
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 2022
- 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: 001-36777

JAMES RIVER GROUP HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda
(State or other jurisdiction of
incorporation or organization)

98-0585280
(I.R.S. Employer
Identification No.)

Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM08, Bermuda
(Address of principal executive offices)
(Zip Code)
(441) 278-4580

(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Names of each exchange on which registered</u>
Common Shares, par value \$0.0002 per share	JRVR	NASDAQ Global Select Market

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of the registrant's common shares outstanding at May 6, 2022: 37,450,264

James River Group Holdings, Ltd.
Form 10-Q
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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the fact that they do not relate strictly to historical or current facts. You may identify forward-looking statements in this Quarterly Report by the use of words such as “anticipates,” “estimates,” “expects,” “intends,” “plans,” “seeks” and “believes,” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could.” These forward-looking statements include, among others, all statements relating to our future financial performance, our business prospects and strategy, anticipated financial position and financial strength ratings, liquidity and capital needs and other similar matters. These forward-looking statements are based on management’s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements included in this Quarterly Report as a result of various factors, many of which are beyond our control, including, among others:

- the inherent uncertainty of estimating reserves and the possibility that incurred losses may be greater than our loss and loss adjustment expense reserves;
- inaccurate estimates and judgments in our risk management may expose us to greater risks than intended;
- the downgrade in the financial strength rating of our regulated insurance subsidiaries announced May 7, 2021, or further downgrades, impacting our ability to attract and retain insurance and reinsurance business that our subsidiaries write, our competitive position, and our financial condition;
- the potential loss of key members of our management team or key employees, and our ability to attract and retain personnel;
- adverse economic factors resulting in the sale of fewer policies than expected or an increase in the frequency or severity of claims, or both;
- a persistent high inflationary environment could have a negative impact on our reserves, the values of our investments and investment returns, and our compensation expenses;
- reliance on a select group of brokers and agents for a significant portion of our business and the impact of our potential failure to maintain such relationships;
- reliance on a select group of customers for a significant portion of our business and the impact of our potential failure to maintain, or decision to terminate, such relationships;
- our ability to obtain reinsurance coverage at prices and on terms that allow us to transfer risk and adequately protect our Company against financial loss;
- losses resulting from reinsurance counterparties failing to pay us on reinsurance claims, insurance companies with whom we have a fronting arrangement failing to pay us for claims, or a former customer with whom we have an indemnification arrangement that fails to perform their reimbursement obligations;
- inadequacy of premiums we charge to compensate us for our losses incurred;
- changes in laws or government regulation, including tax or insurance law and regulations;
- the ongoing effect of Public Law No. 115-97, informally titled the Tax Cuts and Jobs Act, which may have a significant effect on us including, among other things, by potentially increasing our tax rate, as well as on our shareholders;
- in the event we do not qualify for the insurance company exception to the passive foreign investment company (“PFIC”) rules and are therefore considered a PFIC, there could be material adverse tax consequences to an investor that is subject to U.S. federal income taxation;
- the Company or any of its foreign subsidiaries becoming subject to U.S. federal income taxation;
- a failure of any of the loss limitations or exclusions we utilize to shield us from unanticipated financial losses or legal exposures, or other liabilities;
- losses from catastrophic events, such as natural disasters and terrorist acts, which substantially exceed our expectations and/or exceed the amount of reinsurance we have purchased to protect us from such events;

- the effects of the COVID-19 pandemic and associated government actions on our operations and financial performance;
- potential effects on our business of emerging claim and coverage issues;
- exposure to credit risk, interest rate risk and other market risk in our investment portfolio;
- the potential impact of internal or external fraud, operational errors, systems malfunctions or cyber security incidents;
- our ability to manage our growth effectively;
- failure to maintain effective internal controls in accordance with Sarbanes-Oxley Act of 2002, as amended (“Sarbanes-Oxley”);
- changes in our financial condition, regulations or other factors that may restrict our subsidiaries’ ability to pay us dividends; and
- other risks and uncertainties discussed elsewhere in this Quarterly Report.

Additional information about these risks and uncertainties, as well as others that may cause actual results to differ materially from those in the forward-looking statements, is contained in our filings with the U.S. Securities and Exchange Commission (“SEC”), including our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 1, 2022.

Forward-looking statements speak only as of the date of this Quarterly Report. Except as expressly required under federal securities laws and the rules and regulations of the SEC, we do not have any obligation, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this Quarterly Report, whether as a result of new information or future events or otherwise. You should not place undue reliance on the forward-looking statements included in this Quarterly Report or that may be made elsewhere from time to time by us, or on our behalf. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

PART 1. FINANCIAL INFORMATION**Item 1. Financial Statements****JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES****Condensed Consolidated Balance Sheets**

	(Unaudited) March 31, 2022	December 31, 2021
	(in thousands)	
Assets		
Invested assets:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: 2022 – \$1,726,202; 2021 – \$1,643,865)	\$ 1,662,278	\$ 1,677,561
Equity securities, at fair value (cost: 2022 – \$93,089; 2021 – \$95,783)	102,973	108,410
Bank loan participations, at fair value	159,084	156,043
Short-term investments	147,334	136,563
Other invested assets	53,298	51,908
Total invested assets	2,124,967	2,130,485
Cash and cash equivalents	270,195	190,123
Restricted cash equivalents	102,009	102,005
Accrued investment income	11,730	11,037
Premiums receivable and agents' balances, net	367,991	393,967
Reinsurance recoverable on unpaid losses, net	1,617,884	1,348,628
Reinsurance recoverable on paid losses	87,595	82,235
Prepaid reinsurance premiums	284,686	291,498
Deferred policy acquisition costs	66,028	68,526
Intangible assets, net	35,948	36,039
Goodwill	181,831	181,831
Other assets	116,354	112,176
Total assets	<u>\$ 5,267,218</u>	<u>\$ 4,948,550</u>

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (continued)

	(Unaudited) March 31, 2022	December 31, 2021
	<i>(in thousands, except share amounts)</i>	
Liabilities and Shareholders' Equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	\$ 2,750,188	\$ 2,748,473
Unearned premiums	706,770	727,552
Payables to reinsurers	127,012	135,617
Funds held	371,853	97,360
Senior debt	222,300	262,300
Junior subordinated debt	104,055	104,055
Accrued expenses	48,229	57,920
Other liabilities	144,236	89,911
Total liabilities	4,474,643	4,223,188
Commitments and contingent liabilities		
Series A redeemable preferred shares – 2022 and 2021: \$0.00125 par value; 20,000,000 shares authorized; 150,000 and no shares issued and outstanding, respectively	144,898	—
Shareholders' equity:		
Common shares – 2022 and 2021: \$0.0002 par value; 200,000,000 shares authorized; 37,448,314 and 37,373,066 shares issued and outstanding, respectively	7	7
Additional paid-in capital	862,904	862,040
Retained deficit	(159,241)	(166,663)
Accumulated other comprehensive (loss) income	(55,993)	29,978
Total shareholders' equity	647,677	725,362
Total liabilities, Series A redeemable preferred shares, and shareholders' equity	\$ 5,267,218	\$ 4,948,550

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income (Loss) and Comprehensive Loss (Unaudited)

	Three Months Ended March 31,	
	2022	2021
	<i>(in thousands, except share amounts)</i>	
Revenues		
Gross written premiums	\$ 359,936	\$ 373,255
Ceded written premiums	(184,077)	(198,656)
Net written premiums	175,859	174,599
Change in net unearned premiums	13,965	(14,006)
Net earned premiums	189,824	160,593
Net investment income	16,267	15,089
Net realized and unrealized (losses) gains on investments	(5,010)	6,272
Other income	867	1,026
Total revenues	201,948	182,980
Expenses		
Losses and loss adjustment expenses	135,608	273,500
Other operating expenses	50,061	47,381
Other expenses	368	621
Interest expense	2,292	2,216
Amortization of intangible assets	91	91
Total expenses	188,420	323,809
Income (loss) before taxes	13,528	(140,829)
Income tax expense (benefit)	3,323	(37,369)
Net income (loss)	10,205	(103,460)
Dividends on Series A preferred shares	(875)	—
Net income (loss) available to common shareholders	\$ 9,330	\$ (103,460)
Other comprehensive loss:		
Net unrealized losses, net of taxes of \$(11,649) in 2022 and \$(5,647) in 2021	(85,971)	(42,688)
Total comprehensive loss	\$ (75,766)	\$ (146,148)
Net income (loss) per common share:		
Basic	\$ 0.25	\$ (3.37)
Diluted	\$ 0.25	\$ (3.37)
Dividend declared per common share	\$ 0.05	\$ 0.30
Weighted-average common shares outstanding:		
Basic	37,406,913	30,713,986
Diluted	37,554,662	30,713,986

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Number of Common Shares Outstanding	Common Shares (Par)	Additional Paid-in Capital	Retained (Deficit) Earnings	Accumulated Other Comprehensive Income (Loss)	Total
<i>(in thousands, except share amounts)</i>						
Balances at December 31, 2021	37,373,066	\$ 7	\$ 862,040	\$ (166,663)	\$ 29,978	\$ 725,362
Net income	—	—	—	10,205	—	10,205
Other comprehensive loss	—	—	—	—	(85,971)	(85,971)
Vesting of RSUs	75,248	—	(922)	—	—	(922)
Compensation expense under share incentive plans	—	—	1,786	—	—	1,786
Dividends on Series A preferred shares	—	—	—	(875)	—	(875)
Dividends on common shares	—	—	—	(1,908)	—	(1,908)
Balances at March 31, 2022	<u>37,448,314</u>	<u>\$ 7</u>	<u>\$ 862,904</u>	<u>\$ (159,241)</u>	<u>\$ (55,993)</u>	<u>\$ 647,677</u>
Balances at December 31, 2020	30,649,261	\$ 6	\$ 664,476	\$ 49,227	\$ 81,899	\$ 795,608
Net loss	—	—	—	(103,460)	—	(103,460)
Other comprehensive loss	—	—	—	—	(42,688)	(42,688)
Exercise of stock options	16,471	—	159	—	—	159
Vesting of RSUs	109,198	—	(2,553)	—	—	(2,553)
Compensation expense under share incentive plans	—	—	1,905	—	—	1,905
Dividends on common shares	—	—	—	(9,343)	—	(9,343)
Balances at March 31, 2021	<u>30,774,930</u>	<u>\$ 6</u>	<u>\$ 663,987</u>	<u>\$ (63,576)</u>	<u>\$ 39,211</u>	<u>\$ 639,628</u>

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows (Unaudited)

	Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
Operating activities		
Net cash provided by (used in) operating activities (a)	\$ 65,355	\$ (81,005)
Investing activities		
Securities available-for-sale:		
Purchases – fixed maturity securities	(154,091)	(171,178)
Sales – fixed maturity securities	22,450	33,041
Maturities and calls – fixed maturity securities	48,781	73,530
Purchases – equity securities	(2,747)	(4,305)
Sales – equity securities	5,089	3,776
Bank loan participations:		
Purchases	(33,536)	(35,832)
Sales	20,983	15,527
Maturities	7,571	11,190
Other invested assets:		
Purchases	—	(9,795)
Return of capital	214	249
Short-term investments, net	(10,771)	79,091
Securities receivable or payable, net	10,652	10,694
Purchases of property and equipment	(1,729)	—
Net cash (used in) provided by investing activities	(87,134)	5,988
Financing activities		
Senior debt repayments	(40,000)	—
Issuance of Series A preferred shares	144,898	—
Issuance of common shares under equity incentive plans	—	159
Common share repurchases	(922)	(2,553)
Dividends on common shares	(2,121)	(9,610)
Net cash provided by (used in) financing activities	101,855	(12,004)
Change in cash, cash equivalents, and restricted cash equivalents	80,076	(87,021)
Cash, cash equivalents, and restricted cash equivalents at beginning of period	292,128	1,022,180
Cash, cash equivalents, and restricted cash equivalents at end of period	\$ 372,204	\$ 935,159
Supplemental information		
Interest paid	\$ 2,495	\$ 2,482
Restricted cash equivalents at beginning of period	\$ 102,005	\$ 859,920
Restricted cash equivalents at end of period	\$ 102,009	\$ 751,668
Change in restricted cash equivalents	\$ 4	\$ (108,252)

(a) Cash used in operating activities for the three months ended March 31, 2021 primarily reflects restricted cash equivalents returned to a former insured, per the terms of a collateral trust. See “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book”. Excluding the restricted cash activity above, cash provided by operating activities was \$65.4 million and \$27.2 million for the three months ended March 31, 2022 and 2021, respectively.

See accompanying notes.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements

1. Accounting Policies

Organization

James River Group Holdings, Ltd. (referred to as “JRG Holdings” or, with its subsidiaries, the “Company”) is an exempted holding company registered in Bermuda, organized for the purpose of acquiring and managing insurance and reinsurance entities.

The Company owns five insurance companies based in the United States (“U.S.”) focused on specialty insurance niches and two Bermuda-based reinsurance companies as described below:

- James River Group Holdings UK Limited (“James River UK”) is an insurance holding company formed in 2015 in the United Kingdom (“U.K.”). JRG Holdings contributed James River Group, Inc. (“James River Group”), a U.S. insurance holding company, to James River UK in 2015.
- James River Group is a Delaware domiciled insurance holding company formed in 2002 which owns all of the Company’s U.S.-based subsidiaries, either directly or indirectly through one of its wholly-owned U.S. subsidiaries. James River Group oversees the Company’s U.S. insurance operations and maintains all of the outstanding debt in the U.S.
- James River Insurance Company is an Ohio domiciled excess and surplus lines insurance company that, with its wholly-owned insurance subsidiary, James River Casualty Company, a Virginia domiciled company, is authorized to write business in every state and the District of Columbia.
- Falls Lake National Insurance Company (“Falls Lake National”) is an Ohio domiciled insurance company which wholly owns Stonewood Insurance Company (“Stonewood Insurance”), a North Carolina domiciled company, and Falls Lake Fire and Casualty Company, a California domiciled company. Falls Lake National and its subsidiaries primarily write specialty admitted fronting and program business and individual risk workers’ compensation insurance.
- JRG Reinsurance Company Ltd. (“JRG Re”) was formed in 2007 and commenced operations in 2008. JRG Re, a Bermuda domiciled reinsurer, primarily provides non-catastrophe casualty reinsurance to U.S. third parties and, through December 31, 2017, to the Company’s U.S.-based insurance subsidiaries.
- Carolina Re Ltd (“Carolina Re”) was formed in 2018 and as of January 1, 2018 provides reinsurance to the Company’s U.S.-based insurance subsidiaries. Carolina Re was also the cedent on an aggregate stop loss reinsurance treaty with JRG Re through December 31, 2021.

Basis of Presentation

The accompanying condensed consolidated financial statements and notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and do not contain all of the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated financial statements include the results of the Company and its subsidiaries from their respective dates of inception or acquisition, as applicable. Readers are urged to review the Company’s Annual Report on Form 10-K for the year ended December 31, 2021 for a more complete description of the Company’s business and accounting policies. In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results of operations for the full year. The consolidated balance sheet as of December 31, 2021 was derived from the Company’s audited annual consolidated financial statements.

Intercompany transactions and balances have been eliminated.

Estimates and Assumptions

Preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying disclosures. Those estimates are inherently subject to change, and actual results may ultimately differ from those estimates.

Variable Interest Entities

Entities that do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as variable interest entities (“VIE”). A VIE is consolidated by the variable interest holder that is determined to have the controlling financial interest (primary beneficiary) as a result of having both the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE’s capital structure, contractual terms, nature of the VIE’s operations and purpose, and the Company’s relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE. The Company reassesses its VIE determination with respect to an entity on an ongoing basis.

The Company holds interests in VIEs through certain equity method investments included in “other invested assets” in the accompanying condensed consolidated balance sheets. The Company has determined that it should not consolidate any of the VIEs as it is not the primary beneficiary in any of the relationships. Although the investments resulted in the Company holding variable interests in the entities, they did not empower the Company to direct the activities that most significantly impact the economic performance of the entities. The Company’s investments related to these VIEs totaled \$28.5 million and \$26.9 million at March 31, 2022 and December 31, 2021, respectively, representing the Company’s maximum exposure to loss.

Income Tax Expense

Our effective tax rate fluctuates from period to period based on the relative mix of income reported by country and the respective tax rates imposed by each tax jurisdiction. For U.S.-sourced income, the Company’s U.S. federal income tax expense differs from the amounts computed by applying the federal statutory income tax rate to income before taxes due primarily to interest income on tax-advantaged state and municipal securities, dividends received income, and excess tax benefits on share based compensation. For the three months ended March 31, 2022, our U.S. federal income tax expense was 24.6% of the income before taxes. The effective rate exceeded the 21.0% U.S. statutory rate due to a projected annual loss in Bermuda that does not provide a tax benefit and due to discreet items for the quarter primarily related to excess tax expenses associated with vested restricted share units (“RSUs”) in the three months ended March 31, 2022. The Company had a pre-tax loss of \$140.8 million for the three months ended March 31, 2021 and recorded a U.S. federal income tax benefit of \$37.4 million. The pre-tax loss was largely driven by the \$170.1 million of net adverse reserve development on prior accident years, including \$168.7 million of net adverse development from the Excess and Surplus Lines segment that was primarily related to a former commercial auto account. For the three months ended March 31, 2021, our U.S. federal income tax benefit was 26.5% of the loss before taxes.

Adopted Accounting Standards

In August 2020, the FASB issued *ASU 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40), Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. ASU 2020-06 simplifies the accounting for convertible debt instruments and convertible preferred stock and became effective for interim and annual periods beginning after December 15, 2021. The Company adopted the new standard concurrent with the issuance of our Series A preferred shares on March 1, 2022. Under ASU 2020-06, embedded conversion features are no longer separated from the host contract for convertible instruments with conversion features that are not required to be accounted for as derivatives under Topic 815, or that do not result in substantial premiums accounted for as paid-in capital. The new guidance also requires entities to use the if-converted method for all convertible instruments in the diluted earnings per share calculation and generally requires them to include the effect of potential share settlement for instruments that may be settled in cash or shares. Adoption of the new standard did not materially impact our financial position, results of operations, or earnings per share for the three months ended March 31, 2022.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

2. Investments

The Company's available-for-sale fixed maturity securities are summarized as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
<i>(in thousands)</i>				
March 31, 2022				
Fixed maturity securities:				
State and municipal	\$ 337,908	\$ 2,865	\$ (21,281)	\$ 319,492
Residential mortgage-backed	260,942	462	(13,503)	247,901
Corporate	736,153	5,059	(25,837)	715,375
Commercial mortgage and asset-backed	315,566	277	(10,086)	305,757
U.S. Treasury securities and obligations guaranteed by the U.S. government	75,633	168	(2,048)	73,753
Total fixed maturity securities, available-for-sale	<u>\$ 1,726,202</u>	<u>\$ 8,831</u>	<u>\$ (72,755)</u>	<u>\$ 1,662,278</u>
December 31, 2021				
Fixed maturity securities:				
State and municipal	\$ 323,773	\$ 12,156	\$ (2,212)	\$ 333,717
Residential mortgage-backed	246,586	2,384	(2,339)	246,631
Corporate	711,930	26,119	(5,714)	732,335
Commercial mortgage and asset-backed	301,247	4,941	(1,700)	304,488
U.S. Treasury securities and obligations guaranteed by the U.S. government	60,329	653	(592)	60,390
Total fixed maturity securities, available-for-sale	<u>\$ 1,643,865</u>	<u>\$ 46,253</u>	<u>\$ (12,557)</u>	<u>\$ 1,677,561</u>

The amortized cost and fair value of available-for-sale investments in fixed maturity securities at March 31, 2022 are summarized, by contractual maturity, as follows:

	Cost or Amortized Cost	Fair Value
<i>(in thousands)</i>		
One year or less	\$ 103,147	\$ 103,369
After one year through five years	464,925	458,531
After five years through ten years	332,124	311,381
After ten years	249,498	235,339
Residential mortgage-backed	260,942	247,901
Commercial mortgage and asset-backed	315,566	305,757
Total	<u>\$ 1,726,202</u>	<u>\$ 1,662,278</u>

Actual maturities may differ for some securities because borrowers have the right to call or prepay obligations with or without penalties.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

The following table shows the Company's gross unrealized losses and fair value for available-for-sale securities aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
<i>(in thousands)</i>						
March 31, 2022						
Fixed maturity securities:						
State and municipal	\$ 241,369	\$ (20,170)	\$ 7,019	\$ (1,111)	\$ 248,388	\$ (21,281)
Residential mortgage-backed	174,854	(9,524)	47,740	(3,979)	222,594	(13,503)
Corporate	292,795	(17,462)	66,603	(8,375)	359,398	(25,837)
Commercial mortgage and asset-backed	261,381	(9,355)	8,159	(731)	269,540	(10,086)
U.S. Treasury securities and obligations guaranteed by the U.S. government	27,557	(1,095)	15,749	(953)	43,306	(2,048)
Total fixed maturity securities, available-for-sale	<u>\$ 997,956</u>	<u>\$ (57,606)</u>	<u>\$ 145,270</u>	<u>\$ (15,149)</u>	<u>\$ 1,143,226</u>	<u>\$ (72,755)</u>
December 31, 2021						
Fixed maturity securities:						
State and municipal	\$ 93,313	\$ (2,162)	\$ 1,150	\$ (50)	\$ 94,463	\$ (2,212)
Residential mortgage-backed	140,386	(2,337)	147	(2)	140,533	(2,339)
Corporate	179,078	(4,232)	18,635	(1,482)	197,713	(5,714)
Commercial mortgage and asset-backed	159,289	(1,695)	1,229	(5)	160,518	(1,700)
U.S. Treasury securities and obligations guaranteed by the U.S. government	24,378	(592)	—	—	24,378	(592)
Total fixed maturity securities, available-for-sale	<u>\$ 596,444</u>	<u>\$ (11,018)</u>	<u>\$ 21,161</u>	<u>\$ (1,539)</u>	<u>\$ 617,605</u>	<u>\$ (12,557)</u>

At March 31, 2022, the Company held fixed maturity securities of 435 issuers that were in an unrealized loss position with a total fair value of \$1,143.2 million and gross unrealized losses of \$72.8 million. None of the fixed maturity securities with unrealized losses has ever missed, or been delinquent on, a scheduled principal or interest payment. At March 31, 2022, 99.3% of the Company's fixed maturity security portfolio was rated "BBB-" or better ("investment grade") by Standard & Poor's or received an equivalent rating from another nationally recognized rating agency. Fixed maturity securities with ratings below investment grade by Standard & Poor's or another nationally recognized rating agency at March 31, 2022 had an aggregate fair value of \$11.2 million and an aggregate net unrealized gain of \$1,200.

The Company reviews its available-for-sale fixed maturities to determine whether unrealized losses are due to credit-related factors. An allowance for credit losses is established for any credit-related impairments, limited to the amount by which fair value is below amortized cost. Changes in the allowance for credit losses are recognized in earnings and included in net realized and unrealized gains (losses) on investments. Unrealized losses that are not credit-related are recognized in other comprehensive income.

The Company considers the extent to which fair value is below amortized cost in determining whether a credit-related loss exists. The Company also considers the credit quality rating of the security, with a special emphasis on securities downgraded below investment grade. A comparison is made between the present value of expected future cash flows for a security and its amortized cost. If the present value of future expected cash flows is less than amortized cost, a credit loss is presumed to exist and an allowance for credit losses is established. Management may conclude that a qualitative analysis is sufficient to support its conclusion that the present value of the expected cash flows equals or exceeds a security's amortized cost. As a result of this review, management concluded that there were no credit-related impairments of fixed maturity securities at March 31, 2022, December 31, 2021, or March 31, 2021. Management does not intend to sell the securities in an unrealized loss position, and it is not "more likely than not" that the Company will be required to sell these securities before a recovery in their value to their amortized cost basis occurs.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

Bank loan participations are measured at fair value pursuant to the Company's election of the fair value option, and changes in unrealized gains and losses in bank loan participations are reported in our income statement as net realized and unrealized gains (losses) on investments. Applying the fair value option to the bank loan portfolio increases volatility in the Company's financial statements, but management believes it is less subjective and less burdensome to implement and maintain than the requirements of ASU 2016-13. At March 31, 2022, the Company's bank loan portfolio had an aggregate fair value of \$159.1 million and unpaid principal of \$164.1 million. Investment income on bank loan participations included in net investment income was \$2.4 million and \$2.9 million for the three months ended March 31, 2022 and 2021, respectively. Net realized and unrealized gains (losses) on investments includes losses of \$2.1 million and gains of \$3.8 million for the three months ended March 31, 2022 and 2021, respectively. For the three months ended March 31, 2022 and 2021, management concluded that none of the unrealized losses were due to credit-related impairments. Losses due to credit-related impairments are determined based upon consultations and advice from the Company's specialized investment manager and consideration of any adverse situations that could affect the borrower's ability to repay, the estimated value of underlying collateral, and other relevant factors.

Bank loan participations generally provide a higher yield than our portfolio of fixed maturities and have a credit rating that is below investment grade (i.e. below "BBB-" for Standard & Poor's) at the date of purchase. These bank loans are primarily senior, secured floating-rate debt rated "BB", "B", or "CCC" by Standard & Poor's or an equivalent rating from another nationally recognized rating agency. These bank loans include assignments of, and participations in, performing and non-performing senior corporate debt generally acquired through primary bank syndications and in secondary markets. Bank loans consist of, but are not limited to, term loans, the funded and unfunded portions of revolving credit loans, and other similar loans and investments. Management believed that it was probable at the time that these loans were acquired that the Company would be able to collect all contractually required payments receivable.

Interest income on bank loan participations is accrued on the unpaid principal balance, and discounts and premiums on bank loan participations are amortized to income using the interest method. Generally, the accrual of interest on a bank loan participation is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest. A bank loan participation may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Generally, bank loan participations are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Interest received on nonaccrual loans generally is reported as investment income. There were no bank loans on nonaccrual status at March 31, 2022 or December 31, 2021.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

The Company's net realized and unrealized gains and losses on investments are summarized as follows:

	Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
Fixed maturity securities:		
Gross realized gains	\$ 366	\$ 1,056
Gross realized losses	(164)	(22)
	<u>202</u>	<u>1,034</u>
Bank loan participations:		
Gross realized gains	95	198
Gross realized losses	(184)	(260)
Changes in fair values of bank loan participations	(2,009)	3,911
	<u>(2,098)</u>	<u>3,849</u>
Equity securities:		
Gross realized gains	24	29
Gross realized losses	(381)	(401)
Changes in fair values of equity securities	(2,742)	1,745
	<u>(3,099)</u>	<u>1,373</u>
Short-term investments and other:		
Gross realized gains	—	5
Gross realized losses	(15)	—
Changes in fair values of short-term investments and other	—	11
	<u>(15)</u>	<u>16</u>
Total	<u>\$ (5,010)</u>	<u>\$ 6,272</u>

Realized investment gains or losses are determined on a specific identification basis.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

The Company invests selectively in private debt and equity opportunities. These investments, which together comprise the Company's other invested assets, are primarily focused in renewable energy, limited partnerships, and bank holding companies.

