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BERKLEY W R CORP

FORM 10-Q
(Quarterly Report)

Filed 05/14/96 for the Period Ending 03/31/96

Address	475 STEAMBOAT ROAD . GREENWICH, CT 06830
Telephone	2036293000
CIK	0000011544
Symbol	BER
SIC Code	6331 - Fire, Marine, and Casualty Insurance
Industry	Insurance (Prop. & Casualty)
Sector	Technology
Fiscal Year	12/31

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT UNDER SECTION 13 or 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended. . . . . March 31, 1996

Commission File Number 0-7849

W. R. BERKLEY CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	22-1867895
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
165 Mason Street, Greenwich, Connecticut	06836-2518
(Address of principal executive offices)	(Zip Code)

(203) 629-3000

(Registrant's telephone number, including area code)

None

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) 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 and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Number of shares of common stock, $.20 par value, outstanding as of May 3, 1996:
19,660,485.

W. R. Berkley Corporation and Subsidiaries Consolidated Balance Sheets

(Dollars in thousands)

	March 31, 1996 (Unaudited)	December 31, 1995
Assets		
Investments:		
Invested cash	$ 205,441	$ 196,732
Fixed maturity securities:		
Held to maturity, at cost (fair value $192,872 and $176,193)	191,098	169,078
Available for sale at fair value (cost $1,944,512 and $1,894,451)	1,960,792	1,959,910
Equity securities, at fair value:		
Available for sale (cost $92,327 and $92,472)	102,121	101,551
Trading account (cost $145,764 and $155,301)	150,946	161,075
Cash	15,262	10,185
Premiums and fees receivable	248,528	231,093
Due from reinsurers	431,047	423,626
Accrued investment income	32,394	34,373
Prepaid reinsurance premiums	75,616	77,656
Deferred policy acquisition costs	96,965	89,517
Excess of cost over net assets acquired	71,020	69,600
Deferred Federal income taxes	2,228	--
Other assets	101,803	94,288
	$ 3,685,261	$ 3,618,684
Liabilities, Reserves, Debt and Stockholders' Equity		
Liabilities and reserves:		
Reserves for losses and loss expenses	$ 1,694,493	$ 1,660,020
Unearned premiums	468,552	450,522
Due to reinsurers	71,097	65,798
Deferred Federal income taxes	--	14,363
Other liabilities	165,719	169,080
	2,399,861	2,359,783
Long-term debt	389,899	290,981
Notes payable to Banks	--	28,306
Minority interest	9,853	9,799
Stockholders' equity:		
Preferred stock, par value $.10 per share:		
Authorized 5,000,000 shares:		
7 3/8% Series A Cumulative Redeemable Preferred Stock 1,000,000 shares issued and outstanding	100	100
Series B Cumulative Redeemable Preferred Stock 266,667 and 458,667 shares issued and outstanding	27	46
Common stock, par value $.20 per share:		
Authorized 40,000,000 shares, issued and outstanding, net of treasury shares, 20,183,998 and 20,168,167 shares	4,854	4,854
Additional paid-in capital	520,993	547,068
Retained earnings	437,321	424,261
Net unrealized investment gains, net of taxes	16,950	48,450
Treasury stock, at cost, 4,085,380 and 4,101,211 shares	(94,597)	(94,964)
	885,648	929,815
	$ 3,685,261	$ 3,618,684

See accompanying notes to consolidated financial statements.

