceptable to us, our results of operations could be materially and adversely affected.

Our actual claims losses may exceed our reserves for claims, which may require us to establish additional reserves.

Our gross reserves for losses and loss expenses were approximately \$10.1 billion as of December 31, 2013. Our loss reserves reflect our best estimates of the cost of settling claims and related expenses with respect to insured events that have occurred.

Reserves do not represent an exact calculation of liability. Rather, reserves represent an estimate of what management expects the ultimate settlement and claims administration will cost for claims that have occurred, whether known or unknown. The major assumptions about anticipated loss emergence patterns are subject to unanticipated fluctuation. These estimates, which generally involve actuarial projections, are based on management's assessment of facts and circumstances then known, as well as estimates of future trends in claims severity and frequency, inflation, judicial theories of liability, reinsurance coverage, legislative changes and other factors, including the actions of third parties, which are beyond our control.

The inherent uncertainties of estimating reserves are greater for certain types of liabilities, where long periods of time elapse before a definitive determination of liability is made and settlement is reached. In periods with increased economic volatility, it becomes more difficult to accurately predict claim costs. It is especially difficult to estimate the impact of inflation on loss reserves given the current economic environment and related government actions. Both inflation overall and medical cost inflation, which has historically been greater than inflation overall, can have an adverse impact.

Reserve estimates are continually refined in an ongoing process as experience develops and further claims are reported and settled. Adjustments to reserves are reflected in the results of the periods in which such estimates are changed. Because setting reserves is inherently uncertain, we cannot assure that our current reserves will prove adequate in light of subsequent events. Should we need to increase our reserves, our pre-tax income for the reporting period would decrease by a corresponding amount.

We discount our reserves for excess and assumed workers' compensation business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting liabilities. The expected loss and loss expense payout pattern subject to discounting is derived from our loss payout experience. Changes in the loss and loss expense payout pattern are recorded in the period they are determined. If the actual loss payout pattern is shorter than anticipated, the discount will be reduced and pre-tax income will decrease by a corresponding amount.

The effects of emerging claim and coverage issues on our business are uncertain.

As industry practices and economic, legal, judicial, social and other environmental conditions change, unexpected and unintended issues related to claim and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the number or size of claims. Examples of emerging claims and coverage issues include, but are not limited to:

- judicial expansion of policy coverage and the impact of new theories of liability;

- plaintiffs targeting property and casualty insurers, including us, in purported class action litigation relating to claims-handling and other practices;
- medical developments that link health issues to particular causes, resulting in liability claims;
- claims relating to unanticipated consequences of current or new technologies, including cyber security related risks; and
- claims relating to potentially changing climate conditions.

In some instances, these emerging issues may not become apparent for some time after we have issued the affected insurance policies. As a result, the full extent of liability under our insurance policies may not be known until many years after the policies are issued.

In addition, the potential passage of new legislation designed to expand the right to sue, to remove limitations on recovery, to extend the statutes of limitations or otherwise to repeal or weaken tort reforms could have an adverse impact on our business.

The effects of these and other unforeseen emerging claim and coverage issues are difficult to predict and could harm our business and materially and adversely affect our results of operations.

As a property casualty insurer, we face losses from natural and man-made catastrophes.

Property casualty insurers are subject to claims arising out of catastrophes that may have a significant effect on their results of operations, liquidity and financial condition. Catastrophe losses have had a significant impact on our results. For example, weather-related losses were \$65 million in 2013, \$80 million in 2012, \$153 million in 2011, \$81 million in 2010, and \$63 million in 2009. Similarly, man-made catastrophes can also have a material impact on our financial results.

Catastrophes can be caused by various events, including hurricanes, windstorms, earthquakes, tsunamis, hailstorms, explosions, severe winter weather and fires, as well as terrorist and other man-made activities, including drilling, mining and other industrial accidents or terrorist activities. The incidence and severity of catastrophes are inherently unpredictable but have increased in recent years. The extent of losses from a catastrophe is a function of both the total amount of insured exposure in the area affected by the event and the severity of the event. Some catastrophes are restricted to small geographic areas; however, hurricanes, earthquakes, tsunamis and other disasters may produce significant damage in large, heavily populated areas. Catastrophes can cause losses in a variety of our property and casualty lines, and most of our past catastrophe-related claims have resulted from severe storms. Seasonal weather variations or the impact of climate change may affect the severity and frequency of our losses. Insurance companies are not permitted to reserve for a catastrophe until it has occurred. It is therefore possible that a catastrophic event or multiple catastrophic events could produce significant losses and have a material adverse effect on our results of operations and financial condition.

Changing climate conditions may adversely affect our financial condition or profitability.

There is an emerging scientific view that the earth is getting warmer. Climate change, to the extent it produces rising temperatures and changes in weather patterns, may affect the frequency and severity of storms and other weather events as well as the affordability, availability and underwriting results of commercial property insurance, and, if frequency and severity patterns increase, could negatively affect our financial results.

Conditions in the financial markets and the global economy have had and may continue to have a negative impact on our results of operations and financial condition, particularly if such conditions continue.

The significant volatility and uncertainty experienced in financial markets around the world during the past several years and the effect of the economic downturn have continued. Although the U.S. and various foreign governments have taken various actions to try to stabilize the financial markets, the ultimate effectiveness of such actions remains unclear. Therefore, volatility and uncertainty in the financial markets and the resulting negative economic impact may continue for some time. For example, financial markets have been affected by concerns over U.S. fiscal policy as well as the related concern regarding the need to reduce the federal deficit. These issues, together with the slowing of the global economy generally, could send the U.S. into a new recession, further exacerbate concerns over sovereign debt of other countries and disrupt economic activity in the U.S. and elsewhere. Similarly, concerns about the solvency of certain European Union member states, and of financial institutions that have significant direct or indirect exposure to debt issued by them, has created market volatility that continues to affect the performance of various asset classes, and likely will continue until there is an ultimate resolution of these sovereign debt related concerns.

While we monitor conditions in the financial markets, we cannot predict future conditions or their impact on our results of operations and financial condition. Depending on conditions in the financial markets, we could incur additional realized and unrealized losses in our investment portfolio in future periods, and financial market volatility and uncertainty and an economic downturn could have a significant negative impact on third parties that we do business with, including insureds and reinsurers.

We, as a primary insurer, may have significant exposure for terrorist acts.

To the extent an act of terrorism, whether a domestic or foreign act, is certified by the Secretary of Treasury, we may be covered under the Terrorism Risk Insurance Act of 2002 (as amended, “TRIA”), for up to 85% of our losses for certain property/casualty lines of insurance. However, any such coverage would be subject to a mandatory deductible based on 20% of earned premium for the prior year for the covered lines of commercial property and casualty insurance. Based on our 2013 earned premiums, our deductible under TRIA during 2014 is approximately \$698 million. TRIA is currently in effect through December 31, 2014. We cannot be certain that TRIA will be extended past such expiration date. In addition, the coverage provided under TRIA does not apply to reinsurance that we write.

Our earnings could be more volatile because of our significant level of retentions.

As compared to a number of our competitors, we maintain significant retention levels in premiums written on certain classes of business. We purchase less reinsurance, the process by which we transfer, or cede, part of the risk we have assumed to a reinsurance company, thereby retaining more risk. As a result, our earnings could be more volatile and increased severities are more likely to have a material adverse effect on our results of operations and financial condition.

We are subject to extensive governmental regulation, which increases our costs and could restrict the conduct of our business.

We are subject to extensive governmental regulation and supervision in both the United States and foreign jurisdictions. Most insurance regulations are designed to protect the interests of policyholders rather than stockholders and other investors. This system of regulation, generally administered in the United States by a department of insurance in each state in which we do business, relates to, among other things:

- standards of solvency, including risk-based capital measurements;
- restrictions on the nature, quality and concentration of investments;
- requirements pertaining to certain methods of accounting;
- rate and form regulation pertaining to certain of our insurance businesses;
- potential assessments for the provision of funds necessary for the settlement of covered claims under certain policies provided by impaired, insolvent or failed insurance companies; and
- involvement in the payment or adjudication of catastrophe or other claims beyond the terms of the policies.

State insurance departments conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies, holding company issues and other matters. Our Insurance-International business is also generally subject to a similar regulatory scheme in each of the jurisdictions where we conduct operations.

Federal financial services modernization legislation and legislative and regulatory initiatives taken or which may be taken in response to the current conditions in the financial markets and the recent economic downturn may lead to additional federal regulation of the insurance industry in the coming years.

In July 2010, President Obama signed into law the Dodd Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which effected sweeping changes to financial services regulation in the United States. The Dodd-Frank Act established the Financial Stability Oversight Council (“FSOC”), which is authorized to recommend that certain systemically significant non-bank financial companies, including insurance companies, be regulated by the Board of Governors of the Federal Reserve. The Dodd-Frank Act also established a Federal Insurance Office (“FIO”) which is authorized to study, monitor and report to Congress on the U.S. insurance industry and the significance of global reinsurance to the U.S. insurance market. The FIO also can recommend to the FSOC that it designate an insurer as an entity posing risks to the United States financial stability in the event of the insured's material financial distress or failure. The potential impact of the Dodd-Frank Act on the U.S. insurance business is not clear. Our business could be affected by changes, whether as a result of the Dodd-Frank Act or otherwise, to the U.S. system of insurance regulation or our designation or the designation of insurers or reinsurers with which we do business as systemically significant non-bank financial companies.

Although U.S. state regulation is the primary form of regulation of insurance and reinsurance, in addition to the changes brought about by the Dodd-Frank Act, Congress has considered over the past years various proposals relating to the creation of an optional federal charter, repeal of the insurance company antitrust exemption from the McCarran Ferguson Act, and tax law changes. We may be subject to potentially increased federal oversight as a financial institution.

With respect to international measures, Solvency II, the EU directive concerning the capital adequacy, risk management and regulatory reporting for insurers and reinsurers which was adopted by the European Parliament in April 2009, may affect our insurance businesses. Implementation of Solvency II in EU member states is currently scheduled to occur on January 1, 2016, and may require us to utilize a significant amount of resources to ensure compliance. In addition, Solvency II may have the effect of increasing the capital requirements of our EU domiciled insurers. Additionally, our capital requirements and compliance requirements may be adversely affected if the EU commission finds that the insurance regulatory regimes of the

jurisdictions outside the EU in which we have insurance or reinsurance companies domiciled are not "equivalent" to the requirements of Solvency II.

We may be unable to maintain all required licenses and approvals and our business may not fully comply with the wide variety of applicable laws and regulations or the relevant authority's interpretation of the laws and regulations. Also, some regulatory authorities have relatively broad discretion to grant, renew or revoke licenses and approvals. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, the insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or monetarily penalize us. Also, changes in the level of regulation of the insurance industry, whether federal, state or foreign, or changes in laws or regulations themselves or interpretations by regulatory authorities, may further restrict the conduct of our business.

Risks Relating to Our Business

Our international operations expose us to investment, political and economic risks, including foreign currency and credit risk.

Our expanding international operations in the United Kingdom, Continental Europe, South America, Canada, Scandinavia, Asia and Australia expose us to increased investment, political and economic risks, including foreign currency and credit risk. Changes in the value of the U.S. dollar relative to other currencies could have an adverse effect on our results of operations and financial condition.

Our investments in non-U.S.-denominated securities are subject to fluctuations in non-U.S. securities and currency markets, and those markets can be volatile. Non-U.S. currency fluctuations also affect the value of any dividends paid by our non-U.S. subsidiaries to their parent companies in the U.S.

We may be unable to attract and retain key personnel and qualified employees.

We depend on our ability to attract and retain key personnel, including our Chairman and CEO, President and COO, senior executive officers, presidents of our operating units, experienced underwriters and other skilled employees who are knowledgeable about our business. If the quality of our underwriting team and other personnel decreases, we may be unable to maintain our current competitive position in the specialized markets in which we operate, and be unable to expand our operations into new markets.

We cannot guarantee that our reinsurers will pay in a timely fashion, if at all, and, as a result, we could experience losses.

We purchase reinsurance by transferring part of the risk that we have assumed, known as ceding, to a reinsurance company in exchange for part of the premium we receive in connection with the risk. Although reinsurance makes the reinsurer contractually liable to us to the extent the risk is transferred or ceded to the reinsurer, it does not relieve us, the reinsured, of our liability to our policyholders. Our reinsurers may not pay the reinsurance recoverables that they owe to us or they may not pay such recoverables on a timely basis. Accordingly, we bear credit risk with respect to our reinsurers, and if our reinsurers fail to pay us, our financial results would be adversely affected. Underwriting results and investment returns of some of our reinsurers may affect their future ability to pay claims. As of December 31, 2013, the amount due from our reinsurers was approximately \$1,533 million, including amounts due from state funds and industry pools where it was intended that we would bear no risk. Certain of these amounts due from reinsurers are secured by letters of credit or by funds held in trust on our behalf.

We are subject to credit risk relating to our policyholders, independent agents and brokers.

In addition to exposure to credit risk related to our reinsurance recoverables and investment portfolio, we are exposed to credit risk in several other areas of our business, including credit risk relating to policyholders, independent agents and brokers. For example our policyholders, independent agents or brokers may not pay a part of or the full amount of premiums owed to us or our brokers or other third party claim administrators may not deliver amounts owed on claims under our insurance and reinsurance contracts for which we have provided funds.

As credit risk is generally a function of the economy, we face a greater credit risk in an economic downturn. While we attempt to manage credit risks through underwriting guidelines, collateral requirements and other oversight mechanisms, our efforts may not be successful. For example, to reduce such credit risk, we require certain third parties to post collateral for some or all of their obligations to us. In cases where we receive pledged securities and the applicable counterparty is unable to honor its obligations, we may be exposed to credit risk on the securities pledged and/or the risk that our access to that collateral may be stayed as a result of bankruptcy. In cases where we receive letters of credit from banks as collateral and one of our counterparties is unable to honor its obligations, we are exposed to the credit risk of the banks that issued the letters of credit.

We are rated by A.M. Best, Standard & Poor's, and Moody's, and a decline in these ratings could affect our standing in the insurance industry and cause our sales and earnings to decrease.

Ratings have become an increasingly important factor in establishing the competitive position of insurance companies. Certain of our insurance company subsidiaries are rated by A.M. Best, Standard & Poor's and Moody's. Our ratings are subject to periodic review, and we cannot assure you that we will be able to retain our current or any future ratings.

If our ratings are reduced from their current levels by A.M. Best, Standard & Poor's or Moody's, our competitive position in the insurance industry could suffer and it would be more difficult for us to market our products. A ratings downgrade could also adversely limit our access to capital markets, which may increase the cost of debt. A significant downgrade could result in a substantial loss of business as policyholders move to other companies with higher claims-paying and financial strength ratings.

If market conditions cause reinsurance to be more costly or unavailable, we may be required to bear increased risks or reduce the level of our underwriting commitments.

As part of our overall risk and capacity management strategy, we purchase reinsurance for certain amounts of risk underwritten by our insurance company subsidiaries, especially catastrophe risks and those risks with relatively high policy limits. We also purchase reinsurance on risks underwritten by others which we reinsure. Market conditions beyond our control determine the availability and cost of the reinsurance protection we seek to purchase, which may affect the level of our business and profitability. Our reinsurance contracts are generally subject to annual renewal, and we may be unable to maintain our current reinsurance contracts or to obtain other reinsurance contracts in adequate amounts and at favorable rates. In addition, we may be unable to obtain reinsurance on terms acceptable to us relating to certain lines of business that we intend to begin writing. If we are unable to renew our expiring contracts or to obtain new reinsurance contracts, either our net exposures would increase or, if we are unwilling to bear an increase in net exposures, we would have to reduce the level of our underwriting commitments, especially catastrophe exposed risks.

Depending on conditions in the financial markets and the general economy, we may be unable to raise debt or equity capital if needed.

If conditions in the financial markets and the general economy are unfavorable, which may result from disruptions, uncertainty or volatility in the capital and credit markets, we may be unable to access debt or equity capital on acceptable terms if needed, which could have a negative impact on our ability to invest in our insurance company subsidiaries and/or to take advantage of opportunities to expand our business, such as possible acquisitions and the creation of new ventures, and inhibit our ability to refinance our existing indebtedness if we desire to do so, on terms acceptable to us.

We may not find suitable acquisition candidates or new insurance ventures and even if we do, we may not successfully integrate any such acquired companies or successfully invest in such ventures.

As part of our present strategy, we continue to evaluate possible acquisition transactions and the start-up of complementary businesses on an ongoing basis, and at any given time we may be engaged in discussions with respect to possible acquisitions and new ventures. We cannot assure you that we will be able to identify suitable acquisition targets or insurance ventures, that such transactions will be financed and completed on acceptable terms or that our future acquisitions or start-up ventures will be successful. The process of integrating any companies we do acquire or investing in new ventures may have a material adverse effect on our results of operations and financial condition.

If we experience difficulties with our information technology, telecommunications or other computer systems, our ability to conduct our business could be negatively or severely impacted.

Our business is highly dependent upon our employees' ability to perform necessary business functions in an efficient and uninterrupted fashion. A shut-down of, or inability to access, one or more of our facilities, a power outage or a failure of one or more of our information technology, telecommunications or other computer systems could significantly impair our employees' ability to perform such functions on a timely basis. In the event of a disaster such as a natural catastrophe, terrorist attack or industrial accident, or the infection of our systems by a malicious computer virus, our systems could be inaccessible for an extended period of time. In addition, because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials or failures of controls if demand for our service exceeds capacity or a third-party system fails or experiences an interruption. If our business continuity plans or system security does not sufficiently address such a business interruption, system failure or service denial, our ability to write and process new and renewal business, provide customer service, pay claims in a timely manner or perform other necessary business functions could be significantly impaired and our business could be harmed.

Failure to maintain the security of our networks and confidential data may expose us to liability.

Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Computer viruses, hackers, employee misconduct and other external hazards could expose our data systems to security breaches. In addition, we routinely transmit and receive personal, confidential and proprietary information by email and other electronic means. Our outsourcing of certain technology and business process functions to third parties may expose us to enhanced risk related to data security. While we attempt to develop secure data transmission capabilities with these third-party vendors and others with whom we do business, we may be unable to put in place such secure capabilities with all of such vendors and third parties and, in addition, these third parties may not have appropriate controls in place to protect the confidentiality of the sensitive information being transferred. Our failure to protect sensitive personal and our proprietary information, whether owing to breaches of our own systems or those of our vendors, could result in significant monetary and reputational damages. These increased risks, and expanding regulatory requirements regarding data security,

could expose us to data loss, monetary and reputational damages and significant increases in compliance costs. As a result, our ability to conduct our business could be materially and adversely affected.

We could be adversely affected if our controls to ensure compliance with guidelines, policies and legal and regulatory standards are not effective.

Our business is highly dependent on our ability to engage on a daily basis in a large number of insurance underwriting, claim processing and investment activities, many of which are highly complex. These activities often are subject to internal guidelines and policies, as well as legal and regulatory standards, including those related to privacy, anti-corruption, anti-bribery and global finance and insurance matters. Our continued expansion into new international markets has brought about additional requirements. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. If our controls are not effective, it could lead to financial loss, unanticipated risk exposure (including underwriting, credit and investment risk) or damage to our reputation.

Risks Relating to Our Investments

A significant amount of our assets is invested in fixed maturity securities and is subject to market fluctuations.

Our investment portfolio consists substantially of fixed maturity securities. As of December 31, 2013, our investment in fixed maturity securities was approximately \$11.6 billion, or 75% of our total investment portfolio. As of that date, our portfolio of fixed maturity securities consisted of the following types of securities: U.S. Government securities (7.6%); state and municipal securities (36.9%); corporate securities (36.2%); mortgage-backed securities (11.7%) and foreign government (7.6%).

The fair value of these assets and the investment income from these assets fluctuate depending on general economic and market conditions. The fair value of fixed maturity securities generally decreases as interest rates rise. If significant inflation were to occur, the fair value of our fixed maturity securities would be negatively impacted. Conversely, if interest rates decline, investment income earned from future investments in fixed maturity securities will be lower. Some fixed maturity securities, such as mortgage-backed and other asset-backed securities, also carry prepayment risk as a result of interest rate fluctuations. Additionally, given the historically low interest rate environment, we may not be able to successfully reinvest the proceeds from maturing securities at yields commensurate with our target performance goals.

The value of investments in fixed maturity securities is subject to impairment as a result of deterioration in the credit worthiness of the issuer, default by the issuer (including states and municipalities) in the performance of its obligations in respect of the securities and/or increases in market interest rates. To a large degree, the credit risk we face is a function of the economy; accordingly, we face a greater risk in an economic downturn or recession. During periods of market disruption, it may be difficult to value certain of our securities, particularly if trading becomes less frequent and/or market data becomes less observable. There may be certain asset classes that were in active markets with significant observable data that become illiquid due to the current financial environment. In such cases, more securities may require additional subjectivity and management judgment.

Although the historical rates of default on state and municipal securities have been relatively low, our state and municipal fixed maturity securities could be subject to a higher risk of default or impairment due to declining municipal tax bases and revenue. The economic downturn has resulted in many states and municipalities operating under deficits or projected deficits, the severity and duration of which could have an adverse impact on both the valuation of our state and municipal fixed maturity securities and the issuer's ability to perform its obligations thereunder. Additionally, our investments are subject to losses as a result of a general decrease in commercial and economic activity for an industry sector in which we invest, as well as risks inherent in particular securities.

Although we attempt to manage these risks through the use of investment guidelines and other oversight mechanisms and by diversifying our portfolio and emphasizing preservation of principal, our efforts may not be successful. Impairments, defaults and/or rate increases could reduce our net investment income and net realized investment gains or result in investment losses. Investment returns are currently, and will likely continue to remain, under pressure due to the significant volatility experienced in the financial markets, economic uncertainty, more generally, and the shape of the yield curve. As a result, our exposure to the risks described above could materially and adversely affect our results of operations.

We invest some of our assets in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets, which may decline in value.

We invest a portion of our investment portfolio in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets and have recently increased our investments in these asset classes as a result of the current historically low interest rate environment. At December 31, 2013, our investment in these assets was approximately \$2.6 billion, or 17%, of our investment portfolio. We reported provisions for other than temporary impairments in the value of these assets of approximately \$6 million in 2013 and \$5 million in 2012.

Merger and arbitrage trading securities were \$522 million, or 3%, of our investment portfolio at December 31, 2013. Merger arbitrage involves investing in the securities of publicly held companies that are the targets in announced tender offers

and mergers. Merger arbitrage differs from other types of investments in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period, usually four months or less. Our merger arbitrage positions are exposed to the risk associated with the completion of announced deals, which are subject to regulatory as well as political and other risks.

Investments in real estate investment funds and limited partnerships and loans receivable were \$1.4 billion, or 9%, of our investment portfolio at December 31, 2013. The values of our real estate related investments are subject to fluctuations based on changes in the economy and interest rates in general and real estate valuations in particular. These investments have been subject to significant volatility as a result of the current conditions in the financial markets. In addition, our investments in real estate related assets and other alternative investments are less liquid than our other investments.

Risks Relating to Purchasing Our Securities

We are an insurance holding company and, therefore, may not be able to receive dividends in needed amounts.

As an insurance holding company, our principal assets are the shares of capital stock of our insurance company subsidiaries. We have to rely on dividends from our insurance company subsidiaries to meet our obligations for paying principal and interest on outstanding debt obligations, paying dividends to stockholders and repurchasing our shares and paying corporate expenses. The payment of dividends by our insurance company subsidiaries is subject to regulatory restrictions and will depend on the surplus and future earnings of these subsidiaries, as well as regulatory restrictions. During 2014, the maximum amount of dividends that can be paid without regulatory approval is approximately \$491 million. As a result, in the future we may not be able to receive dividends from these subsidiaries at times and in amounts necessary to meet our obligations, pay dividends or repurchase shares.

Laws and regulations of the jurisdictions in which we conduct business could delay, deter or prevent an attempt to acquire control of us that stockholders might consider to be desirable, and may restrict a stockholder's ability to purchase our common stock.

Generally, United States insurance holding company laws require that, before a person can acquire control of an insurance company, prior written approval must be obtained from the insurance regulatory authorities in the state in which that insurance company is domiciled. Pursuant to applicable laws and regulations, "control" over an insurer is generally presumed to exist if any person, directly or indirectly, owns, controls, holds the power to vote, or holds proxies representing 10% or more of the voting securities of that insurer. Indirect ownership includes ownership of the shares of our common stock. Thus, the insurance regulatory authorities of the states in which our insurance operating units are domiciled are likely to apply these restrictions on acquisition of control to any proposed acquisition of our common stock. Some states require a person seeking to acquire control of an insurer licensed but not domiciled in that state to make a filing prior to completing an acquisition if the acquirer and its affiliates, on the one hand, and the target insurer and its affiliates, on the other hand, have specified market shares in the same lines of insurance in that state. Additionally, many foreign jurisdictions where we conduct business impose similar restrictions and requirements.

While these provisions may not require acquisition approval, they can lead to the imposition of conditions on an acquisition that could delay or prevent its consummation. These laws may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.

Certain provisions in our organizational documents may have the effect of hindering, delaying or preventing third party takeovers and thus may prevent our stockholders from receiving premium prices for their shares in an unsolicited takeover or make it more difficult for third parties to replace our current management.

Provisions of our Restated Certificate of Incorporation and By-Laws, as well as state insurance statutes, may hinder, delay or prevent unsolicited acquisitions or changes of our control. These provisions may also have the effect of making it more difficult for third parties to cause the replacement of our current management without the concurrence of our board of directors.

These provisions include:

- our classified board of directors and the ability of our board to increase its size and to appoint directors to fill newly created directorships;
- the requirement that 80% of our stockholders must approve mergers and other transactions between us and the holder of 5% or more of our shares, unless the transaction was approved by our board of directors prior to such holder's acquisition of 5% of our shares; and
- the need for advance notice in order to raise business or make nominations at stockholders' meetings.

These provisions may discourage potential acquisition proposals and may delay, deter or prevent a change in control of us through transactions, and in particular unsolicited transactions, that some or all of our stockholders might consider to be desirable.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved written comments that were received from the SEC staff 180 days or more before the end of our fiscal year relating to our periodic or current reports under the Securities Exchange Act of 1934.

ITEM 2. PROPERTIES

W. R. Berkley and its subsidiaries own or lease office buildings or office space suitable to conduct their operations. At December 31, 2013, the Company had aggregate office space of 3,886,500 square feet, of which 1,121,546 were owned and 2,764,954 were leased.

Rental expense for the Company's operations was approximately \$44,752,000, \$38,179,000 and \$33,003,000 for 2013, 2012 and 2011, respectively. Future minimum lease payments, without provision for sublease income, are \$42,586,000 in 2014, \$39,218,000 in 2015 and \$276,628,000 thereafter.

ITEM 3. LEGAL PROCEEDINGS

The Company's subsidiaries are subject to disputes, including litigation and arbitration, arising in the ordinary course of their insurance and reinsurance businesses. The Company's estimates of the costs of settling such matters are reflected in its aggregate reserves for losses and loss expenses, and the Company does not believe that the ultimate outcome of such matters will have a material adverse effect on its financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of the Company is traded on the New York Stock Exchange under the symbol “WRB”.

	Price Range		Dividends Declared Per Share
	High	Low	
2013:			
Fourth Quarter	\$ 45.00	\$ 41.89	\$ 0.10
Third Quarter	44.88	40.42	0.10
Second Quarter	45.59	39.62	0.10
First Quarter	44.40	38.03	0.09
2012:			
Fourth Quarter	\$ 40.39	\$ 36.82	\$ 1.09
Third Quarter	39.58	36.08	0.09
Second Quarter	39.29	35.88	0.09
First Quarter	36.80	33.34	0.08

The closing price of the common stock on February 25, 2014 as reported on the New York Stock Exchange was \$40.57 per share. The approximate number of record holders of the common stock on February 25, 2014 was 407.

Set forth below is a summary of the shares repurchased by the Company during the fourth quarter of 2013 and the remaining number of shares authorized for purchase by the Company during such period.

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that may yet be Purchased Under the Plans or Programs(1)
October 2013	120,000	\$ 43.66	120,000	7,977,018
November 2013	1,246,639	43.52	1,246,639	6,730,379
December 2013	1,586,641	42.61	1,586,641	9,884,737

(1) The Company's repurchase authorization was increased to 10,000,000 shares on December 18, 2013.