	Carrying Value		Investment Income	
	March 31, 2022	December 31, 2021	Three Months Ended March 31,	
			2022	2021
	<i>(in thousands)</i>			
Renewable energy LLCs (a)				
Excess and Surplus Lines	\$ 25,655	\$ 24,211	\$ 2,280	\$ —
Corporate & Other	2,838	2,709	244	(915)
	<u>28,493</u>	<u>26,920</u>	<u>2,524</u>	<u>(915)</u>
Renewable energy notes receivable (b)				
Excess and Surplus Lines	2,329	2,329	70	104
Corporate & Other	2,911	2,911	87	130
	<u>5,240</u>	<u>5,240</u>	<u>157</u>	<u>234</u>
Limited partnerships (c)				
Excess and Surplus Lines	12,915	13,098	132	175
Corporate & Other	2,150	2,150	—	754
	<u>15,065</u>	<u>15,248</u>	<u>132</u>	<u>929</u>
Bank holding companies (d)				
Excess and Surplus Lines	4,500	4,500	86	—
Corporate & Other	—	—	—	86
	<u>4,500</u>	<u>4,500</u>	<u>86</u>	<u>86</u>
Total other invested assets				
Excess and Surplus Lines	45,399	44,138	2,568	279
Corporate & Other	7,899	7,770	331	55
	<u>\$ 53,298</u>	<u>\$ 51,908</u>	<u>\$ 2,899</u>	<u>\$ 334</u>

- a) The Company's Excess and Surplus Lines and Corporate and Other segments own equity interests ranging from 2.6% to 32.6% in various LLCs whose principal objective is capital appreciation and income generation from owning and operating renewable energy production facilities (wind and solar). The LLCs are managed by an entity for which two former directors served as officers, and the Company's Non-Executive Chairman has invested in certain of these LLCs. The equity method is used to account for the Company's LLC investments. Income for the LLCs primarily reflects adjustments to the carrying values of investments in renewable energy projects to their determined fair values. The fair value adjustments are included in revenues for the LLCs. Expenses for the LLCs are not significant and are comprised of administrative and interest expenses. The Company received cash distributions from these investments totaling \$951,000 and \$265,000 in the three months ended March 31, 2022 and 2021, respectively.
- b) The Company's Excess and Surplus Lines and Corporate and Other segments have invested in notes receivable for renewable energy projects. At March 31, 2022, the Company held two notes issued by an entity for which two of our former directors serve as officers. Interest on the notes, which mature in 2025, is fixed at 12%.
- c) The Company owns investments in limited partnerships that invest in concentrated portfolios including publicly-traded small cap equities, loans of middle market private equity sponsored companies, private equity general partnership interests, commercial mortgage-backed securities, and tranches of distressed home loans. Income from the partnerships is recognized under the equity method of accounting. At March 31, 2022, the Company's Excess and Surplus Lines segment has outstanding commitments to invest another \$5.3 million in these limited partnerships.
- d) The Company's Excess and Surplus Lines segment holds \$4.5 million of subordinated notes issued by a bank holding company for which the Company's Non-Executive Chairman was previously the Lead Independent Director and an investor and for which one of the Company's directors is also an investor (the "Bank Holding Company"). Interest on the notes, which mature on August 12, 2023, is fixed at 7.6% per annum.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

3. Goodwill and Intangible Assets

On December 11, 2007, the Company completed an acquisition of James River Group by acquiring 100% of the outstanding shares of James River Group common stock, referred to herein as the “Merger”. The transaction was accounted for under the purchase method of accounting, and goodwill and intangible assets were recognized by the Company as a result of the transaction. Goodwill resulting from the Merger was \$181.8 million at March 31, 2022 and December 31, 2021.

The gross carrying amounts and accumulated amortization for each major specifically identifiable intangible asset class were as follows:

	Life (Years)	March 31, 2022		December 31, 2021	
		Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
(\$ in thousands)					
Intangible Assets					
Trademarks	Indefinite	\$ 22,200	\$ —	\$ 22,200	\$ —
Insurance licenses and authorities	Indefinite	8,964	—	8,964	—
Identifiable intangibles not subject to amortization		31,164	—	31,164	—
Broker relationships	24.6	11,611	6,827	11,611	6,736
Identifiable intangible assets subject to amortization		11,611	6,827	11,611	6,736
		<u>\$ 42,775</u>	<u>\$ 6,827</u>	<u>\$ 42,775</u>	<u>\$ 6,736</u>

4. Earnings (Loss) Per Share

The following represents a reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per common share computations contained in the condensed consolidated financial statements:

	Three Months Ended March 31,	
	2022	2021
(in thousands, except share and per share amounts)		
Net income (loss)	\$ 10,205	\$ (103,460)
Less: Dividends on Series A preferred shares	\$ (875)	\$ —
Net income (loss) available to common shareholders	\$ 9,330	\$ (103,460)
Weighted average common shares outstanding:		
Basic	37,406,913	30,713,986
Dilutive potential common shares	147,749	—
Diluted	<u>37,554,662</u>	<u>30,713,986</u>
Earnings (loss) per common share:		
Basic	\$ 0.25	\$ (3.37)
Dilutive potential common shares	—	—
Diluted	<u>\$ 0.25</u>	<u>\$ (3.37)</u>

For the three months ended March 31, 2022, potential common shares of 2,230,695 were excluded from the calculation of diluted earnings per common share as their effects were anti-dilutive. Potential common shares of 306,712 were excluded from the calculation of diluted loss per common share for the three months ended March 31, 2021 as a net loss in the period made the effects of all potential common shares anti-dilutive.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

5. Reserve for Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances for losses and loss adjustment expenses, net of reinsurance, to the gross amounts reported in the condensed consolidated balance sheets. Reinsurance recoverables on unpaid losses and loss adjustment expenses are presented gross of an allowance for credit losses on reinsurance balances of \$604,000 at March 31, 2022, \$631,000 at December 31, 2021, and \$335,000 at March 31, 2021 and December 31, 2020.

	Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at beginning of period	\$ 1,399,214	\$ 1,386,061
Add: Incurred losses and loss adjustment expenses net of reinsurance:		
Current year	128,804	103,366
Prior years	6,804	170,134
Total incurred losses and loss and adjustment expenses	135,608	273,500
Deduct: Loss and loss adjustment expense payments net of reinsurance:		
Current year	2,774	3,194
Prior years	100,855	121,588
Total loss and loss adjustment expense payments	103,629	124,782
Deduct: Loss reserves ceded in Retrocession Agreement	299,493	—
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	1,131,700	1,534,779
Add: Reinsurance recoverables on unpaid losses and loss adjustment expenses at end of period	1,618,488	879,067
Reserve for losses and loss adjustment expenses gross of reinsurance recoverables on unpaid losses and loss adjustment expenses at end of period	<u>\$ 2,750,188</u>	<u>\$ 2,413,846</u>

The Company experienced \$6.8 million of net adverse reserve development in the three months ended March 31, 2022 on the reserve for losses and loss adjustment expenses held at December 31, 2021. This reserve development included \$59,000 of net favorable development in the Excess and Surplus Lines segment, \$63,000 of net adverse development in the Specialty Admitted Insurance segment, and \$6.8 million of net adverse development in the Casualty Reinsurance segment that was associated with the Retrocession Agreement (as defined below).

On February 23, 2022, JRG Re entered into a loss portfolio transfer retrocession agreement (the “Retrocession Agreement”) with Fortitude Reinsurance Company Ltd. (“FRL”) under which FRL reinsures the majority of the reserves in the Company’s Casualty Reinsurance segment. Under the terms of the transaction, which closed on March 31, 2022 (the “Retrocession Closing Date”), JRG Re (a) ceded to FRL all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the “Subject Business”), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of \$400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid FRL a reinsurance premium of \$335.0 million, \$310.0 million of which JRG Re credited to a notional funds withheld account (the “Funds Withheld Account”) and \$25.0 million of which was paid in cash to FRL; and (d) will pay FRL a 2% per annum crediting rate on the Funds Withheld Account balance on a quarterly basis. The total premium, initial Funds Withheld Account credit, and aggregate limit was adjusted for claims paid from October 1, 2021 to the Retrocession Closing Date. The Casualty Reinsurance segment incurred losses of \$11.5 million (including \$6.8 million of net adverse reserve development and \$4.7 million of current accident year losses) in the three months ended March 31, 2022 associated with the Retrocession Agreement.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

The Company experienced \$170.1 million of net adverse reserve development in the three months ended March 31, 2021 on the reserve for losses and loss adjustment expenses held at December 31, 2020. This reserve development included \$168.7 million of net adverse development in the Excess and Surplus Lines segment, including \$170.0 million on commercial auto business, almost entirely related to a previously canceled account that has been in runoff since 2019. The reported losses on this terminated commercial auto account meaningfully exceeded our expectations for the three months ended March 31, 2021. We had expected that reported losses would decline as the account moved further into runoff, but the continued heavy reported loss emergence in the first quarter of 2021 indicated more inherent severity than anticipated. In response, we meaningfully adjusted our actuarial methodology, resulting in a significant strengthening of reserves for this account at March 31, 2021. In prior quarters, our actuarial work for this terminated commercial auto account had been based on industry data, pricing data, experience data, average claims severity data, and blended methodologies. However, the continuation of the highly elevated reported losses in the first quarter of 2021 led us to conclude that using only our own loss experience in our paid and incurred reserve projections rather than the array of inputs that we had used in prior quarters, and giving greater weight to incurred methods, would give us a better estimate of ultimate losses on this account. The Company also experienced \$1.0 million of net favorable development in the Specialty Admitted Insurance segment due to favorable development in the workers' compensation business for prior accident years, and \$2.5 million of net adverse development in the Casualty Reinsurance segment.

6. Other Comprehensive Loss

The following table summarizes the components of other comprehensive loss:

	Three Months Ended March 31,	
	2022	2021
	<i>(in thousands)</i>	
Unrealized losses arising during the period, before U.S. income taxes	\$ (97,418)	\$ (47,300)
U.S. income taxes	11,608	5,453
Unrealized losses arising during the period, net of U.S. income taxes	(85,810)	(41,847)
Less reclassification adjustment:		
Net realized investment gains	202	1,035
U.S. income taxes	(41)	(194)
Reclassification adjustment for investment gains realized in net income	161	841
Other comprehensive loss	<u>\$ (85,971)</u>	<u>\$ (42,688)</u>

The Company's invested assets at March 31, 2022 include \$1,662.3 million of fixed maturity securities that are classified as available-for-sale and carried at fair value with unrealized gains and losses on these securities reported, net of applicable taxes, as a separate component of accumulated comprehensive (loss) income. In the three months ended March 31, 2022 and 2021, the fair values of our fixed maturity securities were negatively impacted by rising interest rates leading to unrealized losses recognized in other comprehensive loss.

In addition to the \$202,000 and \$1.0 million of net realized investment gains on available-for-sale fixed maturities for the three months ended March 31, 2022 and 2021, respectively, the Company also recognized net realized and unrealized investment (losses) gains in the respective periods of \$(2.1) million and \$3.8 million on its investments in bank loan participations and \$(3.1) million and \$1.4 million on its investments in equity securities.

7. Contingent Liabilities

The Company is involved in various legal proceedings, including commercial matters and litigation regarding insurance claims arising in the ordinary course of business as well as an alleged class action lawsuit. In addition, the Company is involved from time to time in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in the handling of insurance claims. The Company believes that the outcome of such matters, individually and in the aggregate, is not reasonably likely to have a material adverse effect on its consolidated financial position, results of operations or cash flows.

On July 9, 2021 a purported class action lawsuit was filed in the U.S. District Court, Eastern District of Virginia (the "Court") by Employees' Retirement Fund of the City of Fort Worth against James River Group Holdings, Ltd. and certain of its present and former officers (together, "Defendants"). On September 22, 2021, the Court entered an order appointing Employees' Retirement Fund of the City of Fort Worth and the City of Miami General Employees' and Sanitation Employees' Retirement

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

Trust as co-lead plaintiffs (together, "Plaintiffs"). Plaintiffs' consolidated amended complaint was filed on November 19, 2021 (the "Amended Complaint"), which asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of persons and entities that purchased the Company's stock between February 22, 2019 and October 25, 2021. The Amended Complaint alleges that Defendants failed to make appropriate disclosures concerning the adequacy of reserves for policies that covered Rasier LLC, a subsidiary of Uber Technologies, Inc., and seeks unspecified damages, costs, attorneys' fees and such other relief as the court may deem proper. The Defendants filed a motion to dismiss on January 18, 2022. Plaintiffs' opposition to the motion to dismiss was filed on March 4, 2022, and the Defendants' reply to the Plaintiff's opposition was filed on April 4, 2022. We believe that Plaintiffs' claims are without merit and we intend to vigorously defend this lawsuit.

For a description of the potential future impacts of COVID-19 on the Company, see the "The global coronavirus outbreak could harm business and results of operations of the Company" risk factor in Part I—Item IA in our Annual Report on Form 10-K for the year ended December 31, 2021.

The Company's reinsurance subsidiary, JRG Re, entered into three letter of credit facilities with banks as security to third-party reinsureds on reinsurance assumed by JRG Re. JRG Re has established custodial accounts to secure these letters of credit. Under a \$30.0 million facility, \$4.6 million of letters of credit were issued through March 31, 2022 which were secured by deposits of \$9.2 million. Under a \$102.5 million facility, \$38.2 million of letters of credit were issued through March 31, 2022 which were secured by deposits of \$45.5 million. Under a \$100.0 million facility, \$22.6 million of letters of credit were issued through March 31, 2022 which were secured by deposits of \$30.4 million. JRG Re has also established trust accounts to secure its obligations to selected reinsureds. The total amount deposited in the trust accounts for the benefit of third-party reinsureds was \$397.7 million at March 31, 2022.

Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book

James River Insurance Company and James River Casualty Company (together, "James River") previously issued a set of commercial auto insurance contracts (the "Rasier Commercial Auto Policies") to Rasier LLC and its affiliates (collectively, "Rasier") under which James River pays losses and loss adjustment expenses on the contracts. James River has indemnity agreements with Rasier (non-insurance entities) (collectively, the "Indemnity Agreements") and is contractually entitled to reimbursement for the portion of the losses and loss adjustment expenses paid on behalf of Rasier under the Rasier Commercial Auto Policies and other expenses incurred by James River. On September 27, 2021, James River entered into a loss portfolio transfer reinsurance agreement (the "LPT Agreement") with Aleka Insurance, Inc. ("Aleka"), a captive insurance company affiliate of Rasier, to reinsure substantially all of the Rasier Commercial Auto Policies for which James River is not otherwise indemnified by Rasier under the Indemnity Agreements. Under the terms of the LPT Agreement, effective as of July 1, 2021, James River ceded to Aleka approximately \$345.1 million of commercial auto liabilities relating to Rasier Commercial Auto Policies written in the years 2013-2019, which amount constituted the reinsurance premium.

Each of Rasier and Aleka are required to post collateral under the Indemnity Agreements and the LPT Agreement, respectively:

- Pursuant to the Indemnity Agreements, Rasier is required to post collateral for the amounts that are recoverable or may be recoverable under the indemnity agreements, including, among other things, case loss and loss adjustment expense reserves, IBNR loss and loss adjustment expense reserves, extra contractual obligations and excess policy limits liabilities. The collateral is provided through a collateral trust arrangement (the "Indemnity Trust") in favor of James River by Aleka. In connection with the execution of the LPT Agreement, James River returned \$691.3 million to the Indemnity Trust, representing the remaining balance of the amount withdrawn in October 2019, as was permitted under the indemnification agreements with Rasier and the associated trust agreement. At March 31, 2022, the balance in the Indemnity Trust was \$494.9 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the Indemnity Agreements as described below, the total balance of collateral securing Rasier's obligations under the Indemnity Agreements was \$564.1 million.

- Pursuant to the LPT Agreement, Aleka is required to post collateral equal to 102% of James River's estimate of Aleka's obligations under the LPT Agreement, calculated in accordance with statutory accounting principles. The collateral is provided through a collateral trust arrangement (the "LPT Trust") established in favor of James River by Aleka. At March 31, 2022, the balance in the LPT Trust was \$214.3 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the LPT Agreement as described below, the total balance of collateral securing Aleka's obligations under the LPT Agreement was \$242.5 million. At March 31, 2022, the total reinsurance recoverables under the LPT Agreement was \$237.3 million (including \$225.5 million of unpaid recoverables and \$11.8 million of paid recoverables).

In connection with the execution of the LPT Agreement, James River and Aleka entered into an administrative services agreement (the "Administrative Services Agreement") with a third party claims administrator (the "Administrator") pursuant to

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

which the Administrator handles the claims on the Rasier Commercial Auto Policies for the remaining life of those claims. The claims paid by the Administrator are reimbursable by James River, and pursuant to the Administrative Services Agreement, James River established a loss fund trust account for the benefit of the Administrator (the "Loss Fund Trust") to collateralize its claims payment reimbursement obligations. James River funds the Loss Fund Trust using funds withdrawn from the Indemnity Trust, funds withdrawn from the LPT Trust, and its own funds, in each case in an amount equal to the pro rata portion of the required Loss Fund Trust balance attributable to the Indemnity Agreements, the LPT Agreement and James River's existing third party reinsurance agreements, respectively. At March 31, 2022, the balance in the Loss Fund Trust was \$102.0 million, including \$69.2 million representing collateral supporting Rasier's obligations under the Indemnity Agreements and \$28.2 million representing collateral supporting Aleka's obligations under the LPT Agreement. Funds posted to the Loss Fund Trust are classified as restricted cash equivalents on the Company's balance sheets.

While the LPT Agreement brings economic finality to substantially all of the Rasier Commercial Auto Policies, the Company has credit exposure to Rasier and Aleka under the Indemnity Agreements and the LPT Agreement if the estimated losses and expenses of the Rasier Commercial Auto Policies grow at a faster pace than the growth in our collateral balances. In addition, we have credit exposure if our estimates of future losses and loss adjustment expenses and other amounts recoverable under the Indemnity Agreements and the LPT Agreement, which are the basis for establishing the collateral balances, are lower than actual amounts paid or payable. The amount of our credit exposure in any of these instances could be material. To mitigate these risks, we closely and frequently monitor our exposure compared to our collateral held, and we request additional collateral in accordance with the terms of the LPT Agreement and Indemnity Agreements when our analysis indicates that we have uncollateralized exposure.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

8. Segment Information

The Company has four reportable segments: the Excess and Surplus Lines segment, the Specialty Admitted Insurance segment, the Casualty Reinsurance segment, and the Corporate and Other segment. Segment profit (loss) is measured by underwriting profit (loss), which is generally defined as net earned premiums and gross fee income (in specific instances when the Company is not retaining insurance risk) in “other income” in the condensed consolidated statements of income (loss) and comprehensive loss less loss and loss adjustment expenses and other operating expenses of the operating segments. Gross fee income of \$800,000 and \$927,000 for the Specialty Admitted Insurance segment was included in other income and in underwriting profit (loss) for the three months ended March 31, 2022 and 2021, respectively. Segment results are reported prior to the effects of intercompany reinsurance agreements among the Company’s insurance subsidiaries.

The following table summarizes the Company’s segment results:

	Excess and Surplus Lines	Specialty Admitted Insurance	Casualty Reinsurance	Corporate and Other	Total
	<i>(in thousands)</i>				
Three Months Ended March 31, 2022					
Gross written premiums	\$ 204,282	\$ 125,710	\$ 29,944	\$ —	\$ 359,936
Net earned premiums	131,301	19,318	39,205	—	189,824
Underwriting profit (loss) of operating segments	21,457	209	(8,837)	—	12,829
Net investment income	5,542	757	9,713	255	16,267
Interest expense	—	—	15	2,277	2,292
Segment revenues	133,392	20,363	47,871	322	201,948
Segment goodwill	181,831	—	—	—	181,831
Segment assets	2,000,524	1,103,658	2,126,040	36,996	5,267,218
Three Months Ended March 31, 2021					
Gross written premiums	\$ 181,358	\$ 127,036	\$ 64,861	\$ —	\$ 373,255
Net earned premiums	113,708	16,357	30,528	—	160,593
Underwriting (loss) profit of operating segments	(150,946)	1,266	(1,625)	—	(151,305)
Net investment income	3,706	822	10,556	5	15,089
Interest expense	—	—	—	2,216	2,216
Segment revenues	118,796	18,565	45,517	102	182,980
Segment goodwill	181,831	—	—	—	181,831
Segment assets	2,129,985	980,824	1,930,747	68,151	5,109,707

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

The following table reconciles the underwriting profit (loss) of the operating segments by individual segment to consolidated income (loss) before income taxes:

	Three Months Ended March 31,	
	2022	2021
<i>(in thousands)</i>		
Underwriting profit (loss) of the operating segments:		
Excess and Surplus Lines	\$ 21,457	\$ (150,946)
Specialty Admitted Insurance	209	1,266
Casualty Reinsurance	(8,837)	(1,625)
Total underwriting profit (loss) of operating segments	12,829	(151,305)
Other operating expenses of the Corporate and Other segment	(7,874)	(8,056)
Underwriting profit (loss)	4,955	(159,361)
Net investment income	16,267	15,089
Net realized and unrealized (losses) gains on investments	(5,010)	6,272
Amortization of intangible assets	(91)	(91)
Other income and expenses	(301)	(522)
Interest expense	(2,292)	(2,216)
Income (loss) before income taxes	<u>\$ 13,528</u>	<u>\$ (140,829)</u>

9. Other Operating Expenses and Other Expenses

Other operating expenses consist of the following:

	Three Months Ended March 31,	
	2022	2021
<i>(in thousands)</i>		
Amortization of policy acquisition costs	\$ 22,837	\$ 21,475
Other underwriting expenses of the operating segments	19,350	17,850
Other operating expenses of the Corporate and Other segment	7,874	8,056
Total	<u>\$ 50,061</u>	<u>\$ 47,381</u>

Other expenses of \$347,000 and \$621,000 for the three months ended March 31, 2022 and 2021, respectively, include legal fees related to a purported class action lawsuit, certain legal and professional consulting fees related to various strategic initiatives, and employee severance costs.

10. Fair Value Measurements

Three levels of inputs are used to measure fair value of financial instruments: (1) Level 1: quoted price (unadjusted) in active markets for identical assets, (2) Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument, and (3) Level 3: inputs to the valuation methodology are unobservable for the asset or liability.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair values of fixed maturity securities, equity securities, and bank loan participations have been determined using fair value prices provided by the Company's investment accounting services provider or investment managers, who utilize internationally recognized independent pricing services. 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). Values for U.S. Treasury and publicly-traded equity securities are generally based on Level 1 inputs which use the market approach valuation technique. The values for all other fixed maturity securities (including state and municipal securities and obligations of U.S. government corporations and agencies) and bank loan participations generally incorporate significant Level 2 inputs,

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

and in some cases, Level 3 inputs, using the market approach and income approach valuation techniques. There have been no changes in the Company's use of valuation techniques since December 31, 2020.

The Company reviews fair value prices provided by its outside investment accounting service provider or investment managers for reasonableness by comparing the fair values provided by the managers to those provided by its investment custodian. The Company also reviews and monitors changes in unrealized gains and losses. The Company has not historically adjusted security prices. The Company obtains an understanding of the methods, models and inputs used by the investment managers and independent pricing services, and controls are in place to validate that prices provided represent fair values. The Company's control process includes, but is not limited to, initial and ongoing evaluation of the methodologies used, a review of specific securities and an assessment for proper classification within the fair value hierarchy, and obtaining and reviewing internal control reports for our investment manager that obtains fair values from independent pricing services.

Assets measured at fair value on a recurring basis as of March 31, 2022 are summarized below:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
	<i>(in thousands)</i>			
Fixed maturity securities, available-for-sale:				
State and municipal	\$ —	\$ 319,492	\$ —	\$ 319,492
Residential mortgage-backed	—	247,901	—	247,901
Corporate	—	715,375	—	715,375
Commercial mortgage and asset-backed	—	305,757	—	305,757
U.S. Treasury securities and obligations guaranteed by the U.S. government	73,393	360	—	73,753
Total fixed maturity securities, available-for-sale	\$ 73,393	\$ 1,588,885	\$ —	\$ 1,662,278
Equity securities:				
Preferred stock	—	55,876	—	55,876
Common stock	43,660	3,437	—	47,097
Total equity securities	\$ 43,660	\$ 59,313	\$ —	\$ 102,973
Bank loan participations	\$ —	\$ 159,084	\$ —	\$ 159,084
Short-term investments	\$ —	\$ 147,334	\$ —	\$ 147,334

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

Assets measured at fair value on a recurring basis as of December 31, 2021 are summarized below:

	Fair Value Measurements Using			Total
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	
	(in thousands)			
Fixed maturity securities, available-for-sale:				
State and municipal	\$ —	\$ 333,717	\$ —	\$ 333,717
Residential mortgage-backed	—	246,631	—	246,631
Corporate	—	732,335	—	732,335
Commercial mortgage and asset-backed	—	304,488	—	304,488
U.S. Treasury securities and obligations guaranteed by the U.S. government	59,988	402	—	60,390
Total fixed maturity securities, available-for-sale	\$ 59,988	\$ 1,617,573	\$ —	\$ 1,677,561
Equity securities:				
Preferred stock	—	63,612	—	63,612
Common stock	41,244	3,452	102	44,798
Total equity securities	\$ 41,244	\$ 67,064	\$ 102	\$ 108,410
Bank loan participations	\$ —	\$ 156,043	\$ —	\$ 156,043
Short-term investments	\$ —	\$ 136,563	\$ —	\$ 136,563

A reconciliation of the beginning and ending balances of available-for-sale fixed maturity securities, equity securities, and bank loan participations measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is shown below:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Beginning balance	\$ 102	\$ 98
Transfers out of Level 3	—	—
Transfers in to Level 3	—	—
Purchases	—	—
Sales	(92)	(28)
Maturities, calls and paydowns	—	(2)
Amortization of discount	—	—
Total gains or losses (realized/unrealized):		
Included in earnings	(10)	(37)
Included in other comprehensive income	—	—
Ending balance	\$ —	\$ 29

The Company had one equity security at December 31, 2021 for which the fair value was determined using significant unobservable inputs (Level 3). The fair value of \$102,000 for the equity security was based on expected proceeds from its sale. During the three months ended March 31, 2022, the Company sold the equity security.