W. R. Berkley Corporation and Subsidiaries

Consolidated Statements of Operations
(Unaudited)

(Amounts in thousands except per share data)

	For the Three Months Ended March 31,	
	1996	1995
Revenues:		
Net premiums written	$ 249,208	$ 190,576
Increase in unearned premiums	(20,069)	(10,951)
Premiums earned	229,139	179,625
Net investment income	39,619	30,843
Management fees and commissions	18,562	16,754
Realized gains on investments	311	997
Other income	643	713
Total revenues	288,274	228,932
Operating costs and expenses:		
Losses and loss expenses	(160,763)	(125,097)
Other operating costs and expenses	(95,393)	(78,749)
Interest expense	(7,787)	(7,025)
Income before income taxes and minority interest	24,331	18,061
Federal income tax expense	(4,809)	(3,455)
Income before minority interest	19,522	14,606
Minority interest	--	(1,033)
Net income before preferred dividends	19,522	13,573
Preferred dividends	(3,838)	(2,766)
Net income attributable to common stockholders	$ 15,684	$ 10,807
Net income per share	$ .78	$ .65
Average shares outstanding	20,178	16,749

See accompanying notes to consolidated financial statements.

W. R. Berkley Corporation and Subsidiaries

Consolidated Statements of Cash Flows
(Unaudited)

(Dollars in thousands)

	For the Three Months Ended March 31, 1996	1995
Cash flows from operating activities:		
Net income before preferred dividends	$ 19,522	$ 13,573
Adjustments to reconcile net income to cash flows from operating activities:		
Minority interest	--	1,033
Increase in reserves for losses and loss expenses, net of due to/from reinsurers	32,351	29,370
Depreciation and amortization	2,889	3,062
Change in unearned premiums and prepaid reinsurance premiums	20,069	10,951
Increase in premiums and fees receivable	(17,435)	(13,967)
Change in Federal income taxes	4,400	2,654
Change in deferred acquisition cost	(7,448)	(2,759)
Realized gains on investments	(311)	(997)
Other	(13,231)	(8,144)
Net cash flows from operating activities before trading account sales	40,806	34,776
Trading account sales	13,335	(6,679)
Net cash flows from operating activities	54,141	28,097
Cash flows from investing activities:		
Proceeds from sales, excluding trading account:		
Fixed maturity securities available for sale	96,627	91,585
Equity securities	2,197	478
Proceeds from maturities and prepayments of fixed maturity securities	52,087	26,396
Cost of purchases, excluding trading account:		
Fixed maturity securities available for sale	(191,618)	(166,373)
Fixed maturity securities held to maturity	(28,448)	--
Equity securities	(2,080)	(1,284)
Change in balances due to/from security brokers	946	(128)
Other	(9,481)	(3,159)
Net cash flows from investing activities	(79,770)	(52,485)
Cash flows from financing activities:		
Net proceeds from issuance of long-term debt	98,850	--
Repayment of preferred stock	(27,351)	--
Repayment of subsidiary debt	(27,225)	(2,971)
Cash dividends to common stockholders	(2,419)	(1,842)
Cash dividends to preferred stockholders	(2,856)	(2,766)
Purchase of treasury shares	--	(4,095)
Other	416	61
Net cash flows from financing activities	39,415	(11,613)
Net decrease in cash and invested cash	13,786	(36,001)
Cash and invested cash at beginning of year	206,917	219,629
Cash and invested cash at end of period	$ 220,703	$ 183,628
Supplemental disclosure of cash flow information:		
Interest paid	$ 4,531	$ 4,945
Federal income taxes paid, net	$ 408	$ 800

March 31, 1996
(Unaudited)

The accompanying consolidated financial statements should be read in conjunction with the following notes and with the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 1995.

A. FEDERAL INCOME TAXES

The Federal income tax provision has been computed based on the Company's estimated annual effective tax rate which differs from the Federal income tax rate of 35% principally because of tax-exempt investment income.

B. REINSURANCE CEDED

The amounts of ceded reinsurance included in the statements of operations are as follows (amounts in thousands):

	For the Three Months Ended March 31,	
	1996	1995
Ceded premiums written	$ 50,874	$ 50,797
Ceded premiums earned	$ 52,760	$ 49,883
Ceded losses and loss expenses	$ 31,066	$ 27,963

C. PER SHARE DATA

Per share amounts have been computed based on net income less preferred dividends divided by the weighted average number of common shares outstanding. Incremental shares arising from the assumed issuance of employee stock options, which are considered common stock equivalents, were not included in the computations because the assumed dilutive effect was not material.