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data)	Year Ended December 31,				
	2013	2012	2011	2010	2009
Net premiums written	\$5,500,173	\$4,898,539	\$4,357,368	\$3,850,926	\$3,730,095
Net premiums earned	5,226,537	4,673,516	4,160,867	3,835,582	3,805,849
Net investment income	544,291	586,763	526,351	530,525	379,008
Insurance service fees	107,513	103,133	92,843	85,405	93,245
Net investment gains (losses)	121,544	210,465	125,481	56,581	(38,408)
Revenues from wholly-owned investees	407,623	247,113	248,678	214,454	189,347
Total revenues	6,408,534	5,823,554	5,155,984	4,724,069	4,431,178
Interest expense	123,177	126,302	112,512	106,969	87,989
Income before income taxes	698,888	701,928	513,086	598,910	379,878
Income tax expense	(193,587)	(191,285)	(121,945)	(152,226)	(72,349)
Noncontrolling interests	(5,376)	(51)	70	(279)	(23)
Net income to common stockholders	499,925	510,592	391,211	446,405	307,506
Data per common share:					
Net income per basic share	3.69	3.72	2.80	3.00	1.92
Net income per diluted share	3.55	3.56	2.69	2.88	1.85
Common stockholders' equity	32.79	31.66	28.75	25.89	22.66
Cash dividends declared	0.39	1.35	0.31	0.27	0.24
Weighted average shares outstanding:					
Basic	135,305	137,097	139,688	148,752	160,357
Diluted	140,743	143,315	145,672	155,081	166,574
Investments	\$14,548,630	\$14,467,440	\$13,439,518	\$12,995,393	\$13,050,238
Total assets	20,551,796	20,155,896	18,403,873	17,477,070	17,280,001
Reserves for losses and loss expenses	10,080,941	9,751,086	9,337,134	9,016,549	9,071,671
Subordinated debentures	339,800	243,206	242,997	242,784	249,793
Senior notes and other debt	1,692,442	1,871,535	1,500,503	1,500,419	1,345,481
Common stockholders' equity	4,336,035	4,306,217	3,953,356	3,651,399	3,547,472

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

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

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

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

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

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

The Company also invests in equity securities, merger arbitrage, private equity investments, investment funds, loans receivable and real estate. The Company's investments in investment funds have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

Critical Accounting Estimates

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

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

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

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

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

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

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

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

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

Loss frequency and severity are measures of loss activity that are considered in determining the key assumptions described in our discussion of loss and loss expense reserves, including expected loss ratios, rate of loss cost inflation and reported and paid loss emergence patterns. Loss frequency is a measure of the number of claims per unit of insured exposure, and loss severity is a measure of the average size of claims. Factors affecting loss frequency include the effectiveness of loss

controls and safety programs and changes in economic activity or weather patterns. Factors affecting loss severity include changes in policy limits, retentions, rate of inflation and judicial interpretations.

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

The key assumptions used in calculating the most recent estimate of the loss reserves are reviewed each quarter and adjusted, to the extent necessary, to reflect historical changes, current trends and other factors observed. If the actual level of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management's estimate. The following table reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity, relative to our assumptions, on our loss estimate for claims occurring in 2013:

(In thousands) Severity (+/-)	Frequency (+/-)		
	1%	5%	10%
1%	\$ 64,750	\$ 194,893	\$ 357,572
5%	194,893	330,191	499,313
10%	357,572	499,313	676,488

Our net reserves for losses and loss expenses of approximately \$8.7 billion as of December 31, 2013 relate to multiple accident years. Therefore, the impact of changes in frequency or severity for more than one accident year could be higher or lower than the amounts reflected above.

Approximately \$1.6 billion, or 18%, of the Company's net loss reserves as of December 31, 2013 relate to the Reinsurance-Global segment. There is a higher degree of uncertainty and greater variability regarding estimates of assumed loss reserves because those estimates are based, in part, upon information received from ceding companies. If information received from ceding companies is not timely or correct, the Company's estimate of ultimate losses may not be accurate. Furthermore, due to delayed reporting of claim information by ceding companies, the claim settlement tail for assumed reinsurance is extended. Management considers the impact of delayed reporting in its selection of assumed loss development factors.

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

Following is a summary of the Company's reserves for losses and loss expenses by business segment as of December 31, 2013 and 2012:

(In thousands)	2013	2012
Insurance-Domestic	\$ 6,493,401	\$ 6,297,773
Insurance-International	592,709	540,769
Reinsurance-Global	1,597,687	1,573,309
Net reserves for losses and loss expenses	8,683,797	8,411,851
Ceded reserves for losses and loss expenses	1,397,144	1,339,235
Gross reserves for losses and loss expenses	<u>\$ 10,080,941</u>	<u>\$ 9,751,086</u>

Following is a summary of the Company's net reserves for losses and loss expenses by major line of business as of December 31, 2013 and 2012:

(In thousands)	Reported Case Reserves	Incurred But Not Reported	Total
December 31, 2013			
Other liability	\$ 937,168	\$ 1,852,779	\$ 2,789,947
Workers' compensation (1)	1,462,849	1,206,244	2,669,093
Professional liability	320,579	344,232	664,811
Commercial automobile	267,701	205,404	473,105
Short-tail lines	258,459	230,696	489,155
Total primary	3,246,756	3,839,355	7,086,111
Reinsurance (1)	679,108	918,578	1,597,686
Total	<u>\$ 3,925,864</u>	<u>\$ 4,757,933</u>	<u>\$ 8,683,797</u>
December 31, 2012			
Other liability	\$ 922,568	\$ 1,863,465	\$ 2,786,033
Workers' compensation (1)	1,427,599	1,114,340	2,541,939
Professional liability	271,854	312,811	584,665
Commercial automobile	275,322	204,900	480,222
Short-tail lines	240,411	205,272	445,683
Total primary	3,137,754	3,700,788	6,838,542
Reinsurance (1)	626,962	946,347	1,573,309
Total	<u>\$ 3,764,716</u>	<u>\$ 4,647,135</u>	<u>\$ 8,411,851</u>

(1) Reserves for excess and assumed workers' compensation business are net of an aggregate net discount of \$837 million and \$867 million as of December 31, 2013 and 2012, respectively.

The Company evaluates reserves for losses and loss adjustment expenses on a quarterly basis. Changes in estimates of prior year losses are reported when such changes are made. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends. Certain of the Company's insurance and reinsurance contracts are retrospectively rated, whereby the Company collects more or less premiums based on the level of loss activity. For those contracts, changes in loss and loss adjustment expenses for prior years may be fully or partially offset by additional or return premiums. Net prior year development (i.e, the sum of prior year reserve changes and prior year earned premiums changes) for each of the three years ended December 31, 2013 are as follows:

(In thousands)	2013	2012	2011
Decrease in prior year loss reserves	\$ 78,810	\$ 99,343	\$ 180,585
Increase in prior year earned premiums	19,046	3,228	697
Net favorable prior year development	\$ 97,856	\$ 102,571	\$ 181,282

Favorable prior year development was \$98 million in 2013 compared with \$103 in 2012 and \$181 in 2011.

Favorable development in 2013 was primarily attributable to accident years 2006 through 2012 and included favorable development of \$39 million for other liability business, \$32 million for reinsurance assumed liability business, \$22 million for workers' compensation, \$18 million for commercial property and \$24 million for other lines of business. The favorable development in 2013 was largely driven by loss cost trends, which were more favorable than originally anticipated. In particular, loss frequency trends have been more favorable than expected for excess & surplus lines casualty business, workers' compensation and excess of loss professional and other liability business.

The 2013 favorable development was partially offset by unfavorable development of \$23 million for commercial automobile business and \$14 million for products liability business. Commercial automobile development was driven by large losses for long-haul trucking business in 2011 and 2012. Product liability development stemmed from completed operations losses associated with construction projects in accident years prior to 2009.

Favorable reserve development in 2012 was primarily attributable improved claim frequency (i.e., number of reported claims per unit of exposure), especially in the for excess and surplus casualty business. In addition, standard commercial lines business and reinsurance business experienced better than expected reported losses. The improvement was related primarily to accident years 2008 through 2010.

Favorable reserve development in 2011 was primarily attributable excess and surplus casualty, commercial multi-peril and reinsurance business and was concentrated in accident years 2007 through 2009.

Reserve Discount - The Company discounts its liabilities for excess and assumed workers' compensation business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting the liabilities. The expected losses and loss expense payout pattern subject to discounting was derived from the Company's loss payout experience. For non-proportional business, reserves for losses and loss expenses have been discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. For proportional business, reserves for losses and loss expenses have been discounted at the statutory rate of 2.2%. As of December 31, 2013, the aggregate blended discount rates ranged from 2.1% to 6.5%, with a weighted average discount rate of 4.1%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was \$837 million and \$867 million as of December 31, 2013 and December 31, 2012, respectively.

Assumed Reinsurance Premiums. The Company estimates the amount of assumed reinsurance premiums that it will receive under treaty reinsurance agreements at the inception of the contracts. These premium estimates are revised as the actual amount of assumed premiums is reported to the Company by the ceding companies. As estimates of assumed premiums are made or revised, the related amount of earned premiums, commissions and incurred losses associated with those premiums are recorded. Estimated assumed premiums receivable were approximately \$57 million and \$73 million at December 31, 2013 and December 31, 2012, respectively. The assumed premium estimates are based upon terms set forth in reinsurance agreements, information received from ceding companies during the underwriting and negotiation of agreements, reports received from ceding companies and discussions and correspondence with reinsurance intermediaries. The Company also considers its own view of market conditions, economic trends and experience with similar lines of business. These premium estimates represent management's best estimate of the ultimate amount of premiums to be received under its assumed reinsurance agreements.

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

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

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

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

Impairment assessments for structured securities, including mortgage-backed securities and asset-backed securities, collateralized debt obligations and corporate debt, are generally evaluated based on the performance of the underlying collateral under various economic and default scenarios that may involve subjective judgments and estimates by management. Modeling these securities involves various factors, such as projected default rates, the nature and realizable value of the collateral, if any, the ability of the issuer to make scheduled payments, historical performance and other relevant economic and performance factors. If an OTTI determination is made, a discounted cash flow analysis is used to ascertain the amount of the credit impairment.

The following table provides a summary of fixed maturity securities in an unrealized loss position as of December 31, 2013:

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Unrealized loss less than 20% of amortized cost	501	\$ 3,380,725	\$ 103,240
Unrealized loss of 20% or greater of amortized cost:			
Six months to less than nine months	1	1,039	269
Nine months to less than twelve months	1	886	242
Twelve months and longer	7	25,266	7,383
Total	510	\$ 3,407,916	\$ 111,134

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at December 31, 2013 is presented in the table below.

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Mortgage-backed securities	13	\$ 66,658	\$ 3,748
Corporate	9	31,579	1,005
Foreign government	2	23,603	844
Total	24	\$ 121,840	\$ 5,597

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

Preferred Stocks – At December 31, 2013, there were three preferred stocks in an unrealized loss position, with an aggregate fair value of \$33 million and a gross unrealized loss of \$6 million. None of these preferred stocks are rated non-investment grade and none are delinquent or in default. Management believes the unrealized losses are due primarily to market and sector related factors and does not consider these to be OTTI.

Common Stocks – At December 31, 2013, there were no common stocks in an unrealized loss position.

Loans Receivable – The Company monitors the performance of its loans receivable, including current market conditions for each loan and the ability to collect principal and interest. For loans where the Company determines it is probable that the

contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. Loans receivable are reported net of a valuation reserve of \$2 million and \$6 million at December 31, 2013 and 2012, respectively.

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

Fair Value Measurements. The Company's fixed maturity and equity securities available for sale and its trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. The fair value of the vast majority of the Company's portfolio is based on observable data (other than quoted prices) and, accordingly, is classified as Level 2.

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

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

The following is a summary of pricing sources for the Company's fixed maturity securities available for sale as of December 31, 2013:

(In thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	\$ 10,372,057	90.0%
Syndicate manager	79,602	0.7
Directly by the Company based on:		
Observable data	1,021,001	8.9
Cash flow model	42,864	0.4
Total	\$ 11,515,524	100.0%

Independent pricing services - The vast majority of the Company's fixed maturity securities available for sale were priced by independent pricing services (generally one U.S. pricing service plus additional pricing services with respect to a limited number of foreign securities held by the Company). The prices provided by the independent pricing services are generally based on observable market data in active markets (e.g., broker quotes and prices observed for comparable securities). The determination of whether markets are active or inactive is based upon the volume and level of activity for a particular asset class. The Company reviews the prices provided by pricing services for reasonableness based upon current trading levels for similar securities. If the prices appear unusual to the Company, they are re-examined and the value is either confirmed or revised. In addition, the Company periodically performs independent price tests of a sample of securities to ensure proper valuation and to verify our understanding of how securities are priced. As of December 31, 2013, the Company did not make

any adjustments to the prices provided by the pricing services. Based upon the Company's review of the methodologies used by the independent pricing services, these securities were classified as Level 2.

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

Observable data – If independent pricing is not available, the Company prices the securities directly. Prices are based on observable market data where available, including current trading levels for similar securities and non-binding quotations from brokers. The Company generally requests two or more quotes. If more than one quote is received, the Company sets a price within the range of quotes received based on its assessment of the credibility of the quote and its own evaluation of the security. The Company generally does not adjust quotes obtained from brokers. Since these securities were priced based on observable data, they were classified as Level 2.

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

Results of Operations for the Years Ended December 31, 2013 and 2012

Business Segment Results

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of net premiums earned), expense ratios (underwriting expenses expressed as a percentage of net premiums earned) and GAAP combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the years ended December 31, 2013 and 2012. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(In thousands)	2013	2012
Insurance-Domestic		
Gross premiums written	\$ 4,803,753	\$ 4,261,165
Net premiums written	3,994,387	3,569,883
Net premiums earned	3,782,416	3,417,022
Loss ratio	61.3%	63.5%
Expense ratio	32.7	32.5
GAAP combined ratio	94.0	96.0
Insurance-International		
Gross premiums written	\$ 898,776	\$ 802,057
Net premiums written	756,185	664,459
Net premiums earned	723,151	631,841
Loss ratio	59.4%	59.7%
Expense ratio	39.0	40.2
GAAP combined ratio	98.4	99.9
Reinsurance-Global		
Gross premiums written	\$ 808,562	\$ 716,657
Net premiums written	749,601	664,197
Net premiums earned	720,970	624,653
Loss ratio	62.2%	64.3%
Expense ratio	34.8	36.3
GAAP combined ratio	97.0	100.6
Consolidated		
Gross premiums written	\$ 6,511,091	\$ 5,779,879
Net premiums written	5,500,173	4,898,539
Net premiums earned	5,226,537	4,673,516
Loss ratio	61.2%	63.1%
Expense ratio	33.9	34.1
GAAP combined ratio	95.1	97.2

Net Income to Common Stockholders. The following table presents the Company's net income to common stockholders and net income per diluted share for the years ended December 31, 2013 and 2012.

(In thousands, except per share data)	2013	2012
Net income to common stockholders	\$ 499,925	\$ 510,592
Weighted average diluted shares	140,743	143,315
Net income per diluted share	\$ 3.55	\$ 3.56

The Company reported net income of \$500 million in 2013 compared to \$511 million in 2012. The 2% decrease in net income was primarily due to decreases in after-tax net investment gains of \$63 million and after-tax net investment income of \$31 million, largely offset by an increase in after-tax underwriting income of \$82 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2013 and 2012.

Premiums. Gross premiums written were \$6,511 million in 2013, an increase of 13% from \$5,780 million in 2012. The growth was due to a combination of rate increases and increased exposures, including expansion into new geographic and product markets. Approximately 76% of policies expiring in 2013 were renewed, compared with a 78% renewal retention rate for policies expiring in 2012.

Average renewal premium rates (adjusted for change in exposures) increased 2.7% in 2011, 6.8% in 2012 and 6.5% in 2013. However, overall loss costs are also increasing, and current market price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives.

A summary of gross premiums written in 2013 compared with 2012 by line of business within each business segment follows:

- Insurance-Domestic gross premiums increased 13% to \$4,804 million in 2013 from \$4,261 million in 2012. Gross premiums increased \$247 million (19%) for other liability, \$155 million (14%) for workers' compensation, \$56 million (6%) for short-tail lines, \$50 million (15%) for professional liability and \$35 million (7%) for commercial auto.
- Insurance-International gross premiums increased 12% to \$899 million in 2013 from \$802 million in 2012. Gross premiums increased \$69 million (17%) for short-tail lines, \$36 million (62%) for other liability, \$2 million (3%) for workers' compensation and decreased \$5 million (4%) for professional liability and \$5 million (3%) for commercial auto.
- Reinsurance-Global gross premiums increased 13% to \$809 million in 2013 from \$717 million in 2012. Gross premiums written increased \$51 million (11%) for casualty lines and \$41 million (17%) for property lines.

Net premiums written were \$5,500 million in 2013, an increase of 12% from \$4,899 million in 2012. Ceded reinsurance premiums as a percentage of gross written premiums were 16% in 2013 and 15% in 2012. The increase in the percentage of business ceded was due to changes in the reinsurance terms and costs.

Premiums earned increased 12% to \$5,227 million in 2013 from \$4,674 million in 2012. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly we expect recent rate increases will be earned over the upcoming quarters. Premiums earned in 2013 are related to business written during both 2013 and 2012. Audit premiums were \$120 million in 2013 compared with \$89 million in 2012.

Net Investment Income. Following is a summary of net investment income for the years ended December 31, 2013 and 2012:

(In thousands)	Amount		Average Annualized Yield	
	2013	2012	2013	2012
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 442,287	\$ 479,035	3.5%	3.7%
Investment funds	67,712	77,015	8.0	11.4
Arbitrage trading account	20,431	8,286	4.2	2.8
Real estate	12,498	12,097	2.0	3.0
Equity securities available for sale	11,380	16,419	3.8	4.4
Gross investment income	554,308	592,852	3.7	4.1
Investment expenses	(10,017)	(6,089)		
Total	\$ 544,291	\$ 586,763	3.7%	4.0%

Net investment income decreased 7% to \$544 million in 2013 from \$587 million in 2012 primarily due to a decrease in income from fixed maturity securities. The average annualized yield for fixed maturity securities declined from 3.7% to 3.5% due to lower long-term reinvestment yields available in the market and to a shortening of the average duration of the fixed maturity portfolio from 3.4 years at December 31, 2012 to 3.3 years at December 31, 2013. Average invested assets, at cost (including cash and cash equivalents) were \$14.8 billion in 2013 and \$14.5 billion in 2012.

Insurance Service Fees. The Company is a servicing carrier of workers' compensation assigned risk plans for 20 states and provides insurance program management services to self-insureds, captives, governmental entities, risk retention groups, and insurance companies. Service fees were \$108 million in 2013, up from \$103 million in 2012, primarily as a result of an increase in fees from assigned risk plans.

Net Realized Gains on Investment Sales. The Company buys and sells securities on a regular basis in order to maximize its total return on investments. Decisions to sell securities are based on management's view of the underlying fundamentals of specific securities as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized gains on investment sales were \$128 million in 2013 compared with \$201 million in 2012.

Other-Than-Temporary Impairments. The cost of securities is adjusted where appropriate to include a provision for a decline in value that is considered to be other-than-temporary. Other-than-temporary impairments were \$6 million in 2013 and \$5 million in 2012.

For loans where the Company determines it is probable that the contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. In 2012, the valuation allowance for mortgage loans decreased by \$14 million. There was no change to the valuation allowance in 2013.

Revenues from Wholly-Owned Investees. Revenues from wholly-owned investees were derived from aviation-related businesses that provide services to the general aviation market, including fuel and line service, aircraft sales and maintenance, avionics and engineering services and parts fabrication. Revenues from wholly-owned investees increased to \$408 million in 2013 from \$247 million in 2012, primarily as a result of the acquisition of an aircraft equipment supplier in January 2013.

Losses and Loss Expenses. Losses and loss expenses increased to \$3,197 million in 2013 from \$2,948 million in 2012. The consolidated loss ratio was 61.2% in 2013 and 63.1% in 2012. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were \$65 million in 2013 compared with \$80 million in 2012, a decrease of 0.5 loss ratio points. Favorable prior year reserve development (net of premium offsets) was \$98 million in 2013 compared with \$103 million in 2012, a difference of 0.3 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.8 points to 61.8% in 2013 from 63.6% in 2012. A summary of loss ratios in 2013 compared with 2012 by business segment follows:

- **Insurance-Domestic** - The loss ratio of 61.3% in 2013 was 2.2 points lower than the loss ratio of 63.5% in 2012. Catastrophe losses were \$38 million in 2013 compared with \$43 million in 2012, a decrease of 0.2 loss ratio points. Favorable prior year reserve development was \$71 million in 2013 compared with \$66 million in 2012. The loss ratio excluding catastrophe losses and prior year reserve development decreased 2.0 points to 62.2% in 2013 from 64.2% in 2012.
- **Insurance-International** - The loss ratio of 59.4% in 2013 was 0.3 points lower than the loss ratio of 59.7% in 2012. Catastrophe losses were \$11 million in 2013 compared with \$14 million in 2012, a decrease of 0.6 loss ratio points. Adverse prior year reserve development was \$12 million in 2013 compared with none in 2012, a difference of 1.7 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.4 points to 56.1% in 2013 from 57.5% in 2012.
- **Reinsurance-Global** - The loss ratio of 62.2% in 2013 was 2.1 points lower than the loss ratio of 64.3% in 2012. Catastrophe losses were \$16 million in 2013 compared with \$23 million in 2012, a decrease of 1.4 loss ratio points. Favorable prior year reserve development was \$39 million in 2013 compared with \$37 million in 2012, a difference of 0.4 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.1 points to 65.4% in 2013 from 66.5% in 2012.

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

(In thousands)	2013	2012
Underwriting expenses	\$ 1,771,128	\$ 1,592,746
Service expenses	88,662	84,986
Net foreign currency gains	(10,120)	(6,092)
Debt extinguishment costs	6,709	—
Other costs and expenses	144,305	127,983
Total	<u>\$ 2,000,684</u>	<u>\$ 1,799,623</u>

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 11% compared with an increase in net premiums earned of 12%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 33.9% in 2013 and 34.1% in 2012. We expect our expense ratio to further improve if insurance prices continue to increase at current levels.

Service expenses, which represent the costs associated with the fee-based businesses, increased 4% to \$89 million. The increase was due to an increase in general and administrative expenses related to fee-based business.

Net foreign currency gains of \$10 million in 2013 (compared with \$6 million in 2012) resulted from transactions denominated in a currency other than the operating unit's functional currency.

Debt extinguishment costs of \$7 million in 2013 related to the prepayment of subordinated debentures that were due in 2045 and were prepaid in May 2013.

Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans. Other costs and expenses increased to \$144 million in 2013 from \$128 million in 2012 due primarily to an increase in compensation costs.

Expenses from Wholly-Owned Investees. Expenses from wholly-owned investees represent costs associated with aviation-related businesses that include cost of goods sold related to aircraft and other sales, labor and equipment costs related to repairs and other services and general and administrative expenses. Expenses from wholly-owned investees were \$389 million in 2013 compared to \$247 million in 2012, primarily as a result of the acquisition of an aircraft equipment supplier in January 2013.

Interest Expense. Interest expense was \$123 million in 2013 compared with \$126 million in 2012. The Company issued \$350 million of 4.625% senior notes in March 2012 and repaid \$200 million of 5.875% senior notes that matured in February 2013. In May 2013, the Company issued \$350 million of 5.625% subordinated debentures due 2053 and prepaid \$250 million of 6.750% subordinated debentures that were due in 2045.

Income Taxes. The effective income tax rate was 28% in 2013 compared to 27% in 2012. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income. Tax exempt investment income comprised a lower portion of the 2013 pre-tax income and as such had a lesser impact on the effective tax rate for 2013 compared with 2012.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$103 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$9 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

Results of Operations for the Years Ended December 31, 2012 and 2011

Following is a summary of gross and net premiums written, net premiums earned, loss ratios (losses and loss expenses incurred expressed as a percentage of net premiums earned), expense ratios (underwriting expenses expressed as a percentage of net premiums earned) and GAAP combined ratios (sum of loss ratio and expense ratio) for each of our business segments for the years ended December 31, 2012 and 2011. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(In thousands)	2012	2011
Insurance-Domestic		
Gross premiums written	\$ 4,261,165	\$ 3,794,862
Net premiums written	3,569,883	3,238,120
Net premiums earned	3,417,022	3,121,281
Loss ratio	63.5%	64.9%
Expense ratio	32.5	32.6
GAAP combined ratio	96.0	97.5
Insurance-International		
Gross premiums written	\$ 802,057	\$ 681,424
Net premiums written	664,459	551,910
Net premiums earned	631,841	508,509
Loss ratio	59.7%	57.4%
Expense ratio	40.2	42.7
GAAP combined ratio	99.9	100.1
Reinsurance-Global		
Gross premiums written	\$ 716,657	\$ 601,027
Net premiums written	664,197	567,338
Net premiums earned	624,653	531,077
Loss ratio	64.3%	64.3%
Expense ratio	36.3	38.0
GAAP combined ratio	100.6	102.3
Consolidated		
Gross premiums written	\$ 5,779,879	\$ 5,077,313
Net premiums written	4,898,539	4,357,368
Net premiums earned	4,673,516	4,160,867
Loss ratio	63.1%	63.9%
Expense ratio	34.1	34.6
GAAP combined ratio	97.2	98.5

Net Income to Common Stockholders. The following table presents the Company's net income to common stockholders and net income per diluted share for the years ended December 31, 2012 and 2011.

(In thousands, except per share data)	2012	2011
Net income to common stockholders	\$ 510,592	\$ 391,211
Weighted average diluted shares	143,315	145,672
Net income per diluted share	\$ 3.56	\$ 2.69

The Company reported net income of \$511 million in 2012 compared to \$391 million in 2011. The increase in net income was primarily due to an increase in after-tax net investment gains of \$55 million, an increase in after-tax underwriting income of \$44 million and an increase in after-tax net investment income of \$36 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2012 and 2011.

Premiums. Gross premiums written were \$5,780 million in 2012, an increase of 14% from \$5,077 million in 2011. The growth was due to a combination of rate increases and increased exposures, including expansion into new geographic and product markets. Approximately 78.3% of policies expiring in 2012 were renewed, compared with a 80.1% renewal retention rate for policies expiring in 2011. The average rate (i.e., average premium adjusted for change in exposures) for policies that renewed in 2012 increased 6.4%. Audit premiums were \$89 million in 2012 compared with \$53 million in 2011.

From 2005 through 2010, the property casualty insurance market was highly competitive and insurance rates decreased across most business lines. Prices began to increase in 2011, and the rate of increase accelerated in 2012. However, overall loss costs are also generally increasing, and current market price levels for certain lines of business remain below the prices required for the Company to achieve its long-term return objectives. A summary of gross premiums written in 2012 compared with 2011 by line of business within each business segment follows:

- Insurance-Domestic premiums increased 12% to \$4,261 million in 2012 from \$3,795 million in 2011. Gross premiums increased \$184 million (19%) for workers' compensation, \$125 million (11%) for other liability, \$107 million (12%) for short-tail lines, \$31 million (10%) for professional liability and \$19 million (4%) for commercial auto.
- Insurance-International gross premiums increased 18% to \$802 million in 2012 from \$681 million in 2011. Gross premiums increased \$115 million (41%) for short-tail lines, \$10 million (7%) for commercial auto, \$8 million (11%) for workers' compensation and \$1 million (1%) for professional liability and decreased \$13 million (18%) for other liability.
- Reinsurance-Global gross premiums increased 19% to \$717 million in 2012 from \$601 million in 2011. Gross premiums written increased \$62 million (35%) for casualty business and \$54 million (13%) for property lines.

Net premiums written were \$4,899 million in 2012, an increase of 12% from \$4,357 million in 2011. Ceded reinsurance premiums as a percentage of gross written premiums were 15% in 2012 and 14% in 2011. The increase in the percentage of business ceded was due to changes in the reinsurance terms and costs.

Premiums earned increased 12% to \$4,674 million in 2012 from \$4,161 million in 2011. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term, and accordingly we expect to recognize recent rate increases over the upcoming quarters. Premiums earned in 2012 are related to business written during both 2012 and 2011.

Net Investment Income. Following is a summary of net investment income for the years ended December 31, 2012 and 2011:

(In thousands)	Amount		Average Annualized Yield	
	2012	2011	2012	2011
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 479,035	\$ 483,905	3.7%	4.0%
Investment funds	77,015	9,452	11.4	1.6
Equity securities available for sale	16,419	12,416	4.4	3.5
Real estate	12,097	7,471	3.0	4.3
Arbitrage trading account	8,286	16,576	2.8	4.9
Gross investment income	592,852	529,820	4.1	3.9
Investment expenses	(6,089)	(3,469)		
Total	\$ 586,763	\$ 526,351	4.0	3.9

Net investment income increased 12% to \$587 million in 2012 from \$526 million in 2011. The increase in investment income was primarily due to an increase in income from energy and real estate funds (investment funds are reported on a one quarter lag). The average annualized yield for fixed maturity securities declined from 4.0% to 3.7% due to lower long-term reinvestment yields available in the market. Average invested assets, at cost (including cash and cash equivalents) were \$14.5 billion in 2012 and \$13.6 billion in 2011.

Insurance Service Fees. The Company is a servicing carrier of workers' compensation assigned risk plans for 20 states and provides insurance program management services to self-insureds, captives, governmental entities, risk retention groups, and insurance companies. Service fees were \$103 million in 2012, up from \$93 million in 2011, primarily as a result of an increase in fees from assigned risk plans.

Net Realized Gains on Investment Sales. The Company buys and sells securities on a regular basis in order to maximize its total return on investments. Decisions to sell securities are based on management's view of the underlying fundamentals of specific securities as well as management's expectations regarding interest rates, credit spreads, currency values and general economic conditions. Net realized gains on investment sales were \$201 million in 2012 compared with \$126 million in 2011. Investment gains in 2012 were related primarily to the sale of a private equity investment and equity securities.

Other-Than-Temporary Impairments. The cost of securities is adjusted where appropriate to include a provision for a decline in value that is considered to be other-than-temporary. Other-than-temporary impairments were \$5 million in 2012 compared with \$0.4 million in 2011.

For loans where the Company determines it is probable that the contractual terms will not be met, an analysis is performed and a valuation reserve is established, if necessary, with a charge to earnings. In 2012, the valuation allowance for mortgage loans decreased by \$14 million.

Revenues from Wholly-Owned Investees. Revenues from wholly-owned investees were derived from aviation-related businesses that provide services to the general aviation market, including fuel and line service, aircraft sales and maintenance, avionics and engineering services and parts fabrication. Revenues from wholly-owned investees decreased to \$247 million in 2012 from \$249 million in 2011, primarily as a result of lower aircraft sales.

