



13001729



2012 Financial Highlights

Optimizing risk-adjusted return over the long run has allowed us to deliver exceptional benefits to our shareholders. We believe we can continue to do so in the foreseeable future.

12.9%

Return on stockholders' equity averaged 18.4% over the past 10 years.

\$3.56

Net income per share increased 32% in 2012.

\$5.8 billion

Total revenues increased 13% in 2012.

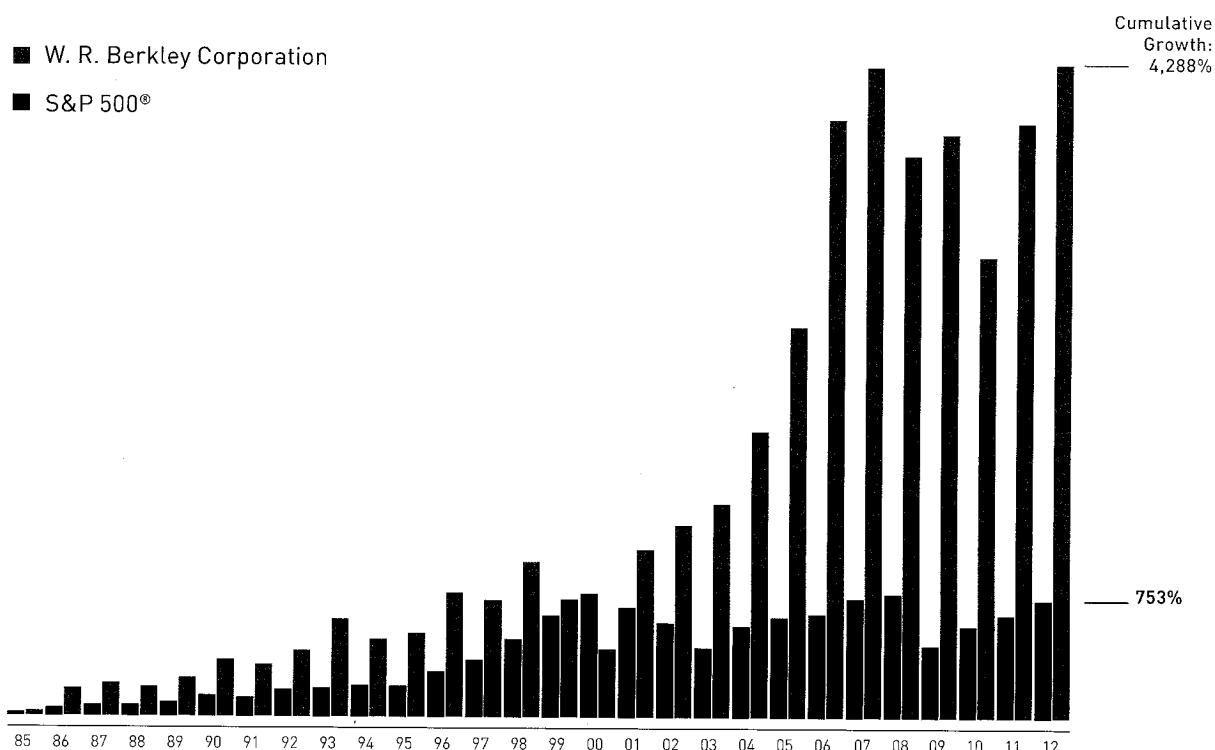
97.2%

Combined ratio averaged 95.6% over the past 5 years.

Table of Contents

Our Business.....	03
Chairman's Letter.....	05
Segment Overview.....	12
Form 10-K.....	15
Operating Units.....	131
Board of Directors.....	142
Corporate Information.....	144

Relative Stock Price Performance



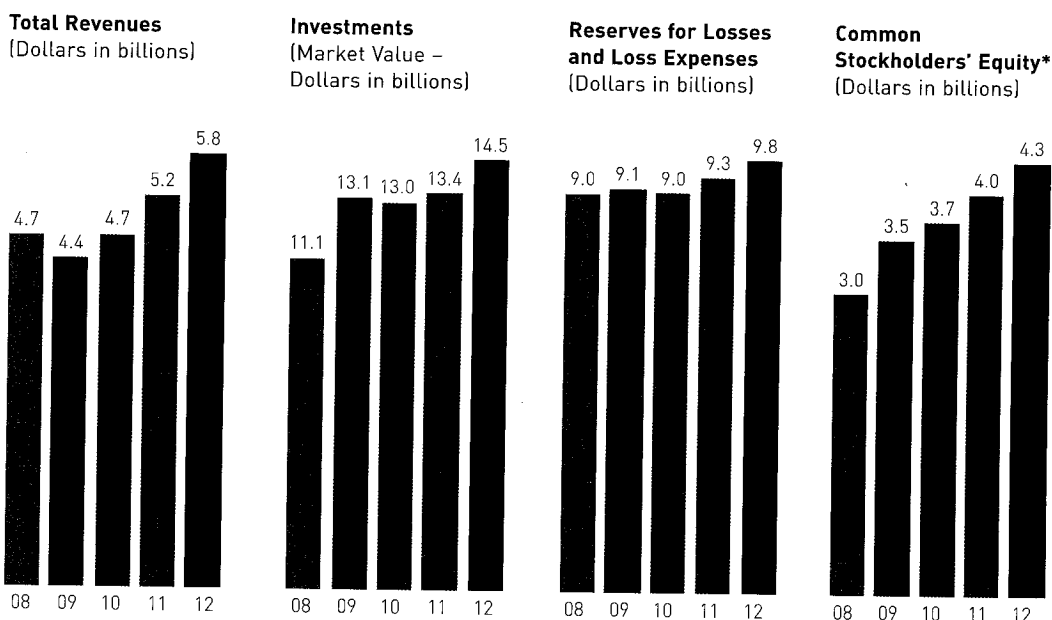
In thousands, except per share data

Years ended December 31,	2012	2011	2010	2009	2008
Total revenues	\$ 5,823,554	\$ 5,155,984	\$ 4,724,069	\$ 4,431,178	\$ 4,708,808
Net premiums written	4,898,539	4,357,368	3,850,926	3,730,095	4,033,899
Net investment income	586,763	526,351	530,525	379,008	533,480
Insurance service fees	103,133	92,843	85,405	93,245	102,856
Net income to common stockholders	510,592	391,211	446,405	307,506	279,795
Net income per common share:					
Basic	3.72	2.80	3.00	1.92	1.68
Diluted	3.56	2.69	2.88	1.85	1.61
Return on common stockholders' equity	12.9%	10.7%	12.6%	10.3%	7.9%

At Year End

Total assets	\$20,155,896	\$18,403,873	\$17,477,070	\$17,280,001	\$16,074,113
Total investments	14,467,440	13,439,518	12,995,393	13,050,238	11,143,281
Reserves for losses and loss expenses	9,751,086	9,337,134	9,016,549	9,071,671	8,999,596
Common stockholders' equity	4,306,217	3,953,356	3,651,399	3,547,472	2,999,274
Common shares outstanding	136,018	137,520	141,010	156,552	161,467
Common stockholders' equity per share	31.66	28.75	25.89	22.66	18.58

At A Glance



*Net of \$1.4 billion in shares repurchased from 2008-2012

W. R. Berkley Corporation, founded in 1967, is one of the nation's premier commercial lines property casualty insurance providers. Each of the operating units in the Berkley group participates in a niche market requiring specialized knowledge about a territory or product. Our competitive advantage lies in our long-term strategy of decentralized operations, allowing each of our units to identify and respond quickly and effectively to changing market conditions and local customer needs. This decentralized structure provides financial accountability and incentives to local management and enables us to attract and retain the highest caliber professionals. We have the expertise and resources to utilize our strengths in the present environment, and the flexibility to anticipate, innovate and respond to whatever opportunities and challenges the future may hold.

How we are different: **Accountability** The business is operated with an ownership perspective and a clear sense of fiduciary responsibility to shareholders. **People-oriented strategy** New businesses are started when opportunities are identified and, most importantly, when the right talent is found to lead a business. Of the Company's 48 operating units, 41 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

Since 1967, W. R. Berkley Corporation has consistently met or exceeded the expectations of its customers and shareholders.

Specialty

The Specialty units underwrite complex and sophisticated risks, with each unit focusing on a particular type of coverage or customer. Business is written on both an excess and surplus lines and admitted basis.

2012 Results: Total revenues were \$1.8 billion. Pre-tax income was \$262 million.

Regional

The Regional units, which are leaders in their local markets, write commercial lines coverages that are tailored to the specific needs of their regionally differentiated customers.

2012 Results: Total revenues were \$1.2 billion. Pre-tax income was \$122 million.

Alternative Markets

The Alternative Markets units offer insurance products and develop and administer self-insurance programs. Products include excess workers' compensation, monoline workers' compensation, accident and health and insurance services.

2012 Results: Total revenues were \$931 million. Pre-tax income was \$194 million.

Reinsurance

The Reinsurance units write reinsurance on both a facultative and treaty basis. In addition, the Company participates in business written through Lloyd's of London.

2012 Results: Total revenues were \$543 million. Pre-tax income was \$93 million.

International

The Company's International business operates in selected regions throughout the world, including Europe, South America, Australia, Asia, Canada, and through Lloyd's of London.

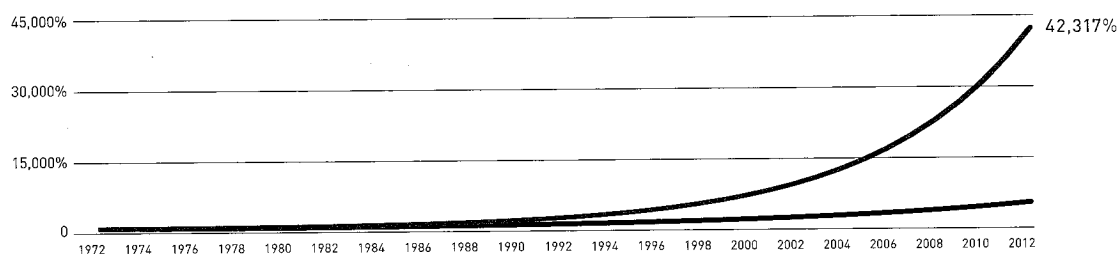
2012 Results: Total revenues were \$866 million. Pre-tax income was \$62 million.

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

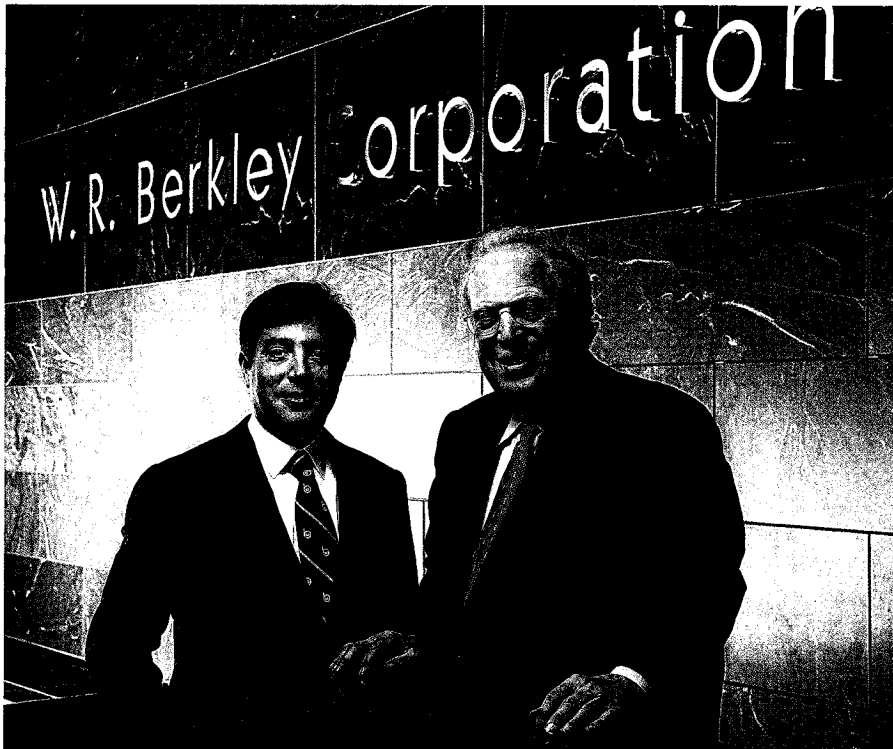
Year	ANNUAL PERCENTAGE CHANGE		
	in Per-Share Book Value of W. R. Berkley with Dividends Included (1)	in S&P 500® with Dividends Included (2)	Relative Results (1)-(2)
1974	50.0%	-26.4%	76.4%
1975	12.5%	37.2%	-24.7%
1976	29.6%	23.6%	6.0%
1977	28.6%	-7.4%	36.0%
1978	24.4%	6.4%	18.0%
1979	18.2%	18.2%	0.0%
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%
Average Annual Gain - 1974-2012			7.6%
Overall Gain - 1973-2012			4,695%
[Compound annual gain 1974-2012 = 16.8%]			

Overall gain 1973-2012 with dividends compounded = 42,317%

● W. R. Berkley Corporation ● S&P 500®



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**

Chairman's Letter

To Our Shareholders:

We are pleased with our 2012 results. The Company's return on equity reached 12.9% and our pre-tax earnings exceeded \$700 million. Our insurance business benefitted from both higher rates, up approximately 6.5%, and an increase in premium volume. We continue to anticipate improving financial results for the next several years. It is our view that rate increases in most lines of business will substantially exceed increases in loss costs. The further development of our many recently started operating units should generate substantial premium growth and the hardening market environment should allow our core businesses to regain customers from more aggressive competitors.

Our investment strategy has evolved over the last several years from investing almost entirely in fixed income marketable securities to a slightly more diverse portfolio. Today our high-quality, fixed-income portfolio, with an average rating of AA-, represents

We have been a public company for 40 years. In each of those years our enterprise has changed and evolved to better focus on our goal of optimizing risk-adjusted return.

approximately 85% of our investable assets. Approximately 25 years ago, we slowly started down this diversification path by investing part of our portfolio in a merger-arbitrage strategy. During the past five years, we have expanded our array of investable assets to include direct mortgage lending, real estate owned for investment purposes, and a series of other asset classes which offer us better yields on high-quality assets. While we have given up the short-term liquidity of marketable securities, there is more than adequate liquidity in the overall portfolio. This has proved to be a good strategy and has benefitted our investment returns. We have also increased our common stock portfolio to obtain attractive dividend yields along with the additional potential for capital gains.

Our business continues its focus on optimizing risk-adjusted return. The complexity of this goal in an environment with as much volatility as we currently face creates challenges which are particularly difficult given the economic model we operate within. The property casualty business has always faced the uncertainty of not knowing true loss costs until months or years after the product has been priced. Today, with so much economic and social uncertainty and political turmoil, the assumptions we make are more difficult to estimate. That being said, risk and uncertainty create opportunities for our business. If our customers did not face such situations, they would have little necessity to buy our product. While, for all these reasons, the economic model of our industry has become somewhat more challenging, the product we sell is becoming more essential to our customers. The current difficult economic environment has in fact enhanced the need for the type of safety net provided by insurance.

The biggest challenge to current industry earnings is the low level of interest rates. With interest rates at all-time lows, one of the key sources of profitability is under pressure. Prices must be raised not just to offset prior year price reductions, but to ameliorate the lost income from lower interest rates. To offset the past several years' investment income declines alone requires price increases of between 7% - 14% depending on the line of business.

2012 was the second year in a row of significant price increases. Some of our lines of business are now back to or above the rate levels they were at before price erosion began. Others have significant distances to go to regain their past pricing levels. But even when

Chairman's Letter

14.2%

Total Return
Stock price plus dividends

those are attained, we still must compensate for the modest deterioration in loss costs and the adverse impact of lower returns on our investment portfolio in order to achieve our targeted returns.

We expect price increases in 2013 to further improve our profitability. Our Company focuses on underwriting profits. We continue to believe these will be achieved and will substantially increase over the next several years.

Last year we continued to add new specialty units as we developed expertise in particular lines of business or focused our distribution on products in particular regions. The business continued to develop its global reach, expanding its footprint in Europe, Asia and Latin America. When people ask about our business, we talk in terms of combining capital with outstanding people and wrapping it all in a culture that is focused on optimizing returns, but returns always measured in terms of risk. We constantly search on a strategic basis for areas that we believe offer opportunities due to changes in the environment or market dislocations. Simultaneously, we are always searching for great people - people who bring expertise, leadership and relationships. This strategic outlook positions us to seize opportunities since we always strive to be prepared. Approximately one-third of our business today is derived from businesses we started within the past six years.

We have been a public company for 40 years. In each of those years our enterprise has changed and evolved to better focus on our goal of optimizing risk-adjusted return. In spite of 40 years of change, each year we find new things to do, create different approaches to our business, and learn how to better serve our customers. We believe change is not a process but rather a way of managing an enterprise, and in today's world, this has proved to be a valuable competitive strength for our Company. The insurance business is grounded in a promise based upon a contract. The contract defines the terms of agreement between the customer and the company assuming the risk. How each party behaves used to be defined in terms of the utmost good faith. Our Company and some others continue to behave this way. We are proud that we continue to believe that treating our customers fairly and appropriately is one of our competitive advantages. As Mark Twain said, "Always do right. This will gratify some people, and astonish the rest." The insurance business is an extremely competitive industry. We believe that people

ultimately purchase insurance to have their claims paid appropriately, in accordance with the policy terms, and in the long run this greatly enhances our business. It creates a permanent competitive advantage that can only be acquired over many years with consistent discipline. It is the starting point of building our culture. Treat your customer fairly.

We require outstanding employees to maintain our culture – people with expertise and knowledge of not just the industry but their product and territory; not generalists, but people who focus and who have the ability to answer customers' questions and meet customer needs, no matter how complex. Having the best people who are committed, not just to their profession but to meeting the needs of our clients, is a key building block of our enterprise.

We must have the capacity from a financial point of view to meet even the unforeseen event and continue on to meet all of our obligations.

The third building block requires outstanding distribution partners. On a global basis we need agents and brokers who want to meet the needs of their customers. Often times the customers may not know exactly what coverage they need. It is our job and the distribution partners' job, working together as partners, to provide the ultimate customer with the solutions that are required. The partnership between the company and its distribution is an ongoing relationship. At times, when the insurance marketplace is especially competitive, the role of the brokers and agents becomes more critical. In other environments, when there is a lack of industry capacity for a specific line of business or many lines of business, the company tends to assume the role of lead partner. In either case, success for both only happens when the customers' needs are met and in the event of a claim, the risk being protected is in fact ameliorated by the policy that was issued.

The final piece that is required for our success is financial strength. We must have the capacity from a financial point of view to meet even the unforeseen event and continue on to meet all of our obligations. For the nonbusiness-related unforeseen events within the economy, the financial capacity of an insurance company is the final backstop. It is important that in managing our enterprise day-to-day we recognize that we will be tested in the worst of times, not in the best of times. And in managing our Company we must ensure that our own risk management evaluation is built around fulfilling all of our obligations, in even the unforeseen environment.

Chairman's Letter

We sell insurance in order to make returns for our shareholders and we do this by building a competitive advantage so people benefit from doing business with us. Investors entrust their capital to our Company. They do this because they expect an outstanding return. We achieve that return by doing all of the above and by constantly adjusting to the ever-changing environment.

In 2012 we continued with this process of ongoing change. We established three new enterprises and many people have joined us to help further expand our existing companies. We started a new excess and surplus lines enterprise called Berkley Custom Insurance Managers. In addition, we established Berkley Public Entity Managers, which specializes in insuring municipalities and other public entities; and finally, Berkley Latin America Caribbean Managers. We continued our strategies into 2013 with the establishment of

18.0%

Average Annual Gain 1974-2012
in per share book value with dividends included

Berkley Southeast Insurance Group and Berkley Fire & Marine. We are excited about these new ventures and particularly about the ongoing opportunities for all of our recent start-ups.

The investment part of our business continues to be challenging. The inevitable risks of inflation are just around the corner. We expect interest rates to continue at this low level for at least the balance of the year and in all likelihood into next year. The U.S. and the rest of the world are stressed by a lack of robust economic activity and a population that expects a better life in the future. In the recent past, the world's governments have borrowed from the future to fund this shortfall. It is impossible that this situation can continue. At some point a better future requires that the pie get bigger because you only can delay paying for the future for a limited amount of time. Up until now, the central banks have forced interest rates to stay low and thus inflation has not reared its ugly head. It is likely, however, to do so.

In spite of what most people think, during inflationary periods, property casualty companies have delivered satisfactory financial results. So, an inflationary period in and of itself is not of great concern. The risk we face, however, is how it may affect the value of our bond portfolio, and consequently our reported capital. If the duration of our investments is long and the investments have interest rates that are below the then-current market, it may

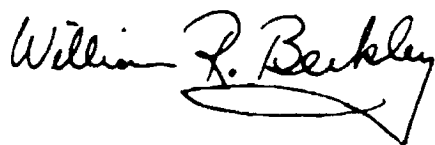
No enterprise can be a success, no matter what its philosophy or how good its industry, without the commitment and dedication of its team.

create a substantial portfolio loss. This is a serious potential exposure; however, if we manage our duration, it is unlikely to have a consequential effect.

We have consciously managed our duration in anticipation of increased inflation and the effects on the portfolio. Thus, we have shortened the duration of our portfolio and sought out investments that offer us more attractive returns, while giving up short-term marketability. Our cash position has also increased as has our common stock portfolio. Overall, we have been able to maintain our total return and believe we will be able to do so in spite of the current uncertain environment.

No enterprise can be a success, no matter what its philosophy or how good its industry, without the commitment and dedication of its team. We have over 7,000 people around the world who are committed to our success. Each and every one of them is an important participant in the successful outcome that we are able to deliver to our customers, our agents and brokers and our shareholders. They each warrant a thank you. We would have no business without our agents and brokers who choose to do business with our companies. Every day they have a choice and we appreciate the fact that they have elected to bring their customers' business to us. And while we work hard, it is a choice they make every day. We want to be sure to thank them, and ultimately, our shareholders who provide us with capital.

We have a long-term view. We work hard to acknowledge our errors and to be as transparent as possible. Optimizing risk-adjusted return over the long run has allowed us to deliver exceptional benefits to our shareholders. We believe we can continue to do so in the foreseeable future.

A handwritten signature in black ink that reads "William R. Berkley". The signature is written in a cursive style with a large, sweeping flourish at the end.

William R. Berkley

Chairman of the Board and Chief Executive Officer

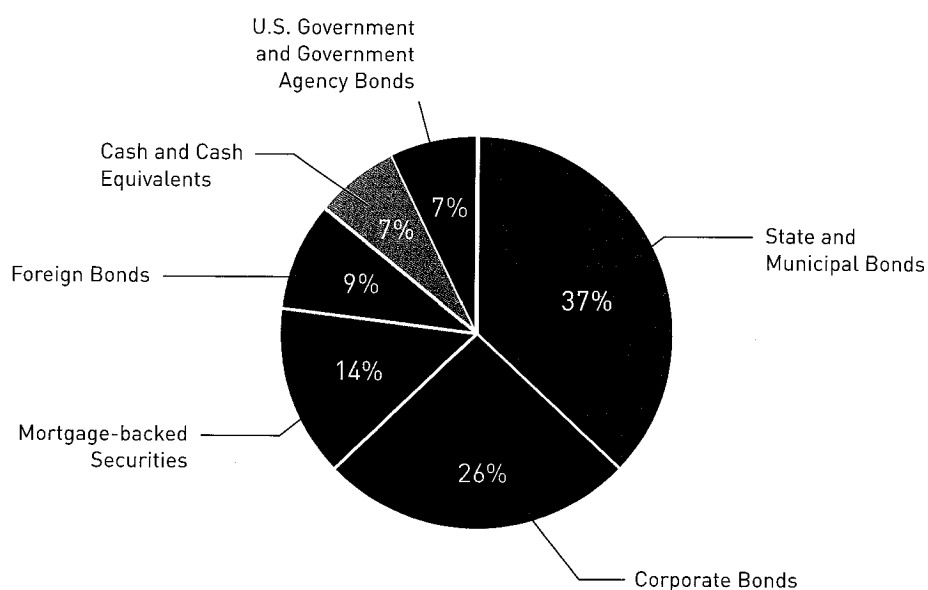
Investments

\$15.4 Billion Cash and Invested Assets

We have been able to maintain our total return and believe we will be able to do so in spite of the current environment.

Breakdown of Fixed Maturity Securities

(Including cash) (By percentage)



Duration: 3.4 years
Average rating: AA-

Investment Data

(Dollars in millions)

	2012	2011
Cash and invested assets:		
Invested assets	\$ 14,467	\$ 13,439
Cash and cash equivalents	\$ 906	\$ 912
Total	\$ 15,373	\$ 14,351
Net investment income	\$ 587	\$ 526
Net investment gains	\$ 210	\$ 125

“With every passing quarter, it is becoming more apparent that the property casualty commercial lines market is going through a time of positive transition. It has been many years since we, as an organization, have been so encouraged by the market.”

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

Segment Overview

Each of our five business segments – Specialty, Regional, Alternative Markets, Reinsurance, and International – 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.

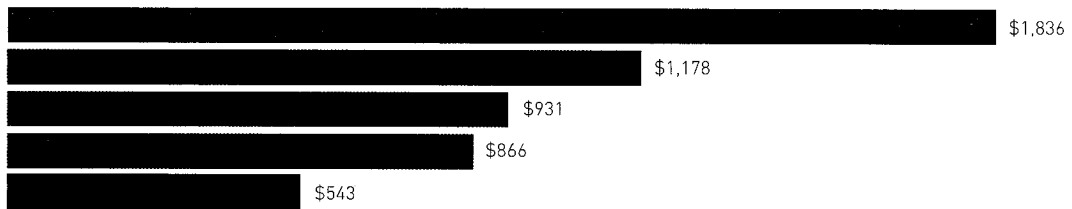
We combine capital with outstanding people and wrap it all in a culture that is focused on optimizing risk-adjusted returns. It creates a permanent competitive advantage that can only be acquired over many years with consistent discipline.

2012 Segment Revenues and Pre-tax Income

Specialty
 Regional
 Alternative Markets
 International
 Reinsurance

2012 Revenues

(Dollars in millions)



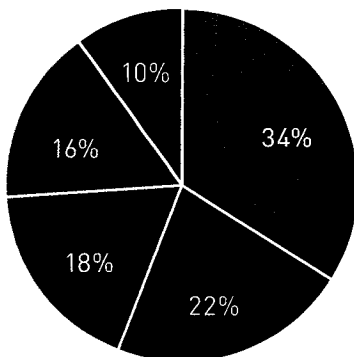
2012 Pre-tax Income

(Dollars in millions)



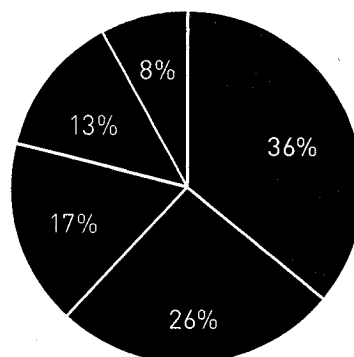
2012 Revenues

(By percentage)



2012 Pre-tax Income

(By percentage)

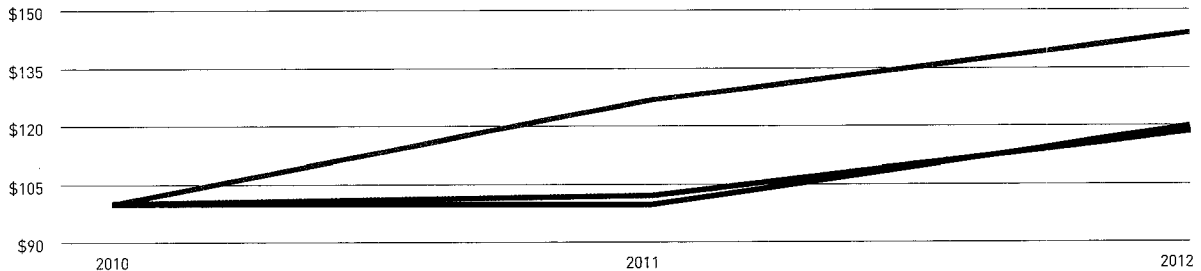


Comparison of Cumulative Total Returns

Assumes initial investment of \$100 on January 01, 2011, 2008, and 2003, respectively, with dividends reinvested

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

2 Year



W. R. Berkley Corporation

S&P 500® Total Returns

S&P 500® Property & Casualty Insurance Index

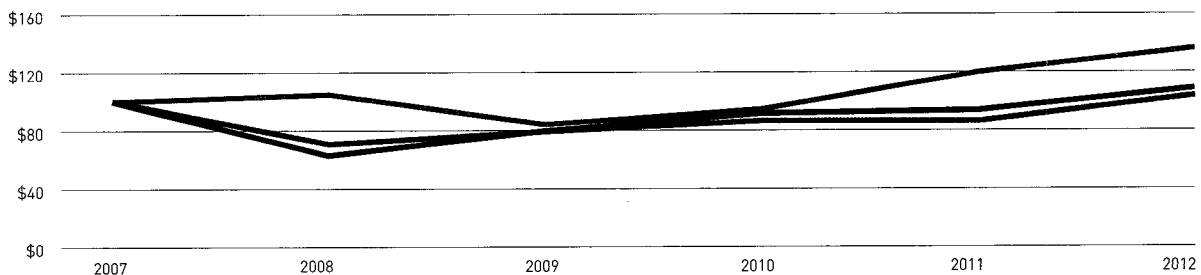
Dec 10 Dec 11 Dec 12

\$100.00 \$126.85 \$144.09

\$100.00 \$102.11 \$118.46

\$100.00 \$ 99.74 \$119.80

5 Year



W. R. Berkley Corporation

S&P 500® Total Returns

S&P 500® Property & Casualty Insurance Index

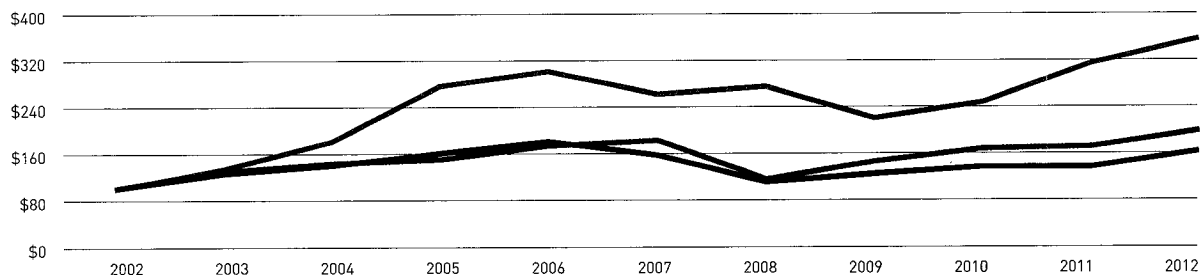
Dec 07 Dec 08 Dec 09 Dec 10 Dec 11 Dec 12

\$100.00 \$104.91 \$84.24 \$94.56 \$119.95 \$136.25

\$100.00 \$ 63.00 \$79.68 \$91.68 \$ 93.61 \$108.60

\$100.00 \$ 70.57 \$79.18 \$86.48 \$ 86.26 \$103.60

10 Year



W. R. Berkley Corporation

S&P 500® Total Returns

S&P 500® Property & Casualty Insurance Index

Dec 02 Dec 03 Dec 04 Dec 05 Dec 06 Dec 07 Dec 08 Dec 09 Dec 10 Dec 11 Dec 12

\$100.00 \$133.48 \$181.34 \$276.06 \$301.48 \$262.10 \$274.98 \$220.79 \$247.84 \$314.39 \$357.11

\$100.00 \$128.68 \$142.69 \$149.70 \$173.34 \$182.86 \$115.21 \$145.70 \$167.64 \$171.18 \$198.59

\$100.00 \$126.39 \$139.59 \$160.68 \$181.30 \$157.37 \$111.05 \$124.61 \$136.10 \$135.74 \$163.04

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

Prepared by Zacks Investment Research, Inc. Used with permission. All rights reserved. Copyright 1980-2013.