The Company held one bank loan participation and one equity security at March 31, 2021 and one bank loan participation and two equity securities at December 31, 2020 for which the fair value was determined using significant unobservable inputs (Level 3). A market approach using prices in trades of comparable securities was utilized to determine a fair value for the securities of \$299,000 at March 31, 2021 and \$980,000 at December 31, 2020.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

Transfers out of Level 3 occur when the Company is able to obtain reliable prices from pricing vendors for securities for which the Company was previously unable to obtain reliable prices. Transfers in to Level 3 occur when the Company is unable to obtain reliable prices for securities from pricing vendors and instead must use broker price quotes to value the securities.

There were no transfers between Level 1 and Level 2 during the three months ended March 31, 2022 or 2021. The Company recognizes transfers between levels at the beginning of the reporting period.

In the determination of the fair value for bank loan participations and certain high yield bonds, the Company's investment manager endeavors to obtain data from multiple external pricing sources. External pricing sources may include brokers, dealers and price data vendors that provide a composite price based on prices from multiple dealers. Such external pricing sources typically provide valuations for normal institutional size trading units of such securities using methods based on market transactions for comparable securities, and various relationships between securities, as generally recognized by institutional dealers. For investments in which the investment manager determines that only one external pricing source is appropriate or if only one external price is available, the relevant investment is generally recorded at fair value based on such price.

Investments for which external sources are not available or are determined by the investment manager not to be representative of fair value are recorded at fair value as determined by the Company, with input from its investment managers and valuation specialists as considered necessary. In determining the fair value of such investments, the Company considers one or more of the following factors: type of security held, convertibility or exchangeability of the security, redeemability of the security (including the timing of redemptions), application of industry accepted valuation models, recent trading activity, liquidity, estimates of liquidation value, purchase cost, and prices received for securities with similar terms of the same issuer or similar issuers. At March 31, 2022 and December 31, 2021, there were no investments for which external sources were unavailable to determine fair value.

The carrying values and fair values of financial instruments are summarized below:

	March 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	<i>(in thousands)</i>			
Assets				
Fixed maturity securities, available-for-sale	\$ 1,662,278	\$ 1,662,278	\$ 1,677,561	\$ 1,677,561
Equity securities	102,973	102,973	108,410	108,410
Bank loan participations	159,084	159,084	156,043	156,043
Cash and cash equivalents	270,195	270,195	190,123	190,123
Restricted cash equivalents	102,009	102,009	102,005	102,005
Short-term investments	147,334	147,334	136,563	136,563
Other invested assets – notes receivable	9,740	11,694	9,740	11,921
Liabilities				
Senior debt	222,300	213,148	262,300	252,213
Junior subordinated debt	104,055	105,143	104,055	106,635

The fair values of fixed maturity securities, equity securities, and bank loan participations have been determined using quoted market prices for securities traded in the public market or prices using bid or closing prices for securities not traded in the public marketplace. The fair values of cash and cash equivalents and short-term investments approximate their carrying values due to their short-term maturity.

The fair values of other invested assets-notes receivable, senior debt, and junior subordinated debt at March 31, 2022 and December 31, 2021 were determined by calculating the present value of expected future cash flows under the terms of the note agreements or debt agreements, as applicable, discounted at an estimated market rate of interest at March 31, 2022 and December 31, 2021, respectively.

The fair values of senior debt and junior subordinated debt at March 31, 2022 and December 31, 2021 were determined using inputs to the valuation methodology that are unobservable (Level 3).

11. Senior Debt

The Company repaid \$40.0 million of loans that were outstanding under a credit agreement (the "2017 Facility") in the three months ended March 31, 2022. At March 31, 2022, unsecured loans of \$21.5 million and secured letters of credit totaling

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

\$22.6 million were outstanding under the 2017 Facility. The 2017 Facility provides the Company with a revolving line of credit of up to \$100.0 million, which may be used for loans and letters of credit made or issued, at the borrowers' option, on a secured or unsecured basis. The 2017 Facility contains certain financial and other covenants which the Company was in compliance with at March 31, 2022.

12. Series A Preferred Shares

On February 24, 2022, we entered into an Investment Agreement with GPC Partners Investments (Thames) LP ("GPC Partners"), an affiliate of Gallatin Point Capital LLC, relating to the issuance and sale of 150,000 7% Series A Perpetual Cumulative Convertible Preferred Shares, par value \$0.00125 per share (the "Series A Preferred Shares"), for an aggregate purchase price of \$150.0 million, or \$1,000 per share, in a private placement. The transaction closed on March 1, 2022 (the "Series A Closing Date").

The Series A Preferred Shares rank senior to our common shares with respect to dividend rights and rights on the distribution of assets on any liquidation, dissolution or winding up of the affairs of the Company, upon which the holders of Series A Preferred Shares would receive the greater of the \$1,000 liquidation preference per share (the "Liquidation Preference") plus accrued and unpaid dividends, or the amount they would have received if they had converted all of their Series A Preferred Shares to common shares immediately before such liquidation, dissolution or winding up.

Holders of the Series A Preferred Shares are entitled to a dividend at the initial rate of 7% of the Liquidation Preference per annum, paid in cash, in-kind in common shares or in Series A Preferred Shares, at our election. On the five-year anniversary of the Series A Closing Date, and each five-year anniversary thereafter, the dividend rate will reset to a rate equal to the five-year U.S. treasury rate plus 5.2%. Dividends accrue quarterly and are payable on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 2022. Dividends accrued on the Series A Preferred Shares in the three months ended March 31, 2022 (which represent dividends from the Series A Closing Date through March 31, 2022) were \$875,000.

The Series A Preferred Shares are convertible at the option of the holders thereof at any time into common shares at an initial conversion price of \$26.5950, making the Series A Preferred Shares initially convertible into 5,640,158 common shares. The conversion price is subject to customary anti-dilution adjustments, including cash dividends on the common shares above specified levels, as well as certain adjustments in case of adverse reserve developments.

At any time on or after the two year anniversary of the Series A Closing Date, if the volume-weighted average price ("VWAP") per Common Share is greater than 130% of the then-applicable conversion price for at least twenty (20) consecutive trading days, the Company will be able to elect to convert (a "Mandatory Conversion") all of the outstanding Series A Preferred Shares into Common Shares. In the case of a Mandatory Conversion, each Series A Preferred Share then outstanding will be converted into (i) the number of Common Shares equal to the quotient of (A) the sum of the Liquidation Preference and the accrued and unpaid dividends with respect to such Series A Preferred Share to be converted divided by (B) the conversion price of such share in effect as of the date of the Mandatory Conversion plus (ii) cash in lieu of fractional shares.

Upon any Mandatory Conversion on or before the five-year anniversary of the Series A Closing Date, all dividends that would have accrued from the date of the Mandatory Conversion to the later of the five-year anniversary of the Series A Closing Date or the last day of the eighth quarter following the date of the Mandatory Conversion, the last eight quarters of which will be discounted to present value using a discount rate of 3.5% per annum, and will be immediately payable in Common Shares, valued at the average of the daily VWAP of the Company's Common Shares during the five (5) trading days immediately preceding the Mandatory Conversion.

The holders of the Series A Preferred Shares may require us to repurchase their shares upon the occurrence of certain change of control events. Upon the occurrence of a Fundamental Change (as defined in the Certificate of Designations designating the Series A Preferred Shares), each holder of outstanding Series A Preferred Shares will be permitted to, at its election, (i) effective as of immediately prior to the Fundamental Change, convert all or a portion of its Series A Preferred Shares into Common Shares, or (ii) require the Company to repurchase any or all of such holder's Series A Preferred Shares at a purchase price per Series A Preferred Share equal to the Liquidation Preference of such Series A Preferred Share plus accrued and unpaid dividends. The repurchase price will be payable in cash.

Because the Company may be required to repurchase all or a portion of the Series A Preferred Shares at the option of the holder upon the occurrence of certain change of control events, the Series A Preferred Shares have been classified as mezzanine equity in the Company's condensed consolidated balance sheets and are initially recognized at fair value of \$150.0 million (the proceeds on the date of issuance) less issuance costs of \$5.1 million, resulting in an initial value of \$144.9 million.

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

Under the terms of the Investment Agreement, GPC Partners has the right to designate one member of the Board (the “Series A Designee”). GPC Partners has designated Matthew Botein as the Series A Designee and, accordingly, the Board approved the appointment of Mr. Botein to serve as a Class I director with a term expiring at the 2024 annual meeting of the Company’s shareholders, effective following receipt of any necessary regulatory approvals. Until applicable regulatory approvals are obtained, Mr. Botein will have board observer status.

13. Capital Stock and Equity Awards

Common Shares

Total common shares outstanding increased from 37,373,066 at December 31, 2021 to 37,448,314 at March 31, 2022, reflecting 75,248 common shares issued in the three months ended March 31, 2022 related to vesting of RSUs.

Dividends

The Company declared the following dividends on common shares during the first three months of 2022 and 2021:

<u>Date of Declaration</u>	<u>Dividend per Common Share</u>	<u>Payable to Shareholders of Record on</u>	<u>Payment Date</u>	<u>Total Amount (thousands)</u>
2022				
February 16, 2022	\$ 0.05	March 14, 2022	March 31, 2022	\$ 1,908
2021				
February 24, 2021	\$ 0.30	March 15, 2021	March 31, 2021	\$ 9,345

Included in the total dividends for the three months ended March 31, 2022 and 2021 are \$36,000 and \$113,000, respectively, of dividend equivalents on unvested RSUs. The balance of dividends payable on unvested RSUs was \$305,000 at March 31, 2022 and \$518,000 at December 31, 2021.

Equity Incentive Plans

The Company’s shareholders have approved various equity incentive plans, including the Amended and Restated 2009 Equity Incentive Plan (the “Legacy Plan”), the 2014 Long Term Incentive Plan (“2014 LTIP”), and the 2014 Non-Employee Director Incentive Plan (“2014 Director Plan”) (collectively, the “Plans”). All awards issued under the Plans are issued at the discretion of the Board of Directors. Under the Legacy Plan, employees received non-qualified stock options. Options are outstanding under the Legacy Plan; however, no additional awards may be granted under such plan.

Employees are eligible to receive non-qualified stock options, incentive stock options, share appreciation rights, performance shares, restricted shares, RSUs, and other awards under the 2014 LTIP. The maximum number of shares available for issuance under the 2014 LTIP is 4,171,150, and at March 31, 2022, 807,190 shares are available for grant.

Non-employee directors of the Company are eligible to receive non-qualified stock options, share appreciation rights, performance shares, restricted shares, RSUs, and other awards under the 2014 Director Plan. The maximum number of shares available for issuance under the 2014 Director Plan is 150,000, and at March 31, 2022, 75,269 shares are available for grant.

Generally, awards issued under the 2014 LTIP and 2014 Director Plan vest immediately in the event that an award recipient is terminated without Cause (as defined in the applicable plans), and in the case of the 2014 LTIP for Good Reason (as defined in the applicable plans), at any time following a Change in Control (as defined in the applicable plans).

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

Options

The following table summarizes option activity:

	Three Months Ended March 31,			
	2022		2021	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding:				
Beginning of period	287,974	\$ 35.26	463,324	\$ 32.25
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	(29,884)	\$ 26.37
Forfeited	—	\$ —	—	\$ —
End of period	<u>287,974</u>	<u>\$ 35.26</u>	<u>433,440</u>	<u>\$ 32.65</u>
Exercisable, end of period	<u>287,974</u>	<u>\$ 35.26</u>	<u>433,440</u>	<u>\$ 32.65</u>

All of the outstanding options are fully vested (vesting period of three years from date of grant) and have a contractual life of seven years from the original date of grant. All of the outstanding options have an exercise price equal to the fair value of the underlying shares at the date of grant. The weighted-average remaining contractual life of the options outstanding and exercisable at March 31, 2022 was 1.2 years.

RSUs

The following table summarizes RSU activity:

	Three Months Ended March 31,			
	2022		2021	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	292,135	\$ 45.89	399,856	\$ 43.59
Granted	538,778	\$ 20.50	138,936	\$ 50.24
Vested	(109,589)	\$ 45.57	(161,004)	\$ 41.89
Forfeited	—	\$ —	(1,089)	\$ 42.44
Unvested, end of period	<u>721,324</u>	<u>\$ 26.97</u>	<u>376,699</u>	<u>\$ 46.78</u>

Outstanding RSUs granted to employees generally vest ratably over a three year vesting period. RSUs granted to non-employee directors have a one year vesting period. The holders of RSUs are entitled to dividend equivalents. The dividend equivalents are settled in cash at the same time that the underlying RSUs vest and are subject to the same risk of forfeiture as the underlying shares. The fair value of the RSUs granted is based on the market price of the underlying shares at the date of grant.

Compensation Expense

Share based compensation expense is recognized on a straight line basis over the vesting period. The amount of expense and related tax benefit is summarized below:

	Three Months Ended March 31,	
	2022	2021
	(in thousands)	
Share based compensation expense	\$ 1,786	\$ 1,905
U.S. tax benefit on share based compensation expense	336	294

JAMES RIVER GROUP HOLDING, LTD. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements (continued)

As of March 31, 2022, the Company had \$18.0 million of unrecognized share based compensation expense expected to be charged to earnings over a weighted-average period of 2.3 years.

14. Subsequent Events

On April 28, 2022, the Board of Directors declared a cash dividend of \$0.05 per common share. The dividend is payable on June 30, 2022 to shareholders of record on June 13, 2022.

On April 28, 2022, the Board of Directors declared a 7% dividend on the Series A Preferred Shares. The dividend of \$3.5 million will be payable in cash on June 30, 2022 to shareholders of record on June 15, 2022.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. Factors that could cause such differences are discussed in the sections entitled “Special Note Regarding Forward-Looking Statements”, and Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021. The results of operations for the three months ended March 31, 2022 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2022, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2021.

The accompanying condensed consolidated financial statements and related notes have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) and include the accounts of James River Group Holdings, Ltd. and its subsidiaries. Unless the context indicates or suggests otherwise, references to “the Company”, “we”, “us” and “our” refer to James River Group Holdings, Ltd. and its subsidiaries.

Our Business

James River Group Holdings, Ltd. is a Bermuda-based holding company. We own and operate a group of specialty insurance and reinsurance companies with the objective of generating compelling returns on tangible equity while limiting underwriting and investment volatility. We seek to accomplish this by earning profits from insurance and reinsurance underwriting and generating meaningful risk-adjusted investment returns while managing our capital.

We are organized into four reportable segments, which are separately managed business units:

- The Excess and Surplus Lines segment offers commercial excess and surplus lines liability and property insurance in every U.S. state, the District of Columbia, Puerto Rico and the U.S. Virgin Islands through James River Insurance Company and its wholly-owned subsidiary, James River Casualty Company;
- The Specialty Admitted Insurance segment approaches the insurance market in two ways: as a risk bearing underwriter, and as a “fronting” company. The Company’s risk bearing underwriting is focused on niche classes within the standard insurance markets, such as workers’ compensation coverage for residential contractors, light manufacturing operations, transportation workers and healthcare workers. In its fronting business, the Specialty Admitted segment works with distributors, such as managing general agents and other producers, by using our licensure, rating and administrative services in order to produce and service insurance policies for reinsurers and other third party risk bearing entities. We charge fees for “fronting” for these capital providers. In some instances, we retain a small percentage of the risk on fronted business, generally 10%-30%. This segment has admitted licenses and the authority to write excess and surplus lines insurance in 50 states and the District of Columbia;
- The Casualty Reinsurance segment primarily provides proportional and working layer casualty reinsurance to third parties (primarily through reinsurance intermediaries) through JRG Reinsurance Company Ltd. (“JRG Re”). JRG Re has also in the past provided reinsurance to the Company’s U.S.-based insurance subsidiaries through a quota-share reinsurance agreement. Carolina Re Ltd (“Carolina Re”) was formed in 2018 to also provide reinsurance to the Company’s U.S. based insurance subsidiaries through a quota-share reinsurance agreement, and was also the cedent on an aggregate stop loss reinsurance treaty with JRG Re through December 31, 2021. JRG Re and Carolina Re are both Bermuda-based reinsurance companies.
- The Corporate and Other segment consists of the management and treasury activities of our holding companies, interest expense associated with our debt, and expenses of our holding companies, including public company expenses, that are not reimbursed by our insurance segments.

All of our insurance and reinsurance subsidiaries have financial strength ratings of “A-” (Excellent) from A.M. Best Company.

Critical Accounting Policies and Estimates

In preparing the unaudited condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

The most critical accounting policies involve significant estimates and include those used in determining the reserve for losses and loss adjustment expenses and investment valuation and impairment. For a detailed discussion of each of these policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2021. There have been no significant changes to any of these policies during the current year.

Impact of the COVID-19 Pandemic

For a discussion of the impact of the coronavirus (COVID-19) pandemic and related economic conditions on the Company's results for the year ended December 31, 2021, please see "Part II—Item 7—Management's Discussion and Analysis of Financial Condition and Results of Operation" in our Annual Report. The Company continues to monitor the impact that the ongoing coronavirus (COVID-19) pandemic may be having on the Company's financial condition and results of operations.

Recent Strategic Actions

Issuance of Series A Preferred Shares

The Company closed on the issuance and sale of 150,000 7% Series A Perpetual Cumulative Convertible Preferred Shares, par value \$0.00125 per share (the "Series A Preferred Shares") on March 1, 2022 for an aggregate purchase price of \$150.0 million, or \$1,000 per share, in a private placement. The Series A Preferred Shares are convertible into the Company's common shares at the option of the holder at any time, or at the Company's option under certain circumstances. Dividends on the Series A preferred shares accrue quarterly at the initial rate of 7% of the \$1,000 liquidation preference per share (the "Liquidation Preference") per annum, which may be paid in cash, in-kind in common shares or in Series A Preferred Shares, at the Company's election. Dividends accrued on the Series A Preferred Shares in the three months ended March 31, 2022 (which represent the dividends from March 1, 2022, the date of issuance of the Series A Preferred Shares, through March 31, 2022) were \$875,000. Please see "Part I—Item 1—Note 12. Series A Preferred Shares" in the Notes to our Condensed Consolidated Financial Statements in this Form 10-Q.

Loss Portfolio Transfer Retrocession Agreement

On February 23, 2022, JRG Re entered into a loss portfolio transfer retrocession agreement (the "Retrocession Agreement") with Fortitude Reinsurance Company Ltd. ("FRL") under which FRL reinsures the majority of the reserves in the Company's Casualty Reinsurance segment. Under the terms of the transaction, which closed on March 31, 2022 (the "Retrocession Closing Date"), JRG Re (a) ceded to FRL all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the "Subject Business"), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of \$400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid FRL a reinsurance premium of \$335.0 million, \$310.0 million of which JRG Re credited to a notional funds withheld account (the "Funds Withheld Account") and \$25.0 million of which was paid in cash to FRL; and (d) will pay FRL a 2% per annum crediting rate on the Funds Withheld Account balance on a quarterly basis. The total premium, initial Funds Withheld Account credit, and aggregate limit was adjusted for claims paid from October 1, 2021 to the Retrocession Closing Date. The Casualty Reinsurance segment incurred losses of \$11.5 million (including \$6.8 million of net adverse reserve development and \$4.7 million of current accident year losses) in the three months ended March 31, 2022 associated with the Retrocession Agreement.

RESULTS OF OPERATIONS

The following table summarizes our results:

	Three Months Ended March 31,		%
	2022	2021	
	(\$ in thousands)		
Gross written premiums	\$ 359,936	\$ 373,255	(3.6)%
Net retention (1)	48.9 %	46.8 %	
Net written premiums	\$ 175,859	\$ 174,599	0.7 %
Net earned premiums	\$ 189,824	\$ 160,593	18.2 %
Losses and loss adjustment expenses	(135,608)	(273,500)	(50.4)%
Other operating expenses	(49,261)	(46,454)	6.0 %
Underwriting profit (loss) (2), (3)	4,955	(159,361)	—
Net investment income	16,267	15,089	7.8 %
Net realized and unrealized (losses) gains on investments	(5,010)	6,272	—
Other income and expense	(301)	(522)	(42.3)%
Interest expense	(2,292)	(2,216)	3.4 %
Amortization of intangible assets	(91)	(91)	— %
Income (loss) before taxes	13,528	(140,829)	—
Income tax expense (benefit)	3,323	(37,369)	—
Net income (loss)	\$ 10,205	\$ (103,460)	—
Dividends on Series A Preferred Shares	\$ (875)	\$ —	—
Net income (loss) to common shareholders	\$ 9,330	\$ (103,460)	—
Adjusted net operating income (loss) (4)	\$ 13,867	\$ (108,795)	—
Ratios:			
Loss ratio	71.4 %	170.3 %	
Expense ratio	26.0 %	28.9 %	
Combined ratio	97.4 %	199.2 %	
Accident year loss ratio (5)	67.9 %	64.4 %	

(1) Net retention is defined as the ratio of net written premiums to gross written premiums.

(2) Underwriting profit (loss) is a non-GAAP measure. See “Reconciliation of Non-GAAP Measures” for a reconciliation to income (loss) before taxes and for additional information.

(3) Included in underwriting results for the three months ended March 31, 2022 and 2021 is gross fee income of \$5.6 million and \$5.1 million, respectively.

(4) Adjusted net operating income (loss) is a non-GAAP measure. See “Reconciliation of Non-GAAP Measures” for a reconciliation to net income (loss) and for additional information.

(5) Accident year loss ratio is defined as the ratio of losses and loss adjustment expenses for the current accident year (excluding development on prior accident year reserves) to net earned premiums.

Three Months Ended March 31, 2022 and 2021

The Company had an underwriting profit of \$5.0 million for the three months ended March 31, 2022 compared to an underwriting loss of \$159.4 million for the same period in the prior year. Underwriting results for the three months ended March 31, 2022 include \$11.5 million of incurred losses (including \$6.8 million of net adverse reserve development and \$4.7 million of current accident year losses) in the Casualty Reinsurance segment associated with the Retrocession Agreement. Underwriting results for the three months ended March 31, 2021 include \$170.1 million of net adverse reserve development on prior accident years, including \$168.7 million of net adverse development from the Excess and Surplus Lines segment almost entirely related to a previously canceled commercial auto account (see underwriting results of the Excess and Surplus Lines segment below for further discussion).

The results for the three months ended March 31, 2022 and 2021 also include certain non-operating items that are significant to the Company. These items (on a pre-tax basis) include:

- Net realized and unrealized investment (losses) gains of \$(5.0) million and \$6.3 million for the three months ended March 31, 2022 and 2021, respectively. The net realized and unrealized investment losses for the three months ended March 31, 2022 include \$(2.7) million and \$(2.0) million of unrealized losses related to changes in unrealized gains and losses on equity securities and bank loan participations, respectively (\$1.7 million and \$3.9 million of unrealized gains for the three months ended March 31, 2021, respectively). See “— Investing Results” for more information on these realized and unrealized investment gains.
- Other expenses were \$347,000 and \$621,000 for the three months ended March 31, 2022 and 2021, respectively, and include legal fees related to a purported class action lawsuit, certain legal and professional consulting fees related to various strategic initiatives, and employee severance costs.

We define adjusted net operating income (loss) as income (loss) available to common shareholders excluding net realized and unrealized (losses) gains on investments, and certain non-operating expenses such as professional service fees related to a purported class action lawsuit, various strategic initiatives, and the filing of registration statements for the offering of securities, and severance costs associated with terminated employees. We use adjusted net operating income (loss) as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted net operating income (loss) should not be viewed as a substitute for net income (loss) calculated in accordance with GAAP, and our definition of adjusted net operating income (loss) may not be comparable to that of other companies.

Our income (loss) before taxes and net income (loss) reconcile to our adjusted net operating income (loss) as follows:

	Three Months Ended March 31,			
	2022		2021	
	Income Before Taxes	Net Income	Loss Before Taxes	Net Loss
	(\$ in thousands)			
Income (loss) available to common shareholders	\$ 12,653	\$ 9,330	\$ (140,829)	\$ (103,460)
Net realized and unrealized investment losses (gains)	5,010	4,190	(6,272)	(5,751)
Other expenses	347	347	527	416
Adjusted net operating income (loss)	<u>\$ 18,010</u>	<u>\$ 13,867</u>	<u>\$ (146,574)</u>	<u>\$ (108,795)</u>

Combined Ratios

The combined ratio is a measure of underwriting performance and represents the relationship of incurred losses, loss adjustment expenses and other operating expenses to net earned premiums. Our combined ratio for the three months ended March 31, 2022 was 97.4%. A combined ratio of less than 100% indicates an underwriting profit, while a combined ratio greater than 100% reflects an underwriting loss. The combined ratio for the three months ended March 31, 2022 includes \$6.8 million, or 3.6 percentage points, of net adverse reserve development on prior accident years, including \$59,000 of net favorable reserve development from the Excess and Surplus Lines segment, \$63,000 of net adverse reserve development from the Specialty Admitted Insurance segment, and \$6.8 million of net adverse reserve development from the Casualty Reinsurance segment associated with the Retrocession Agreement. In addition to the \$6.8 million of net adverse reserve development, the Casualty Reinsurance segment also incurred \$4.7 million of current accident year losses associated with the Retrocession Agreement in the three months ended March 31, 2022. In total, the \$11.5 million of incurred losses associated with the Retrocession Agreement represented 6.1 percentage points of the consolidated combined ratio for the three months ended March 31, 2022.

The combined ratio for the three months ended March 31, 2021 was 199.2%. The combined ratio for the three months ended March 31, 2021 includes \$170.1 million, or 105.9 percentage points, of net adverse reserve development on prior accident years, including \$168.7 million of net adverse reserve development from the Excess and Surplus Lines segment (see underwriting results of the Excess and Surplus Lines segment for further discussion), \$1.0 million of net favorable reserve development from the Specialty Admitted Insurance segment, and \$2.5 million of net adverse reserve development from the Casualty Reinsurance segment.