Losses and Loss Expenses. Losses and loss expenses increased to \$2,948 million in 2012 from \$2,658 million in 2011. The consolidated loss ratio was 63.1% in 2012 and 63.9% in 2011. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were \$80 million in 2012 compared with \$153 million in 2011, a decrease of 2.0 loss ratio points. Favorable prior year reserve development was \$103 million in 2012 compared with \$182 million in 2011, a difference of 2.2 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.0 point to 63.6% in 2012 from 64.6% in 2011. A summary of loss ratios in 2012 compared with 2011 by business segment follows:

- Insurance-Domestic - The loss ratio of 63.5% in 2012 was 1.4 points lower than the loss ratio of 64.9% in 2011. Catastrophe losses were \$43 million in 2012 compared with \$104 million in 2011, a decrease of 2.1 loss ratio points. Favorable prior year reserve development was \$66 million in 2012 compared with \$146 million in 2011, a difference of 2.7 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 2.0 points to 64.2% in 2012 from 66.2% in 2011.
- Insurance-International - The loss ratio of 59.7% in 2012 was 2.3 points higher than the loss ratio of 57.4% in 2011. Catastrophe losses were \$14 million in 2012 and in 2011, a decrease of 0.5 loss ratio points. There was no prior year

reserve development in 2012 compared with favorable reserve development of \$10 million in 2011, a difference of 2.0 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 0.8 points to 57.5% in 2012 from 56.7% in 2011.

- **Reinsurance-Global** - The loss ratio was 64.3% in 2012 and 2011. Catastrophe losses were \$23 million in 2012 compared with \$35 million in 2011, a decrease of 2.9 loss ratio points. Favorable prior year reserve development was \$37 million in 2012 compared with \$26 million in 2011, a difference of 1.0 loss ratio point. The loss ratio excluding catastrophe losses and prior year reserve development increased 3.9 points to 66.5% in 2012 from 62.6% in 2011.

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

(In thousands)	2012	2011
Underwriting expenses	\$ 1,592,746	\$ 1,438,129
Service expenses	84,986	75,231
Net foreign currency gains	(6,092)	(1,884)
Other costs and expenses	127,983	115,050
Total	<u>\$ 1,799,623</u>	<u>\$ 1,626,526</u>

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 11% compared with an increase in net premiums earned of 12%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 34.1% in 2012 and 34.6% in 2011.

Service expenses, which represent the costs associated with the fee-based businesses, increased 13% to \$85 million. The increase was due to an increase in general and administrative expenses related to fee-based business.

Net foreign currency gains of \$6 million (compared with \$2 million in 2011) resulted from transactions denominated in a currency other than the operating unit's functional currency.

Other costs and expenses were \$128 million in 2012 compared with \$115 million in 2011. Other costs and expenses represent general and administrative expenses of the parent company and other expenses not allocated to business segments, including the cost of certain long-term incentive plans.

Expenses from Wholly-Owned Investees. Expenses from wholly-owned investees represent costs associated with aviation-related businesses that include cost of goods sold related to aircraft and other sales, labor and equipment costs related to repairs and other services and general and administrative expenses. Expenses from wholly-owned investees were \$247 million in 2012 compared to \$245 million in 2011.

Interest Expense. Interest expense was \$126 million in 2012 compared with \$113 million in 2011 due to the issuance of \$350 million of 4.625% senior notes in March 2012.

Income Taxes. The effective income tax rate was 27% in 2012 compared to 24% in 2011. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income. Tax exempt investment income comprised a lower portion of the 2012 pre-tax income and as such had a lesser impact on the effective tax rate for 2012 compared with 2011.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$98 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$8 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

Investments

As part of its investment strategy, the Company establishes a level of cash and highly liquid short-term and intermediate-term securities that, combined with expected cash flow, it believes is adequate to meet its payment obligations.

The Company also attempts to maintain an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration of the investment portfolio was 3.3 years and 3.4 years at December 31, 2013 and 2012, respectively. The Company's investment portfolio and investment-related assets as of December 31, 2013 were as follows:

(In thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	\$ 884,859	6%
State and municipal:		
Special revenue	2,142,867	15
State general obligation	757,652	5
Pre-refunded (1)	626,601	4
Corporate backed	430,961	3
Local general obligation	329,132	2
Total state and municipal	4,287,213	29
Mortgage-backed securities:		
Agency	993,889	7
Commercial	81,136	1
Residential-Prime	187,871	1
Residential-Alt A	94,280	1
Total mortgage-backed securities	1,357,176	10
Corporate:		
Industrial	1,533,935	11
Asset-backed	1,266,386	9
Financial	1,108,048	8
Utilities	194,437	1
Other	104,933	1
Total corporate	4,207,739	30
Foreign government	879,857	6
Total fixed maturity securities	11,616,844	81
Equity securities available for sale:		
Common stocks	160,775	1
Preferred stocks	122,563	1
Total equity securities available for sale	283,338	2
Investment funds	1,067,495	7
Real estate	715,242	5
Arbitrage trading account	522,128	3
Loans receivable	343,583	2
Total investments	\$ 14,548,630	100%

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

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

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

At December 31, 2013, investments in foreign government fixed maturity securities were as follows:

(In thousands)	Carrying Value
Australia	\$ 256,413
Canada	157,094
United Kingdom	132,549
Argentina	116,062
Germany	67,422
Brazil	53,949
Norway	53,206
Supranational (1)	33,083
Singapore	6,762
Uruguay	3,317
Total	<u>\$ 879,857</u>

(1) Supranational represents investments in the North American Development Bank, European Investment Bank and International Bank for Reconstruction & Development.

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

Investment Funds. At December 31, 2013, the carrying value of investment funds was \$1,067 million, including investments in real estate funds of \$378 million, hedged equity funds of \$272 million and investments in energy funds of \$155 million. Investment funds are reported on a one-quarter lag.

Real Estate. Real estate is directly owned property held for investment. At December 31, 2013, real estate consists of one office building in operation, two office buildings and a mixed-use project under development and a long-term ground lease.

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

Loans Receivable. Loans receivable, which are carried at amortized cost, have an aggregate cost of \$344 million and an aggregate fair value of \$347 million at December 31, 2013. Amortized cost of these loans is net of a valuation allowance of \$2 million as of December 31, 2013. The real estate loans earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. These loans are secured by commercial real estate primarily located in Arizona, California, Hawaii, Illinois, New York and Texas. The commercial loans are with small business owners who have secured the related financing with the assets of the business. These loans generally earn interest on a fixed basis and have varying maturities not exceeding ten years.

Liquidity and Capital Resources

Cash Flow. Cash flow provided from operating activities increased to \$820 million in 2013 from \$675 million in 2012. The increase in cash flow was due primarily to an increase in cash flow from underwriting activities (premiums collected less losses, loss expenses and underwriting expenses paid) partially offset by an increase in income taxes paid, and a decrease in investment income received. Paid losses as a percent of earned premiums were 55% in 2013 compared with 58.0% in 2012.

As a holding company, the Company derives cash from its subsidiaries in the form of dividends, tax payments and management fees. Maximum amounts of dividends that our insurance companies can pay without regulatory approval are prescribed by statute. During 2014, the maximum amount of dividends which can be paid without regulatory approval is approximately \$491 million. The ability of the holding company to service its debt obligations is limited by the ability of its insurance subsidiaries to pay dividends. In the event dividends, tax payments and management fees available to the holding company were inadequate to service its debt obligations, the Company would need to raise capital, sell assets or restructure its debt obligations.

The Company's insurance subsidiaries' principal sources of cash are premiums, investment income, service fees and proceeds from sales and maturities of portfolio investments. The principal uses of cash are payments for claims, taxes, operating expenses and dividends. The Company expects its insurance subsidiaries to fund the payment of losses with cash received from premiums, investment income and fees. The Company generally has targeted an average duration for its investment portfolio that is within one year of the average duration of its liabilities so that portions of its investment portfolio mature throughout the claim cycle and are available for the payment of claims if necessary. In the event operating cash flow and proceeds from maturities and prepayments of fixed income securities are not sufficient to fund claim payments and other cash requirements, the remainder of the Company's cash and investments is available to pay claims and other obligations as they become due. The Company's investment portfolio is highly liquid, with approximately 80% invested in cash, cash equivalents and marketable fixed income securities as of December 31, 2013. If the sale of fixed maturity securities were to become necessary, a realized gain or loss equal to the difference between the cost and sales price of securities sold would be recognized.

Debt. At December 31, 2013, the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of \$2,032 million and a face amount of \$2,054 million. The maturities of the outstanding debt are \$5 million in 2014, \$240 million in 2015, \$30 million in 2016, \$1 million in 2018, \$450 million in 2019, \$300 million in 2020, \$426 million in 2022, \$1 million in 2023, \$1 million in 2029, \$250 million in 2037 and \$350 million in 2053.

The Company issued \$350 million of 4.625% senior notes in March 2012 and repaid \$200 million of 5.875% senior notes that matured in February 2013. In May 2013, the Company issued \$350 million of 5.625% subordinated debentures due 2053 and prepaid \$250 million of 6.75% subordinated debentures that were due in 2045.

Equity. The Company repurchased shares 3,924,355, 3,428,175 and 5,218,097 shares of its common stock in 2013, 2012 and 2011, respectively. The aggregate cost of the repurchases was \$127 million in 2013, \$128 million in 2012 and \$157 million in 2011. At December 31, 2013, total common stockholders' equity was \$4.3 billion, common shares outstanding were 132,233,167, and stockholders' equity per outstanding share was \$32.79.

Total Capital. Total capitalization (equity, senior notes and other debt and junior subordinated debentures) was \$6.4 billion at December 31, 2013. The percentage of the Company's capital attributable to senior notes, junior subordinated debentures and other debt was 32% at December 31, 2013 and 33% at December 31, 2012.

Federal and Foreign Income Taxes

The Company files a consolidated income tax return in the U.S. and foreign tax returns in each of the countries in which it has overseas operations. At December 31, 2013, the Company had a deferred gross tax asset of \$431 million (which primarily relates to loss and loss expense reserves and unearned premium reserves) and a gross deferred tax liability of \$411 million (which primarily relates to deferred policy acquisition costs and unrealized investment gains). The realization of the deferred tax asset is dependent upon the Company's ability to generate sufficient taxable income in future periods. Based on historical results and the prospects for future operations, management anticipates that it is more likely than not that future taxable income will be sufficient for the realization of this asset.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$103 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$9 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

Reinsurance

The Company follows customary industry practice of reinsuring a portion of its exposures in exchange for paying reinsurers a part of the premiums received on the policies it writes. Reinsurance is purchased by the Company principally to reduce its net liability on individual risks and to protect it against catastrophic losses. Although reinsurance does not legally discharge an insurer from its primary liability for the full amount of the policies, it does make the assuming reinsurer liable to the insurer to the extent of the reinsurance coverage. The Company monitors the financial condition of its reinsurers and attempts to place its coverages only with substantial and financially sound carriers. Reinsurance coverage and retentions vary depending on the line of business, location of the risk and nature of loss. The Company's reinsurance purchases include the following:

- **Property reinsurance treaties** - The Company purchases property reinsurance to reduce its exposure to large individual property losses and catastrophe events. Following is a summary of significant property reinsurance treaties in effect as of January 1, 2014: The Company's property per risk reinsurance generally covers losses between \$2 million and \$50 million. The Company's catastrophe excess of loss reinsurance program provides protection for net losses between \$30 million and \$205 million for the majority of primary business written by its U.S. companies. The Company has separate catastrophe excess of loss reinsurance for business written through Lloyd's that provides protection for losses between \$20 million and \$95 million for events in North America. The Company does not generally purchase significant catastrophe reinsurance for its assumed reinsurance business. The Company's catastrophe reinsurance agreements are subject to certain limits, exclusions and reinstatement premiums.
- **Casualty reinsurance treaties** - The Company purchases casualty reinsurance to reduce its exposure to large individual casualty losses, workers' compensation catastrophe losses and casualty losses involving multiple claimants or insureds. A significant casualty treaty in effect as of January 1, 2014 provides protection for losses from single events with claims from two or more claimants or insureds. This treaty provides protection for losses between \$2.5 million and \$65 million for casualty business. For primary workers' compensation business, coverage is generally in place for losses between \$5 million and \$125 million. For excess workers' compensation business, coverage is generally in place for losses between \$25 million and \$195 million.
- **Facultative reinsurance** - The Company also purchases facultative reinsurance on certain individual policies or risks that are in excess of treaty reinsurance capacity.
- **Other reinsurance** - Depending on the operating unit, the Company purchases specific additional reinsurance to supplement the above programs.

The Company places most of its significant casualty treaties on a "risk attaching" basis. Under risk attaching treaties, all claims from policies incepting during the period of the reinsurance contract are covered even if they occur after the expiration date of the reinsurance contract. If the Company is unable to renew or replace its existing reinsurance coverage, protection for unexpired policies would remain in place until their expiration. In such case, the Company could revise its underwriting strategy for new business to reflect the absence of reinsurance protection. Property catastrophe and workers' compensation catastrophe reinsurance is generally placed on a "losses occurring basis," whereby only claims occurring during the period are covered. If the Company is unable to renew or replace this reinsurance coverage, unexpired policies would not be protected.

Following is a summary of earned premiums and loss and loss expenses ceded to reinsurers for each of the three years ended December 31, 2013:

(In thousands)	Years Ended December 31,		
	2013	2012	2011
Earned premiums	\$ 959,537	\$ 821,347	\$ 673,003
Losses and loss expenses	556,108	528,018	458,249

Ceded earned premiums increased 17% in 2013 to \$960 million. The increase was higher than the increase in direct and assumed earned premiums of 13% due primarily to growth in assigned risk plan business, which is fully reinsured, and to an increase in ceded premiums for professional liability business. The ceded losses and loss expenses ratio decreased 6.3 points to 58.0% in 2013 from 64.3% in 2012. Ceded loss and loss adjustment expenses in 2012 included \$134 million of reinsurance loss recoveries related to Superstorm Sandy.

The following table presents the credit quality of amounts due from reinsurers as of December 31, 2013. Amounts due from reinsurers are net of reserves for uncollectible reinsurance of \$1 million in the aggregate.

(In thousands)		
Reinsurer	Rating (1)	Amount
Amounts due in excess of \$25 million:		
Munich Re	AA-	\$ 193,405
Lloyd's of London	A+	117,059
Swiss Re	AA-	104,096
Alleghany Group	A+	96,348
Partner Re	A+	67,116
Axis Capital	A+	65,580
Berkshire Hathaway	A++	53,118
Ace Group	AA-	46,413
Hannover Re Group	AA-	35,607
Everest Re	A+	29,253
Arch Capital Group	A+	25,782
Other reinsurers:		
Rated A- or better		157,196
Secured (2)		42,489
All others		31,140
Subtotal		1,064,602
Residual market pools (3)		468,501
Total		\$ 1,533,103

(1) S&P rating, or if not rated by S&P, A.M. Best rating.

(2) Secured by letters of credit or other forms of collateral.

(3) Many states require licensed insurers that provide workers' compensation insurance to participate in programs that provide workers' compensation to employers that cannot procure coverage from an insurer on a voluntary basis. Insurers can fulfill this residual market obligation by participating in pools where results are shared by the participating companies. The Company acts as a servicing carrier for workers' compensation pools in 20 states. As a servicing carrier, the Company writes residual market business directly and then cedes 100% of this business to the respective pool. As a servicing carrier, the Company receives fee income for its services. The Company does not retain underwriting risk, and credit risk is limited as ceded balances are jointly shared by all the pool members.

Contractual Obligations

Following is a summary of the Company's contractual obligations as of December 31, 2013:

(In thousands)

Estimated Payments By Periods	2014	2015	2016	2017	2018	Thereafter
Gross reserves for losses	\$ 2,602,112	\$ 1,754,738	\$ 1,324,086	\$ 967,016	\$ 694,929	\$ 3,626,607
Operating lease obligations	42,586	39,218	34,009	29,573	24,437	188,609
Purchase obligations	157,620	6,107	5,238	4,221	4,221	20,950
Junior subordinated debentures	—	—	—	—	—	350,000
Debt maturities	4,997	240,208	29,687	—	—	1,428,785
Interest payments	119,036	111,936	106,467	105,743	105,704	1,082,431
Other long-term liabilities	10,277	64,130	4,168	3,884	3,605	43,510
Total	<u>\$ 2,936,628</u>	<u>\$ 2,216,337</u>	<u>\$ 1,503,655</u>	<u>\$ 1,110,437</u>	<u>\$ 832,896</u>	<u>\$ 6,740,892</u>

The estimated payments for reserves for losses and loss expenses in the above table represent the projected (undiscounted) payments for gross loss and loss expense reserves related to losses incurred as of December 31, 2013. The estimated payments in the above table do not consider payments for losses to be incurred in future periods. These amounts include reserves for reported losses and reserves for incurred but not reported losses. Estimated amounts recoverable from reinsurers are not reflected. The estimated payments by year are based on historical loss payment patterns. The actual payments may differ from the estimated amounts due to changes in ultimate loss reserves and in the timing of the settlement of those reserves. In addition, as of December 31, 2013, the Company had commitments to invest up to \$249 million in certain investment funds. These amounts are not included in the above table.

The Company utilizes letters of credit to back certain reinsurance payments and obligations. Outstanding letters of credit were \$13 million as of December 31, 2013. The Company has made certain guarantees to state regulators that the statutory capital of certain subsidiaries will be maintained above certain minimum levels.

Off-Balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has (1) made guarantees, (2) a retained or contingent interest in transferred assets, (3) an obligation under derivative instruments classified as equity or (4) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to the Company, or that engages in leasing, hedging or research and development arrangements with the Company. The Company has no arrangements of these types that management believes may have a material current or future effect on our financial condition, liquidity or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk. The fair value of the Company's investments is subject to risks of fluctuations in credit quality and interest rates. The Company uses various models and stress test scenarios to monitor and manage interest rate risk. The Company attempts to manage its interest rate risk by maintaining an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration for the fixed maturity portfolio was 3.3 and 3.4 years at December 31, 2013 and 2012, respectively.

In addition, the fair value of the Company's international investments is subject to currency risk. The Company attempts to manage its currency risk by matching its foreign currency assets and liabilities where considered appropriate.

The following table outlines the groups of fixed maturity securities and their average duration at December 31, 2013:

(Dollars in thousands)	Effective Duration (Years)	Fair Value
Cash and cash equivalents	—	\$ 839,738
U. S. government securities	4.0	884,859
State and municipal	4.3	4,298,385
Corporate	2.9	4,208,156
Foreign government	2.8	879,857
Mortgage-backed securities	3.5	1,360,487
Loans receivable	2.8	346,746
Total	3.3	\$ 12,818,228

Duration is a common measure of the price sensitivity of fixed maturity securities to changes in interest rates. The Company determines the estimated change in fair value of the fixed maturity securities, assuming parallel shifts in the yield curve for treasury securities while keeping spreads between individual securities and treasury securities static. The estimated fair value at specified levels at December 31, 2013 would be as follows:

(In thousands)	Estimated Fair Value	Change in Fair Value
Change in interest rates:		
300 basis point rise	\$ 11,521,823	\$ (1,296,405)
200 basis point rise	11,939,950	(878,278)
100 basis point rise	12,372,886	(445,342)
Base scenario	12,818,228	—
100 basis point decline	13,261,331	443,103
200 basis point decline	13,694,433	876,205
300 basis point decline	14,115,702	1,297,474

Arbitrage investing differs from other types of investments in that its focus is on transactions and events believed likely to bring about a change in value over a relatively short time period (usually four months or less). The Company believes that this makes arbitrage investments less vulnerable to changes in general stock market conditions. Potential changes in market conditions are also mitigated by the implementation of hedging strategies, including short sales.

Additionally, the arbitrage positions are generally hedged against market declines by purchasing put options, selling call options or entering into swap contracts. The Company's merger arbitrage securities are primarily exposed to the risk of completion of announced deals, which are subject to regulatory as well as transactional and other risks.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
W. R. Berkley Corporation:

We have audited the accompanying consolidated balance sheets of W. R. Berkley Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of W. R. Berkley Corporation and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), W. R. Berkley Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2014 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

New York, New York
February 28, 2014

W. R. BERKLEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

<u>(In thousands, except per share data)</u>	Years Ended December 31,		
	2013	2012	2011
REVENUES:			
Net premiums written	\$ 5,500,173	\$ 4,898,539	\$ 4,357,368
Change in net unearned premiums	(273,636)	(225,023)	(196,501)
Net premiums earned	5,226,537	4,673,516	4,160,867
Net investment income	544,291	586,763	526,351
Insurance service fees	107,513	103,133	92,843
Net investment gains:			
Net realized gains on investment sales	127,586	201,451	125,881
Other-than-temporary impairments and change in valuation allowance	(6,042)	9,014	(400)
Net investment gains	121,544	210,465	125,481
Revenues from wholly-owned investees	407,623	247,113	248,678
Other income	1,026	2,564	1,764
Total revenues	6,408,534	5,823,554	5,155,984
OPERATING COSTS AND EXPENSES:			
Losses and loss expenses	3,197,024	2,948,479	2,658,365
Other operating costs and expenses	2,000,684	1,799,623	1,626,526
Expenses from wholly-owned investees	388,761	247,222	245,495
Interest expense	123,177	126,302	112,512
Total operating costs and expenses	5,709,646	5,121,626	4,642,898
Income before income taxes	698,888	701,928	513,086
Income tax expense	(193,587)	(191,285)	(121,945)
Net income before noncontrolling interests	505,301	510,643	391,141
Noncontrolling interests	(5,376)	(51)	70
Net income to common stockholders	\$ 499,925	\$ 510,592	\$ 391,211
NET INCOME PER SHARE:			
Basic	\$ 3.69	\$ 3.72	\$ 2.80
Diluted	\$ 3.55	\$ 3.56	\$ 2.69

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

<u>(In thousands)</u>	Years Ended December 31,		
	2013	2012	2011
Net income before noncontrolling interests	\$ 505,301	\$ 510,643	\$ 391,141
Other comprehensive income:			
Change in unrealized translation adjustments	(23,848)	24,563	(18,751)
Change in unrealized investment gains (losses), net of taxes	(261,064)	87,316	95,617
Change in unrecognized pension obligation, net of taxes	8,700	(1,022)	1,367
Other comprehensive income	(276,212)	110,857	78,233
Comprehensive income	229,089	621,500	469,374
Comprehensive income (loss) to the noncontrolling interest	(5,404)	(128)	125
Comprehensive income to common shareholders	<u>\$ 223,685</u>	<u>\$ 621,372</u>	<u>\$ 469,499</u>

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31,	
	2013	2012
Assets		
Investments:		
Fixed maturity securities	\$ 11,616,844	\$ 11,943,956
Equity securities available for sale	283,338	376,022
Arbitrage trading account	522,128	329,077
Investment funds	1,067,495	809,689
Loans receivable	343,583	401,961
Real estate	715,242	606,735
Total investments	<u>14,548,630</u>	<u>14,467,440</u>
Cash and cash equivalents	839,738	905,670
Premiums and fees receivable	1,557,480	1,440,752
Due from reinsurers	1,533,103	1,450,348
Accrued investment income	118,329	127,230
Prepaid reinsurance premiums	367,803	316,309
Deferred policy acquisition costs	452,101	404,047
Property, furniture and equipment	339,448	267,227
Goodwill	110,146	87,865
Trading account receivable from brokers and clearing organizations	304,936	446,873
Deferred federal and foreign income taxes	20,120	—
Current federal and foreign income taxes	24,737	—
Other assets	335,225	242,135
Total assets	<u>\$20,551,796</u>	<u>\$ 20,155,896</u>
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	\$ 10,080,941	\$ 9,751,086
Unearned premiums	2,781,437	2,474,847
Due to reinsurers	276,755	316,388
Trading account securities sold but not yet purchased	162,278	121,487
Deferred federal and foreign income taxes	—	60,255
Other liabilities	848,749	981,626
Junior subordinated debentures	339,800	243,206
Senior notes and other debt	1,692,442	1,871,535
Total liabilities	<u>16,182,402</u>	<u>15,820,430</u>
Equity:		
Preferred stock, par value \$.10 per share:		
Authorized 5,000,000 shares; issued and outstanding — none	—	—
Common stock, par value \$.20 per share:		
Authorized 500,000,000 shares, issued and outstanding, net of treasury shares, 132,233,167 and 136,017,732 shares, respectively	47,024	47,024
Additional paid-in capital	967,440	945,166
Retained earnings	5,265,015	4,817,807
Accumulated other comprehensive income	189,391	465,631
Treasury stock, at cost, 102,884,751 and 99,100,186 shares, respectively	(2,132,835)	(1,969,411)
Total common stockholders' equity	<u>4,336,035</u>	<u>4,306,217</u>
Noncontrolling interests	33,359	29,249
Total equity	<u>4,369,394</u>	<u>4,335,466</u>
Total liabilities and equity	<u>\$20,551,796</u>	<u>\$ 20,155,896</u>

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Years Ended December 31,		
	2013	2012	2011
COMMON STOCK:			
Beginning and end of period	\$ 47,024	\$ 47,024	\$ 47,024
ADDITIONAL PAID IN CAPITAL:			
Beginning of period	\$ 945,166	\$ 941,109	\$ 935,099
Stock options exercised and restricted units issued including tax benefit	(1,143)	(22,125)	(20,601)
Restricted stock units expensed	22,881	25,728	26,303
Stock issued	536	454	308
End of period	\$ 967,440	\$ 945,166	\$ 941,109
RETAINED EARNINGS:			
Beginning of period	\$ 4,817,807	\$ 4,491,162	\$ 4,143,207
Net income to common stockholders	499,925	510,592	391,211
Dividends	(52,717)	(183,947)	(43,256)
End of period	\$ 5,265,015	\$ 4,817,807	\$ 4,491,162
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Unrealized investment gains (losses):			
Beginning of period	\$ 517,658	\$ 430,419	\$ 334,747
Unrealized gains (losses) on securities not other-than-temporarily impaired	(261,791)	84,229	98,015
Unrealized gains (losses) on other-than-temporarily impaired securities	699	3,010	(2,343)
End of period	256,566	517,658	430,419
Currency translation adjustments:			
Beginning of period	(36,676)	(61,239)	(42,488)
Net change in period	(23,848)	24,563	(18,751)
End of period	(60,524)	(36,676)	(61,239)
Net pension asset:			
Beginning of period	(15,351)	(14,329)	(15,696)
Net change in period	8,700	(1,022)	1,367
End of period	(6,651)	(15,351)	(14,329)
Total accumulated other comprehensive income	\$ 189,391	\$ 465,631	\$ 354,851
TREASURY STOCK:			
Beginning of period	\$ (1,969,411)	\$ (1,880,790)	\$ (1,750,494)
Stock exercised/vested	2,452	45,253	56,303
Stock issued	597	581	564
Stock repurchased	(166,473)	(134,455)	(187,163)
End of period	\$ (2,132,835)	\$ (1,969,411)	\$ (1,880,790)
NONCONTROLLING INTERESTS:			
Beginning of period	\$ 29,249	\$ 7,526	\$ 6,980
Acquisition of noncontrolling interest	(1,294)	21,595	671
Net (income) loss	5,376	51	(70)
Other comprehensive income (loss), net of tax	28	77	(55)
End of period	\$ 33,359	\$ 29,249	\$ 7,526

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Years Ended December 31,		
	2013	2012	2011
CASH FROM OPERATING ACTIVITIES:			
Net income to common stockholders	\$ 499,925	\$ 510,592	\$ 391,211
Adjustments to reconcile net income to net cash from operating activities:			
Net investment gains	(121,544)	(210,465)	(125,481)
Depreciation and amortization	103,090	103,419	88,012
Noncontrolling interests	5,376	51	(70)
Investment funds	(67,712)	(77,015)	1,751
Stock incentive plans	23,784	26,763	27,175
Change in:			
Arbitrage trading account	(10,324)	(1,424)	(8,106)
Premiums and fees receivable	(138,027)	(228,756)	(122,468)
Reinsurance accounts	(171,263)	(216,968)	(161,070)
Deferred policy acquisition costs	(52,124)	(38,656)	(38,541)
Deferred income taxes	56,281	13,240	43,340
Reserves for losses and loss expenses	372,002	406,763	325,758
Unearned premiums	323,160	279,986	238,499
Other	(2,826)	107,928	10,269
Net cash from operating activities	819,798	675,458	670,279
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Proceeds from sale of fixed maturity securities	1,344,707	838,576	1,293,876
Proceeds from sale of equity securities	267,554	409,610	159,827
Distributions from (contributions to) investment funds	(236,580)	77,930	(113,913)
Proceeds from maturities and prepayments of fixed maturity securities	2,718,156	2,291,105	1,697,144
Purchase of fixed maturity securities	(4,198,135)	(3,617,002)	(2,815,340)
Purchase of equity securities	(156,557)	(284,991)	(97,986)
Real estate purchased	(107,352)	(256,386)	(96,552)
Change in loans receivable	(30,974)	(124,776)	92,176
Net additions to property, furniture and equipment	(63,150)	(40,556)	(45,320)
Change in balances due from security brokers	(26,155)	(25,799)	(16,194)
Payment for business purchased, net of cash acquired	(56,878)	(42,779)	(261,992)
Net cash used investing activities	(545,364)	(775,068)	(204,274)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Net proceeds from issuance of debt	346,822	369,291	—
Net proceeds from stock options exercised	53	7,660	21,963
Repayment of senior notes and other debt	(465,389)	—	(1,310)
Cash dividends to common stockholders	(52,717)	(183,947)	(43,253)
Purchase of common treasury shares	(166,473)	(127,663)	(187,163)
Other	7,442	31,851	14,550
Net cash from (used in) financing activities	(330,262)	97,192	(195,213)
Net impact on cash due to change in foreign exchange rates	(10,104)	(3,654)	(2,002)
Net increase (decrease) in cash and cash equivalents	(65,932)	(6,072)	268,790
Cash and cash equivalents at beginning of year	905,670	911,742	642,952
Cash and cash equivalents at end of year	\$ 839,738	\$ 905,670	\$ 911,742

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2013, 2012 and 2011

(1) Summary of Significant Accounting Policies

(A) Principles of consolidation and basis of presentation

The consolidated financial statements, which include the accounts of W. R. Berkley Corporation and its subsidiaries (the "Company"), have been prepared on the basis of U.S. generally accepted accounting principles ("GAAP"). All significant intercompany transactions and balances have been eliminated. Reclassifications have been made in the 2012 and 2011 financial statements to conform to the presentation of the 2013 financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the revenues and expenses reflected during the reporting period. The most significant items on our balance sheet that involve a greater degree of accounting estimates that are subject to change in the future are the valuation of investments, other-than-temporary impairments, loss and loss adjustment expense reserves and premium estimates. Actual results could differ from those estimates.

