W. R. Berkley Corporation

2014 Annual Report

2014 Financial Highlights

By taking advantage of challenging opportunities and bringing together talented people and capital, we feel confident we will be able to continue to deliver outstanding returns.

15.0%

Return on stockholders' equity averaged 16% over the past 10 years.

$4.86

Net income per share increased 37% in 2014.

93.8%

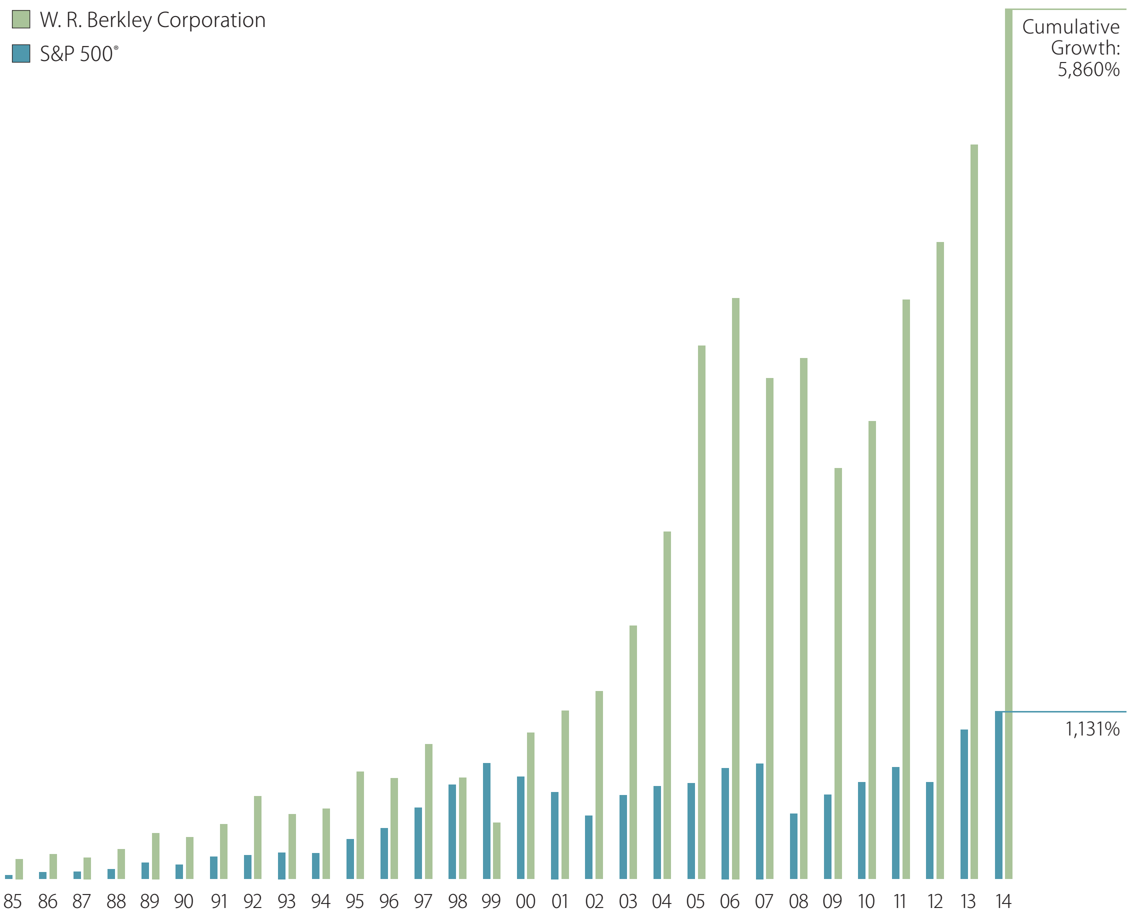
Combined ratio averaged 95.7% over the past 5 years.

$7.1 billion

Total revenues increased 11% in 2014.

Table of Contents

3 Our Business
5 Chairman's Letter
12 Segment Overview
15 Form 10-K
125 Operating Units
137 Board of Directors and Officers
139 Corporate Information



In thousands, except per share data

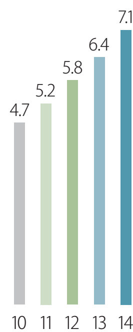
Years ended December 31,	**2014**	2013	2012	2011	2010
Total revenue	**$ 7,128,928**	$ 6,408,534	$ 5,823,554	$ 5,155,984	$ 4,724,069
Net premiums written	**5,996,947**	5,500,173	4,898,539	4,357,368	3,850,926
Net investment income	**600,885**	544,291	586,763	526,351	530,525
Insurance service fees	**117,443**	107,513	103,133	92,843	85,405
Net income to common stockholders	**648,884**	499,925	510,592	391,211	446,405
Net income per common share:					
Basic	**5.07**	3.69	3.72	2.80	3.00
Diluted	**4.86**	3.55	3.56	2.69	2.88
Return on common stockholders' equity	**15.0%**	11.6%	12.9%	10.7%	12.6%
At Year End					
Total assets	**$21,716,691**	$20,551,796	$20,155,896	$18,403,873	$17,477,070
Total investments	**15,591,824**	14,548,630	14,467,440	13,439,518	12,995,393
Reserves for losses and loss expenses	**10,369,701**	10,080,941	9,751,086	9,337,134	9,016,549
Common stockholders' equity	**4,589,945**	4,336,035	4,306,217	3,953,356	3,651,399
Common shares outstanding	**126,749**	132,233	136,018	137,520	141,010
Common stockholders' equity per share	**36.21**	32.79	31.66	28.75	25.89

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.

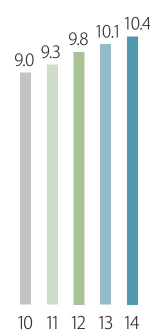
Our competitive advantage lies in our long-term strategy of decentralized operations, allowing each of our units to identify and respond quickly and effectively to changing market conditions and local customer needs. This decentralized structure provides financial accountability and incentives to local 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.

Total Revenues
(Dollars in billions)

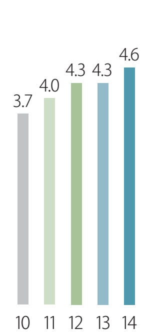


Investments
(Market Value – Dollars in billions)

Reserves for Losses and Loss Expenses
(Dollars in billions)



Common Stockholders' Equity*
(Dollars in billions)



*Net of $1.1 billion in shares repurchased from 2010–2014

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.

2014 Results: Total revenues were $4.8 billion. Pre-tax income was $796 million.

Insurance-International

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

2014 Results: Total revenues were $858 million. Pre-tax income was $30 million.

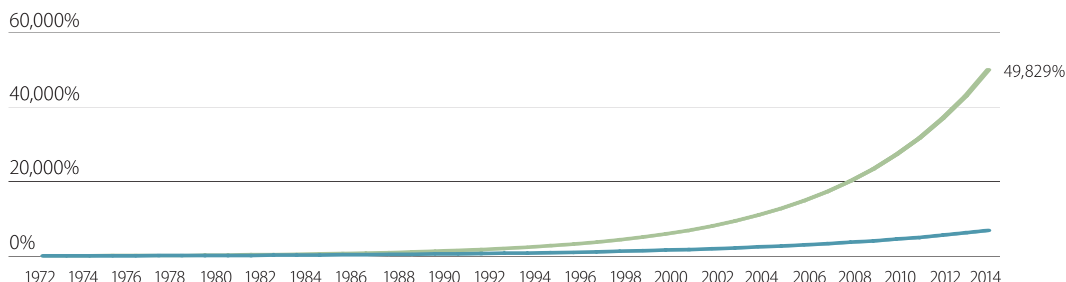
Reinsurance-Global

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.

2014 Results: Total revenues were $759 million. Pre-tax income was $116 million.

W. R. Berkley Corporation's Performance vs. the S&P 500®

	Annual Percentage Change		
	In Per-Share Book Value of W. R. Berkley Corporation with Dividends Included	In S&P 500® with Dividends Included	Relative Results
Year	(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	4.8%	32.4%	-27.6%
2014	14.8%	13.7%	1.1%
Average Annual Gain — 1974–2014	17.6%	11.0%	6.6%
Overall Gain — 1973–2014	43,325%	7,118%	
Overall gain 1973–2014 with dividends compounded = 49,829%			



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.

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:

2014 was an outstanding year. The combined ratio of 91.8% in our core, domestic insurance segment helped us attain an overall combined ratio of 93.8%, creating the foundation for the year's exceptional results. Our focus on reducing expenses was also a contributor to these results. In addition, our overall investment returns were excellent, in part due to substantial capital gains, as well as the benefit of our increase in investable assets. Achieving our targeted 15% return on equity in this low interest rate environment has reinforced our confidence that this goal is attainable. Because we are generating more capital than we can effectively utilize, we both repurchased shares and paid a special dividend to our shareholders for the second time in three years.

While the key elements of the insurance business remain the same, it is imperative that our industry address the unique set of challenges and changes before us. Structural changes in the sources of capital and

> The combined ratio of 91.8% in our core, domestic insurance segment helped us attain an overall combined ratio of 93.8%, creating the foundation for the year's exceptional results.

distribution channels have the potential to transform the insurance market into a more efficient and higher-return business, but only if the players remain cognizant of the value of expertise. These changes will bring about great opportunity and, as always, there will be winners and losers.

Company Results:

Our domestic insurance business was the greatest contributor to our 2014 underwriting results. It generated an outstanding combined ratio along with double-digit growth. We were able to obtain overall price increases in excess of loss costs and thus deliver improved real margins. Our international insurance business produced more uneven returns with exceptional underwriting results in some parts and disappointing results in others. Our Latin American business continued to perform well, despite the ongoing economic turmoil in the region. We are confident that the international segment of our business will deliver much improved results in 2015.

Our reinsurance business in both the U.S. and U.K. performed well, generating excellent returns in spite of constant pricing pressure. This business will continue to become more difficult going forward due to the extreme competitiveness in the market and new capital providers. We continue to adapt to meet these challenges.

We continued to focus on eliminating unnecessary expenses and search for ways to make the business work more effectively at lower cost. Our efforts resulted in a decline in our expense ratio with a concurrent improvement in the level of service to our customers. The focus on expenses is not just with the goal of reducing our expenditures but on finding ways to deliver what the customer wants in a more effective way, and on more thoughtful service processes.

Investment income sits side by side with underwriting profits as the cornerstone for building a successful insurance company. Achieving acceptable returns over the past several years has been difficult due to declining

interest rates and volatility in the financial markets. Our core bond portfolio performed well but, unfortunately, our investment returns continue to lose ground, albeit at a slower pace than one might expect. Because interest rates have declined so significantly, we have shifted a portion of our portfolio to relatively low-risk, high-quality investments that provide somewhat less immediate liquidity in exchange for greater returns. We have invested in assets such as real estate and entire businesses that heretofore have not been typical for our property casualty portfolio. We have also expanded our private equity investments. While these assets represent a relatively small portion of the portfolio, as a whole they have generated outsized returns. Our new portfolio structure allows us to continue to have a goal of a 15% return on equity, primarily because we expect to have more than a 10% return on the assets in this subsection of our portfolio. We have also shortened the duration of our bond portfolio to approximately three years to hedge against the mark-to-market risk that inflation poses to our balance sheet. We continue to believe our overall investment returns should remain strong.

Our Company continues to perform well. Our goal is to focus on creating long-term value with below market levels of volatility. We do not believe companies in the property casualty insurance industry achieve better rewards by accepting extreme volatility. We are determined to deliver the best risk-adjusted return amongst our peers and we believe that we will be able to continue to do that.

Industry Conditions:

The current state of affairs in our industry and in our economy in general represents untraveled terrain. As the pace of communication and the free flow of data have accelerated over the past decades, our economic system has truly globalized. Investment markets have opened up, funds flow from one currency to another with low transaction fees, and we are truly in a global economic world. As a result, capital moves more rapidly and for businesses that require capital, such as ours, the availability of capital from global investors has never been greater. The consequence of these activities creates tension and volatility as to interest rates, trade balances, and business transactions that we have not witnessed before. Efficiencies from both a tax and a structural point of view are creating opportunities in our industry. We are also seeing challenges to the structural status quo.

15%

Return on Beginning Equity

The result of this capital mobility combined with declining interest rates and the lessening of inflationary pressures has been smaller rewards for capital that does not bring other values with it. Long-term committed capital is

still much more valuable than transient capital. Capital attached to investment skills creates a value unto itself. This has significant consequences to the insurance industry.

Historically, the property casualty industry obtained its strength from controlling its own source of long-term capital. Today, the abundance of long-term capital and its ubiquitous availability allows companies with less capital of their own to compete with the giants of the industry. Some companies have accessed various forms of temporary capital or contracted capital, but few have confronted the risks associated with its transitory nature. The unpredictable exposure inherent in casualty coverage has the potential to bring about consequential unanticipated liability. As we saw with asbestos, judicial interpretations can meaningfully alter the exposure, which could result in cataclysmic outcomes where the contractual terms of temporary capital do not allow for unanticipated changes. It will take such an unforeseen event to test these new structures, as there is no way to forecast them. There is no doubt the risks of the unforeseen event have never been greater and the historic cost of protection – more capital – creates its own issues.

21.6%

Total Return
Stock Price Plus Dividends

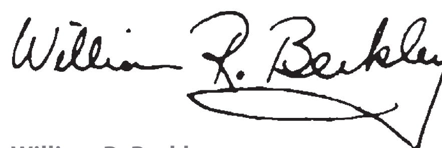
The industry's distribution system is also facing structural challenges. Throughout the world there are different methods of distributing property casualty insurance products. In many cases, the cost of connecting the people and businesses who want to ameliorate their risks with the risk bearer exceeds the value provided. The historic system of an agent or broker solving the customer's problem was expensive but, for the most part, it had a person who wanted to do well for the customer and meet their needs. We have evolved to having more expertise and more automation, but there has been no real reduction in cost nor improvement in the intellectual analysis provided. This problem is exacerbated as large intermediaries search for ways to add fees to enhance their margins. Clearly, this is unsustainable over the long term. The property casualty distribution business is evolving to include sophisticated algorithms and automation to allow people to buy the appropriate insurance at the appropriate price and people will seek out this alternative if the current distribution system continues to expand its cost of service. Opportunities to enhance value will continue to exist for intermediaries at all levels. Customer knowledge and customization of product will be the key competitive advantage in the long run for the victors in the distribution chain.

> Our business is built around capital, expertise, and opportunistic behavior within a large, outcome-focused enterprise.

The final and most important threat in the insurance business is the overdependence on mathematical models and lack of understanding where underwriting expertise adds critical value. Some lines of business can be accurately priced by using mathematical models that allow one to forecast an outcome with merely the cumulative results from a large number of similar risks. Experienced underwriting brings nuance and expertise to that statistical aggregation and allows the application of judgment which, in the end, presents risk bearers the opportunity to make substantially better returns than average. There are some classes of business, such as private passenger automobile, where the quantity and homogeneity of data is so overwhelming that the differential created by human expertise is infinitesimally small. There are other lines of business where human judgment and intuition based on an examination of history and personal underwriting experience can bring about exceedingly different results. The insurance business sometimes presents risks which are not related to the premiums collected. One dollar in premium may create open-ended exposure. It is this risk that creates opportunity. We understand how to manage this uncertainty. However, in today's market, people who do not possess expertise are accepting risks without a real understanding of the exposure they are assuming. They do not appropriately price for uncertainty and the unforeseen events.

The ability to differentiate one's company by creating better investment outcomes can provide a competitive advantage. However, this is not enough to offset poor underwriting selection and mispricing. Although current pricing is generally adequate, it barely offsets the low investment yields available. We believe that as insurance company investment yields decline, it will be essential for underwriting margins to improve. However, such improvement will be unlikely if those companies that have become overly reliant on models for underwriting complex lines of business do not rethink their business models.

These factors combine to create a less stable insurance marketplace currently. We continue to find opportunities to provide underwriting expertise or help our distribution partners enhance their value proposition. We have substantial capital of our own and we have been offered capital from many other sources. Our goal is to continue to solve the questions the industry puts forth with solutions that give outstanding risk-adjusted returns to our shareholders. Our business is built around capital, expertise, and opportunistic behavior within a large, outcome-focused enterprise. We have a performance-based culture where people make a difference. By taking advantage of challenging opportunities and providing value to our customers by bringing together talented people and capital, we feel confident we will be able to continue to deliver these returns. We do it with the support of our distribution system, the skills of our people, and the capital provided by you, our shareholders. In this evermore complicated world, the support and advice of our directors is invaluable as we move forward in dealing with the complexities of governance and regulation. We expect to continue to generate outstanding long-term risk-adjusted returns in the future.

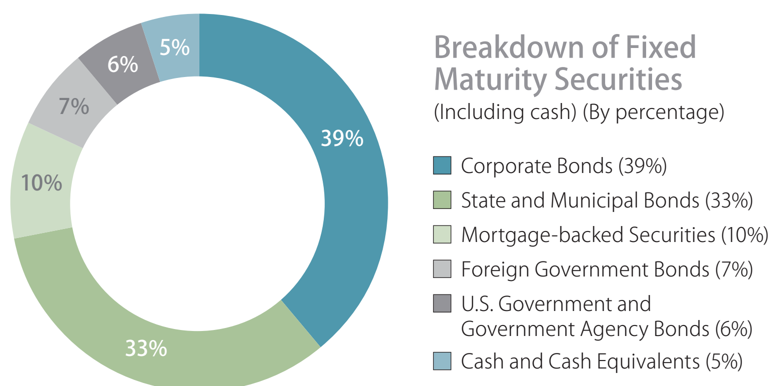


William R. Berkley
Chairman of the Board and
Chief Executive Officer

Investments

$16.3 Billion Cash and Invested Assets

We have shifted a portion of our portfolio to relatively low-risk, high-quality investments that provide somewhat less immediate liquidity in exchange for greater returns. Our new portfolio structure allows us to continue to have a goal of 15% return on equity.