All of the Company’s U.S.-domiciled insurance subsidiaries are party to an intercompany pooling agreement that distributes the net underwriting results among the group companies based on their approximate pro-rata level of statutory capital and surplus to the total Company statutory capital and surplus. Additionally, each of the Company’s U.S.-domiciled insurance subsidiaries is a party to a quota share reinsurance agreement that in periods prior to January 1, 2018 ceded 70% of

their premiums and losses to JRG Re, and starting January 1, 2018, ceded 70% of their premiums and losses to Carolina Re, an entity domiciled in Bermuda that made an irrevocable election to be taxed as a U.S. domestic corporation under Section 953(d) of the Internal Revenue Code of 1986, as amended, effective January 1, 2018. Through December 31, 2021, JRG Re also provided aggregate stop loss reinsurance to Carolina Re. We report all segment information in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” prior to the effects of intercompany reinsurance, consistent with the manner in which we evaluate the operating performance of our reportable segments.

Expense Ratios

Our expense ratio decreased from 28.9% for three months ended March 31, 2021 to 26.0% for the three months ended March 31, 2022, driven primarily by higher net earned premiums across all of our segments. The expense ratio for the Excess and Surplus Lines segment decreased from 20.1% in the prior year quarter to 19.0% in the current quarter, reflecting a 15.5% increase in net earned premiums including in lines that have meaningful ceding commissions. The Excess and Surplus Lines segment is our largest segment and makes up 69.2% of consolidated net earned premiums for the three months ended March 31, 2022 compared to 70.8% for three months ended March 31, 2021. The expense ratio for the Specialty Admitted Insurance segment decreased from 26.6% in the prior year quarter to 19.0% in the current quarter driven by a 26.8% increase in net earned premiums for the fronting business and increased gross fee income (\$5.6 million in the current quarter compared to \$5.1 million in the prior year quarter). Net earned premiums in the Casualty Reinsurance segment increased 28.4% over the prior year, and this, combined with lower compensation expenses and more favorable commission slide adjustments, produced a lower current year expense ratio (32.6% in the current quarter compared to 36.5% in the prior year).

Premiums

Insurance premiums are earned ratably over the terms of our insurance policies, generally twelve months. Reinsurance premiums assumed are earned over the terms of the underlying policies or reinsurance contracts. Reinsurance contracts written on a “losses occurring” basis cover claims that may occur during the term of the contract or underlying insurance policy, which is typically twelve months. Reinsurance contracts which are written on a “risks attaching” basis cover claims which attach to the underlying insurance policies written during the terms of such contracts. Premiums earned on such contracts usually extend beyond the original term of the reinsurance contract, typically resulting in recognition of premiums earned over a 24-month period or more in proportion to the level of underlying exposure.

The following table summarizes the change in premium volume by component and business segment:

	Three Months Ended March 31,		% Change
	2022	2021	
(\$ in thousands)			
Gross written premiums:			
Excess and Surplus Lines	\$ 204,282	\$ 181,358	12.6 %
Specialty Admitted Insurance	125,710	127,036	(1.0)%
Casualty Reinsurance	29,944	64,861	(53.8)%
	<u>\$ 359,936</u>	<u>\$ 373,255</u>	<u>(3.6)%</u>
Net written premiums:			
Excess and Surplus Lines	\$ 125,710	\$ 108,433	15.9 %
Specialty Admitted Insurance	20,205	22,005	(8.2)%
Casualty Reinsurance	29,944	44,161	(32.2)%
	<u>\$ 175,859</u>	<u>\$ 174,599</u>	<u>0.7 %</u>
Net earned premiums:			
Excess and Surplus Lines	\$ 131,301	\$ 113,708	15.5 %
Specialty Admitted Insurance	19,318	16,357	18.1 %
Casualty Reinsurance	39,205	30,528	28.4 %
	<u>\$ 189,824</u>	<u>\$ 160,593</u>	<u>18.2 %</u>

Gross written premiums for the Excess and Surplus Lines segment (which represents 56.8% of our consolidated gross written premiums in the three months ended March 31, 2022) increased 12.6% from the corresponding three month period in the prior year. Policy submissions for Core E&S lines (excluding commercial auto) were roughly even with the prior year, but our ratio of bound policies to quoted policies improved generating 7.3% more bound policies in the three months ended March 31, 2022 than in the three months ended March 31, 2021. The total number of policies in force for the segment increased 18.3%

over the prior year. Renewal rates for the Excess and Surplus Lines segment were up 8.4% compared to the three months ended March 31, 2021. The change in gross written premiums compared to the same period in 2021 was notable in several divisions as shown below:

	Three Months Ended March 31,		%
	2022	2021	
	(\$ in thousands)		
Excess Casualty	\$ 70,182	\$ 68,401	2.6 %
Manufacturers & Contractors	35,799	31,855	12.4 %
General Casualty	34,395	29,379	17.1 %
Energy	12,030	10,771	11.7 %
Excess Property	9,804	6,859	42.9 %
Small Business	9,048	7,462	21.3 %
Life Sciences	6,824	5,700	19.7 %
Environmental	3,890	2,714	43.3 %
Sports & Entertainment	2,820	1,556	81.2 %
All other Core E&S divisions	11,085	10,873	1.9 %
Total Core E&S divisions	195,877	175,570	11.6 %
Commercial Auto	8,405	5,788	45.2 %
Excess and Surplus Lines gross written premium	\$ 204,282	\$ 181,358	12.6 %

The components of gross written premiums for the Specialty Admitted Insurance segment (which represents 34.9% of our consolidated gross written premiums for the three months ended March 31, 2022) are as follows:

	Three Months Ended March 31,		%
	2022	2021	
	(\$ in thousands)		
Individual risk workers' compensation premium	\$ 15,619	\$ 16,186	(3.5)%
Fronting and program premium	110,091	110,850	(0.7)%
Specialty Admitted gross written premium	\$ 125,710	\$ 127,036	(1.0)%

Our fronting written premium declined slightly from the prior year due to the loss of one relationship resulting from M&A activity at a general agent and a decline in written premium for our largest relationship. Absent these two relationships, our fronting written premium increased by \$17.5 million or 26.9% driven by continued growth in newer fronting relationships. Gross written premium for our largest fronting relationship declined from \$33.9 million for the three months ended March 31, 2021 to \$28.2 million for the three months ended March 31, 2022, reflecting a very competitive market for workers' compensation in California. Our largest fronting relationship represented 22.4% of the segment's gross written premium in the three months ended March 31, 2022 down from 26.7% in the three months ended March 31, 2021.

Gross written premiums for the Casualty Reinsurance segment (which represents 8.3% of our consolidated gross written premiums in the first three months of 2022) decreased 53.8% from the corresponding three month period in the prior year. The decrease quarter over quarter primarily reflects our focus on downsizing the Casualty Reinsurance third party book which resulted in the nonrenewal of several treaties. The Casualty Reinsurance segment generally writes large casualty-focused treaties that are expected to have lower volatility relative to property and catastrophe treaties. We rarely write stand-alone property reinsurance. When treaties that include property exposure are written, we utilize property occurrence caps, inuring reinsurance protection and low individual risk limits to minimize exposure.

Net Retention

The ratio of net written premiums to gross written premiums is referred to as our net premium retention. Our net premium retention is summarized by segment as follows:

	Three Months Ended March 31,	
	2022	2021
Excess and Surplus Lines	61.5 %	59.8 %
Specialty Admitted Insurance	16.1 %	17.3 %
Casualty Reinsurance	100.0 %	68.1 %
Total	48.9 %	46.8 %

The net premium retention for the Excess and Surplus Lines segment increased slightly for the three months ended March 31, 2022 as compared to the prior year period primarily due to the mix of business written.

The net premium retention for the Specialty Admitted Insurance segment decreased for the three months ended March 31, 2022 as compared to the prior year period primarily due to a lower retention in the fronting business reflecting the mix of business and changes in reinsurance coverage as treaties renew. The segment's largest fronting relationship has a higher retention relative to the average fronting retention, and the decline in its written premium quarter over quarter drove the overall fronting retention lower. The net retention on the segment's fronting business was 14.0% for the three months ended March 31, 2022 compared to 15.8% for the three months ended March 31, 2021. The net retention on the individual risk workers' compensation business was 30.6% for the three months ended March 31, 2022 compared to 27.7% for the three months ended March 31, 2021. The renewal of the workers' compensation quota share treaty on January 1, 2022 resulted in a higher retention for this business.

The net premium retention for the Casualty Reinsurance segment increased for the three months ended March 31, 2022 due to the nonrenewal of one retrocessional treaty/fronting arrangement under which 100% of the premiums were ceded. Ceded written premiums under the treaty were \$20.7 million in the first quarter of 2021.

Underwriting Results

The following table compares our combined ratios by segment:

	Three Months Ended March 31,	
	2022	2021
Excess and Surplus Lines	83.7 %	232.7 %
Specialty Admitted Insurance	98.9 %	92.3 %
Casualty Reinsurance	122.5 %	105.3 %
Total	97.4 %	199.2 %

Excess and Surplus Lines Segment

Results for the Excess and Surplus Lines segment are as follows:

	Three Months Ended March 31,		% Change
	2022	2021	
	(\$ in thousands)		
Gross written premiums	\$ 204,282	\$ 181,358	12.6 %
Net written premiums	\$ 125,710	\$ 108,433	15.9 %
Net earned premiums	\$ 131,301	\$ 113,708	15.5 %
Losses and loss adjustment expenses	(84,925)	(241,742)	(64.9)%
Underwriting expenses	(24,919)	(22,912)	8.8 %
Underwriting profit (loss) (1)	\$ 21,457	\$ (150,946)	—
Ratios:			
Loss ratio	64.7 %	212.6 %	
Expense ratio	19.0 %	20.1 %	
Combined ratio	83.7 %	232.7 %	
Accident year loss ratio	64.7 %	64.3 %	

(1) Underwriting Profit (Loss) is a non-GAAP Measure. See “Reconciliation of Non-GAAP Measures” for a reconciliation to income (loss) before tax and for additional information.

The loss ratio of 64.7% for the three months ended March 31, 2022 includes \$59,000 of net favorable reserve development (0.0 percentage points) in our loss estimates for prior accident years. The loss ratio of 212.6% for the three months ended March 31, 2021 includes \$168.7 million of net adverse reserve development (148.3 percentage points) in our loss estimates for prior accident years, including \$170.0 million of net adverse reserve development on our commercial auto business that was almost entirely related to a previously canceled account that has been in runoff since 2019. The reported losses on this terminated commercial auto account meaningfully exceeded our expectations in the three months ended March 31, 2021. We had expected that reported losses would decline as the account moved further into runoff, but the continued heavy reported loss emergence in the first quarter of 2021 indicated more inherent severity than anticipated. In response, we meaningfully adjusted our actuarial methodology, resulting in a significant strengthening of reserves for this account at March 31, 2021.

On September 27, 2021, James River Insurance Company and James River Casualty Company (together, “James River”) entered into a loss portfolio transfer agreement (the “LPT Agreement”) with Aleka Insurance, Inc. (“Aleka”), a captive insurance company affiliate of Rasier LLC, to reinsure substantially all of the Excess and Surplus Lines segment’s legacy portfolio of commercial auto policies previously issued to Rasier LLC and its affiliates (collectively, “Rasier”) for which James River is not otherwise indemnified by Rasier. Under the terms of the transaction, effective as of July 1, 2021, James River ceded to Aleka approximately \$345.1 million of commercial auto liabilities relating to Rasier policies written in the years 2013-2019, which amount constituted the reinsurance premium. The reinsurance coverage is fully collateralized, not subject to an aggregate limit, and subject to certain exclusions.

The expense ratio for this segment was 19.0% for the three months ended March 31, 2022 compared to 20.1% for the three months ended March 31, 2021. The lower current year expense ratio reflects a 15.5% increase in net earned premiums including in lines that have meaningful ceding commissions.

As a result of the items discussed above, the underwriting results of the Excess and Surplus Lines segment increased from an underwriting loss of \$150.9 million for the three months ended March 31, 2021 to an underwriting profit of \$21.5 million for the three months ended March 31, 2022.

Specialty Admitted Insurance Segment

Results for the Specialty Admitted Insurance segment are as follows:

	Three Months Ended March 31,		%
	2022	2021	
	(\$ in thousands)		
Gross written premiums	\$ 125,710	\$ 127,036	(1.0)%
Net written premiums	\$ 20,205	\$ 22,005	(8.2)%
Net earned premiums	\$ 19,318	\$ 16,357	18.1 %
Losses and loss adjustment expenses	(15,435)	(10,742)	43.7 %
Underwriting expenses	(3,674)	(4,349)	(15.5)%
Underwriting profit (1), (2)	\$ 209	\$ 1,266	(83.5)%
Ratios:			
Loss ratio	79.9 %	65.7 %	
Expense ratio	19.0 %	26.6 %	
Combined ratio	98.9 %	92.3 %	
Accident year loss ratio	79.6 %	71.8 %	

(1) Underwriting Profit is a non-GAAP Measure. See “Reconciliation of Non-GAAP Measures” for a reconciliation to income before tax and for additional information.

(2) Underwriting results include gross fee income of \$5.6 million and \$5.1 million for the three months ended March 31, 2022 and 2021, respectively.

The loss ratio of 79.9% for the three months ended March 31, 2022 includes \$63,000 (0.3 percentage points) of net adverse development in our loss estimates for prior accident years. The loss ratio of 65.7% for the three months ended March 31, 2021 includes \$1.0 million (6.1 percentage points) of net favorable development in our loss estimates for prior accident years reflecting lower loss emergence in the workers’ compensation book compared to expectations. A higher current accident year loss ratio (79.6% compared to 71.8% in the prior year) reflects current actuarial indications and higher loss trends in the business.

The expense ratio of the Specialty Admitted Insurance segment was 19.0% for the three months ended March 31, 2022 compared to the prior year ratio of 26.6%. The improvement was driven by the growth in net earned premiums and higher fee income, which increased 8.4% over the prior year due to the growth in our fronting business.

As a result of the items discussed above, underwriting results for the Specialty Admitted Insurance segment declined from an underwriting profit of \$1.3 million for the three months ended March 31, 2021 to an underwriting profit of \$209,000 for the three months ended March 31, 2022.

Casualty Reinsurance Segment

Results for the Casualty Reinsurance segment are as follows:

	Three Months Ended March 31,		%
	2022	2021	
	(\$ in thousands)		
Gross written premiums	\$ 29,944	\$ 64,861	(53.8)%
Net written premiums	\$ 29,944	\$ 44,161	(32.2)%
Net earned premiums	\$ 39,205	\$ 30,528	28.4 %
Losses and loss adjustment expenses	(35,248)	(21,016)	67.7 %
Underwriting expenses	(12,794)	(11,137)	14.9 %
Underwriting loss (1)	\$ (8,837)	\$ (1,625)	443.8 %
Ratios:			
Loss ratio	89.9 %	68.8 %	
Expense ratio	32.6 %	36.5 %	
Combined ratio	122.5 %	105.3 %	
Accident year loss ratio	72.6 %	60.7 %	

(1) Underwriting Loss is a non-GAAP Measure. See “Reconciliation of Non-GAAP Measures” for a reconciliation to loss before tax and for additional information.

The Casualty Reinsurance segment focuses on typically lower volatility, proportional reinsurance which requires larger ceding commissions resulting in a higher commission expense than in our other segments.

On February 23, 2022, JRG Re entered into a loss portfolio transfer retrocession agreement (the “Retrocession Agreement”) to reinsure the majority of the Casualty Reinsurance segment's reserves. Under the terms of the transaction, which closed on March 31, 2022 (the “Retrocession Closing Date”), JRG Re (a) ceded all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the “Subject Business”), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of \$400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid a reinsurance premium of \$335.0 million, \$310.0 million of which JRG Re credited to a notional funds withheld account (the “Funds Withheld Account”) and \$25.0 million of which was paid in cash; and (d) will begin paying a 2% per annum crediting rate on the Funds Withheld Account balance on a quarterly basis. The total premium, initial Funds Withheld Account credit, and aggregate limit was adjusted for claims paid from October 1, 2021 to the Retrocession Closing Date. The Casualty Reinsurance segment incurred losses of \$11.5 million (including \$6.8 million of net adverse reserve development and \$4.7 million of current accident year losses) in the three months ended March 31, 2022 associated with the Retrocession Agreement.

The loss ratio of 89.9% for the three months ended March 31, 2022 includes the aforementioned \$11.5 million (29.3 percentage points) of incurred losses associated with the Retrocession Agreement. The loss ratio of 68.8% for the three months ended March 31, 2021 includes \$2.5 million (8.1 percentage points) of net adverse development in our loss estimates for prior accident years. The higher current accident year loss ratio (72.6% compared to 60.7% in the prior year) reflects \$4.7 million of losses associated with the Retrocession Agreement.

The expense ratio of the Casualty Reinsurance segment was 32.6% for the three months ended March 31, 2022 compared to 36.5% in the prior year. Net earned premiums increased 28.4% over the prior year and compensation expenses were lower in the current year. Commission slide adjustments related to incurred losses increased the expense ratio by 1.2 points in the three months ended March 31, 2022 compared to an increase of 3.2 points in the three months ended March 31, 2021.

As a result of the items discussed above, underwriting results for the Casualty Reinsurance segment declined from an underwriting loss of \$1.6 million for the three months ended March 31, 2021 to an underwriting loss of \$8.8 million for the three months ended March 31, 2022.

Reserves

An indicator of reserve strength that we monitor closely is the percentage of our gross and net loss reserves that are comprised of incurred but not reported (“IBNR”) reserves.

The Company’s gross reserve for losses and loss adjustment expenses at March 31, 2022 was \$2,750.2 million. Of this amount, 59.9% relates to amounts that are IBNR. This amount was 59.6% at December 31, 2021. The Company’s gross reserves for losses and loss adjustment expenses by segment are summarized as follows:

	Gross Reserves at March 31, 2022		
	Case	IBNR	Total
	(\$ in thousands)		
Excess and Surplus Lines	\$ 648,349	\$ 955,392	\$ 1,603,741
Specialty Admitted Insurance	309,507	393,340	702,847
Casualty Reinsurance	143,952	299,648	443,600
Total	\$ 1,101,808	\$ 1,648,380	\$ 2,750,188

At March 31, 2022, the amount of net reserves prior to the \$604,000 allowance for uncollectible reinsurance recoverables of \$1,131.7 million that related to IBNR was 61.8%. This amount was 64.4% at December 31, 2021. The Company's net reserves for losses and loss adjustment expenses by segment are summarized as follows:

	Net Reserves at March 31, 2022		
	Case	IBNR	Total
	(\$ in thousands)		
Excess and Surplus Lines	\$ 331,893	\$ 561,528	\$ 893,421
Specialty Admitted Insurance	43,526	65,263	108,789
Casualty Reinsurance	56,666	72,824	129,490
Total	\$ 432,085	\$ 699,615	\$ 1,131,700

Other Operating Expenses

In addition to the underwriting, acquisition, and insurance expenses of the Excess and Surplus Lines segment, the Specialty Admitted Insurance segment, and the Casualty Reinsurance segment discussed previously, other operating expenses also include the expenses of the Corporate and Other segment.

Corporate and Other Segment

Other operating expenses for the Corporate and Other segment include personnel costs associated with the Bermuda and U.S. holding companies, professional fees, and various other corporate expenses that are included in our calculation of our expense ratio and our combined ratio. Other operating expenses of the Corporate and Other segment represent the expenses of both the Bermuda and U.S. holding companies that were not reimbursed by our subsidiaries, including costs associated with our internal quota share, rating agencies and strategic initiatives. These costs vary from period-to-period based on the status of these initiatives.

Total operating expenses of the Corporate and Other segment were \$7.9 million and \$8.1 million for the three months ended March 31, 2022 and 2021, respectively.

Investing Results

Net investment income was \$16.3 million for the three months ended March 31, 2022 compared to \$15.1 million in the prior year. The increase was largely driven by strong results from the Company's renewable energy investments which generated income of \$2.7 million in the current quarter compared to a loss of \$681,000 in the prior year. In total, income from the Company's private investments was \$2.9 million for the three months ended March 31, 2022 compared to \$334,000 in the prior year. Excluding private investments, our net investment income for the three months ended March 31, 2022 decreased 9.4% from the prior year, principally due to lower investment income from fixed maturities resulting from a smaller portfolio (following the funding of the Rasier LPT reinsurance premium in September 2021) and from lower yields on bank loan participations. The average duration of our portfolio excluding restricted cash equivalents was 4.1 years at March 31, 2022.

Major categories of the Company's net investment income are summarized as follows:

	Three Months Ended March 31,	
	2022	2021
	(\$ in thousands)	
Fixed maturity securities	\$ 10,793	\$ 11,546
Bank loan participations	2,353	2,873
Equity securities	1,234	1,210
Other invested assets:		
Renewable energy investments	2,681	(681)
Other private investments	218	1,015
	2,899	334
Cash, cash equivalents, restricted cash equivalents and short-term investments	32	105
Gross investment income	17,311	16,068
Investment expense	(1,044)	(979)
Net investment income	\$ 16,267	\$ 15,089

The following table summarizes our investment returns:

	Three Months Ended March 31,	
	2022	2021
Annualized gross investment yield on:		
Average cash and invested assets	2.8 %	2.7 %
Average fixed maturity securities	2.7 %	3.0 %

Of our total cash and invested assets of \$2,395.2 million at March 31, 2022 (excluding restricted cash equivalents), \$270.2 million represents the cash and cash equivalents portion of the portfolio. The majority of the portfolio, or \$1,662.3 million, is comprised of fixed maturity securities that are classified as available-for-sale and carried at fair value with unrealized gains and losses on these securities reported, net of applicable taxes, as a separate component of accumulated comprehensive (loss) income. In the three months ended March 31, 2022, the fair values of our fixed maturity securities were negatively impacted by a heightened inflationary environment and rate actions of the Federal Reserve, which led to higher interest rates and lower fair values of our fixed maturity securities. Unrealized losses on fixed maturities recognized in other comprehensive (loss) income resulted in an \$86.0 million reduction in accumulated comprehensive (loss) income in the current quarter.

Also included in our investments are \$159.1 million of bank loan participations, \$103.0 million of equity securities, \$147.3 million of short-term investments, and \$53.3 million of other invested assets.

Bank loan participations generally provide a higher yield than our portfolio of fixed maturity securities and are primarily senior, secured floating-rate debt rated "BB", "B", or "CCC" by Standard & Poor's or an equivalent rating from another nationally recognized statistical rating organization, and are therefore below investment grade. Bank loans include assignments of and participations in, performing and non-performing senior corporate debt generally acquired through primary bank syndications and in secondary markets. They consist of, but are not limited to, term loans, the funded and unfunded portions of revolving credit loans, and similar loans and investments. Bank loan participations are measured at fair value pursuant to the Company's election of the fair value option, and changes in unrealized gains and losses in bank loan participations are reported in our income statement as net realized and unrealized gains (losses) on investments. At March 31, 2022 and December 31, 2021, the fair market value of these securities was \$159.1 million and \$156.0 million, respectively.

For the three months ended March 31, 2022, the Company recognized net realized and unrealized investment losses of \$5.0 million, including \$2.0 million of net unrealized losses on bank loan participations, \$2.7 million of net losses for the change in the fair value of equity securities, \$202,000 of net realized investment gains on the sale of fixed maturity securities, \$89,000 of net realized investment losses on the sale of bank loan participations, and \$357,000 of net realized investment losses on the sale of equity securities.

For the three months ended March 31, 2021, the Company recognized net realized and unrealized investment gains of \$6.3 million, including \$3.9 million of net unrealized gains on bank loan participations, \$1.7 million of net unrealized gains for the change in the fair value of equity securities, \$1.0 million of net realized investment gains on the sale of fixed maturity securities, and \$372,000 of net realized investment losses on the sale of equity securities.

In conjunction with its outside investment managers, the Company performs quarterly reviews of all securities within its investment portfolio to determine whether any impairment has occurred. Management concluded that none of its fixed maturity securities were impaired at March 31, 2022 or December 31, 2021. At March 31, 2022, 99.3% of the Company's fixed maturity security portfolio was rated "BBB-" or better ("investment grade") by Standard & Poor's or received an equivalent rating from another nationally recognized rating agency. Management does not intend to sell available-for-sale securities in an unrealized loss position, and it is not "more likely than not" that the Company will be required to sell these securities before a recovery in their value to their amortized cost basis occurs.

The amortized cost and fair value of our available-for-sale fixed maturity securities were as follows:

	March 31, 2022			December 31, 2021		
	Cost or Amortized Cost	Fair Value	% of Total Fair Value	Cost or Amortized Cost	Fair Value	% of Total Fair Value
<i>(\$ in thousands)</i>						
Fixed maturity securities, available-for-sale:						
State and municipal	\$ 337,908	\$ 319,492	19.2 %	\$ 323,773	\$ 333,717	19.9 %
Residential mortgage-backed	260,942	247,901	14.9 %	246,586	246,631	14.7 %
Corporate	736,153	715,375	43.1 %	711,930	732,335	43.7 %
Commercial mortgage and asset-backed	315,566	305,757	18.4 %	301,247	304,488	18.2 %
U.S. Treasury securities and obligations guaranteed by the U.S. government	75,633	73,753	4.4 %	60,329	60,390	3.5 %
Total fixed maturity securities, available-for-sale	<u>\$ 1,726,202</u>	<u>\$ 1,662,278</u>	<u>100.0 %</u>	<u>\$ 1,643,865</u>	<u>\$ 1,677,561</u>	<u>100.0 %</u>

The following table sets forth the composition of the Company's portfolio of available-for-sale fixed maturity securities by rating as of March 31, 2022:

Standard & Poor's or Equivalent Designation	Fair Value	% of Total
<i>(\$ in thousands)</i>		
AAA	\$ 350,892	21.1 %
AA	594,456	35.8 %
A	507,927	30.6 %
BBB	197,785	11.9 %
Below BBB and unrated	11,218	0.6 %
Total	<u>\$ 1,662,278</u>	<u>100.0 %</u>

At March 31, 2022, our portfolio of fixed maturity securities contained corporate fixed maturity securities (available-for-sale) with a fair value of \$715.4 million. A summary of these securities by industry segment is shown below as of March 31, 2022:

Industry	Fair Value	% of Total
<i>(\$ in thousands)</i>		
Industrials and Other	\$ 157,082	22.0 %
Financial	200,357	28.0 %
Consumer Discretionary	109,230	15.3 %
Health Care	76,056	10.6 %
Consumer Staples	62,386	8.7 %
Utilities	110,264	15.4 %
Total	<u>\$ 715,375</u>	<u>100.0 %</u>

Corporate fixed maturity securities (available-for-sale) include publicly traded securities and privately placed bonds as shown below as of March 31, 2022:

Public/Private	Fair Value	% of Total
	(\$ in thousands)	
Publicly traded	\$ 641,013	89.6 %
Privately placed	74,362	10.4 %
Total	\$ 715,375	100.0 %

The amortized cost and fair value of our available-for-sale investments in fixed maturity securities summarized by contractual maturity are as follows:

	March 31, 2022		
	Amortized Cost	Fair Value	% of Total Value
	(\$ in thousands)		
Due in:			
One year or less	\$ 103,147	\$ 103,369	6.2 %
After one year through five years	464,925	458,531	27.6 %
After five years through ten years	332,124	311,381	18.7 %
After ten years	249,498	235,339	14.2 %
Residential mortgage-backed	260,942	247,901	14.9 %
Commercial mortgage and asset-backed	315,566	305,757	18.4 %
Total	\$ 1,726,202	\$ 1,662,278	100.0 %

Other Expenses

Other expenses of \$347,000 and \$621,000 for the three months ended March 31, 2022 and 2021, respectively, include legal fees related to a purported class action lawsuit, certain legal and professional consulting fees related to various strategic initiatives, and employee severance costs.