(B) Revenue recognition

Insurance premiums are recognized as written at the inception of the policy. Reinsurance premiums are estimated based upon information received from ceding companies, and subsequent differences from such estimates are recorded in the period they are determined. Insurance and reinsurance premiums are primarily earned on a pro rata basis over the policy term. Fees for services are earned over the period that the services are provided.

Audit premiums are recognized when they are reliably determinable. The change in accruals for earned but unbilled audit premiums increased net premiums written and premiums earned by \$12 million, \$7 million and \$1 million in 2013, 2012 and 2011, respectively.

Revenues from wholly-owned investees are derived from services provided to the general aviation market, including fuel and line service, aircraft sales and maintenance, avionics and engineering services and parts fabrication. Revenue is recognized upon delivery of aircraft, delivery of fuel, shipment of parts and upon completion of services.

(C) Cash and cash equivalents

Cash equivalents consist of funds invested in money market accounts and investments with an effective maturity of three months or less when purchased.

(D) Investments

Fixed maturity securities classified as available for sale are carried at estimated fair value, with unrealized gains and losses, net of applicable income taxes, excluded from earnings and reported as a component of comprehensive income and a separate component of stockholders' equity. Fixed maturity securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost. Investment income from fixed maturity securities is recognized based on the constant effective yield method. Premiums and discounts on mortgage-backed securities are adjusted for the effects of actual and anticipated prepayments on a retrospective basis.

Equity securities classified as available for sale are carried at estimated fair value, with unrealized gains and losses, net of applicable income taxes, excluded from earnings and reported as a component of comprehensive income and a separate component of stockholders' equity.

Equity securities that the Company purchased with the intent to sell in the near-term are classified as trading account securities and are reported at estimated fair value. Realized and unrealized gains and losses from trading activity are reported as net investment income and are recorded at the trade date. Short sales and short call options are presented as trading securities sold but not yet purchased. Unsettled trades and the net margin balances held by the clearing broker are presented as a trading account receivable from brokers and clearing organizations.

Investment funds are carried under the equity method of accounting. For certain investment funds, the Company's share of the earnings or losses is reported on a one-quarter lag in order to facilitate the timely completion of the Company's consolidated financial statements.

Loans receivable represent commercial real estate mortgage loans and bank loans and are carried at amortized cost. The Company monitors the performance of its loans receivable and establishes an allowance for loan losses for loans where the Company determines it is probable that the contractual terms will not be met, with a corresponding charge to earnings. For loans that are evaluated individually and deemed to be impaired, the Company establishes a specific allowance based on a discounted cash flow analysis and comparable cost and sales methodologies, if appropriate. Individual loans that are not considered impaired and smaller-balance homogeneous loans are evaluated collectively and a general allowance is established if it is considered probable that a loss has been incurred.

The accrual of interest on loans receivable is discontinued if the loan is 90 days past due based on the contractual terms of the loan unless the loan is adequately secured and in process of collection. In general, loans are placed on non-accrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. Interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Fair value of investments is determined based on a fair value hierarchy that prioritizes the use of observable inputs over the use of unobservable inputs and requires the use of observable inputs when available. (See Note 13 of the Notes to Consolidated Financial Statements.)

Realized gains or losses represent the difference between the cost of securities sold and the proceeds realized upon sale and are recorded at the trade date. The Company uses primarily the first-in, first-out method to determine the cost of securities sold.

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

For fixed maturity securities that the Company intends to sell or, more likely than not, would be required to sell, a decline in value below amortized cost is considered to be an other-than-temporary impairment ("OTTI"). The amount of OTTI is equal to the difference between amortized cost and fair value at the balance sheet date. For fixed maturity securities that the Company does not intend to sell or believes that it is more likely than not it would not be required to sell, a decline in value below amortized cost is considered to be an OTTI if the Company does not expect to recover the entire amortized cost basis of a security (i.e., the present value of cash flows expected to be collected is less than the amortized cost basis of the security). The portion of the decline in value considered to be a credit loss (i.e., the difference between the present value of cash flows expected to be collected and the amortized cost basis of the security) is recognized in earnings. The portion of the decline in value not considered to be a credit loss (i.e., the difference in the present value of cash flows expected to be collected and the fair value of the security) is recognized in other comprehensive income.

Impairment assessments for structured securities, including mortgage-backed securities and asset-backed securities, collateralized debt obligations and corporate debt, are generally evaluated based on the performance of the underlying collateral under various economic and default scenarios that may involve subjective judgments and estimates by management. Modeling these securities involves various factors, such as projected default rates, the nature and realizable value of the collateral, if any, the ability of the issuer to make scheduled payments, historical performance and other relevant economic and performance factors. If an OTTI determination is made, a discounted cash flow analysis is used to ascertain the amount of the credit impairment.

Real estate held for investment purposes is initially recorded at the purchase price, which is generally fair value, and is subsequently reported at cost less accumulated depreciation. Real estate taxes, interest and other costs incurred during development and construction are capitalized. Buildings are depreciated on a straight-line basis over the estimated useful lives of the building. Minimum rental income is recognized on a straight-line basis over the lease term. Income and expenses from real estate are reported as net investment income. The carrying value of real estate is reviewed for impairment and an impairment loss is recognized if the estimated undiscounted cash flows from the use and disposition of the property are less than the carrying value of the property.

(E) Per share data

The Company presents both basic and diluted net income per share ("EPS") amounts. Basic EPS is calculated by dividing net income by weighted average number of common shares outstanding during the year. Diluted EPS is based upon the weighted average number of common and common equivalent shares outstanding during the year and is calculated using the treasury stock method for stock incentive plans. Common equivalent shares are excluded from the computation in periods in which they have an anti-dilutive effect. Stock options for which the exercise price exceeds the average market price over the period have an anti-dilutive effect on EPS and, accordingly, are excluded from the calculation.

(F) Deferred policy acquisition costs

Acquisition costs associated with the successful acquisition of new and renewed insurance and reinsurance contracts are deferred and amortized ratably over the terms of the related contracts. Ceding commissions received on reinsurance contracts are netted against acquisition costs and are recognized ratably over the life of the contract. Deferred policy acquisition costs are presented net of unearned ceding commissions. Deferred policy acquisition costs are comprised primarily of commissions, as well as employment-related underwriting costs and premium taxes. Deferred policy acquisition costs are reviewed to determine if they are recoverable from future income and, if not, are charged to expense. The recoverability of deferred policy acquisition costs is evaluated separately by each of our operating companies for each of their major lines of business. Future investment income is taken into account in measuring the recoverability of deferred policy acquisition costs.

(G) Reserves for losses and loss expenses

Reserves for losses and loss expenses are an accumulation of amounts determined on the basis of (1) evaluation of claims for business written directly by the Company; (2) estimates received from other companies for reinsurance assumed by the Company; and (3) estimates for losses incurred but not reported (based on Company and industry experience). These estimates are periodically reviewed and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments are reflected in the statements of income in the period in which they are determined. The Company discounts its reserves for excess and assumed workers' compensation claims using a risk-free or statutory rate. (See Note 14 of Notes to Consolidated Financial Statements.)

(H) Reinsurance ceded

The unearned portion of premiums ceded to reinsurers is reported as prepaid reinsurance premiums and earned ratably over the policy term. The estimated amounts of reinsurance recoverable on unpaid losses are reported as due from reinsurers. To the extent any reinsurer does not meet its obligations under reinsurance agreements, the Company must discharge its liability. Amounts due from reinsurers are reflected net of funds held where the right of offset is present. The Company has provided reserves for estimated uncollectible reinsurance.

(I) Deposit accounting

Contracts that do not meet the risk transfer requirements of GAAP are accounted for using the deposit accounting method. Under this method, an asset or liability is recognized at the inception of the contract based on consideration paid or received. The amount of the deposit asset or liability is adjusted at subsequent reporting dates using the interest method with a corresponding credit or charge to interest income or expense. Deposit liabilities for assumed reinsurance contracts were \$72 million and \$75 million at December 31, 2013 and 2012, respectively.

(J) Federal and foreign income taxes

The Company files a consolidated income tax return in the U.S. and foreign tax returns in countries where it has overseas operations. The Company's method of accounting for income taxes is the asset and liability method. Under this method, deferred tax assets and liabilities are measured using tax rates currently in effect or expected to apply in the years in which those temporary differences are expected to reverse. Interest and penalties, if any, are reported as income tax expense. The Company believes there are no tax positions that would require disclosure under GAAP. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that all or a portion of the deferred tax assets will not be realized.

(K) Foreign currency

Gains and losses resulting from foreign currency transactions (transactions denominated in a currency other than the entity's functional currency) are reported on the statements of income as other operating costs and expenses. Unrealized gains or losses resulting from translating the results of non-U.S. dollar denominated operations are reported in accumulated other comprehensive income. Revenues and expenses denominated in currencies other than U.S. dollars are translated at the weighted average exchange rate during the year. Assets and liabilities are translated at the rate of exchange in effect at the balance sheet date.

(L) Property, furniture and equipment

Property, furniture and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the estimated useful lives of the respective assets. Depreciation expense was \$38 million, \$38 million and \$40 million for 2013, 2012 and 2011, respectively.

(M) Comprehensive income

Comprehensive income encompasses all changes in stockholders' equity (except those arising from transactions with stockholders) and includes net income, net unrealized holding gains or losses on available for sale securities, unrealized foreign currency translation adjustments and changes in unrecognized pension obligations.

(N) Goodwill and other intangible assets

Goodwill and other intangible assets are tested for impairment on an annual basis and at interim periods where circumstances require. The Company's impairment test as of December 31, 2013 indicated that there were no impairment losses related to goodwill and other intangible assets. Intangible assets of \$72 million and \$31 million are included in other assets as of December 31, 2013 and 2012, respectively.

(O) Stock options

The costs resulting from all share-based payment transactions with employees are recognized in the consolidated financial statements using a fair-value-based measurement method.

(P) Statements of cash flows

Interest payments were \$125 million, \$119 million and \$111 million in 2013, 2012 and 2011, respectively. Income taxes paid were \$186 million, \$133 million and \$48 million in 2013, 2012 and 2011, respectively. Other non-cash items include acquisitions, unrealized investment gains and losses and pension expense. (See Note 2, Note 11 and Note 26 of Notes to Consolidated Financial Statements.)

(Q) Change in accounting

In October 2010, the Financial Accounting Standards Board ("FASB") issued guidance regarding the treatment of costs associated with acquiring or renewing insurance contracts. This guidance modified the definition of the types of costs that can be capitalized and specifies that the costs must be directly related to the successful acquisition of a new or renewed insurance contract. The Company adopted this guidance effective January 1, 2012 and retrospectively adjusted its previously issued financial statements. The impact of applying this guidance retrospectively was a reduction in stockholders' equity of \$49 million as of January 1, 2010.

A summary of the impact of the adoption of this new guidance is shown below:

<u>(In thousands, except per share amounts)</u>	<u>Previously Reported</u>	<u>As Adjusted</u>
For the Year Ended December 31, 2011		
Other operating costs and expenses	\$ 1,621,329	\$ 1,626,526
Income before income taxes	518,283	513,086
Federal and foreign income taxes	(123,550)	(121,945)
Net income	394,803	391,211
Basic net income per share	\$ 2.83	\$ 2.80
Diluted net income per share	2.71	2.69

Information has been restated as a result of the adoption of this new guidance throughout these consolidated financial statements and notes, where applicable.

(R) Recent accounting pronouncements

In February 2013, the Financial Accounting Standards Board (FASB) issued guidance relating to disclosures about items reclassified out of accumulated other comprehensive income ("AOCI"). The Company's adoption of the updated guidance effective January 1, 2013 resulted in a change in the disclosures for AOCI in the Company's consolidated financial statements but did not have any impact on the Company's results of operations, financial position or liquidity.

In January 2014, the FASB issued ASU 2014-01 relating to Accounting for Investments in Qualified Affordable Housing Projects. The guidance must be applied retrospectively for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. Early adoption is permitted and can be applied retrospectively in reporting periods for which financial statements have not yet been issued. The Company is currently evaluating the impact of this guidance on the Company's results of operations, financial position and liquidity, which is not expected to be material.

All other recently issued but not yet effective accounting and reporting standards are either not applicable to the Company or are not expected to have a material impact on the Company.

(2) Acquisitions

In 2012, the Company acquired a 49% interest in a worldwide supplier of after-market original equipment manufacturer (OEM) parts, systems and custom logistic support services for military aircraft operations for \$43 million. In January 2013, the Company acquired the remaining 51% of this business for \$43 million. The estimated useful lives of the intangible assets acquired range from 2 years to 15 years, with approximately \$3 million having an indefinite life.

In 2011, the Company acquired a business that owned an office building in London for \$251 million in cash and an inactive insurance company for \$23 million in cash. Approximately \$2 million of the aggregate purchase price for these acquisitions was allocated to intangible assets.

The following table summarizes the estimated fair value of net assets acquired and liabilities assumed at the date of acquisition:

(In thousands)	2013	2012
Fixed maturity securities	\$ —	\$ 3,213
Real estate	—	256,209
Cash and cash equivalents	3,911	12,172
Real estate, furniture and equipment	898	—
Goodwill	19,664	251
Intangible assets	44,800	—
Other assets	60,661	6,566
Total assets acquired	129,934	278,411
Debt	(27,612)	—
Other liabilities assumed	(17,076)	(4,247)
Net assets acquired	<u>\$ 85,246</u>	<u>\$ 274,164</u>

(3) Consolidated Statement of Comprehensive Income (Loss)

The following table presents the components of the changes in accumulated other comprehensive income (loss) (AOCI) as of and for the year ended December 31, 2013:

(In thousands)	Unrealized Investment gains (losses)	Currency translation adjustments	Net pension asset	Accumulated other comprehensive income (loss)
Changes in AOCI				
Beginning of period	\$ 517,658	(36,676)	(15,351)	\$ 465,631
Other comprehensive income (loss) before reclassifications	(193,188)	(23,848)	—	(217,036)
Amounts reclassified from AOCI	(67,876)	—	8,700	(59,176)
Other comprehensive income (loss)	(261,064)	(23,848)	8,700	(276,212)
Unrealized investment gain related to non-controlling interest	(28)	—	—	(28)
Ending balance	<u>\$ 256,566</u>	<u>\$ (60,524)</u>	<u>\$ (6,651)</u>	<u>\$ 189,391</u>
Amounts reclassified from AOCI				
Pre-tax	(104,425) (1)	—	13,387 (3)	\$ (91,038)
Tax effect	36,549 (2)	—	(4,687) (2)	31,862
After-tax amounts reclassified	<u>\$ (67,876)</u>	<u>\$ —</u>	<u>\$ 8,700</u>	<u>\$ (59,176)</u>
Other comprehensive income (loss)				
Pre-tax	(401,637)	(23,848)	13,387	\$ (412,098)
Tax effect	140,573	—	(4,687)	135,886
Other comprehensive income (loss)	<u>\$ (261,064)</u>	<u>\$ (23,848)</u>	<u>\$ 8,700</u>	<u>\$ (276,212)</u>

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

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

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

(4) Investments in Fixed Maturity Securities

At December 31, 2013 and 2012, investments in fixed maturity securities were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
December 31, 2013					
Held to maturity:					
State and municipal	\$ 68,929	\$ 11,172	\$ —	\$ 80,101	\$ 68,929
Residential mortgage-backed securities	27,393	3,311	—	30,704	27,393
Corporate	4,998	417	—	5,415	4,998
Total held to maturity	101,320	14,900	—	116,220	101,320
Available for sale:					
U.S. government and government agency	858,319	34,522	(7,982)	884,859	884,859
State and municipal	4,085,791	162,330	(29,837)	4,218,284	4,218,284
Mortgage-backed securities:					
Residential(1)	1,248,693	25,895	(25,941)	1,248,647	1,248,647
Commercial	76,454	5,670	(988)	81,136	81,136
Corporate	4,076,585	156,256	(30,100)	4,202,741	4,202,741
Foreign government	844,469	51,674	(16,286)	879,857	879,857
Total available for sale	11,190,311	436,347	(111,134)	11,515,524	11,515,524
Total investment in fixed maturity securities	<u>\$ 11,291,631</u>	<u>\$ 451,247</u>	<u>\$ (111,134)</u>	<u>\$ 11,631,744</u>	<u>\$ 11,616,844</u>
December 31, 2012					
Held to maturity:					
State and municipal	\$ 65,190	\$ 18,529	\$ —	\$ 83,719	\$ 65,190
Residential mortgage-backed securities	32,764	5,286	—	38,050	32,764
Corporate	4,997	605	—	5,602	4,997
Total held to maturity	102,951	24,420	—	127,371	102,951
Available for sale:					
U.S. government and government agency	827,591	72,532	(1,660)	898,463	898,463
State and municipal	4,449,238	328,974	(9,693)	4,768,519	4,768,519
Mortgage-backed securities:					
Residential(1)	1,395,739	53,846	(7,456)	1,442,129	1,442,129
Commercial	268,671	5,641	(744)	273,568	273,568
Corporate	3,378,884	235,289	(12,525)	3,601,648	3,601,648
Foreign government	794,880	62,380	(582)	856,678	856,678
Total available for sale	11,115,003	758,662	(32,660)	11,841,005	11,841,005
Total investment in fixed maturity securities	<u>\$ 11,217,954</u>	<u>\$ 783,082</u>	<u>\$ (32,660)</u>	<u>\$ 11,968,376</u>	<u>\$ 11,943,956</u>

(1) Gross unrealized losses for mortgage-backed securities include \$1,961,247 and \$3,037,000, as of December 31, 2013 and 2012, respectively, related to the non-credit portion of OTTI recognized in other comprehensive income.

The amortized cost and fair value of fixed maturity securities at December 31, 2013, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers may have the right to call or prepay obligations.

(In thousands)	Amortized Cost	Fair Value
Due in one year or less	\$ 926,865	\$ 935,322
Due after one year through five years	3,411,033	3,548,043
Due after five years through ten years	3,046,756	3,191,387
Due after ten years	2,554,437	2,596,505
Mortgage-backed securities	1,352,540	1,360,487
Total	<u>\$ 11,291,631</u>	<u>\$ 11,631,744</u>

At December 31, 2013 and 2012, there were no investments, other than investments in United States government and government agency securities, which exceeded 10% of common stockholders' equity. At December 31, 2013, investments with a carrying value of \$1,017 million were on deposit in custodial or trust accounts, of which \$745 million was on deposit with state insurance departments, \$211 million was on deposit in support of the Company's underwriting activities at Lloyd's, \$48 million was on deposit as security for reinsurance clients and \$13 million was on deposit as security for letters of credit issued in support of the Company's reinsurance operations.

(5) Investments in Equity Securities Available for Sale

At December 31, 2013 and 2012, investments in equity securities available for sale were as follows:

(In thousands)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
December 31, 2013					
Common stocks	\$ 118,536	\$ 42,239	\$ —	\$ 160,775	\$ 160,775
Preferred stocks	85,091	43,791	(6,319)	122,563	122,563
Total	<u>\$ 203,627</u>	<u>\$ 86,030</u>	<u>\$ (6,319)</u>	<u>\$ 283,338</u>	<u>\$ 283,338</u>
December 31, 2012					
Common stocks	\$ 222,671	\$ 60,102	\$ (707)	\$ 282,066	\$ 282,066
Preferred stocks	85,504	10,103	(1,651)	93,956	93,956
Total	<u>\$ 308,175</u>	<u>\$ 70,205</u>	<u>\$ (2,358)</u>	<u>\$ 376,022</u>	<u>\$ 376,022</u>

(6) Arbitrage Trading Account

At December 31, 2013 and 2012, the fair value and carrying value of the arbitrage trading account were \$522 million and \$329 million, respectively. The primary focus of the trading account is merger arbitrage. Merger arbitrage is the business of investing in the securities of publicly held companies which are the targets in announced tender offers and mergers. Arbitrage investing differs from other types of investing in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period (usually four months or less). The Company believes that this makes arbitrage investments less vulnerable to changes in general financial market conditions.

The Company uses put options, call options and swap contracts in order to mitigate the impact of potential changes in market conditions on the merger arbitrage trading account. These options and contracts are reported at fair value. As of December 31, 2013, the fair value of long option contracts outstanding was \$2 million (notional amount of \$28 million) and the fair value of short option contracts outstanding was \$2 million (notional amount of \$22 million). Other than with respect to the use of these trading account securities, the Company does not make use of derivatives.

(7) Net Investment Income

Net investment income consists of the following:

(In thousands)	2013	2012	2011
Investment income earned on:			
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 442,287	\$ 479,035	\$ 483,905
Equity securities available for sale	11,380	16,419	12,416
Investment funds	67,712	77,015	9,452
Arbitrage trading account	20,431	8,286	16,576
Real estate	12,498	12,097	7,471
Gross investment income	554,308	592,852	529,820
Investment expense	(10,017)	(6,089)	(3,469)
Net investment income	<u>\$ 544,291</u>	<u>\$ 586,763</u>	<u>\$ 526,351</u>

(8) Investment Funds

Investment funds consist of the following:

(In thousands)	Carrying Value as of December 31,		Income (Losses)		
	2013	2012	2013	2012	2011
Real estate	\$ 378,435	\$ 373,259	\$ 9,315	\$ 30,196	\$ 14,527
Energy	155,026	146,325	29,739	33,146	(6,101)
Hedged equity	271,575	63,920	7,655	5,912	(1,366)
Other funds	262,459	226,185	21,003	7,761	2,392
Total	<u>\$ 1,067,495</u>	<u>\$ 809,689</u>	<u>\$ 67,712</u>	<u>\$ 77,015</u>	<u>\$ 9,452</u>

(9) Real Estate

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

(In thousands)	As of December 31,	
	2013	2012
Properties in operation	\$ 283,393	\$ 282,899
Properties under development	431,849	323,836
Total	<u>\$ 715,242</u>	<u>\$ 606,735</u>

Properties in operation represent an office building in London and a long-term ground lease in Washington D.C. These properties are net of accumulated depreciation and amortization of \$17,827,000 and \$10,354,000, as of December 31, 2013 and 2012, respectively. Related depreciation expense was \$7,474,000, \$7,583,000 and \$2,770,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Future minimum rental income expected on operating leases relating to real estate held for investment is \$1,504,000 in 2014, \$1,549,000 in 2015, \$1,596,000 in 2016, \$1,644,000 in 2017, \$1,693,000 in 2018 and \$327,320,000 thereafter.

Properties under development represent the following: an office building in London, a mixed-use project in Washington D.C. and an office complex in New York City. The Company expects to fund further development costs for these projects with a combination of its own funds and external financing.

(10) Loans Receivable

Loans receivable are as follows:

(In thousands)	As of December 31,	
	2013	2012
Amortized cost:		
Real estate loans	\$ 282,357	\$ 336,533
Commercial loans	61,226	65,428
Total	<u>\$ 343,583</u>	<u>\$ 401,961</u>
Fair value:		
Real estate loans	\$ 284,017	\$ 339,079
Commercial loans	62,729	67,364
Total	<u>\$ 346,746</u>	<u>\$ 406,443</u>
Valuation allowance:		
Specific	\$ —	\$ 3,000
General	2,087	2,620
Total	<u>\$ 2,087</u>	<u>\$ 5,620</u>
Impaired loans:		
With a specific valuation allowance	\$ —	\$ 1,775
Without a valuation allowance	—	31,023
Unpaid principal balance	—	35,872
	For the Year Ended December 31,	
	2013	2012
Increase (decrease) in valuation allowance	\$ 308	\$ (14,118)
Loans receivable charged off	—	463

There were no loans receivable in non-accrual status December 31, 2013, compared to \$3 million at December 31, 2012. If these loans had been current at December 31, 2012, additional interest income of \$498,000 would have been recognized in accordance with their original terms for the year ended December 31, 2012.

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

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

The Company utilizes an internal risk rating system to assign a risk to each of its real estate loans. The loan rating system takes into consideration credit quality indicators including loan to value ratios, which compare the outstanding loan amount to the estimated value of the property, the borrower's financial condition and performance with respect to loan terms, the Company's position in the capital structure, and the overall leverage in the capital structure. Based on this rating system, none of the real estate loans were considered to be impaired at December 31, 2013, and accordingly, the Company determined that a specific valuation allowance was not required.

(11) Realized and Unrealized Investment Gains and Losses

Realized and unrealized investment gains and losses are as follows:

(In thousands)	2013	2012	2011
Realized investment gains and losses:			
Fixed maturity securities:			
Gains	\$ 48,860	\$ 34,295	\$ 37,595
Losses	(14,670)	(6,436)	(5,499)
Equity securities available for sale	70,235	97,300	90,023
Investment funds	10,976	74,777	3,762
Other gains	12,185	1,515	—
Net realized gains on investments sales	<u>127,586</u>	<u>201,451</u>	<u>125,881</u>
Net other-than-temporary impairments:			
Other-than-temporary impairments	(6,042)	(4,984)	(400)
Decrease in valuation allowance	—	13,998	—
Net other-than-temporary impairments	<u>(6,042)</u>	<u>9,014</u>	<u>(400)</u>
Total net investment gains	121,544	210,465	125,481
Income tax expense	(47,426)	(73,663)	(43,834)
	<u>\$ 74,118</u>	<u>\$ 136,802</u>	<u>\$ 81,647</u>
Change in unrealized gains and losses of available for sales securities:			
Fixed maturity securities	\$ (401,812)	\$ 162,220	\$ 209,467
Previously impaired fixed maturity securities	1,076	4,631	(3,604)
Equity securities available for sale	11,864	(33,199)	(55,772)
Investment funds	(10,250)	1,630	(2,093)
Total change in unrealized gains	(399,122)	135,282	147,998
Income tax expense	138,058	(47,966)	(52,381)
Noncontrolling interests	(28)	(77)	55
	<u>\$ (261,092)</u>	<u>\$ 87,239</u>	<u>\$ 95,672</u>

(12) Securities in an Unrealized Loss Position

The following table summarizes all securities in an unrealized loss position at December 31, 2013 and 2012 by the length of time those securities have been continuously in an unrealized loss position.

	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
(In thousands)						
December 31, 2013						
U.S. government and government agency	\$ 260,882	\$ 7,927	\$ 2,163	\$ 55	\$ 263,045	\$ 7,982
State and municipal	899,613	24,503	87,345	5,334	986,958	29,837
Mortgage-backed securities	578,603	17,964	140,648	8,965	719,251	26,929
Corporate	1,013,373	17,066	105,074	13,034	1,118,447	30,100
Foreign government	320,215	16,286	—	—	320,215	16,286
Fixed maturity securities	3,072,686	83,746	335,230	27,388	3,407,916	111,134
Common stocks	—	—	—	—	—	—
Preferred stocks	13,291	513	19,868	5,806	33,159	6,319
Equity securities available for sale	13,291	513	19,868	5,806	33,159	6,319
Total	<u>\$ 3,085,977</u>	<u>\$ 84,259</u>	<u>\$ 355,098</u>	<u>\$ 33,194</u>	<u>\$ 3,441,075</u>	<u>\$ 117,453</u>
December 31, 2012						
U.S. government and government agency	\$ 69,551	\$ 1,660	\$ —	\$ —	\$ 69,551	\$ 1,660
State and municipal	152,694	1,639	135,967	8,054	288,661	9,693
Mortgage-backed securities	484,731	3,629	58,292	4,571	543,023	8,200
Corporate	398,595	3,406	70,537	9,119	469,132	12,525
Foreign government	68,809	554	11,210	28	80,019	582
Fixed maturity securities	1,174,380	10,888	276,006	21,772	1,450,386	32,660
Common stocks	46,725	707	—	—	46,725	707
Preferred stocks	—	—	39,812	1,651	39,812	1,651
Equity securities available for sale	46,725	707	39,812	1,651	86,537	2,358
Total	<u>\$ 1,221,105</u>	<u>\$ 11,595</u>	<u>\$ 315,818</u>	<u>\$ 23,423</u>	<u>\$ 1,536,923</u>	<u>\$ 35,018</u>

Fixed Maturity Securities — A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at December 31, 2013 is presented in the table below:

	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
(Dollars in thousands)			
Mortgage-backed securities	13	\$ 66,658	\$ 3,748
Corporate	9	31,579	1,005
Foreign government	2	23,603	844
Total	<u>24</u>	<u>\$ 121,840</u>	<u>\$ 5,597</u>

For OTTI of fixed maturity securities that management does not intend to sell or, more likely than not, would not be required to sell, the portion of the decline in value considered to be due to credit factors is recognized in earnings and the portion of the decline in value considered to be due to non-credit factors is recognized in other comprehensive income. The table below provides a roll-forward of the portion of impairments recognized in earnings for those securities that have been impaired due to both credit factors and non-credit factors.