Index Data: Copyright Standard and Poor's Inc. Used with permission. All rights reserved.

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

SEC
Mail Processing
Section
APR - 8 2013
Washington DC
400

(Mark One)

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

For the fiscal year ended December 31, 2012
OR

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

For the transition period from _____ to _____.

Commission file number 1-15202

W. R. BERKLEY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation or organization)

475 Steamboat Road, Greenwich, CT
(Address of principal executive offices)

22-1867895

(I.R.S. Employer
Identification Number)

06830
(Zip Code)

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

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

Title of Each Class

Name of Each Exchange on Which Registered

Common Stock, par value \$.20 per share
6.75% Trust Originated Preferred Securities

New York Stock Exchange
New York Stock Exchange

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

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

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

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates (computed by reference to the price at which the common stock was last sold) as of the last business day of the registrant's most recently completed second fiscal quarter was \$4,336,925,500.

Number of shares of common stock, \$.20 par value, outstanding as of February 14, 2013: 136,023,412

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, 2012, are incorporated herein by reference in Part III.

SAFE HARBOR STATEMENT

PART I		
ITEM	1. BUSINESS	1
ITEM	1A. RISK FACTORS	21
ITEM	1B. UNRESOLVED STAFF COMMENTS	31
ITEM	2. PROPERTIES	31
ITEM	3. LEGAL PROCEEDINGS	31
ITEM	4. MINE SAFETY DISCLOSURES	31
PART II		
ITEM	5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	32
ITEM	6. SELECTED FINANCIAL DATA	33
ITEM	7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	33
ITEM	7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	56
ITEM	8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	57
ITEM	9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	92
ITEM	9A. CONTROLS AND PROCEDURES	93
ITEM	9B. OTHER INFORMATION	95
PART III		
ITEM	10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	96
ITEM	11. EXECUTIVE COMPENSATION	96
ITEM	12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	96
ITEM	13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	96
ITEM	14. PRINCIPAL ACCOUNTING FEES AND SERVICES	96
PART IV		
ITEM	15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES	
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 2013 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;
- the long-tail and potentially volatile nature of the insurance and reinsurance business;
- product demand and pricing;
- claims development and the process of estimating reserves;
- investment risks, including those of our portfolio of fixed maturity securities and investments in equity securities, including investments in financial institutions, municipal bonds, mortgage-backed securities, loans receivable, investment funds, real estate, merger arbitrage and private equity investments;
- the effects of emerging claim and coverage issues;
- the uncertain nature of damage theories and loss amounts;
- natural and man-made catastrophic losses, including as a result of terrorist activities;
- general economic and market activities, including inflation, interest rates and volatility in the credit and capital markets;
- the impact of conditions in the financial markets and the global economy, and the potential effect of legislative, regulatory, accounting or other initiatives taken in response to it, on our results and financial condition;
- foreign currency and political risks relating to our international operations;
- our ability to attract and retain key personnel and qualified employees;
- continued availability of capital and financing;
- the success of our new ventures or acquisitions and the availability of other opportunities;
- the availability of reinsurance;
- our retention under the Terrorism Risk Insurance Act of 2002, as amended;
- 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 2013 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:

- *Specialty*, including excess and surplus lines and admitted specialty lines;
- *Regional* commercial lines property casualty;
- *Alternative Markets*, including excess workers' compensation, monoline workers' compensation, accident and health, and insurance services;
- *Reinsurance*, on both a facultative and treaty basis and participating in business written through Lloyd's of London; and
- *International* business in selected regions throughout the world.

Each of our five 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 48 operating units, 41 have been organized and developed internally and seven have been added through acquisition. Of these units, 23 have been formed since 2006.

Our Specialty insurance and Reinsurance operations are conducted throughout the United States, and, on a limited basis, outside the United States. Regional insurance operations are conducted across the continental United States in six regions: the Midwest, Northeast, Southwestern, Southeastern (excluding Florida and Louisiana), Mid Atlantic, and North Pacific regions. Alternative Markets operations are conducted throughout the United States. Our International operations are conducted primarily in the United Kingdom, Continental Europe, South America, Australia, the Asia Pacific region, Scandinavia and Canada.

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

(In thousands)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net premiums written:					
Specialty	\$ 1,747,687	\$ 1,554,516	\$ 1,311,831	\$ 1,260,451	\$ 1,453,778
Regional	1,119,274	1,064,507	1,044,347	1,081,100	1,211,096
Alternative Markets	702,922	619,097	582,045	589,637	622,185
Reinsurance	477,252	430,329	401,239	423,425	435,108
International	851,404	688,919	511,464	375,482	311,732
Total	\$ 4,898,539	\$ 4,357,368	\$ 3,850,926	\$ 3,730,095	\$ 4,033,899

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Percentage of net premiums written:					
Specialty	35.7%	35.7%	34.1%	33.7%	36.1%
Regional	22.9	24.4	27.1	29.0	30.0
Alternative Markets	14.3	14.2	15.1	15.8	15.4
Reinsurance	9.7	9.9	10.4	11.4	10.8
International	17.4	15.8	13.3	10.1	7.7
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. W. R. Berkley Corporation is a Delaware corporation formed in 1970.

SPECIALTY

Our Specialty lines companies 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 Specialty lines of business include premises operations, commercial automobile, property, products liability and professional liability lines. The customers in this segment are highly diverse. Business is conducted through the following 22 operating units, each delivering their products through a variety of distribution channels, depending on the customer base and particular risks insured:

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 expanding 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 U.S. It also serves as a third-party administrator of workers' compensation mining claims for clients in several states.

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

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

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

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

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

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

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

Berkley Specialty Underwriting Managers has two underwriting divisions. Its entertainment and sports division underwrites property casualty insurance products, both on an admitted and non-admitted basis, for the entertainment industry and sports-related organizations. The environmental division underwrites specialty insurance products for environmental customers such as contractors, consultants and owners of sites and facilities.

Berkley 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.

Berkley Underwriting Partners 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.

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

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

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

Gemini Transportation Underwriters 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.

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 directors and officers, employment practices and fiduciary coverages for public and private companies and nonprofit organizations, and errors and omissions policies for accounting and law firms.

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

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 Specialty operating unit:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Berkley Specialty Underwriting Managers	16.3%	14.8%	12.0%	8.5%	9.6%
Nautilus Insurance	12.8	13.9	15.9	16.8	17.5
Admiral Insurance	12.6	14.2	16.7	20.4	24.0
Berkley Oil & Gas Specialty Services	6.7	4.5	0.9	—	—
Monitor Liability Managers	6.4	8.2	10.1	10.4	8.6
Berkley Select	6.1	5.5	5.6	5.3	2.9
Carolina Casualty Insurance	4.8	4.9	5.0	9.3	14.8
Vela Insurance Services	4.6	4.5	4.9	4.4	5.6
Berkley Offshore Underwriting Managers	4.5	4.1	3.7	2.7	—
Berkley Underwriting Partners	3.7	6.5	6.8	6.2	6.8
Clermont Specialty Managers	3.2	3.5	4.1	4.0	3.7
Berkley Aviation	3.0	3.6	3.9	3.6	3.3
Berkley Professional Liability	2.5	2.2	2.4	2.1	0.1
Gemini Transportation Underwriters	2.2	2.0	1.9	1.2	—
Berkley Asset Protection Underwriters	2.0	1.8	1.5	1.1	0.3
American Mining Insurance	1.8	2.1	2.3	2.2	2.1
Berkley Life Sciences	1.7	1.3	1.1	1.2	0.7
FinSecure	1.6	1.6	1.2	0.6	—
Verus Underwriting Managers	1.4	0.8	—	—	—
Berkley Custom Insurance	1.4	—	—	—	—
Berkley Public Entity	0.4	—	—	—	—
Berkley Technology Underwriters	0.3	—	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%

The following table sets forth the percentages of gross premiums written, by line, by our Specialty insurance operations:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Other liability	31.5%	31.1%	29.0%	29.5%	32.8%
Property	20.9	20.7	20.4	19.0	15.1
Professional liability	16.0	16.6	18.3	18.1	12.9
Workers' compensation	9.2	8.0	7.7	5.7	4.8
Commercial automobile	8.6	8.9	8.2	10.4	16.0
Products liability	5.4	5.6	6.0	7.5	10.2
Other	8.4	9.1	10.4	9.8	8.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

REGIONAL

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

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.

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

Berkley 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. The company partners 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 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 Southeast was formed as a separate operating unit in January 2013 to serve the Southeastern states. Based in Atlanta, Georgia, the company offers a wide array of commercial lines products in six southeastern states: Mississippi, Alabama, Georgia, Tennessee, North Carolina and South Carolina.

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

Continental Western Group is a Midwest regional property and casualty insurance company 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 subsidiary, Berkley Agribusiness Risk Specialists, the company offers insurance for larger

commercial risks across the United States for clients involved in the supply, storage, handling, processing and distribution of commodities related to the agriculture and food industries.

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

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.

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Acadia Insurance	30.0%	29.3%	26.4%	25.1%	23.8%
Continental Western	22.5	23.2	23.9	26.3	27.2
Union Standard	18.5	18.1	18.5	18.5	17.7
Berkley Mid-Atlantic	17.0	17.7	17.9	16.9	15.6
Berkley North Pacific	6.2	5.1	4.0	3.0	5.3
Berkley Surety	4.5	5.2	5.0	3.6	2.9
Berkley Regional Specialty	1.3	1.2	1.2	1.2	1.2
Assigned risk plans (1)	—	—	3.1	5.4	6.3
Other	—	0.2	—	—	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Assigned risk plans were transferred to the Alternative Markets segment in 2011.

The following table sets forth the percentages of gross premiums written, by line, by our Regional insurance operations:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Commercial multi-peril	38.7%	37.4%	35.8%	34.7%	34.3%
Automobile	24.1	24.9	25.3	25.3	25.5
Workers' compensation	19.4	19.1	18.0	18.1	18.2
Assigned risk plans (1)	—	—	3.1	5.4	6.3
Other	17.8	18.6	17.8	16.5	15.7
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Assigned risk plans were transferred to the Alternative Markets segment in 2011.

The following table sets forth the percentages of direct premiums written by our Regional insurance operations by state:

State	Year Ended December 31,				
	2012	2011	2010	2009	2008
Massachusetts	7.9%	7.8%	7.2%	6.8%	6.8%
Pennsylvania	6.5	6.5	6.7	6.3	5.7
Texas	6.4	6.9	7.1	7.1	6.7
Maine	6.1	6.1	5.7	5.3	4.7
New Hampshire	5.9	5.8	5.3	5.0	4.9
Mississippi	4.2	3.9	3.6	3.5	3.2
Connecticut	4.1	3.6	2.9	3.1	3.0
Washington	3.7	3.2	2.4	1.8	2.8
North Carolina	3.6	3.8	4.2	3.6	3.3
Vermont	3.4	3.3	3.4	3.1	3.0
New York	3.0	3.2	3.1	2.8	2.3
Virginia	2.9	3.1	2.8	2.6	2.4
Iowa	2.8	3.1	3.6	4.0	4.2
Kansas	2.6	2.9	3.2	5.3	5.8
Nebraska	2.6	2.8	3.0	3.9	3.8
Minnesota	2.5	2.6	2.8	3.0	3.2
Wisconsin	2.4	2.3	2.8	2.4	2.5
Arkansas	2.2	2.1	2.3	2.3	2.3
Maryland	2.1	2.4	2.2	2.4	2.1
Missouri	2.1	2.3	2.4	2.6	2.8
Colorado	2.1	2.0	2.2	3.2	3.7
Oklahoma	1.7	1.8	1.6	1.7	1.5
South Dakota	1.7	1.7	1.8	2.4	2.3
Tennessee	1.4	1.4	1.5	1.4	1.5
Illinois	1.3	1.4	2.3	2.5	2.7
Arizona	1.3	1.1	1.1	0.9	0.7
Alabama	1.3	1.3	1.2	1.2	1.1
New Mexico	1.2	1.3	1.3	1.2	1.2
South Carolina	1.2	1.2	1.3	1.3	1.3
North Dakota	1.2	1.2	1.1	1.0	0.9
Oregon	1.1	0.9	0.8	0.6	1.2
Idaho	1.1	0.8	0.8	0.7	1.1
Indiana	0.7	0.7	1.1	0.9	0.9
Other	5.7	5.5	5.2	4.1	4.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%

ALTERNATIVE MARKETS

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

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

Berkley 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.

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

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

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 entities, sports and recreational organizations, and self-insured companies, associations and purchasing groups. Its product offerings include traditional primary coverages, as well as alternative market solutions for clients who wish to retain a larger share of their own risk.

The following table sets forth the percentages of gross premiums written by each Alternative Markets operating unit:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Berkley Accident and Health	16.0%	15.2%	10.6%	6.1%	4.6%
Berkley Net Underwriters	15.3	11.3	10.4	10.6	6.7
Midwest Employers Casualty	14.7	20.3	30.7	38.3	42.1
Key Risk Insurance	14.1	14.3	16.1	17.7	18.8
Preferred Employers Insurance	8.6	8.5	8.9	8.2	8.3
Riverport Insurance Services	6.3	7.6	8.2	10.2	9.3
Berkley Medical Excess Underwriters	3.8	4.6	5.6	5.2	4.4
Assigned risk plans (1)	21.2	18.2	9.5	3.7	5.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%

(1) Assigned risk premiums are written on behalf of assigned risk plans managed by the Company. Assigned risk premiums are 100% reinsured by the respective state-sponsored assigned risk pools.

The following table sets forth percentages of gross premiums written, by line, by our Alternative Markets operations:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Primary workers' compensation	38.9%	34.8%	36.9%	38.5%	35.6%
Accident and health	16.0	15.2	10.6	6.1	4.6
Excess workers' compensation	13.5	18.9	29.1	36.5	40.4
Other liability	4.7	5.7	4.8	5.3	4.7
Other	5.7	7.2	9.1	9.9	8.9
Assigned risk plans	21.2	18.2	9.5	3.7	5.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%

REINSURANCE

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 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.

B F Re Underwriters 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. B F Re Underwriters also provides its customers value-added services across its lines, including underwriting, claims and actuarial consultation.

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

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

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Berkley Re America	64.6%	66.1%	60.3%	52.4%	51.0%
Lloyd's Reinsurance	14.8	13.9	15.9	18.8	14.7
Facultative ReSources	11.8	10.5	14.2	19.4	22.1
B F Re Underwriters	8.8	9.5	9.6	9.4	12.2
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 operations:

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Casualty	64.3%	69.3%	67.8%	70.2%	82.8%
Property	35.7	30.7	32.2	29.8	17.2
Total	100.0%	100.0%	100.0%	100.0%	100.0%

INTERNATIONAL

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

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

Berkley Latinoamérica is a leading provider of property, casualty, automobile, surety, group life and health and workers' compensation products and services in its operating territories of Argentina, Brazil and Uruguay. Its largest operation, Berkley International Seguros, offers a wide range of property casualty products in Argentina, where it is a leading provider of surety, engineering, cargo and personal accident coverages. Berkley International ART, Berkley International 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.

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 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.

W. R. Berkley Insurance (Europe) is based in the United Kingdom with offices in Spain, Australia, Ireland, Norway 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 where access to the Lloyd's distribution platform allows us to further expand our international reach. It works actively with select W. R. Berkley Corporation member companies to access business for which the Lloyd's platform is best suited. Syndicate 1967's book of business includes accident and commercial property and a specialized book of marine business.

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
W. R. Berkley Insurance (Europe)	30.2%	29.1%	30.4%	33.2%	40.1%
Berkley Latinoamérica	27.7	31.4	36.9	41.0	51.8
W. R. Berkley Syndicate 1967	17.8	17.6	13.8	5.9	—
Berkley Re Asia Pacific	15.7	17.7	15.6	17.8	8.1
Berkley Re UK	5.0	0.2	—	—	—
Berkley Canada	3.6	4.0	3.3	2.1	—
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Results by Industry Segment

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

(In thousands)	Year Ended December 31,				
	2012	2011	2010	2009	2008
<u>Specialty</u>					
Revenue	\$ 1,835,817	\$ 1,620,741	\$ 1,471,566	\$ 1,483,266	\$ 1,810,813
Income before income taxes	261,856	290,937	294,825	220,005	374,738
<u>Regional</u>					
Revenue	1,178,258	1,145,491	1,152,447	1,177,126	1,317,796
Income before income taxes	122,211	30,529	115,828	105,122	107,979
<u>Alternative Markets</u>					
Revenue	930,867	819,949	810,673	768,683	831,622
Income before income taxes	194,433	145,660	178,485	162,708	201,740
<u>Reinsurance</u>					
Revenue	543,062	517,879	522,435	487,016	635,763
Income before income taxes	93,268	83,150	129,449	86,400	117,866
<u>International</u>					
Revenue	866,160	656,460	485,534	351,947	322,016
Income before income taxes	62,061	39,033	20,719	22,349	52,551
<u>Other(1)</u>					
Revenue	469,390	395,464	281,414	163,140	(209,202)
Loss before income taxes	(31,901)	(76,223)	(140,396)	(216,706)	(530,594)
<u>Total</u>					
Revenue	5,823,554	5,155,984	4,724,069	4,431,178	4,708,808
Income before income taxes	701,928	513,086	598,910	379,878	324,280

(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,				
	2012	2011	2010	2009	2008
<u>Specialty</u>					
Loss ratio	62.8%	59.4%	58.3%	61.9%	60.1%
Expense ratio	32.7%	32.6%	32.9%	31.1%	28.5%
Combined ratio	95.5%	92.0%	91.2%	93.0%	88.6%
<u>Regional</u>					
Loss ratio	59.6%	68.0%	60.7%	61.4%	65.4%
Expense ratio	36.5%	36.1%	36.0%	34.3%	32.4%
Combined ratio	96.1%	104.1%	96.7%	95.7%	97.8%
<u>Alternative Markets</u>					
Loss ratio	71.4%	72.3%	67.6%	63.4%	62.7%
Expense ratio	25.9%	26.7%	25.6%	25.8%	24.3%
Combined ratio	97.3%	99.0%	93.2%	89.2%	87.0%
<u>Reinsurance</u>					
Loss ratio	60.5%	61.6%	52.5%	57.9%	64.7%
Expense ratio	40.1%	40.5%	41.1%	39.1%	34.8%
Combined ratio	100.6%	102.1%	93.6%	97.0%	99.5%
<u>International</u>					
Loss ratio	62.9%	60.5%	61.8%	59.9%	61.7%
Expense ratio	37.2%	40.2%	40.5%	40.4%	39.0%
Combined ratio	100.1%	100.7%	102.3%	100.3%	100.7%
<u>Total</u>					
Loss ratio	63.1%	63.9%	60.2%	61.4%	62.7%
Expense ratio	34.1%	34.6%	34.4%	32.9%	30.4%
Combined ratio	97.2%	98.5%	94.6%	94.3%	93.1%

Investments

Investment results, before income taxes, were as follows:

(In thousands)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Average investments, at cost(1)	\$14,545,371	\$13,631,552	\$13,356,380	\$12,918,039	\$12,939,843
Net investment income(1)	\$ 586,763	\$ 526,351	\$ 530,525	\$ 379,008	\$ 533,480
Percent earned on average investments(1)	4.0%	3.9%	4.0%	3.0%	4.2%
Net investment gains (losses)(2)	\$ 210,465	\$ 125,481	\$ 56,581	\$ (38,408)	\$ (356,931)
Change in unrealized investment gains (losses)(3)	\$ 135,282	\$ 147,998	\$ 176,588	\$ 557,444	\$ (302,211)

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

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Barclays U.S. Aggregate Bond Index	3.5%	4.0%	4.2%	4.9%	5.4%
S&P 500® Index	2.5%	2.1%	2.3%	3.0%	1.5%

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,				
	2012	2011	2010	2009	2008
1 year or less	5.8%	6.6%	6.7%	5.3%	3.2%
Over 1 year through 5 years	30.7	28.3	27.3	27.2	22.9
Over 5 years through 10 years	23.4	25.3	25.9	27.2	29.9
Over 10 years	25.5	25.5	27.1	26.0	26.6
Mortgage-backed securities	14.6	14.3	13.0	14.3	17.4
Total	100.0%	100.0%	100.0%	100.0%	100.0%

At December 31, 2012, the fixed maturity portfolio had an average duration of 3.4 years.

Loss and Loss Adjustment Expense Reserves

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

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

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

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

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

We discount our liabilities for excess workers' compensation business and the workers' compensation portion of our reinsurance business because of the long period of time over which losses are paid. Discounting is intended to appropriately match losses and loss expenses to income earned on investment securities supporting the liabilities. The expected losses and loss expense payout pattern subject to discounting was derived from the Company's loss payout experience. For non-proportional business, reserves for losses and loss expenses have been discounted using risk-free discount rates determined by reference to the U.S. Treasury yield curve. At December 31, 2012, the discount rates by year ranged from 2.1% 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 2.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, is \$867 million, \$892 million and \$898 million at December 31, 2012, 2011 and 2010, 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 \$34 million at both December 31, 2012 and 2011. 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, 2012 and 2011, respectively. Net incurred losses and loss expenses for reported asbestos and environmental claims increased by approximately \$2 million, \$1 million and \$2 million in 2012, 2011 and 2010, respectively. Net paid losses and loss expenses for reported asbestos and environmental claims were approximately \$2 million, \$3 million and \$2 million in 2012, 2011 and 2010, 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)	2012	2011	2010
Net reserves at beginning of year	\$ 8,172,112	\$ 7,999,521	\$ 8,147,782
Net provision for losses and loss expenses:			
Claims occurring during the current year(1)	2,997,995	2,791,860	2,509,933
Decrease in estimates for claims occurring in prior years(2)(3)	(102,571)	(181,282)	(253,248)
Loss reserve discount amortization	53,055	47,787	53,182
Total	<u>2,948,479</u>	<u>2,658,365</u>	<u>2,309,867</u>
Net payments for claims:			
Current year	698,834	765,440	641,570
Prior years	2,010,101	1,721,558	1,811,507
Total	<u>2,708,935</u>	<u>2,486,998</u>	<u>2,453,077</u>
Foreign currency translation	195	1,224	(5,051)
Net reserves at end of year	8,411,851	8,172,112	7,999,521
Ceded reserves at end of year	1,339,235	1,165,022	1,017,028
Gross reserves at end of year	<u>\$ 9,751,086</u>	<u>\$ 9,337,134</u>	<u>\$ 9,016,549</u>

- (1) Claims occurring during the current year are net of discounts of \$26,078,000, \$43,286,000 and \$67,763,000 in 2012, 2011 and 2010, 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 \$100,667,000 in 2012, \$182,937,000 in 2011, and \$246,941,000 in 2010.
- (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 \$103 million, \$182 million and \$234 million in 2012, 2011 and 2010, respectively.

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, 2012 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	\$ 7,519,283
Reserves for non-U.S. companies	595,166
Loss reserve discounting(1)	294,760
Ceded reserves	1,339,235
Other	2,642
Gross reserves reported in the consolidated GAAP financial statements	<u>\$ 9,751,086</u>

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

Company discounts excess workers' compensation reserves at the risk-free rate and assumed workers' compensation reserves at the statutory rate.

The following table presents the development of net reserves for 2002 through 2012. 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 (deficiency)" 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 2002 is reserved for \$2,000 as of December 31, 2002. Assuming this claim estimate was changed in 2012 to \$2,300, and was settled for \$2,300 in 2012, the \$300 deficiency would appear as a deficiency in each year from 2002 through 2011.

(In millions)

Year Ended December 31,	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net reserves, discounted	\$ 2,323	\$ 3,505	\$ 4,723	\$ 5,867	\$ 6,948	\$ 7,823	\$ 8,123	\$ 8,148	\$ 8,000	\$ 8,172	\$ 8,412
Reserve discount	293	393	503	575	700	788	846	877	898	892	867
Net reserves, undiscounted	\$ 2,616	\$ 3,898	\$ 5,226	\$ 6,442	\$ 7,648	\$ 8,611	\$ 8,969	\$ 9,025	\$ 8,898	\$ 9,064	\$ 9,279
Net reserves re-estimated as of:											
One year later	\$ 2,889	\$ 4,220	\$ 5,440	\$ 6,499	\$ 7,560	\$ 8,431	\$ 8,737	\$ 8,778	\$ 8,715	\$ 8,963	
Two years later	3,242	4,552	5,588	6,578	7,494	8,239	8,560	8,596	8,624		
Three years later	3,611	4,720	5,763	6,592	7,363	8,192	8,420	8,543			
Four years later	3,769	4,949	5,816	6,556	7,370	8,137	8,433				
Five years later	3,982	5,041	5,834	6,636	7,376	8,195					
Six years later	4,069	5,082	5,929	6,677	7,437						
Seven years later	4,112	5,176	5,983	6,755							
Eight years later	4,187	5,222	6,041								
Nine years later	4,224	5,276									
Ten years later	4,278										
Cumulative redundancy (deficiency), undiscounted	<u>\$(1,662)</u>	<u>\$(1,378)</u>	<u>\$ (815)</u>	<u>\$ (313)</u>	<u>\$ 211</u>	<u>\$ 416</u>	<u>\$ 536</u>	<u>\$ 482</u>	<u>\$ 274</u>	<u>\$ 101</u>	<u>\$ —</u>
Cumulative amount of net liability paid through:											
One year later	\$ 599	\$ 930	\$ 1,174	\$ 1,341	\$ 1,437	\$ 1,663	\$ 1,751	\$ 1,812	\$ 1,722	\$ 2,010	
Two years later	1,216	1,750	2,106	2,363	2,636	2,935	3,106	3,052	3,118		
Three years later	1,792	2,389	2,836	3,219	3,558	3,956	4,039	4,066			
Four years later	2,223	2,901	3,384	3,856	4,279	4,616	4,786				
Five years later	2,552	3,274	3,813	4,327	4,733	5,152					
Six years later	2,814	3,582	4,131	4,649	5,116						
Seven years later	3,035	3,804	4,355	4,937							
Eight years later	3,189	3,966	4,575								
Nine years later	3,308	4,128									
Ten years later	3,433										

The following table presents the development of gross reserves for 2002 through 2012.

(In millions)

Year Ended December 31,	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net reserves, discounted	\$ 2,323	\$ 3,505	\$ 4,723	\$ 5,867	\$ 6,947	\$ 7,823	\$ 8,123	\$ 8,148	\$ 8,000	\$ 8,172	\$ 8,412
Ceded reserves	845	687	727	845	837	855	877	924	1,017	1,165	1,339
Gross reserves, discounted	3,168	4,192	5,450	6,712	7,784	8,678	9,000	9,072	9,017	9,337	9,751
Reserve discount	384	462	573	654	761	867	944	944	968	953	924
Gross reserves, undiscounted	<u>\$ 3,552</u>	<u>\$ 4,654</u>	<u>\$ 6,023</u>	<u>\$ 7,366</u>	<u>\$ 8,545</u>	<u>\$ 9,545</u>	<u>\$ 9,944</u>	<u>\$10,016</u>	<u>\$ 9,985</u>	<u>\$10,290</u>	<u>\$10,675</u>
Gross reserves re-estimated as of:											
One year later	\$ 3,957	\$ 5,030	\$ 6,241	\$ 7,406	\$ 8,509	\$ 9,396	\$ 9,696	\$ 9,810	\$ 9,879	\$10,179	
Two years later	4,353	5,380	6,382	7,529	8,454	9,178	9,566	9,662	9,749		
Three years later	4,744	5,546	6,600	7,561	8,300	9,163	9,445	9,580			
Four years later	4,885	5,807	6,670	7,508	8,335	9,081	9,427				
Five years later	5,132	5,915	6,680	7,617	8,316	9,109					
Six years later	5,226	5,956	6,804	7,635	8,360						
Seven years later	5,275	6,083	6,839	7,699							
Eight years later	5,383	6,107	6,888								
Nine years later	5,392	6,157									
Ten Years later	5,442										
Gross cumulative redundancy (deficiency)	<u>\$(1,890)</u>	<u>\$(1,503)</u>	<u>\$ (865)</u>	<u>\$ (333)</u>	<u>\$ 185</u>	<u>\$ 436</u>	<u>\$ 517</u>	<u>\$ 436</u>	<u>\$ 236</u>	<u>\$ 111</u>	<u>—</u>

Reinsurance

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

Regulation

U.S. Regulation

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

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

Holding Company Statutes. In addition to regulatory supervision of our insurance subsidiaries, we are subject to state statutes governing insurance holding company systems. Typically, such statutes require that we periodically file

information with the appropriate state insurance commissioner, including information concerning our capital structure, ownership, financial condition and general business operations. Under the terms of applicable state statutes, any person or entity desiring to purchase more than a specified percentage (commonly 10%) of our outstanding voting securities would be required to obtain prior regulatory approval of the purchase. Under Alabama law, which is applicable to us due to our ownership of American Mining Insurance Company, Inc., an Alabama domiciled insurance company, the acquisition of more than 5% of our capital stock is subject to prior regulatory approval.