Interest Expense

Interest expense was \$2.3 million and \$2.2 million for the three months ended March 31, 2022 and 2021, respectively. See “—Liquidity and Capital Resources—Sources and Uses of Funds” for more information regarding our senior bank debt facilities and trust preferred securities.

Amortization of Intangibles

The Company recorded \$91,000 of amortization of intangible assets in each of the three months ended March 31, 2022 and 2021.

Income Tax Expense

Our effective tax rate fluctuates from period to period based on the relative mix of income reported by country and the respective tax rates imposed by each tax jurisdiction. For U.S.-sourced income, the Company’s U.S. federal income tax expense differs from the amounts computed by applying the federal statutory income tax rate to income before taxes due primarily to interest income on tax-advantaged state and municipal securities, dividends received income, and excess tax benefits on share based compensation. For the three months ended March 31, 2022, our effective tax rate was 24.6%. The effective rate exceeded the 21.0% U.S. statutory rate due to a projected annual loss in Bermuda that does not provide a tax benefit and due to discreet items for the quarter primarily related to excess tax expenses associated with vested restricted share units (“RSUs”) in the three months ended March 31, 2022. For the three months ended March 31, 2021, we had an effective tax benefit that was 26.5% of our pre-tax loss for the quarter. The change in effective tax rate for the two periods reflects changes in reserve estimates and the related impact on the mix of income reported by country in those respective periods.

LIQUIDITY AND CAPITAL RESOURCES***Sources and Uses of Funds***

Our sources of funds consist primarily of premiums written, investment income, reinsurance recoveries, proceeds from sales and redemptions of investments, borrowings on our credit facilities, and the issuance of common and Series A Preferred Shares. We use operating cash flows primarily to pay operating expenses, losses and loss adjustment expenses, reinsurance premiums, and income taxes. Cash flow from operations may differ substantially from net income. The potential for a large claim under an insurance or reinsurance contract means that substantial and unpredictable payments may need to be made within relatively short periods of time.

The following table summarizes our cash flows:

	Three Months Ended March 31,	
	2022	2021
<i>(\$ in thousands)</i>		
Cash and cash equivalents provided by (used in):		
Operating activities (excluding restricted cash equivalents)	\$ 65,351	\$ 27,247
Investing activities	(87,134)	5,988
Financing activities	101,855	(12,004)
Change in cash and cash equivalents	80,072	21,231
Change in restricted cash equivalents (operating activities)	4	(108,252)
Change in cash, cash equivalents, and restricted cash equivalents	\$ 80,076	\$ (87,021)

Cash provided by operating activities excluding restricted cash equivalents was \$65.4 million and \$27.2 million for the three months ended March 31, 2022 and 2021, respectively, reflecting the growth in our U.S. segments and the collection of premiums receivable at a quicker rate than payments of loss and loss adjustment expenses.

Cash used in investing activities for the three months ended March 31, 2022 reflects our efforts to enhance the yield in our investment portfolio by investing available cash and cash equivalents into higher yielding investments. Cash and cash equivalents (excluding restricted cash equivalents) comprised 11.3% and 7.8% of total cash and invested assets at March 31, 2022 and 2021, respectively.

Cash used in financing activities for the three months ended March 31, 2022 and 2021 included \$2.1 million and \$9.6 million of dividends paid to common shareholders, respectively. Cash provided by financing activities for the three months ended March 31, 2022 included the net proceeds (after expenses) of \$144.9 million from the issuance and sale of 150,000 Series A Preferred Shares on March 1, 2022, which were used for general corporate purposes and to repay on March 28, 2022 \$40.0 million of loans outstanding on the 2017 Facility (as defined below).

The change in restricted cash equivalents for the three months ended March 31, 2021 primarily reflects restricted cash equivalents returned to a former insured, per the terms of a collateral trust. See *Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book* below.

Dividends

We are organized as a Bermuda holding company with our operations conducted by our wholly-owned subsidiaries. Accordingly, our holding company may receive cash through loans from banks, issuance of equity and debt securities, corporate service fees or dividends received from our subsidiaries and/or other transactions. Our U.S. holding company may receive cash in a similar manner and also through payments from our subsidiaries pursuant to our U.S. consolidated tax allocation agreement.

The payment of dividends by our subsidiaries to us is limited by statute. In general, the laws and regulations applicable to our domestic insurance subsidiaries limit the aggregate amount of dividends or other distributions that they may declare or pay within any 12-month period without advance regulatory approval. Generally, the limitations are based on the greater of statutory net income for the preceding year or 10.0% of statutory surplus at the end of the preceding year. In addition, insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels and could refuse to permit the payment of dividends calculated under any applicable formula. See Item 1—“Business Regulation—U.S. Insurance Regulation—State Regulation” in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 1, 2022 for additional information. The maximum amount of dividends available to the U.S. holding company from our U.S. insurance subsidiaries during 2022 without regulatory approval is \$27.2 million.

The Bermuda Insurance Act of 1978 prohibits an insurer from declaring or paying a dividend if it is in breach of its minimum solvency margin, its enhanced capital requirement, or its minimum liquidity ratio, or if the declaration or payment of such dividend would cause such a breach. An insurer can declare or pay dividends without prior regulatory approval up to 25% of the total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet). See Item 1- "Business Regulation- Bermuda Insurance Regulation- Restrictions on Dividends and Distributions" in our Annual Report on Form 10-K for the year ended December 31, 2021 filed with the SEC on March 1, 2022 for additional information. Based on that calculation, the maximum combined amount of dividends and return of capital available to us from our Bermuda insurers without regulatory approval in 2022 is calculated to be approximately \$129.7 million. However, any dividend payment is contingent upon continued compliance with Bermuda regulatory requirements, including but not limited to the enhanced solvency requirement calculations.

Holders of the Series A Preferred Shares are entitled to a dividend at the initial rate of 7% of the Liquidation Preference per annum, paid in cash, in-kind in common shares or in Series A Preferred Shares, at our election. On the five-year anniversary of the Closing Date, and each five-year anniversary thereafter, the dividend rate will reset to a rate equal to the five-year U.S. treasury rate plus 5.2%. Dividends will accrue quarterly and will be payable on March 31, June 30, September 30 and December 31 of each year, commencing June 30, 2022. Dividends accrued on the Series A Preferred Shares in the three months ended March 31, 2022 (which represent dividends from March 1, 2022, the date of issuance of the Series A Preferred Shares, through March 31, 2022) were \$875,000.

At March 31, 2022, the Bermuda holding company had \$3.0 million of cash and cash equivalents. The U.S. holding company had \$28.0 million of cash and invested assets, comprised of cash and cash equivalents of \$20.1 million and other invested assets of \$7.9 million, which are not subject to regulatory restrictions. Additionally, our U.K. intermediate holding company had no invested assets and cash of less than ten thousand dollars at March 31, 2022.

Credit Agreements

The Company has a \$315.0 million senior revolving credit facility (as amended or amended and restated, the "2013 Facility"). The 2013 Facility is comprised of the following at March 31, 2022:

- A \$102.5 million secured revolving facility used by JRG Re to issue letters of credit for the benefit of third-party reinsureds. This portion of our credit facility is secured by our investment securities. At March 31, 2022, the Company had \$38.2 million of letters of credit issued under the secured facility.
- A \$212.5 million unsecured revolving facility to meet the working capital needs of the Company. All unpaid principal on the revolver is due at maturity. Interest accrues quarterly and is payable in arrears at 3-month LIBOR plus a margin which is currently 1.625% and is subject to change according to terms in the credit agreement. At March 31, 2022, the Company had a drawn balance of \$185.8 million outstanding on the unsecured revolver.

The 2013 Facility has been amended from time to time since its inception in 2013. On November 8, 2019, the Company entered into a Second Amended and Restated Credit Agreement for the 2013 Facility which, among other things, extended the maturity date of the 2013 Facility until November 8, 2024, increased the amount available under the unsecured revolving credit facility to \$212.5 million, lowered the applicable interest rate and letter of credit fees, and modified certain negative covenants to be less restrictive.

The 2013 Facility contains certain financial and other covenants (including minimum net worth, maximum ratio of total adjusted debt outstanding to total capitalization, and financial strength ratings) with which the Company was in compliance at March 31, 2022.

On August 2, 2017, the Company, and its wholly-owned subsidiary, JRG Re, together as borrowers, entered into a credit agreement (the "2017 Facility") that provides the Company with a revolving line of credit of up to \$100.0 million, which may be used for loans and letters of credit made or issued, at the borrowers' option, on a secured or unsecured basis. Obligations under the 2017 Facility carry a variable rate of interest subject to terms in the credit agreement and will mature 30 days after notice of termination from the lender. The 2017 Facility contains certain financial and other covenants with which we are in compliance at March 31, 2022. The loans and letters of credit made or issued under the revolving line of credit of the 2017 Facility may be used to finance the borrowers' general corporate purposes. The 2017 Facility has been amended from time to time since its inception in 2017, including on November 8, 2019 when the Company entered into a First Amendment to Credit Agreement which, among other things, lowered the applicable interest rate and modified certain negative covenants to be less restrictive. Interest accrues quarterly and is payable in arrears at variable rates which are subject to change according to terms in the credit agreement. At March 31, 2022, unsecured loans of \$21.5 million and secured letters of credit totaling \$22.6 million were outstanding on the 2017 Facility. During the three months ended March 31, 2022, the Company repaid \$40.0 million of loans that were outstanding under the 2017 Facility.

On May 26, 2004, we issued \$15.0 million of senior debt due April 29, 2034. The senior debt is not redeemable by the holder or subject to sinking fund requirements. Interest accrues quarterly and is payable in arrears at a floating rate per annum

equal to the 3-month LIBOR plus 3.85%. This senior debt is redeemable at par prior to its stated maturity at our option in whole or in part. The terms of the senior debt contain certain covenants, with which we are in compliance at March 31, 2022, and which, among other things, restrict our ability to assume senior indebtedness secured by our U.S. holding company's common stock or its subsidiaries' capital stock or to issue shares of its subsidiaries' capital stock.

From May 2004 through January 2008, we sold trust preferred securities through five Delaware statutory trusts sponsored and wholly-owned by the Company or its subsidiaries. Each trust used the net proceeds from the sale of its trust preferred securities to purchase our floating-rate junior subordinated debt.

The following table summarizes the nature and terms of the junior subordinated debt and trust preferred securities outstanding at March 31, 2022 (including the Company's repurchases of a portion of these trust preferred securities):

	James River Capital Trust I	James River Capital Trust II	James River Capital Trust III	James River Capital Trust IV	Franklin Holdings II (Bermuda) Capital Trust I
			(\$ in thousands)		
Issue date	May 26, 2004	December 15, 2004	June 15, 2006	December 11, 2007	January 10, 2008
Principal amount of trust preferred securities	\$7,000	\$15,000	\$20,000	\$54,000	\$30,000
Principal amount of junior subordinated debt	\$7,217	\$15,464	\$20,619	\$55,670	\$30,928
Carrying amount of junior subordinated debt net of repurchases	\$7,217	\$15,464	\$20,619	\$44,827	\$15,928
Maturity date of junior subordinated debt, unless accelerated earlier	May 24, 2034	December 15, 2034	June 15, 2036	December 15, 2037	March 15, 2038
Trust common stock	\$217	\$464	\$619	\$1,670	\$928
Interest rate, per annum	Three-Month LIBOR plus 4.0%	Three-Month LIBOR plus 3.4%	Three-Month LIBOR plus 3.0%	Three-Month LIBOR plus 3.1%	Three-Month LIBOR plus 4.0%

All of the junior subordinated debt is currently redeemable at 100.0% of the unpaid principal amount at our option.

The junior subordinated debt contains certain covenants with which we are in compliance as of March 31, 2022.

At March 31, 2022 and December 31, 2021, the Company's leverage ratio was 23.2% and 31.1%, respectively. The leverage ratio is defined in our senior credit agreements as the ratio of adjusted consolidated debt to total capital. Adjusted consolidated debt treats trust preferred securities as equity capital up to 15% of total capital. The Series A Preferred Shares represent equity capital for purposes of the leverage ratio calculation under the credit agreements. Total capital is defined as total debt plus tangible equity excluding accumulated other comprehensive income. The maximum leverage ratio permitted by the agreements is 35.0%. Having debt as part of our capital structure allows us to generate a higher return on equity and greater book value per share results than we could by using equity capital alone.

Ceded Reinsurance

Our insurance segments enter into reinsurance contracts to limit our exposure to potential losses arising from large risks, to protect against the aggregation of several risks in a common loss occurrence, and to provide additional capacity for growth. Our reinsurance is contracted under excess of loss and quota share reinsurance contracts. In excess of loss reinsurance, the reinsurer agrees to assume all or a portion of the ceding company's losses in excess of a specified amount. The premiums payable to the reinsurer are negotiated by the parties based on their assessment of the amount of risk being ceded to the reinsurer because the reinsurer does not share proportionately in the ceding company's losses. In quota share reinsurance, the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums. For the three months ended March 31, 2022 and 2021, our net premium retention was 48.9% and 46.8%, respectively.

The following is a summary of our Excess and Surplus Lines segment's net retention after reinsurance as of March 31, 2022:

Line of Business	Company Retention
Casualty	
Primary Specialty Casualty, including Professional Liability	Up to \$1.0 million per occurrence, subject to a \$1.0 million aggregate deductible. ⁽¹⁾
Primary Casualty	Up to \$2.0 million per occurrence. ⁽²⁾
Excess Casualty	Up to \$1.0 million per occurrence. ⁽³⁾
Property	Up to \$5.0 million per event. ⁽⁴⁾

(1) Except for Life Sciences quota share carve out, which is up to \$2.0 million per occurrence.

(2) Total exposure to any one claim is generally \$1.0 million.

(3) For policies with an occurrence limit up to \$10.0 million, the excess casualty treaty is set such that our retention is no more than \$1.0 million.

(4) The property catastrophe reinsurance treaty has a limit of \$40.0 million with one reinstatement.

We use catastrophe modeling software to analyze the risk of severe losses from hurricanes and earthquakes on our exposure. We utilize the model in our risk selection, pricing, and to manage our overall portfolio probable maximum loss ("PML") accumulations. A PML is an estimate of the amount we would expect to pay in any one catastrophe event within a given annual probability of occurrence (i.e. a return period or loss exceedance probability).

In our Excess and Surplus Lines segment, we write a small book of excess property insurance, but we do not write primary property insurance. The Excess and Surplus Lines segment has a surplus share reinsurance treaty in effect that was specifically designed to cover property risks. The surplus share treaty along with facultative reinsurance helps ensure that our net retained limit per risk will be \$5.0 million or less.

Based upon the modeling of our Excess and Surplus Lines and Specialty Admitted segments, it would take an event at the 1 in 1000 year PML to exhaust our \$45.0 million property catastrophe reinsurance. In the event of a catastrophe loss exhausting our \$45.0 million property catastrophe reinsurance, we estimate our pre-tax cost would not exceed 2.5% of shareholders' equity, including reinstatement premiums and net retentions. In addition to this retention, we would retain any losses in excess of our reinsurance coverage limits.

On September 27, 2021, James River entered into the LPT Agreement with Aleka to reinsure substantially all of the Excess and Surplus Lines segment's legacy portfolio of commercial auto previously issued to Rasier. See "Amounts Recoverable from an Indemnifying Party and Reinsurer on the Legacy Commercial Auto Book" below for further information on this reinsurance agreement.

The following is a summary of our Specialty Admitted Insurance segment's ceded reinsurance in place as of March 31, 2022:

Line of Business	Coverage
Casualty	
Workers' Compensation	Quota share coverage for 65.5% of the first \$1.0 million. ⁽¹⁾⁽²⁾ Excess of loss coverage for \$29.0 million in excess of \$1.0 million. ⁽¹⁾⁽²⁾
Auto Programs	Quota share coverage for 70-90% of limits up to \$1.5 million liability and \$5.0 million physical damage per occurrence.
General Liability & Professional Liability – Programs	Quota share coverage for 70%-100% of limits up to \$3.0 million per occurrence.
Umbrella and Excess Casualty - Programs	Quota share coverage for at least 90% of limits up to \$10.0 million per occurrence, and 87.5% of excess of loss coverage for \$5.0 million in excess of \$10.0 million.
Property	
Property within Package - Programs	Quota share coverage for 100% of limits up to \$40.0 million per occurrence.
Excess Property	Quota share coverage for 100% of limits up to \$16.9 million.
Catastrophe Coverage	Excess of Loss coverage for \$44.0 million in excess of \$1.0 million per occurrence.
Aviation Programs	Quota share coverage for 80% of limits up to \$20 million liability and \$2.5 million hull per occurrence, each aircraft; and excess of loss coverage for up to \$7.3M excess of \$200 thousand of our 20% share of the quota share each occurrence.

(1) Excluding one program which has quota share coverage for 84.5% of the first \$1.0 million per occurrence and excess of loss coverage for \$49.0 million in excess of \$1.0 million per occurrence.

(2) Includes any residual market pools.

Our Specialty Admitted Insurance segment purchases reinsurance for at least 50% of the exposed limits on specialty admitted property-casualty business. The segment enters into reinsurance contracts for the individual risk workers' compensation business as well as fronting and program business. While the segment focuses on casualty business, incidental property risk is incurred in the fronting and program business. The segment is covered for \$44.0 million in excess of \$1.0 million per occurrence to manage its property exposure to an approximate 1 in 1,000 year PML.

In our Casualty Reinsurance segment, we also have limited property catastrophe exposure on treaties in run-off, primarily through auto physical damage coverage. In the aggregate, we believe our pre-tax group-wide PML from a 1 in 1,000 year property catastrophe event would not exceed 2.5% of shareholders' equity, inclusive of reinstatement premiums payable.

On February 23, 2022, JRG Re entered into the Retrocession Agreement with FRL to reinsure the majority of the segment risk, which closed on March 31, 2022. See "*Recent Strategic Actions – Loss Portfolio Transfer Retrocession Agreement*" above for further information on this retrocession agreement.

We also have a contingency clash reinsurance treaty to cover both the Excess and Surplus Lines and Specialty Admitted Insurance segments in the event of a claim incident involving more than one of our insureds in addition to Extra Contractual and Excess Policy Limits protection. The treaty covers \$10.0 million in excess of a \$2.0 million retention for loss occurrences within the treaty term. This coverage has two reinstatements in the event we exhaust any of the coverage. As of March 31, 2022, our average net retained limit per risk is \$2.5 million.

Effective January 1, 2020, we purchased an additional \$10.0 million in claims made coverage for excess policy limits and extra contractual obligations exposures above the clash and contingency treaty for the period 2014 to present. This treaty has one reinstatement.

The Company's insurance segments remain liable to policyholders if its reinsurers are unable to meet their contractual obligations under applicable reinsurance agreements. We establish an allowance for credit losses for our current estimate of uncollectible reinsurance recoverables. At March 31, 2022, the allowance for credit losses on reinsurance recoverables was \$604,000. To minimize exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. The Company generally seeks to purchase reinsurance from reinsurers with A.M. Best financial strength ratings of "A-" (Excellent) or better. The Company's reinsurance contracts generally require reinsurers that are not authorized as reinsurers under U.S. state insurance regulations or that experience rating downgrades from rating agencies below specified levels to fund their share of the Company's ceded outstanding losses and loss adjustment expense reserves, typically through the use of irrevocable and unconditional letters of credit. In fronting arrangements, which the Company conducts through its Specialty Admitted Insurance segment, we are subject to credit risk

with regard to insurance companies who act as reinsurers for us in such arrangements. We customarily require a collateral trust arrangement to secure the obligations of the insurance entity for whom we are fronting.

At March 31, 2022, we had reinsurance recoverables on unpaid losses of \$1,617.9 million (net of a \$604,000 allowance for credit losses) and reinsurance recoverables on paid losses of \$87.6 million, and all material recoverable amounts were from companies with A.M. Best ratings of "A-" (Excellent) or better, are collateralized by the reinsurer for our benefit through letters of credit or funds on deposit in trust accounts, or represent recoverables from a state residual market for automobile insurance.

Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book

James River previously issued a set of commercial auto insurance contracts to Rasier (the "Rasier Commercial Auto Policies") under which James River pays losses and loss adjustment expenses on the contracts. James River has indemnity agreements with Rasier (non-insurance entities) (collectively, the "Indemnity Agreements") and is contractually entitled to reimbursement for the portion of the losses and loss adjustment expenses paid on behalf of Rasier under the Rasier Commercial Auto Policies and other expenses incurred by James River. On September 27, 2021, James River entered into a loss portfolio transfer reinsurance agreement (the "LPT Agreement") with Aleka to reinsure substantially all of the Rasier Commercial Auto Policies for which James River is not otherwise indemnified by Rasier under the Indemnity Agreements. Under the terms of the LPT Agreement, effective as of July 1, 2021, James River ceded to Aleka approximately \$345.1 million of commercial auto liabilities relating to Rasier Commercial Auto Policies written in the years 2013-2019, which amount constituted the reinsurance premium.

Each of Rasier and Aleka are required to post collateral under the Indemnity Agreements and the LPT Agreement, respectively:

- Pursuant to the Indemnity Agreements, Rasier is required to post collateral for the amounts that are recoverable or may be recoverable under the indemnity agreements, including, among other things, case loss and loss adjustment expense reserves, IBNR loss and loss adjustment expense reserves, extra contractual obligations and excess policy limits liabilities. The collateral is provided through a collateral trust arrangement (the "Indemnity Trust") in favor of James River by Aleka. In connection with the execution of the LPT Agreement, James River returned \$691.3 million to the Indemnity Trust, representing the remaining balance of the amount withdrawn in October 2019, as was permitted under the indemnification agreements with Rasier and the associated trust agreement. At March 31, 2022, the balance in the Indemnity Trust was \$494.9 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the Indemnity Agreements as described below, the total balance of collateral securing Rasier's obligations under the Indemnity Agreements was \$564.1 million.

- Pursuant to the LPT Agreement, Aleka is required to post collateral equal to 102% of James River's estimate of Aleka's obligations under the LPT Agreement, calculated in accordance with statutory accounting principles. The collateral is provided through a collateral trust arrangement (the "LPT Trust") established in favor of James River by Aleka. At March 31, 2022, the balance in the LPT Trust was \$214.3 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the LPT Agreement as described below, the total balance of collateral securing Aleka's obligations under the LPT Agreement was \$242.5 million. At March 31, 2022, the total reinsurance recoverables under the LPT Agreement was \$237.3 million (including \$225.5 million of unpaid recoverables and \$11.8 million of paid recoverables).

In connection with the execution of the LPT Agreement, James River and Aleka entered into an administrative services agreement (the "Administrative Services Agreement") with a third party claims administrator (the "Administrator") pursuant to which the Administrator handles the claims on the Rasier Commercial Auto Policies for the remaining life of those claims. The claims paid by the Administrator are reimbursable by James River, and pursuant to the Administrative Services Agreement, James River established a loss fund trust account for the benefit of the Administrator (the "Loss Fund Trust") to collateralize its claims payment reimbursement obligations. James River funds the Loss Fund Trust using funds withdrawn from the Indemnity Trust, funds withdrawn from the LPT Trust, and its own funds, in each case in an amount equal to the pro rata portion of the required Loss Fund Trust balance attributable to the Indemnity Agreements, the LPT Agreement and James River's existing third party reinsurance agreements, respectively. At March 31, 2022, the balance in the Loss Fund Trust was \$102.0 million, including \$69.2 million representing collateral supporting Rasier's obligations under the Indemnity Agreements and \$28.2 million representing collateral supporting Aleka's obligations under the LPT Agreement. Funds posted to the Loss Fund Trust are classified as restricted cash equivalents on the Company's balance sheet.

While the LPT Agreement brings economic finality to substantially all of the Rasier Commercial Auto Policies, the Company has credit exposure to Rasier and Aleka under the Indemnity Agreements and the LPT Agreement if the estimated losses and expenses of the Rasier Commercial Auto Policies grow at a faster pace than the growth in our collateral balances. In addition, we have credit exposure if our estimates of future losses and loss adjustment expenses and other amounts recoverable under the Indemnity Agreements and the LPT agreement, which are the basis for establishing the collateral balances, are lower than actual amounts paid or payable. The amount of our credit exposure in any of these instances could be material. To mitigate these risks, we closely and frequently monitor our exposure compared to our collateral held, and we request additional collateral

in accordance with the terms of the LPT Agreement and Indemnity Agreements when our analysis indicates that we have uncollateralized exposure.

Ratings

The A.M. Best financial strength rating for our group's regulated insurance and reinsurance subsidiaries is "A-" (Excellent) with a stable outlook. This rating reflects A.M. Best's opinion of our insurance and reinsurance subsidiaries' financial strength, operating performance and ability to meet obligations to policyholders and is not an evaluation directed towards the protection of investors. The rating for our operating insurance and reinsurance companies of "A-" (Excellent) is the fourth highest rating of the thirteen ratings issued by A.M. Best and is assigned to insurers that have, in A.M. Best's opinion, an excellent ability to meet their ongoing obligations to policyholders. On March 4, 2021, A.M. Best announced that it reduced the outlook on our regulated insurance subsidiaries to negative from stable on the "A" (Excellent) financial strength rating on such entities following our announcement of \$86.0 million of adverse development on reserves for losses and loss adjustment expenses in the fourth quarter of 2020 principally related to our commercial auto business in our Excess and Surplus Lines segment. On May 7, 2021, following the Company's announcement of \$168.7 million of further adverse development in the first quarter of 2021 on reserves for losses and loss adjustment expenses in our Excess and Surplus Lines segment, inclusive of \$170.0 million of unfavorable development in our commercial auto business, A.M. Best announced a downgrade of our financial strength rating to "A-" (Excellent) and maintained a negative outlook on our regulated insurance subsidiaries. The Company's outlook was upgraded to stable by A.M. Best in the third quarter following the closing of the LPT Agreement which reinsures substantially all of the legacy commercial auto business.