(In thousands)	2013	2012
Beginning balance of amounts related to credit losses	\$ 4,261	\$ 4,261
Additions for amounts related to credit losses	—	—
Deductions for amounts related to credit loss sales	—	—
Ending balance of amounts related to credit losses	\$ 4,261	\$ 4,261

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

Preferred Stocks – At December 31, 2013, there were three preferred stocks in an unrealized loss position, with an aggregate fair value of \$33 million and a gross unrealized loss of \$6 million. None of those preferred stocks are rated non-investment grade, and none are delinquent or in default. Management believes the unrealized losses are due primarily to market and sector related factors and does not consider these to be OTTI.

Common Stocks – At December 31, 2013, there were no common stocks in an unrealized loss position.

(13) Fair Value Measurements

The Company's fixed maturity, equity securities available for sale and its trading account securities are carried at fair value. Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The Company utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available.

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

The following tables present the assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2013				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 884,859	\$ —	\$ 884,859	\$ —
State and municipal	4,218,284	—	4,218,284	—
Mortgage-backed securities	1,329,783	—	1,329,783	—
Corporate	4,202,741	—	4,159,877	42,864
Foreign government	879,857	—	879,857	—
Total fixed maturity securities available for sale	11,515,524	—	11,472,660	42,864
Equity securities available for sale:				
Common stocks	160,775	159,537	—	1,238
Preferred stocks	122,563	—	118,811	3,752
Total equity securities available for sale	283,338	159,537	118,811	4,990
Arbitrage trading account	522,128	192,281	328,067	1,780
Total	\$ 12,320,990	\$ 351,818	\$ 11,919,538	\$ 49,634
Liabilities:				
Securities sold but not yet purchased	\$ 162,278	\$ 162,126	\$ 152	\$ —
December 31, 2012				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 898,463	\$ —	\$ 898,463	\$ —
State and municipal	4,768,519	—	4,768,519	—
Mortgage-backed securities	1,715,697	—	1,715,697	—
Corporate	3,601,648	—	3,542,583	59,065
Foreign government	856,678	—	856,678	—
Total fixed maturity securities available for sale	11,841,005	—	11,781,940	59,065
Equity securities available for sale:				
Common stocks	282,066	280,658	—	1,408
Preferred stocks	93,956	—	93,335	621
Total equity securities available for sale	376,022	280,658	93,335	2,029
Arbitrage trading account	329,077	233,603	94,546	928
Total	\$ 12,546,104	\$ 514,261	\$ 11,969,821	\$ 62,022
Liabilities:				
Securities sold but not yet purchased	\$ 121,487	\$ 114,909	\$ 6,558	\$ 20

There were no transfers between Levels 1 and 2 for the years ended December 31, 2013 and 2012.

The following tables summarize changes in Level 3 assets and liabilities for the years ended December 31, 2013 and 2012:

Gains (Losses) Included in:									
(In thousands)	Beginning Balance	Earnings	Other Comprehensive Income	Purchases	Sales	Paydowns/Maturities	In	Out	Ending Balance
Year ended December 31, 2013									
Assets:									
Fixed maturity securities available for sale:									
Corporate	\$ 59,065	\$ 677	\$ 309	\$ 170	\$ (4,753)	\$ (12,604)	\$—	\$ —	\$ 42,864
Total	59,065	677	309	170	(4,753)	(12,604)	—	—	42,864
Equity securities available for sale:									
Common stocks	1,408	—	—	—	(170)	—	—	—	1,238
Preferred stocks	621	(299)	—	3,430	—	—	—	—	3,752
Total	2,029	(299)	—	3,430	(170)	—	—	—	4,990
Arbitrage trading account	928	1,458	730	824	(853)	—	22	(1,329)	1,780
Total	\$ 62,022	\$ 1,836	\$ 1,039	\$ 4,424	\$ (5,776)	\$ (12,604)	\$22	\$ (1,329)	\$ 49,634
Liabilities:									
Securities sold but not yet purchased	20	\$ (4)	—	\$ 4	\$ (20)	—	—	—	\$ —
Year ended December 31, 2012									
Fixed maturity securities available for sale:									
Corporate	\$ 67,828	\$ (1,497)	\$ 9,622	\$ 283	\$ —	\$ (17,171)	\$—	\$ —	\$ 59,065
Total	67,828	(1,497)	9,622	283	—	(17,171)	—	—	59,065
Equity securities available for sale:									
Common stocks	1,559	—	—	—	(151)	—	—	—	1,408
Preferred stocks	12,303	1,126	(1,737)	—	(11,071)	—	—	—	621
Total	13,862	1,126	(1,737)	—	(11,222)	—	—	—	2,029
Arbitrage trading account	851	(3,534)	3,570	—	(52)	—	93	—	928
Total	\$ 82,541	\$ (3,905)	\$ 11,455	\$ 283	\$ (11,274)	\$ (17,171)	\$93	\$ —	\$ 62,022
Liabilities:									
Securities sold but not yet purchased	21	(1)	—	—	—	—	\$—	\$ —	\$ 20

There were no significant transfers in or out of Level 3 during the years ended December 31, 2013 or 2012.

(14) Reserves for Losses and Loss Expenses

The table below provides a reconciliation of the beginning and ending reserve balances:

(In thousands)	2013	2012	2011
Net reserves at beginning of year	\$ 8,411,851	\$ 8,172,112	\$ 7,999,521
Net provision for losses and loss expenses:			
Claims occurring during the current year(1)	3,221,393	2,997,995	2,791,860
Decrease in estimates for claims occurring in prior years(2)(3)	(78,810)	(102,571)	(181,282)
Loss reserve discount accretion	54,441	53,055	47,787
Total	3,197,024	2,948,479	2,658,365
Net payments for claims:			
Current year	822,787	698,834	765,440
Prior year	2,055,284	2,010,101	1,721,558
Total	2,878,071	2,708,935	2,486,998
Foreign currency translation	(47,007)	195	1,224
Net reserves at end of year	8,683,797	8,411,851	8,172,112
Ceded reserve at end of year	1,397,144	1,339,235	1,165,022
Gross reserves at end of year	\$ 10,080,941	\$ 9,751,086	\$ 9,337,134

- (1) Claims occurring during the current year are net of loss reserve discounts of \$22,680,000, \$26,078,000 and \$43,286,000 in 2013, 2012 and 2011, respectively.
- (2) The decrease in estimates for claims occurring in prior years is net of loss reserve discount. On an undiscounted basis, the estimates for claims occurring in prior years decreased by \$77,430,000, \$100,667,000 and \$182,937,000 in 2013, 2012 and 2011, respectively.
- (3) For certain retrospectively rated insurance policies and reinsurance agreements, reserve development is offset by additional or return premiums. Favorable reserve development, net of additional and return premiums, was \$98 million, \$103 million and \$182 million in 2013, 2012 and 2011, respectively.

For the year ended December 31, 2013, estimates for claims occurring in prior years (net of additional and return premiums) decreased by \$98 million. The favorable reserve development in 2013 was primarily attributable to accident years 2008 through 2010. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends.

Environmental and Asbestos — To date, known environmental and asbestos claims have not had a material impact on the Company's operations, because its subsidiaries generally did not insure large industrial companies that are subject to significant environmental or asbestos exposures prior to 1986 when an absolute exclusion was incorporated into standard policy language.

The Company's net reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were \$36 million and \$34 million at December 31, 2013 and 2012, respectively. The Company's gross reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were \$59 million and \$56 million at December 31, 2013 and 2012, respectively. Increases in net incurred losses and loss expenses for reported asbestos and environmental claims were approximately \$5 million, \$2 million and \$1 million in 2013, 2012 and 2011, respectively. Net paid losses and loss expenses for asbestos and environmental claims were approximately \$3 million in 2013, \$2 million in 2012 and \$3 million in 2011. The estimation of these liabilities is subject to significantly greater than normal variation and uncertainty because it is difficult to make an actuarial estimate of these liabilities due to the absence of a generally accepted actuarial methodology for these exposures and the potential effect of significant unresolved legal matters, including coverage issues, as well as the cost of litigating the legal issues. Additionally, the determination of ultimate damages and the final allocation of such damages to financially responsible parties are highly uncertain.

Discounting — The Company discounts its liabilities for excess and assumed workers' compensation business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting the liabilities. The expected losses and loss expense payout pattern subject to discounting was derived from the Company's loss payout experience. For non-proportional business, reserves for losses and

loss expenses have been discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. At December 31, 2013, the discount rates by year ranged from 2.1% to 6.5% with a weighted average discount rate of 4.1%. For proportional business, reserves for losses and loss expenses have been discounted at the statutory rate permitted by the Department of Insurance of the State of Delaware of 2.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was \$837 million, \$867 million and \$892 million at December 31, 2013, 2012 and 2011, respectively.

(15) Reinsurance

The Company reinsures a portion of its insurance exposures in order to reduce its net liability on individual risks and catastrophe losses. Reinsurance coverage and retentions vary depending on the line of business, location of the risk and nature of loss. The Company's reinsurance purchases include the following: property reinsurance treaties that reduce exposure to large individual property losses and catastrophe events; casualty reinsurance treaties that reduce its exposure to large individual casualty losses, workers' compensation catastrophe losses and casualty losses involving multiple claimants or insureds; and facultative reinsurance that reduces exposure on individual policies or risks for losses that exceed treaty reinsurance capacity. Depending on the operating unit, the Company purchases specific additional reinsurance to supplement the above programs.

The following is a summary of reinsurance financial information:

(In thousands)	2013	2012	2011
Written premiums:			
Direct	\$ 5,626,172	\$ 4,964,069	\$ 4,370,092
Assumed	884,919	815,810	707,221
Ceded	(1,010,918)	(881,340)	(719,945)
Total net written premiums	<u>\$ 5,500,173</u>	<u>\$ 4,898,539</u>	<u>\$ 4,357,368</u>
Earned premiums:			
Direct	\$ 5,328,955	\$ 4,723,882	\$ 4,164,277
Assumed	857,119	770,981	669,593
Ceded	(959,537)	(821,347)	(673,003)
Total net earned premiums	<u>\$ 5,226,537</u>	<u>\$ 4,673,516</u>	<u>\$ 4,160,867</u>
Ceded losses incurred	<u>\$ 556,108</u>	<u>\$ 528,018</u>	<u>\$ 458,249</u>

The Company reinsures a portion of its exposures principally to reduce its net liability on individual risks and to protect against catastrophic losses. Estimated amounts due from reinsurers are reported net of reserves for uncollectible reinsurance of \$1,385,000, \$1,680,000 and \$3,169,000 as of December 31, 2013, 2012 and 2011, respectively. The following table presents the amounts due from reinsurers as of December 31, 2013:

(In thousands)

Munich Re	\$	193,405
Lloyd's of London		117,059
Swiss Re		104,096
Alleghany Group		96,348
Partner Re		67,116
Axis Capital		65,580
Berkshire Hathaway		53,118
Ace Group		46,413
Hannover Re Group		35,607
Everest Re		29,253
Arch Capital Group		25,782
Other reinsurers less than \$20,000		230,825
Subtotal		1,064,602
Residual market pools		468,501
Total	\$	1,533,103

(16) Senior Notes and Other Debt

Senior notes and other debt consist of the following as of December 31, 2013 (the difference between the face value and the carrying value is unamortized discount):

(In thousands)	Interest Rate	Face Value	2013 Carrying Value	2012 Carrying Value
Senior notes due on:				
February 15, 2013		\$ —	\$ —	\$ 199,959
May 15, 2015	5.6%	200,000	199,744	199,559
August 15, 2019	6.15%	150,000	149,199	149,057
September 15, 2019	7.375%	300,000	298,546	298,292
September 15, 2020	5.375%	300,000	297,738	297,401
January 1, 2022	8.70%	76,503	76,004	75,962
March 15, 2022	4.625%	350,000	346,581	346,163
February 15, 2037	6.25%	250,000	247,457	247,347
Subsidiary debt (1)	Various	77,173	77,173	57,795
Total debt		<u>\$ 1,703,676</u>	<u>\$ 1,692,442</u>	<u>\$ 1,871,535</u>

(1) Subsidiary debt is due as follows: \$5 million in 2014, \$40 million in 2015, \$30 million in 2016 and \$2 million thereafter.

(17) Junior Subordinated Debentures

In 2013, the Company issued \$350,000,000 aggregate principal amount of 5.625% Subordinated Debentures due April 2053 (the “Debentures”). At December 31, 2013, the carrying value of the Debentures, net of unamortized discount, was \$339,800,000. The net proceeds of the offering was primarily used to repay the \$250 million aggregate principal amount of the Company's 6.750% Subordinated Debentures due 2045. The Company realized a loss from the early redemption of \$7 million.

(18) Income Taxes

Income tax expense consists of:

<u>(In thousands)</u>	<u>Current Expense</u>	<u>Deferred Expense</u>	<u>Total</u>
December 31, 2013			
Domestic	\$ 116,802	\$ 47,370	\$ 164,172
Foreign	22,362	7,053	29,415
Total expense	<u>\$ 139,164</u>	<u>\$ 54,423</u>	<u>\$ 193,587</u>
December 31, 2012			
Domestic	\$ 156,339	\$ 11,448	\$ 167,787
Foreign	23,029	469	23,498
Total expense	<u>\$ 179,368</u>	<u>\$ 11,917</u>	<u>\$ 191,285</u>
December 31, 2011			
Domestic	\$ 60,420	\$ 37,176	\$ 97,596
Foreign	22,011	2,338	24,349
Total expense	<u>\$ 82,431</u>	<u>\$ 39,514</u>	<u>\$ 121,945</u>

Income before income taxes from domestic operations was \$598 million, \$624 million and \$469 million for the years ended December 31, 2013, 2012 and 2011, respectively. Income before income taxes from foreign operations was \$101 million, \$78 million and \$49 million for the years ended December 31, 2013, 2012 and 2011, respectively.

A reconciliation of the income tax expense and the amounts computed by applying the Federal and foreign income tax rate of 35% to pre-tax income are as follows:

<u>(In thousands)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Computed “expected” tax expense	\$ 244,611	\$ 245,675	\$ 179,580
Tax-exempt investment income	(40,679)	(50,665)	(57,246)
Change in valuation allowance	—	—	(2,328)
Impact of lower foreign tax rates	(4,851)	(5,234)	(3,199)
State and local taxes	2,906	(753)	2,355
Other, net	(8,400)	2,262	2,783
Total expense	<u>\$ 193,587</u>	<u>\$ 191,285</u>	<u>\$ 121,945</u>

At December 31, 2013 and 2012, the tax effects of differences that give rise to significant portions of the deferred tax asset and deferred tax liability are as follows:

(In thousands)	2013	2012
Deferred tax asset:		
Loss reserve discounting	\$ 87,394	\$ 119,547
Unearned premiums	149,107	132,014
Other-than-temporary impairments	49,483	62,187
Restricted stock units	52,671	49,553
Other	92,698	83,740
Gross deferred tax asset	431,353	447,041
Less valuation allowance	—	—
Deferred tax asset	431,353	447,041
Deferred tax liability:		
Amortization of intangibles	11,886	12,458
Deferred policy acquisition costs	136,635	120,532
Unrealized investment gains	148,215	274,497
Other	114,497	99,809
Deferred tax liability	411,233	507,296
Net deferred tax asset (liability)	\$ 20,120	\$ (60,255)

The Company had current tax receivables of \$24,737,000 and a current tax payables of \$22,546,000 at December 31, 2013 and 2012, respectively. At December 31, 2013, the Company had foreign net operating loss carryforwards of \$870,000, which expire beginning in 2014. The Company had provided a valuation allowance against the unutilized foreign tax credits which were fully utilized in the 2010 federal tax return. The reduction in the valuation relates primarily to the full utilization of the foreign tax credit carryforward. At December 31, 2013 and 2012, the Company had no deferred tax assets for which a valuation allowance is required. The statute of limitations has closed for the Company's tax returns through December 31, 2009.

The realization of the deferred tax asset is dependent upon the Company's ability to generate sufficient taxable income in future periods. Based on historical results and the prospects for future current operations, management anticipates that it is more likely than not that future taxable income will be sufficient for the realization of this asset.

(19) Dividends from Subsidiaries and Statutory Financial Information

The Company's insurance subsidiaries are restricted by law as to the amount of dividends they may pay without the approval of regulatory authorities. The Company's lead insurer, Berkley Insurance Company (BIC), directly or indirectly owns all of the Company's other insurance companies. During 2014, the maximum amount of dividends that can be paid by BIC without such approval is approximately \$491 million.

BIC's net income and statutory capital and surplus, as determined in accordance with statutory accounting practices (SAP), are as follows:

(In thousands)	2013	2012	2011
Net income	\$ 680,418	\$ 490,119	\$ 417,441
Statutory capital and surplus	\$ 4,908,010	\$ 4,671,922	\$ 4,107,745

The significant variances between SAP and GAAP are that for statutory purposes bonds are carried at amortized cost, acquisition costs are charged to income as incurred, deferred Federal income taxes are subject to limitations, excess and assumed workers' compensation reserves are discounted at different discount rates and certain assets designated as "non-admitted assets" are charged against surplus. The Commissioner of Insurance of the State of Delaware has allowed BIC to discount non-tabular workers' compensation loss reserves, which is a permitted practice that differs from SAP. The effect of using this permitted practice was to increase BIC's statutory capital and surplus by \$282 million at December 31, 2013.

The National Association of Insurance Commissioners ("NAIC") has risk-based capital ("RBC") requirements that require insurance companies to calculate and report information under a risk-based formula which measures statutory capital and surplus needs based on a regulatory definition of risk in a company's mix of products and its balance sheet. This guidance is used to calculate two capital measurements: Total Adjusted Capital and RBC Authorized Control Level. Total Adjusted Capital is equal to the Company's statutory capital and surplus excluding capital and surplus derived from the use of permitted practices that differ from statutory accounting practices. RBC Authorized Control Level is the capital level used by regulatory authorities to determine whether remedial action is required. Generally, no remedial action is required if Total Adjusted Capital is 200% or more of the RBC Authorized Control Level. At December 31, 2013, BIC's Total Adjusted Capital of \$4.6 billion was 453% of its RBC Authorized Control Level.

See Note 4, Investments in Fixed Maturity Securities, for a description of assets held on deposit as security.

(20) Common Stockholders' Equity

The weighted average number of shares used in the computation of net income per share was as follows:

	2013	2012	2011
Basic	135,304,752	137,097,162	139,687,546
Diluted	140,742,922	143,314,544	145,672,211

Treasury shares have been excluded from average outstanding shares from the date of acquisition. The difference in calculating basic and diluted net income per share is attributable entirely to the dilutive effect of stock-based compensation plans.

Changes in shares of common stock outstanding, net of treasury shares, are presented below. Shares of common stock issued and outstanding do not include shares related to unissued restricted stock units and unexercised stock options.

	2013	2012	2011
Balance, beginning of year	136,017,732	137,520,019	141,009,834
Shares issued	139,790	2,114,168	2,702,303
Shares repurchased	(3,924,355)	(3,616,455)	(6,192,118)
Balance, end of year	<u>132,233,167</u>	<u>136,017,732</u>	<u>137,520,019</u>

The amount of dividends paid is dependent upon factors such as the receipt of dividends from our subsidiaries, our results of operations, cash flow, financial condition and business needs, the capital and surplus requirements of our subsidiaries,

and applicable insurance regulations that limit the amount of dividends that may be paid by our regulated insurance subsidiaries.

(21) Fair Value of Financial Instruments

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments as of December 31, 2013 and 2012:

(In thousands)	2013		2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	\$ 11,616,844	\$ 11,631,744	\$ 11,943,956	\$ 11,968,376
Equity securities available for sale	283,338	283,338	376,022	376,022
Arbitrage trading account	522,128	522,128	329,077	329,077
Loans receivable	343,583	346,746	401,961	406,443
Cash and cash equivalents	839,738	839,738	905,670	905,670
Trading accounts receivable from brokers and clearing organizations	304,936	304,936	446,873	446,873
Due from broker	17,735	17,735	14,449	14,449
Liabilities:				
Trading account securities sold but not yet purchased	162,278	162,278	121,487	121,487
Junior subordinated debentures	339,800	288,540	243,206	252,000
Senior notes and other debt	1,692,442	1,861,898	1,871,535	2,190,173

The estimated fair values of the Company's fixed maturity securities, equity securities available for sale and arbitrage trading account securities are based on various valuation techniques. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. The fair value of loans receivable are estimated by using current institutional purchaser yield requirements for loans with similar credit characteristics, which is considered a Level 2 input. The fair value of the senior notes and other debt and the junior subordinated debentures is based on spreads for similar securities, which is considered a Level 2 input.

(22) Lease Obligations

The Company and its subsidiaries use office space and equipment under leases expiring at various dates. These leases are considered operating leases for financial reporting purposes. Some of these leases have options to extend the length of the leases and contain clauses for cost of living, operating expense and real estate tax adjustments. The Company also has an investment in a commercial office building that has a long-term land lease. Future minimum lease payments, without provision for sublease income, are: \$42,586,000 in 2014; \$39,218,000 in 2015; \$34,009,000 in 2016; \$29,573,000 in 2017 and \$213,046,000 thereafter. Rental expense was \$44,752,000, \$38,179,000 and \$33,003,000 for 2013, 2012 and 2011, respectively.

(23) Commitments, Litigation and Contingent Liabilities

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

At December 31, 2013, the Company had commitments to invest up to \$249 million in certain investment funds.

(24) Stock Incentive Plan

The Company has not issued any stock options under its stock incentive plans since 2004. The following table summarizes stock option information:

	2013		2012		2011	
	Shares	Price(1)	Shares	Price(1)	Shares	Price(1)
Outstanding at beginning of year	3,375	\$ 15.17	1,314,057	\$ 11.04	3,503,384	\$ 10.42
Exercised	3,375	15.17	1,310,682	11.03	2,185,952	10.05
Canceled	—	—	—	—	3,375	10.07
Outstanding at year end	—	\$ —	3,375	\$ 15.17	1,314,057	\$ 11.04

(1) Weighted average exercise price.

Pursuant to the stock incentive plan, the Company may also issue restricted stock units (RSUs) to officers of the Company and its subsidiaries. The RSUs generally vest five years from the award date and are subject to other vesting and forfeiture provisions contained in the award agreement. The following table summarizes RSU information for the three years ended December 31, 2013:

	2013	2012	2011
RSUs granted and unvested at beginning of period:	4,701,120	4,370,975	4,945,375
Granted	108,400	2,161,220	107,500
Vested	(146,250)	(1,704,625)	(576,050)
Cancelled	(171,750)	(126,450)	(105,850)
RSUs granted and unvested at end of period:	4,491,520	4,701,120	4,370,975

Upon vesting, shares of the Company's common stock equal to the number of vested RSUs are issued or deferred to a later date, depending on the terms of the specific award agreement. As of December 31, 2013, 3,643,804 shares related to vested RSUs had been deferred.

The fair value of RSUs at the date of grant are recorded as unearned compensation, a component of stockholders' equity, and expensed over the vesting period. Following is a summary of changes in unearned compensation for the three years ended December 31, 2013:

<u>(In thousands)</u>	2013	2012	2011
Unearned compensation at beginning of year	\$ 93,653	\$ 57,315	\$ 76,139
RSUs granted, net of cancellations	4,406	73,255	2,832
RSUs expensed	(22,881)	(25,728)	(26,303)
RSUs forfeiture adjustment	(1,973)	(11,189)	4,647
Unearned compensation at end of year	\$ 73,205	\$ 93,653	\$ 57,315

(25) Compensation Plans

The Company and its subsidiaries have profit sharing plans in which substantially all employees participate. The plans provide for minimum annual contributions of 5% of eligible compensation; contributions above the minimum are discretionary and vary with each participating subsidiary's profitability. Employees become eligible to participate in the profit sharing plans on the first day of the month following the first full three months in which they are employed. The plans provide that 40% of the contributions vest immediately and that the remaining 60% vest at varying percentages based upon years of service. The Company's foreign subsidiaries provide pension benefits in accordance with local regulations. Profit sharing expense was \$34 million, \$31 million, and \$27 million in 2013, 2012 and 2011, respectively.

The Company has a Long-Term Incentive Compensation Plan ("LTIP") that provides for incentive compensation to key executives based on the growth in the Company's book value per share over a five year period. There are 211,250 units outstanding from the 2013 grant with a maximum value of \$52.8 million, of which \$7.4 million was earned by December 31,

2013. There are 183,100 units outstanding from the 2011 grant with a maximum value of \$45.8 million, of which \$19.7 million was earned by December 31, 2013. The 2008 grant, which earned \$23.0 million during the five years ended December 31, 2012, was paid in 2013.

The following table summarizes the LTIP expense for the three years ended December 31, 2013:

(In thousands)	2013	2012	2011
2008 grant	\$ —	\$ 5,742	\$ 4,600
2011 grant	6,741	7,365	5,620
2013 grant	7,386	—	—
Total	<u>\$ 14,127</u>	<u>\$ 13,107</u>	<u>\$ 10,220</u>

(26) Retirement Benefits

The Company has an unfunded noncontributory defined benefit plan that covers its chief executive officer and chairman of the board. The discount rate used to derive the projected benefit obligation and related retirement expense was 0% in 2013 and 3.39% in 2012. The discount rate assumption used to determine the benefit obligation is based on a yield curve approach. Under this approach, a weighted average yield is determined from a hypothetical portfolio of AA rated bonds. A summary of the change in benefit obligation, which is required to be distributed on or before March 28, 2015, is as follows:

(In thousands)	2013	2012
Projected benefit obligation at beginning of year	\$ 64,632	\$ 56,787
Interest cost	2,191	2,476
Benefits paid	(285)	(1,426)
Actuarial loss	(2,221)	6,795
Benefit obligation at end of year	<u>\$ 64,317</u>	<u>\$ 64,632</u>

Following is a summary of the amounts recognized in accumulated other comprehensive income as of December 31, 2013 and 2012:

(In thousands)	2013	2012
Net actuarial loss	\$ 4,242	\$ 14,605
Prior service cost	5,988	9,012
Net pension asset	<u>\$ 10,230</u>	<u>\$ 23,617</u>

The components of net periodic pension benefit cost are as follows:

(In thousands)	2013	2012	2011
Components of net periodic benefit cost:			
Interest cost	\$ 2,191	\$ 2,476	\$ 2,716
Amortization of unrecognized:			
Prior service costs	3,023	3,023	3,023
Net actuarial loss	8,143	2,197	1,330
Net periodic pension cost	<u>\$ 13,357</u>	<u>\$ 7,696</u>	<u>\$ 7,069</u>

The changes in plan assets and projected benefit obligation recognized in other comprehensive income are as follows:

<u>(In thousands)</u>	<u>2013</u>	<u>2012</u>
Changes in plan assets and projected benefit obligation:		
Net actuarial (gain) loss	\$ (2,221)	\$ 6,795
Amortization of:		
Net actuarial loss	(8,143)	(2,197)
Prior service costs	(3,023)	(3,023)
Total recognized in other comprehensive income	<u>\$ (13,387)</u>	<u>\$ 1,575</u>

The net after tax periodic pension cost of \$7 million will be amortized from accumulated other comprehensive income into periodic benefit cost during 2014.

(27) Supplemental Financial Statement Data

Other operating costs and expenses consist of the following:

<u>(In thousands)</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Amortization of deferred policy acquisition costs	\$ 991,070	\$ 917,583	\$ 785,118
Other underwriting expenses	780,058	675,163	653,011
Service company expenses	88,662	84,986	75,231
Net foreign currency losses	(10,120)	(6,092)	(1,884)
Other costs and expenses	151,014	127,983	115,050
Total	<u>\$ 2,000,684</u>	<u>\$ 1,799,623</u>	<u>\$ 1,626,526</u>

(28) Industry Segments

During the first quarter of 2013, the Company changed the aggregation of its business segments. The Company's reportable segments include the following three business segments, plus a corporate segment:

Insurance-Domestic - commercial insurance business, including excess and surplus lines and admitted lines, primarily throughout the United States;

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

All domestic insurance operating companies, previously included in the Specialty, Regional and Alternative Markets segments, were aggregated into the Insurance-Domestic segment; all reinsurance operating companies were aggregated into the Reinsurance-Global segment; and all international insurance companies were aggregated into the Insurance-International segment. The segment disclosures for prior periods have been revised to be consistent with the new reportable business segment presentation. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Income tax expense and benefits are calculated based upon the Company's overall effective tax rate.

Summary financial information about the Company's operating segments is presented in the following table. Income (loss) before income taxes by segment includes allocated investment income. Identifiable assets by segment are those assets used in or allocated to the operation of each segment.