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

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, 2012.

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 (collectively, "TRIA"), established a Federal program that provides for a system of shared public and private compensation for insured losses resulting from acts of terrorism. The program is effective through December 31, 2014. We cannot be certain that TRIA will be extended past such expiration date. TRIA is applicable to almost all commercial lines of property and casualty insurance but excludes commercial auto, burglary and theft, surety, professional liability and farm owners' multi-peril insurance. Insurers with direct commercial property and casualty insurance exposure in the United States are required to participate in the program and make available coverage for certified acts of terrorism. The most recent amendment to TRIA broadened the definition of certified acts to include domestic terrorism. Federal participation will be triggered under TRIA when the Secretary of Treasury certifies an act of terrorism. Under the program, the federal government will pay 85% of an insurer's covered losses in excess of the insurer's applicable deductible. The insurer's deductible is based on 20% percent of earned premium for the prior year for covered lines of commercial property and casualty insurance. Based on our 2012 earned premiums, our deductible under TRIA during 2013 will be approximately \$618 million. The federal program will not pay losses for certified acts unless such losses exceed \$100 million. TRIA limits the federal government's share of losses at \$100 billion for a program year. In addition, an insurer that has satisfied its deductible is not liable for the payment of losses in excess of the \$100 billion cap.

Federal Regulation. Although the federal government and its regulatory agencies generally do not directly regulate the business of insurance, federal initiatives could have an impact on our business in a variety of ways. In July 2010, President Obama signed into law the Dodd Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which effected sweeping changes to financial services regulation in the United States. The Dodd-Frank Act created two new federal government bodies, the Federal Insurance Office (the "FIO") and the Financial Stability Oversight Council (the "FSOC"), which may impact the regulation of insurance. Although the FIO is prohibited from directly regulating the business of insurance, it has authority to represent the United States in international insurance matters and has limited powers to preempt certain types of state insurance laws. The FIO also can recommend to the FSOC that it designate an insurer as an entity posing risks to the United States financial stability in the event of the insurer's material financial distress or failure. An insurer so designated by FSOC could be subject to Federal Reserve supervision and heightened prudential standards. Based upon our current business model and balance sheet, we do not believe that we will be designated by the FSOC as such an institution. Although the potential impacts of the Dodd-Frank Act on the U. S. insurance industry is not clear, our business could be affected by changes to the U.S. system of insurance regulation or our designation or the designation of insurers or reinsurers with which we do business as systemically significant non-bank financial companies.

In addition, as a result of its direct and indirect majority ownership interest in Peyton Street Independent Financial Services Corporation, a thrift holding company ("Peyton Street"), and indirect majority ownership stake in InsurBanc, a federal savings bank ("InsurBanc"), W. R. Berkley Corporation is a "savings and loan holding company" and, under the Dodd-Frank Act, is subject to the oversight of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). InsurBanc has entered into a definitive agreement to sell its assets and deposit liabilities, following which both Peyton Street and InsurBanc would proceed to liquidate and each of Peyton Street and W. R. Berkley Corporation would deregister as a savings and loan holding company. The transaction is expected to close in the first half of 2013, subject to regulatory approvals and other customary closing conditions. As a savings and loan holding company, W. R. Berkley Corporation may be subject to certain prior notification requirements, restrictions on dividends, stock repurchases and distributions, transactions with affiliates and compensation plans and additional requirements related to its shareholders, management reporting and capital adequacy if the de-banking were not to occur as anticipated or until it takes such other actions to terminate W. R. Berkley Corporation's status as a savings and loan holding company.

International Regulation

Our insurance subsidiaries based in the United Kingdom are regulated by the Financial Services Authority (the "FSA"). The FSA oversees 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 FSA 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, FSA regulations also impact us as "controller" (an FSA defined term) of our U.K.-regulated subsidiaries, whereby we are required to notify the FSA 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 FSA's Approved Persons regime, certain employees and directors are subject to regulation by the FSA as to their fitness. In addition, certain employees are individually registered at Lloyd's.

The European Union's executive body, the European Commission, is implementing new capital adequacy and risk management regulations called "Solvency II" that already applies to our Lloyd's Syndicate and would apply to our businesses across the European Union beginning on January 1, 2014. Solvency II provides for the supervision of group solvency. Under Solvency II, it is possible that the U.S. parent of a European Union subsidiary could be subject to certain Solvency II requirements if the regulator determines that the subsidiary's capital position is dependent on the parent company and the U.S. company is not already subject to regulations deemed "equivalent" to Solvency II. While it is not certain how or if these actions will impact us, we do not currently expect the capital management strategies for our U.S. and international companies will be materially impacted.

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

Competition

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

Competition for Specialty and Alternative Markets business comes from other specialty insurers, regional carriers, large national multi-line companies and reinsurers. Our Specialty companies compete with excess and surplus insurers as well as standard carriers.

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

Our Regional subsidiaries compete with mutual and other regional stock companies as well as national carriers. Additionally, direct writers of property casualty insurance compete with our Regional subsidiaries 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 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.

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 February 14, 2013, we employed 7,412 individuals. Of this number, our subsidiaries employed 7,298 persons and the remaining 114 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 actually occurs, our businesses, results of operations or financial condition could be materially and adversely affected. In addition to those described below, our businesses may also be adversely affected by risks and uncertainties not currently known to us or that we currently consider immaterial.

Risks Relating to Our Industry

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

The results of companies in the property casualty insurance industry historically have been subject to significant fluctuations and uncertainties in demand and pricing, causing cyclical changes in the insurance and reinsurance industry. The demand for insurance is influenced primarily by general economic conditions, while the supply of insurance is often directly related to available capacity or the perceived profitability of the business. Although the insurance markets currently are beginning to harden, we have faced in recent years increased competition in our business, as a result of new entrants and existing insurers seeking to gain market share, resulting in decreased premium rates and less favorable contract terms and conditions. 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 and the Federal Reserve has indicated its intention to keep interest rates at historic lows through late 2014. 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 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, some of which have implicit or explicit government support. Competitiveness in our businesses is based on many factors, including premium charges, ratings assigned by independent rating agencies, commissions paid to producers, the perceived financial strength of the company, other terms and conditions offered, services provided (including ease of doing business over the internet), speed of claims payment and reputation and experience in the lines to be written.

Some of our competitors, particularly in the Reinsurance 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 Reinsurance and Specialty segments, as increased supply has led to reduced prices and, at times, less favorable terms and conditions. Our Specialty segment has also encountered competition from admitted companies seeking to increase market share. Although policy rates and terms for certain of these lines of business generally stabilized or showed modest improvements starting in 2011, 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.

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 billion as of December 31, 2012. 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 \$80 million in 2012, \$153 million in 2011, \$81 million in 2010, \$63 million in 2009, and \$114 million in 2008. 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, recent 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 2012 earned premiums, our deductible under TRIA during 2013 is approximately \$618 million. TRIA is currently in effect through December 31, 2014. We cannot be certain that TRIA will be extended past such expiration date. In addition, the coverage provided under TRIA does not apply to reinsurance that we write.

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

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

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

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

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

State insurance departments conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to the financial condition of insurance companies, holding company issues and other matters. Our 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") and authorized the federal preemption of certain state insurance laws. FSOC and the FIO are 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 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.

As a result of its direct and indirect majority ownership interest in Peyton Street Independent Financial Services Corporation, a thrift holding company, and indirect majority ownership stake in InsurBanc, a federal savings bank, W. R. Berkley Corporation is a "savings and loan holding company" and, under the Dodd-Frank Act, is subject to the oversight of the Federal Reserve. InsurBanc has entered into a definitive agreement to sell its assets and deposit liabilities, following which both Peyton Street and InsurBanc would proceed to liquidate and each of Peyton Street and W. R. Berkley Corporation would deregister as a savings and loan holding company. The transaction is expected to close in the first half of 2013, subject to regulatory approvals and other customary closing conditions. As a savings and loan holding company, W. R. Berkley Corporation may be subject to certain prior notification requirements, restrictions on dividends, stock repurchases and distributions, transactions with affiliates and compensation plans and additional requirements related to its shareholders, management reporting and capital adequacy if the de-banking were not to occur as anticipated or until it takes such other actions to terminate W. R. Berkley Corporation's status as a savings and loan holding company.

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, which already applies to our Lloyd's Syndicate, and is currently scheduled to occur on January 1, 2014, 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 may be adversely affected if the EU commission finds that the insurance regimes of our third-country domiciled companies 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, Australia, the Asia-Pacific region, Scandinavia and Canada 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, 2012, the amount due from our reinsurers was approximately \$1,450 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 Investors. 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, 2012, our investment in fixed maturity securities was approximately \$11.9 billion, or 76% of our total investment portfolio. As of that date, our portfolio of fixed maturity securities consisted of the following types of securities: U.S. Government securities (7.5%); state and municipal securities (40.5%); corporate securities (28.1%); mortgage-backed securities (14.6%) and foreign government and corporate bonds (9.3%).

The fair value of these assets and the investment income from these assets fluctuate depending on general economic and market conditions. The fair value of fixed maturity securities generally decreases as interest rates rise. If significant inflation were to occur, the fair value of our fixed maturity securities would be negatively impacted. Conversely, if interest rates decline, investment income earned from future investments in fixed maturity securities will be lower. Some fixed maturity securities, such as mortgage-backed and other asset-backed securities, also carry prepayment risk as a result of interest rate fluctuations. Additionally, given the historically low interest rate

environment, we may not be able to successfully reinvest the proceeds from maturing securities at yields commensurate with our target performance goals.

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

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

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

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

We invest a portion of our investment portfolio in equity securities, merger arbitrage securities, investment funds, private equity and real estate related assets and have recently increased our investments in these asset classes as a result of the current historically low interest rate environment. At December 31, 2012, our investment in these assets was approximately \$2.8 billion, or 18%, of our investment portfolio. We reported provisions for other than temporary impairments in the value of these assets of approximately \$5 million in 2012, \$400,000 in 2011 and \$9 million in 2010, and losses from investment funds of \$6 million in 2010.

Merger and arbitrage trading securities were \$718 million, or 5%, of our investment portfolio at December 31, 2012. Merger arbitrage involves investing in the securities of publicly held companies that are the targets in announced tender offers and mergers. Merger arbitrage differs from other types of investments in its focus on transactions and events believed likely to bring about a change in value over a relatively short time period, usually four months or less. Our merger arbitrage positions are exposed to the risk associated with the completion of announced deals, which are subject to regulatory as well as political and other risks.

Investments in real estate investment funds and limited partnerships and loans receivable were \$1,351 million, or 9%, of our investment portfolio at December 31, 2012. The values of our real estate related investments are subject to fluctuations based on changes in the economy and interest rates in general and real estate valuations in particular. These investments have been subject to significant volatility as a result of the current conditions in the financial markets. In addition, our investments in real estate related assets and other alternative investments are less liquid than our other investments.

Risks Relating to Purchasing Our Securities

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

As an insurance holding company, our principal assets are the shares of capital stock of our insurance company subsidiaries. We have to rely on dividends from our insurance company subsidiaries to meet our obligations for

paying principal and interest on outstanding debt obligations, paying dividends to stockholders and repurchasing our shares and paying corporate expenses. The payment of dividends by our insurance company subsidiaries is subject to regulatory restrictions and will depend on the surplus and future earnings of these subsidiaries, as well as regulatory restrictions. During 2013, the maximum amount of dividends that can be paid without regulatory approval is approximately \$466 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 (5% for Alabama domiciled insurers, such as us due to our ownership of American Mining Insurance). 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, 2012, the Company had aggregate office space of 3,753,361 square feet, of which 1,122,542 were owned and 2,630,819 were leased.

Rental expense for the Company's operations was approximately \$38,179,000, \$33,003,000 and \$29,936,000 for 2012, 2011 and 2010, respectively. Future minimum lease payments, without provision for sublease income, are \$38,671,000 in 2013, \$33,893,000 in 2014 and \$242,311,000 thereafter.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

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

	Price Range		Dividends Declared Per Share
	High	Low	
2012:			
Fourth Quarter	\$ 40.39	\$ 36.82	\$ 1.09
Third Quarter	39.58	36.08	0.09
Second Quarter	39.29	35.88	0.09
First Quarter	36.80	33.34	0.08
2011:			
Fourth Quarter	\$ 36.05	\$ 28.07	\$ 0.08
Third Quarter	33.26	27.26	0.08
Second Quarter	33.24	31.00	0.08
First Quarter	32.41	26.52	0.07

The closing price of the common stock on February 14, 2013 as reported on the New York Stock Exchange was \$ 41.64 per share. The approximate number of record holders of the common stock on February 14, 2013 was 416.

Set forth below is a summary of the shares repurchased by the Company during the fourth quarter of 2012 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 2012	170,300	\$ 37.00	170,300	9,068,093
November 2012	—	—	—	9,068,093
December 2012	—	—	—	9,068,093

ITEM 6. SELECTED FINANCIAL DATA

(In thousands, except per share data)	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net premiums written	\$4,898,539	\$4,357,368	\$3,850,926	\$3,730,095	\$4,033,899
Net premiums earned	4,673,516	4,160,867	3,835,582	3,805,849	4,289,580
Net investment income	586,763	526,351	530,525	379,008	533,480
Insurance service fees	103,133	92,843	85,405	93,245	102,856
Net investment gains (losses)	210,465	125,481	56,581	(38,408)	(356,931)
Revenues from wholly-owned investees	247,113	248,678	214,454	189,347	137,280
Total revenues	5,823,554	5,155,984	4,724,069	4,431,178	4,708,808
Interest expense	126,302	112,512	106,969	87,989	84,623
Income before income taxes	701,928	513,086	598,910	379,878	324,280
Income tax expense	(191,285)	(121,945)	(152,226)	(72,349)	(44,223)
Noncontrolling interests	(51)	70	(279)	(23)	(262)
Net income to common stockholders	510,592	391,211	446,405	307,506	279,795
Data per common share:					
Net income per basic share	3.72	2.80	3.00	1.92	1.68
Net income per diluted share	3.56	2.69	2.88	1.85	1.61
Common stockholders' equity	31.66	28.75	25.89	22.66	18.58
Cash dividends declared	1.35	0.31	0.27	0.24	0.23
Weighted average shares outstanding:					
Basic	137,097	139,688	148,752	160,357	166,956
Diluted	143,315	145,672	155,081	166,574	173,454
Investments	\$14,467,440	\$13,439,518	\$12,995,393	\$13,050,238	\$11,143,281
Total assets	20,155,896	18,403,873	17,477,070	17,280,001	16,074,113
Reserves for losses and loss expenses	9,751,086	9,337,134	9,016,549	9,071,671	8,999,596
Junior subordinated debentures	243,206	242,997	242,784	249,793	249,584
Senior notes and other debt	1,871,535	1,500,503	1,500,419	1,345,481	1,021,869
Common stockholders' equity	4,306,217	3,953,356	3,651,399	3,547,472	2,999,274

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 five business segments: Specialty, Regional, Alternative Markets, Reinsurance and International. 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, with 23 of our 48 units formed since 2006. These newer units 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. As a result, our international operations have become an increasingly important part of our business.

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 policyholders' surplus employed in the industry, and the industry's willingness to deploy that capital.

Beginning in 2005, the property casualty insurance market became more competitive and insurance rates decreased across most business lines. Increased competition and the impact of the economic downturn also put pressure on policy terms and conditions. While prices increased in 2012, 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. With its investments in new businesses, the Company believes it is well-positioned to take advantage of new opportunities. 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, which are at historically low levels, as well as the credit quality and duration of the securities. The Company also invests in equity securities, merger arbitrage, private equity investments, investment funds and real estate. The Company's investments in investment funds have experienced, and the Company expects to continue to experience, greater fluctuations in investment income.

Critical Accounting Estimates

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

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

In general, when a claim is reported, claims personnel establish a "case reserve" for the estimated amount of the ultimate payment based upon known information about the claim at that time. The estimate represents an informed judgment based on general reserving practices and reflects the experience and knowledge of the claims personnel regarding the nature and value of the specific type of claim. Reserves are also established on an aggregate basis to provide for losses incurred but

not reported (“IBNR”) to the insurer, potential inadequacy of case reserves and the estimated expenses of settling claims, including legal and other fees and general expenses of administering the claims adjustment process. Reserves are established based upon the then current legal interpretation of coverage provided.

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

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

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

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

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

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

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

The key assumptions used in calculating the most recent estimate of the loss reserves are reviewed each quarter and adjusted, to the extent necessary, to reflect historical changes, current trends and other factors observed. If the actual level of loss frequency and severity are higher or lower than expected, the ultimate losses will be different than management's estimate. The following table reflects the impact of changes (which could be favorable or unfavorable) in frequency and severity, relative to our assumptions, on our loss estimate for claims occurring in 2012:

(In thousands) Severity (+/-)	Frequency (+/-)		
	1%	5%	10%
1%	\$ 60,260	\$ 181,379	\$ 332,777
5%	181,379	307,294	464,689
10%	332,777	464,689	629,579

Our net reserves for losses and loss expenses of approximately \$8.4 billion as of December 31, 2012 relate to multiple accident years. Therefore, the impact of changes in frequency or severity for more than one accident year could be higher or lower than the amounts reflected above.

Approximately \$1.4 billion, or 16%, of the Company's net loss reserves as of December 31, 2012 relate to the Reinsurance 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 to the Company through reinsurance intermediaries, is gathered by the Company 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, 2012 and 2011:

(In thousands)	2012	2011
Specialty	\$ 2,968,944	\$ 2,905,759
Regional	1,251,216	1,283,764
Alternative Markets	2,077,613	1,986,111
Reinsurance	1,377,619	1,439,136
International	736,459	557,342
Net reserves for losses and loss expenses	<u>8,411,851</u>	<u>8,172,112</u>
Ceded reserves for losses and loss expenses	1,339,235	1,165,022
Gross reserves for losses and loss expenses	<u>\$ 9,751,086</u>	<u>\$ 9,337,134</u>

Following is a summary of the Company's net reserves for losses and loss expenses by major line of business as of December 31, 2012 and 2011:

(In thousands)	Reported Case Reserves	Incurred But Not Reported	Total
December 31, 2012			
General liability	\$ 984,206	\$ 1,872,585	\$ 2,856,791
Workers' compensation	1,386,322	1,082,462	2,468,784
Commercial automobile	252,198	192,759	444,957
International	367,803	368,656	736,459
Other	205,611	321,630	527,241
Total primary	<u>3,196,140</u>	<u>3,838,092</u>	<u>7,034,232</u>
Reinsurance	568,576	809,043	1,377,619
Total	<u>\$ 3,764,716</u>	<u>\$ 4,647,135</u>	<u>\$ 8,411,851</u>
December 31, 2011			
General liability	\$ 890,238	\$ 1,974,361	\$ 2,864,599
Workers' compensation	1,353,328	992,775	2,346,103
Commercial automobile	275,198	195,323	470,521
International	277,857	279,485	557,342
Other	200,969	293,442	494,411
Total primary	<u>2,997,590</u>	<u>3,735,386</u>	<u>6,732,976</u>
Reinsurance	584,909	854,227	1,439,136
Total	<u>\$ 3,582,499</u>	<u>\$ 4,589,613</u>	<u>\$ 8,172,112</u>

Reserves for excess and assumed workers' compensation business are net of an aggregate net discount of \$867 million and \$892 million as of December 31, 2012 and 2011, respectively.

The following table presents development in our estimate of claims occurring in prior years:

(In thousands)	For the Year Ended December 31,	
	2012	2011
Favorable reserve development:		
Specialty	\$ 42,424	\$ 101,397
Regional	19,148	40,208
Alternative Markets	4,228	3,115
Reinsurance	34,235	24,543
International	2,536	12,019
Total favorable reserve development	102,571	181,282

For the year ended December 31, 2012, estimates for claims occurring in prior years decreased by \$103 million. The favorable reserve development in 2012 was primarily attributable to accident years 2008 through 2010. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends.

Specialty - The majority of the favorable reserve development for the Specialty segment during 2012 and 2011 was associated with excess and surplus (“E&S”) casualty business. E&S insurers are free from rate and form regulation and generally charge higher rates for business than those that are charged in the “standard” market. Beginning in 2002, the E&S business began to experience improved claim frequency (i.e., a lower number of reported claims per unit of exposure). One reason for the lower number of claims was the Company’s introduction of more restrictive policy language which included additional exclusions that eliminated claims that would have previously been covered. In addition, as standard carriers tightened their underwriting criteria, the Company benefited from an influx of accounts from the standard market to the E&S market during these years. The more restrictive policy language and the influx of standard market business resulted in an improved risk profile within the E&S business and a reduction in loss costs that was not expected at the time loss reserves were initially established. In addition, loss severity trends for E&S casualty business have been lower than we had initially expected for the 2005 to 2009 period. We began to recognize these trends in 2007 and have continued to reduce our estimates of ultimate claim costs since then as the magnitude of the frequency trends has become more evident. The favorable reserve development in 2012 was primarily attributable to accident years 2007 through 2010.

Regional - Favorable reserve development for the Regional segment related to workers' compensation business and the liability portion of commercial multi-peril business, partially offset by modest adverse development on commercial automobile business. The favorable development for commercial multi-peril business related primarily to the 2008 and 2009 accident years and resulted mainly from lower loss emergence on known case reserves relative to historical levels. The adverse development on commercial automobile was related to commercial transportation business written by our Regional companies for accident years 2010 and 2011.

Reinsurance - The favorable development for the Reinsurance segment was related to the Company's minority participation in a Lloyd's syndicate. The favorable development was concentrated in underwriting years 2008 through 2011 and resulted from lower than expected reported losses.

Loss 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 permitted by the Department of Insurance of the State of Delaware of 2.2%. As of December 31, 2012, the discount rates by year ranged from 2.1% to 6.5%, with a weighted average discount rate of 4.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was \$867 million and \$892 million as of December 31, 2012 and 2011, 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 \$73 million and \$64 million at December 31, 2012 and 2011, 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, 2012:

(In thousands)	Number of Securities	Aggregate Fair Value	Unrealized Loss
Unrealized loss less than 20% of amortized cost	231	\$ 1,448,060	\$ 31,151
Unrealized loss of 20% or greater of amortized cost:			
Nine months to less than twelve months	1	132	93
Twelve months and longer	5	2,194	1,416
Total	237	\$ 1,450,386	\$ 32,660

A summary of the Company's non-investment grade fixed maturity securities that were in an unrealized loss position at December 31, 2012 is presented in the table below.

(In thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Mortgage-backed securities	13	\$ 79,842	\$ 3,823
Corporate	10	39,163	3,778
State and municipal	2	24,579	1,365
Total	25	\$ 143,584	\$ 8,966

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, 2012, there were two preferred stocks in an unrealized loss position, with an aggregate fair value of \$40 million and a gross unrealized loss of \$2 million. One of those preferred stocks with an aggregate fair value of \$15 million and a gross unrealized loss of \$1 million is rated non-investment grade. Neither of these securities are delinquent or in default. Management believes the unrealized losses are due primarily to market and sector related factors and does not consider these to be OTTI.

Common Stocks – At December 31, 2012, the Company owned three common stocks in an unrealized loss position with an aggregate fair value of \$47 million and an aggregate unrealized loss of \$1 million. The Company does not consider these 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 \$6 million and \$20 million at December 31, 2012 and 2011, respectively.

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

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, 2012:

(In thousands)	Carrying Value	Percent of Total
Pricing source:		
Independent pricing services	\$ 10,991,592	92.8%
Syndicate manager	89,687	0.8%
Directly by the Company based on:		
Observable data	700,659	5.9%
Cash flow model	59,067	0.5%
Total	\$ 11,841,005	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, 2012, 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, 2012 and 2011

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, 2012 and 2011. The GAAP combined ratio represents a measure of underwriting profitability, excluding investment income. A GAAP combined ratio in excess of 100 indicates an underwriting loss; a number below 100 indicates an underwriting profit.

(In thousands)	2012	2011
Specialty		
Gross premiums written	\$ 2,071,193	\$ 1,818,344
Net premiums written	1,747,687	1,554,516
Net premiums earned	1,646,471	1,442,748
Loss ratio	62.8%	59.4%
Expense ratio	32.7%	32.6%
GAAP combined ratio	95.5%	92.0%
Regional		
Gross premiums written	\$ 1,218,602	\$ 1,149,362
Net premiums written	1,119,274	1,064,507
Net premiums earned	1,090,217	1,065,975
Loss ratio	59.6%	68.0%
Expense ratio	36.5%	36.1%
GAAP combined ratio	96.1%	104.1%
Alternative Markets		
Gross premiums written	\$ 971,370	\$ 827,156
Net premiums written	702,922	619,097
Net premiums earned	680,334	612,558
Loss ratio	71.4%	72.3%
Expense ratio	25.9%	26.7%
GAAP combined ratio	97.3%	99.0%
Reinsurance		
Gross premiums written	\$ 508,717	\$ 453,170
Net premiums written	477,252	430,329
Net premiums earned	446,939	426,008
Loss ratio	60.5%	61.6%
Expense ratio	40.1%	40.5%
GAAP combined ratio	100.6%	102.1%
International		
Gross premiums written	\$ 1,009,997	\$ 829,281
Net premiums written	851,404	688,919
Net premiums earned	809,555	613,578
Loss ratio	62.9%	60.5%
Expense ratio	37.2%	40.2%
GAAP combined ratio	100.1%	100.7%
Consolidated		
Gross premiums written	\$ 5,779,879	\$ 5,077,313
Net premiums written	4,898,539	4,357,368
Net premiums earned	4,673,516	4,160,867
Loss ratio	63.1%	63.9%
Expense ratio	34.1%	34.6%
GAAP combined ratio	97.2%	98.5%

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

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

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

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

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

- Specialty premiums increased 14% to \$2,071 million in 2012 from \$1,818 million in 2011, primarily due to increased business in the energy and environmental markets. Gross premiums increased \$89 million (16%) for other liability, \$56 million (15%) for property lines, \$46 million (32%) for workers' compensation, \$31 million (10%) for professional liability, \$15 million (9%) for commercial automobile, \$9 million (9%) for products liability and \$7 million for other lines.
- Regional gross premiums increased 6% to \$1,219 million in 2012 from \$1,149 million in 2011. Gross premiums increased \$43 million (10%) for commercial multiple peril, \$17 million (8%) for workers' compensation and \$6 million (2%) for commercial automobile.
- Alternative Markets gross premiums increased 17% to \$971 million in 2012 from \$827 million in 2011. Excluding assigned risk plans, which are fully reinsured, gross premiums increased 13% to \$765 million in 2012 from \$678 million in 2011. Gross premiums increased \$90 million (31%) for primary workers' compensation and \$29 million (23%) for accident and health products. Gross premiums decreased \$25 million (16%) for excess workers' compensation, \$2 million (3%) for other liability and \$4 million (7%) for other lines.
- Reinsurance gross premiums increased 12% to \$509 million in 2012 from \$453 million in 2011. Gross premiums increased \$43 million (31%) for property business and \$13 million (4%) for casualty business.
- International gross premiums increased 22% to \$1,010 million in 2012 from \$829 million in 2011. The increase was primarily due to an increase in business written by our Lloyd's operation, and by our businesses in Australia, Germany and Norway. Gross premiums increased \$50 million (56%) for marine, \$42 million (38%) for casualty reinsurance, \$29 million (25%) for property, \$20 million (54%) for property reinsurance, \$8 million (17%) for accident and health and \$32 million (7%) for other lines.

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

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

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

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

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

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

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

Change in Valuation Allowance, Net of Other-Than-Temporary Impairments. 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. 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. In 2012, the valuation allowance for mortgage loans decreased by \$14 million. Other-than-temporary impairments were \$5 million in 2012 compared with \$0.4 million in 2011.

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

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

- Specialty - The loss ratio of 62.8% in 2012 was 3.4 points higher than the loss ratio of 59.4% in 2011. Catastrophe losses were \$18 million in 2012 compared with \$17 million in 2011, a decrease of 0.1 loss ratio points. Favorable prior year reserve development was \$42 million in 2012 compared with \$102 million in 2011, a difference of 4.5 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 1.0 points to 64.3% in 2012 from 65.3% in 2011.
- Regional - The loss ratio of 59.6% in 2012 was 8.4 points lower than the loss ratio of 68.0% in 2011. Catastrophe losses were \$24 million in 2012 compared with \$85 million in 2011, a decrease of 5.7 loss ratio points. Favorable prior year reserve development was \$19 million in 2012 compared with \$40 million in 2011, a difference of 2.0 loss

ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 4.7 points to 59.1% in 2012 from 63.8% in 2011 due to favorable pricing and loss cost trends.

- **Alternative Markets** - The loss ratio of 71.4% in 2012 was 0.9 points lower than the loss ratio of 72.3% in 2011. Favorable prior year reserve development was \$4 million in 2012 compared with \$3 million in 2011, a difference of 0.1 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development decreased 0.6 points to 71.9% in 2012 from 72.5% in 2011.
- **Reinsurance** - The loss ratio of 60.5% in 2012 was 1.1 points lower than the loss ratio of 61.6% in 2011. Catastrophe losses were \$21 million in 2012 compared to \$24 million in 2011, a decrease of 1.0 loss ratio points. Favorable prior year reserve development was \$34 million in 2012 compared with \$25 million in 2011, a difference of 1.9 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 1.8 points to 63.5% in 2012 from 61.7% in 2011.
- **International** - The loss ratio of 62.9% in 2012 was 2.4 points higher than the loss ratio of 60.5% in 2011. There were \$16 million in catastrophe losses in 2012 compared with \$25 million in 2011, a decrease of 2.1 loss ratio points. Favorable prior year reserve development was \$3 million in 2012 and \$12 million in 2011, a difference of 1.7 loss ratio points. The loss ratio excluding catastrophe losses and prior year reserve development increased 2.8 points to 61.2% in 2012 from 58.4% in 2011 due to higher property losses.