Investment Data

(Dollars in millions)

	2014	2013
Cash and invested assets:		
Invested assets	**$15,592**	$14,548
Cash and cash equivalents	**$ 674**	$ 840
Total	**$16,266**	$15,388
Net investment income	**$ 601**	$ 544
Net investment gains	**$ 255**	$ 122

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.

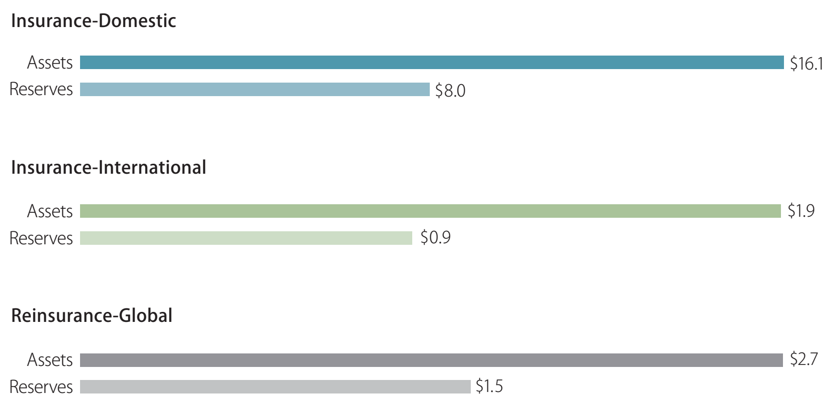
We combine capital with outstanding people and wrap it all in a culture that is focused on optimizing risk-adjusted returns. It creates a permanent competitive advantage that can only be acquired over many years with consistent discipline.

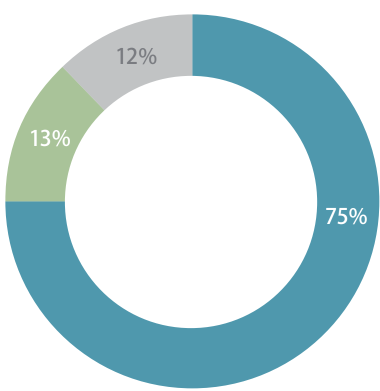
2014 Segment Data

Insurance-Domestic Insurance-International Reinsurance-Global

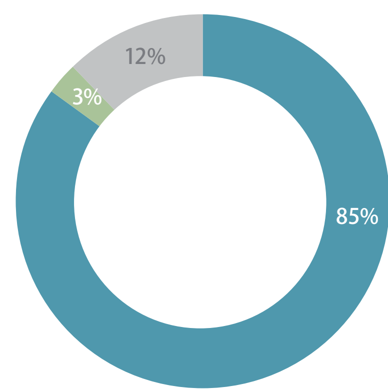
2014 Assets and Reserves

(Dollars in billions)





2014 Revenues
(By Percentage)



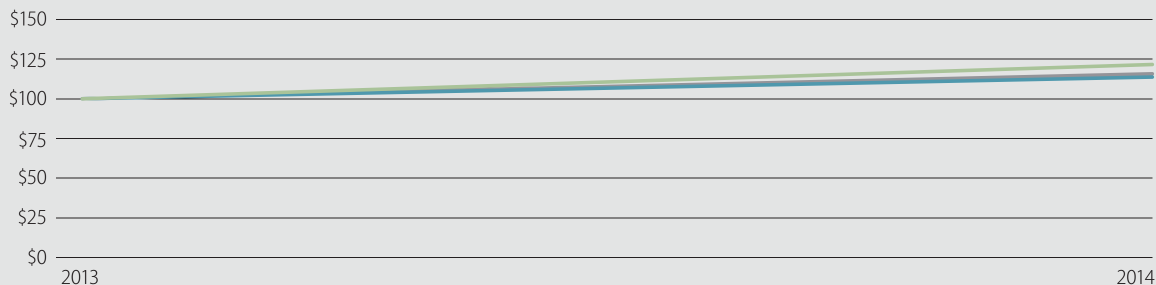
2014 Pre-tax Income
(By Percentage)

Comparison of Cumulative Total Returns

Assumes initial investment of $100 on January 01, 2014, 2010 and 2005, respectively, with dividends reinvested

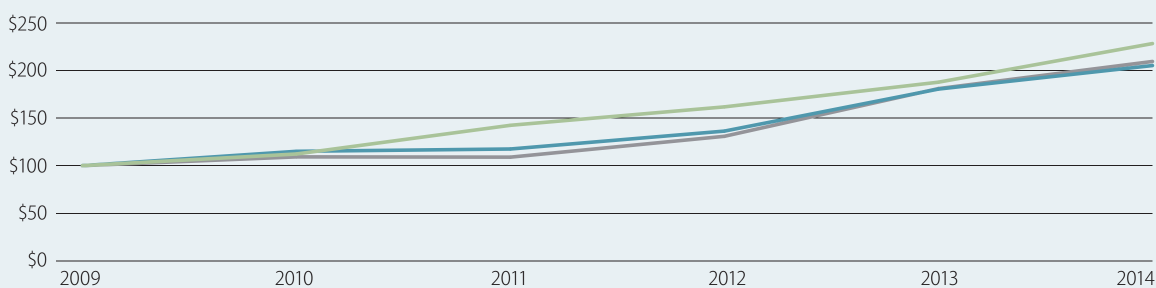
W. R. Berkley Corporation | S&P 500® Index | S&P 500® Property & Casualty Insurance Index

1 Year



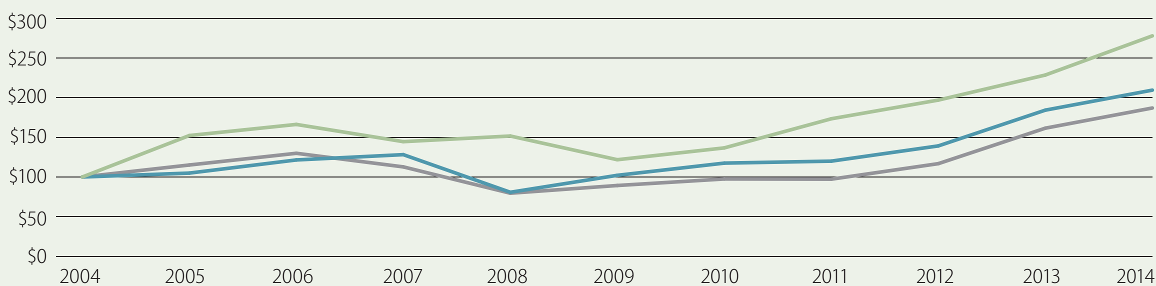
	Dec-13	Dec-14
W. R. Berkley Corporation	$100.00	$121.61
S&P 500® Index	$100.00	$113.69
S&P 500® Property & Casualty Insurance Index	$100.00	$115.74

5 Year



	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
W. R. Berkley Corporation	$100.00	$112.25	$142.39	$161.74	$187.67	$228.23
S&P 500® Index	$100.00	$115.06	$117.49	$136.30	$180.44	$205.14
S&P 500® Property & Casualty Insurance Index	$100.00	$109.22	$108.93	$130.84	$180.94	$209.43

10 Year



	Dec-04	Dec-05	Dec-06	Dec-07	Dec-08	Dec-09	Dec-10	Dec-11	Dec-12	Dec-13	Dec-14
W. R. Berkley Corporation	$100.00	$152.24	$166.25	$144.54	$151.64	$121.76	$136.67	$173.37	$196.93	$228.50	$277.89
S&P 500® Index	$100.00	$104.91	$121.48	$128.16	$ 80.74	$102.11	$117.49	$119.97	$139.17	$184.25	$209.47
S&P 500® Property & Casualty Insurance Index	$100.00	$115.11	$129.88	$112.74	$ 79.55	$ 89.27	$ 97.50	$ 97.24	$116.80	$161.52	$186.95

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.

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

(Mark One)

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

For the fiscal year ended December 31, 2014
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	**22-1867895**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*
475 Steamboat Road, Greenwich, CT	**06830**
(Address of principal executive offices)	*(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 $5,097,062,590.

Number of shares of common stock, $.20 par value, outstanding as of February 23, 2015: 125,810,616

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, 2014, are incorporated herein by reference in Part III.

			Page
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	86
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 2015 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, including real estate, merger arbitrage, energy related and private equity investments;
- the effects of emerging claim and coverage issues;
- the uncertain nature of damage theories and loss amounts;
- natural and man-made catastrophic losses, including as a result of terrorist activities;
- general economic and market activities, including inflation, interest rates and volatility in the credit and capital markets;
- the impact of conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response to it, on our results and financial condition;
- foreign currency and political risks relating to our international operations;
- our ability to attract and retain key personnel and qualified employees;
- continued availability of capital and financing;
- the success of our new ventures or acquisitions and the availability of other opportunities;
- the availability of reinsurance;
- our retention under the Terrorism Risk Insurance Act of 2002, as amended ("TRIA");
- the ability of our reinsurers to pay reinsurance recoverables owed to us;
- other legislative and regulatory developments, including those related to business practices in the insurance industry;
- credit risk 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 2015 and beyond to differ materially from those expressed in any forward-looking statement we make. Any projections of growth in our revenues would not necessarily result in commensurate levels of earnings. Our future financial performance is dependent upon factors discussed 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:

	Year Ended December 31,				
(In thousands)	2014	2013	2012	2011	2010
Net premiums written:					
Insurance-Domestic	$ 4,517,587	$ 3,994,387	$ 3,569,883	$ 3,238,120	$ 2,938,223
Insurance-International	828,076	756,185	664,459	551,910	430,252
Reinsurance-Global	651,284	749,601	664,197	567,338	482,451
Total	$ 5,996,947	$ 5,500,173	$ 4,898,539	$ 4,357,368	$ 3,850,926

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Percentage of net premiums written:					
Insurance-Domestic	75.3%	72.6%	72.8%	74.3%	76.3%
Insurance-International	13.8	13.8	13.6	12.7	11.2
Reinsurance-Global	10.9	13.6	13.6	13.0	12.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%

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 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 lines of business underwritten by these operating units include premises operations, commercial automobile, property, general liability, 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 geographically differentiated customers 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 in a manner designed to provide them with the flexibility to adapt quickly to local market conditions and customer needs.

In addition to providing insurance products, certain of our operating 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.

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 Aviation offers a wide range of aviation insurance products, including coverage for airlines, airplanes, 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. In addition, it has a specialized program for Certified Public Accountants (CPAs).

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 and crime 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 and construction.

Berkley Net Underwriters focuses on 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, as well as those in the renewable energy sector.

Berkley Professional Liability specializes in professional liability insurance for publicly-traded and private entities based on a worldwide basis. 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 providing excess coverage and services to individual governmental and scholastic entities and intergovernmental risk sharing groups. Products include general liability, automobile liability, law enforcement liability, public officials and educator's legal liability, employment practices liability, incidental medical, property and crime.

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

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 Surety provides a broad array of surety products for contract and commercial surety risks in the U.S. and Canada, including specialty niches such as environmental and secured credit for small contractors, through an independent agency and broker platform across a 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, Chicago and Washington, D.C. metropolitan markets, as well as other select 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, Continental Western offers insurance for larger commercial risks across the United States 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 in select Eastern and Southeastern 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, longstanding 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.

Riverport Insurance Services provides property casualty insurance coverages to human services organizations, including nonprofit and for-profit organizations, public schools and sports and recreational organizations. Riverport also insures special events. Its product offerings include traditional primary coverages and risk purchasing groups, 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,				
	2014	2013	2012	2011	2010
Acadia Insurance	8.4%	8.2%	8.6%	9.0%	9.2%
Admiral Insurance	6.2	5.9	6.1	6.8	7.5
American Mining	0.8	0.8	0.9	1.0	1.0
Berkley Accident and Health	3.4	3.0	3.6	3.3	2.2
Berkley Aviation	1.0	1.0	1.5	1.7	1.8
Berkley Custom Insurance	2.8	2.8	0.7	-	-
Berkley Design Professional	0.1	-	-	-	-
Berkley FinSecure	0.8	0.9	0.8	0.8	0.5
Berkley Life Sciences	1.1	1.1	0.8	0.6	0.5
Berkley Medical Excess	1.0	0.9	0.9	1.0	1.2
Berkley Mid-Atlantic Group	2.8	4.4	4.9	5.4	6.1
Berkley Net Underwriters	4.3	4.0	3.5	2.5	2.2
Berkley North Pacific	1.9	1.8	1.8	1.5	1.4
Berkley Offshore Underwriting Managers	2.0	2.3	2.2	2.0	1.7
Berkley Oil & Gas	4.1	3.9	3.2	2.2	0.4
Berkley Professional Liability	2.1	1.3	1.2	1.1	1.1
Berkley Program Specialists	1.4	1.5	1.8	3.1	3.1
Berkley Public Entity	0.4	0.4	0.2	-	-
Berkley Regional Specialty	0.4	0.4	0.4	0.4	0.4
Berkley Risk Administrators	4.6	4.9	4.8	4.0	3.2
Berkley Select	2.1	2.7	2.9	2.6	2.5
Berkley Southeast	3.0	-	-	-	-
Berkley Specialty Underwriting Managers	6.2	6.6	7.9	7.0	5.4
Berkley Surety	1.4	1.3	1.3	1.6	1.7
Berkley Technology Underwriters	0.5	0.3	0.1	-	-
Carolina Casualty Insurance	2.2	2.4	2.3	2.3	2.2
Clermont Specialty Managers	1.5	1.5	1.6	1.7	1.8
Continental Western Group	4.5	5.9	6.4	7.0	8.2
Gemini Transportation	1.1	1.0	1.1	1.0	0.8
Key Risk Insurance	3.5	3.3	3.2	3.1	3.3
Midwest Employers Casualty	2.9	2.9	3.4	4.4	6.3
Monitor Liability Managers	2.6	3.1	3.1	3.9	4.5
Nautilus Insurance Group	5.5	5.8	6.2	6.6	7.2
Preferred Employers Insurance	2.5	2.1	2.0	1.9	1.9
Riverport Insurances Services	0.7	0.8	1.4	1.7	1.5
Union Standard	3.1	5.2	5.3	5.5	6.3
Vela Insurance Services	3.7	3.5	2.2	2.1	2.2
Verus Underwriting Managers	0.9	1.0	0.7	0.4	-
Other	2.5	1.1	1.0	0.8	0.7
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,				
	2014	**2013**	**2012**	**2011**	**2010**
Other liability	31.9%	32.4%	30.7%	31.2%	30.4%
Workers' compensation	27.2	27.0	26.8	25.3	26.3
Short-tail lines	21.8	22.0	23.5	23.5	22.4
Commercial auto	10.4	10.7	11.2	12.1	12.7
Professional liability	8.7	7.9	7.8	7.9	8.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Insurance-International

Through our Insurance-International operating units, we write business in more than 60 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, Uruguay and Colombia. 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.

Lloyd's Syndicate 2791 Participation represents the Company's minority participation in a Lloyd's syndicate that writes a broad range of mainly short-tail classes of business.

W. R. Berkley Insurance (Australia) underwrites general insurance business in Australia, including professional indemnity insurance for companies of all sizes.

W. R. Berkley Insurance (Europe) is based in the United Kingdom, with branches in Spain, 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, commercial property and a specialized book of marine business. Through its division Berkley Asset Protection, it provides products that protect high-value commercial and personal assets, including fine art.

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

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Berkley Canada	3.4%	4.4%	4.6%	4.9%	3.9%
Berkley Latinoamérica	29.5	32.6	34.9	38.2	43.8
Lloyd's Syndicate 2791 Participation	4.0	-	-	-	-
W. R. Berkley Insurance (Australia)	8.3	8.6	5.3	4.1	3.3
W. R. Berkley Insurance (Europe)	31.3	31.5	32.8	31.3	32.7
W. R. Berkley Syndicate 1967	23.5	22.9	22.4	21.5	16.3
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,				
	2014	2013	2012	2011	2010
Short-tail lines	55.1%	51.8%	49.4%	41.4%	35.7%
Commercial auto	13.1	15.5	18.0	19.8	23.3
Professional liability	12.8	12.9	15.1	17.6	20.0
Other liability	11.7	10.4	7.2	10.3	9.5
Workers' compensation	7.3	9.4	10.3	10.9	11.5
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. 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.