The financial strength ratings assigned by A.M. Best have an impact on the ability of our regulated subsidiaries to attract and retain agents and brokers and on the risk profiles of the submissions for insurance that our subsidiaries receive. We believe the "A-" (Excellent) ratings assigned to our insurance and reinsurance subsidiaries allow our subsidiaries to actively pursue relationships with the agents and brokers identified in their marketing plans.

Series A Preferred Shares

The Company closed on the issuance and sale of 150,000 Series A Preferred Shares on March 1, 2022 for an aggregate purchase price of \$150.0 million, or \$1,000 per share, in a private placement. The Series A Preferred Shares are convertible into the Company's common shares at the option of the holder at any time, or at the Company's option under certain circumstances. Dividends on the Series A Preferred Shares accrue quarterly at the initial rate of 7% of the Liquidation Preference per annum, which may be paid in cash, in-kind in common shares or in Series A Preferred Shares, at the Company's election.

EQUITY

Total common shares outstanding increased from 37,373,066 at December 31, 2021 to 37,448,314 at March 31, 2022, reflecting 75,248 common shares issued in the three months ended March 31, 2022 related to vesting of RSUs.

Share Based Compensation Expense

For the three months ended March 31, 2022 and 2021, the Company recognized \$1.8 million and \$1.9 million of share based compensation expense, respectively. As of March 31, 2022, the Company had \$18.0 million of unrecognized share based compensation expense expected to be charged to earnings over a weighted-average period of 2.3 years.

Equity Incentive Plans

Options

The following table summarizes option activity:

	Three Months Ended March 31,			
	2022		2021	
	Shares	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding:				
Beginning of period	287,974	\$ 35.26	463,324	\$ 32.25
Granted	—	\$ —	—	\$ —
Exercised	—	\$ —	(29,884)	\$ 26.37
Forfeited	—	\$ —	—	\$ —
End of period	<u>287,974</u>	<u>\$ 35.26</u>	<u>433,440</u>	<u>\$ 32.65</u>
Exercisable, end of period	<u>287,974</u>	<u>\$ 35.26</u>	<u>433,440</u>	<u>\$ 32.65</u>

All of the outstanding options are fully vested (vesting period of three years from date of grant) and have a contractual life of seven years from the original date of grant.

RSUs

The following table summarizes RSU activity:

	Three Months Ended March 31,			
	2022		2021	
	Shares	Weighted-Average Grant Date Fair Value	Shares	Weighted-Average Grant Date Fair Value
Unvested, beginning of period	292,135	\$ 45.89	399,856	\$ 43.5
Granted	538,778	\$ 20.50	138,936	\$ 50.2
Vested	(109,589)	\$ 45.57	(161,004)	\$ 41.8
Forfeited	—	\$ —	(1,089)	\$ 42.4
Unvested, end of period	<u>721,324</u>	<u>\$ 26.97</u>	<u>376,699</u>	<u>\$ 46.7</u>

Outstanding RSUs granted to employees generally vest ratably over a three year vesting period. RSUs granted to non-employee directors have a one year vesting period.

RECONCILIATION OF NON-GAAP MEASURES

Reconciliation of Underwriting Profit

We believe that the disclosure of underwriting profit by individual segment and of the Company as a whole is useful to investors, analysts, rating agencies and other users of our financial information in evaluating our performance because our objective is to consistently earn underwriting profits. We evaluate the performance of our segments and allocate resources based primarily on underwriting profit. Our definition of underwriting profit may not be comparable to that of other companies.

The following table reconciles the underwriting profit (loss) by individual segment and for the entire Company to consolidated income (loss) before U.S. Federal income taxes:

	Three Months Ended March 31,	
	2022	2021
(in thousands)		
Underwriting profit (loss) of the insurance segments:		
Excess and Surplus Lines	\$ 21,457	\$ (150,946)
Specialty Admitted Insurance	209	1,266
Casualty Reinsurance	(8,837)	(1,625)
Total underwriting profit (loss) of insurance segments	12,829	(151,305)
Other operating expenses of the Corporate and Other segment	(7,874)	(8,056)
Underwriting profit (loss) (1)	4,955	(159,361)
Net investment income	16,267	15,089
Net realized and unrealized (losses) gains on investments	(5,010)	6,272
Amortization of intangible assets	(91)	(91)
Other income and expenses	(301)	(522)
Interest expense	(2,292)	(2,216)
Income (loss) before income taxes	\$ 13,528	\$ (140,829)

(1) Included in underwriting results for the three months ended March 31, 2022 and 2021 is gross fee income of \$5.6 million and \$5.1 million, respectively.

Reconciliation of Adjusted Net Operating Income (Loss)

We define adjusted net operating income (loss) as income (loss) available to common shareholders excluding net realized and unrealized (losses) gains on investments, and certain non-operating expenses such as professional service fees related to a purported class action lawsuit, various strategic initiatives, and the filing of registration statements for the offering of securities, and severance costs associated with terminated employees. We use adjusted net operating income (loss) as an internal performance measure in the management of our operations because we believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted net operating income (loss) should not be viewed as a substitute for net income (loss) calculated in accordance with GAAP, and our definition of adjusted net operating income (loss) may not be comparable to that of other companies.

Our income (loss) available to common shareholders reconciles to our adjusted net operating income (loss) as follows:

	Three Months Ended March 31,			
	2022		2021	
	Income Before Taxes	Net Income	Loss Before Taxes	Net Loss
(\$ in thousands)				
Income (loss) available to common shareholders	\$ 12,653	\$ 9,330	\$ (140,829)	\$ (103,460)
Net realized and unrealized investment losses (gains)	5,010	4,190	(6,272)	(5,751)
Other expenses	347	347	527	416
Adjusted net operating income (loss)	\$ 18,010	\$ 13,867	\$ (146,574)	\$ (108,795)

Tangible Equity and Tangible Equity per Share

Key financial measures that we use to assess our longer term financial performance include the percentage growth in our tangible equity per share and our return on tangible equity. We believe tangible equity is a good measure to evaluate the strength of our balance sheet and to compare returns relative to this measure. We define tangible equity as shareholders' equity plus mezzanine Series A Preferred Shares less goodwill and intangible assets, net of amortization. Our definition of tangible equity may not be comparable to that of other companies, and it should not be viewed as a substitute for shareholders' equity calculated in accordance with GAAP.

Tangible equity of \$574.8 million at March 31, 2022 increased 13.3% compared to tangible equity of \$507.5 million at December 31, 2021, as net income available to common shareholders and the \$144.9 million of net proceeds from the Series A Preferred Shares issued during the quarter were partially offset by unrealized losses in the Company's fixed maturity portfolio. The market values of our fixed maturity investments have been negatively impacted in the current year by the inflationary environment and recent rate actions of the Federal Reserve, leading to higher interest rates, and inversely, declining market values of our fixed maturity investments. Unrealized losses on fixed maturities recognized in other comprehensive income resulted in an \$86.0 million reduction in tangible equity in the current year. Our tangible equity per share decreased by 1.8% for the three months ended March 31, 2022. We assume conversion of the Series A Preferred Shares into common shares (at the current conversion price) and include them in the denominator shares for the tangible equity per share calculation. Our operating return on average tangible equity was 10.3% for the three months ended March 31, 2022.

The following table reconciles shareholders' equity to tangible equity as of March 31, 2022 and December 31, 2021:

	March 31, 2022		December 31, 2021	
	Equity	Equity per Share	Equity	Equity per Share
	<i>(\$ in thousands, except share amounts)</i>			
Shareholders' equity	\$ 647,677	\$ 17.30	\$ 725,362	\$ 19.41
Series A redeemable preferred shares	144,898		—	
Less:				
Goodwill	181,831		181,831	
Intangible assets, net	35,948		36,039	
Tangible equity	<u>\$ 574,796</u>	\$ 13.34	<u>\$ 507,492</u>	\$ 13.58
Common shares outstanding	37,448,314		37,373,066	
Common shares from assumed conversion of Series A Preferred Shares	5,640,158		—	
Common shares outstanding after assumed conversion of Series A Preferred Shares	<u>43,088,472</u>		<u>37,373,066</u>	

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risks have been interest rate risk associated with investments in fixed maturities and equity price risk associated with investments in equity securities. We do not have material exposure to foreign currency exchange rate risk or commodity risk.

There have been no material changes in market risk from the information provided in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2021. In the three months ended March 31, 2022, the fair values of our fixed maturity securities were negatively impacted by a heightened inflationary environment and rate actions of the Federal Reserve, which led to higher interest rates and lower fair values of our fixed maturity securities. Unrealized losses on fixed maturities of \$86.0 million were recognized in other comprehensive loss in the current quarter. Market risk was also reflected in net realized and unrealized investment losses of \$5.0 million for the three months ended March 31, 2022, which included \$2.7 million and \$2.0 million of unrealized losses related to changes in unrealized gains and losses on equity securities and bank loan participations, respectively.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required financial disclosure. In connection with the preparation of this quarterly report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our management, including the CEO and CFO, as of March 31, 2022, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of March 31, 2022.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our quarter ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings, including commercial matters and litigation regarding insurance claims which arise in the ordinary course of business, as well as an alleged class action lawsuit. In addition, the Company is involved from time to time in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. We believe that the outcome of such matters, individually and in the aggregate, is not reasonably likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On July 9, 2021 a purported class action lawsuit was filed in the U.S. District Court, Eastern District of Virginia (the “Court”) by Employees’ Retirement Fund of the City of Fort Worth against James River Group Holdings, Ltd. and certain of its present and former officers (together, “Defendants”). On September 22, 2021, the Court entered an order appointing Employees’ Retirement Fund of the City of Fort Worth and the City of Miami General Employees’ and Sanitation Employees’ Retirement Trust as co-lead plaintiffs (together, “Plaintiffs”). Plaintiffs’ consolidated amended complaint was filed on November 19, 2021 (the “Amended Complaint”), which asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of persons and entities that purchased the Company’s stock between February 22, 2019 and October 25, 2021. The Amended Complaint alleges that Defendants failed to make appropriate disclosures concerning the adequacy of reserves for policies that covered Rasier LLC, a subsidiary of Uber Technologies, Inc., and seeks unspecified damages, costs, attorneys’ fees and such other relief as the court may deem proper. The Defendants filed a motion to dismiss on January 18, 2022. Plaintiffs’ opposition to the motion to dismiss was filed on March 4, 2022, and the

Defendants' reply to the Plaintiff's opposition was filed on April 4, 2022. We believe that Plaintiffs' claims are without merit and we intend to vigorously defend this lawsuit.

Item 1A. Risk Factors

There have been no material changes in our risk factors in the quarter ended March 31, 2022 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other information

The Company intends to hold the 2022 annual general meeting of shareholders (the "2022 Annual Meeting") on October 25, 2022. The record date, time and location of the 2022 Annual Meeting will be set forth in the proxy statement for the 2022 Annual Meeting to be distributed to shareholders prior to the meeting.

Shareholder proposals intended for inclusion in the Company's definitive proxy statement for the 2022 Annual Meeting pursuant to Rule 14a-8 of the Exchange Act must be received by May 24, 2022. Any such shareholder proposal should be sent to our registered office c/o Conyers Corporate Services (Bermuda) Limited, Clarendon House, P.O. Box HM 1022, Hamilton HM DX, Bermuda. Any such proposal must comply with the requirements of Rule 14a-8.

In accordance with the Company's Third Amended and Restated Bye-laws (the "Bye-laws"), shareholders who intend to nominate a person for election as a director or submit a proposal regarding any other matter of business at the 2022 Annual Meeting must deliver written notice of the shareholder's intention to do so, which notice must include the information required by the Bye-laws. To be timely, the shareholder's notice must be delivered to or mailed and received by the Company's Secretary at the registered office of the Company identified above no earlier than June 28, 2022 and no later than July 28, 2022.

Item 6. Exhibits

Exhibit Number	Description
3.1	Certificate of Incorporation of James River Group Holdings, Ltd. (incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-1, Registration No. 333-199958, filed with the Commission on November 7, 2014)
3.2	Certificate of Incorporation on Change of Name (incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-1, Registration No. 333-199958, filed with the Commission on November 7, 2014)
3.3	Memorandum of Association of James River Group Holdings, Ltd. (incorporated by reference to Exhibit 3.3 of the Registration Statement on Form S-1, Registration No. 333-199958, filed with the Commission on November 7, 2014)
3.4	Certificate of Deposit of Memorandum of Increase of Share Capital, dated December 24, 2007 (incorporated by reference to Exhibit 3.4 of the Registration Statement on Form S-1, Registration No. 333-199958, filed with the Commission on November 7, 2014)
3.5	Certificate of Deposit of Memorandum of Increase of Share Capital, dated October 7, 2009 (incorporated by reference to Exhibit 3.5 of the Registration Statement on Form S-1, Registration No. 333-199958, filed with the Commission on November 7, 2014)
3.6	Third Amended and Restated Bye-Laws of James River Group Holdings, Ltd. (incorporated by reference to Exhibit 3.6 to the Annual Report on Form 10-K filed on March 12, 2015, Commission File No. 001-36777)
10.1	Investment Agreement, dated February 24, 2022, by and between James River Group Holdings, Ltd. and GPC Partners Investments (Thames) LP (incorporated by reference to Exhibit 10.1 on the Current Report on Form 8-K filed on February 28, 2022; Commission File No. 001-36777)
10.2	Amendment No. 1 to Investment Agreement, dated March 22, 2022, by and between James River Group Holdings, Ltd. and GPC Partners Investments (Thames) LP
10.3	Certificate of Designations of 7% Series A Perpetual Cumulative Convertible Preferred Shares of James River Group Holdings, Ltd., dated March 1, 2022.
10.4	Registration Rights Agreement, dated March 1, 2022, by and between James River Group Holdings, Ltd. and GPC Partners Investments (Thames) LP
10.5	Loss Portfolio Transfer Retrocession Agreement entered into on February 23, 2022, by and between JRG Reinsurance Company Ltd. and Fortitude Reinsurance Company Ltd. (incorporated by reference to Exhibit 10.2 on the Current Report on Form 8-K filed on February 28, 2022; Commission File No. 001-36777)
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document in Exhibit 101.

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.

James River Group Holdings, Ltd.

Date: May 10, 2022

By: /s/ Frank N. D'Orazio
Frank N. D'Orazio
Chief Executive Officer and Director
(Principal Executive Officer)

Date: May 10, 2022

By: /s/ Sarah C. Doran
Sarah C. Doran
Chief Financial Officer
(Principal Financial Officer)

AMENDMENT NO. 1 TO INVESTMENT AGREEMENT

This AMENDMENT NO. 1 TO INVESTMENT AGREEMENT, dated as of March 22, 2022 (this "Amendment Agreement"), by and between James River Group Holdings, Ltd., a Bermuda exempted company (the "Company"), and GPC Partners Investments (Thames) LP, a limited partnership formed under the laws of the Cayman Islands (the "Investor").

WITNESSETH

WHEREAS, reference is made to that certain Investment Agreement, dated as of February 24, 2022 (the "Investment Agreement"), by and among the Company and the Investor, pursuant to which, among other things, the Company issued and sold to the Investor 150,000 of its Series A Perpetual Cumulative Convertible Preferred Shares, par value \$0.00125 per share; and

WHEREAS, the Company and the Investor desire to amend the Investment Agreement to ensure compliance with the requirements of NASDAQ Stock Market ("NASDAQ") Rule 5640 and NASDAQ Frequently Asked Question 292, subject and pursuant to the terms and conditions of this Amendment Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the parties hereto agree as follows:

SECTION 1. Defined Terms. Unless otherwise defined herein, capitalized terms used but not defined herein shall have the meanings assigned to such terms in the Investment Agreement.

SECTION 2. Amendments to the Investment Agreement. Subject to and on the terms and conditions contained herein, effective as of the date hereof, the Investment Agreement is hereby amended as follows:

(a) Section 1.01 of the Investment Agreement is hereby amended by inserting the following definition in the appropriate alphabetical order:

"5% Beneficial Ownership Requirement" means that the Investor, together with the other Permitted Transferees of the Investor, continues to Beneficially Own at all times Acquired Shares and/or Common Shares whether issued or issuable upon conversion of such Acquired Shares, or otherwise acquired, that represent in the aggregate and on an as converted basis, at least 5% of the outstanding Common Shares on such date.

(b) Section 5.10(c) of the Investment Agreement is hereby amended and restated in its entirety to read as follows:

Following the Closing, and until the earlier of (i) the occurrence of a Director Termination Event, and (ii) the date that the 5% Beneficial Ownership Requirement is no longer satisfied, at any annual general meeting of the Company's shareholders at which the term of the Investor Director shall expire, the Investor shall have the right to designate an Investor Designee to the Board at such annual meeting for election to the Board at such

annual meeting. Subject to Section 5.10(e), the Company shall include the Investor Designee designated by the Investor in accordance with this Section 5.10(c) in the Company's slate of nominees for the applicable annual general meeting of the Company's shareholders. All of the Investor Parties covenant to vote in favor of the Investor Designee at any annual general meeting of the Company's shareholders at which the Investor Director is nominated for election. Without the prior written consent of the Investor, so long as Investor Parties are entitled to designate an Investor Designee for election to the Board in accordance with this Section 5.10, the Board shall not remove the Investor Director from his or her directorship (except as required by Law, the Certificate of Designations or the Company Charter Documents or as required by the Company's governance and similar policies applicable to all directors).

SECTION 3. Governing Law. This Amendment Agreement and all matters, claims or Actions (whether at law, in equity, in Contract, in tort or otherwise) based upon, arising out of or relating to this Amendment Agreement or the negotiation, execution or performance of this Amendment Agreement shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under any applicable conflict of Laws principles.

SECTION 4. Amendments; Execution in Counterparts; Electronic Signatures.

(a) This Amendment Agreement shall not constitute an amendment of any other provision of the Investment Agreement not referred to herein. Except as expressly amended hereby, the provisions of the Investment Agreement are and shall remain in full force and effect.

(b) This Amendment Agreement may be executed and delivered in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. This Amendment Agreement may be executed by facsimile, by any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act, or other Requirements of Law, e.g., www.docusign.com or by .pdf signature by any party and such signature shall be deemed binding for all purposes hereof without delivery of an original signature being thereafter required.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the date first above written.

JAMES RIVER GROUP HOLDINGS, LTD.

By: /s/ Frank N. D'Orazio
Name: Frank N. D'Orazio
Title: Chief Executive Officer

GPC PARTNERS INVESTMENTS (THAMES) LP

By: GPC Partners II GP LLC, its general partner

By: Gallatin Point Capital LLC, its sole member

By: /s/ Matthew Botein
Name: Matthew Botein
Title: Managing Partner

[Signature Page to Amendment No. 1 to Investment Agreement]

CERTIFICATE OF DESIGNATIONS
OF
7% SERIES A PERPETUAL CUMULATIVE CONVERTIBLE PREFERRED SHARES
OF
JAMES RIVER GROUP HOLDINGS, LTD.

James River Group Holdings, Ltd., a Bermuda exempted company (the "Company"), hereby certifies that, pursuant to the authority contained in the Companies Act 1981 (as amended from time to time, the "Act") and Bye-Law 4.2 of its Third Amended and Restated Bye-Laws (as amended and restated from time to time, the "Bye-Laws") and to resolutions of the board of directors of the Company (the "Board") adopted on February 23, 2022, the creation of the series of 7% Series A Perpetual Cumulative Convertible Preferred Shares, US\$0.00125 par value per share, US\$1,000.00 liquidation preference per share (the "Series A Preferred Shares"), was authorized and the designation, powers and preferences, rights, qualifications, limitations and restrictions of the Series A Preferred Shares, in addition to those set forth in the Bye-Laws, were fixed as follows:

SECTION 1. Designation and Number of Shares. The designation of the Series A Preferred Shares shall be "7% Series A Perpetual Cumulative Convertible Preferred Shares" and the authorized number of shares that shall constitute this series shall be 165,000 shares, US\$0.00125 par value per share, US\$1,000.00 liquidation preference per share. The number of Series A Preferred Shares from time to time may be increased or decreased (but not below the number of Series A Preferred Shares then outstanding and subject to Section 13(b)(iii)) by further resolution duly adopted by the Board, or any duly authorized committee thereof. The Company shall not have the authority to issue fractional Series A Preferred Shares, except in the case of payment of Dividends.

SECTION 2. Ranking. The Series A Preferred Shares will rank, as to dividend rights and rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, senior to the Common Shares and each other class or series of Capital Shares of the Company now existing or hereafter authorized (such shares, "Junior Shares").

SECTION 3. Definitions. As used herein for all purposes of this Certificate of Designations:

"Accrued Dividends" means, as of any date, with respect to any Series A Preferred Share, all Dividends that have accrued on such share pursuant to Section 4(b), whether or not declared, but that have not, as of such date, been paid.

"Act" has the meaning set forth in the recitals above.

"Adverse Development Charges" means the excess, if any, of (i) the aggregate adverse reserve development, expressed as a positive number, over (ii) the aggregate favorable reserve development, in each case recorded by the Company on a consolidated basis in each of its quarterly financial statements filed with the SEC during the Reserve Development Measurement Period with respect to accident years 2021 or earlier, net of reinsurance and commission adjustments and tax impacts.

"Affiliate" means, as to any Person, any other Person that, directly or indirectly, controls, or is controlled by, or is under common control with, such Person; provided, however, that the Company and its Subsidiaries shall not be deemed to be Affiliates of any Investor Party or any of its Affiliates (including such Investor Party's "portfolio companies" (as such term is customarily used among institutional investors) in which any Investor Party or any of its Affiliates has an investment (whether debt or

equity) shall not be deemed an Affiliate of such Investor Party). For this purpose, “control” (including, with its correlative meanings, “controlled by” and “under common control with”) shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management or policies of a Person, whether through the ownership of securities or partnership or other ownership interests, by contract or otherwise.

“Beneficially Own,” “Beneficially Owned” or “Beneficial Ownership” and “Beneficial Owner” shall have the meaning set forth in Rule 13d-3 of the rules and regulations promulgated under the Exchange Act, except that for purposes of this Agreement the words “within sixty days” in Rule 13d-3(d)(1)(i) shall not apply, to the effect that a person shall be deemed to be the Beneficial Owner of a security if that person has the right to acquire beneficial ownership of such security at any time.

“Board” has the meaning set forth in the recitals above.

“Business Day” means any weekday that is not a day on which banking institutions in New York, New York are authorized or required by law, regulation or executive order to be closed.

“Bye-Laws” has the meaning set forth in the recitals above.

“Calculation Agent” means the calculation agent appointed by the Company, which may be a person or entity affiliated with the Company.

“Calculation Notice” has the meaning set forth in Section 11(a)(vii).

“Capital Shares” means, with respect to any Person, any and all shares of, interests in, rights to purchase, warrants to purchase, options for, participations in or other equivalents of or interests in (however designated) shares issued by such Person.

“Certificate of Designations” means this Certificate of Designations relating to the Series A Preferred Shares, as it may be amended from time to time.

“close of business” means 5:00 p.m. (New York City time).

“Closing Price” of the Common Shares on any date of determination means the closing sale price or, if no closing sale price is reported, the last reported sale price, of the Common Shares on Nasdaq on such date. If the Common Shares are not traded on Nasdaq on any date of determination, the Closing Price of the Common Shares on such date of determination means the closing sale price as reported in the composite transactions for the principal United States securities exchange or automated quotation system on which the Common Shares are so listed or quoted, or, if no closing sale price is reported, the last reported sale price on the principal United States securities exchange or automated quotation system on which the Common Shares are so listed or quoted, or if the Common Shares are not so listed or quoted on a United States securities exchange or automated quotation system, the last quoted bid price for the Common Shares in the over-the-counter market as reported by OTC Markets Group Inc. or any similar organization, or, if that bid price is not available, the market price of the Common Shares on that date as determined by an Independent Financial Advisor retained by the Company for such purpose.

“Common Shares” means the authorized common shares, \$0.0002 par value per share, of the Company.

“Company” has the meaning set forth in the recitals above.

“Constituent Person” has the meaning set forth in Section 12(a).

“Conversion Agent” means the Transfer Agent acting in its capacity as conversion agent for the Series A Preferred Shares, and its successors and assigns.

“Conversion Date” has the meaning set forth in Section 8(a).

“Conversion Notice” has the meaning set forth in Section 8(a)(i).

“Conversion Price” means, for each Common Share into which the Series A Preferred Share is convertible, a dollar amount equal to 127.5% of the Initial Common Share VWAP, rounded to four decimal places, subject to adjustment as set forth herein.

“Conversion Rate” means, for each Series A Preferred Share, an amount equal to the Liquidation Preference divided by the Conversion Price.

“Current Market Price” per Common Share, as of any date of determination, means the arithmetic average of the VWAP per Common Share for each of the five (5) consecutive full Trading Days ending on the Trading Day immediately preceding such day, appropriately adjusted to take into account the occurrence during such period of any event described in Section 11.

“Distributed Property” has the meaning set forth in Section 11(a)(iv).

“Distribution Transaction” means any distribution of equity securities of a Subsidiary of the Company to holders of Common Shares, whether by means of a spin-off, split-off, redemption, reclassification, exchange, share dividend, share distribution, rights offering or similar transaction.

“Dividend Payment Date” means March 31, June 30, September 30 and December 31 of each year, commencing on June 30, 2022; provided that if any such Dividend Payment Date is not a Business Day, then the applicable Dividend shall be payable on the next Business Day immediately following such Dividend Payment Date, without any interest.

“Dividend Payment Period” means in respect of any Series A Preferred Share the period from and including the Issuance Date of such share to but excluding the next Dividend Payment Date and, subsequently, in each case the period from and including any Dividend Payment Date to but excluding the next Dividend Payment Date.

“Dividend Rate” means (i) from and including the Original Issuance Date, to but excluding the First Reset Date, 7% of the Liquidation Preference per annum; and (ii) from and including the First Reset Date, during each Reset Period, an amount equal to the Five-Year U.S. Treasury Rate as of the most recent Reset Dividend Determination Date plus 5.2% of the Liquidation Preference per annum.

“Dividend Record Date” has the meaning set forth in Section 4(d).

“Dividends” has the meaning set forth in Section 4(a).

“Enhanced Capital Requirement” means, in the case of a Class 1, Class 2 or Class 3 insurer registered under the Bermuda Insurance Act 1978, as amended, and related rules and regulations promulgated thereunder (the “Insurance Act”), the minimum solvency margin applicable to such insurer under the requirements of the Insurance Act and, in the case of a Class 3A, Class 3B or Class 4 insurer registered under the Insurance Act, the enhanced capital requirement (as defined in the Insurance Act) applicable to such insurer under the Insurance Act derived from the applicable Bermuda Solvency Capital Requirement model or an approved internal capital model.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Exchange Property” has the meaning set forth in Section 12(a).