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

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

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 written of 12%. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 34.1% in 2012 and 34.6% in 2011.

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

Net foreign currency gains result from transactions denominated in a currency other than the operating unit's functional currency.

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

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

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

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

The Company has not provided U.S. deferred income taxes on the undistributed earnings of approximately \$98 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$8 million, assuming all tax

credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

Results of Operations for the Years Ended December 31, 2011 and 2010

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, 2011 and 2010. 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)	2011	2010
Specialty		
Gross premiums written	\$ 1,818,344	\$ 1,525,856
Net premiums written	1,554,516	1,311,831
Net premiums earned	1,442,748	1,288,373
Loss ratio	59.4%	58.3%
Expense ratio	32.6%	32.9%
GAAP combined ratio	92.0%	91.2%
Regional		
Gross premiums written	\$ 1,149,362	\$ 1,160,136
Net premiums written	1,064,507	1,044,347
Net premiums earned	1,065,975	1,066,922
Loss ratio	68.0%	60.7%
Expense ratio	36.1%	36.0%
GAAP combined ratio	104.1%	96.7%
Alternative Markets		
Gross premiums written	\$ 827,156	\$ 702,717
Net premiums written	619,097	582,045
Net premiums earned	612,558	608,191
Loss ratio	72.3%	67.6%
Expense ratio	26.7%	25.6%
GAAP combined ratio	99.0%	93.2%
Reinsurance		
Gross premiums written	\$ 453,170	\$ 425,297
Net premiums written	430,329	401,239
Net premiums earned	426,008	419,356
Loss ratio	61.6%	52.5%
Expense ratio	40.5%	41.1%
GAAP combined ratio	102.1%	93.6%
International		
Gross premiums written	\$ 829,281	\$ 602,071
Net premiums written	688,919	511,464
Net premiums earned	613,578	452,740
Loss ratio	60.5%	61.8%
Expense ratio	40.2%	40.5%
GAAP combined ratio	100.7%	102.3%
Consolidated		
Gross premiums written	\$ 5,077,313	\$ 4,416,077
Net premiums written	4,357,368	3,850,926
Net premiums earned	4,160,867	3,835,582
Loss ratio	63.9%	60.2%
Expense ratio	34.6%	34.4%
GAAP combined ratio	98.5%	94.6%

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, 2011 and 2010.

(In thousands, except per share data)	2011	2010
Net income to common stockholders	\$ 391,211	\$ 446,405
Weighted average diluted shares	145,672	155,081
Net income per diluted share	\$ 2.69	\$ 2.88

The Company reported net income of \$391 million in 2011 compared to \$446 million in 2010. The decrease in net income was primarily due to a decline in underwriting income partially offset by an increase in net investment gains. The decline in underwriting income was attributable to an increase in catastrophe losses of \$72 million and a decrease in favorable prior year reserve development of \$52 million. The number of weighted average diluted shares decreased as a result of the Company's repurchases of its common stock in 2011 and 2010.

Premiums. Gross premiums written were \$5,077 million in 2011, an increase of 15% from \$4,416 million in 2010. The increase in gross premiums written was primarily due to growth in our Specialty and International business segments as a result of expansion into new geographic and product markets. Approximately 80% of policies expiring in 2011 were renewed, compared with a 77% renewal retention rate for policies expiring in 2010. The average rate (i.e., average premium adjusted for change in exposures) for policies that renewed in 2011 increased by approximately 2.3%. Audit premiums were \$53 million in 2011 compared with \$18 million in 2010.

Beginning in 2005, the property casualty insurance market became more competitive and insurance rates decreased across most business lines. While prices increased in 2011, overall loss costs also generally increased and market price levels for certain lines of business remained below the prices required for the Company to achieve its return objectives. A summary of gross premiums written in 2011 compared with 2010 by line of business within each business segment follows:

- Specialty premiums increased 19% to \$1,818 million in 2011 from \$1,526 million in 2010 primarily due to increased business in the energy and environmental markets. Gross premiums increased \$121 million (27%) for other liability, \$65 million (21%) for property lines, \$38 million (30%) for commercial automobile, \$22 million (11%) for professional liability, \$10 million (11%) for products liability and \$36 million (13%) for other lines.
- Regional gross premiums decreased 1% to \$1,149 million in 2011 from \$1,160 million in 2010. Gross premiums increased \$14 million (3%) for commercial multiple peril, \$11 million (5%) for workers' compensation and \$7 million (4%) for other lines. Gross premiums decreased \$7 million (2%) for commercial automobile. Gross premiums written decreased \$36 million as a result of the transfer of fully reinsured assigned risk plan premiums to the Alternative Markets segment in 2011.
- Alternative Markets gross premiums increased 18% to \$827 million in 2011 from \$703 million in 2010. Excluding assigned risk plans, which are fully reinsured, gross premiums increased 6% to \$676 million in 2011 from \$636 million in 2010. Gross premiums increased \$51 million (68%) for accident and health products, \$29 million (11%) for primary workers' compensation and \$13 million (38%) for other liability and decreased \$4 million (7%) for other lines. Gross premiums decreased \$48 million (24%) for excess workers' compensation. Fully reinsured assigned risk premiums increased \$84 million (including the \$36 million transferred from the Regional segment) to \$151 million in 2011.
- Reinsurance gross premiums increased 7% to \$453 million in 2011 from \$425 million in 2010. Gross premiums increased 9% to \$314 million for casualty business and 1% to \$139 million for property business.
- International gross premiums increased 38% to \$829 million in 2011 from \$602 million in 2010. The increase was primarily due to an increase in business written by our Lloyd's operation, our companies in Australia, and new insurance branches in Germany and Norway. Gross premiums increased \$93 million (64%) for property lines, \$53 million (56%) for assumed reinsurance, \$27 million (58%) for liability lines, \$19 million (18%) for professional liability, \$16 million (27%) for workers' compensation and \$6 million (8%) for automobile. In addition, one percentage point of the 38% increase in gross premiums written resulted from changes in foreign exchange rates.

Net premiums written were \$4,357 million in 2011, an increase of 13% from \$3,851 million in 2010. Ceded reinsurance premiums as a percentage of gross written premiums increased to 14% in 2011 from 13% in 2010. The increase in the percentage of business ceded was due to the increase in premiums written by new companies, which cede a higher portion of their gross premiums, and to growth in premiums written by assigned risk plans, which cede 100% of their gross premiums.

Premiums earned increased 9% to \$4,161 million in 2011 from \$3,836 million in 2010. Insurance premiums (including the impact of rate changes) are generally earned evenly over the policy term. Premiums earned in 2011 are related to business written during both 2011 and 2010.

Net Investment Income. Following is a summary of net investment income for 2011 and 2010:

(In thousands)	Amount		Average Annualized Yield	
	2011	2010	2011	2010
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 483,905	\$ 501,750	4.0%	4.1%
Arbitrage trading account	16,576	27,155	4.9	7.0
Investment funds	9,452	(6,481)	1.6	(1.3)
Equity securities available for sale	12,416	11,661	3.5	3.5
Real estate	7,471	—	4.3	—
Gross investment income	529,820	534,085	3.9%	4.0%
Investment expenses	(3,469)	(3,560)		
Total	\$ 526,351	\$ 530,525	3.9%	4.0%

Net investment income decreased 1% to \$526 million in 2011 from \$531 million in 2010. The decrease in investment income was due to a decrease in income from arbitrage trading activities, partially offset by income from investment funds (which are reported on a one quarter lag). Average invested assets, at cost (including cash and cash equivalents) were \$13.6 billion in 2011 and \$13.4 billion in 2010.

Insurance Service Fees. The Company is a servicing carrier of worker's 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 \$93 million in 2011, up from \$85 million in 2010, primarily as a result of an increase in fees from assigned risk plans.

Net Investment Gains. 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 \$126 million in 2011 compared with \$66 million in 2010.

Other-Than-Temporary Impairments. The cost of securities is adjusted where appropriate to include a provision for decline in value which is considered to be other-than-temporary. Other-than-temporary impairments were \$0.4 million in 2011 compared with \$9.2 million in 2010.

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 \$249 million in 2011 from \$214 million in 2010, primarily as a result of higher aircraft sales.

Losses and Loss Expenses. Losses and loss expenses increased to \$2,658 million in 2011 from \$2,310 million in 2010. The consolidated loss ratio of 63.9% in 2011 was 3.7 points higher than the loss ratio of 60.2% in 2010. Catastrophe losses, net of reinsurance recoveries and reinstatement premiums, were \$153 million in 2011 compared with \$81 million in 2010, an increase of 1.6 loss ratio points. Catastrophe losses in 2011 included losses from severe wind and hail storms in the United States, an earthquake in Japan and floods in Thailand. Favorable prior year reserve development was \$182 million in 2011 compared with \$234 million in 2010, a difference of 1.7 loss ratio points. The loss ratio excluding catastrophe losses and favorable prior year reserve development increased 0.4 points to 64.6% in 2011 from 64.2% in 2010. A summary of loss ratios in 2011 compared with 2010 by business segment follows:

- Specialty - The loss ratio of 59.4% in 2011 was 1.1 points higher than the loss ratio of 58.3% in 2010. Catastrophe losses were \$17 million, or 1.2 loss ratio points, in 2011 compared with none in 2010. Favorable prior year reserve development was \$102 million in 2011 compared with \$99 million in 2010, a difference of 0.6 loss ratio points. The loss ratio excluding catastrophe losses and favorable prior year reserve development decreased 0.7 points to 65.3% in 2011 from 66.0% in 2010.

- **Regional** - The loss ratio of 68.0% in 2011 was 7.3 points higher than the loss ratio of 60.7% in 2010. Catastrophe losses were \$85 million in 2011 compared with \$73 million in 2010, an increase of 1.1 loss ratio points. Favorable prior year reserve development was \$40 million in 2011 compared with \$84 million in 2010, a difference of 4.1 loss ratio points. The loss ratio excluding catastrophe losses and favorable prior year reserve development increased 2.1 points to 63.8% in 2011 from 61.7% in 2010 due to favorable pricing and loss cost trends.
- **Alternative Markets** - The loss ratio of 72.3% in 2011 was 4.7 points higher than the loss ratio of 67.6% in 2010. Catastrophe losses were \$2 million in 2011 compared with none in 2010, an increase of 0.3 loss ratio points. Favorable prior year reserve development was \$3 million in 2011 compared with \$24 million in 2010, a difference of 3.4 loss ratio points. The loss ratio excluding catastrophe losses and favorable prior year reserve development increased 1.0 points to 72.5% in 2011 from 71.5% in 2010.
- **Reinsurance** - The loss ratio of 61.6% in 2011 was 9.1 points higher than the loss ratio of 52.5% in 2010. Catastrophe losses were \$24 million in 2011 compared \$4 million in 2010, an increase of 4.7 loss ratio points. Favorable prior year reserve development was \$25 million in 2011 compared with \$26 million in 2010, a difference of 0.5 loss ratio points. The loss ratio excluding catastrophe losses and favorable prior year reserve development increased 3.9 points to 61.7% in 2011 from 57.8% in 2010 due to higher non-catastrophe property losses.
- **International** - The loss ratio of 60.5% in 2011 was 1.3 points lower than the loss ratio of 61.8% in 2010. Catastrophe losses were \$25 million in 2011 compared with \$4 million in 2010, an increase of 3.2 loss ratio points. Favorable prior year reserve development was \$12 million in 2011 and \$1 million in 2010, a difference of 1.7 loss ratio points. The loss ratio excluding catastrophe losses and favorable prior year reserve development decreased 2.8 points to 58.4% in 2011 from 61.2% in 2010 due to improved profitability for our businesses in South America and Australia.

Other Operating Costs and Expenses. Following is a summary of other operating costs and expenses for 2011 and 2010:

(In thousands)	2011	2010
Underwriting expenses	\$ 1,438,129	\$ 1,318,878
Service expenses	75,231	72,372
Net foreign currency (gains) losses	(1,884)	2,126
Other costs and expenses	115,050	107,381
Total	\$ 1,626,526	\$ 1,500,757

Underwriting expenses are comprised of commissions paid to agents and brokers, premium taxes and other assessments and internal underwriting costs. The expense ratio (underwriting expenses expressed as a percentage of premiums earned) was 34.6% in 2011 compared with 34.4% in 2010 due to increases in internal underwriting costs, largely offset by an increase in earned premiums.

Service expenses, which represent the costs associated with the fee-based businesses, increased 4% to \$75 million. The increase was due to an increase in general and administrative expenses.

Net foreign currency gains and losses result from transactions denominated in a currency other than the operating unit's functional currency.

Other costs and expenses, which represent general and administrative expenses that are not allocated to business segments, increased to \$115 million in 2011 from \$107 million in 2010 due to an increase in general and administrative expenses.

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 \$245 million in 2011 compared to \$208 million in 2010 due to higher cost of aircraft sold as a result of higher sales volume.

Interest Expense. Interest expense was \$113 million in 2011 compared with \$107 million in 2010 due to the issuance of \$300 million of 5.375% senior notes in September 2010, partially offset by repayment of \$150 million 5.125% senior notes in September 2010.

Income Taxes. The effective income tax rate was 24% in 2011 as compared to 25% in 2010. The effective income tax rate differs from the federal income tax rate of 35% primarily because of tax-exempt investment income and utilization of foreign tax credits, including a reduction of the valuation allowance. Tax exempt investment income comprised a higher portion of the 2011 pre-tax income and as such had a higher impact on the effective tax rate for 2011 compared with 2010.

Investments

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

The Company also attempts to maintain an appropriate relationship between the average duration of the investment portfolio and the approximate duration of its liabilities (i.e., policy claims and debt obligations). The average duration of the investment portfolio was 3.4 years and 3.6 years at December 31, 2012 and 2011, respectively. The Company's investment portfolio and investment-related assets as of December 31, 2012 were as follows:

(In thousands)	Carrying Value	Percent of Total
Fixed maturity securities:		
U.S. government and government agencies	\$ 898,463	6%
State and municipal:		
Special revenue	2,243,455	16%
Pre-refunded (1)	917,207	6%
State general obligation	888,498	6%
Corporate backed	384,766	3%
Local general obligation	399,783	3%
Total state and municipal	4,833,709	33%
Mortgage-backed securities:		
Agency	1,110,385	8%
Residential-Prime	236,372	2%
Residential-Alt A	128,136	1%
Commercial	273,568	2%
Total mortgage-backed securities	1,748,461	12%
Corporate:		
Industrial	1,590,816	11%
Financial	799,602	6%
Asset-backed	596,428	4%
Utilities	235,409	2%
Other	129,461	1%
Total corporate	3,351,716	23%
Foreign government and corporate securities	1,111,607	8%
Total fixed maturity securities	11,943,956	83%
Equity securities available for sale:		
Common stocks	282,066	2%
Preferred stocks	93,956	1%
Total equity securities available for sale	376,022	3%
Investment funds	809,689	6%
Arbitrage trading account	329,077	2%
Real estate	606,735	4%
Loans receivable	401,961	3%
Total investments	\$ 14,467,440	100%

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

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

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

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

(In thousands)	Government	Corporate	Total
Australia	\$ 230,308	\$ 114,000	\$ 344,308
Canada	129,822	50,681	180,503
United Kingdom	142,036	33,668	175,704
Argentina	125,396	30,750	156,146
Germany	90,748	—	90,748
Brazil	51,752	—	51,752
Norway	38,625	—	38,625
Supranational (1)	37,013	—	37,013
Netherlands	—	14,427	14,427
Switzerland	—	11,403	11,403
Singapore	6,985	—	6,985
Uruguay	3,576	—	3,576
New Zealand	417	—	417
Total	<u>\$ 856,678</u>	<u>\$ 254,929</u>	<u>\$ 1,111,607</u>

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

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, 2012, the carrying value of investment funds was \$810 million, including investments in real estate funds of \$373 million and investments in energy funds of \$146 million.

Real Estate. Real estate is directly owned property held for investment. At December 31, 2012, real estate consists of one office building in operation, three office buildings under development and a long-term ground lease.

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

Loans Receivable. Loans receivable, which are carried at amortized cost, have an aggregate cost of \$402 million and an aggregate fair value of \$406 million at December 31, 2012. Amortized cost of these loans is net of a valuation allowance of \$6 million as of December 31, 2012. The six largest loans have an aggregate amortized cost of \$242 million and an aggregate fair value of \$244 million as of such date and are secured by commercial real estate. These loans earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. The loans are secured by office buildings (64%) and hotels (36%) located primarily in New York City, Chicago, California, Hawaii and Boston.

Liquidity and Capital Resources

Cash Flow. Cash flow provided from operating activities increased to \$675 million in 2012 from \$670 million in 2011. The increase in cash flow was due primarily to higher premium collections partially offset by an increase in income taxes paid. Paid losses as a percent of earned premiums were 58.0% in 2012 compared with 59.8% in 2011.

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 can be paid without regulatory approval are prescribed by statute. During 2013, the maximum amount of dividends which can be paid without regulatory approval is approximately \$466 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 82% invested in cash, cash equivalents and marketable fixed income securities as of December 31, 2012. 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, 2012, the Company had senior notes, junior subordinated debentures and other debt outstanding with a carrying value of \$2,115 million and a face amount of \$2,135 million. The maturities of the outstanding debt are \$217 million in 2013, \$40 million in 2014, \$201 million in 2015, \$450 million in 2019, \$300 million in 2020, \$426 million in 2022, \$1 million in 2023, \$250 million in 2037 and \$250 million in 2045.

Equity. The Company repurchased 3,428,175 shares, 5,218,097 shares and 17,017,479 shares of its common stock in 2012, 2011 and 2010, respectively. The aggregate cost of the repurchases was \$128 million in 2012, \$157 million in 2011 and \$449 million in 2010. At December 31, 2012, total common stockholders' equity was \$4.3 billion, common shares outstanding were 136,017,732, and stockholders' equity per outstanding share was \$31.66.

Dividends. In addition to our regular dividends of \$0.35 per share paid in 2012, in December 2012 we paid a special dividend of \$1.00 per share. Total dividends paid in 2012 were \$184 million.

Total Capital. Total capitalization (equity, senior notes and other debt and junior subordinated debentures) was \$6.4 billion at December 31, 2012. The percentage of the Company's capital attributable to senior notes, junior subordinated debentures and other debt was 33% at December 31, 2012 and 31% at December 31, 2011.

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, 2012, the Company had a deferred gross tax asset of \$447 million (which primarily relates to loss and loss expense reserves and unearned premium reserves) and a gross deferred tax liability of \$507 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 \$98 million of its non-U.S. subsidiaries since these earnings are intended to be permanently reinvested in the non-U.S. subsidiaries. However, in the future, if such earnings were distributed to the Company, taxes of approximately \$8 million, assuming all tax credits are realized, would be payable on such undistributed earnings and would be reflected in the tax provision for the year in which these earnings are no longer intended to be permanently reinvested in the foreign subsidiary.

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.

The following table presents the credit quality of amounts due from reinsurers as of December 31, 2012. Amounts due from reinsurers are net of reserves for uncollectible reinsurance of \$2 million in the aggregate.

(In thousands)		
Reinsurer	Rating (1)	Amount
Amounts due in excess of \$25 million:		
Munich Re	AA-	\$ 166,910
Lloyd's of London	A+	127,430
Swiss Re	AA-	81,167
Transatlantic Re	A+	79,835
Partner Re	A+	71,785
Axis Capital	A+	60,140
Berkshire Hathaway	A++	54,152
Ace Group	A+	46,020
Hannover Re Group	AA	32,763
Poseidon Re Ltd (2)		30,016
Everest Re	A+	25,915
Arch Capital Group	A+	25,636
Validus Holdings Ltd	A	23,727
Other reinsurers:		
Rated A- or better		147,832
Secured (2)		43,656
All others		28,816
Subtotal		<u>1,045,800</u>
Residual market pools (3)		404,548
Total		<u>\$ 1,450,348</u>

(1) Rating represents 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.

As of January 1, 2013, the Company had in place a catastrophe excess of loss reinsurance program that provides protection for net losses between \$30 million and \$155 million for the majority of primary business written by its U.S. companies, with additional coverage of between \$5 million and \$30 million depending on the region. The Company has separate catastrophe excess of loss reinsurance for business written through Lloyd's. The catastrophe reinsurance agreements are subject to certain limits, exclusions and reinstatement premiums.

Contractual Obligations

Following is a summary of the Company's contractual obligations as of December 31, 2012.

(In thousands)

Estimated Payments By Periods	2013	2014	2015	2016	2017	Thereafter
Gross reserves for losses	\$ 2,523,545	\$ 1,705,689	\$ 1,263,896	\$ 916,111	\$ 674,158	\$ 3,591,985
Operating lease obligations	38,671	33,893	29,924	25,038	20,642	166,707
Purchase obligations	71,477	3,768	2,193	1,376	—	—
Junior subordinated debentures	—	—	—	—	—	250,000
Debt maturities	216,839	39,745	200,679	—	—	1,427,035
Interest payments	117,403	114,682	107,530	102,855	85,980	964,551
Other long-term liabilities	25,629	23,211	24,506	11,090	10,514	68,031
Total	\$ 2,993,564	\$ 1,920,988	\$ 1,628,728	\$ 1,056,470	\$ 791,294	\$ 6,468,309

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, 2012. 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, the Company has commitments to invest up to \$167 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 \$29 million as of December 31, 2012. 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 3.4 and 3.6 years at December 31, 2012 and 2011, 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, 2012:

(In thousands)	Effective Duration (Years)	Fair Value
Cash and cash equivalents	—	\$ 905,670
U. S. government securities	4.0	898,463
State and municipal	4.1	4,852,238
Corporate	4.0	3,352,321
Foreign	2.9	1,111,607
Mortgage-backed securities	2.5	1,753,747
Loans receivable	3.6	406,443
Total	3.4	\$ 13,280,489

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, 2012 would be as follows:

(In thousands)	Estimated Fair Value	Change in Fair Value
Change in interest rates:		
300 basis point rise	\$ 11,927,715	\$ (1,352,774)
200 basis point rise	12,358,586	(921,903)
100 basis point rise	12,809,623	(470,866)
Base scenario	13,280,489	—
100 basis point decline	13,741,104	460,615
200 basis point decline	14,154,342	873,853
300 basis point decline	14,537,016	1,256,527

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 (the "Company") as of December 31, 2012 and 2011, 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, 2012. 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 the Company as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, 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), the Company's internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 28, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

KPMG LLP

New York, New York
February 28, 2013

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

<i>(In thousands, except per share data)</i>	Years Ended December 31,		
	2012	2011	2010
REVENUES:			
Net premiums written	\$ 4,898,539	\$ 4,357,368	\$ 3,850,926
Change in net unearned premiums	(225,023)	(196,501)	(15,344)
Net premiums earned	4,673,516	4,160,867	3,835,582
Net investment income	586,763	526,351	530,525
Insurance service fees	103,133	92,843	85,405
Net investment gains:			
Net realized gains on investment sales	201,451	125,881	65,786
Change in valuation allowance and other-than-temporary impairments	9,014	(400)	(9,205)
Net investment gains	210,465	125,481	56,581
Revenues from wholly-owned investees	247,113	248,678	214,454
Other income	2,564	1,764	1,522
Total revenues	<u>5,823,554</u>	<u>5,155,984</u>	<u>4,724,069</u>
OPERATING COSTS AND EXPENSES:			
Losses and loss expenses	2,948,479	2,658,365	2,309,867
Other operating costs and expenses	1,799,623	1,626,526	1,500,757
Expenses from wholly-owned investees	247,222	245,495	207,566
Interest expense	126,302	112,512	106,969
Total operating costs and expenses	<u>5,121,626</u>	<u>4,642,898</u>	<u>4,125,159</u>
Income before income taxes	701,928	513,086	598,910
Income tax expense	(191,285)	(121,945)	(152,226)
Net income before noncontrolling interests	510,643	391,141	446,684
Noncontrolling interests	(51)	70	(279)
Net income to common stockholders	<u>\$ 510,592</u>	<u>\$ 391,211</u>	<u>\$ 446,405</u>
NET INCOME PER SHARE:			
Basic	\$ 3.72	\$ 2.80	\$ 3.00
Diluted	<u>\$ 3.56</u>	<u>\$ 2.69</u>	<u>\$ 2.88</u>

See accompanying notes to consolidated financial statements.

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

<u>(In thousands)</u>	Years Ended December 31,		
	2012	2011	2010
Net income before noncontrolling interests	\$ 510,643	\$ 391,141	\$ 446,684
Other comprehensive income:			
Change in unrealized foreign exchange gains (losses)	24,563	(18,751)	(2,117)
Unrealized holding gains on investment securities arising during the period, net of taxes	224,118	177,264	152,235
Reclassification adjustment for net investment gains (losses) included in net income, net of taxes	(136,802)	(81,647)	(36,874)
Change in unrecognized pension obligation, net of taxes	(1,022)	1,367	120
Other comprehensive income	110,857	78,233	113,364
Comprehensive income	621,500	469,374	560,048
Comprehensive income (loss) to the noncontrolling interest	(128)	125	(287)
Comprehensive income to common shareholders	\$ 621,372	\$ 469,499	\$ 559,761

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	December 31,	
	2012	2011
Assets		
Investments:		
Fixed maturity securities	\$ 11,943,956	\$ 11,312,037
Equity securities available for sale	376,022	443,439
Arbitrage trading account	329,077	397,312
Investment funds	809,689	680,638
Loans receivable	401,961	263,187
Real estate	606,735	342,905
Total investments	14,467,440	13,439,518
Cash and cash equivalents	905,670	911,742
Premiums and fees receivable	1,440,752	1,206,204
Due from reinsurers	1,450,348	1,215,679
Accrued investment income	127,230	133,776
Prepaid reinsurance premiums	316,309	258,271
Deferred policy acquisition costs	404,047	364,937
Property, furniture and equipment	267,227	262,275
Goodwill	87,865	87,865
Trading account receivable from brokers and clearing organizations	446,873	318,240
Current federal and foreign income taxes	—	9,670
Other assets	242,135	195,696
Total assets	\$ 20,155,896	\$ 18,403,873
Liabilities and equity		
Liabilities:		
Reserves for losses and loss expenses	\$ 9,751,086	\$ 9,337,134
Unearned premiums	2,474,847	2,189,575
Due to reinsurers	316,388	241,204
Trading account securities sold but not yet purchased	121,487	62,514
Deferred federal and foreign income taxes	60,255	2,835
Other liabilities	981,626	866,229
Junior subordinated debentures	243,206	242,997
Senior notes and other debt	1,871,535	1,500,503
Total liabilities	15,820,430	14,442,991
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, 136,017,732 and 137,520,019 shares, respectively	47,024	47,024
Additional paid-in capital	945,166	941,109
Retained earnings	4,817,807	4,491,162
Accumulated other comprehensive income	465,631	354,851
Treasury stock, at cost, 99,100,186 and 97,597,899 shares, respectively	(1,969,411)	(1,880,790)
Total common stockholders' equity	4,306,217	3,953,356
Noncontrolling interests	29,249	7,526
Total equity	4,335,466	3,960,882
Total liabilities and equity	\$ 20,155,896	\$ 18,403,873

See accompanying notes to consolidated financial statements.

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

<u>(In thousands)</u>	Years Ended December 31,		
	2012	2011	2010
COMMON STOCK:			
Beginning and end of period	\$ 47,024	\$ 47,024	\$ 47,024
ADDITIONAL PAID IN CAPITAL:			
Beginning of period	\$ 941,109	\$ 935,099	\$ 926,359
Stock options exercised and restricted units issued including tax benefit	(22,125)	(20,601)	(17,042)
Restricted stock units expensed	25,728	26,303	25,584
Stock issued	454	308	198
End of period	<u>\$ 945,166</u>	<u>\$ 941,109</u>	<u>\$ 935,099</u>
RETAINED EARNINGS:			
Beginning of period	\$ 4,491,162	\$ 4,143,207	\$ 3,736,592
Net income to common stockholders	510,592	391,211	446,405
Dividends	(183,947)	(43,256)	(39,790)
End of period	<u>\$ 4,817,807</u>	<u>\$ 4,491,162</u>	<u>\$ 4,143,207</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME:			
Unrealized investment gains (losses):			
Beginning of period	\$ 430,419	\$ 334,747	\$ 219,394
Unrealized gains on securities not other-than-temporarily impaired	84,229	98,015	114,468
Unrealized gains (losses) on other-than-temporarily impaired securities	3,010	(2,343)	885
End of period	<u>517,658</u>	<u>430,419</u>	<u>334,747</u>
Currency translation adjustments:			
Beginning of period	(61,239)	(42,488)	(40,371)
Net change in period	24,563	(18,751)	(2,117)
End of period	<u>(36,676)</u>	<u>(61,239)</u>	<u>(42,488)</u>
Net pension asset:			
Beginning of period	(14,329)	(15,696)	(15,816)
Net change in period	(1,022)	1,367	120
End of period	<u>(15,351)</u>	<u>(14,329)</u>	<u>(15,696)</u>
Total accumulated other comprehensive income	<u>\$ 465,631</u>	<u>\$ 354,851</u>	<u>\$ 276,563</u>
TREASURY STOCK:			
Beginning of period	\$ (1,880,790)	\$ (1,750,494)	\$ (1,325,710)
Stock exercised/vested	45,253	56,303	45,687
Stock issued	581	564	536
Stock repurchased	(134,455)	(187,163)	(471,007)
End of period	<u>\$ (1,969,411)</u>	<u>\$ (1,880,790)</u>	<u>\$ (1,750,494)</u>
NONCONTROLLING INTERESTS:			
Beginning of period	\$ 7,526	\$ 6,980	\$ 5,879
Acquisition of noncontrolling interest	21,595	671	814
Net (income) loss	51	(70)	279
Other comprehensive income (loss), net of tax	77	(55)	8
End of period	<u>\$ 29,249</u>	<u>\$ 7,526</u>	<u>\$ 6,980</u>

See accompanying notes to consolidated financial statements.