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

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Berkley Re America	49.4%	43.7%	45.9%	49.9%	53.6%
Berkley Re Asia Pacific	21.3	24.8	22.1	24.4	18.1
Berkley Re Direct	7.2	6.5	6.2	7.2	7.8
Berkley Re UK	11.2	9.1	6.9	0.2	
Facultative ReSources	10.9	8.6	8.4	7.9	11.6
Other		7.3	10.5	10.4	8.9
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,				
	2014	2013	2012	2011	2010
Casualty	66.9%	65.6%	66.9%	70.7%	69.0%
Property	33.1	34.4	33.1	29.3	31.0
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:

	Year Ended December 31,				
	2014	2013	2012	2011	2010
Insurance-Domestic					
Revenue	$ 4,807,418	$ 4,294,213	$ 3,944,942	$ 3,586,181	$ 3,434,686
Income before income taxes	796,309	648,740	578,500	467,126	589,138
Insurance-International					
Revenue	857,782	770,190	677,637	545,467	407,704
Income before income taxes	29,779	56,922	51,639	36,912	15,172
Reinsurance-Global					
Revenue	758,931	810,060	731,585	628,872	600,265
Income before income taxes	115,677	110,425	103,690	85,271	134,996
Other(1)					
Revenue	704,797	534,071	469,390	395,464	281,414
Income (loss) before income taxes	10,431	(117,199)	(31,901)	(76,223)	(140,396)
Total					
Revenue	7,128,928	6,408,534	5,823,554	5,155,984	4,724,069
Income before income taxes	$ 952,196	$ 698,888	$ 701,928	$ 513,086	$ 598,910

(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,				
	2014	2013	2012	2011	2010
Insurance-Domestic					
Loss ratio	60.2%	61.3%	63.5%	64.9%	61.1%
Expense ratio	31.6	32.7	32.5	32.6	32.5
Combined ratio	91.8%	94.0%	96.0%	97.5%	93.6%
Insurance-International					
Loss ratio	62.8%	59.4%	59.7%	57.4%	59.2%
Expense ratio	40.0	39.0	40.2	42.7	43.6
Combined ratio	102.8%	98.4%	99.9%	100.1%	102.8%
Reinsurance-Global					
Loss ratio	62.0%	62.2%	64.3%	64.3%	55.9%
Expense ratio	34.0	34.8	36.3	38.0	38.6
Combined ratio	96.0%	97.0%	100.6%	102.3%	94.5%
Total					
Loss ratio	60.8%	61.2%	63.1%	63.9%	60.2%
Expense ratio	33.0	33.9	34.1	34.6	34.4
Combined ratio	93.8%	95.1%	97.2%	98.5%	94.6%

Investments

Investment results, before income taxes, were as follows:

	Year Ended December 31,				
(In thousands)	**2014**	**2013**	**2012**	**2011**	**2010**
Average investments, at cost(1)	$ 15,560,335	$ 14,848,386	$ 14,545,371	$ 13,631,552	$ 13,356,380
Net investment income(1)	$ 600,885	$ 544,291	$ 586,763	$ 526,351	$ 530,525
Percent earned on average investments(1)	3.9%	3.7%	4.0%	3.9%	4.0%
Net investment gains (2)	$ 254,852	$ 121,544	$ 10,465	$ 125,481	$ 56,581
Change in unrealized investment gains (3)	$ 72,889	$ (399,122)	$ 135,282	$ 147,998	$ 176,588

(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 on investments not classified as trading account securities.
(3) Represents the change in unrealized investment gains 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,				
	2014	2013	2012	2011	2010
Barclays U.S. Aggregate Bond Index	3.2%	3.1%	3.5%	4.0%	4.2%
S&P 500® Index	2.1	2.4	2.5	2.1	2.3

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,				
	2014	2013	2012	2011	2010
1 year or less	7.0%	8.0%	5.8%	6.6%	6.7%
Over 1 year through 5 years	32.4	30.5	30.7	28.3	27.3
Over 5 years through 10 years	29.8	27.5	23.4	25.3	25.9
Over 10 years	20.4	22.3	25.5	25.5	27.1
Mortgage-backed securities	10.4	11.7	14.6	14.3	13.0
Total	100.0%	100.0%	100.0%	100.0%	100.0%

At December 31, 2014, the fixed maturity portfolio had an average duration of 3.2 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 administrating 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, 2014, the discount rates by year ranged from 2.0% to 6.5% with a weighted average discount rate of 4.2%. 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%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was $746 million, $837 million and $867 million at December 31, 2014, 2013 and 2012, 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 at both December 31, 2014 and 2013. The Company's gross reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were $56 million and $59 million at December 31, 2014 and 2013, respectively. Net incurred losses and loss expenses for reported asbestos and environmental claims increased by approximately $4 million, $5 million and $2 million in 2014, 2013 and 2012, respectively. Net paid losses and loss expenses for reported asbestos and environmental claims were approximately $3 million, $3 million and $2 million in 2014, 2013 and 2012, 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)	2014	2013	2012
Net reserves at beginning of year	$ 8,683,797	$ 8,411,851	$ 8,172,112
Net provision for losses and loss expenses:			
Claims occurring during the current year (1)	3,495,825	3,221,393	2,997,995
Decrease in estimates for claims occurring in prior years (2)(3)	(75,764)	(78,810)	(102,571)
Loss reserve discount amortization (4)	70,506	54,441	53,055
Total	3,490,567	3,197,024	2,948,479
Net payments for claims:			
Current year	898,944	822,787	698,834
Prior years	2,216,283	2,055,284	2,010,101
Total	3,115,227	2,878,071	2,708,935
Foreign currency translation	(88,496)	(47,007)	195
Net reserves at end of year	8,970,641	8,683,797	8,411,851
Ceded reserves at end of year	1,399,060	1,397,144	1,339,235
Gross reserves at end of year	$ 10,369,701	$10,080,941	$ 9,751,086
Net change in premiums and losses occurring in prior years:			
Decrease in estimates for claims occurring in prior years (2)	$ 75,764	$ 78,810	$ 102,571
Retrospective premium adjustments for claims occurring in prior years (3)	9,088	19,046	—
Net favorable premium and reserve development on prior years	$ 84,852	$ 97,856	$ 102,571

(1) Claims occurring during the current year are net of discounts of $21,306,000, $22,680,000 and $26,078,000 in 2014, 2013 and 2012, 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 $116,866,000 in 2014, $77,430,000 in 2013 and $100,667,000 in 2012.
(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.
(4) In 2014, the Company entered into a commutation agreement that resulted in a reduction in prior year workers' compensation reserves of $30 million on an undiscounted basis and $12 million on a discounted basis.

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, 2014 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	$ 8,587,479
Reserves for non-U.S. companies	696,740
Loss reserve discounting(1)	(313,523)
Ceded reserves	1,399,060
Other	(55)
Gross reserves reported in the consolidated GAAP financial statements	$ 10,369,701

(1) For statutory purposes, the Company discounts its workers' compensation reinsurance reserves at 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.

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The following table presents the development of net reserves for 2004 through 2014. 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 2004 is reserved for $2,000 million as of December 31, 2004. Assuming this claim estimate was changed in 2014 to $2,300 million, and was settled for $2,300 million in 2014, the $300 million deficiency would appear as a deficiency in each year from 2004 through 2014.

(In millions) Year Ended December 31,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net reserves, discounted	$ 4,723	$ 5,867	$ 6,948	$ 7,823	$ 8,123	$ 8,148	$ 8,000	$ 8,172	$ 8,412	$ 8,684	$ 8,971
Reserve discount	503	575	700	788	846	877	898	892	867	837	746
Net reserves, undiscounted	$ 5,226	$ 6,442	$ 7,648	$ 8,611	$ 8,969	$ 9,025	$ 8,898	$ 9,064	$ 9,279	$ 9,521	$ 9,717
Net reserves re-estimated as of:											
One year later	$ 5,440	$ 6,499	$ 7,560	$ 8,431	$ 8,737	$ 8,778	$ 8,715	$ 8,963	$ 9,202	9,404	
Two years later	5,588	6,578	7,494	8,239	8,560	8,596	8,624	8,866	9,140		
Three years later	5,763	6,592	7,363	8,192	8,420	8,543	8,504	8,772			
Four years later	5,816	6,556	7,370	8,137	8,433	8,460	8,400				
Five years later	5,834	6,636	7,376	8,195	8,373	8,388					
Six years later	5,929	6,677	7,437	8,144	8,343						
Seven years later	5,983	6,755	7,421	8,135							
Eight years later	6,041	6,762	7,428								
Nine years later	6,046	6,780									
Ten years later	6,055										
Cumulative redundancy (deficiency), undiscounted	$ (829)	$ (338)	$ 220	$ 476	$ 626	$ 637	$ 498	$ 292	$ 139	$ 117	—
Cumulative amount of net liability paid through:											
One year later	$ 1,174	$ 1,341	$ 1,437	$ 1,663	$ 1,751	$ 1,812	$ 1,722	$ 2,010	$ 2,055	$ 2,216	
Two years later	2,106	2,363	2,636	2,935	3,106	3,052	3,118	3,409	$ 3,598		
Three years later	2,836	3,219	3,558	3,956	4,039	4,066	4,105	4,495			
Four years later	3,384	3,856	4,279	4,616	4,786	4,802	4,896				
Five years later	3,813	4,327	4,733	5,152	5,337	5,413					
Six years later	4,131	4,649	5,116	5,565	5,815						
Seven years later	4,355	4,937	5,424	5,943							
Eight years later	4,575	5,163	5,719								
Nine years later	4,740	5,392									
Ten years later	4,917										

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 2004 through 2014.

(In millions) Year Ended December 31,	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net reserves, discounted	$ 4,723	$ 5,867	$ 6,947	$ 7,823	$ 8,123	$ 8,148	$ 8,000	$ 8,172	$ 8,412	$ 8,684	$ 8,971
Ceded reserves	727	845	837	855	877	924	1,017	1,165	1,339	1,397	1,399
Gross reserves, discounted	5,450	6,712	7,784	8,678	9,000	9,072	9,017	9,337	9,751	10,081	10,370
Reserve discount	573	654	761	867	944	944	968	953	924	888	811
Gross reserves, undiscounted	$ 6,023	$ 7,366	$ 8,545	$ 9,545	$ 9,944	$10,016	$ 9,985	$10,290	$10,675	$10,969	$11,181
Gross reserves re-estimated as of:											
One year later	$ 6,241	$ 7,406	$ 8,509	$ 9,396	$ 9,696	$ 9,810	$ 9,879	$10,179	$10,673	$10,823	
Two years later	6,382	7,529	8,454	9,178	9,566	9,662	9,749	10,141	10,573		
Three years later	6,600	7,561	8,300	9,163	9,445	9,580	9,681	10,029			
Four years later	6,670	7,508	8,335	9,081	9,427	9,539	9,540				
Five years later	6,680	7,617	8,316	9,109	9,386	9,433					
Six years later	6,804	7,635	8,360	9,082	9,310						
Seven years later	6,839	7,699	8,358	9,029							
Eight years later	6,888	7,716	8,315								
Nine years later	6,904	7,694									
Ten Years later	6,875										
Gross cumulative redundancy (deficiency)	$ (852)	$ (328)	$ 230	$ 516	$ 634	$ 583	$ 445	$ 261	$ 102	$ 146	—

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 $500 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 "2010 Amendments"). The 2010 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 affiliates.

The 2010 Amendments must be adopted by the individual state legislatures and insurance regulators in order to be effective. To date, 39 states have adopted them, and in order to maintain compliance with NAIC standards, the remaining states must adopt them in whole or substantial part by January 2016. In 2014, additional amendments were adopted by the NAIC which would authorize U.S regulators to lead or participate in the group-wide supervision of certain international insurance groups.

Additionally, the NAIC recently adopted the Risk Management and Own Risk and Solvency Assessment Model Act (the "ORSA Model Act"). The ORSA Model Act requires 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. The ORSA Model Act's requirements generally became effective on January 1, 2015 in the states that have adopted it.

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, 2014.

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, 2020. 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. TRIA's definition of certified acts includes 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 currently pay 85% of an insurer's covered losses in excess of the insurer's applicable deductible. This amount will decrease to 80% on a pro-rata basis over five years, beginning in 2016. 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 2014 earned premiums, our deductible under TRIA during 2015 will be approximately $786 million. The federal program will not pay losses for certified acts unless such losses exceed $100 million. This threshold will increase to $200 million on a pro-rata basis over five years beginning in 2016. 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. As of December 31, 2014, three insurance groups had been so designated. 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.

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 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.

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, which is especially strong, 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 30, 2015, we employed 7,521 individuals. Of this number, our subsidiaries employed 7,396 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. In recent years, we have faced 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. In recent years, the insurance industry has undergone increasing consolidation, which may further increase competition.

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 $10.4 billion as of December 31, 2014. 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 $87 million in 2014, $65 million in 2013, $80 million in 2012, $153 million in 2011 and $81 million in 2010. 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 2014 earned premiums, our deductible under TRIA during 2015 is approximately $786 million. TRIA is currently in effect through December 31, 2020. In addition, the coverage provided under TRIA does not apply to reinsurance that we write.

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.

In 2013, FSOC designated three non-bank financial companies, including two insurance groups, as systematically significant, and in 2014, FSOC designated a third insurance group as systematically significant.

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, the Asia-Pacific region 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, 2014, the amount due from our reinsurers was approximately $1,503 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, 2014, our investment in fixed maturity securities was approximately $12.7 billion, or 81.5% 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 (6.3%); state and municipal securities (34.9%); corporate securities (41.0%); mortgage-backed securities (10.4%) and foreign government (7.4%).

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 have invested an increasing portion of our assets in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets, which are subject to significant volatility and 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 increased our investments in these asset classes as a result of the current historically low interest rate environment. At December 31, 2014, our investment in these assets was approximately $2.9 billion, or 18.5%, of our investment portfolio.

Merger and arbitrage trading securities were $451 million, or 2.9%, of our investment portfolio at December 31, 2014. 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.

Real estate related investments, including directly owned, investment funds and loans receivable, were $1.5 billion, or 10.0%, of our investment portfolio at December 31, 2014. We also invest in aviation and rail equipment funds, hedged equity and energy and other investment funds. The values of these investments are subject to fluctuations based on changes in the economy and interest rates in general and the related asset valuations in particular. In addition, our investments in real estate related assets and other alternative investments are less liquid than our other investments.

These investments are subject to significant volatility as a result of the conditions in the financial and commodity markets and the global economy.

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. During 2015, the maximum amount of dividends that can be paid without regulatory approval is approximately $631 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, 2014, the Company had aggregate office space of 4,117,482 square feet, of which 1,081,014 were owned and 3,036,468 were leased.

Rental expense for the Company's operations was approximately $45,189,000, $44,752,000 and $38,179,000 for 2014, 2013 and 2012, respectively. Future minimum lease payments, without provision for sublease income, are $41,210,000 in 2015, $36,547,000 in 2016 and $161,209,000 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		
	High	Low	Dividends Declared Per Share
Fourth Quarter	$ 54.14	$ 46.79	$ 1.11 (1)
Third Quarter	48.94	44.30	0.11
Second Quarter	46.36	40.56	0.11
First Quarter	43.35	37.82	0.10
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

(1) Includes a special dividend of $1.00 per share paid in December 2014.

The closing price of the common stock on February 23, 2015 as reported on the New York Stock Exchange was $50.16 per share. The approximate number of record holders of the common stock on February 23, 2015 was 390.

Set forth below is a summary of the shares repurchased by the Company during the fourth quarter of 2014 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
October 2014	—	$ —	—	7,355,582
November 2014	148,605	50.96	148,605	7,206,977
December 2014	120,860	49.92	120,860	7,186,117

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data)	Year Ended December 31,				
	2014	2013	2012	2011	2010
Net premiums written	$ 5,996,947	$ 5,500,173	$ 4,898,539	$ 4,357,368	$ 3,850,926
Net premiums earned	5,744,418	5,226,537	4,673,516	4,160,867	3,835,582
Net investment income	600,885	544,291	586,763	526,351	530,525
Insurance service fees	117,443	107,513	103,133	92,843	85,405
Net investment gains	254,852	121,544	210,465	125,481	56,581
Revenues from wholly-owned investees	410,022	407,623	247,113	248,678	214,454
Total revenues	7,128,928	6,408,534	5,823,554	5,155,984	4,724,069
Interest expense	128,174	123,177	126,302	112,512	106,969
Income before income taxes	952,196	698,888	701,928	513,086	598,910
Income tax expense	(302,593)	(193,587)	(191,285)	(121,945)	(152,226)
Noncontrolling interests	(719)	(5,376)	(51)	70	(279)
Net income to common stockholders	648,884	499,925	510,592	391,211	446,405
Data per common share:					
Net income per basic share	5.07	3.69	3.72	2.80	3.00
Net income per diluted share	4.86	3.55	3.56	2.69	2.88
Common stockholders' equity	36.21	32.79	31.66	28.75	25.89
Cash dividends declared	1.43	0.39	1.35	0.31	0.27
Weighted average shares outstanding:					
Basic	127,874	135,305	137,097	139,688	148,752
Diluted	133,652	140,743	143,315	145,672	155,081
Investments	$15,591,824	$14,548,630	$14,467,440	$13,439,518	$12,995,393
Total assets	21,716,691	20,551,796	20,155,896	18,403,873	17,477,070
Reserves for losses and loss expenses	10,369,701	10,080,941	9,751,086	9,337,134	9,016,549
Senior notes and other debt	2,115,527	1,692,442	1,871,535	1,500,503	1,500,419
Subordinated debentures	340,060	339,800	243,206	242,997	242,784
Common stockholders' equity	4,589,945	4,336,035	4,306,217	3,953,356	3,651,399

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 has formed 24 new operating units that are focused on important parts of the economy in the U.S., including healthcare, energy and agriculture, and on growing international markets, including Scandinavia, Australia, the Asia-Pacific region and South America.

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

From 2005 through 2010, the property casualty insurance market was very competitive and insurance rates decreased across most business lines. Although prices have generally increased since the beginning of 2011, the current market is highly competitive and price levels for certain lines of business remain below the prices required for the Company to achieve its longterm 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 has increasingly invested in equity securities, merger arbitrage securities, investment funds, private equity, loans and real estate related assets. The Company's investments in investment funds and its other alternative investments have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

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 administrating the claims adjustment process. Reserves are established based upon the then current legal interpretation of coverage provided.

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

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

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

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

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

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

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

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

(In thousands)	**Frequency (+/-)**		
Severity (+/-)	**1%**	**5%**	**10%**
1%	$ 70,266	$ 211,497	$ 388,037
5%	211,497	358,322	541,853
10%	388,037	541,853	734,123

Our net reserves for losses and loss expenses of approximately $9 billion as of December 31, 2014 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 $1.5 billion, or 16%, of the Company's net loss reserves as of December 31, 2014 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, 2014 and 2013:

(In thousands)	**2014**	**2013**
Insurance-Domestic	$ 6,767,374	$ 6,493,401
Insurance-International	750,613	592,709
Reinsurance-Global	1,452,654	1,597,687
Net reserves for losses and loss expenses	8,970,641	8,683,797
Ceded reserves for losses and loss expenses	1,399,060	1,397,144
Gross reserves for losses and loss expenses	$ 10,369,701	$ 10,080,941

Following is a summary of the Company's net reserves for losses and loss expenses by major line of business as of December 31, 2014 and 2013:

(In thousands)	**Reported Case Reserves**	**Incurred But Not Reported**	**Total**
Other liability	$ 1,035,442	$ 1,785,598	$ 2,821,040
Workers' compensation (1)	1,603,310	1,201,117	2,804,427
Professional liability	308,887	453,557	762,444
Commercial automobile	319,700	203,085	522,785
Short-tail lines	330,010	277,281	607,291
Total primary	3,597,349	3,920,638	7,517,987
Reinsurance (1)	603,851	848,803	1,452,654
Total	$ 4,201,200	$ 4,769,441	$ 8,970,641
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	$ 3,925,864	$ 4,757,933	$ 8,683,797

(1) Reserves for excess and assumed workers' compensation business are net of an aggregate net discount of $746 million and $837 million as of December 31, 2014 and 2013, 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, 2014 are as follows:

(In thousands)	2014	2013	2012
Decrease in prior year loss reserves	$ 75,764	$ 78,810	$ 102,571
Increase in prior year earned premiums	9,088	19,046	
Net favorable prior year development	$ 84,852	$ 97,856	$ 102,571

Favorable prior year development (net of additional and return premiums) was $85 million in 2014 compared with $98 million in 2013 and $103 million in 2012.