“Expiration Date” has the meaning set forth in Section 11(a)(iii).

“Fair Market Value” means, with respect to any security or other property, the fair market value of such security or other property as reasonably determined in good faith by the Board, or an authorized committee thereof.

“First Reset Date” means March 1, 2027.

“Five-Year U.S. Treasury Rate” means, as of any Reset Dividend Determination Date, as applicable:

(i) an interest rate (expressed as a decimal) determined to be the per annum rate equal to the average of the yields to maturity for the five Business Days immediately prior to such Reset Dividend Determination Date for U.S. Treasury securities with a maturity of five years from the next Reset Date and trading in the public securities markets; or

(ii) if there is no such published U.S. Treasury security with a maturity of five years from the next Reset Date and trading in the public securities markets, then the rate will be determined by interpolation between the average of the yields to maturity for the five Business Days immediately prior to such Reset Dividend Determination Date for two series of U.S. Treasury securities trading in the public securities market, (A) one maturing as close as possible to, but earlier than, the Reset Date following the next succeeding Reset Dividend Determination Date, and (B) the other maturity as close as possible to, but later than, the Reset Date following the next succeeding Reset Dividend Determination Date, in each case as published in the most recent H.15 under the caption “Treasury constant maturities.” The Five-Year U.S. Treasury Rate will be determined by the Calculation Agent on the applicable Reset Dividend Determination Date. If the Five-Year U.S. Treasury Rate cannot be determined pursuant to the methods described in clauses (i) or (ii) above, then the Five-Year U.S. Treasury Rate will be the same interest rate determined for the prior Reset Dividend Determination Date.

“Fundamental Change” means the occurrence of any of the following:

(i) any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act), becomes the Beneficial Owner, directly or indirectly, of more than any one or more of the following: (i) 50% of the aggregate ordinary voting power represented by the issued and outstanding Voting Shares of the Company and (ii) 50% of the aggregate economic interests represented by the issued and outstanding Voting Shares of the Company;

(ii) the sale, transfer or lease of all or substantially all of the assets of the Company (determined on a consolidated basis), whether in a single transaction or a series of related transactions, to another Person, other than to a Subsidiary or a Person that becomes a Subsidiary of the Company;

(iii) during any period of eighteen (18) consecutive calendar months, individuals who at the beginning of such period constituted the Board (together with any new directors (i) whose election by the Board was or (ii) whose nomination for election by the Company’s shareholders was, prior to the date of the proxy or consent solicitation relating to such nomination, approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the members of the Board then in office; or

(iv) a plan relating to the liquidation or dissolution of the Company is adopted.

“Fundamental Change Effective Date” has the meaning set forth in Section 9(b).

“Fundamental Change Repurchase” has the meaning set forth in Section 9(a).

“Fundamental Change Repurchase Date” means, with respect to each Series A Preferred Share, the date on which the Company makes the payment in full of the Fundamental Change Repurchase Price for such share to the Holder thereof or to the Transfer Agent, irrevocably, for the benefit of such Holder.

“Fundamental Change Repurchase Price” has the meaning set forth in Section 9(a).

“Holder” means a Person in whose name the Series A Preferred Shares are registered, which Person shall be treated by the Company, Transfer Agent, Registrar, paying agent and Conversion Agent as the absolute owner of the Series A Preferred Shares for the purpose of making payment and settling conversions and for all other purposes; provided that, to the fullest extent permitted by law, no Person that has received Series A Preferred Shares in violation of the Investment Agreement shall be a Holder, the Transfer Agent, Registrar, paying agent and Conversion Agent, as applicable, shall not, unless directed otherwise by the Company, recognize any such Person as a Holder and the Person in whose name the Series A Preferred Shares were registered immediately prior to such transfer shall remain the Holder of such shares.

“Independent Financial Advisor” means an accounting, appraisal, investment banking firm or consultant of nationally recognized standing appointed by the Company; provided, however, that such firm or consultant is not an Affiliate of the Company.

“Initial Common Share VWAP” means the lower of (i) average of the daily VWAP of the Company’s Common Shares during the five (5) trading days immediately preceding the public announcement of the Company’s results for the fourth quarter of 2021, and (ii) average of the daily VWAP of the Company’s Common Shares during the five (5) trading days immediately following the public announcement of the Company’s financial results for the fourth quarter of 2021, in either case rounded to four decimal places.

“Initial Fundamental Change Notice” has the meaning set forth in Section 9(b).

“Investment Agreement” means that certain Investment Agreement between the Company and the Investor dated as of February 24, 2022, as it may be amended, supplemented or otherwise modified from time to time, with respect to certain terms and conditions concerning, among other things, the rights of and restrictions on the Holders.

“Investor” has the meaning set forth in the Investment Agreement.

“Investor Parties” means each Investor and each Permitted Transferee of each Investor to whom Series A Preferred Shares or Common Shares are transferred that become a party to the Investment Agreement pursuant to Section 8.03 thereof.

“Issuance Date” means, with respect to any Series A Preferred Shares, the date of issuance of such share.

“Junior Shares” has the meaning set forth in Section 2(c).

“Liquidation Preference” means, with respect to any Series A Preferred Shares, as of any date, \$1,000 per share.

“Mandatory Conversion” has the meaning set forth in Section 7(a).

“Mandatory Conversion Date” has the meaning set forth in Section 7(a).

“Mandatory Conversion Price” means 130% of the Conversion Price, as adjusted pursuant to the provisions of Section 11(a).

“Market Disruption Event” means any of the following events:

(a) any suspension of, or limitation imposed on, trading of the Common Shares by any exchange or quotation system on which the Closing Price is determined pursuant to the definition of the term “Closing Price” (the “Relevant Exchange”) during the one-hour period prior to the close of trading for the regular trading session on the Relevant Exchange (or for purposes of determining the VWAP per Common Share, any period or periods aggregating one half-hour or longer during the regular trading session on the relevant day) and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange as to securities generally, or otherwise relating to the Common Shares or options contracts relating to the Common Shares on the Relevant Exchange; or

(b) any event that disrupts or impairs (as determined by the Company in its reasonable discretion) the ability of market participants during the one-hour period prior to the close of trading for the regular trading session on the Relevant Exchange (or for purposes of determining the VWAP per Common Share, any period or periods aggregating one half-hour or longer during the regular trading session on the relevant day) in general to effect transactions in, or obtain market values for, the Common Shares on the Relevant Exchange or to effect transactions in, or obtain market values for, options contracts relating to the Common Shares on the Relevant Exchange.

“Memorandum of Association” means the Memorandum of Association of the Company.

“Notice of Mandatory Conversion” has the meaning set forth in Section 7(b).

“Nasdaq” means the Nasdaq Global Select Market.

“Notice of Objection” has the meaning set forth in Section 11(a)(vii).

“Officer's Certificate” means a certificate signed by the Chief Executive Officer or the Chief Financial Officer of the Company.

“Original Issuance Date” means March 1, 2022.

“Permitted Dividend” means a maximum of \$0.05 per Common Share per quarter, or such higher amount as may be approved from time to time by the Holders of at least a majority of the Series A Preferred Shares then outstanding (if acting at a meeting) or three-quarters of the Series A Preferred Shares (if acting by written consent), in each case as adjusted for share splits and combinations, share dividends, recapitalizations and similar events.

“Permitted Transferee” has the meaning set forth in the Investment Agreement.

“Person” means any individual, corporation, estate, partnership, joint venture, association, joint-stock company, limited liability company, trust, unincorporated organization or any other entity.

“Preferred Shares” means the authorized preferred shares, \$0.00125 par value per share, of the Company.

“Record Date” means, with respect to any dividend, distribution or other transaction or event in which holders of Common Shares have the right to receive any cash, securities or other property or in which Common Shares are exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of holders of Common Shares entitled to receive such cash, securities or other property (whether such date is fixed by the Board or by statute, contract or otherwise).

“Register of Members” means the register of members referred to in the Bye-laws.

“Registrar” means the Transfer Agent acting in its capacity as registrar for the Series A Preferred Shares, and its successors and assigns.

“Relevant Exchange” has the meaning set forth in the definition of the term “Market Disruption Event.”

“Reorganization Event” has the meaning set forth in Section 12(a).

“Required Regulatory Approvals” has the meaning set forth in the Investment Agreement.

“Requisite Shareholder Approval” means the shareholder approval contemplated by Nasdaq Listing Standard Rule 5635 with respect to the issuance of Common Shares upon conversion of the Series A Preferred Shares in excess of the limitations imposed by such rule; provided that the Requisite Shareholder Approval will be deemed to be obtained if such shareholder approval is no longer required for the Company to settle all conversions of the Series A Preferred Shares into Common Shares without regard to such limitations (whether due to the transactions contemplated by the Investment Agreement not exceeding any of the limitations imposed by such rule, any amendment or binding change in the interpretation of the applicable listing standards of Nasdaq, or otherwise).

“Reserve Development Measurement Period” means the sixteen calendar quarters commencing with the quarter beginning January 1, 2022 and ending with the quarter ending December 31, 2025.

“Reset Date” means the First Reset Date and each date falling on the fifth anniversary of the preceding Reset Date, which in each case, will not be adjusted for Business Days.

“Reset Dividend Determination Date” means, in respect of any Reset Period, the day falling three Business Days prior to the beginning of such Reset Period.

“Reset Period” means the period from, and including, the First Reset Date to, but excluding, the next following Reset Date and thereafter each period from, and including, each Reset Date to, but excluding, the next following Reset Date.

“Risk-Based Capital” means the Company’s risk-based capital requirements determined by the ratio of the Company’s total adjusted capital to its authorized control level risk-based capital, as defined by the RBC Instructions adopted by the National Association of Insurance Commissioners.

“Series A Preferred Shares” has the meaning set forth in Section 1.

“Subsidiary,” when used with respect to any Person, means any corporation, limited liability company, partnership, association, trust or other entity of which (i) securities or other ownership interests representing more than 50% of the ordinary voting power (or, in the case of a partnership, more than 50% of the general partnership interests) or (ii) sufficient voting rights to elect at least a majority of the board of directors or other governing body are, as of such date, owned by such Person or one or more Subsidiaries of such Person or by such Person and one or more Subsidiaries of such Person.

“Trading Day” means a Business Day on which the Relevant Exchange is scheduled to be open for business and on which there has not occurred a Market Disruption Event.

“Trading Period” has the meaning set forth in Section 7(a).

“Transfer Agent” means the Person acting as Transfer Agent, Registrar and paying agent and Conversion Agent for the Series A Preferred Shares, and its successors and assigns. The Transfer Agent initially shall be Broadridge Corporate Issuer Solutions, Inc.

“Trigger Event” has the meaning set forth in Section 11(a)(viii).

“Voting Shares” means (i) with respect to the Company, the Common Shares, the Series A Preferred Shares (subject to the limitations set forth herein) and any other Capital Shares of the Company having the right to vote generally in any election of directors of the Board and (ii) with respect to any other Person, all Capital Shares of such Person having the right to vote generally in any election of directors of the board of directors of such Person or other similar governing body.

“VWAP” per Common Share on any Trading Day means the per share volume-weighted average price as displayed under the heading Bloomberg VWAP on Bloomberg (or, if Bloomberg ceases to publish such price, any successor service reasonably chosen by the Company) in respect of the period from the open of trading on the relevant Trading Day until the close of trading on such Trading Day (or if such volume-weighted average price is unavailable, the market price of one Common Share on such Trading Day determined, using a volume-weighted average method, by an Independent Financial Advisor retained for such purpose by the Company).

SECTION 4. Dividends.

(a) Holders shall be entitled to receive dividends of the type and in the amount determined as set forth in this Section 4 (such dividends, “Dividends”).

(b) Accrual of Dividends. Dividends on each Series A Preferred Share (i) shall accrue on a quarterly basis from and including the Issuance Date of such share, whether or not declared and whether or not the Company has assets legally available under the Act to make payment thereof, at a rate equal to the Dividend Rate as further specified below and (ii) shall be payable quarterly in arrears, if, as and when authorized by the Board, or any duly authorized committee thereof, and declared by the Company, to the extent not prohibited by law, including under section 54 of the Act, on each Dividend Payment Date, commencing on the first Dividend Payment Date following the Issuance Date of such share. Dividends for the first Dividend Payment Period shall accrue at the Dividend Rate from the Initial Issuance Date to the day before the first Dividend Payment Date (June 30, 2022). Dividends will not compound.

(c) Payment of Dividend. With respect to any Dividend Payment Date, the Company may pay, to the extent permitted by applicable law, in its sole discretion, Dividends on each Series A Preferred Share either in cash, or in the form of Common Shares, or in the form of additional Series A Preferred Shares as and when authorized by the Board, or any duly authorized committee thereof; provided that cash dividend payments shall be aggregated per Holder and shall be made to the nearest cent (with \$.005 being rounded upward).

(d) Record Date. The record date for payment of Dividends that are declared and paid on any relevant Dividend Payment Date will be the close of business on the fifteenth (15th) day of the calendar month which contains the relevant Dividend Payment Date (each, a “Dividend Record Date”), whether or not such day is a Business Day.

(e) Priority of Dividends. So long as any Series A Preferred Shares remain outstanding, unless full Dividends on all outstanding Series A Preferred Shares that have accrued from and including the Issuance Date have been declared and paid, or have been or contemporaneously are declared and an amount of cash or Common Shares or additional Series A Preferred Shares sufficient for the payment of those Dividends has been or is set aside for the benefit of the Holders, the Company may not declare any cash dividend on, or make any cash distributions relating to, Junior Shares, or redeem, purchase, acquire (either directly or through any Subsidiary) or make a liquidation payment relating to, any Junior Shares, other than:

(i) purchases, redemptions or other acquisitions of Junior Shares in connection with any employment contract, benefit plan or other similar arrangement with or for the benefit of current or former employees, officers, directors or consultants;

(ii) purchases of Junior Shares through the use of the proceeds of a substantially contemporaneous sale of other Junior Shares;

(iii) as a result of an exchange or conversion of any class or series of Junior Shares for any other class or series of Junior Shares;

(iv) purchases of fractional interests in Junior Shares pursuant to the conversion or exchange provisions of such Junior Shares or the security being converted or exchanged;

(v) payment of any dividends in respect of Junior Shares where the dividend is in the form of the same shares or rights to purchase the same shares as that on which the dividend is being paid;

(vi) distributions of Junior Shares or rights to purchase Junior Shares; or

(vii) any dividend in connection with the implementation of a shareholders' rights or similar plan, or the redemption, repurchase or exchange of any rights under any such plan.

If any Dividend is to be paid in the form of Common Shares or additional Series A Preferred Shares, the number of Common Shares or additional Series A Preferred Shares to be issued in payment of such Dividend with respect to each outstanding Series A Preferred Share shall be determined by dividing (i) the amount of the dividend so declared by (ii) the Current Market Price, in the case of Common Shares, or the Liquidation Preference, in the case of additional Series A Preferred Shares, in each case rounded to the nearest whole share (with 0.5 of a share being rounded upward).

(f) Conversion Following a Record Date. If the Conversion Date for any Series A Preferred Shares is prior to the close of business on a Dividend Record Date, the Holder of such shares will not be entitled to any Dividend in respect of such Dividend Record Date. If the Conversion Date for any Series A Preferred Shares is after the close of business on a Dividend Record Date but prior to the corresponding payment date for such Dividend, the Holder of such shares as of such Dividend Record Date shall be entitled to receive such Dividend, notwithstanding the conversion of such shares prior to the applicable Dividend Payment Date; provided that the amount of such Dividend shall not be included for the purpose of determining the amount of Accrued Dividends or the Liquidation Preference under Section 6(a) or Section 7(a), as applicable, with respect to such Conversion Date.

SECTION 5. Liquidation Rights.

(a) Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, the Holders shall be entitled, out of assets legally available therefor, before any distribution or payment out of the assets of the Company may be made to or set aside for the holders of any Junior Shares, and subject to the rights of the Company's existing and future creditors, to receive in full a liquidating distribution in cash and in the amount per Series A Preferred Share equal to the greater of (i) the sum of (A) the Liquidation Preference plus (B) the Accrued Dividends with respect to such Series A Preferred Share as of the date of such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company and (ii) the amount such Holders would have received had such Holders, immediately prior to such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, converted such Series A Preferred Shares into Common Shares (pursuant to Section 6 without regard to any of the limitations on convertibility contained therein). Holders shall not be entitled to any further payments in the event of any such voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company other than what is expressly provided for in this Section 5 and will have no right or claim to any of the Company's remaining assets.

(b) Partial Payment. If in connection with any distribution described in Section 5(a) above, the assets of the Company or proceeds therefrom are not sufficient to pay in full the aggregate liquidating distributions required to be paid pursuant to Section 5(a) to all Holders, the amounts distributed to the Holders shall be paid pro rata in accordance with the respective aggregate liquidating distributions to which they would otherwise be entitled if all amounts payable thereon were paid in full.

(c) Merger, Amalgamation, Consolidation and Sale of Assets Not Liquidation. For purposes of this Section 5, the sale, conveyance, exchange or transfer (for cash, shares, securities or other consideration) of all or substantially all of the property and assets of the Company shall not be deemed a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company, nor shall the merger, amalgamation, consolidation, statutory exchange or any other business combination transaction of the Company into or with any other Person or the merger, amalgamation, consolidation, statutory exchange or any other business combination transaction of any other Person into or with the Company be deemed to be a voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company.

SECTION 6. Right of the Holders to Convert.

(a) Each Holder shall have the right, at such Holder's option, subject to the conversion procedures set forth in Section 8, to convert each of such Holder's Series A Preferred Shares at any time into (i) the number of Common Shares equal to the quotient of (A) the sum of the Liquidation Preference and the Accrued Dividends with respect to such Series A Preferred Share to be converted divided by (B) the Conversion Price as of the applicable Conversion Date plus (ii) cash in lieu of fractional shares as set out in Section 11(h); provided that, unless and until the Requisite Shareholder Approval is obtained, no Common Shares will be issued or delivered upon conversion of any Series A Preferred Share of any Holder, and no Series A Preferred Share of any Holder will be convertible, in each case to the extent, and only to the extent, that such issuance, delivery, conversion or convertibility would result in the Holders in the aggregate Beneficially Owning in excess of nineteen and nine-tenths percent (19.9%) of the number of Common Shares then outstanding or the total voting power of the Voting Shares then outstanding. Subject to the foregoing conditions, the right of conversion may be exercised as to all or any portion of such Holder's Series A Preferred Shares from time to time.

(b) The Company shall at all times reserve and keep available out of its authorized and unissued Common Shares, solely for issuance upon the conversion of the Series A Preferred Shares, such number of Common Shares as shall from time to time be issuable upon the conversion of all the Series A Preferred Shares then outstanding. Any Common Shares issued upon conversion of Series A Preferred Shares shall be duly authorized, validly issued, fully paid and nonassessable.

SECTION 7. Mandatory Conversion by the Company.

(a) At any time on or after March 1, 2024, if the VWAP per Common Share is greater than the Mandatory Conversion Price for twenty (20) consecutive Trading Days (the "Trading Period"), the Company may elect to convert (a "Mandatory Conversion") all of the outstanding Series A Preferred Shares into Common Shares (the date selected by the Company for any Mandatory Conversion pursuant to this Section 7(a), the "Mandatory Conversion Date"). In the case of a Mandatory Conversion, each Series A Preferred Share then outstanding shall be converted into (i) the number of Common Shares equal to the quotient of (A) the sum of the Liquidation Preference and the Accrued Dividends with respect to such Series A Preferred Share as of the Mandatory Conversion Date divided by (B) the Conversion Price of such share in effect as of the Mandatory Conversion Date plus (ii) cash in lieu of fractional shares as set out in Section 11(h).

(b) Notice of Mandatory Conversion. If the Company elects to effect a Mandatory Conversion, the Company shall, on the first Business Day following the completion of the Trading Period, provide notice of the Mandatory Conversion to each Holder (such notice, a "Notice of Mandatory Conversion"). For the avoidance of doubt, a Notice of Mandatory Conversion does not limit a Holder's right to convert on a Conversion Date prior to the Mandatory Conversion Date. The Mandatory Conversion Date selected by the Company shall be no less than ten (10) Business Days and no more than twenty (20) Business Days after the date on which the Company provides the Notice of Mandatory Conversion to the Holders. The Notice of Mandatory Conversion shall state, as appropriate:

(i) the Mandatory Conversion Date selected by the Company; and

(ii) the Conversion Price as expected to be in effect on the Mandatory Conversion Date, the number of Series A Preferred Shares to be converted from such Holder, the number of Common Shares expected to be issued to such Holder upon conversion of each such Series A Preferred Share and the Liquidation Preference expected as of the Mandatory Conversion Date.

(c) Mandatory Conversion Before First Reset Date. Upon any conversion on or before the First Reset Date resulting from a Mandatory Conversion at the Issuer's Option, all Dividends that would have accrued from the Mandatory Conversion Date to the later of the First Reset Date or the last day of the eighth quarter following the Mandatory Conversion Date, the last eight quarters of which shall be discounted to present value using a discount rate of 3.5%, will be immediately payable in the Company's Common Shares, valued at the average of the daily VWAP of the Company's Common Shares during the five (5) Trading Days immediately preceding the conversion.

SECTION 8. Conversion Procedures and Effect of Conversion.

(a) Conversion Procedure. A Holder must do each of the following in order to convert Series A Preferred Shares pursuant to this Section 8(a):

(i) in the case of a conversion pursuant to Section 6(a), complete and sign the conversion notice provided by the Conversion Agent (the "Conversion Notice"), and deliver such notice to the Conversion Agent; provided that a Conversion Notice may be conditional on the completion of a Fundamental Change or other corporate transaction;

(ii) deliver to the Conversion Agent the certificate or certificates (if any) representing the Series A Preferred Shares to be converted;

(iii) if required, furnish appropriate endorsements and transfer documents; and

(iv) if required, pay any stock transfer, documentary, stamp or similar taxes not payable by the Company pursuant to Section 20.

The "Conversion Date" means (A) with respect to conversion of any Series A Preferred Shares at the option of any Holder pursuant to Section 6(a), the date on which such Holder complies with the procedures in this Section 8(a) (including the satisfaction of any conditions to conversion set forth in the Conversion Notice) and (B) with respect to Mandatory Conversion pursuant to Section 7(a), the Mandatory Conversion Date.

(b) Effect of Conversion. Effective immediately prior to the close of business on the Conversion Date applicable to any Series A Preferred Shares, Dividends shall no longer accrue or be declared on any such Series A Preferred Shares, and such Series A Preferred Shares shall cease to be outstanding. Upon any conversion, the Holder will not receive any payment in cash, Common Shares or Series A Preferred Shares representing Accrued Dividends for any period following the last day of the most recently completed fiscal quarter, except as otherwise set forth in Section 8(c).

(c) Record Holder of Underlying Securities as of Conversion Date. The Person or Persons entitled to receive the Common Shares and, to the extent applicable, cash, securities or other property issuable upon conversion of Series A Preferred Shares on a Conversion Date shall be treated for all purposes as the record holder(s) of such Common Shares and/or cash, securities or other property as of the close of business on such Conversion Date. As promptly as practicable on or after the Conversion Date and, if applicable, compliance by the applicable Holder with the relevant procedures contained in Section 8(a) (and in any event no later than three (3) Trading Days thereafter; provided however that, if a written notice from the Holder in accordance with Section 8(a)(i), specifies a date of delivery for any Common Shares, such shares shall be delivered on the date so specified, which shall be no earlier than the second (2nd) Business Day immediately following the date of such notice and no later than the seventh (7th) Business Day thereafter), the Company shall issue the number of whole Common Shares issuable upon conversion (and deliver payment of cash in lieu of fractional shares as set out in Section 11(h)) and, to the extent applicable, any cash, securities or other property issuable thereon. Such delivery of Common Shares, securities or other property shall be made by book-entry or, at the request of the Holder, by delivering a notice to the Conversion Agent, through the facilities of The Depository Trust Company or in certificated form. Any such certificate or certificates shall be delivered by the Company to the appropriate Holder on a book-entry basis, through the facilities of The Depository Trust Company, or by mailing certificates evidencing the shares to the Holders, in each case at their respective addresses as set forth in the Conversion Notice (in the case of a conversion pursuant to Section 6(a)) or in the records of the Company or as set forth in a notice from the Holder to the Conversion Agent, as applicable (in the case of a Mandatory Conversion). In the event that a Holder shall not by written notice designate the name in which Common Shares (and payments of cash in lieu of fractional shares) and, to the extent applicable, cash, securities or other property to be delivered upon conversion of Series A Preferred Shares should be registered or paid, or the manner in which such shares, cash, securities or other property should be delivered, the Company shall be entitled to register and deliver such shares, securities or other property, and make such payment, in the name of the Holder and in the manner shown on the records of the Company.

(d) Status of Converted or Reacquired Shares. Series A Preferred Shares converted in accordance with this Certificate of Designations, or otherwise acquired by the Company in any manner whatsoever, shall be retired promptly after the conversion or acquisition thereof and shall not be reissued as shares of such series. All such shares shall, upon their retirement, become authorized but unissued Preferred Shares, without designation as to series until such shares are once more designated as part of a particular series by the Board pursuant to the provisions of the Bye-Laws.

(e) Partial Conversion. In case any certificate for Series A Preferred Shares shall be surrendered for partial conversion, the Company shall, at its expense, execute and deliver to or upon the written order of the Holder of the certificate so surrendered a new certificate for the Series A Preferred Shares not converted.

SECTION 9. Fundamental Change.

(a) Holder Rights Upon Fundamental Change. Upon the occurrence of a Fundamental Change, each Holder of outstanding Series A Preferred Shares may, at such Holder's election, effective as of immediately prior to the Fundamental Change, convert all or a portion of its Series A Preferred Shares pursuant to Section 6(a), provided that if the Holder does not make such an election with respect to all of its Series A Preferred Shares, such Holder may require the Company to repurchase (the "Fundamental Change Repurchase") any or all of such Holder's Series A Preferred Shares at a purchase price per Series A Preferred Share equal to the sum of the Liquidation Preference and the Accrued Dividends with respect to such Series A Preferred Share (the "Fundamental Change Repurchase Price"), subject to applicable law, including, as applicable, the requirements of section 42 or section 42A of the Act. The Fundamental Change Repurchase Price shall be paid in cash.