D. OTHER MATTERS

Net unrealized investment gains decreased by $31,500,000 (net of Federal income taxes of $16,962,000) during the three months ended March 31, 1996. Of this amount, $465,000 was attributable to a increase in unrealized gains on equity securities and $31,965,000 was attributable to a decrease in unrealized gains on fixed maturities available for sale.

Reclassifications have been made in the 1995 financial statements as originally reported to conform them to the presentation of the 1996 financial statements.

In the opinion of management, the summarized financial information reflects all adjustments which are necessary for a fair presentation of financial position and results of operations for the interim periods. The Company's results of operations are affected by seasonal weather variations. Accordingly, results reflected for any interim period are not necessarily indicative of those to be expected for the entire year.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Net income attributable to common stockholders ("net income") was $15.7 million, ($.78 per share) for the first quarter of 1996, in comparison with $10.8 million, ($.65 per share), for the 1995 period. Operating income, which is net income before realized investment gains, was $15.5 million, ($.77 per share), in the first quarter of 1996 in comparison with $10.2 million, ($.61 per share), earned in the corresponding 1995 period.

Net premiums written during the first quarter of 1996 increased by 31% to $249.2 million from $190.6 million written in the comparable 1995 period. Alternative markets net premiums increased $20.6 million in the first quarter of 1996 due to the acquisition of MECC, Inc. in November 1995. Regional net premiums written increased by $16.8 million or 17%; two-thirds of this increase is due to business units which were added in past four years. Specialty net premiums written increased by $9.9 million or 25% due primarily to decreases in the amounts of business ceded to unaffiliated reinsurers. Net premiums written by our reinsurance operation increased by $5.9 million or 13% due to growth in treaty and fidelity and surety business.

For the three months ended March 31, 1996, pre-tax investment income increased by 29% to $39.6 million primarily due to the acquisition of MECC, Inc. In addition, the higher level of investment earnings reflects the increase in average investable assets due to cash flow from operations, an increase in investment yields available in the financial markets and the net effects of the financing transactions discussed below (See "Liquidity and Capital Resources").

Management fees and commission income ("Management fees") consist primarily of revenues earned by the Alternative Markets segment. During the first quarter of 1996, management fees increased 11%. The increase in management fees resulted principally from an increase in business serviced by our third party administrators.

The combined ratio (on a statutory basis) of the Company's insurance operations increased to 103.0% for the quarter ended March 31, 1996 from 101.5% in the comparable 1995 period due to increases in the consolidated loss ratio and the expense ratio. The consolidated loss ratio (losses and loss expenses incurred expressed as a percentage of premiums earned) increased to 70.4% in 1996 from 69.1% in 1995 due to an increase in weather related losses.

Other operating costs and expenses, which consists of the expenses of the Company's insurance and alternative markets segments as well as the Company's corporate and investment expenses, increased by 21% to $95.4 million. The increase in other operating costs and expenses is primarily due to the acquisition of MECC, Inc. In addition, substantial growth in premium volume in all segments of the Company's business, which in turn results in an increase in underwriting expense contributed to the increase. The consolidated expense ratio (underwriting expenses expressed as a percentage of premiums written) increased to 32.2% from 31.8% primarily due to an increase in expenses relating to the international operations.

Interest expense increased due to the January 1996 issuance of $100 million of 6.25%, ten year notes which was partially offset by the redemption of Notes payable to Banks. Preferred dividends increased as a result of the December 1995 issuance of $68.8 million Series B Cumulative Redeemable Preferred Stock. (See "Liquidity and Capital Resources").