(In thousands)	Revenues				Pre-Tax Income (Loss)	Net Income (Loss)
	Earned Premiums	Investment Income	Other	Total		
December 31, 2013:						
Insurance-Domestic	\$ 3,782,416	\$ 404,280	\$ 107,517	\$ 4,294,213	\$ 648,740	\$ 449,981
Insurance-International	723,151	47,039	—	770,190	56,922	40,292
Reinsurance-Global	720,970	89,090	—	810,060	110,425	78,013
Corporate, other and eliminations(1)	—	3,882	408,645	412,527	(238,743)	(142,479)
Net investment gains	—	—	121,544	121,544	121,544	74,118
Consolidated	\$ 5,226,537	\$ 544,291	\$ 637,706	\$ 6,408,534	\$ 698,888	\$ 499,925

December 31, 2012:						
Insurance-Domestic	\$ 3,417,022	\$ 424,787	\$ 103,133	\$ 3,944,942	\$ 578,500	\$ 397,942
Insurance-International	631,841	45,796	—	677,637	51,639	35,928
Reinsurance-Global	624,653	106,932	—	731,585	103,690	72,916
Corporate, other and eliminations(1)	—	9,248	249,677	258,925	(242,366)	(132,996)
Net investment gains	—	—	210,465	210,465	210,465	136,802
Consolidated	<u>\$ 4,673,516</u>	<u>\$ 586,763</u>	<u>\$ 563,275</u>	<u>\$ 5,823,554</u>	<u>\$ 701,928</u>	<u>\$ 510,592</u>

December 31, 2011:						
Insurance-Domestic	\$ 3,121,281	\$ 372,053	\$ 92,847	\$ 3,586,181	\$ 467,126	\$ 345,399
Insurance-International	508,509	36,958	—	545,467	36,912	28,142
Reinsurance-Global	531,077	97,795	—	628,872	85,271	66,405
Corporate, other and eliminations(1)	—	19,545	250,438	269,983	(201,704)	(130,382)
Net investment gains	—	—	125,481	125,481	125,481	81,647
Consolidated	<u>\$ 4,160,867</u>	<u>\$ 526,351</u>	<u>\$ 468,766</u>	<u>\$ 5,155,984</u>	<u>\$ 513,086</u>	<u>\$ 391,211</u>

(In thousands)	<u>Identifiable Assets</u>	
	December 31, 2013	December 31, 2012
Insurance-Domestic	\$ 15,247,807	\$ 14,661,476
Insurance-International	1,516,310	1,541,365
Reinsurance-Global	3,103,193	3,337,937
Corporate, other and eliminations(1)	684,486	615,118
Consolidated	<u>\$ 20,551,796</u>	<u>\$ 20,155,896</u>

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

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

(In thousands)	2013	2012	2011
Insurance-Domestic			
Other liability	\$ 1,259,376	\$ 1,104,369	\$ 1,003,080
Workers' compensation	995,047	869,042	785,454
Short-tail lines	774,809	733,239	665,575
Commercial automobile	486,759	455,988	437,891
Professional liability	266,425	254,384	229,281
Total Insurance-Domestic	<u>3,782,416</u>	<u>3,417,022</u>	<u>3,121,281</u>
Insurance-International			
Other liability	65,528	44,065	49,800
Workers' compensation	84,637	82,066	73,823
Short-tail lines	336,814	276,599	183,447
Commercial automobile	130,020	125,927	110,568
Professional liability	106,152	103,184	90,871
Total Insurance-International	<u>723,151</u>	<u>631,841</u>	<u>508,509</u>
Reinsurance-Global			
Casualty	507,790	456,376	389,557
Property	213,180	168,277	141,520
Total Reinsurance-Global	<u>720,970</u>	<u>624,653</u>	<u>531,077</u>
Total	<u>\$ 5,226,537</u>	<u>\$ 4,673,516</u>	<u>\$ 4,160,867</u>

(29) Quarterly Financial Information (Unaudited)

The following is a summary of quarterly financial data:

(In thousands, except per share data)		2013			
Three months ended		March 31	June 30	September 30	December 31
Revenues	\$	1,506,769	\$ 1,570,962	\$ 1,634,124	\$ 1,696,679
Net income		116,615	115,957	136,974	130,379
Net income per share(1)					
Basic		0.86	0.85	1.01	0.97
Diluted		0.83	0.82	0.97	0.93

		2012			
Three months ended		March 31	June 30	September 30	December 31
Revenues	\$	1,378,705	\$ 1,415,747	\$ 1,420,501	\$ 1,608,601
Net income		135,318	108,838	100,947	165,489
Net income per share(1)					
Basic		0.98	0.79	0.74	1.22
Diluted		0.94	0.76	0.71	1.17

(1) Net income per share ("EPS") in each quarter is computed using the weighted-average number of shares outstanding during that quarter, while EPS for the full year is computed using the weighted-average number of shares outstanding during the year. Thus, the sum of the four quarters EPS does not necessarily equal the full-year EPS.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b) as of the end of the period covered by this annual report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company has in place effective controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act and the rules thereunder, is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms.

During the quarter ended December 31, 2013, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report On Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control - Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of Treadway Commission. Based on our evaluation under the framework in Internal Control - Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2013.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
W. R. Berkley Corporation:

We have audited W. R. Berkley Corporation's internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). W. R. Berkley Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, W. R. Berkley Corporation maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of W. R. Berkley Corporation as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, and our report dated February 28, 2014 expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG LLP

New York, New York
February 28, 2014

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

(a) Security ownership of certain beneficial owners

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

(b) Security ownership of management

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

(c) Changes in control

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Reference is made to the registrant's definitive proxy statement, which will be filed with the Securities and Exchange Commission within 120 days after December 31, 2013, and which is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Index to Financial Statements

The schedules to the consolidated financial statements listed below should be read in conjunction with the consolidated financial statements included in this Annual Report on Form 10-K. Financial statement schedules not included in this Annual Report on Form 10-K have been omitted because they are not applicable or required information is shown in the financial statements or notes thereto.

Index to Financial Statement Schedules	Page
Independent Registered Public Accountants' Report on Schedules	97
Schedule II — Condensed Financial Information of Registrant	98
Schedule III — Supplementary Insurance Information	102
Schedule IV — Reinsurance	103
Schedule V — Valuation and Qualifying Accounts	104
Schedule VI — Supplementary Information Concerning Property — Casualty Insurance Operations	105

(b) Exhibits

The exhibits filed as part of this report are listed on pages 94 - 97 hereof.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

W. R. BERKLEY CORPORATION

By /s/ William R. Berkley
William R. Berkley, Chairman of the Board and
Chief Executive Officer

February 28, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William R. Berkley</u> William R. Berkley	Chairman of the Board and Chief Executive Officer (Principal executive officer)	February 28, 2014
<u>/s/ W. Robert Berkley, Jr.</u> W. Robert Berkley, Jr.	President, Chief Operating Officer and Director	February 28, 2014
<u>/s/ Christopher L. Augostini</u> Christopher L. Augostini	Director	February 28, 2014
<u>/s/ Ronald E. Blaylock</u> Ronald E. Blaylock	Director	February 28, 2014
<u>/s/ Mark E. Brockbank</u> Mark E. Brockbank	Director	February 28, 2014
<u>/s/ George G. Daly</u> George G. Daly	Director	February 28, 2014
<u>/s/ Mary C. Farrell</u> Mary C. Farrell	Director	February 28, 2014
<u>/s/ Jack H. Nusbaum</u> Jack H. Nusbaum	Director	February 28, 2014
<u>/s/ Mark L. Shapiro</u> Mark L. Shapiro	Director	February 28, 2014
<u>/s/ Eugene G. Ballard</u> Eugene G. Ballard	Senior Vice President and Chief Financial Officer (Principal financial officer and principal accounting officer)	February 28, 2014

ITEM 15. (b) EXHIBITS

Number

- (3.1) The Company's Restated Certificate of Incorporation, as amended through May 10, 2004 (incorporated by reference to Exhibits 3.1 and 3.2 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 6, 2003).
- (3.2) Amendment, dated May 11, 2004, to the Company's Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.2 of the Company's Quarterly report on Form 10-Q (File No. 1-15202) filed with the Commission on August 5, 2004).
- (3.3) Amendment, dated May 16, 2006, to the Company's Restated Certificate of Incorporation, as amended (incorporated by reference to Exhibit 3.2 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on May 17, 2006).
- (3.4) Amended and Restated By-Laws (incorporated by reference to Exhibit 3 (ii) of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on March 1, 2012).
- (4.1) Indenture, dated as of February 14, 2003, between the Company and The Bank of New York, as trustee (incorporated by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission of March 31, 2003).
- (4.2) Third Supplemental Indenture, dated as of August 24, 2004, between the Company and The Bank of New York, as Trustee, relating to \$150,000,000 principal amount of the Company's 6.150% Senior Notes due 2019, including form of the Notes as Exhibit A (incorporated by reference to Exhibit 4.4 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on March 14, 2005).
- (4.3) Fourth Supplemental Indenture, dated as of May 9, 2005, between the Company and The Bank of New York, as Trustee, relating to \$200,000,000 principal amount of the Company's 5.60% Senior Notes due 2015, including form of the Notes as Exhibit A (incorporated by reference to Exhibit 4.2 of the Company's Quarterly Report on Form 10-Q (File No. 1-15200) filed with the Commission on August 2, 2005).
- (4.4) Fifth Supplemental Indenture, dated as of February 9, 2007, between the Company and The Bank of New York, as Trustee, relating to \$250,000,000 principal amount of the Company's 6.25% Senior Notes due 2037, including form of the Notes as Exhibit A (incorporated by reference to Exhibit 4.7 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on March 1, 2007).
- (4.5) Sixth Supplemental Indenture, dated as of September 14, 2009, between the Company and The Bank of New York Mellon, as Trustee, relating to \$300,000,000 principal amount of the Company's 7.375% Senior Notes due 2019, including form of the Notes as Exhibit A (incorporated by reference to Exhibit 4.7 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on February 26, 2010).
- (4.6) Seventh Supplemental Indenture, dated as of September 16, 2010, between the Company and The Bank of New York Mellon, as Trustee, relating to \$300,000,000 principal amount of the Company's 5.375% Senior Notes due 2020, including form of the Notes as Exhibit A (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on September 16, 2010).
- (4.7) Eighth Supplemental Indenture, dated as of March 16, 2012, between the Company and The Bank of New York Mellon, as Trustee, relating to \$350,000,000 principal amount of the Company's 4.625% Senior Notes due 2022, including form of the Notes as Exhibit A (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on March 16, 2012).
- (4.8) Subordinated Indenture, dated as of May 2, 2013, between the Company and The Bank of New York Mellon, as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on May 2, 2013).
- (4.9) First Supplemental Indenture, dated as of May 2, 2013, between the Company and The Bank of New York Mellon, as Trustee, relating to \$350,000,000 principal amount of the Company's 5.625% Subordinated Debentures due 2053, including the form of the Securities as Exhibit A (incorporated by reference to Exhibit 4.2 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on May 2, 2013).

- (4.10) The instruments defining the rights of holders of the other long term debt securities of the Company are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Company agrees to furnish supplementally copies of these instruments to the Commission upon request.
- (10.1) W. R. Berkley Corporation 2003 Stock Incentive Plan (incorporated by reference to Annex A of the Company's 2003 Proxy Statement (File No. 1-15202) filed with the Commission on April 14, 2003).
- (10.2) W. R. Berkley Corporation 2012 Stock Incentive Plan (incorporated by reference to Annex A of the Company's 2012 Proxy Statement (File No. 1-15202) filed with the Commission on April 9, 2012).
- (10.3) Form of Restricted Stock Unit Agreement under the W. R. Berkley Corporation 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on November 8, 2012).
- (10.4) Form of Restricted Stock Unit Agreement under the W. R. Berkley Corporation 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on May 3, 2005).
- (10.5) Form of Restricted Stock Unit Agreement under the W. R. Berkley Corporation 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 6, 2010).
- (10.6) Form of Restricted Stock Unit Agreement for grant of April 4, 2003 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 6, 2003).
- (10.7) W. R. Berkley Corporation Deferred Compensation Plan for Officers as amended and restated effective December 3, 2007 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on December 19, 2007).
- (10.8) W. R. Berkley Corporation Deferred Compensation Plan for Directors as amended and restated effective December 3, 2007 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on December 19, 2007).
- (10.9) W. R. Berkley Corporation 2007 Annual Incentive Compensation Plan (incorporated by reference to Annex A of the Company's 2006 Proxy Statement (File No. 1-15202) filed with the Commission on April 18, 2006).
- (10.10) W. R. Berkley Corporation 2004 Long-Term Incentive Plan (incorporated by reference to Annex B from the Company's 2004 Proxy Statement (File No. 1-15202) filed with the Commission on April 12, 2004).
- (10.11) W. R. Berkley Corporation 2009 Long-Term Incentive Plan (incorporated by reference to Annex A of the Company's 2009 Proxy Statement (File No. 1-15202) filed with the Commission on April 17, 2009).
- (10.12) Form of Performance Unit Award Agreement under the W. R. Berkley Corporation 2004 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on May 3, 2005).
- (10.13) Form of 2008 Performance Unit Award Agreement under the W. R. Berkley Corporation 2004 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on March 13, 2008).
- (10.14) Form of 2011 Performance Unit Award Agreement under the W. R. Berkley Corporation 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on February 28, 2012).
- (10.15) W. R. Berkley Corporation 2009 Directors Stock Plan (incorporated by reference to Annex B of the Company's 2009 Proxy Statement (File No. 1-15202) filed with the Commission on April 17, 2009).

- (10.16) Supplemental Benefits Agreement between William R. Berkley and the Company as amended and restated as of December 21, 2011 (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on February 28, 2012).
- (14) Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on March 14, 2005).
- (21) Following is a list of the Company's significant subsidiaries and other operating entities. Subsidiaries of subsidiaries are indented and the parent of each such corporation owns 100% of the outstanding voting securities of such corporation except as noted below.

	Jurisdiction of Incorporation	Percentage owned by the Company (1)
Berkley International, LLC (2)	New York	100%
Berkley Surety Group, Inc.	Delaware	100%
Signet Star Holdings, Inc.	Delaware	100%
Berkley Insurance Company	Delaware	100%
Admiral Insurance Company	Delaware	100%
Admiral Indemnity Company	Delaware	100%
Berkley London Holdings, Inc. (3)	Delaware	100%
W. R. Berkley Insurance (Europe), Limited	United Kingdom	100%
Carolina Casualty Insurance Company	Iowa	100%
Berkley Assurance Company	Iowa	100%
Clermont Insurance Company	Iowa	100%
Nautilus Insurance Company	Arizona	100%
Great Divide Insurance Company	North Dakota	100%
Berkley Regional Insurance Company	Delaware	100%
Acadia Insurance Company	New Hampshire	100%
Berkley National Insurance Company	Iowa	100%
Berkley Regional Specialty Insurance Company	Delaware	100%
American Mining Insurance Company	Iowa	100%
Continental Western Insurance Company	Iowa	100%
Firemen's Insurance Company of Washington, D.C.	Delaware	100%
Tri-State Insurance Company of Minnesota	Minnesota	100%
Union Insurance Company	Iowa	100%
Key Risk Insurance Company	North Carolina	100%
Midwest Employers Casualty Company	Delaware	100%
Preferred Employers Insurance Company	California	100%
Gemini Insurance Company	Delaware	100%
Riverport Insurance Company	Minnesota	100%
StarNet Insurance Company	Delaware	100%

- (1) W. R. Berkley Corporation is the ultimate parent. The subsidiary of a direct parent is indicated by an indentation, and its percentage ownership is as indicated in this column.
- (2) Berkley International, LLC is held by W. R. Berkley Corporation and its subsidiaries as follows: W. R. Berkley Corporation (2%), Admiral Insurance Company (35%), Berkley Regional Insurance Company (14%), Nautilus Insurance Company (14%) and Berkley Insurance Company (35%).
- (3) Berkley London Holdings, Inc. is held by Admiral Insurance Company (66.7%) and Berkley Insurance Company (33.3%).

- (23) Consent of Independent Registered Public Accounting Firm
- (31.1) Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
- (31.2) Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a).
- (32.1) Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
W. R. Berkley Corporation:

Under date of February 28, 2014, we reported on the consolidated balance sheets of W. R. Berkley Corporation and subsidiaries as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2013, which are included in the Annual Report on Form 10-K for the year ended December 31, 2013. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated financial statement schedules II through VI. These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statement schedules based on our audits.

In our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/S/ KPMG LLP

New York, New York
February 28, 2014

W. R. Berkley Corporation
Condensed Financial Information of Registrant
Balance Sheets (Parent Company)

<u>(In thousands)</u>	December 31,	
	2013	2012
Assets:		
Cash and cash equivalents	\$ 17,315	\$ 162,972
Fixed maturity securities available for sale at fair value (cost \$61,084 and \$281,708 at December 31, 2013 and 2012, respectively)	63,115	286,597
Equity securities available for sale, at fair value (cost \$4,668 in 2013 and \$0 in 2012)	11,240	25,699
Investment in subsidiaries	6,250,979	5,979,539
Due from subsidiaries	13,648	106,334
Deferred Federal income taxes	51,346	—
Current Federal income taxes	17,540	—
Property, furniture and equipment at cost, less accumulated depreciation	9,028	7,895
Other assets	5,795	10,710
Total assets	\$ 6,440,006	\$ 6,579,746
Liabilities and stockholders' equity		
Liabilities:		
Due to subsidiaries	\$ —	\$ —
Other liabilities	148,903	176,416
Current Federal income taxes	—	8,253
Deferred Federal income taxes	—	31,914
Junior subordinated debentures	339,800	243,206
Senior notes	1,615,268	1,813,740
Total liabilities	2,103,971	2,273,529
Stockholders' equity:		
Preferred stock	—	—
Common stock	47,024	47,024
Additional paid-in capital	967,440	945,166
Retained earnings (including accumulated undistributed net income of subsidiaries of \$4,393,420 and \$4,023,780 at December 31, 2013 and 2012, respectively)	5,265,015	4,817,807
Accumulated other comprehensive income	189,391	465,631
Treasury stock, at cost	(2,132,835)	(1,969,411)
Total stockholders' equity	4,336,035	4,306,217
Total liabilities and stockholders' equity	\$ 6,440,006	\$ 6,579,746

See accompanying Report of Independent Registered Public Accounting Firm and note to condensed financial statements.

W. R. Berkley Corporation
Condensed Financial Information of Registrant, Continued
Statements of Income (Parent Company)

<u>(In thousands)</u>	<u>Years Ended December 31,</u>		
	<u>2013</u>	<u>2012</u>	<u>2011</u>
Management fees and investment income including dividends from subsidiaries of \$269,626, \$25,968 and \$503,227 for the years ended December 31, 2013, 2012 and 2011, respectively	\$ 277,223	\$ 29,961	\$ 514,057
Net investment gains	24,550	71,130	45,962
Other income	223	271	96
Total revenues	301,996	101,362	560,115
Operating costs and expense	122,562	133,326	118,922
Interest expense	120,066	124,298	111,184
Income before federal income taxes	59,368	(156,262)	330,009
Federal income taxes:			
Federal income taxes provided by subsidiaries on a separate return basis	225,845	132,379	79,200
Federal income tax expense on a consolidated return basis	(154,928)	(160,226)	(89,144)
Net expense	70,917	(27,847)	(9,944)
Income (loss) before undistributed equity in net income of subsidiaries	130,285	(184,109)	320,065
Equity in undistributed net income of subsidiaries	369,640	694,701	71,146
Net income	<u>\$ 499,925</u>	<u>\$ 510,592</u>	<u>\$ 391,211</u>

See accompanying Report of Independent Registered Public Accounting Firm and note to condensed financial statements.

W. R. Berkley Corporation
Condensed Financial Information of Registrant, Continued
Statements of Cash Flows (Parent Company)

(In thousands)	Years Ended December 31,		
	2013	2012	2011
Cash flows (used in) from operating activities:			
Net income	\$ 499,925	\$ 510,592	\$ 391,211
Adjustments to reconcile net income to net cash from operating activities:			
Net investment gains	(24,550)	(71,130)	(45,962)
Depreciation and amortization	10,397	5,624	4,905
Equity in undistributed earnings of subsidiaries	(369,640)	(694,701)	(71,146)
Tax payments received from subsidiaries	77,305	125,046	139,011
Federal income taxes provided by subsidiaries on a separate return basis	(225,845)	(132,379)	(79,200)
Stock incentive plans	24,594	26,763	27,176
Change in:			
Federal income taxes	21,866	44,423	56,542
Other assets	(821)	911	(542)
Other liabilities	(16,280)	28,017	(6,747)
Accrued investment income	967	97	1,559
Other, net	—	(13)	277
Net cash (used in) from operating activities	(2,082)	(156,750)	417,084
Cash from (used in) investing activities:			
Proceeds from sales of fixed maturity securities	230,854	93,354	70,665
Proceeds from maturities and prepayments of fixed maturity securities	68,918	121,191	165,158
Proceeds from sales of equity securities	23,395	72,565	47,735
Cost of purchases of fixed maturity securities	(79,132)	(255,885)	(240,536)
Cost of purchases of equity securities	(4,668)	—	—
Investments in and advances to subsidiaries, net	(58,454)	(16,480)	(3,867)
Change in balance due to security broker	6,918	(4,767)	(5,983)
Net additions to real estate, furniture & equipment	(1,896)	(1,857)	(643)
Net cash from investing activities	185,935	8,121	32,529
Cash from (used in) financing activities:			
Net proceeds from issuance of senior notes	339,627	345,823	—
Net proceeds from stock options exercised	53	13,544	21,966
Repayment of senior notes	(450,000)	—	—
Purchase of common treasury shares	(166,473)	(134,456)	(187,163)
Cash dividends to common stockholders	(52,717)	(183,947)	(43,255)
Net cash from (used in) financing activities	(329,510)	40,964	(208,452)
Net increase (decrease) in cash and cash equivalents	(145,657)	(107,665)	241,161
Cash and cash equivalents at beginning of year	162,972	270,637	29,476
Cash and cash equivalents at end of year	\$ 17,315	\$ 162,972	\$ 270,637

See accompanying Report of Independent Registered Public Accounting Firm and note to condensed financial statements.

W. R. Berkley Corporation
Condensed Financial Information of Registrant, Continued
December 31, 2013

Note to Condensed Financial Statements (Parent Company)

The accompanying condensed financial statements should be read in conjunction with the notes to consolidated financial statements included elsewhere herein. Reclassifications have been made in the 2012 and 2011 financial statements as originally reported to conform them to the presentation of the 2013 financial statements.

The Company files a consolidated federal tax return with the results of its domestic insurance subsidiaries included on a statutory basis. Under present Company policy, federal income taxes payable by subsidiary companies on a separate-return basis are paid to W. R. Berkley Corporation, and the Company pays the tax due on a consolidated return basis.

Schedule III

**W. R. Berkley Corporation and Subsidiaries
Supplementary Insurance Information
December 31, 2013, 2012 and 2011**

(In thousands)	Deferred Policy Acquisition Cost	Reserve for Losses and Loss Expenses	Unearned Premiums	Net Premiums Earned	Net Investment Income	Loss and Loss Expenses	Amortization of		
							Deferred Policy Acquisition Cost	Other Operating Cost and Expenses	Net Premiums Written
December 31, 2013									
Insurance-Domestic	\$ 306,464	\$ 7,715,124	\$ 2,107,768	\$ 3,782,416	\$ 404,280	\$ 2,318,541	\$ 651,524	\$ 671,096	\$ 3,994,387
Insurance-International	60,751	672,009	317,691	723,151	47,039	429,900	152,843	124,497	756,185
Reinsurance-Global	84,886	1,693,808	355,978	720,970	89,090	448,583	186,703	64,567	749,601
Corporate and adjustments	—	—	—	—	3,882	—	—	149,454	—
Total	<u>\$ 452,101</u>	<u>\$ 10,080,941</u>	<u>\$ 2,781,437</u>	<u>\$ 5,226,537</u>	<u>\$ 544,291</u>	<u>\$ 3,197,024</u>	<u>\$ 991,070</u>	<u>\$ 1,009,614</u>	<u>\$ 5,500,173</u>
December 31, 2012									
Insurance-Domestic	\$ 269,418	\$ 7,466,538	\$ 1,844,452	\$ 3,417,022	\$ 424,787	\$ 2,169,090	\$ 613,252	\$ 584,100	\$ 3,569,883
Insurance-International	56,995	622,202	297,581	631,841	45,796	377,459	136,412	112,128	664,459
Reinsurance-Global	77,634	1,662,346	332,814	624,653	106,932	401,930	167,919	58,044	664,197
Corporate and adjustments	—	—	—	—	9,248	—	—	127,768	—
Total	<u>\$ 404,047</u>	<u>\$ 9,751,086</u>	<u>\$ 2,474,847</u>	<u>\$ 4,673,516</u>	<u>\$ 586,763</u>	<u>\$ 2,948,479</u>	<u>\$ 917,583</u>	<u>\$ 882,040</u>	<u>\$ 4,898,539</u>
December 31, 2011									
Insurance-Domestic	\$ 246,580	\$ 7,183,706	\$ 1,639,603	\$ 3,121,281	\$ 372,053	\$ 2,025,139	\$ 529,885	\$ 559,985	\$ 3,238,120
Insurance-International	51,753	510,245	262,483	508,509	36,958	291,827	114,126	104,097	551,910
Reinsurance-Global	66,604	1,643,183	287,489	531,077	97,795	341,399	141,107	58,449	567,338
Corporate and adjustments	—	—	—	—	19,545	—	—	113,680	—
Total	<u>\$ 364,937</u>	<u>\$ 9,337,134</u>	<u>\$ 2,189,575</u>	<u>\$ 4,160,867</u>	<u>\$ 526,351</u>	<u>\$ 2,658,365</u>	<u>\$ 785,118</u>	<u>\$ 836,211</u>	<u>\$ 4,357,368</u>

See accompanying Report of Independent Registered Public Accounting Firm.

W. R. Berkley Corporation and Subsidiaries
Reinsurance
Years ended December 31, 2013, 2012 and 2011

	Premiums Written				Percentage of Amount Assumed to Net
(In thousands, other than percentages)	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	
Year ended December 31, 2013:					
Insurance-Domestic	\$ 4,699,348	\$ 809,368	\$ 104,407	\$ 3,994,387	2.6%
Insurance-International	887,027	142,591	11,749	756,185	1.6
Reinsurance-Global	39,797	58,959	768,763	749,601	102.6
Total	\$ 5,626,172	\$ 1,010,918	\$ 884,919	\$ 5,500,173	16.1%
Year ended December 31, 2012:					
Insurance-Domestic	\$ 4,133,960	\$ 691,284	\$ 127,207	\$ 3,569,883	3.6%
Insurance-International	798,750	137,598	3,307	664,459	0.5
Reinsurance-Global	31,359	52,458	685,296	664,197	103.2
Total	\$ 4,964,069	\$ 881,340	\$ 815,810	\$ 4,898,539	16.7%
Year ended December 31, 2011:					
Insurance-Domestic	\$ 3,664,780	\$ 556,743	\$ 130,083	\$ 3,238,120	4.1%
Insurance-International	681,423	129,513	—	551,910	—
Reinsurance-Global	23,889	33,689	577,138	567,338	101.7
Total	\$ 4,370,092	\$ 719,945	\$ 707,221	\$ 4,357,368	16.3%

See accompanying Report of Independent Registered Public Accounting Firm.

W. R. Berkley Corporation and Subsidiaries
Valuation and Qualifying Accounts
Years ended December 31, 2013, 2012 and 2011

(In thousands)	Opening Balance	Additions- Charged to Expense	Deduction- Amounts Written Off	Ending Balance
Year ended December 31, 2013:				
Premiums and fees receivable	\$ 22,919	\$ 3,133	\$ (5,101)	\$ 20,951
Due from reinsurers	1,680	186	(481)	1,385
Loan loss reserves	5,620	308	(3,841)	2,087
Total	\$ 30,219	\$ 3,627	\$ (9,423)	\$ 24,423
Year ended December 31, 2012:				
Premiums and fees receivable	\$ 17,666	\$ 9,598	\$ (4,345)	\$ 22,919
Due from reinsurers	3,169	22	(1,511)	1,680
Deferred federal and foreign income taxes	—	—	—	—
Loan loss reserves	19,805	(13,723)	(462)	5,620
Total	\$ 40,640	\$ (4,103)	\$ (6,318)	\$ 30,219
Year ended December 31, 2011:				
Premiums and fees receivable	\$ 19,483	\$ 6,158	\$ (7,975)	\$ 17,666
Due from reinsurers	3,098	71	—	3,169
Deferred federal and foreign income taxes	2,328	—	(2,328)	—
Loan loss reserves	19,675	889	(759)	19,805
Total	\$ 44,584	\$ 7,118	\$ (11,062)	\$ 40,640

See accompanying Report of Independent Registered Public Accounting Firm.

W. R. Berkley Corporation and Subsidiaries
Supplementary Information Concerning Property-Casualty Insurance Operations
Years Ended December 31, 2013, 2012 and 2011

(In thousands)	2013	2012	2011
Deferred policy acquisition costs	\$ 452,101	\$ 404,047	\$ 364,937
Reserves for losses and loss expenses	10,080,941	9,751,086	9,337,134
Unearned premium	2,781,437	2,474,847	2,189,575
Net premiums earned	5,226,537	4,673,516	4,160,867
Net investment income	544,291	586,763	526,351
Losses and loss expenses incurred:			
Current year	3,221,393	2,997,995	2,791,860
Prior years	(78,810)	(102,571)	(181,282)
Loss reserve discount accretion	54,441	53,055	47,787
Amortization of deferred policy acquisition costs	991,070	917,583	785,118
Paid losses and loss expenses	2,878,071	2,708,935	2,486,998
Net premiums written	5,500,173	4,898,539	4,357,368

See accompanying Report of Independent Registered Public Accounting Firm.