For the Insurance-Domestic segment, favorable development in 2014 of $92 million was driven primarily by other liability business for accident years 2006 through 2010, primarily related to our excess and surplus lines casualty business. Reported losses during these years continued to be below our initial expectations at the time the business was written, largely as a result of persistent improvement in claim frequency trends (i.e., number of reported claims per unit of exposure). As these accident years have matured, the weighting of actuarial methods has shifted from methods based on initial expected losses to methods based on actual reported losses. We believe the favorable claim frequency trends we have seen during this time period are due to changes in the mix of business written and to the general slowdown in the economy. Commercial automobile reported unfavorable development primarily as a result of large losses for long-haul trucking business in 2012 and 2013.

For the Reinsurance-Global segment, favorable reserve development in 2014 of $16 million was driven primarily by assumed professional liability excess of loss and umbrella treaty business, as well as direct facultative business. This was partially offset by adverse development on brokerage facultative business caused by completed operations losses associated with construction projects in accident years prior to 2009.

For the Insurance-International segment, adverse reserve development in 2014 of $23 million was driven primarily by unexpected large losses from accident years 2009-2012 in the professional indemnity line of business in the United Kingdom.

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 to improved claim frequency (i.e., number of reported claims per unit of exposure), especially in the 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.

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 2.0%. As of December 31, 2014, the aggregate blended discount rates ranged from 2.0% to 6.5%, with a weighted average discount

rate of 4.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was $746 million and $837 million as of December 31, 2014 and December 31, 2013, 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 $85 million and $69 million at December 31, 2014 and December 31, 2013, 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, 2014:

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Unrealized loss less than 20% of amortized cost	372	$ 2,736,260	$ 31,605
Unrealized loss of 20% or greater of amortized cost:			
Less than twelve months	1	3,393	946
Twelve months and longer	15	89,848	26,973
Total	388	$ 2,829,501	$ 59,524

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at December 31, 2014 is presented in the table below.

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Mortgage-backed securities	9	$ 28,537	$ 1,699
Corporate	10	24,528	742
Foreign government	2	11,177	247
Total	21	$ 64,242	$ 2,688

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, 2014, there were 6 preferred stocks in an unrealized loss position, with an aggregate fair value of $49.8 million and a gross unrealized loss of $4.2 million. Four of these preferred stocks are rated non-investment grade, and none are delinquent. 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, 2014, there were two common stocks in an unrealized loss position with an aggregate fair value of $15.9 million and a gross unrealized loss of $5.5 million. Based on management's view of the underlying securities, the Company does not consider the common stocks to be OTTI.

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 $3 million and $2 million at December 31, 2014 and 2013, 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, 2014:

(In thousands)		**Carrying Value**	**Percent of Total**
Pricing source:			
Independent pricing services	$	12,265,052	97.3%
Syndicate manager		72,585	0.6
Directly by the Company based on:			
Observable data		263,155	2.1
Cash flow model		3,191	
Total	$	12,603,983	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, 2014, 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, 2014 and 2013

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, 2014 and 2013. 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)	2014	2013
Insurance-Domestic		
Gross premiums written	$ 5,383,679	$ 4,803,753
Net premiums written	4,517,587	3,994,387
Net premiums earned	4,271,933	3,782,416
Loss ratio	60.2%	61.3%
Expense ratio	31.6	32.7
GAAP combined ratio	91.8	94.0
Insurance-International		
Gross premiums written	$ 984,271	$ 898,776
Net premiums written	828,076	756,185
Net premiums earned	802,375	723,151
Loss ratio	62.8%	59.4%
Expense ratio	40.0	39.0
GAAP combined ratio	102.8	98.4
Reinsurance-Global		
Gross premiums written	$ 694,888	$ 808,562
Net premiums written	651,284	749,601
Net premiums earned	670,110	720,970
Loss ratio	62.0%	62.2%
Expense ratio	34.0	34.8
GAAP combined ratio	96.0	97.0
Consolidated		
Gross premiums written	$ 7,062,838	$ 6,511,091
Net premiums written	5,996,947	5,500,173
Net premiums earned	5,744,418	5,226,537
Loss ratio	60.8%	61.2%
Expense ratio	33.0	33.9
GAAP combined ratio	93.8	95.1

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, 2014 and 2013.

(In thousands, except per share data)		2014		2013
Net income to common stockholders	$	648,884	$	499,925
Weighted average diluted shares		133,652		140,743
Net income per diluted share	$	4.86	$	3.55

The Company reported net income of $649 million in 2014 compared to $500 million in 2013. The 30% increase in net income was primarily due to increases in after-tax net investment gains of $92 million, after-tax underwriting income of $64 million and after-tax net investment income of $16 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2014 and 2013.

Premiums. Gross premiums written were $7,063 million in 2014, an increase of 8% from $6,511 million in 2013. The growth was due to a combination of rate increases and increased exposures. Approximately 79% of policies expiring in 2014 were renewed, compared with a 76% renewal retention rate for policies expiring in 2013.

Average renewal premium rates (adjusted for change in exposures) increased 6.8% in 2012, 6.5% in 2013 and 3.4% in 2014. 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 2014 compared with 2013 by line of business within each business segment follows:

- Insurance-Domestic gross premiums increased 12% to $5,384 million in 2014 from $4,804 million in 2013. Gross premiums increased $169 million (13%) for workers' compensation, $160 million (10%) for other liability, $120 million (11%) for short-tail lines, $85 million (22%) for professional liability and $46 million (9%) for commercial auto.
- Insurance-International gross premiums increased 10% to $984 million in 2014 from $899 million in 2013. Gross premiums increased $77 million (16%) for short-tail lines, $21 million (23%) for other liability and $10 million (9%) for professional liability and decreased $13 million (15%) for workers' compensation and $10 million (8%) for commercial auto. In local currency terms, gross premiums increased 17%.
- Reinsurance-Global gross premiums decreased 14% to $695 million in 2014 from $809 million in 2013. Gross premiums written decreased $66 million (12%) for casualty lines and $48 million (17%) for property lines.

Net premiums written were $5,997 million in 2014, an increase of 9% from $5,500 million in 2013. Ceded reinsurance premiums as a percentage of gross written premiums were 15% in 2014 and 16% in 2013. The decrease in the percentage of business ceded was due to changes in the reinsurance terms and costs.

Premiums earned increased 10% to $5,744 million in 2014 from $5,227 million in 2013. 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 2014 are related to business written during both 2014 and 2013. Audit premiums were $118 million in 2014 compared with $120 million in 2013.

Net Investment Income. Following is a summary of net investment income for the years ended December 31, 2014 and 2013:

(In thousands)	Amount		Average Annualized Yield	
	2014	2013	2014	2013
Fixed maturity securities, including cash and cash equivalents and loans receivable	$ 439,489	$ 442,287	3.4%	3.5%
Investment funds	131,649	67,712	12.7	8.0
Arbitrage trading account	22,438	20,431	3.9	4.2
Real estate	10,228	12,498	1.5	2.0
Equity securities available for sale	6,726	11,380	3.7	3.8
Gross investment income	610,530	554,308	3.9	3.7
Investment expenses	(9,645)	(10,017)		
Total	$ 600,885	$ 544,291	3.9%	3.7%

Net investment income increased 10% to $601 million in 2014 from $544 million in 2013 primarily due to an increase in income from investment funds, including aviation and rail equipment funds, real estate funds and energy funds. Investment funds are reported on a one quarter lag. The average annualized yield for fixed maturity securities declined to 3.4% from 3.5% due to lower long-term reinvestment yields available in the market. The average duration of the fixed maturity portfolio was 3.2 years at December 31, 2014 compared with 3.3 years at December 31, 2013. Average invested assets, at cost (including cash and cash equivalents), were $15.6 billion in 2014 and $14.8 billion in 2013.

Based on information received from energy fund managers, the Company expects to report losses from energy funds of $22 million pre-tax, or $14 million after-tax, in the first quarter of 2015. The Company expects the energy fund losses will be partially offset by earnings from other investment funds.

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 increased to $117 million in 2014 from $108 million in 2013 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 $255 million in 2014 compared with $128 million in 2013. Realized gains in 2014 were related primarily to the sale of real estate, investment funds and fixed income and equity securities and included an $86 million gain from the sale of a commercial office building in London, England and a gain of $39 million resulting from an initial public offering by one of the Company's private equity investees.

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. There were no other-than-temporary impairments in 2014 compared with $6 million in 2013.

Revenues from Wholly-Owned Investees. Revenues from wholly-owned investees were derived from aviation-related businesses that provide services to aviation markets, including (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenues from wholly-owned investees increased to $410 million in 2014 from $408 million in 2013.

Losses and Loss Expenses. Losses and loss expenses increased to $3,491 million in 2014 from $3,197 million in 2013. The consolidated loss ratio was 60.8% in 2014 and 61.2% in 2013. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were $87 million in 2014 compared with $65 million in 2013, an increase of 0.3 loss ratio points. Favorable prior year reserve development (net of premium offsets) was $85 million in 2014 compared with $98 million in 2013, a difference of 0.3 loss ratio points (see Critical Accounting Estimates, Reserves for Losses and Loss Expenses). The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.0 points to 60.8% in 2014 from 61.8% in 2013. A summary of loss ratios in 2014 compared with 2013 by business segment follows:

- Insurance-Domestic - The loss ratio of 60.2% in 2014 was 1.1 points lower than the loss ratio of 61.3% in 2013. Catastrophe losses were $65 million in 2014 compared with $38 million in 2013, an increase of 0.5 loss ratio points. Favorable prior year reserve development was $92 million in 2014 compared with $71 million in 2013, a difference of 0.3 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.4 points to 60.8% in 2014 from 62.2% in 2013.

- Insurance-International - The loss ratio of 62.8% in 2014 was 3.4 points higher than the loss ratio of 59.4% in 2013. Catastrophe losses were $20 million in 2014 compared with $11 million in 2013, an increase of 0.9 loss ratio points. Adverse prior year reserve development was $23 million in 2014 compared with $12 million in 2013, a difference of 1.2 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 1.3 points to 57.4% in 2014 from 56.1% in 2013.
- Reinsurance-Global - The loss ratio of 62.0% in 2014 was 0.2 points lower than the loss ratio of 62.2% in 2013. Catastrophe losses were $2 million in 2014 compared with $16 million in 2013, a decrease of 1.9 loss ratio points. Favorable prior year reserve development was $16 million in 2014 compared with $39 million in 2013, a difference of 3.0 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.3 points to 64.1% in 2014 from 65.4% in 2013.

(In thousands)		2014		2013
Underwriting expenses	$	1,896,530	$	1,771,128
Service expenses		102,726		88,662
Net foreign currency gains		(27)		(10,120)
Debt extinguishment costs		—		6,709
Other costs and expenses		158,227		144,305
Total	$	2,157,456	$	2,000,684

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. Underwriting expenses increased 7% compared with an increase in net premiums earned of 10%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 33.0% in 2014, down from 33.9% in 2013, primarily due to higher earned premiums and to the impact of expense reduction initiatives.

Service expenses, which represent the costs associated with the fee-based businesses, increased 16% to $103 million. The increase was due to an increase in general and administrative expenses and to additional costs associated with new programs.

Net foreign currency gains of $27,000 in 2014 (compared with $10 million in 2013) resulted from transactions denominated in a currencies other than an 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 $158 million in 2014 from $144 million in 2013 due primarily to an increase in general and administrative expenses, including employment costs and benefits.

Expenses from Wholly-Owned Investees. Expenses from wholly-owned investees represent costs associated with aviation-related businesses that include (i) cost of goods sold related to aircraft and products sold and services provided, and (ii) general and administrative expenses. Expenses from wholly-owned investees were $401 million in 2014 compared to $389 million in 2013, primarily due to start-up costs from a new business operation.

Interest Expense. Interest expense was $128 million in 2014 compared with $123 million in 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. In August 2014, the Company issued $350 million of 4.75% senior notes due 2044. A portion of the proceeds will be used to repay $200 million of 5.60% senior notes that are due on May 15, 2015. In addition, the Company assumed $71 million of debt in conjunction with the acquisition of an office building in West Palm Beach, Florida, that matures in August 2015.

Income Taxes. The effective income tax rate was 32% in 2014 compared to 28% in 2013. The lower tax rate in 2013 was due, in part, to the utilization of foreign tax credits. 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 2014 pre-tax income and as such had a lesser impact on the effective tax rate for 2014 compared with 2013.

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately $58 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 $3.1 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

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

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. 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 and $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:

	Amount		Average Annualized Yield	
(In thousands)	**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 $46 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	$ 2,000,684	$ 1,799,623

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.

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.

Investments

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

The Company also attempts to maintain an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration of the investment portfolio was 3.2 years and 3.3 years at December 31, 2014 and 2013, respectively. The Company’s investment portfolio and investment-related assets as of December 31, 2014 were as follows:

($ in thousands)		Carrying Value	Percent of Total
Fixed maturity securities			
U.S. government and government agencies	$	803,388	5.2%
State and municipal:			
Special revenue		2,395,424	15.4
State general obligation		741,429	4.8
Pre-refunded (1)		541,183	3.5
Corporate backed		431,355	2.8
Local general obligation		326,506	2.1
Total state and municipal		4,435,897	28.5
Mortgage-backed securities:			
Agency		1,019,165	6.5
Commercial		76,037	0.5
Residential-Prime		151,367	1.0
Residential-Alt A		72,345	0.5
Total mortgage-backed securities		1,318,914	8.5
Corporate:			
Industrial		1,718,799	11.0
Asset-backed		2,025,927	13.0
Financial		1,176,206	7.5
Utilities		196,542	1.3
Other		87,661	0.6
Total corporate		5,205,135	33.4
Foreign government		941,826	6.0
Total fixed maturity securities		12,705,160	81.5
Equity securities available for sale:			
Common stocks		76,346	0.5
Preferred stocks		94,645	0.6
Total equity securities available for sale		170,991	1.1
Investment funds		1,211,401	7.8
Real estate		731,612	4.7
Arbitrage trading account		450,648	2.9
Loans receivable		322,012	2.1
Total investments	$	15,591,824	100.0%

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

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

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

At December 31, 2014, investments in foreign government fixed maturity securities were as follows:

(In thousands)		Carrying Value
Australia	$	234,645
United Kingdom		204,160
Canada		155,368
Argentina		129,572
Brazil		57,925
Germany		57,599
Supranational (1)		48,710
Norway		43,784
Singapore		6,507
Uruguay		3,556
Total	$	941,826

(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, 2014, the carrying value of investment funds was $1,211 million, including investments in real estate funds of $467 million, hedged equity funds of $282 million and investments in energy funds of $152 million. Investment funds are primarily reported on a one-quarter lag.

Real Estate. Real estate is directly owned property held for investment. At December 31, 2014, real estate properties in operation included a long-term ground lease in Washington D.C. and an office building in West Palm Beach, Florida. In addition, there are three properties under development: an office building in London, a mixed-use project in Washington D.C. and an office complex in New York City. The Company expects to fund further development costs for these projects with a combination of its own funds and external financing.

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

Loans Receivable. Loans receivable, which are carried at amortized cost, had an amortized cost of $322 million and an aggregate fair value of $325 million at December 31, 2014. The amortized cost of loans receivable is net of a valuation allowance of $3 million as of December 31, 2014. Loans receivable include real estate loans of $243 million that are secured by commercial real estate located primarily in Arizona, Illinois, Maryland, New York, North Carolina, Texas and Virginia. Real estate loans receivable generally earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension

options) through August 2025. Loans receivable include commercial loans of $79 million that are secured by business assets. Commercial loans have fixed interest rates and varying maturities not exceeding 10 years.

Liquidity and Capital Resources

Cash Flow. Cash flow provided from operating activities decreased to $735 million in 2014 from $820 million in 2013. The decrease in cash flow was due primarily to a decrease in cash flow from reinsurance and other underwriting activities and an increase in income taxes paid. Paid losses as a percent of earned premiums were 54% in 2014 compared with 55% in 2013.

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 2015, the maximum amount of dividends which can be paid without regulatory approval is approximately $631 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 81% invested in cash, cash equivalents and marketable fixed income securities as of December 31, 2014. 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, 2014, the Company had senior notes, subordinated debentures and other debt outstanding with a carrying value of $2,456 million and a face amount of $2,481 million. The maturities of the outstanding debt are $276 million in 2015, $33 million in 2016, $42 million in 2017, $450 million in 2019, $300 million in 2020, $427 million in 2022, $1 million in 2023, $2 million in 2029, $250 million in 2037, $350 in 2044 and $350 million in 2053.

The Company 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. In August 2014, the Company issued $350 million of 4.75% senior notes due 2044. A portion of the proceeds will be used to repay $200 million of 5.60% senior notes that are due on May 15, 2015. In addition, the Company assumed $71 million of debt in conjunction with the acquisition of an office building in West Palm Beach, Florida, that matures in August 2015.

Equity. The Company repurchased 5,816,468, 3,924,355, and 3,428,175 shares of its common stock in 2014, 2013 and 2012, respectively. The aggregate cost of the repurchases was $239 million in 2014, $166 million in 2013, and $128 million in 2012. At December 31, 2014, total common stockholders' equity was $4.6 billion, common shares outstanding were 126,749,000 and stockholders' equity per outstanding share was $36.21.

Total Capital. Total capitalization (equity, senior notes and other debt and subordinated debentures) was $7 billion at December 31, 2014. The percentage of the Company's capital attributable to senior notes, subordinated debentures and other debt was 35% at December 31, 2014 and 32% at December 31, 2013.