The Federal income tax expense in 1996 was $4.8 million (20% effective rate) as compared to a $3.5 million (19% effective rate) for the comparable 1995 period. The increase in the effective tax rate in 1996 is due primarily to a decrease in the percentage of pre-tax income that is tax-exempt. (See "Liquidity and Capital Resources").

Liquidity and Capital Resources

Cash flow from operating activities before trading account, increased to $40.8 million in the first quarter of 1996 from $34.8 million in the same period in 1995 primarily due to the acquisition of MECC, Inc. The investment portfolio, on a cost basis, increased $71.1 million to $2,579.1 million at March 31, 1996 from $2,508.0 million at December 31, 1995 due to cash flow from operations and the net financing activities discussed below.

The change in the Company's investment portfolio distribution at March 31, 1996 compared with December 31, 1995 was: tax-exempt securities decreased to 32% from 35%; U.S. Government securities increased to 13% from 12%; corporate bonds decreased to 15% from 19% mortgage-backed securities increased to 22% from 18%; cash equivalents increased to 9% from 6% and equity securities decreased to 9% from 10%.

On January 19, 1996, the Company issued $100 million of 6.25%, ten-year notes which are not redeemable until maturity and utilized a portion of the proceeds to retire $28.4 million of Signet Star's bank debt. On March 29, 1996 the Company repurchased 192,000 shares of the Series B Cumulative Redeemable Preferred Stock for $27.2 million.

For the first quarter of 1996, Stockholders' equity decreased by approximately $44.2 million. The decrease in stockholders' equity is attributable to the repurchase of the Series B Cumulative Redeemable Preferred Stock and a decrease in unrealized investment gains which was partially offset by an increase in retained earnings. As a result of the financing transactions discussed above, the Company's total capitalization, grew to $1,275.5 million at March 31, 1996 and the percentage of the Company's capital attributable to debt increased to 31% from 26% at December 31, 1995.

The Company purchased 525,000 shares of common stock in April and May of 1996. As authorized by the Board of Directors, up to 809,000 additional shares may be purchased from time to time.

For background information concerning a further discussion of the Company's Liquidity and Capital Resources, see the Company's Annual Report on Form 10-K.

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements 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

By /s/ Anthony J. DelTufo

Anthony J. Del Tufo
Senior Vice President,
Chief Financial Officer
and Treasurer

ARTICLE 7

MULTIPLIER: 1,000

CURRENCY: U.S. DOLLARS

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD START	JAN 01 1996
PERIOD END	MAR 31 1996
EXCHANGE RATE	1
DEBT HELD FOR SALE	1,960,792
DEBT CARRYING VALUE	191,098
DEBT MARKET VALUE	192,872
EQUITIES	253,067
MORTGAGE	0
REAL ESTATE	0
TOTAL INVEST	2,404,957
CASH	220,703
RECOVER REINSURE	0
DEFERRED ACQUISITION	96,965
TOTAL ASSETS	3,685,261
POLICY LOSSES	1,694,493
UNEARNED PREMIUMS	468,552
POLICY OTHER	0
POLICY HOLDER FUNDS	0
NOTES PAYABLE	389,899
PREFERRED MANDATORY	0
PREFERRED	127
COMMON	4,854
OTHER SE	880,667
TOTAL LIABILITY AND EQUITY	3,685,261
PREMIUMS	229,139
INVESTMENT INCOME	39,619
INVESTMENT GAINS	311
OTHER INCOME	643
BENEFITS	160,763
UNDERWRITING AMORTIZATION	0
UNDERWRITING OTHER	0
INCOME PRETAX	24,331
INCOME TAX	4,809
INCOME CONTINUING	19,522
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	15,684
EPS PRIMARY	.78
EPS DILUTED	0
RESERVE OPEN	0
PROVISION CURRENT	0
PROVISION PRIOR	0
PAYMENTS CURRENT	0
PAYMENTS PRIOR	0
RESERVE CLOSE	0
CUMULATIVE DEFICIENCY	0

End of Filing

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