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

(In thousands)	Years Ended December 31,		
	2012	2011	2010
CASH FROM OPERATING ACTIVITIES:			
Net income to common stockholders	\$ 510,592	\$ 391,211	\$ 446,405
Adjustments to reconcile net income to net cash from operating activities:			
Net investment (gains) losses	(210,465)	(125,481)	(56,581)
Depreciation and amortization	103,419	88,012	82,867
Noncontrolling interests	51	(70)	279
Investment funds	(77,015)	1,751	49,400
Stock incentive plans	26,763	27,175	27,407
Change in:			
Arbitrage trading account	(1,424)	(8,106)	(12,993)
Premiums and fees receivable	(228,756)	(122,468)	(41,167)
Reinsurance accounts	(216,968)	(161,070)	(14,960)
Deferred policy acquisition costs	(38,656)	(38,541)	(10,877)
Deferred income taxes	13,240	43,340	62,353
Reserves for losses and loss expenses	406,763	325,758	(103,745)
Unearned premiums	279,986	238,499	3,414
Other	107,928	10,269	19,514
Net cash from operating activities	<u>675,458</u>	<u>670,279</u>	<u>451,316</u>
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES:			
Proceeds from sale of fixed maturity securities	838,576	1,293,876	1,554,906
Proceeds from sale of equity securities	409,610	159,827	137,990
Distributions from (contributions to) investment funds	77,930	(113,913)	(53,979)
Proceeds from maturities and prepayments of fixed maturity securities	2,291,105	1,697,144	1,374,378
Purchase of fixed maturity securities	(3,617,002)	(2,815,340)	(2,755,449)
Purchase of equity securities	(284,991)	(97,986)	(193,914)
Real estate purchased	(256,386)	(96,552)	—
Change in loans receivable	(124,776)	92,176	23,317
Net additions to property, furniture and equipment	(40,556)	(45,320)	(49,605)
Change in balances due to (from) security brokers	(25,799)	(16,194)	(297)
Payment for business purchased, net of cash acquired	(42,779)	(261,992)	—
Net cash from (used in) investing activities	<u>(775,068)</u>	<u>(204,274)</u>	<u>37,347</u>
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES:			
Net proceeds from issuance of debt	369,291	—	309,030
Net proceeds from stock options exercised	7,660	21,963	17,730
Repayment of senior notes and other debt	—	(1,310)	(162,685)
Cash dividends to common stockholders	(183,947)	(43,253)	(49,348)
Purchase of common treasury shares	(127,663)	(187,163)	(471,007)
Other	31,851	14,550	(2,795)
Net cash from (used in) financing activities	<u>97,192</u>	<u>(195,213)</u>	<u>(359,075)</u>
Net impact on cash due to change in foreign exchange rates	(3,654)	(2,002)	(2,066)
Net increase (decrease) in cash and cash equivalents	<u>(6,072)</u>	<u>268,790</u>	<u>127,522</u>
Cash and cash equivalents at beginning of year	911,742	642,952	515,430
Cash and cash equivalents at end of year	<u>\$ 905,670</u>	<u>\$ 911,742</u>	<u>\$ 642,952</u>

See accompanying notes to consolidated financial statements.

W. R. BERKLEY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2012, 2011 and 2010

(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 2011 and 2010 financial statements to conform to the presentation of the 2012 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 \$7 million and \$1 million in 2012 and 2011, respectively, and decreased net premiums written and premiums earned by \$7 million in 2010.

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

(C) Cash and cash equivalents

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

(D) Investments

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

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

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

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

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

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

Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." Fair value of investments is determined based on a fair value hierarchy that prioritizes the use of observable inputs over the use of unobservable inputs and requires the use of observable inputs when available. (See Note 12 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 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 13 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 \$75 million and \$80 million at December 31, 2012 and 2011, respectively.

(J) Federal and foreign income taxes

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

(K) Foreign currency

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

(L) Property, furniture and equipment

Property, furniture and equipment are carried at cost less accumulated depreciation. Depreciation is calculated using the estimated useful lives of the respective assets. Depreciation expense was \$38 million, \$40 million and \$41 million for 2012, 2011 and 2010, 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 intangibles 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, 2012 indicated that there were no impairment losses related to goodwill and other intangible assets. Intangible assets of \$31 million and \$32 million are included in other assets as of December 31, 2012 and 2011, 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 \$119 million, \$111 million and \$103 million in 2012, 2011 and 2010, respectively. Income taxes paid were \$133 million, \$48 million and \$123 million in 2012, 2011 and 2010, respectively. Other non-cash items include acquisitions and dispositions, unrealized investment gains and losses and pension expense. (See Note 2, Note 10 and Note 25 of Notes to Consolidated Financial Statements.)

(Q) Change in accounting

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

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

<u>(In thousands, except per share amounts)</u>	<u>Previously Reported</u>	<u>As Adjusted</u>
At December 31, 2011		
Deferred policy acquisition costs	\$ 448,795	\$ 364,937
Deferred tax liability	31,623	2,835
Stockholders' equity	4,008,426	3,953,356
For the Year Ended December 31, 2011		
Other operating costs and expenses	\$ 1,621,329	\$ 1,626,526
Income before income taxes	518,283	513,086
Federal and foreign income taxes	(123,550)	(121,945)
Net income	394,803	391,211
Basic net income per share	\$ 2.83	\$ 2.80
Diluted net income per share	2.71	2.69
For the Year Ended December 31, 2010		
Other operating costs and expenses	\$ 1,496,362	\$ 1,500,757
Income before income taxes	603,305	598,910
Federal and foreign income taxes	(153,739)	(152,226)
Net income	449,287	446,405
Basic net income per share	\$ 3.02	\$ 3.00
Diluted net income per share	2.90	2.88

Information has been restated as a result of the adoption of this new guidance throughout these consolidated financial statements and notes, where applicable, related to 2011 and 2010.

(R) Recent accounting pronouncements

In May 2011, the FASB issued guidance related to measuring and disclosing fair values. The Company's adoption of the updated guidance effective January 1, 2012 resulted in a change in the presentation of the Company's consolidated financial statements but did not have any impact on the Company's results of operations, financial position or liquidity.

In June 2011, the FASB issued guidance relating to the presentation of the components of net income and other comprehensive income. The Company's adoption of the updated guidance effective January 1, 2012 resulted in a change in the presentation of the Company's consolidated financial statements but did not have any impact on the Company's results of operations, financial position or liquidity.

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

(2) Acquisitions

In 2011, the Company acquired a business that owned an office building in London for \$251 million in cash and an inactive insurance company for \$23 million in cash. Approximately \$2 million of the aggregate purchase price for these acquisitions was allocated to intangible assets. The following table summarizes the estimated fair value of net assets acquired and liabilities assumed at the date of acquisition:

(In thousands)

Fixed maturity securities	\$ 3,213
Real estate	256,209
Cash and cash equivalents	12,172
Goodwill	251
Other assets	6,566
Total assets acquired	<u>278,411</u>
Other liabilities assumed	4,247
Net assets acquired	<u>\$ 274,164</u>

(3) Investments in Fixed Maturity Securities

At December 31, 2012 and 2011, investments in fixed maturity securities were as follows:

<u>(In thousands)</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Carrying Value</u>
December 31, 2012					
Held to maturity:					
State and municipal	\$ 65,190	\$ 18,529	\$ —	\$ 83,719	\$ 65,190
Residential mortgage-backed securities	32,764	5,286	—	38,050	32,764
Corporate	4,997	605	—	5,602	4,997
Total held to maturity	<u>102,951</u>	<u>24,420</u>	<u>—</u>	<u>127,371</u>	<u>102,951</u>
Available for sale:					
U.S. government and government agency	827,591	72,532	(1,660)	898,463	898,463
State and municipal	4,449,238	328,974	(9,693)	4,768,519	4,768,519
Mortgage-backed securities:					
Residential(1)	1,395,739	53,846	(7,456)	1,442,129	1,442,129
Commercial	268,671	5,641	(744)	273,568	273,568
Corporate	3,144,480	214,322	(12,083)	3,346,719	3,346,719
Foreign	1,029,284	83,347	(1,024)	1,111,607	1,111,607
Total available for sale	<u>11,115,003</u>	<u>758,662</u>	<u>(32,660)</u>	<u>11,841,005</u>	<u>11,841,005</u>
Total investment in fixed maturity securities	<u>\$ 11,217,954</u>	<u>\$ 783,082</u>	<u>\$ (32,660)</u>	<u>\$ 11,968,376</u>	<u>\$ 11,943,956</u>
December 31, 2011					
Held to maturity:					
State and municipal	\$ 74,354	\$ 12,546	\$ —	\$ 86,900	\$ 74,354
Residential mortgage-backed securities	35,759	5,610	—	41,369	35,759
Corporate	4,996	717	—	5,713	4,996
Total held to maturity	<u>115,109</u>	<u>18,873</u>	<u>—</u>	<u>133,982</u>	<u>115,109</u>
Available for sale:					
U.S. government and government agency	906,924	69,920	(351)	976,493	976,493
State and municipal	5,031,275	308,345	(16,550)	5,323,070	5,323,070
Mortgage-backed securities:					
Residential(1)	1,416,427	75,635	(15,894)	1,476,168	1,476,168
Commercial	105,383	4,054	(1,018)	108,419	108,419
Corporate	2,328,200	132,311	(36,087)	2,424,424	2,424,424
Foreign	850,838	42,165	(4,649)	888,354	888,354
Total available for sale	<u>10,639,047</u>	<u>632,430</u>	<u>(74,549)</u>	<u>11,196,928</u>	<u>11,196,928</u>
Total investment in fixed maturity securities	<u>\$ 10,754,156</u>	<u>\$ 651,303</u>	<u>\$ (74,549)</u>	<u>\$ 11,330,910</u>	<u>\$ 11,312,037</u>

- (1) Gross unrealized losses for mortgage-backed securities include \$3,037,000 and \$7,668,000, as of December 31, 2012 and 2011, 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, 2012, 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	\$ 671,995	\$ 691,130
Due after one year through five years	3,486,501	3,669,945
Due after five years through ten years	2,527,716	2,801,283
Due after ten years	2,834,568	3,052,271
Mortgage-backed securities	1,697,174	1,753,747
Total	<u>\$ 11,217,954</u>	<u>\$ 11,968,376</u>

At December 31, 2012 and 2011, 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, 2012, investments with a carrying value of \$996 million were on deposit in custodial or trust accounts, of which \$721 million was on deposit with state insurance departments, \$184 million was on deposit in support of the Company's underwriting activities at Lloyd's, \$62 million was on deposit as security for reinsurance clients and \$29 million was on deposit as security for letters of credit issued in support of the Company's reinsurance operations.

(4) Investments in Equity Securities Available for Sale

At December 31, 2012 and 2011, 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, 2012					
Common stocks	\$ 222,671	\$ 60,102	\$ (707)	\$ 282,066	\$ 282,066
Preferred stocks	85,504	10,103	(1,651)	93,956	93,956
Total	<u>\$ 308,175</u>	<u>\$ 70,205</u>	<u>\$ (2,358)</u>	<u>\$ 376,022</u>	<u>\$ 376,022</u>
December 31, 2011					
Common stocks	\$ 209,210	\$ 113,660	\$ (2,888)	\$ 319,982	\$ 319,982
Preferred stocks	133,183	5,139	(14,865)	123,457	123,457
Total	<u>\$ 342,393</u>	<u>\$ 118,799</u>	<u>\$ (17,753)</u>	<u>\$ 443,439</u>	<u>\$ 443,439</u>

(5) Arbitrage Trading Account

At December 31, 2012 and 2011, the fair value and carrying value of the arbitrage trading account were \$329 million and \$397 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, 2012, the fair value of long option contracts outstanding was \$1 million (notional amount of \$12 million) and the fair value of short option contracts outstanding was \$1 million (notional amount of \$27 million). Other than with respect to the use of these trading account securities, the Company does not make use of derivatives.

(6) Net Investment Income

Net investment income consists of the following:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Investment income earned on:			
Fixed maturity securities, including cash and cash equivalents and loans receivable	\$ 479,035	\$ 483,905	\$ 501,750
Equity securities available for sale	16,419	12,416	11,661
Investment funds	77,015	9,452	(6,481)
Arbitrage trading account	8,286	16,576	27,155
Real estate	12,097	7,471	—
Gross investment income	592,852	529,820	534,085
Investment expense	(6,089)	(3,469)	(3,560)
Net investment income	<u>\$ 586,763</u>	<u>\$ 526,351</u>	<u>\$ 530,525</u>

(7) Investment Funds

Investment funds consist of the following:

<u>(In thousands)</u>	<u>Carrying Value as of December 31,</u>		<u>Income (Losses)</u>		
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Real estate	\$ 373,259	\$ 373,413	\$ 30,196	\$ 14,527	\$ (4,766)
Energy	146,325	98,974	33,146	(6,101)	996
Arbitrage	63,920	58,008	5,912	(1,366)	1,692
Other (1)	226,185	150,243	7,761	2,392	(4,403)
Total	<u>\$ 809,689</u>	<u>\$ 680,638</u>	<u>\$ 77,015</u>	<u>\$ 9,452</u>	<u>\$ (6,481)</u>

(1) In 2012, the Company acquired a 49% interest in a supplier of after-market original equipment manufacturer (OEM) parts, systems and custom logistic support services for military aircraft operations worldwide for \$43 million. Subsequent to December 31, 2012, the Company acquired the remaining 51% of this supplier for \$43 million.

(8) Real Estate

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

<u>(In thousands)</u>	<u>As of December 31,</u>	
	<u>2012</u>	<u>2011</u>
Properties in operation	\$ 282,899	\$ 279,097
Properties under development	323,836	63,808
Total	<u>\$ 606,735</u>	<u>\$ 342,905</u>

Properties in operation represent an office building in London and a long-term ground lease in Washington D.C. These properties are net of accumulated depreciation and amortization of \$10,354,000 and \$2,770,000, as of December 31, 2012 and 2011, respectively. Related depreciation expense was \$7,583,000, \$2,770,000 and \$0 for the years ended December 31, 2012, 2011 and 2010, respectively. Future minimum rental income expected on operating leases relating to real estate held for investment is \$1,460,000 in 2013, \$1,504,000 in 2014, \$1,549,000 in 2015, \$1,596,000 in 2016, \$1,644,000 in 2017 and \$329,013,000 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.

(9) Loans Receivable

Loans receivable are as follows:

<u>(In thousands)</u>	<u>As of December 31,</u>	
	<u>2012</u>	<u>2011</u>
Total loans receivable	\$ 401,961	\$ 263,187
Valuation allowance:		
Specific	\$ 3,000	\$ 19,041
General	2,620	764
Total	<u>\$ 5,620</u>	<u>\$ 19,805</u>
Impaired loans:		
With a specific valuation allowance	\$ 1,775	\$ 29,702
Without a valuation allowance	31,023	30,357
Unpaid principal balance	35,872	93,922
	<u>For the Year Ended December 31,</u>	
	<u>2012</u>	<u>2011</u>
Increase (decrease) in valuation allowance	\$ (14,118)	\$ 130
Loans receivable charged off	463	759

Loans receivable in non-accrual status were \$3 million and \$30 million at December 31, 2012 and 2011, respectively. If these loans had been current, additional interest income of \$498,000 and \$805,000 would have been recognized in accordance with their original terms for the years ended December 31, 2012 and 2011, respectively.

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

The Company's six largest loans receivable, which have an aggregate amortized cost of \$242 million and an aggregate fair value of \$244 million at December 31, 2012, are secured by commercial real estate located primarily in New York City, Chicago, California, Hawaii and Boston. These loans earn interest at floating LIBOR-based interest rates and have maturities (inclusive of extension options) through August 2025. As part of the evaluation process, the Company reviews certain credit quality indicators for these loans. The Company utilizes an internal risk rating system to assign a risk to each of its commercial 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. An additional credit quality indicator is the debt service coverage ratio, which compares a property's net operating income to the borrower's principal and interest payments. At December 31, 2012, each of the six largest loans referred to above had a debt service coverage ratio greater than 3.0, except one that is lower due to a recent and temporary rate abatement.

(10) Realized and Unrealized Investment Gains and Losses

Realized and unrealized investment gains and losses are as follows:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Realized investment gains and losses:			
Fixed maturity securities:			
Gains	\$ 34,295	\$ 37,595	\$ 38,204
Losses	(6,436)	(5,499)	(8,990)
Equity securities available for sale	97,300	90,023	34,477
Investment funds	74,777	3,762	1,871
Other gains	1,515	—	224
Net realized gains on investments sales	<u>201,451</u>	<u>125,881</u>	<u>65,786</u>
Net other-than-temporary impairments:			
Other-than-temporary impairments	(4,984)	(400)	(6,802)
(Increase) decrease in valuation allowance	13,998	—	(2,403)
Net other-than-temporary impairments	<u>9,014</u>	<u>(400)</u>	<u>(9,205)</u>
Total net investment gains	210,465	125,481	56,581
Income tax expense	(73,663)	(43,834)	(19,707)
	<u>\$ 136,802</u>	<u>\$ 81,647</u>	<u>\$ 36,874</u>
Change in unrealized gains and losses of available for sales securities:			
Fixed maturity securities	\$ 162,220	\$ 209,467	\$ 102,488
Previously impaired fixed maturity securities	4,631	(3,604)	1,362
Equity securities available for sale	(33,199)	(55,772)	68,178
Investment funds	1,630	(2,093)	4,560
Total change in unrealized gains	135,282	147,998	176,588
Income tax expense	(47,966)	(52,381)	(61,227)
Noncontrolling interests	(77)	55	(8)
	<u>\$ 87,239</u>	<u>\$ 95,672</u>	<u>\$ 115,353</u>

(11) Securities in an Unrealized Loss Position

The following table summarizes all securities in an unrealized loss position at December 31, 2012 and 2011 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, 2012						
U.S. government and government agency	\$ 69,551	\$ 1,660	\$ —	\$ —	\$ 69,551	\$ 1,660
State and municipal	152,694	1,639	135,967	8,054	288,661	9,693
Mortgage-backed securities	484,731	3,629	58,292	4,571	543,023	8,200
Corporate	371,781	2,964	70,537	9,119	442,318	12,083
Foreign	95,623	996	11,210	28	106,833	1,024
Fixed maturity securities	1,174,380	10,888	276,006	21,772	1,450,386	32,660
Common stocks	46,725	707	—	—	46,725	707
Preferred stocks	—	—	39,812	1,651	39,812	1,651
Equity securities available for sale	46,725	707	39,812	1,651	86,537	2,358
Total	\$ 1,221,105	\$ 11,595	\$ 315,818	\$ 23,423	\$ 1,536,923	\$ 35,018
December 31, 2011						
U.S. government and government agency	\$ 24,668	\$ 169	\$ 4,800	\$ 182	\$ 29,468	\$ 351
State and municipal	131,417	827	183,205	15,723	314,622	16,550
Mortgage-backed securities	172,729	2,439	94,243	14,473	266,972	16,912
Corporate	341,764	8,327	125,654	27,760	467,418	36,087
Foreign	197,560	4,078	7,159	571	204,719	4,649
Fixed maturity securities	868,138	15,840	415,061	58,709	1,283,199	74,549
Common stocks	47,098	2,888	—	—	47,098	2,888
Preferred stocks	23,782	125	45,314	14,740	69,096	14,865
Equity securities available for sale	70,880	3,013	45,314	14,740	116,194	17,753
Total	\$ 939,018	\$ 18,853	\$ 460,375	\$ 73,449	\$ 1,399,393	\$ 92,302

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, 2012 is presented in the table below:

(In thousands)	Number of Securities	Aggregate Fair Value	Gross Unrealized Loss
Unrealized loss less than \$5 million:			
Mortgage-backed securities	13	\$ 79,842	\$ 3,823
Corporate	10	39,163	3,778
State and municipal	2	24,579	1,365
Total	25	\$ 143,584	\$ 8,966

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

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>
Beginning balance of amounts related to credit losses	\$ 4,261	\$ 4,261
Additions for amounts related to credit losses	—	—
Deductions for amounts related to credit loss sales	—	—
Ending balance of amounts related to credit losses	<u>\$ 4,261</u>	<u>\$ 4,261</u>

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, 2012, there were two preferred stocks in an unrealized loss position, with an aggregate fair value of \$40 million and a gross unrealized loss of \$2 million. One of those preferred stocks with an aggregate fair value of \$15 million and a gross unrealized loss of \$1 million is rated non-investment grade. Neither of these securities are delinquent or in default. Management believes the unrealized losses are due primarily to market and sector related factors and does not consider these to be OTTI.

Common Stocks – At December 31, 2012, there were three common stocks in an unrealized loss position with an aggregate fair value of \$47 million and an aggregate unrealized loss of \$1 million. The Company does not consider any of these securities to be OTTI.

(12) 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.

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, 2012 and 2011 by level:

(In thousands)	Total	Level 1	Level 2	Level 3
December 31, 2012				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 898,463	\$ —	\$ 898,463	\$ —
State and municipal	4,768,519	—	4,768,519	—
Mortgage-backed securities	1,715,697	—	1,715,697	—
Corporate	3,346,719	—	3,287,654	59,065
Foreign	1,111,607	—	1,111,607	—
Total fixed maturity securities available for sale	<u>11,841,005</u>	<u>—</u>	<u>11,781,940</u>	<u>59,065</u>
Equity securities available for sale:				
Common stocks	282,066	280,658	—	1,408
Preferred stocks	93,956	—	93,335	621
Total equity securities available for sale	<u>376,022</u>	<u>280,658</u>	<u>93,335</u>	<u>2,029</u>
Arbitrage trading account	329,077	233,603	94,546	928
Total	<u>\$ 12,546,104</u>	<u>\$ 514,261</u>	<u>\$ 11,969,821</u>	<u>\$ 62,022</u>
Liabilities:				
Securities sold but not yet purchased	<u>\$ 121,487</u>	<u>\$ 114,909</u>	<u>\$ 6,558</u>	<u>\$ 20</u>
December 31, 2011				
Assets:				
Fixed maturity securities available for sale:				
U.S. government and government agency	\$ 976,493	\$ —	\$ 976,493	\$ —
State and municipal	5,323,070	—	5,323,070	—
Mortgage-backed securities	1,584,587	—	1,584,587	—
Corporate	2,424,424	—	2,356,596	67,828
Foreign	888,354	—	888,354	—
Total fixed maturity securities available for sale	<u>11,196,928</u>	<u>—</u>	<u>11,129,100</u>	<u>67,828</u>
Equity securities available for sale:				
Common stocks	319,982	318,423	—	1,559
Preferred stocks	123,457	—	111,154	12,303
Total equity securities available for sale	<u>443,439</u>	<u>318,423</u>	<u>111,154</u>	<u>13,862</u>
Arbitrage trading account	397,312	208,516	187,945	851
Total	<u>\$ 12,037,679</u>	<u>\$ 526,939</u>	<u>\$ 11,428,199</u>	<u>\$ 82,541</u>
Liabilities:				
Securities sold but not yet purchased	<u>\$ 62,514</u>	<u>\$ 62,493</u>	<u>\$ —</u>	<u>\$ 21</u>

There were no transfers between Levels 1 and 2 for the years ended December 31, 2012 and 2011.

The following tables summarize changes in Level 3 assets and liabilities for the years ended December 31, 2012 and 2011:

(In thousands)	Gains (Losses) Included in:								
	Beginning Balance	Earnings	Other Comprehensive Income	Purchases	Sales	Paydowns/ Maturities	In	Out	Ending Balance
Year ended December 31, 2012									
Assets:									
Fixed maturity securities available for sale:									
Corporate	\$ 67,828	\$ (1,497)	\$ 9,622	\$ 283	\$ —	\$ (17,171)	\$ —	\$ —	\$ 59,065
Total	67,828	(1,497)	9,622	283	—	(17,171)	—	—	59,065
Equity securities available for sale:									
Common stocks	1,559	—	—	—	(151)	—	—	—	1,408
Preferred stocks	12,303	1,126	(1,737)	—	(11,071)	—	—	—	621
Total	13,862	1,126	(1,737)	—	(11,222)	—	—	—	2,029
Arbitrage trading account	851	(3,534)	3,570	—	(52)	—	93	—	928
Total	\$ 82,541	\$ (3,905)	\$ 11,455	\$ 283	\$ (11,274)	\$ (17,171)	\$ 93	\$ —	\$ 62,022
Liabilities:									
Securities sold but not yet purchased	21	\$ (1)	—	\$ —	\$ —	—	—	—	\$ 20
Year ended December 31, 2011									
Fixed maturity securities available for sale:									
Corporate	\$ 88,063	\$ (454)	\$ (870)	\$ 15,271	\$ (11,864)	\$ (22,318)	\$ —	\$ —	\$ 67,828
Total	88,063	(454)	(870)	15,271	(11,864)	(22,318)	—	—	67,828
Equity securities available for sale:									
Common stocks	1,559	—	—	—	—	—	—	—	1,559
Preferred stocks	89,446	28,947	(30,865)	—	(75,225)	—	—	—	12,303
Total	91,005	28,947	(30,865)	—	(75,225)	—	—	—	13,862
Arbitrage trading account	3,187	572	—	269	(3,266)	—	89	—	851
Total	\$ 182,255	\$ 29,065	\$ (31,735)	\$ 15,540	\$ (90,355)	\$ (22,318)	\$ 89	\$ —	\$ 82,541
Liabilities:									
Securities sold but not yet purchased	\$ —	\$ 40	\$ —	\$ 67	\$ (86)	\$ —	\$ —	\$ —	\$ 21

There were no significant transfers in or out of Level 3 during the years ended December 31, 2012 or 2011.

(13) Reserves for Losses and Loss Expenses

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

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net reserves at beginning of year	\$ 8,172,112	\$ 7,999,521	\$ 8,147,782
Net provision for losses and loss expenses:			
Claims occurring during the current year(1)	2,997,995	2,791,860	2,509,933
Decrease in estimates for claims occurring in prior years(2)(3)	(102,571)	(181,282)	(253,248)
Loss reserve discount accretion	53,055	47,787	53,182
Total	<u>2,948,479</u>	<u>2,658,365</u>	<u>2,309,867</u>
Net payments for claims:			
Current year	698,834	765,440	641,570
Prior year	2,010,101	1,721,558	1,811,507
Total	<u>2,708,935</u>	<u>2,486,998</u>	<u>2,453,077</u>
Foreign currency translation	195	1,224	(5,051)
Net reserves at end of year	8,411,851	8,172,112	7,999,521
Ceded reserve at end of year	1,339,235	1,165,022	1,017,028
Gross reserves at end of year	<u>\$ 9,751,086</u>	<u>\$ 9,337,134</u>	<u>\$ 9,016,549</u>

- (1) Claims occurring during the current year are net of loss reserve discounts of \$26,078,000, \$43,286,000 and \$67,763,000 in 2012, 2011 and 2010, 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 \$100,667,000, \$182,937,000 and \$246,941,000 in 2012, 2011 and 2010, 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 \$103 million, \$182 million and \$234 million in 2012, 2011 and 2010, respectively.

For the year ended December 31, 2012, estimates for claims occurring in prior years (net of additional and return premiums) decreased by \$103 million. The favorable reserve development in 2012 was primarily attributable to accident years 2008 through 2010. The changes in prior year loss reserve estimates are generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased as additional information becomes known regarding individual claims and aggregate claim trends.

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

The Company's net reserves for losses and loss adjustment expenses relating to asbestos and environmental claims were \$34 million at both December 31, 2012 and 2011. 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, 2012 and 2011, respectively. Increases in net incurred losses and loss expenses for reported asbestos and environmental claims were approximately \$2 million, \$1 million and \$2 million in 2012, 2011 and 2010, respectively. Net paid losses and loss expenses for asbestos and environmental claims were approximately \$2 million in 2012, \$3 million in 2011 and \$3 million in 2010. 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, 2012, the discount rates by year ranged from 2.1% 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 2.2%. The aggregate net discount, after reflecting the effects of ceded reinsurance, was \$867 million, \$892 million and \$898 million at December 31, 2012, 2011 and 2010, respectively.

(14) Reinsurance

The following is a summary of reinsurance financial information:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Written premiums:			
Direct	\$ 4,964,069	\$ 4,370,092	\$ 3,788,251
Assumed	815,810	707,221	627,826
Ceded	(881,340)	(719,945)	(565,151)
Total net written premiums	\$ 4,898,539	\$ 4,357,368	\$ 3,850,926
Earned premiums:			
Direct	\$ 4,723,882	\$ 4,164,277	\$ 3,744,150
Assumed	770,981	669,593	652,485
Ceded	(821,347)	(673,003)	(561,053)
Total net earned premiums	\$ 4,673,516	\$ 4,160,867	\$ 3,835,582
Ceded losses incurred	\$ 528,018	\$ 458,249	\$ 379,153

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 \$1,680,000, \$3,169,000 and \$3,098,000 as of December 31, 2012, 2011 and 2010, respectively. The following table presents the amounts due from reinsurers as of December 31, 2012:

<u>(In thousands)</u>	
Munich Re	\$ 166,910
Lloyd's of London	127,430
Swiss Re	81,167
Transatlantic Re	79,835
Partner Re	71,785
Axis Capital	60,140
Berkshire Hathaway	54,152
Ace Group	46,020
Hannover Re Group	32,763
Poseidon Re Ltd	30,016
Everest Re	25,915
Arch Capital Group	25,636
Validus Holdings Ltd	23,727
Other reinsurers less than \$20,000	220,304
Subtotal	1,045,800
Residual market pools	404,548
Total	\$ 1,450,348

(15) Senior Notes and Other Debt

Senior notes and other debt consist of the following as of December 31, 2012 (the difference between the face value and the carrying value is unamortized discount):

<u>(In thousands)</u>	<u>Interest Rate</u>	<u>Face Value</u>	<u>2012 Carrying Value</u>	<u>2011 Carrying Value</u>
Senior notes due on:				
February 15, 2013 (1)	5.875%	\$ 200,000	\$ 199,959	\$ 199,627
May 15, 2015	5.6%	200,000	199,559	199,373
August 15, 2019	6.15%	150,000	149,057	148,914
September 15, 2019	7.375%	300,000	298,292	298,038
September 15, 2020	5.375%	300,000	297,401	297,065
January 1, 2022	8.70%	76,503	75,962	75,924
March 15, 2022	4.625%	350,000	346,163	—
February 15, 2037	6.25%	250,000	247,347	247,236
Subsidiary debt (2)	Various	57,795	57,795	34,326
Total debt		\$ 1,884,298	\$ 1,871,535	\$ 1,500,503

(1) These notes were fully paid at maturity on February 15, 2013.