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, 2014, the Company had a deferred gross tax asset of $448 million (which primarily relates to loss and loss expense reserves and unearned premium reserves) and a gross deferred tax liability of $485 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 $58 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 $3.1 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

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, 2015: 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 $305 million for the majority of business written by its U.S. companies and its Lloyd's syndicate. The Company has separate catastrophe excess of loss reinsurance for business written through Lloyd's that provides protection for losses between $20 million and $60 million for events in North America. 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, 2015 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 losses involving two or more claimants for primary workers' compensation business, coverage is generally in place for losses between $5 million and $125 million. For excess workers' compensation business, such coverage is generally in place for losses between $175 million and $245 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, 2014:

	Years Ended December 31,		
(In thousands)	**2014**	**2013**	**2012**
Earned premiums	$ 1,030,666	$ 959,537	$ 821,347
Losses and loss expenses	475,802	556,108	528,018

Ceded earned premiums increased 7% in 2014 to $1,031 million. The increase was less than the increase in direct and assumed earned premiums of 9% due primarily to slower growth in assigned risk plan business, which is fully reinsured. The ceded losses and loss expenses ratio decreased 12 points to 46% in 2014 from 58% in 2013.

The following table presents the credit quality of amounts due from reinsurers as of December 31, 2014. 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 $20 million:			
Munich Re	AA-	$	141,489
Lloyd's of London	A+		109,976
Swiss Re	AA-		101,308
Alleghany Group	A+		97,300
Partner Re	A+		70,756
Axis Capital	A+		63,352
Berkshire Hathaway	A++		48,804
Ace Group	AA-		44,215
Hannover Re Group	AA-		43,207
Everest Re	A+		41,749
Arch Capital Group	A+		23,453
Other reinsurers:			
Rated A- or better			143,493
Secured (2)			40,122
All others			28,655
Subtotal			997,879
Residual market pools (3)			505,562
Total		$	1,503,441

(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, 2014:

(In thousands)

Estimated Payments By Periods	**2015**	**2016**	**2017**	**2018**	**2019**	**Thereafter**
Gross reserves for losses	$ 2,636,692	$ 1,825,725	$ 1,362,022	$ 1,000,854	$ 739,210	$ 3,615,729
Operating lease obligations	41,210	36,547	32,336	27,012	23,344	78,517
Purchase obligations	262,796	142,438	129,221	42,711	37,800	16,000
Subordinated debentures	—	—	—	—	—	350,000
Debt maturities	275,650	33,533	42,514	—	450,000	1,329,028
Interest payments	130,222	124,220	123,039	122,397	112,484	2,068,498
Other long-term liabilities	61,579	4,688	4,269	3,934	3,637	40,989
Total	$ 3,408,149	$ 2,167,151	$ 1,693,401	$ 1,196,908	$1,366,475	$ 7,498,761

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, 2014. 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, 2014, the Company had commitments to invest up to $242 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, 2014. 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 3.2 and 3.3 years at December 31, 2014 and 2013, 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, 2014:

(Dollars in thousands)	Effective Duration (Years)	Fair Value
Cash and cash equivalents	—	$ 674,441
U. S. government securities	3.7	803,388
State and municipal	4.3	4,453,398
Corporate	2.7	5,205,426
Foreign government	2.7	941,826
Mortgage-backed securities	3.2	1,321,768
Loans receivable	2.5	325,219
Total	3.2	$13,725,466

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, 2014 would be as follows:

(In thousands) Change in interest rates:	Estimated Fair Value	Change in Fair Value
300 basis point rise	$12,385,952	$ (1,339,514)
200 basis point rise	12,823,926	(901,540)
100 basis point rise	13,271,448	(454,018)
Base scenario	13,725,466	—
100 basis point decline	14,176,637	451,171
200 basis point decline	14,610,529	885,063
300 basis point decline	15,007,036	1,281,570

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, 2014 and 2013, 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, 2014. 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, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014, 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, 2014, 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 27, 2015 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/S/ KPMG LLP

New York, New York
February 27, 2015

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

(In thousands, except per share data)	Years Ended December 31, 2014	2013	2012
REVENUES:			
Net premiums written	$ 5,996,947	$ 5,500,173	$ 4,898,539
Change in net unearned premiums	(252,529)	(273,636)	(225,023)
Net premiums earned	5,744,418	5,226,537	4,673,516
Net investment income	600,885	544,291	586,763
Insurance service fees	117,443	107,513	103,133
Net investment gains:			
Net realized gains on investment sales	254,852	127,586	201,451
Other-than-temporary impairments and change in valuation allowance		(6,042)	9,014
Net investment gains	254,852	121,544	210,465
Revenues from wholly-owned investees	410,022	407,623	247,113
Other income	1,308	1,026	2,564
Total revenues	7,128,928	6,408,534	5,823,554
OPERATING COSTS AND EXPENSES:			
Losses and loss expenses	3,490,567	3,197,024	2,948,479
Other operating costs and expenses	2,157,456	2,000,684	1,799,623
Expenses from wholly-owned investees	400,535	388,761	247,222
Interest expense	128,174	123,177	126,302
Total operating costs and expenses	6,176,732	5,709,646	5,121,626
Income before income taxes	952,196	698,888	701,928
Income tax expense	(302,593)	(193,587)	(191,285)
Net income before noncontrolling interests	649,603	505,301	510,643
Noncontrolling interests	(719)	(5,376)	(51)
Net income to common stockholders	$ 648,884	$ 499,925	$ 510,592
NET INCOME PER SHARE:			
Basic	$ 5.07	$ 3.69	$ 3.72
Diluted	$ 4.86	$ 3.55	$ 3.56

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Years Ended December 31, 2014	2013	2012
Net income before noncontrolling interests	$ 649,603	$505,301	$ 510,643
Other comprehensive income:			
Change in unrealized translation adjustments	(62,125)	(23,848)	24,563
Change in unrealized investment gains (losses), net of taxes	49,666	(261,064)	87,316
Change in unrecognized pension obligation, net of taxes	6,651	8,700	(1,022)
Other comprehensive income (loss)	(5,808)	(276,212)	110,857
Comprehensive income	643,795	229,089	621,500
Comprehensive income to the noncontrolling interest	(752)	(5,404)	(128)
Comprehensive income to common shareholders	$ 643,043	$223,685	$ 621,372

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31, 2014	December 31, 2013
Assets		
Investments:		
Fixed maturity securities	$12,705,160	$11,616,844
Investment funds	1,211,401	1,067,495
Real estate	731,612	715,242
Arbitrage trading account	450,648	522,128
Loans receivable	322,012	343,583
Equity securities available for sale	170,991	283,338
Total investments	15,591,824	14,548,630
Cash and cash equivalents	674,441	839,738
Premiums and fees receivable	1,651,088	1,557,480
Due from reinsurers	1,503,441	1,533,103
Deferred policy acquisition costs	488,525	452,101
Prepaid reinsurance premiums	395,748	367,803
Trading account receivable from brokers and clearing organizations	371,034	304,936
Property, furniture and equipment	332,098	339,448
Goodwill	150,944	110,146
Accrued investment income	120,367	118,329
Deferred federal and foreign income taxes	—	20,120
Current federal and foreign income taxes	67,623	24,737
Other assets	369,558	335,225
Total assets	$21,716,691	$20,551,796
Liabilities and Equity		
Liabilities:		
Reserves for losses and loss expenses	$10,369,701	$10,080,941
Unearned premiums	3,026,732	2,781,437
Due to reinsurers	237,270	276,755
Trading account securities sold but not yet purchased	106,079	162,278
Deferred federal and foreign income taxes	37,452	
Other liabilities	859,736	848,749
Senior notes and other debt	2,115,527	1,692,442
Subordinated debentures	340,060	339,800
Total liabilities	17,092,557	16,182,402
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, 126,748,836 and 132,233,167 shares, respectively	47,024	47,024
Additional paid-in capital	991,512	967,440
Retained earnings	5,732,410	5,265,015
Accumulated other comprehensive income	183,550	189,391
Treasury stock, at cost, 108,369,082 and 102,884,751 shares, respectively	(2,364,551)	(2,132,835)
Total common stockholders' equity	4,589,945	4,336,035
Noncontrolling interests	34,189	33,359
Total equity	4,624,134	4,369,394
Total liabilities and equity	$21,716,691	$20,551,796

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Years Ended December 31, 2014	2013	2012
COMMON STOCK:			
Beginning and end of period	$ 47,024	$ 47,024	$ 47,024
ADDITIONAL PAID IN CAPITAL:			
Beginning of period	$ 967,440	$ 945,166	$ 941,109
Stock options exercised and restricted units issued including tax benefit	(4,485)	(1,143)	(22,125)
Restricted stock units expensed	27,966	22,881	25,728
Stock issued	591	536	454
End of period	$ 991,512	$ 967,440	$ 945,166
RETAINED EARNINGS:			
Beginning of period	$ 5,265,015	$ 4,817,807	$ 4,491,162
Net income to common stockholders	648,884	499,925	510,592
Dividends	(181,489)	(52,717)	(183,947)
End of period	$ 5,732,410	$ 5,265,015	$ 4,817,807
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Unrealized investment gains (losses):			
Beginning of period	$ 256,566	$ 517,658	$ 430,419
Unrealized gains (losses) on securities not other-than-temporarily impaired	49,071	(261,791)	84,229
Unrealized gains on other-than-temporarily impaired securities	562	699	3,010
End of period	306,199	256,566	517,658
Currency translation adjustments:			
Beginning of period	(60,524)	(36,676)	(61,239)
Net change in period	(62,125)	(23,848)	24,563
End of period	(122,649)	(60,524)	(36,676)
Net pension asset:			
Beginning of period	(6,651)	(15,351)	(14,329)
Net change in period	6,651	8,700	(1,022)
End of period	—	(6,651)	(15,351)
Total accumulated other comprehensive income	$ 183,550	$ 189,391	$ 465,631
TREASURY STOCK:			
Beginning of period	$ (2,132,835)	$ (1,969,411)	$ (1,880,790)
Stock exercised/vested	6,623	2,452	45,253
Stock issued	594	597	581
Stock repurchased	(238,933)	(166,473)	(134,455)
End of period	$ (2,364,551)	$ (2,132,835)	$ (1,969,411)
NONCONTROLLING INTERESTS:			
Beginning of period	$ 33,359	$ 29,249	$ 7,526
Acquisition of noncontrolling interest	78	(1,294)	21,595
Net income	719	5,376	51
Other comprehensive income, net of tax	33	28	77
End of period	$ 34,189	$ 33,359	$ 29,249

See accompanying notes to consolidated financial statements.

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

(In thousands)	Years Ended December 31, 2014	2013	2012
CASH FROM OPERATING ACTIVITIES:			
Net income to common stockholders	$ 648,884	$ 499,925	$ 510,592
Adjustments to reconcile net income to net cash from operating activities:			
Net investment gains	(254,852)	(121,544)	(210,465)
Depreciation and amortization	88,836	103,090	103,419
Noncontrolling interests	719	5,376	51
Investment funds	(131,649)	(67,712)	(77,015)
Stock incentive plans	28,068	23,784	26,763
Change in:			
Arbitrage trading account	(50,817)	(10,324)	(1,424)
Premiums and fees receivable	(104,174)	(138,027)	(228,756)
Reinsurance accounts	(33,445)	(171,263)	(216,968)
Deferred policy acquisition costs	(42,789)	(52,124)	(38,656)
Current income taxes	(40,935)	(45,613)	5,914
Deferred income taxes	30,812	56,281	13,240
Reserves for losses and loss expenses	376,617	372,002	406,763
Unearned premiums	277,826	323,160	279,986
Other	(58,254)	42,787	102,014
Net cash from operating activities	734,847	819,798	675,458
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Proceeds from sale of fixed maturity securities	633,459	1,344,707	838,576
Proceeds from sale of equity securities	113,251	267,554	409,610
Distributions from (contributions to) investment funds	69,319	(236,580)	77,930
Proceeds from maturities and prepayments of fixed maturity securities	2,605,839	2,718,156	2,291,105
Purchase of fixed maturity securities	(4,292,165)	(4,198,135)	(3,617,002)
Purchase of equity securities	(31,207)	(156,557)	(284,991)
Real estate purchased	(213,159)	(107,352)	(256,386)
Proceeds from sale of real estate	343,723		
Change in loans receivable	21,608	(30,974)	(124,776)
Net additions to property, furniture and equipment	(41,958)	(63,150)	(40,556)
Change in balances due from security brokers	32,617	(26,155)	(25,799)
Cash distributed in connection with business	15,783		
Payment for business purchased, net of cash acquired	(65,421)	(56,878)	(42,779)
Net cash used in investing activities	(808,311)	(545,364)	(775,068)
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Net proceeds from issuance of debt	354,012	346,822	369,291
Net proceeds from stock options exercised	—	53	7,660
Repayment of senior notes and other debt	(3,700)	(465,389)	
Cash dividends to common stockholders	(181,489)	(52,717)	(183,947)
Purchase of common treasury shares	(238,933)	(166,473)	(127,663)
Other	337	7,442	31,851
Net cash from (used in) financing activities	(69,773)	(330,262)	97,192
Net impact on cash due to change in foreign exchange rates	(22,060)	(10,104)	(3,654)
Net decrease in cash and cash equivalents	(165,297)	(65,932)	(6,072)
Cash and cash equivalents at beginning of year	839,738	905,670	911,742
Cash and cash equivalents at end of year	$ 674,441	$ 839,738	$ 905,670

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2014, 2013 and 2012

(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 2013 and 2012 financial statements to conform to the presentation of the 2014 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 $9 million, $12 million and $7 million in 2014, 2013 and 2012, respectively.

Revenues from wholly-owned investees are derived from aircraft services provided to the general, commercial and military aviation markets. These services include (i) the distribution, manufacturing, repair and overhaul of aircraft parts and components, (ii) the sale of new and used aircraft, and (iii) avionics, fuel, maintenance, storage and charter services. Revenue is recognized upon the shipment of parts, the delivery of aircraft, the delivery of fuel, 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 and fixed maturity 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 primarily 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 $68 million and $72 million at December 31, 2014 and 2013, 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 $44 million, $38 million and $38 million for 2014, 2013 and 2012, 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, 2014 indicated that there were no impairment losses related to goodwill and other intangible assets. Intangible assets of $96 million and $72 million are included in other assets as of December 31, 2014 and 2013, 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 $120 million, $125 million and $119 million in 2014, 2013 and 2012, respectively. Income taxes paid were $314 million, $186 million and $133 million in 2014, 2013 and 2012, respectively. Other non-cash items include acquisitions, unrealized investment gains and losses and pension expense. (See Note 2, Note 11 and Note 25 of Notes to Consolidated Financial Statements.)

(Q) Recent accounting pronouncements

In January 2014, the Financial Accounting Standards Board issued guidance relating to Accounting for Investments in Qualified Affordable Housing Projects. This guidance modified the amortization method on these investments and the statement of operations classification as pre-adoption amounts were presented in both pre-tax income and income tax expense while post adoption all impacts are recorded in income tax expense. The Company adopted this guidance effective January 1, 2014, and the impact of applying this guidance was immaterial.

All 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 / Dispositions

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

In 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 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 2014, the Company sold an aviation-related business for $16 million. The business had a net carrying value of $15 million, comprised of $7 million of goodwill, $6 million of other assets, $4 million of furniture and equipment and $2 million of liabilities.

The following table summarizes the estimated fair value of net assets acquired and liabilities assumed for business combinations completed in 2014 and 2013:

(In thousands)	2014	2013
Cash and cash equivalents	$ 17,457	$ 3,911
Real estate, furniture and equipment	669	898
Goodwill and other intangibles assets	79,646	64,464
Premium and service fee receivable	24,432	
Other assets	2,590	60,661
Total assets acquired	124,794	129,934
Deferred federal income tax	(7,107)	—
Debt		(27,612)
Other liabilities assumed	(34,809)	(17,076)
Net assets acquired	$ 82,878	$ 85,246

(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, 2014:

(In thousands)	Unrealized investment gains (losses)	Currency translation adjustments	Net pension asset	Accumulated other comprehensive income (loss)
Changes in AOCI				
Beginning of period	$ 256,566	$ (60,524)	$ (6,651)	$ 189,391
Other comprehensive income (loss) before reclassifications	98,294	(62,125)	—	36,169
Amounts reclassified from AOCI	(48,628)	—	6,651	(41,977)
Other comprehensive income (loss)	49,666	(62,125)	6,651	(5,808)
Unrealized investment gain related to non-controlling interest	(33)	—	—	(33)
Ending balance	$ 306,199	$ (122,649)	$ —	$ 183,550
Amounts reclassified from AOCI				
Pre-tax	$ (74,812) (1)	$ —	$ 10,232 (3)	$ (64,580)
Tax effect	26,184 (2)	—	(3,581) (2)	22,603
After-tax amounts reclassified	$ (48,628)	$ —	$ 6,651	$ (41,977)
Other comprehensive income (loss)				
Pre-tax	$ 72,889	$ (62,125)	$ 10,232	$ 20,996
Tax effect	(23,223)	—	(3,581)	(26,804)
Other comprehensive income (loss)	$ 49,666	$ (62,125)	$ 6,651	$ (5,808)

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	$ 256,566	$ (60,524)	$ (6,651)	$ 189,391
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	$ (67,876)	$ —	$ 8,700	$ (59,176)
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)	$ (261,064)	$ (23,848)	$ 8,700	$ (276,212)

(1) Net investment gains in the consolidated statements of income.
(2) Income tax expense in the consolidated statements of income.
(3) Other operating costs and expenses in the consolidated statements of income

(4) Investments in Fixed Maturity Securities

At December 31, 2014 and 2013, investments in fixed maturity securities were as follows:

(In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Carrying Value
December 31, 2014					
Held to maturity:					
State and municipal	$ 72,901	$ 17,501	$ —	$ 90,402	$ 72,901
Residential mortgage-backed securities	23,278	2,854	—	26,132	23,278
Corporate	4,998	291	—	5,289	4,998
Total held to maturity	101,177	20,646	—	121,823	101,177
Available for sale:					
U.S. government and government agency	773,192	33,353	(3,157)	803,388	803,388
State and municipal	4,137,866	229,150	(4,020)	4,362,996	4,362,996
Mortgage-backed securities:					
Residential(1)	1,201,924	27,124	(9,449)	1,219,599	1,219,599
Commercial	74,479	1,610	(52)	76,037	76,037
Corporate	5,036,958	187,960	(24,781)	5,200,137	5,200,137
Foreign government	897,668	62,223	(18,065)	941,826	941,826
Total available for sale	12,122,087	541,420	(59,524)	12,603,983	12,603,983
Total investment in fixed maturity securities	$ 12,223,264	$ 562,066	$ (59,524)	$ 12,725,806	$ 12,705,160
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	$ 11,291,631	$ 451,247	$ (111,134)	$ 11,631,744	$ 11,616,844

(1) Gross unrealized losses for mortgage-backed securities include $1,095,671 and $1,961,247, as of December 31, 2014 and 2013, 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, 2014, 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	$ 884,831	$ 895,004
Due after one year through five years	3,953,003	4,119,946
Due after five years through ten years	3,600,155	3,790,402
Due after ten years	2,485,594	2,598,686
Mortgage-backed securities	1,299,681	1,321,768
Total	$ 12,223,264	$ 12,725,806

At December 31, 2014 and 2013, 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, 2014, investments with a carrying value of $1,151 million were on deposit in custodial or trust accounts, of which $906 million was on deposit with state insurance departments, $188 million was on deposit in support of the Company's underwriting activities at Lloyd's, $44 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, 2014 and 2013, 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, 2014					
Common stocks	$ 69,870	$ 11,929	$ (5,453)	$ 76,346	$ 76,346
Preferred stocks	90,425	8,385	(4,165)	94,645	94,645
Total	$ 160,295	$ 20,314	$ (9,618)	$ 170,991	$ 170,991
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	$ 203,627	$ 86,030	$ (6,319)	$ 283,338	$ 283,338

(6) Arbitrage Trading Account

At December 31, 2014 and 2013, the fair value and carrying value of the arbitrage trading account were $451 million and $522 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, 2014, the fair value of long option contracts outstanding was $8 million (notional amount of $133 million) and the fair value of short option contracts outstanding was $2 million (notional amount of $106 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)		2014		2013		2012
Investment income earned on:						
Fixed maturity securities, including cash and cash equivalents and loans receivable	$	439,489	$	442,287	$	479,035
Equity securities available for sale		6,726		11,380		16,419
Investment funds		131,649		67,712		77,015
Arbitrage trading account		22,438		20,431		8,286
Real estate		10,228		12,498		12,097
Gross investment income		610,530		554,308		592,852
Investment expense		(9,645)		(10,017)		(6,089)
Net investment income	$	600,885	$	544,291	$	586,763

(8) Investment Funds

Investment funds consist of the following:

	Carrying Value as of December 31,		Income		
(In thousands)	2014	2013	2014	2013	2012
Real estate	$ 466,703	$ 378,435	$ 26,233	$ 9,315	$ 30,196
Energy	152,056	155,026	12,797	29,739	33,146
Hedged equity	282,335	271,575	10,760	7,655	5,912
Other funds	310,307	262,459	81,859	21,003	7,761
Total	$ 1,211,401	$ 1,067,495	$ 131,649	$ 67,712	$ 77,015

Other funds include private equity investments carried on the equity method of accounting, which includes a publicly traded common stock investment in HealthEquity, Inc. (HQY). Our ownership interest in HQY as of December 31, 2014 is 28.1%, with a fair value of $392 million and a carrying value of $45 million.

(9) Real Estate

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

	As of December 31,			
(In thousands)		2014		2013
Properties in operation	$	196,980	$	283,393
Properties under development		534,632		431,849
Total	$	731,612	$	715,242

In 2014, properties in operation included a long-term ground lease in Washington, D.C. and an office building in West Palm Beach, Florida. Properties in operation in 2013 included an office building located in London which was sold during 2014. Properties in operation are net of accumulated depreciation and amortization of $1,609,000 and $17,827,000 as of December 31, 2014 and 2013, respectively. Related depreciation expense was $4,808,000 and $7,474,000 for the years ended December 31, 2014 and 2013, respectively. Future minimum rental income expected on operating leases relating to properties in operation is $11,379,000 in 2015, $11,457,000 in 2016, $11,500,000 in 2017, $10,833,000 in 2018, $7,839,000 in 2019 and $336,653,000 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, 2014	As of December 31, 2013
Amortized cost:		
Real estate loans	$ 243,407	$ 282,357
Commercial loans	78,605	61,226
Total	$ 322,012	$ 343,583
Fair value:		
Real estate loans	$ 245,112	$ 284,017
Commercial loans	80,107	62,729
Total	$ 325,219	$ 346,746
Valuation allowance:		
Specific	$ 115	$ —
General	2,371	2,087
Total	$ 2,486	$ 2,087

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2013
Increase in valuation allowance	$ 398	$ 308

Loans receivable in non-accrual status as of December 31, 2014 was $14.2 million, primarily resulting from the transfer of such loans to held-for-sale.

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, Illinois, Maryland, New York, North Carolina, Texas and Virginia. 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 a risk rating system to assign a risk to each of its real estate loans. The loan rating system takes into consideration credit quality indicators including loan to value ratios, which compare the outstanding loan amount to the estimated value of the property, the borrower’s financial condition and performance with respect to loan terms, the Company’s position in the capital structure, and the overall leverage in the capital structure. Based on this rating system, none of the real estate loans were considered to be impaired at December 31, 2014, 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)	2014	2013	2012
Realized investment gains and losses:			
Fixed maturity securities:			
Gains	$ 39,113	$ 48,860	$ 34,295
Losses	(4,420)	(14,670)	(6,436)
Equity securities available for sale	38,296	70,235	97,300
Investment funds	96,204	10,976	74,777
Real estate	85,659		
Other gains	—	12,185	1,515
Net realized gains on investments sales	254,852	127,586	201,451
Net other-than-temporary impairments:			
Other-than-temporary impairments		(6,042)	(4,984)
Decrease in valuation allowance	—	—	13,998
Net other-than-temporary impairments		(6,042)	9,014
Total net investment gains	254,852	121,544	210,465
Income tax expense	(89,198)	(47,426)	(73,663)
	$ 165,654	$ 74,118	$ 136,802
Change in unrealized gains and losses of available for sales securities:			
Fixed maturity securities	$ 155,765	$ (401,812)	$ 162,220
Previously impaired fixed maturity securities	865	1,076	4,631
Equity securities available for sale	(69,016)	11,864	(33,199)
Investment funds	(14,725)	(10,250)	1,630
Total change in unrealized gains	72,889	(399,122)	135,282
Income tax benefit (expense)	(23,223)	138,058	(47,966)
Noncontrolling interests	(33)	(28)	(77)
	$ 49,633	$ (261,092)	$ 87,239

(12) Securities in an Unrealized Loss Position

The following table summarizes all securities in an unrealized loss position at December 31, 2014 and 2013 by the length of time those securities have been continuously in an unrealized loss position.

(In thousands)	Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
December 31, 2014						
U.S. government and government agency	$ 84,750	$ 522	$ 84,850	$ 2,635	$ 169,600	$ 3,157
State and municipal	158,594	631	150,284	3,389	308,878	4,020
Mortgage-backed securities	75,739	332	312,922	9,169	388,661	9,501
Corporate	1,586,238	8,697	214,628	16,084	1,800,866	24,781
Foreign government	76,471	3,907	85,025	14,158	161,496	18,065
Fixed maturity securities	1,981,792	14,089	847,709	45,435	2,829,501	59,524
Common stocks	15,929	5,453	—	—	15,929	5,453
Preferred stocks	27,126	1,139	22,648	3,026	49,774	4,165
Equity securities available for sale	43,055	6,592	22,648	3,026	65,703	9,618
Total	$2,024,847	$ 20,681	$ 870,357	$ 48,461	$ 2,895,204	$ 69,142
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	$ 3,085,977	$ 84,259	$ 355,098	$ 33,194	$ 3,441,075	$ 117,453

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, 2014 is presented in the table below:

(Dollars in thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Mortgage-backed securities	9	$ 28,537	$ 1,699
Corporate	10	24,528	742
Foreign government	2	11,177	247
Total	21	$ 64,242	$ 2,688

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 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, 2014, there were six preferred stocks in an unrealized loss position, with an aggregate fair value of $49.8 million and a gross unrealized loss of $4.2 million. Four of these preferred stocks are rated non-investment grade, and none are delinquent. 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, 2014, there were two common stocks in an unrealized loss position, with an aggregate fair value of $15.9 million and a gross unrealized loss of $5.5 million. Based on management's view on the underlying securities, the Company does not consider the common stocks to be OTTI.

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 $3 million and $2 million at December 31, 2014 and 2013, respectively.

(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, 2014 and 2013 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2014				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	$ 803,388	$ —	$ 803,388	$ —
State and municipal	4,362,996	—	4,362,996	—
Mortgage-backed securities	1,295,636	—	1,295,636	—
Corporate	5,200,137	—	5,179,372	20,765
Foreign government	941,826	—	941,826	—
Total fixed maturity securities available for sale	12,603,983	—	12,583,218	20,765
Equity securities available for sale:				
Common stocks	76,346	65,605	—	10,741
Preferred stocks	94,645	—	90,932	3,713
Total equity securities available for sale	170,991	65,605	90,932	14,454
Arbitrage trading account	450,648	295,047	154,881	720
Total	$ 13,225,622	$ 360,652	$ 12,829,031	$ 35,939
Liabilities:				
Securities sold but not yet purchased	$ 106,079	$ 106,074	$ 5	$ —
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	$ —

There were no transfers between Levels 1 and 2 for the years ended December 31, 2014 and 2013.

The following tables summarize changes in Level 3 assets and liabilities for the years ended December 31, 2014 and 2013:

	Gains (Losses) Included in:								
(In thousands)	**Beginning Balance**	**Earnings**	**Other Comprehensive Income**	**Purchases**	**Sales**	**Paydowns/ Maturities**	**In**	**Out**	**Ending Balance**
Year ended December 31, 2014									
Assets:									
Fixed maturity securities available for									
Corporate	$ 42,864	$ 47	$ (3,711)	$ 238	$ (15,244)	$ (3,429)	$ —	$ —	$ 20,765
Total	42,864	47	(3,711)	238	(15,244)	(3,429)	—	—	20,765
Equity securities available for sale:									
Common stocks	1,238	—	(911)	11,343	(929)	—	—	—	10,741
Preferred stocks	3,752	(17)	—	3,430	(3,452)	—	—	—	3,713
Total	4,990	(17)	(911)	14,773	(4,381)	—	—	—	14,454
Arbitrage trading account	1,780	2,274	—	4,942	(14,073)	—	9,064	(3,267)	720
Total	$ 49,634	$ 2,304	$ (4,622)	$ 19,953	$ (33,698)	$ (3,429)	$ 9,064	$ (3,267)	$ 35,939
Liabilities:									
Securities sold but not yet purchased	—	(20)	—	31	(11)	—	—	—	—
Year ended December 31, 2013									
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)	—	—	—	—

There were no significant transfers in or out of Level 3 during the years ended December 31, 2014 or 2013.

(14) Reserves for Losses and Loss Expenses

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

(In thousands)	2014	2013	2012
Net reserves at beginning of year	$ 8,683,797	$ 8,411,851	$ 8,172,112
Net provision for losses and loss expenses:			
Claims occurring during the current year(1)	3,495,825	3,221,393	2,997,995
Decrease in estimates for claims occurring in prior years(2)(3)	(75,764)	(78,810)	(102,571)
Loss reserve discount accretion(4)	70,506	54,441	53,055
Total	3,490,567	3,197,024	2,948,479
Net payments for claims:			
Current year	898,944	822,787	698,834
Prior year	2,216,283	2,055,284	2,010,101
Total	3,115,227	2,878,071	2,708,935
Foreign currency translation	(88,496)	(47,007)	195
Net reserves at end of year	8,970,641	8,683,797	8,411,851
Ceded reserve at end of year	1,399,060	1,397,144	1,339,235
Gross reserves at end of year	$ 10,369,701	$ 10,080,941	$ 9,751,086

(1) Claims occurring during the current year are net of loss reserve discounts of $21,306,000, $22,680,000, and $26,078,000 in 2014, 2013 and 2012, 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 $116,866,000, $77,430,000 and $100,667,000 in 2014, 2013 and 2012, 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 $85 million, $98 million and $103 million in 2014, 2013 and 2012, respectively.

(4) In 2014, the Company entered into a commutation agreement that resulted in a reduction in prior year workers' compensation reserves of $30 million on an undiscounted basis and $12 million on a discounted basis.

For the year ended December 31, 2014, estimates for claims occurring in prior years (net of additional and return premiums) decreased by $85 million. The favorable reserve development in 2014 was primarily attributable to domestic other liability business for accident years 2006 through 2010, primarily related to excess and surplus lines casualty business. 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.

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 2013 favorable development was partially offset by unfavorable development of $23 million for commercial automobile business and $14 million for products liability business.

Favorable reserve development in 2012 was primarily attributable to improved claim frequency (i.e., number of reported claims per unit of exposure), especially in the excess and surplus casualty business.

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 was $36 million at December 31, 2014 and 2013. The Company’s gross reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were $56 million and $59 million at December 31, 2014 and 2013, respectively. Increases in net incurred losses and loss expenses for reported asbestos and environmental claims were approximately $4 million, $5 million and $2 million

in 2014, 2013 and 2012, respectively. Net paid losses and loss expenses for asbestos and environmental claims were approximately $3 million in 2014, $3 million in 2013 and $2 million in 2012. 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, 2014, the discount rates by year ranged from 2.0% to 6.5% with a weighted average discount rate of 4.2%. 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%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was $746 million, $837 million and $867 million at December 31, 2014, 2013 and 2012, 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)	2014	2013	2012
Written premiums:			
Direct	$ 6,185,242	$ 5,626,172	$ 4,964,069
Assumed	877,596	884,919	815,810
Ceded	(1,065,891)	(1,010,918)	(881,340)
Total net written premiums	$ 5,996,947	$ 5,500,173	$ 4,898,539
Earned premiums:			
Direct	$ 5,889,021	$ 5,328,955	$ 4,723,882
Assumed	886,063	857,119	770,981
Ceded	(1,030,666)	(959,537)	(821,347)
Total net earned premiums	$ 5,744,418	$ 5,226,537	$ 4,673,516
Ceded losses and loss expenses incurred	$ 475,802	$ 556,108	$ 528,018
Ceded commission earned	$ 160,215	$ 137,449	$ 121,089

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 $1,144,000, $1,385,000 and $1,680,000 as of December 31, 2014, 2013 and 2012, respectively. The following table presents the amounts due from reinsurers as of December 31, 2014:

(In thousands)		
Munich Re	$	141,489
Allegany Grp		109,976
Lloyd's of London		101,308
Swiss Re		97,300
Partner Re		70,756
Axis Capital		63,352
Berkshire Hathaway		48,804
Ace Group		44,215
Everest Re		43,207
Hannover Re Group		41,749
Arch Capital Group		23,453
Other reinsurers less than $20,000		212,270
Subtotal		997,879
Residual market pools		505,562
Total	$	1,503,441

(16) Indebtedness

Indebtedness consisted of the following as of December 31, 2014 (the difference between the face value and the carrying value is unamortized discount):

(In thousands)	Interest Rate	Face Value	2014 Carrying Value	2013 Carrying Value
Senior notes due on:				
May 15, 2015	5.6%	$ 200,000	$ 199,930	$ 199,744
August 15, 2019	6.15%	150,000	149,342	149,199
September 15, 2019	7.375%	300,000	298,800	298,546
September 15, 2020	5.375%	300,000	298,074	297,738
January 1, 2022	8.7%	76,503	76,048	76,004
March 15, 2022	4.625%	350,000	346,999	346,581
February 15, 2037	6.25%	250,000	247,566	247,457
August 1, 2044	4.75%	350,000	344,545	
Subsidiary debt (1)	Various	153,549	154,223	77,173
Total senior notes and other debt		$ 2,130,052	$ 2,115,527	$ 1,692,442
Subordinated debentures	5.625%	$ 350,000	$ 340,060	$ 339,800

(1) Subsidiary debt is due as follows: $76 million in 2015, $33 million in 2016, $42 million in 2017 and $3 million thereafter.

In 2013, the Company issued $350 million aggregate principal amount of 5.625% Subordinated Debentures due April 2053. At December 31, 2014, the carrying value of the debentures, net of unamortized discount, was $340 million.

(17) Income Taxes

Income tax expense consists of:

(In thousands)	Current Expense	Deferred Expense	Total
December 31, 2014			
Domestic	$ 258,337	$ 28,029	$ 286,366
Foreign	12,969	3,258	16,227
Total expense	$ 271,306	$ 31,287	$ 302,593
December 31, 2013			
Domestic	$ 116,802	$ 47,370	$ 164,172
Foreign	22,362	7,053	29,415
Total expense	$ 139,164	$ 54,423	$ 193,587
December 31, 2012			
Domestic	$ 156,339	$ 11,448	$ 167,787
Foreign	23,029	469	23,498
Total expense	$ 179,368	$ 11,917	$ 191,285

Income before income taxes from domestic operations was $910 million, $598 million and $624 million for the years ended December 31, 2014, 2013 and 2012, respectively. Income before income taxes from foreign operations was $42 million, $101 million and $78 million for the years ended December 31, 2014, 2013 and 2012, 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:

(In thousands)	2014	2013	2012
Computed "expected" tax expense	$ 333,269	$ 244,611	$ 245,675
Tax-exempt investment income	(38,757)	(40,679)	(50,665)
Change in valuation allowance	1,335		
Impact of foreign tax rates	6,239	(4,851)	(5,234)
State and local taxes	2,375	2,906	(753)
Other, net	(1,868)	(8,400)	2,262
Total expense	$ 302,593	$ 193,587	$ 191,285

At December 31, 2014 and 2013, 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)	2014	2013
Deferred tax asset:		
Loss reserve discounting	$ 77,216	$ 87,394
Unearned premiums	165,075	149,107
Other-than-temporary impairments	45,367	49,483
Restricted stock units	60,061	52,671
Other	101,131	92,698
Gross deferred tax asset	448,850	431,353
Less valuation allowance	(1,335)	—
Deferred tax asset	447,515	431,353
Deferred tax liability:		
Amortization of intangibles	22,747	11,886
Deferred policy acquisition costs	152,001	136,635
Unrealized investment gains	175,111	148,215
Other	135,108	114,497
Deferred tax liability	484,967	411,233
Net deferred tax asset (liability)	$ (37,452)	$ 20,120

The Company had current tax receivables of $67,623,000 and $24,737,000 at December 31, 2014 and 2013, respectively. At December 31, 2014, the Company had foreign net operating loss carryforwards of $559 thousand that expire beginning in 2015, $6 million that expire beginning in 2031, and an additional $12 million that have no expiration date. At December 31, 2014, the Company had a valuation allowance of $1,335,000, as compared to none at December 31, 2013. The Company has provided a valuation allowance against losses for certain foreign non-insurance related business. The statute of limitations has closed for the Company's tax returns through December 31, 2010.