This Page Intentionally Left Blank

OPERATING UNITS

INSURANCE

Acadia Insurance Group

One Acadia Commons, P.O. Box 9010
Westbrook, Maine 04098
Tel: (207) 772 4300 Fax: (207) 772 6104
www.acadiainsurance.com

Douglas M. Nelson, *President*
Charles A. Hamblen, *CPCU, Senior Vice President and Chief Financial Officer*

Susan N. Grady, *Senior Vice President*
Stephen J. Rich, *CPCU, Senior Vice President*
Jonathan R. Becker, *Vice President*
Andrew M. Burbank, *Vice President*
Joel D. Glockler, *Vice President*
Jane E. Gordon, *Vice President*
Joseph Gresia, Jr., *Vice President*
Lisa M. Kilbreth, *Vice President*
David J. LeBlanc, *CPCU, Vice President*
J. Barry May, *CPCU, Vice President*
David S. Richards, *Vice President*
Christopher R. Rourke, *Vice President*
Daniel L. Swift, *Vice President and General Counsel*
Kathryn P. Whitmore, *Vice President*

Bedford, New Hampshire	Tel: (603) 627 8466
Marlborough, Massachusetts	Tel: (508) 786 6600
Rocky Hill, Connecticut	Tel: (860) 331 2400
South Burlington, Vermont	Tel: (802) 658 0722
Syracuse, New York	Tel: (315) 457 3757
Westbrook, Maine	Tel: (207) 772 4300

Admiral Insurance Group

1000 Howard Boulevard, Suite 300
Mount Laurel, New Jersey 08054
Tel: (856) 429 9200 Fax: (856) 429 8611
www.admiralins.com

James S. Carey, *CPCU, President and Chief Executive Officer*
Scott R. Barraclough, *Executive Vice President*
Thomas G. Grilli, Jr., *Senior Vice President, Chief Financial Officer and Treasurer*

Daniel A. MacDonald, *Senior Vice President and Secretary*
Curtis E. Fletcher, *CPCU, Regional Vice President*
Michael S. Howey, *Regional Vice President*
Martin M. Michell, *Regional Vice President*
Michael S. Bernstein, *Vice President*
Todd C. Hartline, *Vice President*
Letha E. Heaton, *Vice President*
Richard Moore, *Vice President and General Counsel*
Robert J. Morgan, *Vice President*
Anthony A. Peraine, *Vice President*
Walter G. Strauss, *Vice President*
Patricia A. Vreeland, *Vice President*

Austin, Texas	Tel: (512) 795 0766
Duluth, Georgia	Tel: (770) 476 1561
Seattle, Washington	Tel: (206) 467 6511

Admiral Excess Underwriters

Stamford, Connecticut Tel: (203) 323 8286

Admiral Professional Program

New York, New York Tel: (212) 566 5444

Admiral Risk Insurance Services, Inc.

Chicago, Illinois Tel: (312) 368 1107
Los Angeles, California Tel: (213) 891 9259

American Mining Insurance Group

3490 Independence Drive
Birmingham, Alabama 35209
Tel: (205) 870 3535 Fax: (205) 870 3245
www.americanmining.com

Chandler F. Cox, Jr., *CPCU, President and Chief Executive Officer*
Dominick Giovannelli, *Executive Vice President*
Gregory T. Pierre, *Senior Vice President and Chief Financial Officer*
Gregory S. Barth, *CPCU, Senior Vice President*
Ruth A. Howald, *CPCU, Senior Vice President*
John S. Huddleston, *Senior Vice President*
William W. Schrimpf, Sr., *Senior Vice President and General Counsel*

Donna C. Shenesky, *Senior Vice President*
Bryant E. Brown, *Senior Vice President*
Durbin W. Christner, *Vice President*
Jonathan W. Flower, *Vice President*
Rosemary C. Courington, *Secretary and Treasurer*

Bettendorf, Iowa	Tel: (563) 345 6311
Denver, Colorado	Tel: (303) 357 2637
Johnstown, Pennsylvania	Tel: (814) 255 0200
Las Vegas, Nevada	Tel: (702) 754 5800
Lexington, Kentucky	Tel: (859) 971 1955
Meridian, Idaho	Tel: (208) 898 5173

Berkley Accident and Health

2445 Kuser Road, Suite 201
Hamilton Square, New Jersey 08690
Tel: (609) 584 6990 Fax: (609) 588 5770
www.berkleyah.com

Christopher C. Brown, *President and Chief Executive Officer*
Donato Gasparro, *Chief Operating Officer*
Lee D. Davidson, *Vice President*
James Hoitt, *Vice President*
Sean Murphy, *Vice President and Chief Financial Officer*
Robert Robinson, *Vice President*
Thomas Skurat, *Vice President*

Atlanta, Georgia	Tel: (678) 387 1823
Chicago, Illinois	Tel: (312) 485 9249
Cleveland, Ohio	Tel: (440) 728 1805
Columbus, Ohio	Tel: (614) 446 6202
Dallas, Texas	Tel: (972) 849 7406
Denver, Colorado	Tel: (303) 667 5198
Hartford, Connecticut	Tel: (860) 810 4186
Kansas City, Missouri	Tel: (913) 515 7374
Lansdale, Pennsylvania	Tel: (267) 263 2578

Marlborough, Massachusetts
Minneapolis, Minnesota
Seattle, Washington
Walnut Creek, California

Tel: (508) 573 6084
Tel: (609) 584 4618
Tel: (425) 401 4246
Tel: (480) 529 6787

Berkley Asset Protection Underwriting Managers

317 Madison Avenue, Suite 1104
New York, New York 10017
Tel: (212) 922 0659 Fax: (212) 922 9362
www.berkleyassetpro.com

Joseph P. Dowd, *President*
Gregory J. Smith, *Executive Vice President*
Sean C. Missal, *Vice President*
Nicholas A. F. Reynolds, *Vice President*

West Hartford, Connecticut
Glen Allen, Virginia
Tel: (860) 521 3609
Tel: (804) 237 5253

Berkley Aviation

1101 Anacapa Street, Suite 200
Santa Barbara, California 93101
Tel: (805) 898 7640 Fax: (805) 898 7690
www.berkleyaviation.com

Jason R. Niemela, *President*
Peter S. Jarrett, *Executive Vice President, Chief Operating Officer
and Chief Financial Officer*
Richard S. Huston, *Senior Vice President*
Peter F. Barnes, *Vice President*
Gary L. Feramisco, *Vice President*
Ryan R. Gould, *Vice President*
Alan C. Hair, *Vice President*
Matthew P. Rowley, *Vice President*
Terence J. White, *Vice President*

Berkley Custom Insurance Managers

3 Stamford Plaza
301 Tresser Boulevard, 6th Floor
Stamford, Connecticut 06901
Tel: (203) 905 7560 Fax: (203) 905 7599
www.berkleycustom.com

Michael P. Fujii, *President*
Mark G. Ying, *Chief Casualty Officer*
Michael A. Coca, *Chief Operating Officer*
David K. Hamel, *Chief Financial Officer*
Kevin F. Dangelo, *Senior Vice President – Los Angeles*
David W. Mansfield, *Senior Vice President – Chicago*
Brian X. Mullady, *Senior Vice President – New York*
Thomas B. Ferri, *Senior Vice President*
Jonathan Gale, *Senior Vice President*
Michael J. Miraglia, *Senior Vice President*
Margaret S. Argentati, *Vice President*
Jerome P. Gleich, *Vice President*
Pamela L. Asbury, *Vice President*
Allen Blum, *Vice President*
Sherry D. Dunn, *Vice President*

Berkley Custom Insurance Services, LLC

Los Angeles, California
Tel: (213) 417 5430

Berkley Design Professional Underwriters

30 South Pearl Street, 6th Floor
Albany, New York 12207
Tel: (518) 407-0080
www.berkleydp.com

Stephen L. Porcelli, *President*
Lawrence G. Moonan, *Executive Vice President and
Chief Operating Officer*
Laila Santana, *Executive Vice President*
Robert J. Connor, *JD, CIC, Senior Vice President*
Andrew D. Mendelson, *FAIA, Senior Vice President*
Danny R. Schamma, *Senior Vice President and
Chief Financial Officer*
Jacqueline L. Neal, *FCAS, Senior Vice President*
Catherine Santiago, *Vice President*

Carmel, California
Tel: (855) 543 7285

Berkley Latin America and Caribbean Managers

1395 Brickell Avenue, Suite 800
Miami, Florida 33131
Tel: (302) 746 2136

Eduardo I. Llobet, *President*
Matt Kelly, *Director*
Diego Miagro, *Director*
Jaime Aramburo, *Regional Director*

Berkley Life Sciences

200 Princeton South Corporate Center, Suite 250
Ewing, New Jersey 08628
Tel: (609) 844 7800 Fax: (609) 844 7859
www.berkleyls.com

Jill E. Wadlund, *President*
Bradley M. John, *Senior Vice President*
Spencer J. Page, *Senior Vice President and Chief Financial Officer*
Emily J. Urban, *Senior Vice President*
Chris W. Dorko, *Vice President*
Eric M. Jacobs, *Vice President*
Lisa K. Krist, *Vice President*
John Morel, *Vice President*
Alice Orrichio, *Vice President*
Paul Osuch, *Vice President*
Esperanza Pereira, *Vice President*
Hedy Linette Ranieri, *Vice President*
Scott A. Rosenberg, *Vice President*

Berkley Life Science Insurance Solutions, LLC

Walnut Creek, California
Tel: (925) 472 8190

Berkley Medical Excess Underwriters

16305 Swingley Ridge Road, Suite 450
St. Louis, Missouri 63017
Tel: (800) 523 3815
www.berkleymed.com

Collin J. Suttie, *President*
W. Matthew Fessler, *Executive Vice President*
Roger J. Becker, *Senior Vice President*
Russell A. Creed, *Senior Vice President*
Robbin A. Willis, *Senior Vice President*

JoAnn Beck, *Vice President*
Peter Bergmann, *Vice President*
Hugh B. Jago, *Vice President*
Kevin Knudson, *Vice President*
James G. LeBlanc, *Vice President*
Jane M. Sharpe, *Vice President*

BerkleyMed Excess Insurance Services, LLC

Sebastopol, California Tel: (707) 829 4740

Berkley Mid-Atlantic Group

4820 Lake Brook Drive, Suite 300
Glen Allen, Virginia 23060
Tel: (804) 285 2700 Fax: (804) 285 5717
www.wrbmag.com

Kevin W. Nattrass, *President and Chief Executive Officer*
Nancy Newmister, *Senior Vice President*
Jeffrey E. Bouton, *CPCU, Vice President*
Allen R. Latimer, *Vice President and Chief Financial Officer*
J. Michael Lent, *CPCU, Vice President*
Marianne M. Morosko, *CPCU, Vice President*
Vickie L. Price, *Vice President*
Laura L. Thorne, *Vice President*

Columbus, Ohio	Tel: (800) 283 1153
Glen Allen, Virginia	Tel: (800) 283 1153
Harrisburg, Pennsylvania	Tel: (800) 283 1153
Pittsburgh, Pennsylvania	Tel: (800) 283 1153

Berkley Net Underwriters

12701 Marblestone Drive, Suite 250
Woodbridge, Virginia 22192
Tel: (703) 586 6300 Fax: (703) 586 6286
www.berkleynet.com

John K. Goldwater, *President and Chief Executive Officer*
John J. Burke, *ARM, AIC, Senior Vice President*
James B. Gilbert, *ACAS, MAAA, Senior Vice President*
Brian R. Risen, *CPCU, ARM, Senior Vice President*
Kanchana Sarathy, *Vice President*
David J. Lasota, *CPCU, Vice President*
Ken Miller, *CPCU, ARM, Vice President*

Hamilton Square, New Jersey Tel: (609) 584 6990

Berkley North Pacific Group

13920 SE Eastgate Way, Suite 120
Bellevue, Washington 98005
Tel: (877) 316 9038 Fax: (866) 461 1357
www.berkleynpac.com

Jeffrey R. Dehn, *CPCU, President and Chief Executive Officer*
Deirdre A. Ashlock, *CPCU, Vice President*
Brent W. Irving, *Vice President*
John C. Mallary, *Vice President*
John P. McPeak, *Vice President and Chief Financial Officer*
John F. Thelen, *Vice President and General Counsel*
Rob E. Thoms, *Vice President*
Janet M. Whiting, *Vice President*

Meridian, Idaho	Tel: (800) 480 2942
Portland, Oregon	Tel: (800) 480 2942
Salt Lake City, Utah	Tel: (800) 480 2942
Spokane, Washington	Tel: (800) 480 2942

Berkley Offshore Underwriting Managers

14 Wall Street, Suite 1610
New York, New York 10005
Tel: (212) 618 2951 Fax: (212) 618 2940

Frank A. Costa, *President*
D. Scott Barnard, *Vice President*
Lester R. Bogdan, *Vice President*
Beena Gadgil, *Vice President*
Brian F. Murphy, *Vice President*
Aron L. Pasternack, *Vice President*
Jennifer R. Todd, *Vice President and Chief Financial Officer*

Houston, Texas Tel: (832) 547 2900

Berkley Offshore Underwriting Managers UK, Limited

40 Lime Street, 7th Floor
London EC3M 7AW, England
Tel: (44) 207 337 1400

R. Christian Walker, *Executive Vice President*
Allan E. Francis, *Vice President*
Michael P. D. Hayes, *Vice President*

Berkley Oil & Gas Specialty Services

10375 Richmond Avenue, Suite 1900
Houston, Texas 77042
Tel: (877) WRBC BOG (877 972 2264) Fax: (832) 308 6982
www.berkeleyoil-gas.com

Carol A. Randall, *President*
Linda A. Eppolito, *Chief Financial Officer*
Isaac Merchant, *Chief Actuarial Officer*
Eric Castillo, *Vice President*
Mark W. Davenport, *Vice President*
Mickey L. Krefting, *Vice President*
Suzanne J. Roberts, *Vice President*
Nancy R. Zoril, *Vice President*

Berkley Renewable Energy

250 South Wacker Drive, Suite 700
Chicago, Illinois 60606
Tel: (312) 881 1454 Fax: (312) 881 1338

Marie Gwin, *Vice President*

Berkley Professional Liability

14 Wall Street, Suite 1610
New York, New York 10005
Tel: (212) 618 2900 Fax: (212) 618 2940
www.berkeleypro.com

John R. Benedetto, *President*
Steven P. Walsh, *Executive Vice President*
Paul A. Brophy, *Senior Vice President*
Joseph Haltman, *Senior Vice President*
Ashley M. Beales, *Vice President*
Rocco A. Capuano, *Vice President*
Raymond DeCarlo, *Vice President*
Penny J. Kilberry, *Vice President*
Christopher Magee, *Vice President*
Michael C. Nicolai, *Vice President*
Paul E. Sowadski, *Vice President*

Albert Sunwoo, *Vice President*
Josh A. Weiss, *Vice President*
Larry X. Zhang, *Vice President*
Anthony Zinicola, *Vice President*

London, England
Rolling Meadows, Illinois
Toronto, Ontario, Canada

Tel: (44) 207 337 1420
Tel: (847) 806 6590
Tel: (416) 304 1178

Berkley Program Specialists

1250 East Diehl Road, Suite 200
Naperville, Illinois 60563
Tel: (630) 210 0360 Fax: (630) 210 0375
www.BerkleyProgramSpecialists.com

John S. Diem, *President, Chief Executive Officer*
Michael Anello, *Senior Vice President*
Julius M. Colangelo, *Senior Vice President*
Spencer L. Coyle, *Senior Vice President*
David A. Hanes, *Senior Vice President*
David B. Myhre, *Senior Vice President*
John C. Bowen, *Vice President*
Kevin P. Novak, *Vice President*
Steven H. Strauss, *Vice President*

Berkley Public Entity Managers

30 South 17th Street, Suite 820
Philadelphia, Pennsylvania 19103
Tel: (215) 553 7366

Richard B. Vincelette, *President*
Brian T. Whooley, *Senior Vice President*
Stephen D. Dzury, *Senior Vice President*

Berkley Regional Specialty

14902 North 73rd Street
Scottsdale, Arizona 85260
Tel: (480) 444 5950 Fax: (480) 607 2991

Paul S. McAuliffe, *President and Chief Executive Officer*
Gordon L. Keffer, *Vice President and Chief Financial Officer*
Patrick K. Watland, *CPCU, Senior Vice President*
Donna J. Latham, *Vice President*

Charlotte, North Carolina	Tel: (704) 759 7016
Chicago, Illinois	Tel: (312) 725 7670
Dallas, Texas	Tel: (972) 719 2824
Denver, Colorado	Tel: (303) 357 2631
Des Moines, Iowa	Tel: (515) 473 3464
Glen Allen, Virginia	Tel: (804) 237 5273
Lawrenceville, Georgia	Tel: (678) 533 3459
Rocky Hill, Connecticut	Tel: (860) 331 2413
Scottsdale, Arizona	Tel: (866) 412 7742
St. Paul, Minnesota	Tel: (612) 259 2465
Westbrook, Maine	Tel: (207) 874 1617

Berkley Risk Administrators Company, LLC

222 South Ninth Street, Suite 1300
Minneapolis, Minnesota 55402
Tel: (612) 766 3000 Fax: (612) 766 3099
www.berkleyrisk.com

J. Michael Foley, *CPA, President*
John M. Goodwin, *Executive Vice President*

Tammy Bobbitt, *CPA, Chief Financial Officer*
Jon Paulsen, *Chief Underwriting Officer*
Michael T. Murdock, *CPCU, Senior Vice President*
Scott L. Dahlager, *Vice President*
Christopher J. Elliott, *Vice President*
Todd T. Johnson, *CPCU, Vice President*
Matthew J. Partington, *Vice President*
Geraint D. Powell, *Vice President*
Harini Upadhyaya, *Vice President*
Paul M. Welna, *Vice President*

Bedford, New Hampshire	Tel: (800) 611 8535
Boise, Idaho	Tel: (800) 449 7707
Charlotte, North Carolina	Tel: (800) 611 8535
Columbia, South Carolina	Tel: (800) 611 8535
Council Bluffs, Iowa	Tel: (800) 832 0137
Indianapolis, Indiana	Tel: (317) 585 2799
Las Vegas, Nevada	Tel: (702) 415 2970
Little Rock, Arkansas	Tel: (913) 385 4961
Minneapolis, Minnesota	Tel: (800) 449 7707
Nashville, Tennessee	Tel: (615) 493 7777
Overland Park, Kansas	Tel: (913) 385 4960
Pierre, South Dakota	Tel: (605) 945 2144
Rocky Hill, Connecticut	Tel: (800) 611 8535
Rolling Meadows, Illinois	Tel: (866) 738 3243
St. Paul, Minnesota	Tel: (651) 281 1200
Scottsdale, Arizona	Tel: (602) 992 8844
Brookfield, Wisconsin	Tel: (262) 784 3568

Berkley Risk Services of Colorado

Denver, Colorado Tel: (303) 357 2600

Southwest Risk Services

Scottsdale, Arizona Tel: (602) 996 8810

Berkley Select

250 South Wacker Drive, Suite 700
Chicago, Illinois 60606
Tel: (312) 881 1330 Fax: (312) 881 1338
www.berkleysselect.com

Joseph G. Shores, *President*
Ernest J. Fahien, *Executive Vice President*
Todd D. Hampton, *Senior Vice President*
Joseph N. Smith, *Chief Financial Officer*
Alan B. Gossard, *Vice President*
Jeremy J. Schokora, *Vice President*

Berkley Southeast Insurance Group

1745 North Brown Road, Suite 400
Lawrenceville, Georgia 30043
Tel: (678) 533 3400
www.BerkleySIG.com

Dennis L. Barger, *President*
Chris Wood, *Vice President*
Charles Edwards, *Vice President*
Dana Alioto, *Vice President*
Scott Jurek, *Vice President*
Bonnie Diehl, *Vice President*
Derek Dunnagan, *Vice President*
Steven Holl, *Vice President*

Birmingham, Alabama	Tel: (855) 610 4545
Charlotte, North Carolina (NC & SC)	Tel: (855) 610 4545

Lawrenceville, Georgia
Meridian, Mississippi
Nashville, Tennessee

Tel: (855) 610 4545
Tel: (855) 610 4545
Tel: (855) 610 4545

Danvers, Massachusetts
Denver, Colorado
Glendale, California
Morristown, New Jersey
Naperville, Illinois
Nashville, Tennessee
New York, New York
Orlando, Florida
Radnor, Pennsylvania
Seattle, Washington
Tampa, Florida
Toronto, Canada
Urbandale, Iowa
Westbrook, Maine

Tel: (973) 775 5082
Tel: (303) 357 2616
Tel: (818) 550 1403
Tel: (973) 775 5021
Tel: (630) 210 0360
Tel: (615) 522 5001
Tel: (212) 867 2650
Tel: (407) 992 2394
Tel: (973) 775 5096
Tel: (206) 223 5842
Tel: (813) 870 2077
Tel: (416) 304 1178
Tel: (800) 456 5486
Tel: (207) 228 1922

Berkley Specialty Underwriting Managers

Three Ravinia Drive, Suite 500
Atlanta, Georgia 30346
Tel: (404) 443 2040 Fax: (404) 443 2050
www.berkleysum.com

Steven S. Zeitman, *Chairman and Chief Executive Officer*
Kenneth J. Berger, *President*
Cindy L. Broschart, *Executive Vice President and President,*
Entertainment and Sports
Rick Bak, *CPCU, Executive Vice President and Chief Operating Officer*
Elena D. Mohler, *CPCU, ACAS, Senior Vice President*
Patricia K. London, *CPA, Vice President and Chief Financial Officer*
Michael A. Harris, *Vice President*
Peter E. Lambert, *CPCU, Vice President*
Edwin Baez, *CPCU, Vice President*
John T. Carty, *Vice President*
Sherry A. Coffman, *SPHR, Vice President*
Steven Collett, *Vice President*
Kenneth J. Danowski, *Vice President*
Chris DeLauder, *Vice President*
Jason Wren, *Vice President*
Jean-Michel Mathys, *Vice President*
Robert J. Patterson, *Vice President*
Jeff Wyatt, *Vice President*

Atlanta, Georgia Tel: (404) 443 2117
Boston, Massachusetts Tel: (857) 265 7478
Chicago, Illinois Tel: (404) 443 2082
Irving, Texas Tel: (972) 819 8863
Jersey City, New Jersey Tel: (201) 748 3025
Philadelphia, Pennsylvania Tel: (215) 533 7360

Berkley Managers Insurance Services, LLC

Walnut Creek, California Tel: (925) 472 8210
Paul J. Kinni, *Vice President*

Berkley Surety Group

412 Mt. Kemble Avenue, Suite 310N
Morristown, New Jersey 07960
Tel: (973) 775 5021 Fax: (973) 775 5204
www.berkleysurety.com

Andrew M. Tuma, *President*
Vincent P. Forte, *Senior Vice President and Chief Operating Officer*
Michael J. Hurley, *Senior Vice President and General Counsel*
John F. Beers, *Senior Vice President*
Alan Lawrence, *Senior Vice President and Chief Financial Officer*
Robert G. Kelly, *Vice President*
Frank J. Librera, *Vice President*
Todd A. Fraaken, *Vice President*
Bruce W. Kahn, *Vice President*
Tim Miller, *Vice President*
Christopher J. Nolan, *Vice President*
Debra Paziora, *Vice President*
Sean Petty, *Vice President*

Alpharetta, Georgia Tel: (678) 624 1818
Arlington, Virginia Tel: (973) 775 5086
Charlotte, North Carolina Tel: (973) 775 5077
Dallas, Texas Tel: (972) 385 1140

Berkley Technology Underwriters

222 South Ninth Street, Suite 2910
Minneapolis, Minnesota 55402
Tel: (612) 344 4550 Fax: (855) 999 0559

Matthew A. Mueller, *President*
Jeannie M. Olson, *Senior Vice President*
Jonathan L. Graetz, *Vice President*
Joyce E. Krech, *Vice President*

Carolina Casualty Insurance Group

4600 Touchton Road East, Building 100, Suite 400
Jacksonville, Florida 32246
Tel: (904) 363 0900 Fax: (904) 363 8098
www.carolinacas.com

Gerald B. Bushey, *President and Chief Executive Officer*
Ronald O. Honken, *Senior Vice President*
Dennis H. Dunham, *Vice President*
Reyad G. Cratem, III, *Vice President and Chief Financial Officer*
Mark J. Gallo, *Vice President*
Vincent M. Kellaher, *Vice President*
Robert W. Perew, *Vice President*
Catherine P. Steckner, *Vice President*
John L. Woods, *Vice President*

Clermont Specialty Managers

3 University Plaza Drive, Suite 604
Hackensack, New Jersey 07601
Tel: (201) 518 2500 Fax: (201) 342 6381
www.clermonthid.com

William J. Johnston, *President*
Belinda Mattucci, *Senior Vice President*
Richard H. Starkie, *Senior Vice President*
Andrea Kanefsky, *Senior Vice President*
Holly Fettingier, *Vice President*
Stephanie Miller, *Vice President*

Continental Western Group

11201 Douglas Avenue
Des Moines, Iowa 50322
Tel: (515) 473 3000 Fax: (515) 473 3015
www.cwgins.com

Michael G. Connor, *CPCU, President*
Amy M. Argo, *CPCU, Regional Vice President*
William J. Besonen, *CPCU, Regional Vice President*
David J. Hosler, *CPCU, Regional Vice President*

Ordean H. Voight, *CPCU, Regional Vice President*
 Ann M. Collins, *Vice President and Chief Financial Officer*
 Meyer T. Lehman, *Vice President*
 Thomas E. Nelson, *CPCU, Vice President*
 Doug R. Pearson, *CPCU, Vice President*
 Terry L. Shaw, *CPCU, Vice President*
 John F. Thelen, *Vice President and General Counsel*
 C. Jeffrey West, *Vice President*

Denver, Colorado	Tel: (303) 357 2630
Des Moines, Iowa	Tel: (515) 473 3000
Lincoln, Nebraska	Tel: (402) 423 7688
Luverne, Minnesota	Tel: (507) 283 9561
Columbus, Ohio	Tel: (515) 473 3700

Berkley Agribusiness Risk Specialists

11201 Douglas Avenue
 Des Moines, Iowa 50322
 Tel: (515) 473 3000 Fax: (866) 342 0630
 www.berkleyag.com

Terry L. Shaw, *CPCU, President*
 Bradley T. London, *CPCU, Senior Vice President*
 Bradley G. Waline, *CPCU, Senior Vice President*
 Tony L. Hudnutt, *Vice President*

Berkley FinSecure

849 Fairmount Avenue, Suite 301
 Towson, Maryland 21286
 Tel: (410) 337 9260 Fax: (866) 915 7879
 www.berkleyfinsecure.com

Michael P. Dandini, *President*
 Joseph L. Mathews, *Chief Financial Officer*
 Barbara A. Ewing, *Vice President*
 Elizabeth L. Good, *Vice President*

Niles, Michigan (Credit Unions)	Tel: (866) 539 3995 ext 6325
---------------------------------	---------------------------------

Gemini Transportation Underwriters

99 Summer Street, Suite 1800
 Boston, Massachusetts 02110
 Tel: (617) 310 8200 Fax: (617) 310 8299
 www.geminiunderwriters.com

Rocco P. Modafferi, *CPCU, President*
 Mark B. Steen, *CPCU, ARe, Senior Vice President*
 Akito Miyazaki, *Treasurer*
 Jason Lewis, *Vice President*

Key Risk

P.O. Box 49129
 Greensboro, North Carolina 27419
 Tel: (336) 668 9050 Fax: (336) 605 7544
 www.keyrisk.com

Robert W. Standen, *President*
 Rebecca H. Karr, *CPCU, Chief Operating Officer
and Chief Financial Officer*
 Joseph J. Abriola, *Senior Vice President*
 Joe C. Brooks, *Senior Vice President*
 Joseph J. Audino, *CPCU, Vice President*
 Laura H. Dezarn, *Vice President*
 Janice C. Duggins, *Vice President*
 Kimberly S. Fiedler, *Vice President*

Michael H. Marcus, *Vice President*
 Susan H. Preston, *Vice President*
 F. Douglas Ryan, *Vice President*
 Sharon Sosebee, *Vice President*
 Kyal B. Strozier, *CPCU, Vice President*
 Greg S. Tardy, *CPCU, Vice President*

Alpharetta, Georgia	Tel: (770) 751 8901
Baltimore, Maryland	Tel: (410) 864 2600
Charlotte, North Carolina	Tel: (704) 329 9550
Columbia, South Carolina	Tel: (803) 252 1777
Harrisburg, Pennsylvania	Tel: (800) 942 0225 ext 5201
Nashville, Tennessee	Tel: (615) 932 5561
Richmond, Virginia	Tel: (804) 288 2660

Midwest Employers Casualty Group

14755 North Outer Forty Drive, Suite 300
 Chesterfield, Missouri 63017
 Tel: (636) 449 7000 Fax: (636) 449 7199
 www.mwecc.com

Timothy F. Galvin, *President*
 Linda M. Howell, *Senior Vice President*
 Donna L. Knowling, *Senior Vice President*
 J. Daniel Asahl, *Vice President*
 Andrew L. Cartwright, *Vice President*
 Michael R. Foerst, *Vice President*
 Thomas E. Lentz, *Vice President and Chief Financial Officer*
 Steven J. Link, *Vice President*
 V. Danielle Schroeder, *Vice President*
 Mark S. Sidney, *Vice President*

Monitor Liability Managers

2850 West Golf Road, Suite 800
 Rolling Meadows, Illinois 60008
 Tel: (847) 806 6590 Fax: (847) 806 6282
 www.monitorliability.com