(2) Subsidiary debt is due as follows: \$17 million in 2013, \$39 million in 2014, \$1 million in 2015 and \$1 million thereafter.

(16) Junior Subordinated Debentures

In 2005, the Company issued \$250,000,000 aggregate principal amount of 6.75% Junior Subordinated Debentures due July 26, 2045 (the "Debentures") to W. R. Berkley Capital Trust II (the "Trust"). At December 31, 2012, the carrying value of the Debentures, net of unamortized discount, was \$243,206,000. The Trust simultaneously issued an equal amount of 6.75% mandatorily redeemable preferred securities (the "Trust Preferred Securities"), which are fully and unconditionally guaranteed by the Company to the extent the Trust has funds available for payment of distributions. The Trust Preferred Securities are subject to mandatory redemption in a like amount (i) in whole but not in part upon repayment of the Debentures at maturity, (ii) in whole but not in part, at any time contemporaneously with the optional prepayment of the Debentures by the Company upon the occurrence and continuation of certain events.

(17) Income Taxes

Income tax expense consists of:

<u>(In thousands)</u>	<u>Current Expense</u>	<u>Deferred Expense (Benefit)</u>	<u>Total</u>
December 31, 2012			
Domestic	\$ 156,339	\$ 11,448	\$ 167,787
Foreign	23,029	469	23,498
Total expense	<u>\$ 179,368</u>	<u>\$ 11,917</u>	<u>\$ 191,285</u>
December 31, 2011			
Domestic	\$ 60,420	\$ 37,176	\$ 97,596
Foreign	22,011	2,338	24,349
Total expense	<u>\$ 82,431</u>	<u>\$ 39,514</u>	<u>\$ 121,945</u>
December 31, 2010			
Domestic	\$ 79,143	\$ 64,774	\$ 143,917
Foreign	10,584	(2,275)	8,309
Total expense	<u>\$ 89,727</u>	<u>\$ 62,499</u>	<u>\$ 152,226</u>

Income before income taxes from domestic operations was \$624 million, \$469 million and \$574 million for the years ended December 31, 2012, 2011 and 2010, respectively. Income before income taxes from foreign operations was \$78 million, \$49 million and \$29 million for the years ended December 31, 2012, 2011 and 2010, respectively.

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

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Computed "expected" tax expense	\$ 245,675	\$ 179,580	\$ 209,619
Tax-exempt investment income	(50,665)	(57,246)	(62,628)
Change in valuation allowance	—	(2,328)	102
Impact of lower foreign tax rates	(5,234)	(3,199)	(228)
State and local taxes	(753)	2,355	2,298
Other, net	2,262	2,783	3,063
Total expense	<u>\$ 191,285</u>	<u>\$ 121,945</u>	<u>\$ 152,226</u>

At December 31, 2012 and 2011, the tax effects of differences that give rise to significant portions of the deferred tax asset and deferred tax liability are as follows:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>
Deferred tax asset:		
Loss reserve discounting	\$ 119,547	\$ 119,725
Unearned premiums	132,014	118,837
Other-than-temporary impairments	62,187	68,559
Restricted stock units	49,553	43,207
Other	83,740	82,734
Gross deferred tax asset	<u>447,041</u>	<u>433,062</u>
Less valuation allowance	—	—
Deferred tax asset	<u>447,041</u>	<u>433,062</u>
Deferred tax liability:		
Amortization of intangibles	12,458	12,186
Deferred policy acquisition costs	120,532	107,561
Unrealized investment gains	274,497	223,024
Other	99,809	93,126
Deferred tax liability	<u>507,296</u>	<u>435,897</u>
Net deferred tax liability	<u>\$ (60,255)</u>	<u>\$ (2,835)</u>

The Company had current tax payables of \$22,546,000 and current tax receivables of \$9,670,000 at December 31, 2012 and 2011, respectively. At December 31, 2012, the Company had foreign net operating loss carryforwards of \$171,000, which expire beginning in 2015. The Company had provided a valuation allowance against the unutilized foreign tax credits which were fully utilized in the 2010 federal tax return. The reduction in the valuation relates primarily to the full utilization of the foreign tax credit carryforward. At December 31, 2012, the Company had no deferred tax assets for which a valuation allowance is required. The statute of limitations has closed for the Company's tax returns through December 31, 2005. The 2006 calendar year statute of limitations remains open as a result of the carry back of capital losses from the 2009 tax year.

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. During 2013, the maximum amount of dividends which can be paid without such approval is approximately \$466 million. Combined net income and policyholders' surplus of the Company's consolidated insurance subsidiaries, as determined in accordance with statutory accounting practices (SAP), are as follows:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Net income	\$ 490,119	\$ 417,441	\$ 574,181
Policyholders' surplus	\$ 4,671,922	\$ 4,107,745	\$ 4,154,654

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 the Company to discount non-tabular workers' compensation loss reserves, which is a permitted practice that differs from SAP.

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. As of December 31, 2012, the RBC Total Adjusted Capital of the Company's U.S. insurance companies was 459% of the RBC Authorized Control Level and 230% of the RBC Company Action Level. The total adjusted capital of each of the Company's U.S. insurance subsidiaries exceeded the minimum required RBC levels. The use of the permitted practice described above does not impact RBC calculations.

(19) Common Stockholders' Equity

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Basic	137,097,162	139,687,546	148,752,368
Diluted	143,314,544	145,672,211	155,080,542

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.

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Balance, beginning of year	137,520,019	141,009,834	156,552,355
Shares issued	2,114,168	2,702,303	2,272,437
Shares repurchased	(3,616,455)	(6,192,118)	(17,814,958)
Balance, end of year	<u>136,017,732</u>	<u>137,520,019</u>	<u>141,009,834</u>

The Company is a savings and loan holding company, subject to the oversight of the Federal Reserve. As a savings and loan holding company, the Company may be subject to restrictions on dividends to stockholders. The amount of such dividends paid is also dependent upon other 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, 2012 and 2011:

(In thousands)	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets:				
Fixed maturity securities	\$ 11,943,956	\$ 11,968,376	\$ 11,312,037	\$ 11,330,910
Equity securities available for sale	376,022	376,022	443,439	443,439
Arbitrage trading account	329,077	329,077	397,312	397,312
Loans receivable	401,961	406,443	263,187	245,169
Cash and cash equivalents	905,670	905,670	911,742	911,742
Trading accounts receivable from brokers and clearing organizations	446,873	446,873	318,240	318,240
Due from broker	14,449	14,449	10,875	10,875
Liabilities:				
Trading account securities sold but not yet purchased	121,487	121,487	62,514	62,514
Junior subordinated debentures	243,206	252,000	242,997	258,400
Senior notes and other debt	1,871,535	2,190,173	1,500,503	1,587,473

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

(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. The Company also has an investment in a commercial office building that has a long-term land lease. Future minimum lease payments, without provision for sublease income, are: \$38,671,000 in 2013; \$33,893,000 in 2014; \$29,924,000 in 2015; \$25,038,000 in 2016 and \$187,349,000 thereafter. Rental expense was \$38,179,000, \$33,003,000 and \$29,936,000 for 2012, 2011 and 2010, respectively.

(22) Commitments, Litigation and Contingent Liabilities

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. However, adverse outcomes are possible and could negatively impact the Company's financial condition and results of operations.

At December 31, 2012, the Company had commitments to invest up to \$167 million in certain investment funds.

(23) Stock Incentive Plan

The Company has not issued any stock options under its stock incentive plans since 2004. All outstanding options are vested and exercisable. The following table summarizes stock option information:

	2012		2011		2010	
	Shares	Price(1)	Shares	Price(1)	Shares	Price(1)
Outstanding at beginning of year	1,314,057	\$ 11.04	3,503,384	\$ 10.42	5,700,552	\$ 9.53
Exercised	1,310,682	11.03	2,185,952	10.05	2,191,260	8.11
Canceled	—	—	3,375	10.07	5,908	10.07
Outstanding at year end	3,375	\$ 15.17	1,314,057	\$ 11.04	3,503,384	\$ 10.42

(1) Weighted average exercise price.

Pursuant to the stock incentive plan, the Company may also issue restricted stock units (RSUs) to officers of the Company and its subsidiaries. The RSUs generally vest five years from the award date and are subject to other vesting and forfeiture provisions contained in the award agreement. The following table summarizes RSU information for the three years ended December 31, 2012:

	2012	2011	2010
RSUs granted and unvested at beginning of period:	4,370,975	4,945,375	3,713,025
Granted	2,161,220	107,500	2,310,650
Vested	(1,704,625)	(576,050)	(916,750)
Cancelled	(126,450)	(105,850)	(161,550)
RSUs granted and unvested at end of period:	4,701,120	4,370,975	4,945,375

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, 2012, 3,618,344 shares related to vested RSUs had been deferred.

The fair value of RSUs at the date of grant are recorded as unearned compensation, a component of stockholders' equity, and expensed over the vesting period. Following is a summary of changes in unearned compensation for the three years ended December 31, 2012:

<u>(In thousands)</u>	2012	2011	2010
Unearned compensation at beginning of year	\$ 57,315	\$ 76,139	\$ 46,801
RSUs granted, net of cancellations	73,255	2,832	58,462
RSUs expensed	(25,728)	(26,303)	(25,584)
RSUs forfeiture adjustment	(11,189)	4,647	(3,540)
Unearned compensation at end of year	\$ 93,653	\$ 57,315	\$ 76,139

(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 become eligible to participate in the profit sharing plans on the first day of the month following the first full three months in which they are employed. The plans provide that 40% of the contributions vest immediately and that the remaining 60% vest at varying percentages based upon years of service. The Company's foreign subsidiaries provide pension benefits in accordance with local regulations. Profit sharing expense was \$31 million, \$27 million, and \$29 million in 2012, 2011 and 2010, respectively.

The Company has a Long-Term Incentive Compensation Plan ("LTIP") that provides for incentive compensation to key executives based on the growth in the Company's book value per share over a five year period. There are 193,600 units outstanding from the 2011 grant with a maximum value of \$48.4 million, of which \$13 million was earned by December 31,

2012. There are 158,500 units outstanding from the 2008 grant with a maximum value of \$39.6 million, of which \$23 million was earned over the five years ended December 31, 2012. The 2006 grant earned \$30.7 million during the five years ended December 31, 2011, and was fully paid in 2011.

The following table summarizes the LTIP expense for the three years ended December 31, 2012:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
2006 grant	\$ —	\$ —	\$ 5,119
2008 grant	5,742	4,600	5,070
2011 grant	7,365	5,620	—
Total	<u>\$ 13,107</u>	<u>\$ 10,220</u>	<u>\$ 10,189</u>

(25) Retirement Benefits

The Company has an unfunded noncontributory defined benefit plan that covers its chief executive officer and chairman of the board. The plan provides that the benefit payments shall commence on the earliest of (i) January 2, 2014, (ii) the date of death or (iii) a change in control of the Company. The discount rate used to derive the projected benefit obligation and related retirement expense was 3.39% in 2012 and 4.36% in 2011. The discount rate assumption used to determine the benefit obligation is based on a yield curve approach. Under this approach, a weighted average yield is determined from a hypothetical portfolio of AA rated bonds. Following is a summary of the projected benefit obligation as of December 31, 2012 and 2011:

<u>(In thousands)</u>	<u>2012</u>	<u>2011</u>
Beginning of year	\$ 56,787	\$ 51,828
Interest cost	2,476	2,716
Benefits paid	(1,426)	—
Actuarial loss	6,795	2,243
End of year	<u>\$ 64,632</u>	<u>\$ 56,787</u>

Following is a summary of the amounts recognized in accumulated other comprehensive income as of December 31, 2012 and 2011:

(In thousands)	2012	2011
Net actuarial loss	\$ 14,605	\$ 10,007
Prior service cost	9,012	12,035
Net pension asset	<u>\$ 23,617</u>	<u>\$ 22,042</u>

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

(In thousands)	2012	2011	2010
Components of net periodic benefit cost:			
Interest cost	\$ 2,476	\$ 2,716	\$ 2,675
Amortization of unrecognized:			
Prior service costs	3,023	3,023	3,023
Net actuarial loss	2,197	1,330	424
Net periodic pension cost	<u>\$ 7,696</u>	<u>\$ 7,069</u>	<u>\$ 6,122</u>

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

(In thousands)	2012	2011
Changes in plan assets and projected benefit obligation:		
Net actuarial loss	\$ 6,795	\$ 2,243
Amortization of:		
Net actuarial loss	(2,197)	(1,330)
Prior service costs	(3,023)	(3,023)
Total recognized in other comprehensive income (loss)	<u>\$ 1,575</u>	<u>\$ (2,110)</u>

The estimated prior service cost and net actuarial loss that will be amortized from accumulated other comprehensive income into periodic benefit cost during 2013 are \$3,023,000 and \$8,142,000, respectively.

(26) Supplemental Financial Statement Data

Other operating costs and expenses consist of the following:

(In thousands)	2012	2011	2010
Amortization of deferred policy acquisition costs	\$ 917,583	\$ 785,118	\$ 708,577
Other underwriting expenses	675,163	653,011	610,301
Service company expenses	84,986	75,231	72,372
Net foreign currency (gains) losses	(6,092)	(1,884)	2,126
Other costs and expenses	127,983	115,050	107,381
Total	<u>\$ 1,799,623</u>	<u>\$ 1,626,526</u>	<u>\$ 1,500,757</u>

(27) Industry Segments

The Company's operations are presently conducted in five segments of the insurance business: Specialty, Regional, Alternative Markets, Reinsurance and International.

Our Specialty lines companies 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 Specialty lines of business include premises operations, commercial automobile, property, products liability and professional liability lines. The customers in this segment are highly diverse. Business is conducted through 22 operating units, each delivering their products through a variety of distribution channels, depending on the customer base and particular risks insured.

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

Our Alternative Markets operating units offer insurance products, analytical tools and risk management services such as loss control and claims management that enable clients to select their risk tolerance and manage it appropriately. These units specialize in insuring, reinsuring and administering self-insurance programs and other alternative risk transfer mechanisms for clients such as commercial and governmental entity employers, employer groups, insurers, and other groups or entities seeking alternative ways to manage their exposure to risks. In addition to providing insurance products, the Alternative Markets segment also provides a wide variety of fee-based services, including claims, administrative and consulting services.

Our Reinsurance companies 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.

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

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

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

(In thousands)	Revenues			Total	Pre-Tax Income (Loss)	Net Income (Loss)
	Earned Premiums	Investment Income	Other			
December 31, 2012:						
Specialty	\$ 1,646,471	\$ 186,998	\$ 2,348	\$ 1,835,817	\$ 261,856	\$ 186,270
Regional	1,090,217	81,635	6,406	1,178,258	122,211	86,450
Alternative Markets	680,334	156,154	94,379	930,867	194,433	139,795
Reinsurance	446,939	96,123	—	543,062	93,268	68,881
International	809,555	56,605	—	866,160	62,061	25,390
Corporate, other and eliminations(1)	—	9,248	249,677	258,925	(242,366)	(132,996)
Net investment gains	—	—	210,465	210,465	210,465	136,802
Consolidated	<u>\$ 4,673,516</u>	<u>\$ 586,763</u>	<u>\$ 563,275</u>	<u>\$ 5,823,554</u>	<u>\$ 701,928</u>	<u>\$ 510,592</u>
December 31, 2011:						
Specialty	\$ 1,442,748	\$ 175,289	\$ 2,704	\$ 1,620,741	\$ 290,937	\$ 210,687
Regional	1,065,975	75,404	4,112	1,145,491	30,529	29,127
Alternative Markets	612,558	121,360	86,031	819,949	145,660	109,618
Reinsurance	426,008	91,871	—	517,879	83,150	65,356
International	613,578	42,882	—	656,460	39,033	25,158
Corporate, other and eliminations(1)	—	19,545	250,438	269,983	(201,704)	(130,382)
Net investment gains	—	—	125,481	125,481	125,481	81,647
Consolidated	<u>\$ 4,160,867</u>	<u>\$ 526,351</u>	<u>\$ 468,766</u>	<u>\$ 5,155,984</u>	<u>\$ 513,086</u>	<u>\$ 391,211</u>
December 31, 2010:						
Specialty	\$ 1,288,373	\$ 180,063	\$ 3,130	\$ 1,471,566	\$ 294,825	\$ 213,586
Regional	1,066,922	82,411	3,114	1,152,447	115,828	85,334
Alternative Markets	608,191	123,309	79,173	810,673	178,485	131,047
Reinsurance	419,356	103,079	—	522,435	129,449	96,708
International	452,740	32,794	—	485,534	20,719	14,516
Corporate, other and eliminations(1)	—	8,869	215,964	224,833	(196,977)	(131,660)
Net investment gains	—	—	56,581	56,581	56,581	36,874
Consolidated	<u>\$ 3,835,582</u>	<u>\$ 530,525</u>	<u>\$ 357,962</u>	<u>\$ 4,724,069</u>	<u>\$ 598,910</u>	<u>\$ 446,405</u>

Identifiable Assets

(In thousands)	December 31, 2012	December 31, 2011
Specialty	\$ 6,720,056	\$ 6,157,853
Regional	2,587,603	2,488,940
Alternative Markets	4,313,404	4,044,915
Reinsurance	2,773,133	2,732,489
International	1,965,359	1,569,749
Corporate, other and eliminations(1)	1,796,341	1,409,927
Consolidated	<u>\$ 20,155,896</u>	<u>\$ 18,403,873</u>

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

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

(In thousands)	2012	2011	2010
Specialty			
Other liability	\$ 528,623	\$ 454,582	\$ 384,799
Property	265,204	237,762	212,164
Professional liability	254,385	229,281	200,219
Workers' compensation	171,760	130,469	103,377
Commercial automobile	163,321	141,800	129,505
Products liability	105,584	96,794	112,072
Other	157,594	152,060	146,237
Total Specialty	1,646,471	1,442,748	1,288,373
Regional			
Commercial multi peril	413,405	394,168	389,997
Commercial automobile	286,332	289,098	301,290
Workers' compensation	227,439	219,639	214,857
Other	163,041	163,070	160,778
Total Regional	1,090,217	1,065,975	1,066,922
Alternative Markets			
Primary workers' compensation	333,266	271,173	260,508
Excess workers' compensation	136,576	164,173	216,647
Accident and health	136,317	105,128	57,915
Other liability	33,609	28,960	24,726
Other	40,566	43,124	48,395
Total Alternative Markets	680,334	612,558	608,191
Reinsurance			
Casualty	313,381	307,051	307,474
Property	133,558	118,957	111,882
Total Reinsurance	446,939	426,008	419,356
International			
Professional liability	103,179	90,871	88,997
Property	107,798	83,960	47,796
Casualty reinsurance	143,230	82,505	60,907
Automobile	125,927	110,568	99,873
Workers' compensation	82,066	73,823	57,803
Marine	89,445	53,741	24,113
Accident and health	51,037	41,517	23,334
Property reinsurance	35,585	22,563	13,140
Other liability	43,829	26,583	20,796
Fidelity and surety	27,459	27,447	15,981
Total International	809,555	613,578	452,740
Total	\$ 4,673,516	\$ 4,160,867	\$ 3,835,582

(28) Quarterly Financial Information (Unaudited)

The following is a summary of quarterly financial data:

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

<u>Three months ended</u>	2011			
	<u>March 31</u>	<u>June 30</u>	<u>September 30</u>	<u>December 31</u>
Revenues	\$ 1,234,351	\$ 1,270,949	\$ 1,279,731	\$ 1,370,953
Net income	115,590	82,184	76,410	117,027
Net income per share(1)				
Basic	0.82	0.58	0.55	0.85
Diluted	0.78	0.56	0.53	0.82

- (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, 2012, 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 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, 2012.

Report of Independent Registered Public Accounting Firm

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

We have audited W. R. Berkley Corporation and subsidiaries (the "Company") internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company'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, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control - Integrated Framework* 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 the Company as of December 31, 2012 and 2011, 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, 2012, and our report dated February 28, 2013 expressed an unqualified opinion on those consolidated financial statements.

KPMG LLP

New York, New York
February 28, 2013

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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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, 2012, 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	103
Schedule II — Condensed Financial Information of Registrant	104
Schedule III — Supplementary Insurance Information	108
Schedule IV — Reinsurance	109
Schedule V — Valuation and Qualifying Accounts	110
Schedule VI — Supplementary Information Concerning Property — Casualty Insurance Operations	111

(b) Exhibits

The exhibits filed as part of this report are listed on pages 99 - 102 hereof.

SIGNATURES

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

W. R. BERKLEY CORPORATION

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

February 28, 2013

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William R. Berkley</u> William R. Berkley	Chairman of the Board and Chief Executive Officer (Principal executive officer)	February 28, 2013
<u>/s/ W. Robert Berkley, Jr.</u> W. Robert Berkley, Jr.	President, Chief Operating Officer and Director	February 28, 2013
<u>/s/ Christopher L. Augostini</u> Christopher L. Augostini	Director	February 28, 2013
<u>/s/ Ronald E. Blaylock</u> Ronald E. Blaylock	Director	February 28, 2013
<u>/s/ Mark E. Brockbank</u> Mark E. Brockbank	Director	February 28, 2013
<u>/s/ George G. Daly</u> George G. Daly	Director	February 28, 2013
<u>/s/ Mary C. Farrell</u> Mary C. Farrell	Director	February 28, 2013
<u>/s/ Jack H. Nusbaum</u> Jack H. Nusbaum	Director	February 28, 2013
<u>/s/ Mark L. Shapiro</u> Mark L. Shapiro	Director	February 28, 2013
<u>/s/ Eugene G. Ballard</u> Eugene G. Ballard	Senior Vice President and Chief Financial Officer (Principal financial officer and principal accounting officer)	February 28, 2013

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) First Supplemental Indenture, dated February 14, 2003, between the Company and The Bank of New York, a trustees, relating to \$200,000,000 principal amount of the Company's 5.875% Senior Notes due 2013, including form of the Notes as Exhibit A (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).
- (4.3) 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).
- (4.4) 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).
- (4.5) 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).
- (4.6) 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).
- (4.7) 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).
- (4.8) 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).
- (4.9) Amended and Restated Trust Agreement of W. R. Berkley Capital Trust dated as of July 26, 2003 (Incorporated by reference to Exhibit 4.3 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 2, 2005).

- (4.10) Subordinated Indenture between W. R. Berkley Corporation and The Bank of New York, as Trustee, dated as of July 26, 2005 (incorporated by reference to Exhibit 4.4 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 2, 2005).
- (4.11) Supplemental Indenture No. 1 to the Subordinated Indenture between W. R. Berkley Corporation and The Bank of New York, as Trustee, dated as of July 26, 2005, relating to 6.750% Subordinated Debentures Due 2045 (incorporated by reference to Exhibit 4.6 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 2, 2005).
- (4.12) Preferred Securities Guarantee Agreement between W. R. Berkley Corporation, as Guarantor, and The Bank of New York, as Preferred Guarantee Trustee, dated as of July 26, 2005, relating to W. R. Berkley Capital Trust II (incorporated by reference to Exhibit 4.6 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 2, 2005).
- (4.13) The instruments defining the rights of holders of the other long term debt securities of the Company are omitted pursuant to Section (b)(4)(iii)(A) of Item 601 of Regulation S-K. The Company agrees to furnish supplementally copies of these instruments to the Commission upon request.
- (10.1) W. R. Berkley Corporation 2003 Stock Incentive Plan (incorporated by reference to Annex A of the Company's 2003 Proxy Statement (File No. 1-15202) filed with the Commission on April 14, 2003).
- (10.2) W. R. Berkley Corporation 2012 Stock Incentive Plan (incorporated by reference to Annex A of the Company's 2012 Proxy Statement (File No. 1-15202) filed with the Commission on April 9, 2012).
- (10.3) Form of Restricted Stock Unit Agreement under the W. R. Berkley Corporation 2012 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on November 8, 2012).
- (10.4) Form of Restricted Stock Unit Agreement under the W. R. Berkley Corporation 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on May 3, 2005).
- (10.5) Form of Restricted Stock Unit Agreement under the W. R. Berkley Corporation 2003 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 6, 2010).
- (10.6) Form of Restricted Stock Unit Agreement for grant of April 4, 2003 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on August 6, 2003).
- (10.7) W. R. Berkley Corporation Deferred Compensation Plan for Officers as amended and restated effective December 3, 2007 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on December 19, 2007).
- (10.8) W. R. Berkley Corporation Deferred Compensation Plan for Directors as amended and restated effective December 3, 2007 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on December 19, 2007).
- (10.9) W. R. Berkley Corporation 2007 Annual Incentive Compensation Plan (incorporated by reference to Annex A of the Company's 2006 Proxy Statement (File No. 1-15202) filed with the Commission on April 18, 2006).
- (10.10) W. R. Berkley Corporation 2004 Long-Term Incentive Plan (incorporated by reference to Annex B from the Company's 2004 Proxy Statement (File No. 1-15202) filed with the Commission on April 12, 2004).
- (10.11) W. R. Berkley Corporation 2009 Long-Term Incentive Plan (incorporated by reference to Annex A of the Company's 2009 Proxy Statement (File No. 1-15202) filed with the Commission on April 17, 2009).

- (10.12) Form of Performance Unit Award Agreement under the W. R. Berkley Corporation 2004 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 1-15202) filed with the Commission on May 3, 2005).
- (10.13) Form of 2008 Performance Unit Award Agreement under the W. R. Berkley Corporation 2004 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 1-15202) filed with the Commission on March 13, 2008).
- (10.14) Form of 2011 Performance Unit Award Agreement under the W. R. Berkley Corporation 2009 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.12 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on February 28, 2012).
- (10.15) W. R. Berkley Corporation 2009 Directors Stock Plan (incorporated by reference to Annex B of the Company's 2009 Proxy Statement (File No. 1-15202) filed with the Commission on April 17, 2009).
- (10.16) Supplemental Benefits Agreement between William R. Berkley and the Company as amended and restated as of December 21, 2011 (incorporated by reference to Exhibit 10.14 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on February 28, 2012).
- (14) Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14 of the Company's Annual Report on Form 10-K (File No. 1-15202) filed with the Commission on March 14, 2005).

- (21) Following is a list of the Company's significant subsidiaries and other operating entities. Subsidiaries of subsidiaries are indented and the parent of each such corporation owns 100% of the outstanding voting securities of such corporation except as noted below.

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

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

(23) Consent of Independent Registered Public Accounting Firm

(31.1) Certification of the Chief Executive Officer pursuant to Rule 13a-14(a)/ 15d-14(a).

(31.2) Certification of the Chief Financial Officer pursuant to Rule 13a-14(a)/ 15d-14(a).

(32.1) Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Report of Independent Registered Public Accounting Firm

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

Under date of February 28, 2013, we reported on the consolidated balance sheets of W. R. Berkley Corporation and subsidiaries (the "Company") as of December 31, 2012 and 2011, 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, 2012, as contained in the Annual Report on Form 10-K for the year ended December 31, 2012. 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.