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.

(18) 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 2015, the maximum amount of dividends that can be paid by BIC without such approval is approximately $631 million.

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

(In thousands)	2014	2013	2012
Net income	$ 753,260	$ 469,354	$ 482,457
Statutory capital and surplus	$ 5,438,064	$ 4,908,010	$ 4,671,979

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 $251 million at December 31, 2014.

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, 2014, BIC's Total Adjusted Capital of $5.187 billion was 465% of its RBC Authorized Control Level.

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

(19) Common Stockholders' Equity

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

	2014	2013	2012
Basic	127,873,708	135,304,752	137,097,162
Diluted	133,651,855	140,742,922	143,314,544

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.

	2014	2013	2012
Balance, beginning of year	132,233,167	136,017,732	137,520,019
Shares issued	332,137	139,790	2,114,168
Shares repurchased	(5,816,468)	(3,924,355)	(3,616,455)
Balance, end of year	126,748,836	132,233,167	136,017,732

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.

(20) 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, 2014 and 2013:

	2014		2013	
(In thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	$ 12,705,160	$ 12,725,806	$ 11,616,844	$ 11,631,744
Equity securities available for sale	170,991	170,991	283,338	283,338
Arbitrage trading account	450,648	450,648	522,128	522,128
Loans receivable	322,012	325,219	343,583	346,746
Cash and cash equivalents	674,441	674,441	839,738	839,738
Trading accounts receivable from brokers and clearing organizations	371,034	371,034	304,936	304,936
Due from broker	—	—	17,735	17,735
Liabilities:				
Due to broker	23,133	23,133	8,273	8,273
Trading account securities sold but not yet purchased	106,079	106,079	162,278	162,278
Subordinated debentures	340,060	332,640	339,800	288,540
Senior notes and other debt	2,115,527	2,344,292	1,692,442	1,861,898

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, other debt and the subordinated debentures is based on spreads for similar securities, which is considered a Level 2 input.

(21) 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. Future minimum lease payments, without provision for sublease income, are: $41,210,000 in 2015; $36,547,000 in 2016; $32,336,000 in 2017; $27,012,000 in 2018; $23,344,000 in 2019 and $78,517,000 thereafter. Rental expense was $45,198,000, $44,752,000 and $38,179,000 for 2014, 2013 and 2012, respectively.

(22) 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, 2014, the Company had commitments to invest up to $242 million in certain investment funds.

(23) Stock Incentive Plan

The Company has not issued any stock options under its stock incentive plans since 2004, and there were no outstanding options at December 31, 2014. The following table summarizes stock option information:

	2013		2012	
	Shares	Price(1)	Shares	Price(1)
Outstanding at beginning of year	3,375	$ 15.17	1,314,057	$ 11.04
Exercised	3,375	15.17	1,310,682	11.03
Canceled	—	—	—	—
Outstanding at year end	—	$ —	3,375	$ 15.17

(1) Weighted average exercise price.

	2014	2013	2012
RSUs granted and unvested at beginning of period:	4,491,520	4,701,120	4,370,975
Granted	1,154,950	108,400	2,161,220
Vested	(81,500)	(146,250)	(1,704,625)
Cancelled	(234,525)	(171,750)	(126,450)
RSUs granted and unvested at end of period:	5,330,445	4,491,520	4,701,120

Pursuant to the stock incentive plan, the Company may issue restricted stock units (RSUs) to employees of the Company and its subsidiaries. The RSUs generally vest three to five years from the award date and are subject to other vesting and forfeiture provisions contained in the award agreement. The following table summarizes RSU information for the three years ended December 31, 2014:

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, 2014, 3,417,918 RSUs had been deferred. Accordingly, we have not included in the issued and outstanding common stock any shares relating to RSUs that have been granted but remain unvested or to issued RSUs that are vested and have 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, 2014:

(In thousands)	2014	2013	2012
Unearned compensation at beginning of year	$ 73,205	$ 93,653	$ 57,315
RSUs granted, net of cancellations	51,575	4,406	73,255
RSUs expensed	(27,966)	(22,881)	(25,728)
RSUs forfeitures	(8,799)	(1,973)	(11,189)
Unearned compensation at end of year	$ 88,015	$ 73,205	$ 93,653

(24) 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 will become eligible to participate in the Plan on the first day of the calendar quarter following the first full calendar quarter after the Employee's date of hire provided the Employee has completed 250 hours of service during the calendar quarter. The plans provide that 40% of the contributions vest immediately and that the remaining 60% vest at varying percentages based upon years of service. Profit sharing expense was $38 million, $34 million, and $31 million in 2014, 2013 and 2012, 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.

The following table is a summary of the outstanding LTIP awards as of December 31, 2014:

	Units Outstanding	Maximum Value	Inception to date earned through December 31, 2014 on outstanding units
2011 grant	175,100	$ 43,775,000	$ 27,307,000
2013 grant	208,000	52,000,000	16,665,000
2014 grant	220,000	22,000,000	3,663,000

The following table summarizes the LTIP expense for each of the three years ended December 31, 2014:

(In thousands)	2014	2013	2012
2008 grant	$ —	$ —	$ 4,283
2011 grant	9,855	6,939	6,822
2013 grant	9,493	7,231	—
2014 grant	3,663		—
Total	$ 23,011	$ 14,170	$ 11,105

The 2008 grant, which earned $23.0 million during the five years ended December 31, 2012, was paid in 2013.

(25) Retirement Benefits

The Company and its chairman of the board and chief executive officer entered into an unfunded supplemental benefit agreement (SBA) in 2004. On March 28, 2013, the Company agreed to terminate and distribute the retirement benefit of the SBA. As a result, the Company distributed retirement benefits of $0.3 million and $4.6 million in 2013 and 2014, respectively. The final retirement benefit of $59.4 million, which is fully accrued at December 31, 2014, will be distributed during the first quarter of 2015. Net retirement benefit expense was $7,696,000, $13,357,000 and $9,994,000 in 2012, 2013 and 2014, respectively.

Following is a summary of retirement benefit disclosures for prior years:

(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)
Net actuarial loss	$	4,242	$	14,605
Prior service cost		5,988		9,012
Net pension asset	$	10,230	$	23,617
Actuarial loss		(2,221)		6,795
Benefit obligation at end of year	$	4,317	$	64,632
Interest cost	$	2,191	$	2,476
Amortization of unrecognized:				
Prior service costs		3,023		3,023
Net actuarial loss		8,143		2,197
Net periodic pension cost	$	13,357	$	1,575
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	$	(13,387)	$	1,575

(26) Supplemental Financial Statement Data

Other operating costs and expenses consist of the following:

(In thousands)	2014	2013	2012
Amortization of deferred policy acquisition costs	$ 1,053,397	$ 991,070	$ 917,583
Other underwriting expenses	843,133	780,058	675,163
Service company expenses	102,726	88,662	84,986
Net foreign currency gains	(27)	(10,120)	(6,092)
Other costs and expenses	158,227	151,014	127,983
Total	$ 2,157,456	$ 2,000,684	$ 1,799,623

(27) Industry 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.

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 reporting 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.

	Revenues					
(In thousands)	Earned Premiums	Investment Income	Other	Total	Pre-Tax Income (Loss)	Net Income (Loss)
December 31, 2014:						
Insurance-Domestic	$ 4,271,933	$ 428,632	$ 106,853	$ 4,807,418	$ 796,309	$ 539,461
Insurance-International	802,375	55,407	—	857,782	29,779	22,182
Reinsurance-Global	670,110	88,821	—	758,931	115,677	79,720
Corporate, other and eliminations(1)		28,025	421,920	449,945	(244,421)	(158,133)
Net investment gains	—	—	254,852	254,852	254,852	165,654
Consolidated	$ 5,744,418	$ 600,885	$ 783,625	$ 7,128,928	$ 952,196	$ 648,884
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	$ 4,673,516	$ 586,763	$ 563,275	$ 5,823,554	$ 701,928	$ 510,592

Identifiable Assets

(In thousands)		December 31, 2014	December 31, 2013
Insurance-Domestic	$	16,065,409	$ 15,247,807
Insurance-International		1,879,438	1,516,310
Reinsurance-Global		2,713,554	3,103,193
Corporate, other and eliminations(1)		1,058,290	684,486
Consolidated	$	21,716,691	$ 20,551,796

(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)	2014	2013	2012
Insurance-Domestic			
Other liability	$ 1,449,425	$ 1,259,376	$ 1,104,369
Workers' compensation	1,126,704	995,047	869,042
Short-tail lines	875,898	774,809	733,239
Commercial automobile	526,344	486,759	455,988
Professional liability	293,562	266,425	254,384
Total Insurance-Domestic	4,271,933	3,782,416	3,417,022
Insurance-International			
Other liability	92,411	65,528	44,065
Workers' compensation	71,997	84,637	82,066
Short-tail lines	415,123	336,814	276,599
Commercial automobile	116,369	130,020	125,927
Professional liability	106,475	106,152	103,184
Total Insurance-International	802,375	723,151	631,841
Reinsurance-Global			
Casualty	487,264	507,790	456,376
Property	182,846	213,180	168,277
Total Reinsurance-Global	670,110	720,970	624,653
Total	$ 5,744,418	$ 5,226,537	$ 4,673,516

(28) Quarterly Financial Information (Unaudited)

The following is a summary of quarterly financial data:

(In thousands. except per share data)	2014			
Three months ended	March 31	June 30	September 30	December 31
Revenues	$ 1,706,906	$ 1,796,989	$ 1,840,605	$ 1,784,428
Net income	169,673	179,961	188,539	110,711
Net income per share(1)				
Basic	1.31	1.41	1.48	0.87
Diluted	1.25	1.35	1.42	0.83

Three months ended	2013 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

(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, 2014, 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, 2014.

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, 2014, 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, 2014, 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, 2014 and 2013, 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, 2014, and our report dated February 27, 2015 expressed an unqualified opinion on those consolidated financial statements.

/S/ KPMG LLP

New York, New York
February 27, 2015

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, 2014, 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, 2014, 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, 2014, 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, 2014, 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, 2014, 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, 2014, 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, 2014, 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	96
Schedule II — Condensed Financial Information of Registrant	97
Schedule III — Supplementary Insurance Information	101
Schedule IV — Reinsurance	102
Schedule V — Valuation and Qualifying Accounts	103
Schedule VI — Supplementary Information Concerning Property — Casualty Insurance Operations	104

(b) Exhibits

The exhibits filed as part of this report are listed on pages 92 - 95 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 27, 2015

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.

Signature	Title	Date
/s/ William R. Berkley William R. Berkley	Chairman of the Board and Chief Executive Officer (Principal executive officer)	February 27, 2015
/s/ W. Robert Berkley, Jr. W. Robert Berkley, Jr.	President, Chief Operating Officer and Director	February 27, 2015
/s/ Christopher L. Augostini Christopher L. Augostini	Director	February 27, 2015
/s/ Ronald E. Blaylock Ronald E. Blaylock	Director	February 27, 2015
/s/ Mark E. Brockbank Mark E. Brockbank	Director	February 27, 2015
/s/ George G. Daly George G. Daly	Director	February 27, 2015
/s/ Mary C. Farrell Mary C. Farrell	Director	February 27, 2015
/s/ Jack H. Nusbaum Jack H. Nusbaum	Director	February 27, 2015
/s/ Mark L. Shapiro Mark L. Shapiro	Director	February 27, 2015
/s/ Eugene G. Ballard Eugene G. Ballard	Senior Vice President and Chief Financial Officer (Principal financial officer and principal accounting officer)	February 27, 2015

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) Ninth Supplemental Indenture, dated as of August 6, 2014, between the Company and The Bank of New York Mellon, as Trustee, relating to $350,000,000 principal amount of the Company's 4.75% Senior Notes due 2044, 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 August 6, 2014).

(4.9) 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).

(4.10) 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).

(4.11) 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 Performance-Based 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 7, 2014).

(10.4) 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).

(10.5) 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).

(10.6) 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).

(10.7) 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).

(10.8) 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).

(10.9) 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).

(10.10) 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).

(10.11) 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 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).

(10.13) W. R. Berkley Corporation 2014 Long-Term Incentive Plan (incorporated by reference to Annex A of the Company's 2014 Proxy Statement (File No. 1-15202) filed with the Commission on April 7, 2014).

(10.14) Form of 2014 Performance Unit Award Agreement under the W. R. Berkley Corporation 2014 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 12, 2014).

(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%
Queen's Island Insurance Company, Ltd.	Bermuda	100%
Signet Star Holdings, Inc.	Delaware	100%
Berkley Insurance Company	Delaware	100%
Admiral Insurance Company	Delaware	100%
Admiral Indemnity Company	Delaware	100%
Carolina Casualty Insurance Company	Iowa	100%
Clermont Insurance Company	Iowa	100%
Nautilus Insurance Company	Arizona	100%
Berkley Assurance Company	Iowa	100%
Berkley Life and Health Insurance Company	Iowa	100%
Berkley London Holdings, Inc. (3)	Delaware	100%
W. R. Berkley London Holdings, Limited	United Kingdom	100%
W. R. Berkley Insurance (Europe), Limited	United Kingdom	100%
Berkley National Insurance Company	Iowa	100%
Berkley Regional Insurance Company	Delaware	100%
Acadia Insurance Company	New Hampshire	100%
American Mining Insurance Company	Iowa	100%
Berkley Regional Specialty Insurance Company	Delaware	100%
Continental Western Insurance Company	Iowa	100%
Firemen's Insurance Company of Washington, D.C.	Delaware	100%
Tri-State Insurance Company of Minnesota	Iowa	100%
Union Insurance Company	Iowa	100%
Gemini Insurance Company	Delaware	100%
Great Divide Insurance Company	North Dakota	100%
Key Risk Insurance Company	North Carolina	100%
Midwest Employers Casualty Company	Delaware	100%
Preferred Employers Casualty Company	California	100%
Riverport Insurance Company	Iowa	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 27, 2015, we reported on the consolidated balance sheets of W. R. Berkley Corporation and subsidiaries as of December 31, 2014 and 2013, 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, 2014, which are included in the Annual Report on Form 10-K for the year ended December 31, 2014. 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 27, 2015

Schedule II

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

(In thousands)	December 31, 2014	December 31, 2013
Assets:		
Cash and cash equivalents	$ 90,693	$ 17,315
Fixed maturity securities available for sale at fair value (cost $272,283 and $61,084 at December 31, 2014 and 2013, respectively)	273,773	63,115
Equity securities available for sale, at fair value (cost $3,738 in 2014 and $4,668 in 2013)	3,738	11,240
Investment in subsidiaries	6,693,731	6,250,979
Due from subsidiaries	—	13,648
Deferred Federal income taxes	—	51,346
Current Federal income taxes	62,882	17,540
Property, furniture and equipment at cost, less accumulated depreciation	9,852	9,028
Other assets	6,978	5,795
Total assets	$ 7,141,647	$ 6,440,006
Liabilities and stockholders' equity		
Liabilities:		
Due to subsidiaries	$ 87,540	$ —
Other liabilities	162,648	148,903
Deferred Federal income taxes	149	—
Subordinated debentures	340,060	339,800
Senior notes	1,961,305	1,615,268
Total liabilities	2,551,702	2,103,971
Stockholders' equity:		
Preferred stock		
Common stock	47,024	47,024
Additional paid-in capital	991,512	967,440
Retained earnings (including accumulated undistributed net income of subsidiaries of $4,700,821 and $4,393,420 at December 31, 2014 and 2013, respectively)	5,732,410	5,265,015
Accumulated other comprehensive income	183,550	189,391
Treasury stock, at cost	(2,364,551)	(2,132,835)
Total stockholders' equity	4,589,945	4,336,035
Total liabilities and stockholders' equity	$ 7,141,647	$ 6,440,006

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)

(In thousands)	Years Ended December 31, 2014	2013	2012
Management fees and investment income including dividends from subsidiaries of $503,483, $269,626, and $25,968 for the years ended December 31, 2014, 2013 and 2012, respectively	$ 515,775	$ 277,223	$ 29,961
Net investment gains	5,487	24,550	71,130
Other income	450	223	271
Total revenues	521,712	301,996	101,362
Operating costs and expense	148,288	122,562	133,326
Interest expense	125,352	120,066	124,298
Income (loss) before federal income taxes	248,072	59,368	(156,262)
Federal income taxes:			
Federal income taxes provided by subsidiaries on a separate return basis	366,721	225,845	132,379
Federal income tax expense on a consolidated return basis	(273,310)	(154,928)	(160,226)
Net expense	93,411	70,917	(27,847)
Income (loss) before undistributed equity in net income of subsidiaries	341,483	130,285	(184,109)
Equity in undistributed net income of subsidiaries	307,401	369,640	694,701
Net income	$ 648,884	$ 499,925	$ 510,592

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

Schedule II, Continued

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

(In thousands)	Years Ended December 31, 2014	2013	2012
Cash flows (used in) from operating activities:			
Net income	$ 648,884	$ 499,925	$ 510,592
Adjustments to reconcile net income to net cash from operating activities:			
Net investment gains	(5,487)	(24,550)	(71,130)
Depreciation and amortization	2,916	10,397	5,624
Equity in undistributed earnings of subsidiaries	(307,401)	(369,640)	(694,701)
Tax payments received from subsidiaries	462,809	77,305	125,046
Federal income taxes provided by subsidiaries on a separate return basis	(366,721)	(225,845)	(132,379)
Stock incentive plans	28,068	23,784	26,763
Change in:			
Federal income taxes	(15,239)	21,866	44,423
Other assets	(364)	(821)	911
Other liabilities	(39,780)	(15,470)	28,017
Accrued investment income	(820)	967	97
Other, net			(13)
Net cash (used in) from operating activities	406,865	(2,082)	(156,750)
Cash from (used in) investing activities:			
Proceeds from sales of fixed maturity securities	289,683	230,854	93,354
Proceeds from maturities and prepayments of fixed maturity securities	103,646	68,918	121,191
Proceeds from sales of equity securities	7,356	23,395	72,565
Cost of purchases of fixed maturity securities	(605,768)	(79,132)	(255,885)
Cost of purchases of equity securities		(4,668)	
Cost of acquired companies	(82,879)	—	—
Investments in and advances to subsidiaries, net	34,191	(58,454)	(16,480)
Change in balance due to security broker	(2,151)	6,918	(4,767)
Net additions to real estate, furniture & equipment	(1,615)	(1,896)	(1,857)
Net cash from (used in) investing activities	(257,537)	185,935	8,121
Cash from (used in) financing activities:			
Net proceeds from issuance of senior notes	344,472	339,627	345,823
Net proceeds from stock options exercised	—	53	13,544
Repayment of senior notes		(450,000)	
Purchase of common treasury shares	(238,933)	(166,473)	(134,456)
Cash dividends to common stockholders	(181,489)	(52,717)	(183,947)
Net cash from (used in) financing activities	(75,950)	(329,510)	40,964
Net increase (decrease) in cash and cash equivalents	73,378	(145,657)	(107,665)
Cash and cash equivalents at beginning of year	17,315	162,972	270,637
Cash and cash equivalents at end of year	$ 90,693	$ 17,315	$ 162,972

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, 2014

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 2013 and 2012 financial statements as originally reported to conform them to the presentation of the 2014 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.