Joseph G. Shores, *President*
 Diane L. Cummings, *Executive Vice President*
 Peter A. Lindquist, *Senior Vice President and Chief Financial Officer*
 David R. Aller, *Senior Vice President*
 Thomas M. Hayden, *Senior Vice President*
 Lynette M. Lyngaas, *Senior Vice President*
 Michael W. Callis, *Vice President*
 Angela M. Cox, *Vice President*
 Daniel J. Flick, *Vice President*
 Valerie M. Foster, *Vice President*
 Todd D. Hampton, *Vice President*
 David M. Kramer, *Vice President*
 Jennifer L. Pearson, *Vice President*
 Sharon F. Reba, *Vice President*

Chicago, Illinois	Tel: (312) 818 6200
Greenwood Village, Colorado	Tel: (303) 221 4751
San Mateo, California	Tel: (650) 341 8638

Nautilus Insurance Group

7233 East Butherus Drive
 Scottsdale, Arizona 85260
 Tel: (480) 951 0905 Fax: (480) 951 9730
 www.nautilusgroup.com

Thomas M. Kuzma, *President and Chief Executive Officer*
Miklos F. Kallo, *Senior Vice President, Chief Financial Officer*
and Treasurer

Michael J. Kilgas, *Senior Vice President*
Bradley A. Lontz, *Senior Vice President*
Wendy L. Markham, *CPCU, Senior Vice President*
Kellie R. Barwick, *Vice President*
James Cassara, III, *Vice President*
Stephen S. Corrigan, *CPCU, Vice President*
Raymond J. Hall, *CPCU, Vice President*
Kimberly R. Levensky, *Vice President*
Bonnie R. McKrill, *Vice President*
Veronica L. Monteilh, *Vice President*
Deborah J. Savoie, *Vice President*
Mindy M. Sheble, *CPCU, Vice President*
Janet L. Shemanske, *Vice President*
Monica R. Spivey, *Vice President*
Katherine M. Suhm, *CPCU, Vice President*
Craig N. Williams, *Vice President*

Duluth, Georgia Tel: (480) 951 0905

Nautilus Excess Insurance Agency, LLC

Corona, California Tel: (480) 951 0905

Ann Boman-Carter, *Vice President*

Preferred Employers Group

1455 Frazee Road, Suite 1000
San Diego, California 92108
Tel: (888) 472 9001 Fax: (888) 472 9490
www.peiwc.com

Steven A. Gallacher, *ARM, President*
Timothy J. Wiebe, *Vice President, Chief Financial Officer*
and Treasurer

Marc J. Beaulieu, *CPCU, ARM, Senior Vice President*
Jan A. Beaver, *Vice President*
John C. Bennett, *Vice President*
Edward G. Bradford, II, *FCAS, MAAA, Vice President*
Tammy A. Ebnet, *SPHR, Vice President*
Eric M. Hansen, *ARM, WCCP, Vice President*
Victor V. Kumar, *Vice President*

Regional Excess Underwriters, LLC

222 Las Colinas Boulevard W, Suite 1300
Irving, Texas 75039
Tel: (877) 738 3170 Fax: (866) 495 9044
www.regionalxs.com

Darwin E. Lucas, *President*
Irvin Wolf, III, *Senior Vice President*
Robert J. Matamoros, *Senior Vice President*
Beth Preston, *Vice President*

Charlotte, North Carolina	Tel: (866) 339 6192
Chicago, Illinois	Tel: (866) 339 6330
Des Moines, Iowa	Tel: (877) 738 8170
Henderson, Nevada	Tel: (866) 796 1267
Irving, Texas	Tel: (866) 339 7330
Jacksonville, Florida	Tel: (866) 873 0171
Bellevue, Washington	Tel: (866) 338 7484
Westbrook, Maine	Tel: (866) 261 0420
Wheeling, West Virginia	Tel: (866) 796 7888

Riverport Insurance Services

222 South Ninth Street, Suite 1300
Minneapolis, Minnesota 55402
Tel: (612) 766 3100 Fax: (612) 766 3860
www.riverportinsurance.com

James B. Ketterson, *President*
Elizabeth M. Misura, *Chief Financial Officer and Chief*
Operating Officer
David S. Kylo, *Senior Vice President and Secretary*
Gene R. Levine, *Vice President*
Matthew J. McColley, *Vice President*
David W. Schirmer, *Vice President*
Rodney N. Sargent, *Vice President*

Union Standard Insurance Group

222 Las Colinas Boulevard W, Suite 1300
Irving, Texas 75039
Tel: (972) 719 2400 Fax: (972) 719 2401
www.usic.com

B. Keith Mitchell, *President*
Edmund P. Hemmerick, *CPCU, Senior Vice President*
Mary Jane Neese, *Regional Vice President*
Thomas L. Cawley, *Vice President*
Richard W. Hitch, *CPCU, Vice President*
Jeffrey S. Hockersmith, *Vice President and Chief Financial Officer*
O. Melvin Holt, *CPCU, Vice President*
Jacquelynne Hurst, *Vice President*
Greg R. Perkins, *Vice President*
E. Leslie Prock, *Vice President*
Ty C. Simmons, *Vice President*
Michael W. Smith, *Vice President*

Albuquerque, New Mexico	Tel: (505) 346 7608
Dallas, Texas	Tel: (972) 719 2431
Little Rock, Arkansas	Tel: (501) 707 6543
Oklahoma City, Oklahoma	Tel: (405) 254 1862
Phoenix, Arizona	Tel: (480) 281 3933
San Antonio, Texas	Tel: (210) 515 5208

Berkley Fire & Marine Underwriters

2850 West Golf Road, Suite 402
Rolling Meadows, IL 60008
John T. Geary, *President* Tel: (972) 719 2406

Vela Insurance Services

311 South Wacker Drive, Suite 3600
Chicago, Illinois 60606
Tel: (312) 553 4413 Fax: (312) 553 4431

David A. Jordan, *President*
Gerald Kalvaitis, Jr., *Senior Vice President*
Francis McGovern, *Senior Vice President*
Terri Moran, *Senior Vice President*
Michael Sullivan, *Senior Vice President*
Christina Anderson, *Vice President*
William Braden, *Vice President*
Mary Ceko, *JD, Vice President*
Julie Dunai, *Vice President*
Kay Frerk, *FCAS, MAAA, Vice President*
John Lindquist, *Vice President*

David Lucey, *Vice President*
Patricia Maruszak, *Vice President*
Roy Pomerantz, *Vice President*
Christine Ramberg, *Vice President*
Joseph Rugnetta, *Vice President*
Michael Turner, *Vice President*
William J. Schneider, *Vice President*

Vela Insurance Services, LLC
Walnut Creek, California

Tel: (877) 835 2467

Verus Underwriting Managers

4820 Lake Brook Drive, Suite 100
Glen Allen, Virginia 23060
Tel: (804) 525 1360 Fax: (804) 525 1362
www.verusins.com

Dale H. Pilkington, *President*
Thomas J. Allen, *Senior Vice President and Chief Information Officer*
J. Landis Graham, *Senior Vice President*
Douglas M. Grant, *Senior Vice President*
Chris L. Anderson, *Vice President*
Dale A. Diamond, *Vice President*
Steven P. Earhart, *Vice President and Chief Financial Officer*
Brandon L. Heutmaker, *Vice President*

REINSURANCE

Berkley Insurance Company

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 542 3800 Fax: (203) 542 3839

William R. Berkley, *Chairman*
W. Robert Berkley, Jr., *President*
Eugene G. Ballard, *Senior Vice President and Treasurer*
Mark G. Davidowitz, *Senior Vice President*
Jeffrey M. Hafter, *Senior Vice President*
Ira S. Lederman, *Senior Vice President and Secretary*
Scott Mansolillo, *Senior Vice President and Chief Compliance Officer*
Rajiv N. Raval, *Senior Vice President and General Counsel*
James G. Shiel, *Senior Vice President and Chief Investment Officer*
William C. Thornton, *CPCU, Senior Vice President*
Lloyd W. Wenzl, *Vice President*

Berkley Re America

3 Stamford Plaza
301 Tresser Boulevard, 7th Floor
Stamford, Connecticut 06901
Tel: (203) 905 4444 Fax: (203) 905 4629
www.berkleyreamerica.com

Jon A. Schriber, *President*
Mark G. Davidowitz, *Senior Vice President and Chief Financial Officer*
David F. Blake, *Senior Vice President*
Todd W. Bolden, *Senior Vice President*
Anthony J. Cocozza, *Senior Vice President*
Graham C. Dickinson, *Senior Vice President*
Melissa M. Emmendorfer, *Senior Vice President*
Julie K. Halper, *Senior Vice President*
Timothy C. McCoy, *Senior Vice President*
John J. Myers, *Senior Vice President*

Gordon J. Olver, *Senior Vice President*
Kathleen M. Perlman, *Senior Vice President*
Rajiv N. Raval, *Senior Vice President, General Counsel and Secretary*
Kevin Rooney, *Senior Vice President*
Andrea E. Trimble, *Senior Vice President*
Joseph W. Walsh, *Senior Vice President*
Felicia Wang, *Senior Vice President*
Michael J. Byrne, *Vice President*
Barbara A. Connell, *Vice President*
Troy S. Dockery, *Vice President*
Olivia W. Giuntini, *Vice President*
Joseph H. Iarocci, *Vice President*
Gary D. Kanka, *Vice President*
John J. Lorito, *Vice President*
Krystyna H. Miller, *Vice President*
Kevin M. Petrolino, *Vice President*
James L. Prigge, *Vice President*

Berkley Re Asia (Hong Kong)

Suite 6708, 67th Floor, Central Plaza
18 Harbour Road
Wan Chai, Hong Kong
Tel: (852) 3120 7000 Fax: (852) 2802 2131

K. Grant Robson, *President and Chief Executive Officer, Asia Pacific*
Eric Chan, *General Manager*
Edmund Cheng, *Senior Treaty Manager*
Irene Chang, *Casualty Facultative Manager*
Maria Chung, *Finance Manager*

Berkley Re Asia (Singapore)

China Square Central, Unit 09-04, 9th Floor
18 Cross Street
Singapore 048423
Tel: (65) 6671 2070 Fax: (65) 6222 9885

K. Grant Robson, *President and Chief Executive Officer, Asia Pacific*
Ross Dalgleish, *Chief Executive Officer, Singapore*
Chew Beng Wah, *General Manager, Singapore*
Lianne Tjio, *Casualty Manager*
Ferdinand dela Torre, *Facultative Manager, Singapore, Regional Engineering*

Berkley Re Australia

Level 27, Australia Square
264 George Street
Sydney, NSW, 2000, Australia
Tel: (61) 2 8117 2100 Fax: (61) 2 8117 2150

K. Grant Robson, *President and Chief Executive Officer, Asia Pacific*
Peter R. Nickerson, *Executive Chairman, Australia and New Zealand*
Tony Piper, *Chief Executive Officer, Australia and New Zealand*
Shaun A. West, *Chief Financial Officer, Asia Pacific*
Mark Heydon, *Regional Pricing Actuary, Asia Pacific*
Evelyn Chow, *Appointed Actuary, Asia Pacific*

Level 21
12 Creek Street
Brisbane, Qld. 4000, Australia
Tel: (61) 7 3175 0200

Berkley Re Direct

3 Stamford Plaza
301 Tresser Boulevard, 9th Floor
Stamford, Connecticut 06901
Tel: (203) 975 7739 Fax: (203) 975 7749
www.berkleyredirect.com

Gregory A. Douglas, *President*
Samuel T. Broomer, *Executive Vice President and Chief Operating Officer*

Thomas J. Greenfield, *Executive Vice President*
Catherine P. Schilling, *Executive Vice President*
Scott Balfour, *Senior Vice President*
David M. Bartone, *Senior Vice President*
Frederic C. Cooper, *Senior Vice President*
Richard A. Corpus, *Senior Vice President*
Clifford Dunigan, *Senior Vice President*
Vincent A. Friscia, Jr., *Senior Vice President*
David H. Richardson, *Senior Vice President*
William F. Seefried, *Senior Vice President*
Kevin J. Shea, *Senior Vice President*
Roger Goeke, *Vice President*
John McGregor, *Vice President*
Scott Medors, *Vice President*
Gary S. Miller, *Vice President*
Kathleen C. Patton, *Vice President*
Rajiv N. Raval, *Vice President and General Counsel*
Gary W. Shreve, *Vice President*
William R. Turner, *Vice President*

Chicago, Illinois	Tel: (312) 553 4707
Dublin, Ohio	Tel: (614) 766 4316
Irving, Texas	Tel: (972) 580 9950
Johns Creek, Georgia	Tel: (770) 814 7531
Philadelphia, Pennsylvania	Tel: (215) 568 3570
San Francisco, California	Tel: (925) 472 8030

Berkley Re UK Limited

37-39 Lime Street, 2nd Floor
London EC3M 7AY, England
Tel: (44) 207 398 1000
www.berkleyreuk.com

Richard Fothergill, *Chief Executive Officer*
Julian Laville, *Chief Financial Officer*
Elaine Perry, *Head of Casualty*
Nick Benardout, *Head of Property*
Philip Townsend, *Director of Operations*
Stuart Robins, *Senior Casualty Underwriter*
Michael Wrightman, *Senior Casualty Underwriter*
Cristina Sánchez-Estrada, *Senior Property Underwriter*

Facultative ReSources

3 Stamford Plaza
301 Tresser Boulevard, 8th Floor
Stamford, Connecticut 06901
Tel: (203) 658 1500 Fax: (203) 658 1515

Joseph L. Sullivan, *President*
Daniel Soller, *Senior Vice President and Chief Underwriting Officer*
Thomas L. Lee, *Chief Operating Officer and Chief Actuary*
Robert R. Coyne, *Senior Vice President*
William A. Smart, *Senior Vice President*
Timothy F. Quinn, *Senior Vice President*
Edward N. Ryan, *Senior Vice President*
Patrick J. Cannan, *Vice President*

Philip E. D'Eramo, *Vice President*
John H. Dowling, *Vice President*
Colleen P. Fahey, *Vice President*
Andrew Fox, *Vice President*
Victor V. Leong, *Vice President*
James F. Lubeck, *Vice President*
David M. McNichols, *Vice President*
Rajiv N. Raval, *Vice President and General Counsel*
Joseph A. Sweeney, *Vice President*

Berkley Facultative Reinsurance Services

3 Stamford Plaza
301 Tresser Boulevard, 9th Floor
Stamford, Connecticut 06901
Tel: (203) 658 1580 Fax: (203) 658 1590

C. Fred Madsen, *President*
Pasquale Tomaino, *Vice President and Chief Financial Officer*

INTERNATIONAL

Berkley International, LLC

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000 Fax: (203) 769 4097

William R. Berkley, *Chairman and Chief Executive Officer*
W. Robert Berkley, Jr., *Vice Chairman and President*
Javier Esteban, *Vice Chairman*
Eugene G. Ballard, *Senior Vice President, Chief Financial Officer and Treasurer*
Ira S. Lederman, *Senior Vice President, General Counsel and Secretary*
Steven J. Malawer, *Vice President*

Berkley International Latinoamérica S.A.

Carlos Pellegrini 1023, 8th Floor
C1009ABU – Buenos Aires, Argentina
Tel: (54) 11 4378 8100 Fax: (54) 11 4378 8111
www.berkley.com.ar

Eduardo I. Llobet, *President and Chief Executive Officer*
Osvaldo P. Borghi, *Senior Vice President*

Berkley International Seguros S.A.

Bartolomé Mitre 699, S2000COM
Rosario, Argentina
Tel: (54) 341 410 4200 Fax: (54) 341 425 9802

Carlos Pellegrini 1023, 2nd Floor
C1009ABU Buenos Aires, Argentina
Tel: (54) 11 4378 8100 Fax: (54) 11 4378 8189
www.berkley.com.ar

Eduardo I. Llobet, *President and Chief Executive Officer*
Osvaldo P. Borghi, *Senior Vice President*

Berkley International Aseguradora De Riesgos Del Trabajo S.A.

Carlos Pellegrini 1023, 3rd Floor
C1009ABU - Buenos Aires, Argentina
Tel: (54) 11 4378 8000 Fax: (54) 11 4378 8084
www.berkley.com.ar

Eduardo I. Llobet, *President*
Claudio C. Allende, *Chief Executive Officer*
Mariano Armengou, *Senior Vice President*

Berkley International Do Brasil Seguros S.A.

Rua Olimpíadas 242, 7th Floor, 04551 – 000 – Vila
Olimpia, São Paulo, Brazil
Tel: (55) 11 3848 8622 Fax: (55) 11 3848 8633
www.berkley.com.br

José Marcelino Risdén, *Chief Executive Officer*
Robert Hufnagel, *Executive Vice President*
Carlos Gabriel Prezentszky, *Chief Commercial Officer*
Paulo de Faria, *Chief Financial Officer*
Alexandro Barbosa Sanxes, *Chief Underwriting Officer*

Berkley International Seguros S.A. (Uruguay)

Juncal 1305, Apto 101
11100 – Montevideo, Uruguay
Tel: (598) 2916 6998 Fax: (598) 2916 6998 ext. 102
www.berkley.com.uy

Eduardo I. Llobet, *President*
Osvaldo P. Borghi, *Senior Vice President*

Berkley Argentina De Reaseguros S.A.

Carlos Pellegrini 1023, 8th Floor
C1009ABU Buenos Aires, Argentina
Tel: (54) 11 4378 8100 Fax: (54) 11 4378 8111
www.berkley.com.ar

Eduardo I. Llobet, *President and Chief Executive Officer*
Osvaldo P. Borghi, *Senior Vice President*

W. R. Berkley Insurance (Europe), Limited

40 Lime Street, 2nd Floor
London, EC3M 7AW, England
Tel: (44) 207 280 9000 Fax: (44) 207 280 9090
www.wrbeurope.com

55 King Street, 3rd Floor
Manchester, M2 4LQ, England
Tel: (44) 161 817 3440 Fax: (44) 161 817 3442

Stuart Wright, *FCII, Chief Executive Officer*
Paul Hosking, *Executive Vice President*
Richard Mangion, *Chief Financial Officer*
Steven Myhre, *European Director of Claims*
Stephen Patfield, *Chief Actuary and Head of Risk*
Graham Dennis, *Chief Operating Officer UK*
Peter Glanfield, *Managing Director, UK Branch*

W. R. Berkley Insurance Australia

Level 23
31 Market Street
Sydney, NSW 2000, Australia
Tel: (61) 2 9275 8500 Fax: (61) 2 9261 2773
www.wrbaustralia.com.au

Level 18
333 Ann Street
Brisbane, Qld. 4000, Australia
Tel: (61) 7 3232 1166 Fax: (61) 7 3232 1200

Level 8, Suite 5
454 Collins Street
Melbourne, VIC, 3000, Australia
Tel: (61) 3 8319 4080 Fax: (61) 3 8319 4055

Suite 5, 531 Hay Street
Subiaco, WA, 6080, Australia
Tel: (61) 8 9380 8327

24 Divett Place
Adelaide, SA 5000, Australia
Tel (61) 8 8232 2767

Tony Wheatley, *Chief Executive Officer*

W. R. Berkley Insurance (Europe), Limited Zweigniederlassung für Deutschland

Clever Straße 13-15
50668 Köln, Germany
Tel: (49) 221 99386 100

Bertin von Dewitz, *Managing Director*

W. R. Berkley Insurance Ireland

Unit 5C
Fingal Bay Business Park
Balbriggan, Co. Dublin, Ireland
Tel: (353) 1 690 4442 Fax: (353) 1 690 4448

Owen Twomey, *Branch Manager*

W. R. Berkley Insurance Nordic

Henrik Ibsensgt. 100
P.O. Box 2883
N-0230 Oslo, Norway
Tel: (47) 23 27 2400 Fax: (47) 23 27 2401

Gammel Kongevej 1
DK-1610 Copenhagen V, Denmark
Tel: (45) 88 51 0160

Birger Jarlsgatan 22
S-114 34 Stockholm, Sweden
Tel: (46) 70 628 9304

Jan Tinus Larsen, *Managing Director*

W. R. Berkley Insurance (Europe), Limited Sucursal En España

Paseo de la Castellana 149, 8th Floor
28046 Madrid, Spain
Tel: (34) 91 449 2646 Fax: (34) 91 449 2699

Paseo de Gracia, 11
Escalera A - 6ª4
08007 Barcelona, Spain
Tel: (34) 93 481 4729 Fax: (34) 93 481 4737

W. R. Berkley Syndicate Management Limited Syndicate 1967 At Lloyd's

34 Lime Street, 4th Floor
London EC3M 7AT, England
Tel: (44) 207 088 1967 Fax: (44) 207 088 1997
www.wrbsyndicate.com

Alastair Blades, *Chief Executive Officer*
Robert Vetch, *Chief Financial Officer*
Andrew Mitchell, *Chief Operating Officer*
Jacqui Hedges, *Chief Risk Officer*
Anders Rolfsen, *Head of Actuarial*
Louise Nevill, *Director of Underwriting*
Scott Campbell, *Director of Underwriting*

Berkley Canada

145 King Street West, Suite 1000
Toronto, ON M5H 1J8, Canada
Tel: (416) 304 1178 Fax: (416) 304 4108

Andrew Steen, *President*
Sayf Ali, *Vice President*
Steven Cade, *Vice President*
Brian Clark, *Chief Financial Officer*
Marie-Claude Desroches, *Vice President*
Jeanette Lawrence, *Vice President*
Michael Shore, *Vice President*
Chris Watters, *Vice President*
Robert Wilson, *Vice President*
Brian Yoshikuni, *Vice President*

SERVICE OPERATIONS

Berkley Capital, LLC

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000 Fax: (203) 769 4095

Frank T. Medici, *President*

Berkley Dean & Company, Inc.

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000 Fax: (203) 769 4096

James G. Shiel, *President*
Edward F. Linekin, *Senior Vice President*
Nicholas R. Lang, *Vice President*
James T. McGrath, *Vice President*
Robert C. Melillo, *Vice President*
Bobeck Shayegani, *Managing Director*
Adam Coppola, *Assistant Vice President*

Berkley Technology Services LLC

101 Bellevue Parkway
Wilmington, Delaware 19809
Tel: (302) 439 2000 Fax: (302) 439 2016

Mike P. Sciole, *Executive Vice President*
Frank C. Vedder, *Senior Vice President*
Jim W. Allen, *Vice President*
Harry J. Berkley, *Vice President*
Beth A. Bohan-Reese, *Vice President*
Jeremy K. Bullock, *Vice President*
Michael D. Chang, *Vice President*
Stephen A. Samoskevich, *Vice President*
Marsha T. Smothers, *Vice President*
Kelly A. Wieland, *Vice President*

Des Moines, Iowa

Tel: (515) 564 2300

W. R. Berkley Corporation's operating units conduct business through the following insurance entities:

Acadia Insurance Company; Admiral Indemnity Company; Admiral Insurance Company; American Mining Insurance Company; Berkley Argentina de Reaseguros S.A.; Berkley Assurance Company; Berkley Insurance Company; Berkley International Aseguradora de Riesgos del Trabajo S.A.; Berkley International do Brasil Seguros S.A.; Berkley International Seguros S.A.; Berkley International Seguros S.A. (Uruguay); Berkley Life and Health Insurance Company; Berkley National Insurance Company; Berkley Regional Insurance Company; Berkley Regional Specialty Insurance Company; Carolina Casualty Insurance Company; Clermont Insurance Company; Continental Western Insurance Company; East Isles Reinsurance, Ltd.; Firemen's Insurance Company of Washington, D.C.; Gemini Insurance Company; Great Divide Insurance Company; Greenwich Knight Insurance Company, Ltd.; Key Risk Insurance Company; Midwest Employers Casualty Company; Nautilus Insurance Company; Preferred Employers Insurance Company; Queen's Island Insurance Company, Ltd.; Riverport Insurance Company; StarNet Insurance Company; Syndicate 1967 at Lloyd's; Tri-State Insurance Company of Minnesota; Union Insurance Company; Union Standard Lloyds; W. R. Berkley Insurance (Europe), Limited

BOARD OF DIRECTORS AND OFFICERS

DIRECTORS

William R. Berkley
Chairman of the Board and Chief Executive Officer

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

Christopher L. Augostini
Senior Vice President and Chief Operating Officer
Georgetown University

Ronald E. Blaylock
Managing Partner
GenNx360 Capital Partners

Mark E. Brockbank
Retired Chief Executive
XL Brockbank Ltd.

George G. Daly
Professor and Former Dean
McDonough School of Business
Georgetown University

Mary C. Farrell
President, The Howard Gilman Foundation
Retired Managing Director, Chief Investment Strategist
UBS Wealth Management USA

Jack H. Nusbaum
Senior Partner
Willkie Farr & Gallagher LLP

Mark L. Shapiro
Private Investor

OFFICERS

William R. Berkley
Chairman of the Board and Chief Executive Officer

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

Eugene G. Ballard
Senior Vice President – Chief Financial Officer

Robert P. Cole
Senior Vice President

Kevin H. Ebers
Senior Vice President – Information Technology

Robert W. Gosselink
Senior Vice President

Jeffrey M. Hafter
Senior Vice President

Paul J. Hancock
Senior Vice President – Chief Corporate Actuary

Robert C. Hewitt
Senior Vice President

Gillian James
Senior Vice President – Enterprise Risk Management

Peter L. Kamford
Senior Vice President

Carol J. LaPunzina
Senior Vice President – Human Resources

Ira S. Lederman
Senior Vice President – General Counsel and Secretary

C. Fred Madsen
Senior Vice President

William M. Rohde, Jr.
Senior Vice President

Lucille T. Sgaglione
Senior Vice President

James G. Shiel
Senior Vice President – Investments

Robert D. Stone
Senior Vice President

Nelson Tavares
Senior Vice President – Claims

Steven W. Taylor
Senior Vice President

Philip S. Welt
Senior Vice President

Richard K. Altorelli
Vice President – Investment Controller

Richard M. Baio
Vice President – Treasurer

Harry J. Berkley
Vice President – Information Technology

Thomas P. Boyle
Vice President – Corporate Actuarial

Michele Fleckenstein
Vice President – Internal Audit

Laura Goodall
Vice President – Insurance Risk Management

Karen A. Horvath
Vice President – External Financial Communications

Joan E. Kapfer
Vice President

Aaron M. Larson
Vice President

Officers (cont.)

Jonathan M. Levine

Vice President – Chief Marketing Officer

Edward F. Linekin

Vice President – Investments

John M. Littzi

Vice President – Senior Counsel

Steven J. Malawer

Vice President – Senior Counsel

A. Scott Mansolillo

Vice President – Chief Compliance Officer

Jane B. Parker

Vice President – Senior Counsel

Clement P. Patafio

Vice President – Corporate Controller

Josephine A. Raimondi

Vice President – Senior Counsel and Assistant Secretary

Rajiv N. Raval

Vice President – Senior Counsel

Scott A. Siegel

Vice President – Taxes

Jessica L. Somerfeld

Vice President – Corporate Actuary

Simon A. Tuck

Vice President – U.S. Corporate Catastrophe Manager

Dana R. Frantz

Assistant Vice President – Corporate Actuary

Arthur Gurevitch

Assistant Vice President – Analytics

David D. Hudson

Assistant Vice President – Corporate Data Manager

Naomi B. Kinderman

Assistant Vice President – Counsel

Suzette A. Lemson

Assistant Vice President – Office of the Chairman

Nancy Micale

Assistant Vice President – Human Resources

Raymond J. O'Brien

Assistant Vice President – Director of Internal Audit

Robert E. Sabio

Assistant Vice President – Catastrophe Risk Manager

Srinivas R. Somayajula

Assistant Vice President – Corporate Actuary

Bryan V. Spero

Assistant Vice President – Corporate Actuary

Laura A. Stevens

Assistant Vice President – Corporate Actuary

Craig D. Stevens

Assistant Vice President – International Controller

Bruce I. Weiser

Assistant Vice President – Counsel

Gene Zhang

Assistant Vice President – Corporate Actuary

John M. Antonazzo

Director of Investment Accounting

Rohit Sood

Director of Investment Accounting

Richard A. Jordan, Jr.

Tax Counsel

Jean P. Milot

Assistant Corporate Controller

John S. Navratil

Assistant Tax Director

George K. Richardson

Assistant Treasurer

Janet L. Shemanske

Assistant Secretary

Donna Syko

Assistant Secretary – Human Resources

John E. Warycha

Assistant Corporate Controller – Financial Reporting

Annual Meeting

The Annual Meeting of Stockholders of W. R. Berkley Corporation will be held at 1:00 p.m. on May 20, 2014 at the offices of W. R. Berkley Corporation, 475 Steamboat Road, Greenwich, Connecticut 06830.

Shares Traded

Common Stock of W. R. Berkley Corporation is traded on the New York Stock Exchange.

Symbol: WRB

Transfer Agent and Registrar

Wells Fargo Bank, N.A.

Shareowner Services

1110 Centre Pointe Curve, Suite 101

Mendota Heights, MN 55120-4100

Tel: (800) 468 9716

www.shareowneronline.com

Website

For additional information, including press releases, visit our internet site at: <http://www.wrberkley.com>

Follow us on Twitter @WRBerkleyCorp

Auditors

KPMG LLP, New York, New York

Outside Counsel

Willkie Farr & Gallagher LLP, New York, New York



"White Bridge Near Napanoch" by Theodore Robinson, 1893



The W. R. Berkley Corporation 2013 Annual Report is printed on recycled paper made from fiber sourced from well-managed forests and other controlled wood sources and is independently certified to the Forest Stewardship Council™ (FSC®) standards.

© Copyright 2014 W. R. Berkley Corporation. All rights reserved.

*“Always do right.
This will gratify some people,
and astonish the rest.”*

Mark Twain



W. R. Berkley Corporation

475 Steamboat Road Greenwich, CT 06830
203.629.3000 www.wrberkley.com

[@WRBerkleyCorp](https://twitter.com/WRBerkleyCorp)