KPMG LLP

New York, New York
February 28, 2013

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

(In thousands)	December 31,	
	2012	2011
Assets:		
Cash and cash equivalents	\$ 162,972	\$ 270,637
Fixed maturity securities available for sale at fair value (cost \$281,708 and \$244,921 at December 31, 2012 and 2011, respectively)	286,597	247,537
Equity securities available for sale, at fair value (cost \$0 in 2012 and 2011)	25,699	81,811
Investment in subsidiaries	5,979,539	5,334,461
Due from subsidiaries	106,334	—
Current Federal income taxes	—	15,137
Property, furniture and equipment at cost, less accumulated depreciation	7,895	6,595
Other assets	10,710	6,951
Total assets	\$ 6,579,746	\$ 5,963,129
Liabilities and stockholders' equity		
Liabilities:		
Due to subsidiaries	\$ —	\$ 141,492
Other liabilities	176,416	146,823
Current Federal income taxes	8,253	—
Deferred Federal income taxes	31,914	12,283
Junior subordinated debentures	243,206	242,997
Senior notes	1,813,740	1,466,178
Total liabilities	2,273,529	2,009,773
Stockholders' equity:		
Preferred stock	—	—
Common stock	47,024	47,024
Additional paid-in capital	945,166	941,109
Retained earnings (including accumulated undistributed net income of subsidiaries of \$4,023,780 and \$3,329,079 at December 31, 2012 and 2011, respectively)	4,817,807	4,491,162
Accumulated other comprehensive income	465,631	354,851
Treasury stock, at cost	(1,969,411)	(1,880,790)
Total stockholders' equity	4,306,217	3,953,356
Total liabilities and stockholders' equity	\$ 6,579,746	\$ 5,963,129

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

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

<u>(In thousands)</u>	Years Ended December 31,		
	2012	2011	2010
Management fees and investment income including dividends from subsidiaries of \$25,968, \$502,327 and \$405,917 for the years ended December 31, 2012, 2011 and 2010, respectively	\$ 29,961	\$ 514,057	\$ 411,623
Net investment gains (losses)	71,130	45,962	(1,891)
Other income	271	96	158
Total revenues	101,362	560,115	409,890
Operating costs and expense	133,326	118,922	117,658
Interest expense	124,298	111,184	105,510
Income before Federal income taxes	(156,262)	330,009	186,722
Federal income taxes:			
Federal income taxes provided by subsidiaries on a separate return basis	132,379	79,200	28,377
Federal income tax expense on a consolidated return basis	(160,226)	(89,144)	(138,389)
Net expense	(27,847)	(9,944)	(110,012)
Income (loss) before undistributed equity in net income of subsidiaries	(184,109)	320,065	76,710
Equity in undistributed net income of subsidiaries	694,701	71,146	369,695
Net income	\$ 510,592	\$ 391,211	\$ 446,405

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

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

<u>(In thousands)</u>	Years Ended December 31,		
	2012	2011	2010
Cash flows (used in) from operating activities:			
Net income	\$ 510,592	\$ 391,211	\$ 446,405
Adjustments to reconcile net income to net cash from operating activities:			
Net investment (gains) losses	(71,130)	(45,962)	1,891
Depreciation and amortization	5,624	4,905	3,963
Equity in undistributed earnings of subsidiaries	(694,701)	(71,146)	(369,695)
Tax payments received from subsidiaries	125,046	139,011	106,284
Federal income taxes provided by subsidiaries on a separate return basis	(132,379)	(79,200)	(28,377)
Stock incentive plans	26,763	27,176	26,318
Change in:			
Federal income taxes	44,423	56,542	29,332
Other assets	911	(542)	16,430
Other liabilities	28,017	(6,747)	11,467
Accrued investment income	97	1,559	(2,776)
Other, net	(13)	277	—
Net cash (used in) from operating activities	(156,750)	417,084	241,242
Cash from (used in) investing activities:			
Proceeds from sales of fixed maturity securities	93,354	70,665	164,920
Proceeds from maturities and prepayments of fixed maturity securities	121,191	165,158	85,695
Proceeds from sales of equity securities	72,565	47,735	3
Cost of purchases of fixed maturity securities	(255,885)	(240,536)	(195,646)
Investments in and advances to subsidiaries, net	(16,480)	(3,867)	(18,685)
Change in balance due to security broker	(4,767)	(5,983)	(8,500)
Net additions to real estate, furniture & equipment	(1,857)	(643)	(1,212)
Net cash from (used in) investing activities	8,121	32,529	26,575
Cash from (used in) financing activities:			
Net proceeds from issuance of senior notes	345,823	—	296,636
Net proceeds from stock options exercised	13,544	21,966	17,730
Repayment of senior notes	—	—	(150,000)
Purchase of common treasury shares	(134,456)	(187,163)	(471,007)
Cash dividends to common stockholders	(183,947)	(43,255)	(49,348)
Net cash from (used in) financing activities	40,964	(208,452)	(355,989)
Net decrease in cash and cash equivalents	(107,665)	241,161	(88,172)
Cash and cash equivalents at beginning of year	270,637	29,476	117,648
Cash and cash equivalents at end of year	\$ 162,972	\$ 270,637	\$ 29,476

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, 2012

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 2011 and 2010 financial statements as originally reported to conform them to the presentation of the 2012 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, 2012, 2011 and 2010

(In thousands)	Deferred Policy Acquisition Cost	Reserve for Losses and Loss Expenses	Unearned Premiums	Net Premiums Earned	Net Investment Income	Loss and Loss Expenses	Amortizatio n of Deferred Policy Acquisition Cost	Other Operating Cost and Expenses	Net Premiums Written
December 31, 2012									
Specialty	\$ 140,354	\$ 3,499,836	\$ 952,960	\$ 1,646,471	\$ 186,998	\$ 1,033,366	\$ 315,124	\$ 225,471	\$ 1,747,687
Regional	97,803	1,333,721	561,099	1,090,217	81,635	649,891	211,880	194,278	1,119,274
Alternative Markets	31,261	2,632,982	330,394	680,334	156,154	485,833	86,248	164,351	702,922
Reinsurance	65,090	1,458,672	241,430	446,939	96,123	270,526	140,740	38,527	477,252
International	69,539	825,875	388,964	809,555	56,605	508,863	163,591	131,645	851,404
Corporate and adjustments	—	—	—	—	9,248	—	—	127,768	—
Total	<u>\$ 404,047</u>	<u>\$ 9,751,086</u>	<u>\$ 2,474,847</u>	<u>\$ 4,673,516</u>	<u>\$ 586,763</u>	<u>\$ 2,948,479</u>	<u>\$ 917,583</u>	<u>\$ 882,040</u>	<u>\$ 4,898,539</u>
December 31, 2011									
Specialty	\$ 124,101	\$ 3,306,535	\$ 822,186	\$ 1,442,748	\$ 175,289	\$ 857,223	\$ 260,050	\$ 210,709	\$ 1,554,516
Regional	93,584	1,370,748	530,171	1,065,975	75,404	725,195	196,567	191,346	1,064,507
Alternative Markets	28,894	2,506,424	287,246	612,558	121,360	442,721	73,268	157,930	619,097
Reinsurance	56,355	1,523,210	207,956	426,008	91,871	262,286	120,697	51,646	430,329
International	62,003	630,217	342,016	613,578	42,882	370,940	134,536	110,900	688,919
Corporate and adjustments	—	—	—	—	19,545	—	—	113,680	—
Total	<u>\$ 364,937</u>	<u>\$ 9,337,134</u>	<u>\$ 2,189,575</u>	<u>\$ 4,160,867</u>	<u>\$ 526,351</u>	<u>\$ 2,658,365</u>	<u>\$ 785,118</u>	<u>\$ 836,211</u>	<u>\$ 4,357,368</u>
December 31, 2010									
Specialty	\$ 101,118	\$ 3,186,769	\$ 693,358	\$ 1,288,373	\$ 180,063	\$ 750,831	\$ 217,284	\$ 206,806	\$ 1,311,831
Regional	95,207	1,378,936	530,672	1,066,922	82,411	647,986	196,342	190,766	1,044,347
Alternative Markets	27,807	2,355,007	261,858	608,191	123,309	410,873	64,969	156,224	582,045
Reinsurance	55,147	1,591,397	203,430	419,356	103,079	220,230	121,512	50,771	401,239
International	48,003	504,440	264,403	452,740	32,794	279,947	108,470	75,943	511,464
Corporate and adjustments	—	—	—	—	8,869	—	—	314,841	—
Total	<u>\$ 327,282</u>	<u>\$ 9,016,549</u>	<u>\$ 1,953,721</u>	<u>\$ 3,835,582</u>	<u>\$ 530,525</u>	<u>\$ 2,309,867</u>	<u>\$ 708,577</u>	<u>\$ 995,351</u>	<u>\$ 3,850,926</u>

See accompanying Report of Independent Registered Public Accounting Firm.

W. R. Berkley Corporation and Subsidiaries
Reinsurance
Years ended December 31, 2012, 2011 and 2010

(In thousands, other than percentages)	Premiums Written				Percentage of Amount Assumed to Net
	Direct Amount	Ceded to Other Companies	Assumed from Other Companies	Net Amount	
Year ended December 31, 2012:					
Specialty	\$ 2,017,574	\$ 323,506	\$ 53,619	\$ 1,747,687	3.1%
Regional	1,203,003	99,328	15,599	1,119,274	1.4
Alternative Markets	913,381	268,448	57,989	702,922	8.2
Reinsurance	21,941	31,465	486,776	477,252	102.0
International	808,170	158,593	201,827	851,404	23.7
Total	\$ 4,964,069	\$ 881,340	\$ 815,810	\$ 4,898,539	16.7%
Year ended December 31, 2011:					
Specialty	\$ 1,774,871	\$ 263,828	\$ 43,473	\$ 1,554,516	2.8%
Regional	1,143,706	84,855	5,656	1,064,507	0.5
Alternative Markets	760,339	208,059	66,817	619,097	10.8
Reinsurance	5,179	22,841	447,991	430,329	104.1
International	685,997	140,362	143,284	688,919	20.8
Total	\$ 4,370,092	\$ 719,945	\$ 707,221	\$ 4,357,368	16.2%
Year ended December 31, 2010:					
Specialty	\$ 1,492,589	\$ 214,025	\$ 33,267	\$ 1,311,831	2.5%
Regional	1,155,970	115,789	4,166	1,044,347	0.4
Alternative Markets	619,832	120,672	82,885	582,045	14.2
Reinsurance	3,803	24,058	421,494	401,239	105.0
International	516,057	90,607	86,014	511,464	16.8
Total	\$ 3,788,251	\$ 565,151	\$ 627,826	\$ 3,850,926	16.3%

See accompanying Report of Independent Registered Public Accounting Firm.

W. R. Berkley Corporation and Subsidiaries
Valuation and Qualifying Accounts
Years ended December 31, 2012, 2011 and 2010

(In thousands)	Opening Balance	Additions- Charged to Expense	Deduction- Amounts Written Off	Ending Balance
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
Year ended December 31, 2011:				
Premiums and fees receivable	\$ 19,483	\$ 6,158	\$ (7,975)	\$ 17,666
Due from reinsurers	3,098	71	—	3,169
Deferred Federal and foreign income taxes	2,328	—	(2,328)	—
Loan loss reserves	19,675	889	(759)	19,805
Total	\$ 44,584	\$ 7,118	\$ (11,062)	\$ 40,640
Year ended December 31, 2010:				
Premiums and fees receivable	\$ 19,733	\$ 5,013	\$ (5,263)	\$ 19,483
Due from reinsurers	4,430	—	(1,332)	3,098
Deferred Federal and foreign income taxes	2,226	102	—	2,328
Loan loss reserves	13,583	6,232	(140)	19,675
Total	\$ 39,972	\$ 11,347	\$ (6,735)	\$ 44,584

See accompanying Report of Independent Registered Public Accounting Firm.

W. R. Berkley Corporation and Subsidiaries
Supplementary Information Concerning Property-Casualty Insurance Operations
Years Ended December 31, 2012, 2011 and 2010

(In thousands)	2012	2011	2010
Deferred policy acquisition costs	\$ 404,047	\$ 364,937	\$ 327,282
Reserves for losses and loss expenses	9,751,086	9,337,134	9,016,549
Unearned premium	2,474,847	2,189,575	1,953,721
Net premiums earned	4,673,516	4,160,867	3,835,582
Net investment income	586,763	526,351	530,525
Losses and loss expenses incurred:			
Current year	2,997,995	2,791,860	2,509,933
Prior years	(102,571)	(181,282)	(253,248)
Loss reserve discount accretion	53,055	47,787	53,182
Amortization of deferred policy acquisition costs	917,583	785,118	708,577
Paid losses and loss expenses	2,708,935	2,486,998	2,453,077
Net premiums written	4,898,539	4,357,368	3,850,926

See accompanying Report of Independent Registered Public Accounting Firm.

Operating Units

Insurance

ACADIA INSURANCE GROUP

One Acadia Commons, P.O. Box 9010
Westbrook, Maine 04098-5010
Tel: (207) 772 4300 Fax: (207) 772 6104
www.acadiainsurance.com

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

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

ADMIRAL INSURANCE GROUP

1000 Howard Boulevard, Suite 200
Mount Laurel, New Jersey 08054
Tel: (856) 429 9200 Fax: (856) 429 8611
www.admiralins.com

James S. Carey, CPCU, President and Chief Executive Officer
Scott R. Barraclough, Executive Vice President
Thomas G. Grilli, Jr., Senior Vice President, Chief Financial
Officer and Treasurer
Daniel A. MacDonald, Senior Vice President and Secretary
Curtis E. Fletcher, CPCU, Regional Vice President
Michael S. Howey, Regional Vice President
Martin M. Mitchell, Regional Vice President
Michael S. Bernstein, Vice President
Letha E. Heaton, Vice President
Richard Moore, Vice President and General Counsel
Robert J. Morgan, Vice President
Anthony A. Peraine, Vice President
Walter G. Strauss, Vice President
Patricia A. Vreeland, Vice President

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

Admiral Excess Underwriters

Stamford, Connecticut Tel: (203) 323 8286

Admiral Professional Program

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

Admiral Risk Insurance Services, Inc.

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

AMERICAN MINING INSURANCE GROUP

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

Chandler F. Cox, Jr., CPCU, President and
Chief Executive Officer
Dominick Giovannelli, Executive Vice President
Gregory T. Pierre, Senior Vice President and
Chief Financial Officer
Gregory S. Barth, CPCU, Senior Vice President
Ruth A. Howald, CPCU, Senior Vice President
John S. Huddleston, Senior Vice President
William W. Schrimpf, Sr., Senior Vice President and
General Counsel
Donna C. Shenesky, Senior Vice President
Bryant E. Brown, Senior Vice President
Durbin W. Christner, Vice President
Jonathan W. Flower, Vice President
Theodore C. Roose, Vice President
Rosemary C. Courington, Secretary and Treasurer

Bettendorf, Iowa	Tel: (563) 345 6311
Denver, Colorado	Tel: (303) 357 2637
Johnstown, Pennsylvania	Tel: (814) 255 0200
Las Vegas, Nevada	Tel: (702) 754 5800
Lexington, Kentucky	Tel: (859) 971 1955
Richlands, Virginia	Tel: (276) 596 9611

BERKLEY ACCIDENT AND HEALTH

2445 Kuser Road, Suite 201
Hamilton Square, New Jersey 08690-3303
Tel: (609) 584 6990 Fax: (609) 588 5770
www.berkleyah.com

Christopher C. Brown, President and Chief Executive Officer
Donato Gasparro, Chief Operating Officer
Lee D. Davidson, Vice President
James Hoitt, Vice President
Robert Robinson, Vice President
Peter C. Jonson, Controller

Roswell, Georgia	Tel: (678) 387 1823
Annapolis, Maryland	Tel: (301) 365 0087
Cleveland, Ohio	Tel: (440) 728 1805
Columbus, Ohio	Tel: (614) 446 6202
Council Bluffs, Iowa	Tel: (712) 329 3617
Dallas, Texas	Tel: (972) 849 7406
Denver, Colorado	Tel: (303) 667 5198
Kansas City, Missouri	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

**BERKLEY ASSET PROTECTION
UNDERWRITING MANAGERS**

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

Joseph P. Dowd, President
Gregory J. Smith, Executive Vice President
Michael D. Beranek, Vice President
Patricia A. Logan, Vice President
Sean C. Missal, Vice President
Nicholas A. F. Reynolds, Vice President

Little Rock, Arkansas Tel: (501) 707 6548
Walnut Creek, California Tel: (925) 472 8217
West Hartford, Connecticut Tel: (860) 521 3609
Glen Allen, Virginia Tel: (804) 237 5253
Chicago, Illinois Tel: (312) 705 1101

BERKLEY AVIATION

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

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

BERKLEY CUSTOM INSURANCE MANAGERS

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

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

BERKLEY LATIN AMERICA AND CARIBBEAN MANAGERS

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

Eduardo I. Llobet, President

BERKLEY LIFE SCIENCES

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

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

BERKLEY MEDICAL EXCESS UNDERWRITERS

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

Collin J. Suttie, President
W. Matthew Fessler, Executive Vice President
Roger J. Becker, Senior Vice President
Russell A. Creed, Senior Vice President
Robbin A. Willis, Senior Vice President
JoAnn Beck, Vice President
James G. LeBlanc, Vice President
Jane M. Sharpe, Vice President

BERKLEY MID-ATLANTIC GROUP

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

Kevin W. Nattrass, President and Chief Executive Officer
Nancy Newmister, Senior Vice President and Chief
Underwriting Officer
William Kirk Bonner, Vice President
Jeffrey E. Bouton, CPCU, Vice President
Jonathan S. Dillon, Vice President
Bernard C. Kurtzweil, CPCU, Vice President
Allen R. Latimer, Vice President, Chief Financial Officer
and Treasurer
J. Michael Lent, CPCU, Vice President
Marianne M. Morosko, CPCU, Vice President
Vickie L. Price, Vice President
Laura L. Thorne, Vice President
William E. Yount, CPCU, Vice President

Charlotte, North Carolina
Erie, Pennsylvania
Glen Allen, Virginia
Harrisburg, Pennsylvania
Pittsburgh, Pennsylvania
Tel: (800) 283 1153

BERKLEY NET UNDERWRITERS

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

John K. Goldwater, President and Chief Executive Officer
 John J. Burke, Senior Vice President
 James B. Gilbert, Senior Vice President
 Brian R. Risen, CPCU, Senior Vice President
 David J. Lasota, CPCU, Vice President
 Connie F. Yost, CPA, Vice President and Chief Financial Officer

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

BERKLEY NORTH PACIFIC GROUP

13920 SE Eastgate Way, Suite 120
 Bellevue, Washington 98005
 Tel: (877) 316 9038 Fax: (866) 461 1357
 www.berkleynpac.com

Jeffrey R. Dehn, CPCU, President and Chief Executive Officer
 Deirdre A. Ashlock, CPCU, Vice President
 Brent W. Irving, Vice President
 John C. Mallary, Vice President
 John P. McPeak, Vice President, Chief Financial Officer
 and Treasurer
 John F. Thelen, Vice President, General Counsel
 and Secretary
 Rob E. Thoms, Vice President
 Janet M. Whiting, Vice President
 Kelly A. Wieland, Vice President

Meridian, Idaho Tel: (800) 480 2942
 Salt Lake City, Utah Tel: (800) 480 2942
 Spokane, Washington Tel: (800) 480 2942

BERKLEY OFFSHORE UNDERWRITING MANAGERS

14 Wall Street, Suite 1610
 16th Floor
 New York, New York 10005
 Tel: (212) 618 2951 Fax: (212) 618 2940

Frank A. Costa, President
 D. Scott Barnard, Vice President
 Lester R. Bogdan, Vice President
 Beena Gadgil, Vice President
 Brian F. Murphy, Vice President
 Aron L. Pasternack, Vice President
 Jennifer R. Todd, Vice President and Chief Financial Officer

Houston, Texas Tel: (832) 547 2900

**BERKLEY OFFSHORE UNDERWRITING MANAGERS
 UK, LIMITED**

40 Lime Street, 7th Floor
 London EC3M 7AW, England
 Tel: (44) 207 337 1400

R. Christian Walker, Executive Vice President
 Allan E. Francis, Vice President
 Michael P. D. Hayes, Vice President

BERKLEY OIL & GAS SPECIALTY SERVICES

10375 Richmond Avenue, Suite 1900
 Houston, Texas 77042
 Tel: (877) WRBC BOG (877 972 2264) Fax: (832) 308 6982
 www.berkleyoil-gas.com

Carol A. Randall, President
 Linda A. Eppolito, Chief Financial Officer
 Isaac Merchant, Chief Actuarial Officer
 Eric Castillo, Vice President
 Mark W. Davenport, Vice President
 Nancy R. Zoril, Vice President

Berkley Renewable Energy

250 South Wacker Drive, Suite 700
 Chicago, Illinois 60606
 Tel: (312) 881 1454 Fax: (312) 881 1338

Marie Gwin, Vice President

BERKLEY PROFESSIONAL LIABILITY

14 Wall Street, Suite 1610
 16th Floor
 New York, New York 10005
 Tel: (212) 618 2900 Fax: (212) 618 2940
 www.berkleypro.com

John R. Benedetto, President
 Steven P. Walsh, Executive Vice President
 Paul A. Brophy, Senior Vice President
 Ashley M. Beales, Vice President
 Rocco A. Capuano, Vice President
 Raymond DeCarlo, Vice President
 Penny J. Kilberry, Vice President
 Michael C. Nicolai, Vice President
 Paul E. Sowadski, Vice President
 Albert Sunwoo, Vice President
 Josh A. Weiss, Vice President
 Larry X. Zhang, Vice President

Toronto, Ontario, Canada

Tel: (416) 304 1178

BERKLEY PUBLIC ENTITY MANAGERS

30 South 17th Street, Suite 820
 Philadelphia, Pennsylvania 19103
 Tel: (215) 553 7366

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

BERKLEY REGIONAL SPECIALTY

14902 North 73rd Street
 Scottsdale, Arizona 85260
 Tel: (480) 444 5950 Fax: (480) 607 2991

Paul S. McAuliffe, President and Chief Executive Officer
 Gordon L. Keffer, Vice President, Chief Financial Officer
 and Treasurer
 Patrick K. Watland, CPCU, Senior Vice President
 Donna J. Latham, Vice President
 Ronda A. Lofton, Vice President
 Sheri L. Reintjes, Vice President

Chicago, Illinois Tel: (312) 725 7670
Dallas, Texas Tel: (972) 719 2824
Rocky Hill, Connecticut Tel: (860) 331 2413
Harrisburg, Pennsylvania Tel: (717) 651 3381
Glen Allen, Virginia Tel: (804) 237 5273
Westbrook, Maine Tel: (207) 874 1617
Denver, Colorado Tel: (303) 357 2631
Scottsdale, Arizona Tel: (866) 412 7742

BERKLEY RISK ADMINISTRATORS COMPANY, LLC

222 South Ninth Street, Suite 1300
Minneapolis, Minnesota 55402-3332
Tel: (612) 766 3000 Fax: (612) 766 3099
www.berkleyrisk.com

J. Michael Foley, President
Scott L. Dahlager, Vice President
Christopher J. Elliott, Vice President
Patricia J. Fish, Vice President
Ann E. Gergen, Vice President
John M. Goodwin, Vice President
Todd T. Johnson, Vice President
Becky L. Kenyon, Vice President
Matthew J. Partington, Vice President
Geraint D. Powell, Vice President and Legal Counsel
Paul M. Welna, Vice President
Harini Upadhyaya, Vice President

Bedford, New Hampshire Tel: (860) 409 2365
Council Bluffs, Iowa Tel: (800) 832 0137
Indianapolis, Indiana Tel: (317) 585 2799
Las Vegas, Nevada Tel: (702) 415 2970
Little Rock, Arkansas Tel: (913) 385 4961
Nashville, Tennessee Tel: (615) 493 7777
Overland Park, Kansas Tel: (913) 385 4960
Pierre, South Dakota Tel: (605) 945 2144
Rolling Meadows, Illinois Tel: (866) 738 3243
St. Paul, Minnesota Tel: (651) 281 1200
Scottsdale, Arizona Tel: (602) 992 8844
Wauwatosa, Wisconsin Tel: (414) 771 2038

Berkley Administrators of Connecticut, Inc.
Farmington, Connecticut Tel: (860) 409 9300

Berkley Risk Managers
Mays Landing, New Jersey Tel: (609) 625 5544

Berkley Risk Services of Colorado
Denver, Colorado Tel: (303) 357 2600

Southwest Risk Services
Scottsdale, Arizona Tel: (602) 996 8810

BERKLEY SELECT

250 South Wacker Drive, Suite 700
Chicago, Illinois 60606
Tel: (312) 881 1330 Fax: (312) 881 1338
www.berkleysselect.com

Joseph G. Shores, President
Diane L. Cummings, Executive Vice President
Joseph N. Smith, Chief Financial Officer
Ernest J. Fahien, Vice President
Todd D. Hampton, Vice President

BERKLEY SOUTHEAST INSURANCE GROUP

1720 Windward Concourse, Suite 275
Alpharetta, Georgia 30005
Tel: (770) 751 8901
www.BerkleySIG.com

Dennis L. Barger, President

BERKLEY SPECIALTY UNDERWRITING MANAGERS

Three Ravinia Drive, Suite 500
Atlanta, Georgia 30346
Tel: (404) 443 2040 Fax: (404) 443 2050
www.berkleysum.com

Steven S. Zeitman, Chairman and Chief Executive Officer
Kenneth J. Berger, President
Rick Bak, CPCU, Executive Vice President and
Chief Operating Officer
Elena D. Mohler, CPCU, Senior Vice President
Patricia K. London, Vice President and Chief Financial Officer
Cindy L. Broschart, President – Entertainment and Sports
Michael A. Harris, Vice President
Peter E. Lambert, CPCU, Vice President
Edwin Baez, CPCU, Vice President
John T. Carty, Vice President
Steven Collett, Vice President
Kenneth J. Danowski, Vice President
Chris DeLauder, Vice President
Paul J. Kinni, Vice President
Jean-Michel Mathys, Vice President
Robert J. Patterson, Vice President
Jeff Wyatt, Vice President

Entertainment and Sports

Irving, Texas Tel: (972) 819 8980

Environmental

Atlanta, Georgia Tel: (404) 443 2117
Boston, Massachusetts Tel: (857) 265 7478
Chicago, Illinois Tel: (404) 443 2082
Jersey City, New Jersey Tel: (201) 748 3025
Philadelphia, Pennsylvania Tel: (215) 533 7360
Walnut Creek, California – BMIS Tel: (925) 472 8210

BERKLEY SURETY GROUP

412 Mt. Kemble Avenue, Suite 310N
Morristown, New Jersey 07960
Tel: (973) 775 5021 Fax: (973) 775 5204
www.berkleysurety.com

Andrew M. Tuma, President
Vincent P. Forte, Chief Operating Officer
Michael J. Hurley, Senior Vice President
David Pesce, Senior Vice President
John F. Beers, Vice President
Todd A. Fraaken, Vice President
Christopher J. Nolan, Vice President
Robert G. Kelly, Vice President
Frank J. Librera, Vice President
Tim Miller, Vice President
Debra Paziora, Vice President
Sean Petty, Vice President

Alpharetta, Georgia Tel: (678) 624 1818
 Arlington, Virginia Tel: (973) 775 5086
 Charlotte, North Carolina Tel: (973) 775 5077
 Dallas, Texas Tel: (972) 385 1140
 Danvers, Massachusetts Tel: (973) 775 5082
 Denver, Colorado Tel: (303) 357 2616
 Glendale, California Tel: (818) 550 1403
 Morristown, New Jersey Tel: (973) 775 5021
 Naperville, Illinois Tel: (973) 775 5282
 Nashville, Tennessee Tel: (615) 345 0306
 New York, New York Tel: (212) 867 2650
 Radnor, Pennsylvania Tel: (973) 775 5096
 Seattle, Washington Tel: (206) 223 5842
 St. Louis, Missouri Tel: (973) 775 5278
 Tampa, Florida Tel: (813) 870 2077
 Urbandale, Iowa Tel: (800) 456 5486
 Westbrook, Maine Tel: (207) 228 1922

BERKLEY TECHNOLOGY UNDERWRITERS

222 South Ninth Street, Suite 2910
 Minneapolis, Minnesota 55402
 Tel: (612) 344 4550 Fax: (855) 999 0559

Matthew A. Mueller, President
 Bonita J. Girard, Senior Vice President
 Jeannie M. Olson, Senior Vice President
 Jeffrey J. Capanna, Vice President
 Jonathan L. Graetz, Vice President
 Joyce E. Krech, Vice President

BERKLEY UNDERWRITING PARTNERS

215 Shuman Boulevard, Suite 200
 Naperville, Illinois 60563
 Tel: (630) 210 0360 Fax: (630) 210 0375
 www.bupllc.com

John S. Diem, President and Chief Executive Officer
 Michael Anello, Senior Vice President
 Julius M. Colangelo, Senior Vice President
 Spencer L. Coyle, Senior Vice President
 David A. Hanes, Senior Vice President
 Joseph M. Pojman, Senior Vice President
 Stephen Bosy, Vice President
 Christopher C. Campbell, Vice President
 Kevin P. Novak, Vice President and Chief Financial Officer
 Steven H. Strauss, Vice President
 Thomas J. Voss, Vice President

CAROLINA CASUALTY INSURANCE GROUP

4600 Touchton Road East, Building 100, Suite 400
 Jacksonville, Florida 32246
 Tel: (904) 363 0900 Fax: (904) 363 8098
 www.carolinacas.com

Douglas J. Powers, CPCU, President and
 Chief Executive Officer
 Gerald B. Bushey, Vice President
 Reyad G. Cratem, III, Vice President, Chief Financial Officer
 and Treasurer
 Mark J. Gallo, Vice President
 Vincent M. Kellaher, Vice President
 Robert W. Perew, Vice President
 Catherine P. Steckner, Vice President

CLERMONT SPECIALTY MANAGERS

3 University Plaza Dr. Suite 604
 Hackensack, New Jersey 07601
 Tel: (201) 518 2500 Fax: (201) 342 6381
 www.clermonthid.com

William J. Johnston, President
 Belinda Mattucci, Senior Vice President
 Richard H. Starkie, Senior Vice President
 Andie Kanefsky, Senior Vice President
 Holly Fettingter, Vice President
 Stephanie Miller, Vice President

CONTINENTAL WESTERN GROUP

11201 Douglas Avenue
 Des Moines, Iowa 50322
 Tel: (515) 473 3000 Fax: (515) 473 3015
 www.cwgins.com

Michael G. Connor, CPCU, President
 Amy M. Argo, CPCU, Regional Vice President
 William J. Besonen, CPCU, Regional Vice President
 Ordean H. Voight, CPCU, Regional Vice President
 Ann M. Collins, Vice President, Chief Financial Officer
 and Treasurer
 Meyer T. Lehman, Vice President
 Thomas E. Nelson, CPCU, Vice President
 Doug R. Pearson, CPCU, Vice President
 Terry L. Shaw, CPCU, Vice President
 John F. Thelen, Vice President, General Counsel
 and Secretary
 Stuart J. Walker, CPCU, Vice President
 C. Jeffrey West, Vice President

Denver, Colorado	Tel: (303) 357 2630
Des Moines, Iowa	Tel: (515) 473 3000
Lincoln, Nebraska	Tel: (402) 423 7688
Luverne, Minnesota	Tel: (507) 283 9561
Middleton, Wisconsin	Tel: (608) 826 1185

Berkley Agribusiness Risk Specialists

11201 Douglas Avenue
 Des Moines, Iowa 50322
 Tel: (515) 473 3000 Fax: (866) 342 0630
 www.berkleyag.com

Terry L. Shaw, CPCU, President
 Bradley T. London, CPCU, Senior Vice President
 Bradley G. Waline, CPCU, Senior Vice President
 Tony L. Hudnutt, Vice President
 Alan M. Tweeten, CPCU, Vice President

FINSECURE

849 Fairmount Avenue, Suite 301
 Towson, Maryland 21286
 Tel: (410) 337 9260 Fax: (866) 915 7879
 www.finsecure.net

Michael P. Dandini, President
 Joseph L. Mathews, Chief Financial Officer
 Barbara A. Ewing, Vice President

La Porte, Indiana (Credit Unions) Tel: (219) 362 6151

GEMINI TRANSPORTATION UNDERWRITERS

99 Summer Street, Suite 1800
Boston, Massachusetts 02110
Tel: (617) 310 8200 Fax: (617) 310 8299
www.geminiunderwriters.com

Rocco P. Modafferi, President
Mark B. Steen, CPCU, Senior Vice President
Akito Miyazaki, Treasurer
Jason Lewis, Vice President

KEY RISK

7900 McCloud Road, Suite 300
Greensboro, North Carolina 27409
Tel: (336) 668 9050 Fax: (336) 605 7544
www.keyrisk.com

Robert W. Standen, President
Rebecca H. Karr, CPCU, Chief Operating Officer
and Chief Financial Officer
Joseph J. Abriola, Senior Vice President
Joe C. Brooks, Senior Vice President
John A. Godfrey, CPCU, Senior Vice President
Anne H. Myers, CPCU, Senior Vice President
David A. Chandler, CPCU, Vice President
Janice C. Duggins, Vice President
Kimberly S. Fiedler, Vice President
Michael H. Marcus, Vice President
Susan H. Preston, Vice President
F. Douglas Ryan, Vice President
Kyal B. Strozier, CPCU, Vice President
Greg S. Tardy, CPCU, Vice President