W. R. Berkley Corporation and Subsidiaries
Supplementary Insurance Information
December 31, 2014, 2013 and 2012

(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, 2014									
Insurance-Domestic	$ 347,261	$ 8,000,863	$ 2,384,511	$ 4,271,933	$ 428,632	$ 2,571,010	$ 710,141	$ 729,958	$ 4,517,587
Insurance-International	60,900	855,852	342,746	802,375	55,407	503,997	173,877	150,129	828,076
Reinsurance-Global	80,364	1,512,986	299,475	670,110	88,821	415,560	169,379	58,315	651,284
Corporate and adjustments	—	—	—	—	28,025	—	—	165,657	—
Total	$ 488,525	$ 10,369,701	$,026,732	$ 5,744,418	$ 600,885	$ 3,490,567	$ 1,053,397	$ 1,104,059	$ 5,996,947
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	$ 452,101	$ 10,080,941	$ 2,781,437	$ 5,226,537	$ 544,291	$ 3,197,024	$ 991,070	$ 1,009,614	$ 5,500,173
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	$ 404,047	$ 9,751,086	$ 2,474,847	$ 4,673,516	$ 586,763	$ 2,948,479	$ 917,583	$ 882,040	$ 4,898,539

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule IV

W. R. Berkley Corporation and Subsidiaries
Reinsurance
Years ended December 31, 2014, 2013 and 2012

(In thousands, other than percentages)	Premiums Written				
	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	Percentage of Amount Assumed to Net
Year ended December 31, 2014:					
Insurance-Domestic	$ 5,214,849	$ 866,092	$ 168,830	$ 4,517,587	3.7%
Insurance-International	927,799	156,195	56,472	828,076	6.8%
Reinsurance-Global	42,594	43,604	652,294	651,284	100.2%
Total	$ 6,185,242	$ 1,065,891	$ 877,596	$ 5,996,947	14.6%
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%

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule V

W. R. Berkley Corporation and Subsidiaries
Valuation and Qualifying Accounts
Years ended December 31, 2014, 2013 and 2012

(In thousands)	Opening Balance	Additions-Charged to Expense	Deduction-Amounts Written Off	Ending Balance
Year ended December 31, 2014:				
Premiums and fees receivable	$ 20,951	$ 5,944	$ (5,449)	$ 21,446
Due from reinsurers	1,385	301	(542)	1,144
Deferred federal and foreign income taxes	—	1,335	—	1,335
Loan loss reserves	2,087	399	—	2,486
Total	$ 24,423	$ 7,979	$ (5,991)	$ 26,411
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
Loan loss reserves	19,805	(13,723)	(462)	5,620
Total	$ 40,640	$ (4,103)	$ (6,318)	$ 30,219

See accompanying Report of Independent Registered Public Accounting Firm.

Schedule VI

W. R. Berkley Corporation and Subsidiaries
Supplementary Information Concerning Property-Casualty Insurance Operations
Years Ended December 31, 2014, 2013 and 2012

(In thousands)	2014	2013	2012
Deferred policy acquisition costs	$ 488,525	$ 452,101	$ 404,047
Reserves for losses and loss expenses	10,369,701	10,080,941	9,751,086
Unearned premium	3,026,732	2,781,437	2,474,847
Net premiums earned	5,744,418	5,226,537	4,673,516
Net investment income	600,885	544,291	586,763
Losses and loss expenses incurred:			
Current year	3,495,825	3,221,393	2,997,995
Prior years	(75,764)	(78,810)	(102,571)
Loss reserve discount accretion	70,506	54,441	53,055
Amortization of deferred policy acquisition costs	1,053,397	991,070	917,583
Paid losses and loss expenses	3,115,227	2,878,071	2,708,935
Net premiums written	5,996,947	5,500,173	4,898,539

See accompanying Report of Independent Registered Public Accounting Firm.

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Operating Units

Berkley Insurance Company

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 542 3800

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W. Robert Berkley, Jr., *President*
Eugene G. Ballard, *Senior Vice President*
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Ira S. Lederman, *Senior Vice President*
A. Scott Mansolillo, *Senior Vice President and Chief Compliance Officer*
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Jane B. Parker, *Vice President*
Lloyd W. Wenzl, *Vice President*

Insurance-Domestic

Acadia Insurance

One Acadia Commons
Westbrook, Maine 04092
Tel: (207) 772 4300
www.acadiainsurance.com

Douglas M. Nelson, *President*
Charles A. Hamblen, *CPCU, Senior Vice President and Chief Financial Officer*
David J. LeBlanc, *CPCU, Senior Vice President*
Stephen J. Rich, *CPCU, Senior Vice President*
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Sharon Pontes, *Vice President*
J. Barry May, *CPCU, 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 Company

1000 Howard Boulevard, Suite 300
P. O. Box 5430
Mount Laurel, New Jersey 08054
Tel: (856) 429 9200
www.admiralins.com

James S. Carey, *CPCU, President and Chief Executive Officer*
Steven S. Zeitman, *Chief Operating Officer*
Scott R. Barraclough, *Executive Vice President*
Thomas G. Grilli, Jr., *Senior Vice President and Chief Financial Officer*
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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) 417 5430

American Mining Insurance Group

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

Chandler F. Cox, Jr., *CPCU, President and Chief Executive Officer*
Dominick Giovannelli, *Executive Vice President*
Gregory T. Pierre, *CPCU, Senior Vice President and Chief Financial Officer*
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Corey Chambliss, *Vice President*

Bettendorf, Iowa	Tel: (563) 345 6311
Johnstown, Pennsylvania	Tel: (814) 255 0200
Las Vegas, Nevada	Tel: (702) 754 5800
Lexington, Kentucky	Tel: (859) 971 1955

Berkley Accident and Health

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

Christopher C. Brown, *President and Chief Executive Officer*
Donato Gasparro, *Chief Operating Officer*
Lee D. Davidson, *Senior Vice President*
James Hoitt, *Vice President*

Sean Murphy, *Vice President and Chief Financial Officer*
Robert Robinson, *Vice President*
Thomas Skurat, *Vice President*

Accident Division

757 Third Avenue, 11th Floor
New York, New York 10017
Tel: (212) 822 3333

Susan Clarke, *President*
Gregory Garrison, *Vice President*
Donald Roberts, *Vice President*

Atlanta, Georgia	Tel: (678) 387 1823
Charlotte, North Carolina	Tel: (980) 214 1353
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, Kansas	Tel: (913) 515 7374
Lansdale, Pennsylvania	Tel: (267) 263 2578
Marlborough, Massachusetts	Tel: (508) 573 6084
Minneapolis, Minnesota	Tel: (609) 584 4618
Seattle, Washington	Tel: (425) 401 4246
Walnut Creek, California	Tel: (480) 529 6787

Berkley Aviation

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

Peter S. Jarrett, *President, Global Practice Leader*
Jason R. Niemela, *President*
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Terrence J. White, *Vice President – Boston*
Angus Roberts, *Head of Aviation – London*
Jason Jenkins, *Senior Aviation Underwriter – London*

Atlanta, Georgia	Tel: (678) 987 1754
Boston, Massachusetts	Tel: (617) 310 8227
London, England	Tel: (44) 207 088 1967

Berkley Custom Insurance Managers

3 Stamford Plaza
301 Tresser Boulevard, 6th Floor
Stamford, Connecticut 06901
Tel: (203) 905 7560
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*
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Jerome P. Gleich, *Vice President*
Anne M. Quinn, *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*
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Berkley FinSecure

849 Fairmount Avenue, Suite 301
Towson, Maryland 21286
Tel: (410) 337 9260
www.berkleyfinsecure.com

Michael P. Dandini, *President*
Steven Hilgart, *Chief Financial Officer*
Barbara A. Ewing, *Vice President*
Elizabeth L. Good, *Vice President*
Jon R. Martin, *Vice President*
Sean Missal, *Vice President, Berkley Crime*

Niles, Michigan	Tel: (866) 539 3995 ext 6325
West Hartford, Connecticut	Tel: (844) 442 7463

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*
Luis Gutiérrez, *Regional Chief Financial Officer*

Berkley Insurance Company (representative office in Colombia)

Carrera 7 # 71 – 21 Torre A Piso 5°
110231 Bogotá, Colombia
Tel: (571) 358 2414

Jaime Aramburo, *Director*

Berkley Life Sciences

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

Jill E. Wadlund, *CPCU, President*
Bradley M. John, *Senior Vice President*
Spencer J. Page, *Senior Vice President, Chief Financial Officer and Chief Operating Officer*
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Esperanza Pereira, *Vice President*
Claire Pollard, *Vice President*
Hedy Linette Ranieri, *Vice President*
Scott A. Rosenberg, *Vice President*

Naperville, Illinois — Tel: (630) 210 0360
Bethlehem, Pennsylvania — Tel: (609) 844 7800

Berkley LS Insurance Solutions, LLC

Walnut Creek, California — Tel: (925) 472 8190

BerkleyMed

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

Collin J. Suttie, *President*
W. Matthew Fessler, *CPCU, Executive Vice President*
Roger J. Becker, *Senior Vice President*
Russell A. Creed, *Senior Vice President*
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Jane M. Sharpe, *Vice President*

BerkleyMed Excess Insurance Services, LLC

Sebastopol, California — Tel: (707) 829 4740

Peter Bergmann, *Managing Director*
Hugh B. Jago, *Managing Director*

Berkley Mid-Atlantic Group

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

Susan N. Grady, *President*
Michael Bondura, *CPCU, Senior Vice President*
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Allen R. Latimer, *Vice President and Chief Financial Officer*
Vickie L. Price, *Vice President*
Laura L. Thorne, *Vice President*
Joseph Tuminelli, *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

BerkleyNet

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

James Gilbert, *President*
John Burke, *Senior Vice President*
Brian Risen, *CPCU, Senior Vice President*
Christina Culp, *Vice President and Chief Financial Officer*
Ken Miller, *CPCU, Vice President*
Kanchana Sarathy, *Vice President*

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

Berkley North Pacific

13920 SE Eastgate Way, Suite 120
Bellevue, Washington 98005
Tel: (877) 316 9038
www.berkleynpac.com

Jeffrey R. Dehn, *CPCU, President*
Deirdre A. Ashlock, *CPCU, Vice President*
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John C. Mallary, *Vice President*
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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

757 Third Avenue, 10th Floor
New York, New York 10017
Tel: (212) 618 2950
www.berkleyoffshore.com

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*
Nicholas D. Drury, *Vice President*
Charles L. Tindall, *Vice President*

Berkley Oil & Gas

10375 Richmond Avenue, Suite 1900
Houston, Texas 77042
Tel: (877) 972 2264
www.berkleyoil-gas.com

Carol A. Randall, *President*
Linda A. Eppolito, *Chief Financial Officer*
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Berkley Renewable Energy

230 W Monroe, Suite 220
Chicago, Illinois 60606
Tel: (312) 752 7222

Marie Gwin, *Vice President*

Berkley Professional Liability

757 Third Avenue, 10th Floor
New York, New York 10017
Tel: (212) 618 2900
www.berkleypro.com

John R. Benedetto, *President*
Steven P. Walsh, *Executive Vice President*
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Larry X. Zhang, *Vice President*
Anthony Zinicola, *Vice President*

London, England	Tel: (44) 207 088 1960
Schaumburg, Illinois	Tel: (630) 237 3650
Toronto, Ontario, Canada	Tel: (416) 304 1178

Berkley Program Specialists

1250 East Diehl Road, Suite 200
Naperville, Illinois 60563
Tel: (630) 210 0360
www.berkley-ps.com

Wayne H. Carter III, *CPCU, President*
Michael Anello, *Senior Vice President*
Julius M. Colangelo, *Senior Vice President*
Spencer L. Coyle, *Senior Vice President*
David A. Hanes, *CPCU, Senior Vice President*
David B. Myhre, *CPCU, Senior Vice President*
Kevin P. Novak, *Vice President*

Berkley Public Entity Managers

30 South 17th Street, Suite 820
Philadelphia, Pennsylvania 19103
Tel: (215) 553 7384
www.bpem.com

Richard B. Vincelette, *President*
Brian T. Whooley, *Senior Vice President*
Stephen D. Dzury, *Senior Vice President*

Berkley Regional Specialty Insurance Company

14902 North 73rd Street
Scottsdale, Arizona 85260
Tel: (480) 444 5950
www.brsic.com

Paul S. McAuliffe, *President*
Gordon L. Keffer, *Vice President and Chief Financial Officer*
Patrick K. Watland, *CPCU, Senior Vice President*
Donna J. Latham, *Vice President*
Timothy C. Woods, *Vice President*
Timothy S. Tokuda, *Vice President*

Charlotte, North Carolina	Tel: (704) 759 7016
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 2415
Scottsdale, Arizona	Tel: (866) 412 7742
Westbrook, Maine	Tel: (207) 874 1617

BerkleyRisk

222 South Ninth Street, Suite 1300
Minneapolis, Minnesota 55402
Tel: (612) 766 3000
www.berkleyrisk.com

John M. Goodwin, *President*
Tammy Bobbitt, *Chief Financial Officer*
Jon Paulsen, *Chief Underwriting Officer*
Michael T. Murdock, *CPCU, Senior Vice President*
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Geraint D. Powell, *Vice President*
Harini Upadhyaya, *Vice President*
Paul M. Welna, *Vice President*

Anchorage, Alaska	Tel: (800) 449 7707
Bedford, New Hampshire	Tel: (800) 611 8535
Birmingham, Alabama	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
Johnstown, Pennsylvania	Tel: (800) 611 8535
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
West Bend, Wisconsin	Tel: (888) 378 1734

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
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Tel: (61) 7 3220 9900

Level 8, Suite 5
454 Collins Street
Melbourne, VIC, 3000, Australia
Tel: (61) 3 8319 4080

Suite 5, 531 Hay Street
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24 Divett Place
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Rosario, Argentina
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Tel: (54) 11 4378 8100
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40 Lime Street, 2nd Floor
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Tel: (44) 207 280 9000
www.wrbeurope.com

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Tel: (44) 161 817 3440

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W. R. Berkley Insurance (Europe), Limited Zweigniederlassung für Deutschland

Clever Straße 13-15
50668 Köln, Germany
Tel: (49) 221 99386 100

Michael Grassee, *Managing Director*

W. R. Berkley Insurance Ireland

Unit 5C
Fingal Bay Business Park
Balbriggan, Co. Dublin, Ireland
Tel: (353) 1 690 4442

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

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

Paseo de Gracia, 11
Escalera A - 6a4
08007 Barcelona, Spain
Tel: (34) 93 481 4729

Leonardo Ligues, *Branch Manager*

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
www.wrbsyndicate.com

Alastair Blades, *Chief Executive Officer*
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Andrew Mitchell, *Chief Operating Officer*

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Berkley Asset Protection

757 Third Avenue, 10th Floor
New York, New York 10017
Tel: (212) 497 3700
www.berkleyassetpro.com

Joseph P. Dowd, *President*
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Service Operations

Berkley Capital, LLC

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000

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475 Steamboat Road
Greenwich, Connecticut 06830
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Tel: (302) 439 2000

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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 Colombia 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

Products and services are provided by one or more insurance company subsidiaries of W. R. Berkley Corporation. Not all products and services are available in every jurisdiction, and the precise coverage afforded by any insurer is subject to the actual terms and conditions of the policies as issued. Certain coverages may be provided through surplus lines insurance company subsidiaries of W. R. Berkley Corporation through licensed surplus lines brokers. Surplus lines insurers do not generally participate in state guaranty funds and insureds are therefore not protected by such funds.

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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 June 2, 2015 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

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“Always do right. This will gratify some people, and astonish the rest.”

Mark Twain

On the Cover:

“South American Landscape”
Martin Johnson Heade, 1871

W. R. Berkley Corporation

475 Steamboat Road Greenwich, CT 06830
203.629.3000 **www.wrberkley.com**

@WRBerkleyCorp

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