Alpharetta, Georgia	Tel: (770) 751 8901
Baltimore, Maryland	Tel: (410) 864 2600
Charlotte, North Carolina	Tel: (704) 329 9550
Columbia, South Carolina	Tel: (803) 252 1777
Harrisburg, Pennsylvania	Tel: (800) 942 0225 ext 5201
Nashville, Tennessee	Tel: (615) 493 7778
Richmond, Virginia	Tel: (804) 288 2660

MIDWEST EMPLOYERS CASUALTY GROUP

14755 North Outer Forty Drive, Suite 300
Chesterfield, Missouri 63017
Tel: (636) 449 7000 Fax: (636) 449 7199
www.mwecc.com

Melodee J. Saunders, President and Chief Operating Officer
Steven J. Link, Executive Vice President
Donna L. Knowling, Senior Vice President and Secretary
Linda M. Howell, Senior Vice President
Thomas E. Lentz, Vice President and Chief Financial Officer
J. Daniel Asahl, Vice President
Andrew L. Cartwright, Vice President
Michael R. Foerst, Vice President
Mark S. Sidney, Vice President
V. Danielle Schroeder, Vice President

MONITOR LIABILITY MANAGERS

2850 West Golf Road, Suite 800
Rolling Meadows, Illinois 60008-4039
Tel: (847) 806 6590 Fax: (847) 806 6282
www.monitorliability.com

Sandra C. Nelson, President
Randal P. Mrozowicz, Executive Vice President
Peter A. Lindquist, Senior Vice President, Chief Financial Officer
David R. Aller, Senior Vice President
Joseph B. Haltman, Senior Vice President
Thomas J. Mathias, Senior Vice President
Daniel J. Flick, Vice President
Jason A. Fogg, Vice President
Thomas M. Hayden, Vice President
David M. Kramer, Vice President
Lynette M. Lyngaas, Vice President
Sharon F. Reba, Vice President

Greenwood Village, Colorado	Tel: (303) 221 4751
Irving, Texas	Tel: (972) 719 2463
San Mateo, California	Tel: (650) 341 8638
Scottsdale, Arizona	Tel: (602) 368 6645
Towson, Maryland	Tel: (410) 296 4138
Urbandale, Iowa	Tel: (515) 473 3467

NAUTILUS INSURANCE GROUP

7233 East Butherus Drive
Scottsdale, Arizona 85260
Tel: (480) 951 0905 Fax: (480) 951 9730
www.nautilusinsgroup.com

Thomas M. Kuzma, President and Chief Executive Officer
Miklos F. Kallo, Senior Vice President, Chief Financial Officer
and Treasurer
Michael J. Kilgas, Senior Vice President
Bradley A. Lontz, Senior Vice President
Wendy L. Markham, CPCU, Senior Vice President
Kellie R. Barwick, Vice President
James Cassara, III, Vice President
Stephen S. Corrigall, CPCU, Vice President
Raymond J. Hall, CPCU, Vice President
Kimberly R. Levensky, Vice President
Bonnie R. McKrill, Vice President
Veronica L. Monteilh, Vice President
Deborah J. Savoie, Vice President
Mindy M. Sheble, CPCU, Vice President
Janet L. Shemanske, Vice President and Secretary
Monica R. Spivey, Vice President
Katherine M. Suhm, CPCU, Vice President
Craig N. Williams, Vice President

PREFERRED EMPLOYERS GROUP

1455 Frazee Road, Suite 1000
San Diego, California 92108
Tel: (619) 688 3900 Fax: (888) 472 9490
www.peiwc.com

Steven A. Gallacher, President
Timothy J. Wiebe, Vice President, Chief Financial Officer
and Treasurer

Marc J. Beaulieu, Senior Vice President
Rosemary Favier, Senior Vice President
Jan A. Beaver, Vice President and Secretary
John C. Bennett, Vice President
Randy Sysol, Vice President

REGIONAL EXCESS UNDERWRITERS, LLC

222 Las Colinas Boulevard W, Suite 1300
Irving, Texas 75039
Tel: [877] 738 3170 Fax: [866] 495 9044
www.regionalxs.com

Darwin E. Lucas, President
Irvin Wolf, III, Senior Vice President
Beth Preston, CPCU, Vice President

Charlotte, North Carolina	Tel: [866] 339 6192
Chicago, Illinois	Tel: [866] 339 6330
Denver, Colorado	Tel: [866] 901 9185
Des Moines, Iowa	Tel: [877] 738 8170
Henderson, Nevada	Tel: [866] 796 1267
Irving, Texas	Tel: [866] 339 7330
Jacksonville, Florida	Tel: [866] 873 0171
Seattle, Washington	Tel: [866] 338 7484
Westbrook, Maine	Tel: [866] 261 0420
Wheeling, West Virginia	Tel: [866] 796 7888

RIVERPORT INSURANCE SERVICES

222 South Ninth Street, Suite 1300
Minneapolis, Minnesota 55402-3332
Tel: [612] 766 3100 Fax: [612] 766 3860
www.riverportinsurance.com

James B. Ketterson, President
Elizabeth M. Misura, Chief Financial Officer and
Chief Operating Officer
David S. Kylo, Senior Vice President and Secretary
Kim J. Brenckman, Senior Vice President
Edward Gerber, Vice President
Colleen M. Lazanich, Vice President
David W. Schirmer, Vice President

UNION STANDARD INSURANCE GROUP

222 Las Colinas Boulevard W, Suite 1300
Irving, Texas 75039-5433
Tel: [972] 719 2400 Fax: [972] 719 2401
www.usic.com

Craig W. Sparks, President
Edmund P. Hemmerick, CPCU, Senior Vice President
Jeffrey N. Carver, Regional Vice President
Mary Jane Neese, Regional Vice President
Thomas L. Cawley, Vice President
Richard W. Hitch, CPCU, Vice President
Jeffrey S. Hockersmith, Vice President and Chief
Financial Officer
O. Melvin Holt, CPCU, Vice President
Jacquelynn Hurst, Vice President
B. Keith Mitchell, Vice President
Greg R. Perkins, Vice President
E. Leslie Prock, Vice President

Ty C. Simmons, Vice President, Corporate Counsel
and Secretary
Michael W. Smith, Vice President

Albuquerque, New Mexico	Tel: [505] 346 7608
Birmingham, Alabama	Tel: [601] 581 4134
Dallas, Texas	Tel: [972] 719 2431
Little Rock, Arkansas	Tel: [501] 707 6543
Meridian, Mississippi	Tel: [601] 581 4134
Nashville, Tennessee	Tel: [615] 932 5508
Oklahoma City, Oklahoma	Tel: [405] 254 1862
Phoenix, Arizona	Tel: [480] 281 3933
San Antonio, Texas	Tel: [210] 515 5208

Berkley Fire & Marine Underwriters

2850 West Golf Road, Suite 800
Rolling Meadows, IL 60008
Tel: [972] 719 2406

John T. Geary, President

VELA INSURANCE SERVICES

311 South Wacker Drive, Suite 3600
Chicago, Illinois 60606
Tel: [312] 553 4413 Fax: [312] 553 4431

David A. Jordan, President
Gerald Kalvaitis, Jr., Senior Vice President
Francis McGovern, Senior Vice President
Terri Moran, Senior Vice President
Michael Sullivan, Senior Vice President
William Braden, Vice President
Mary Ceko, JD, Vice President
Julie Dunai, Vice President
Kay Frerk, FCAS, MAAA, Vice President
John Lindquist, Vice President
David Lucey, Vice President
Patricia Maruszak, Vice President
Roy Pomerantz, Vice President
Christine Ramberg, Vice President
Joseph Rugnetta, Vice President

Chicago, Illinois	Tel: [312] 553 4413
Jacksonville, Florida	Tel: [904] 363 8015
Omaha, Nebraska	Tel: [402] 492 8352
Radnor, Pennsylvania	Tel: [610] 688 4275
San Diego, California	Tel: [858] 521 8402
Solvang, California	Tel: [805] 693 0839
Walnut Creek, California	Tel: [925] 472 8220
St. Paul, Minnesota	Tel: [404] 443 2075
Glastonbury, Connecticut	Tel: [404] 443 2070
Atlanta, Georgia	Tel: [404] 443 2058
Medford, Oregon	Tel: [805] 693 0859

VERUS UNDERWRITING MANAGERS

4820 Lake Brook Drive, Suite 100
Glen Allen, Virginia 23060
Tel: [804] 525 1360 Fax: [804] 525 1362
www.verusins.com

Dale H. Pilkington, President
Thomas J. Allen, Senior Vice President
J. Landis Graham, Senior Vice President
Douglas M. Grant, Senior Vice President
Steven P. Earhart, Vice President and Chief Financial Officer
Chris L. Anderson, Vice President
Dale A. Diamond, Vice President
Brandon L. Heutmaker, Vice President
Craig A. Mathre, Vice President

Reinsurance

BERKLEY INSURANCE COMPANY
475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 542 3800 Fax: (203) 542 3839

William R. Berkley, Chairman
W. Robert Berkley, Jr., President
Eugene G. Ballard, Senior Vice President and Treasurer
Mark G. Davidowitz, Senior Vice President
Jeffrey M. Hafter, Senior Vice President
Ira S. Lederman, Senior Vice President and Secretary
Rajiv N. Raval, Senior Vice President and General Counsel
Bill Thornton, CPCU, Senior Vice President
Lloyd W. Wenzl, Vice President and Controller

BERKLEY RE AMERICA
3 Stamford Plaza
301 Tresser Boulevard, 7th Floor
Stamford, Connecticut 06901
Tel: (203) 905 4444 Fax: (203) 905 4629
www.berkleyreamerica.com

Jon A. Schriber, President
Mark G. Davidowitz, Senior Vice President and
Chief Financial Officer
David F. Blake, Senior Vice President
Todd W. Bolden, Senior Vice President
Anthony J. Coccozza, Senior Vice President
Graham C. Dickinson, Senior Vice President
Melissa M. Emmendorfer, Senior Vice President
Julie K. Halper, Senior Vice President
Timothy C. McCoy, Senior Vice President
John J. Myers, Senior Vice President
Gordon J. Olver, Senior Vice President
Kathleen M. Perlman, Senior Vice President
Rajiv N. Raval, Senior Vice President, General
Counsel and Secretary
Kevin J. Shea, Senior Vice President
Joseph W. Walsh, Senior Vice President
Michael J. Byrne, Vice President
Barbara A. Connell, Vice President
Troy S. Dockery, Vice President
Olivia W. Giuntini, Vice President
Joseph H. Iarocci, Vice President
Gary D. Kanka, Vice President
John J. Lorito, Vice President

Krystyna H. Miller, Vice President
Kevin M. Petrolino, Vice President
James L. Prigge, Vice President
Richard D. Thomas, Vice President
Andrea E. Trimble, Vice President
Felicia Wang, Vice President
Lloyd W. Wenzl, Vice President and Controller

B F RE UNDERWRITERS
3 Stamford Plaza
301 Tresser Boulevard, 9th Floor
Stamford, Connecticut 06901
Tel: (203) 975 7739 Fax: (203) 975 7749
www.bfreunds.com

Gregory A. Douglas, President
Richard A. Corpus, Executive Vice President
Maria W. Anderson, Senior Vice President
Scott Balfour, Senior Vice President
Frederic C. Cooper, Senior Vice President
Thomas J. Greenfield, Senior Vice President
Jeff M. Neher, Senior Vice President
David H. Richardson, Senior Vice President
Catherine P. Schilling, Senior Vice President
David M. Bartone, Vice President
Clifford Dunigan, Vice President
Vincent A. Friscia, Jr., Vice President
Thomas P. Gaughran, Vice President
Roger Goeke, Vice President
John McGregor, Vice President
Scott Medors, Vice President
Gary S. Miller, Vice President
L. Randy Miller, Vice President
Raymond H. Niver, Vice President
Kathleen C. Patton, Vice President
Rajiv N. Raval, Vice President, General Counsel and Secretary
William F. Seefried, Vice President
Gary W. Shreve, Vice President
William R. Turner, Vice President

Chicago, Illinois	Tel: (312) 553 4707
Dublin, Ohio	Tel: (614) 766 4316
Irving, Texas	Tel: (972) 580 9950
Johns Creek, Georgia	Tel: (770) 814 7531
Philadelphia, Pennsylvania	Tel: (215) 568 3570
San Francisco, California	Tel: (415) 543 4466

FACULTATIVE RESOURCES
3 Stamford Plaza
301 Tresser Boulevard, 8th Floor
Stamford, Connecticut 06901
Tel: (203) 658 1500 Fax: (203) 658 1515

Joseph L. Sullivan, President
James H. Crutchley, Executive Vice President and
Chief Underwriting Officer
Robert R. Coyne, Senior Vice President
William Smart, Senior Vice President
Timothy F. Quinn, Senior Vice President
Gerard Anaszewicz, Senior Vice President

Robert T. Comstock, Senior Vice President
Edward N. Ryan, Senior Vice President
John P. Burk, Vice President
Patrick J. Cannan, Vice President
Philip E. D'Eramo, Vice President
Colleen P. Fahey, Vice President
Thomas V. Lehmkuhl, Vice President
Victor V. Leong, Vice President
James F. Lubeck, Vice President
David M. McNichols, Vice President
Rajiv N. Raval, Vice President, General Counsel and Secretary

Chicago, Illinois Tel: (312) 435 1231

BERKLEY FACULTATIVE REINSURANCE SERVICES

3 Stamford Plaza
301 Tresser Boulevard, 9th Floor
Stamford, Connecticut 06901
Tel: (203) 658 1580 Fax: (203) 658 1590

C. Fred Madsen, President
Gerald S. King, Vice Chairman
Stephen A. Samoskevich, Senior Vice President
Francis J. Bilotti, Vice President
James R. Leonardis, Vice President
Joseph A. Sweeney, Vice President
Pasquale Tomaino, Vice President and Chief Financial Officer
Susan B. Williams, Vice President

International

BERKLEY INTERNATIONAL, LLC

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000 Fax: (203) 769 4097

William R. Berkley, Chairman and Chief Executive Officer
W. Robert Berkley, Jr., Vice Chairman and President
Javier Esteban, Vice Chairman
Eugene G. Ballard, Senior Vice President, Chief Financial
Officer and Treasurer
Ira S. Lederman, Senior Vice President, General Counsel
and Secretary
Steven J. Malawer, Vice President and Associate
General Counsel

BERKLEY INTERNATIONAL LATINOAMÉRICA S.A.

Carlos Pellegrini 1023, 8th Floor
C1009ABU – Buenos Aires, Argentina
Tel: (54) 11 4378 8100 Fax: (54) 11 4378 8111
www.berkley.com.ar

Eduardo I. Llobet, President and Chief Executive Officer
Osvaldo P. Borghi, Senior Vice President
Marcelo R. Crespo, Chief Financial Officer

BERKLEY INTERNATIONAL SEGUROS S.A.

Mitre 699, S2000COM – Rosario, Argentina
Tel: (54) 341 410 4200 Fax: (54) 341 425 9802

Carlos Pellegrini 1023, 2nd Floor
C1009ABU – Buenos Aires, Argentina
Tel: (54) 11 4378 8100 Fax: (54) 11 4378 8189
www.berkley.com.ar

Eduardo I. Llobet, President and Chief Executive Officer

BERKLEY ARGENTINA DE REASEGUROS S.A.

Carlos Pellegrini 1023, 8th Floor
C1009ABU – Buenos Aires, Argentina
Tel: (54) 11 4378 8100 Fax: (54) 11 4378 8111
www.berkley.com.ar

Eduardo I. Llobet, President and Chief Executive Officer
Osvaldo P. Borghi, Senior Vice President

BERKLEY INTERNATIONAL ASEGURADORA DE RIESGOS DEL TRABAJO S.A.

Carlos Pellegrini 1023, 3rd Floor
C1009ABU – Buenos Aires, Argentina
Tel: (54) 11 4378 8000 Fax: (54) 11 4378 8084
www.berkley.com.ar

Eduardo I. Llobet, President
Claudio C. Allende, Chief Executive Officer

BERKLEY INTERNATIONAL DO BRASIL SEGUROS S.A.

Rua Olímpíadas, 242, 7th Floor
04551-000 São Paulo, Brazil
Tel: (55) 11 3848 8622 Fax: (55) 11 3848 8633
www.berkley.com.br

José Marcelino Risdén, Chairman
Robert Hufnagel, Chief Executive Officer
Carlos Gabriel Prezenszky, Chief Operating Officer
Paulo de Faria, Chief Financial Officer

BERKLEY INTERNATIONAL SEGUROS S.A. (URUGUAY)

Juncal 1305, Apto 101
11100 – Montevideo, Uruguay
Tel: (598) 2916 6998 Fax: (598) 2916 6998 ext. 102
www.berkley.com.uy

Eduardo I. Llobet, President
Daniel Ruota, Chief Financial Officer
Eduardo Vidal, Chief Operating Officer

W. R. BERKLEY INSURANCE (EUROPE), LIMITED

40 Lime Street, 2nd Floor
London EC3M 7AW, England
Tel: (44) 207 280 9000 Fax: (44) 207 280 9090
www.wrbeurope.com

55 King Street, 3rd Floor
Manchester M2 4LQ, England
Tel: (44) 161 817 3440 Fax: (44) 161 817 3442

Stuart Wright, Chief Executive Officer and Chief Underwriting Officer
Paul Hosking, Executive Vice President
Stephen Patfield, Chief Actuary and Head of Risk
Graham Dennis, Chief Operating Officer UK & Ireland
Richard Mangion, Chief Financial Officer
Steven Myhre, European Director of Claims
Peter Glanfield, Director of Underwriting – UK Branch

W. R. Berkley Insurance Australia
Level 7
BT Tower
1 Market Street
Sydney, NSW, 2000, Australia
Tel: (61) 2 9275 8500 Fax: (61) 2 9261 2773
www.wrbaustralia.com.au

Level 18
333 Ann Street
Brisbane, Qld, 4000, Australia
Tel: (61) 7 3232 1166 Fax: (61) 7 3232 1200

Level 8, Suite 5
454 Collins Street
Melbourne, Victoria 3000, Australia
Tel: (61) 3 8319 4080 Fax: (61) 3 8319 4055

Suite 5, 531 Hay Street
Subiaco
Western Australia 6080, Australia
Tel: (61) 8 9380 8328

Adelaide Tel (61) 450 324 115

Tony Wheatley, Chief Executive Officer

W. R. Berkley Insurance (Europe), Limited
Zweigniederlassung für Deutschland
Clever Straße 13-15
50668 Köln, Germany
Tel: (49) 221 99386 100

Bertin von Dewitz, Managing Director

W. R. Berkley Insurance Ireland
Top Floor, Unit 5C
Fingal Bay Business Park
Balbriggan Co. Dublin, Ireland
Tel: (353) 1 690 4442 Fax: (353) 1 690 4448

Owen Twomey, Branch Manager

W. R. Berkley Insurance Norway NUF
Henrik Ibsens gt.100
P.O. Box 2883
N-0230 Oslo, Norway
Tel: (47) 23 27 24 00 Fax: (47) 23 27 24 01

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 26 46 Fax: (34) 91 449 26 99

Alejandro Jiménez, Executive President

Paseo de Gracia num. 11
Escalera A – 6ª planta 4
08007 Barcelona, Spain
Tel: (34) 93 481 47 29 Fax: (34) 93 481 47 37

W. R. BERKLEY SYNDICATE MANAGEMENT LIMITED
SYNDICATE 1967 AT LLOYD'S
34 Lime Street, 4th Floor
London EC3M 7AT, England
Tel: (44) 207 088 1967 Fax: (44) 207 088 1997
www.wrbsyndicate.com

Michael Sibthorpe, Chief Executive Officer
Alastair Blades, Chief Underwriting Officer
Robert Vetch, Chief Financial Officer
Andrew Mitchell, Chief Operating Officer
Jacqui Hedges, Chief Risk Officer
Louise Nevill, Marine Underwriter
Paul Simmonds, Accident Underwriter
Scott Campbell, Property Underwriter
Anders Rolfsen, Head of Actuarial

BERKLEY RE ASIA (HONG KONG)
Suite 6708, 67th Floor, Central Plaza
18 Harbour Road
Wan Chai, Hong Kong
Tel: (852) 3120 7000 Fax: (852) 2802 2131

K. Grant Robson, President and Chief Executive Officer,
Asia Pacific
Eric Chan, General Manager
Daisy Poon, Vice President
Irene Chang, Casualty Facultative Manager
Maria Chung, Finance Manager
Gerald MacDonald, Chief Executive Officer, Singapore
and Chief Underwriting Officer, Asia Pacific

BERKLEY RE ASIA (SINGAPORE)
China Square Central, Unit 09-04, 9th Floor
18 Cross Street
Singapore 048423
Tel: (65) 6671 2070 Fax: (65) 6222 9885

K. Grant Robson, President and Chief Executive Officer,
Asia Pacific
Gerald MacDonald, Chief Executive Officer, Singapore and
Chief Underwriting Officer, Asia Pacific
Ross Dalgleish, Chief Operating Officer, Singapore
Lianne Tjio, Casualty Manager

BERKLEY RE AUSTRALIA

Level 27, Australia Square
264 George Street
Sydney, NSW, 2000, Australia
Tel: (61) 2 8117 2100 Fax: (61) 2 8117 2150

K. Grant Robson, President and Chief Executive Officer,
Asia Pacific

Peter R. Nickerson, Chief Executive Officer, Australia
and New Zealand

Tony Piper, Chief Operating Officer, Australia and
New Zealand

Gerald MacDonald, Chief Executive Officer, Singapore and Chief
Underwriting Officer, Asia Pacific

Shaun A. West, Chief Financial Officer, Asia Pacific

Mark Heydon, Regional Pricing Actuary, Asia Pacific

Level 21

12 Creek Street
Brisbane, Qld, 4000, Australia
Tel: (61) 7 3175 0200

BERKLEY RE UK LIMITED

37-39 Lime Street, 2nd Floor
London EC3M 7AY, England
Tel: (44) 207 398 1000
www.berkleyreuk.com

Richard Fothergill, Chief Executive Officer

Julian Laville, Chief Financial Officer

Elaine Perry, Head of Casualty

Nick Benardout, Head of Property

Philip Townsend, Director of Operations

Stuart Robins, Casualty Underwriter

Cristina Sánchez-Estrada, Property Underwriter

BERKLEY CANADA

First Canadian Place
100 King Street West, Suite 2610
Toronto, ON M5X 1C8, Canada
Tel: (416) 304 1178 Fax: (416) 304 4108

Andrew Steen, President

John Nolan, Executive Vice President

Michael Shore, Vice President

Chris Watters, Vice President

Karen Woodfield, Vice President and Chief Financial Officer

Steven Cade, Vice President

Marie-Claude Desroches, Vice President

Brian Yoshikuni, Vice President

Sayf Ali, Vice President

Robert Wilson, Vice President

Service Operations

BERKLEY CAPITAL, LLC

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000 Fax: (203) 769 4095

Frank T. Medici, President

BERKLEY DEAN & COMPANY, INC.

475 Steamboat Road
Greenwich, Connecticut 06830
Tel: (203) 629 3000 Fax: (203) 769 4096

James G. Shiel, President

Edward F. Linekin, Senior Vice President

Nicholas R. Lang, Vice President

James T. McGrath, Vice President

Robert C. Melillo, Vice President

Bobek Shayegani, Managing Director

Adam Coppola, Assistant Vice President

BERKLEY TECHNOLOGY SERVICES LLC

101 Bellevue Parkway
Wilmington, Delaware 19809
Tel: (302) 439 2000 Fax: (302) 439 2016

Mike P. Sciole, Executive Vice President

Frank C. Vedder, Senior Vice President

Jim W. Allen, Vice President

Harry J. Berkley, Vice President

Jeremy K. Bullock, Vice President

Michael D. Chang, Vice President

Gregory J. Prohaska, Vice President

Marsha T. Smothers, Vice President

Des Moines, Iowa

Tel: (515) 564 2300

W. R. Berkley Corporation's operating units conduct business through the following insurance entities:

Acadia Insurance Company; Admiral Indemnity Company; Admiral Insurance Company; American Mining Insurance Company, Inc.; Berkley Argentina de Reaseguros S.A.; Berkley Assurance Company; Berkley Insurance Company; Berkley International Aseguradora de Riesgos del Trabajo S.A.; Berkley International do Brasil Seguros S.A.; Berkley International Seguros S.A.; Berkley International Seguros S.A. (Uruguay); Berkley Life and Health Insurance Company; Berkley National Insurance Company; Berkley Regional Insurance Company; Berkley Regional Specialty Insurance Company; Carolina Casualty Insurance Company; Clermont Insurance Company; Continental Western Insurance Company; East Isles Reinsurance, Ltd.; Firemen's Insurance Company of Washington, D.C.; Gemini Insurance Company; Great Divide Insurance Company; Greenwich Knight Insurance Company, Ltd.; Key Risk Insurance Company; Midwest Employers Casualty Company; Nautilus Insurance Company; Preferred Employers Insurance Company; Queen's Island Insurance Company, Ltd.; Riverport Insurance Company; StarNet Insurance Company; Syndicate 1967 at Lloyd's; Tri-State Insurance Company of Minnesota; Union Insurance Company; Union Standard Lloyds; W. R. Berkley Insurance (Europe), Limited

Board of Directors and Officers

Directors

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

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

Christopher L. Augostini
Senior Vice President and Chief Operating Officer
Georgetown University

Ronald E. Blaylock
Managing Partner
GenNx360 Capital Partners

Mark E. Brockbank
Retired Chief Executive
XL Brockbank Ltd.

George G. Daly
Professor and Former Dean
McDonough School of Business
Georgetown University

Mary C. Farrell
Financial Services Industry Consultant
Retired Managing Director, Chief Investment Strategist
UBS Wealth Management USA

Jack H. Nusbaum
Senior Partner
Willkie Farr & Gallagher LLP

Mark L. Shapiro
Private Investor

Jeffrey M. Hafter
Senior Vice President

Paul J. Hancock
Senior Vice President – Chief Corporate Actuary

Robert C. Hewitt
Senior Vice President

Gillian James
Senior Vice President – Enterprise Risk Management

Peter L. Kamford
Senior Vice President

Carol J. LaPunzina
Senior Vice President – Human Resources

Ira S. Lederman
Senior Vice President – General Counsel and Secretary

C. Fred Madsen
Senior Vice President

William M. Rohde, Jr.
Senior Vice President

Lucille T. Sgaglione
Senior Vice President

James G. Shiel
Senior Vice President – Investments

Robert D. Stone
Senior Vice President

Nelson Tavares
Senior Vice President – Claims

Steven W. Taylor
Senior Vice President

Philip S. Welt
Senior Vice President

Richard K. Altorelli
Vice President – Investment Controller

Richard M. Baio
Vice President – Treasurer

Harry J. Berkley
Vice President – Information Technology

Thomas P. Boyle
Vice President – Corporate Actuarial

Officers

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

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

Eugene G. Ballard
Senior Vice President – Chief Financial Officer

Robert P. Cole
Senior Vice President

Kevin H. Ebers
Senior Vice President – Information Technology

Robert W. Gosselink
Senior Vice President

Officers (cont.)

Michele Fleckenstein
Vice President – Internal Audit

Karen A. Horvath
Vice President – External Financial Communications

Joan E. Kapfer
Vice President

Aaron M. Larson
Vice President

Edward F. Linekin
Vice President – Investments

A. Scott Mansolillo
Vice President – Chief Compliance Officer

Steven J. Malawer
Vice President – Senior Counsel

Jane B. Parker
Vice President – Senior Counsel

Clement P. Patafio
Vice President – Corporate Controller

Josephine A. Raimondi
Vice President – Senior Counsel and
Assistant Secretary

Rajiv N. Raval
Vice President – Senior Counsel

Scott A. Siegel
Vice President – Taxes

Jessica L. Somerfeld
Vice President – Corporate Actuary

Dana R. Frantz
Assistant Vice President – Corporate Actuary

Arthur Gurevitch
Assistant Vice President – Analytics

David D. Hudson
Assistant Vice President – Corporate Data Manager

Naomi B. Kinderman
Assistant Vice President – Counsel

Suzette A. Lemson
Assistant Vice President – Office of the Chairman

John M. Littzi
Assistant Vice President – Senior Counsel

Nancy Micale
Assistant Vice President – Human Resources

Raymond J. O'Brien
Assistant Vice President – Director of Internal Audit

Srinivas R. Somayajula
Assistant Vice President – Corporate Actuary

Bryan V. Spero
Assistant Vice President – Corporate Actuary

Laura A. Stevens
Assistant Vice President – Corporate Actuary

Simon A. Tuck
Assistant Vice President – U.S. Corporate
Catastrophe Manager

Bruce I. Weiser
Assistant Vice President – Counsel

Gene Zhang
Assistant Vice President – Corporate Actuary

John M. Antonazzo
Director of Investment Accounting

Richard A. Jordan, Jr.
Tax Counsel

Jean P. Milot
Assistant Corporate Controller

John S. Navratil
Assistant Tax Director

George K. Richardson
Assistant Treasurer

Janet L. Shemanske
Assistant Secretary

Donna Syko
Assistant Secretary – Human Resources

John E. Warycha
Assistant Corporate Controller – Financial Reporting

Annual Meeting

The Annual Meeting of Stockholders of W. R. Berkley Corporation will be held at 1:00 p.m. on May 21, 2013 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
MAC N9173-010
Mendota Heights, MN 55120-4100
Tel: (800) 468 9716
<http://wellsfargo.com/com/shareownerservices>

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



The W. R. Berkley Corporation 2012 Annual Report is printed on recycled paper made from fiber sourced from well-managed forests and other controlled wood sources and is independently certified to the Forest Stewardship Council™ (FSC®) standards.

© Copyright 2013 W. R. Berkley Corporation. All rights reserved.




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

Mark Twain



W. R. Berkley Corporation

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

 @WRBerkleyCorp