(b) Initial Fundamental Change Notice. On or before the twentieth (20th) Business Day prior to the effective date of a Fundamental Change (the "Fundamental Change Effective Date") (or, if later, promptly after the Company discovers that a Fundamental Change may occur), a written notice (the "Initial Fundamental Change Notice") shall be sent by or on behalf of the Company to the Holders as they appear in the records of the Company, which notice shall contain (i) the date on which the Fundamental Change is anticipated to be effected (or, if applicable, the date on which a Schedule TO or other schedule, form or report disclosing a Fundamental Change was filed), (ii) a description of the material terms and conditions of the Fundamental Change and (iii) the then applicable Conversion Price. No later than ten (10) Business Days prior to the Fundamental Change Effective Date as set forth in the Initial Fundamental Change Notice (or, if the Fundamental Change has already occurred as provided in the Initial Fundamental Change Notice, promptly, but no later than the tenth (10th) Business Day following receipt thereof), any Holder that desires to exercise its rights pursuant to Section 9(a) shall notify the Company in writing thereof and shall specify (x) whether such Holder is electing to exercise its right to convert all or a portion of its Series A Preferred Shares or to cause the Company to repurchase all or a portion of its Series A Preferred Shares pursuant to Section 9(a), and (y) the number of Series A Preferred Shares subject thereto.

(c) Final Fundamental Change Repurchase Notice. Within two (2) days prior to the Fundamental Change Effective Date (or if the Company discovers later than such date that a Fundamental Change has occurred, promptly following the date of such discovery), a final written notice shall be sent by or on behalf of the Company to the Holders as they appear in the records of the Company on the Business Day immediately prior to the date such notice is sent, which notice shall contain:

(i) a statement setting forth in reasonable detail the calculation of the Fundamental Change Repurchase Price with respect to such Holder;

(ii) the Fundamental Change Repurchase Date, which shall be no later than 60 days after such notice is sent; provided, that a reasonable amount of time shall be provided between delivery of such notice and the Fundamental Change Repurchase Date to allow such Holder to comply with the instructions delivered pursuant to Section 9(c)(iii), below; and

(iii) the instructions a Holder must follow to receive the Fundamental Change Repurchase Price in connection with such Fundamental Change.

(d) Fundamental Change Repurchase Procedure. To receive the Fundamental Change Repurchase Price, a Holder must surrender to the Transfer Agent in accordance with the instructions delivered pursuant to Section 9(c)(iii), the certificates representing the Series A Preferred Shares to be repurchased by the Company or lost share affidavits therefor, to the extent applicable.

(e) Delivery upon Fundamental Change Repurchase. Upon a Fundamental Change Repurchase, subject to Section 9(i) below, the Company (or its successor) shall deliver or cause to be delivered to the Holder by wire transfer of immediately available funds or delivery of Common Shares or a combination thereof, as applicable, the Fundamental Change Repurchase Price for such Holder's Series A Preferred Shares.

(f) Treatment of Shares. Until a Series A Preferred Share is repurchased by the payment or deposit in full of the applicable Fundamental Change Repurchase Price as provided in Section 9(h), such Series A Preferred Share will remain outstanding and will be entitled to all of the powers, designations, preferences and other rights provided herein; except that no such Series A Preferred Shares may be converted into Common Shares following the Fundamental Change Effective Date.

(g) Fundamental Change Agreements. The Company shall not enter into any agreement for a transaction constituting a Fundamental Change unless such agreement provides for or does not interfere with or prevent (as applicable) the exercise by the Holders of their Fundamental Change Repurchase in a manner that is consistent with and gives effect to this Section 9.

(h) With respect to any Series A Preferred Share to be repurchased by the Company pursuant to the Fundamental Change Repurchase and which has been redeemed in accordance with the provisions of this Section 9, or for which the Company has irrevocably deposited an amount in cash equal to the Fundamental Change Repurchase Price in respect of such share with the Transfer Agent, (i) Dividends shall cease to accrue on such share, (ii) such share shall no longer be deemed outstanding and (iii) all rights with respect to such share shall cease and terminate other than the rights of the Holder thereof to receive the Fundamental Change Repurchase Price therefor.

(i) Notwithstanding anything to the contrary contained in this Section 9, in the event of a Fundamental Change Repurchase, the Company shall only pay the Fundamental Change Repurchase Price after paying in full in cash all obligations of the Company and its subsidiaries under any credit agreement, indenture or similar agreement evidencing indebtedness for borrowed money (including the termination of all commitments to lend, to the extent required by such credit agreement, indenture or similar agreement), which requires prior payment of the obligations thereunder (and termination of commitments thereunder, if applicable) as a condition to the payment of such Fundamental Change Repurchase Price.

(j) Notwithstanding anything to the contrary contained in this Section 9, upon any Fundamental Change Repurchase on or before the First Reset Date, all Dividends that would have accrued between the Original Issuance Date and the First Reset Date, but have not yet been paid, will be immediately payable in cash, to the extent not prohibited by law, including under section 54 of the Act.

SECTION 10. Redemption. Except as provided in Section 9, the Series A Preferred Shares shall not be subject to any mandatory redemption, and shall not be redeemable at the option of the Company or the Holders.

SECTION 11. Anti-Dilution Adjustments.

(a) Adjustments. The Conversion Price will be subject to adjustment, without duplication, upon the occurrence of the following events:

(i) The issuance of Common Shares as a dividend or distribution to all or substantially all holders of Common Shares, or a subdivision or combination of Common Shares or a reclassification of Common Shares into a greater or lesser number of Common Shares, in which event the Conversion Price shall be adjusted based on the following formula:

$$CP1 = CP0 \times (OS0 / OS1)$$

CP0 = the Conversion Price in effect immediately prior to the close of business on (i) the Record Date for such dividend or distribution, or (ii) the effective date of such subdivision, combination or reclassification, as applicable

CP1 = the new Conversion Price in effect immediately after the close of business on (i) the Record Date for such dividend or distribution, or (ii) the effective date of such subdivision, combination or reclassification, as applicable

OS0 = the number of Common Shares outstanding immediately prior to the close of business on (i) the Record Date for such dividend or distribution or (ii) the effective date of such subdivision, combination or reclassification, as applicable

OS1 = the number of Common Shares that would be outstanding immediately after, and solely as a result of, the completion of (i) such dividend or distribution or (ii) such subdivision, combination or reclassification, as applicable

Any adjustment made pursuant to this clause (i) shall be effective immediately after the close of business on the Record Date for such dividend or distribution, or the effective date of such subdivision, combination or reclassification. If any such event is announced or declared but does not occur, the Conversion Price shall be readjusted, effective as of the date the Board announces that such event shall not occur, to the Conversion Price that would then be in effect if such event had not been declared.

(ii) The dividend, distribution or other issuance to all or substantially all holders of Common Shares of rights (other than rights, options or warrants distributed in connection with a shareholder rights plan (in which event the provisions of Section 11(a)(viii) shall apply)), options or warrants entitling them to subscribe for or purchase Common Shares for a period expiring forty-five (45) days or less from the date of issuance thereof, at a price per share that is less than the Current Market Price as of the Record Date for such issuance, in which event the Conversion Price will be decreased based on the following formula:

$$CP1 = CP0 \times [(OS0+Y) / (OS0+X)]$$

CP0 = the Conversion Price in effect immediately prior to the close of business on the Record Date for such dividend, distribution or issuance

CP1 = the new Conversion Price in effect immediately following the close of business on the Record Date for such dividend, distribution or issuance

OS0 = the number of Common Shares outstanding immediately prior to the close of business on the Record Date for such dividend, distribution or issuance

X = the total number of Common Shares issuable pursuant to such rights, options or warrants

Y = the number of Common Shares equal to the aggregate price payable to exercise such rights, options or warrants divided by the Current Market Price as of the Record Date for such dividend, distribution or issuance

For purposes of this clause (ii), in determining whether any rights, options or warrants entitle the holders to purchase the Common Shares at a price per share that is less than the Current Market Price as of the Record Date for such dividend, distribution or issuance, there shall be taken into account any consideration the Company receives for such rights, options or warrants, and any amount payable on exercise thereof, with the value of such consideration, if other than cash, to be the Fair Market Value thereof.

Any adjustment made pursuant to this clause (ii) shall become effective immediately following the close of business on the Record Date for such dividend, distribution or issuance. In the event that such rights, options or warrants are not so issued, the Conversion Price shall be readjusted, effective as of the date the Board publicly announces its decision not to issue such rights, options or warrants, to the Conversion Price that would then be in effect if such dividend, distribution or issuance had not been declared. To the extent that such rights, options or warrants are not exercised prior to their expiration or Common Shares are otherwise not delivered pursuant to such rights, options or warrants upon the exercise of such rights, options or warrants, the Conversion Price shall be readjusted to the Conversion Price that would then be in effect had the adjustments made upon the dividend, distribution or issuance of such rights, options or warrants been made on the basis of the delivery of only the number of Common Shares actually delivered.

(iii) The Company or one or more of its Subsidiaries purchases Common Shares pursuant to a tender offer or exchange offer (other than an exchange offer that constitutes a Distribution Transaction subject to Section 11(a)(v)) by the Company or a Subsidiary of the Company for all or any portion of the Common Shares, or otherwise acquires Common Shares (except (1) in an open market purchase in compliance with Rule 10b-18 promulgated under the Exchange Act, (2) through an “accelerated share repurchase” on customary terms, or (3) in connection with tax withholding upon vesting or settlement of options, restricted stock units, performance share units or other similar equity awards or upon forfeiture or cashless exercise of options or other equity awards) (a “Covered Repurchase”), if the cash and value of any other consideration included in the payment per Common Share validly tendered, exchanged or otherwise acquired through a Covered Repurchase exceeds the arithmetic average of the VWAP per Common Share for each of the five (5) consecutive full Trading Days commencing on, and including, the Trading Day next succeeding the last day on which tenders or exchanges may be made pursuant to such tender or exchange offer (as it may be amended) or Common Shares are otherwise acquired through a Covered Repurchase (the “Expiration Date”), in which event the Conversion Price shall be decreased based on the following formula:

$$CP1 = CP0 \times [(SP1 \times OS0) / (FMV + (SP1 \times OS1))]$$

CP0 = the Conversion Price in effect immediately prior to the close of business on the Expiration Date

CP1 = the new Conversion Price in effect immediately after the close of business on the Expiration Date

FMV = the Fair Market Value, on the Expiration Date, of all cash and any other consideration paid or payable for all shares validly tendered or exchanged and not withdrawn, or otherwise acquired through a Covered Repurchase, as of the Expiration Date

OS0 = the number of Common Shares outstanding immediately prior to the last time tenders or exchanges may be made pursuant to such tender or exchange offer (including the shares to be purchased in such tender or exchange offer) or shares are otherwise acquired through a Covered Repurchase

OS1 = the number of Common Shares outstanding immediately after the last time tenders or exchanges may be made pursuant to such tender or exchange offer (after giving effect to the purchase of shares in such tender or exchange offer) or shares are otherwise acquired through a Covered Repurchase

SP1 = the arithmetic average of the VWAP per Common Share for each of the five (5) consecutive full Trading Days commencing on, and including, the Trading Day next succeeding the Expiration Date

Such adjustment shall become effective immediately after the close of business on the Expiration Date. If an adjustment to the Conversion Price is required under this Section 11(a)(iii), delivery of any additional Common Shares that may be deliverable upon conversion as a result of an adjustment required under this Section 11(a)(iii) shall be delayed to the extent necessary in order to complete the calculations provided for in this Section 11(a)(iii).

In the event that the Company or any of its Subsidiaries is obligated to purchase Common Shares pursuant to any such tender offer, exchange offer or other commitment to acquire Common Shares through a Covered Repurchase but is permanently prevented by applicable law from effecting any such purchases, or all such purchases are rescinded, then the Conversion Price shall be readjusted to be the Conversion Price that would have been then in effect if such tender offer, exchange offer or Covered Repurchase had not been made.

(iv) The Company shall, by dividend or otherwise, distribute to all or substantially all holders of its Common Shares (other than for cash in lieu of fractional shares), any class of its Capital Shares, evidences of its indebtedness, assets, other property or securities, but excluding (A) dividends or distributions referred to in Section 11(a)(i) or Section 11(a)(ii) hereof, (B) Distribution Transactions as to which Section 11(a)(v) shall apply, (C) dividends or distributions paid exclusively in cash as to which Section 11(a)(vi) shall apply and (D) rights, options or warrants distributed in connection with a shareholder rights plan as to which Section 11(a)(viii) shall apply (any of such Capital Shares, indebtedness, assets or property that are not so excluded are hereinafter called the "Distributed Property"), then, in each such case the Conversion Price shall be decreased based on the following formula:

$$CP1 = CP0 \times [(SP0 - FMV) / SP0]$$

CP0 = the Conversion Price in effect immediately prior to the close of business on the Record Date for such dividend or distribution

CP1 = the new Conversion Price in effect immediately after the close of business on the Record Date for such dividend or distribution

SP0 = the Current Market Price as of the Record Date for such dividend or distribution

FMV = the Fair Market Value of the portion of Distributed Property distributed with respect to each outstanding Common Share on the Record Date for such dividend or distribution

Any adjustment made pursuant to this clause (iv) shall be effective immediately after the close of business on the Record Date for such dividend or distribution. If any such dividend or distribution is declared but does not occur, the Conversion Price shall be readjusted, effective as of the date the Board announces that such dividend or distribution shall not occur, to the Conversion Price that would then be in effect if such dividend or distribution had not been declared.

(v) The Company effects a Distribution Transaction, in which case the Conversion Price in effect immediately prior to the effective date of the Distribution Transaction shall be decreased based on the following formula:

$$CP1 = CP0 \times [MP0 / (FMV + MP0)]$$

CP0 = the Conversion Price in effect immediately prior to the close of business on the effective date of the Distribution Transaction

CP1 = the new Conversion Price in effect immediately after the close of business on the effective date of the Distribution Transaction

FMV = the arithmetic average of the volume-weighted average prices for a capital share or other interest distributed to holders of Common Shares on the principal United States securities exchange or automated quotation system on which such capital shares or other interests trade, as reported by Bloomberg (or, if Bloomberg ceases to publish such price, any successor service chosen by the Company) in respect of the period from the open of trading on the relevant Trading Day until the close of trading on such Trading Day (or if such volume-weighted average price is unavailable, the market price of one capital share or other interest on such Trading Day determined, using a volume-weighted average method, by an Independent Financial Advisor retained for such purpose by the Company), for each of the ten consecutive full Trading Days commencing with, and including, the effective date of the Distribution Transaction

MP0 = the arithmetic average of the VWAP per Common Share for each of the five (5) consecutive full Trading Days commencing on, and including, the effective date of the Distribution Transaction

Such adjustment shall become effective immediately following the close of business on the effective date of the Distribution Transaction. If an adjustment to the Conversion Price is required under this Section 11(a)(v), delivery of any additional Common Shares that may be deliverable upon conversion as a result of an adjustment required under this Section 11(a)(v) shall be delayed to the extent necessary in order to complete the calculations provided for in this Section 11(a)(v).

(vi) The Company makes a cash dividend or distribution to all or substantially all holders of the Common Shares other than a Permitted Dividend, in which case the Conversion Price shall be decreased based on the following formula:

$$CP1 = CP0 \times [(SP0 - C) / SP0]$$

CP0 = the Conversion Price in effect immediately prior to the close of business on the Record Date for such dividend or distribution

CP1 = the new Conversion Price in effect immediately after the close of business on the Record Date for such dividend or distribution

SP0 = the Current Market Price as of the Record Date for such dividend or distribution

C = the amount in cash per Common Share the Company distributes to all or substantially all holders of its Common Shares in excess of the Permitted Dividend; provided that, if C is equal or greater than SP0, then in lieu of the foregoing adjustment, the Company shall pay to each holder of Series A Preferred Shares on the date the applicable cash dividend or distribution is made to holders of Common Shares, but without requiring such holder to convert its shares of Series A Preferred Shares, in respect of each Series A Preferred Share held by such holder, the amount of cash such holder would have received had such holder owned a number of Common Shares equal to the Conversion Price on the Record Date for such dividend or distribution provided that cash dividends in excess of \$0.10 per Common Share per quarter (as adjusted for share splits and combinations, share dividends, recapitalizations and similar events) shall not be permitted if the

Dividend on the Series A Preferred Shares for that quarter is not paid in cash, unless the Company's U.S.-based insurance subsidiaries have Risk-Based Capital in excess of 325% or the Company's direct Bermuda-based insurance subsidiary has Enhanced Capital Requirement over 135% for such quarter, in which case higher cash dividends on the Common Shares shall be permitted and the conversion Price shall be adjusted as provided in this Section 11(a)(vi)

Any adjustment made pursuant to this clause (vi) shall be effective immediately after the close of business on the Record Date for such dividend or distribution. If any dividend or distribution is declared but not paid, the Conversion Price shall be readjusted, effective as of the date the Board announces that such dividend or distribution will not be paid, to the Conversion Price that would then be in effect if such had dividend or distribution not been declared.

(vii) The Company recognizes Adverse Development Charges exceeding \$45,000,000 in the aggregate during the Reserve Development Measurement Period, in which case the Conversion Price shall be decreased based on the following formula:

$$CP1 = CP0 * ((TBV - AD) / TBV)$$

CP0 = the Conversion Price in effect immediately prior to the close of business on the date of public filing of the Company's financial statements for the year ending December 31, 2025; or earlier, in the case of Mandatory Conversion pursuant to Section 7(a) or an optional conversion pursuant to Section 6(a), as described below, not reflecting the AD

CP1 = the new Conversion Price in effect immediately after the close of business on the date of public filing of the Company's financial statements for the year ending December 31, 2025; or earlier, in the case of Mandatory Conversion pursuant to Section 7(a) or an optional conversion pursuant to Section 6(a), as described below, reflecting the AD

AD = the dollar value of the Adverse Development Charges in excess of \$45,000,000 during the Reserve Development Measurement Period

TBV = the tangible book value of the Company as of December 31, 2021

provided that in no event will CP1 be lower than the product of (a) CP0 multiplied by 105% divided by (b) 127.5%

Any adjustment made pursuant to this Section 11(a)(vii) shall be effective immediately after the close of business on the date of the public filing of the Company's financial statements for the period ended December 31, 2025 reflecting the Adverse Development Charges or, if earlier, upon any Mandatory Conversion pursuant to Section 7(a) or an optional conversion pursuant to Section 6(a) of all outstanding Series Preferred Shares, in which case the adjustment, if any, made pursuant to this Section 11(a)(vii) shall be effective immediately after the close of business on the date of the public filing of the Company's financial statements for the most recent quarterly period preceding the conversion. In the event that such financial statements are not yet available as of the time of conversion, any additional Common Shares issuable upon such conversion shall be delivered to the Holders upon the issuance of such financial statements and the calculation of the adjustment based thereupon.

Upon any adjustment to be made pursuant to this Section 11(a)(vii), the Company shall prepare a calculation of the adjustment (the "Calculation Notice") and deliver it with reasonable backup prepared or approved by the Calculation Agent to the Holders. The Holders and their representatives shall be afforded reasonable access to the books, records and personnel of the Company in order to confirm the calculations. If Holders of a majority of the Series A Preferred Shares do not deliver an

objection (a "Notice of Objection") to such calculation within 10 business days of delivery of the Calculation Notice, the calculation of the Company shall be deemed agreed to. If Holders of a majority of the Series A Preferred Shares deliver a Notice of Objection within 10 business days of delivery of the Calculation Notice, such Holders and the Company shall in good faith attempt to reach agreement as to the calculation. If within such 10 business days they have been unable to agree, the Holders and the Company will submit such calculation to an independent arbitrating actuary, and such independent arbitrating actuary's conclusion as to such calculation shall be binding and final. If the Holders and the Company are unable to agree upon the selection of the independent arbitrating actuary, such independent arbitrating actuary shall be selected in accordance with the procedures of the American Arbitration Association. The Holders and the Company acknowledge and agree that time is of the essence of this process, and the independent arbitrating actuary shall be instructed and required to render his or her decision within 30 days following his or her appointment. The expenses of such independent arbitrating actuary shall be borne 50% by the Holders and 50% by the Company.

(viii) If the Company has a shareholder rights plan in effect with respect to the Common Shares on any Conversion Date, upon conversion of any Series A Preferred Shares, Holders of such shares will receive, in addition to the applicable number of Common Shares, the rights under such rights plan relating to such Common Shares, unless, prior to such Conversion Date, the rights have (i) become exercisable or (ii) separated from the Common Shares (the first of such events to occur, a "Trigger Event"), in which case, the Conversion Price will be adjusted, effective automatically at the time of such Trigger Event, as if the Company had made a distribution of such rights to all holders of Common Shares as described in Section 11(a)(ii) (without giving effect to the forty-five (45) day limit on the exercisability of rights, options or warrants ordinarily subject to such Section 11(a)(ii)), subject to appropriate readjustment in the event of the expiration, termination or redemption of such rights prior to the exercise, deemed exercise or exchange thereof. Notwithstanding the foregoing, to the extent any such shareholder rights are exchanged by the Company for Common Shares or other property or securities, the Conversion Price shall be appropriately readjusted as if such shareholder rights had not been issued, but the Company had instead issued such Common Shares or other property or securities as a dividend or distribution of Common Shares pursuant to Section 11(a)(i) or Section 11(a)(iv), as applicable.

To the extent that such rights are not exercised prior to their expiration, termination or redemption, the Conversion Price shall be readjusted to the Conversion Price that would then be in effect had the adjustments made upon the occurrence of the Trigger Event been made on the basis of the issuance of, and the receipt of the exercise price with respect to, only the number of Common Shares actually issued pursuant to such rights.

Notwithstanding anything to the contrary in this Section 11(a)(viii), no adjustment shall be required to be made to the Conversion Price with respect to any Holder which is, or is an "affiliate" or "associate" of, an "acquiring person" under such shareholder rights plan or with respect to any direct or indirect transferee of such Holder who receives Series A Preferred Shares in such transfer after the time such Holder becomes, or its affiliate or associate becomes, such an "acquiring person."

(b) Calculation of Adjustments. All adjustments to the Conversion Price shall be calculated by the Company to the nearest 1/10,000th of one Common Share (or if there is not a nearest 1/10,000th of a share, to the next lower 1/10,000th of a share). No adjustment to the Conversion Price will be required unless such adjustment would require an increase or decrease of at least one percent of the Conversion Price; provided, however, that any such adjustment that is not required to be made will be carried forward and taken into account in any subsequent adjustment; provided, further that any such adjustment of less than one percent that has not been made will be made upon any Conversion Date or redemption or repurchase date.

(c) When No Adjustment Required. (i) Except as otherwise provided in this Section 11, the Conversion Price will not be adjusted for the issuance of Common Shares or any securities convertible into or exchangeable for Common Shares or carrying the right to purchase any of the foregoing, or for the repurchase of Common Shares.

(ii) Except as otherwise provided in this Section 11, the Conversion Price will not be adjusted as a result of the issuance of, the distribution of separate certificates representing, the exercise or redemption of, or the termination or invalidation of, rights pursuant to any shareholder rights plans.

(iii) No adjustment to the Conversion Price will be made:

(A) upon the issuance of any Common Shares pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on securities of the Company and the investment of additional optional amounts in Common Shares under any plan in which purchases are made at market prices on the date or dates of purchase, without discount, and whether or not the Company bears the ordinary costs of administration and operation of the plan, including brokerage commissions;

(B) upon the issuance of any Common Shares or options or rights to purchase such shares pursuant to any present or future employee, director or consultant benefit plan or program of or assumed by the Company or any of its Subsidiaries or of any employee agreements or arrangements or programs, including, without limitation, the Company's Amended and Restated 2009 Equity Incentive Plan, 2014 Long Term Incentive Plan, and 2014 Non-Employee Director Incentive Plan;

(C) upon the issuance of any Common Shares pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security, including the Series A Preferred Shares; or

(D) for a change in the par value of the Common Shares.

(d) Successive Adjustments. After an adjustment to the Conversion Price under this Section 11, any subsequent event requiring an adjustment under this Section 11 shall cause an adjustment to each such Conversion Price as so adjusted.

(e) Multiple Adjustments. For the avoidance of doubt, if an event occurs that would trigger an adjustment to the Conversion Price pursuant to this Section 11 under more than one subsection hereof, such event, to the extent fully taken into account in a single adjustment, shall not result in multiple adjustments hereunder; provided, however, that if more than one subsection of this Section 11 is applicable to a single event, the subsection shall be applied that produces the largest adjustment.

(f) Notice of Adjustments. Whenever the Conversion Price is adjusted as provided under this Section 11, the Company shall as soon as reasonably practicable following the occurrence of an event that requires such adjustment (or if the Company is not aware of such occurrence, as soon as reasonably practicable after becoming so aware):

(i) compute the adjusted applicable Conversion Price in accordance with this Section 11 and prepare and transmit to the Conversion Agent an Officer's Certificate setting forth the applicable Conversion Price, the method of calculation thereof, and the facts requiring such adjustment and upon which such adjustment is based; and

(ii) provide a written notice to the Holders of the occurrence of such event and a statement in reasonable detail setting forth the method by which the adjustment to the applicable Conversion Price was determined and setting forth the adjusted applicable Conversion Price.

(g) Conversion Agent. The Conversion Agent shall not at any time be under any duty or responsibility to any Holder to determine whether any facts exist that may require any adjustment of the Conversion Price or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed in making the same. The Conversion Agent shall be fully authorized and protected in relying on any Officer's Certificate delivered pursuant to this Section 11(g) and any adjustment contained therein and the Conversion Agent shall not be deemed to have knowledge of any adjustment unless and until it has received such certificate. The Conversion Agent shall not be accountable with respect to the validity or value (or the kind or amount) of any Common Shares, or of any securities or property, that may at the time be issued or delivered with respect to any Series A Preferred Shares and the Conversion Agent makes no representation with respect thereto. The Conversion Agent shall not be responsible for any failure of the Company to issue, transfer or deliver any Common Shares pursuant to the conversion of Series A Preferred Shares or to comply with any of the duties, responsibilities or covenants of the Company contained in this Section 11.

(h) Fractional Shares. No fractional Common Shares will be delivered to the Holders upon conversion. In lieu of fractional shares otherwise issuable, the Holders will be entitled to receive, at the Company's sole discretion, either (i) an amount in cash equal to the fraction of a Common Share multiplied by the Closing Price of the Common Shares on the Trading Day immediately preceding the applicable Conversion Date or (ii) one additional whole Common Share. In order to determine whether the number of Common Shares to be delivered to a Holder upon the conversion of such Holder's Series A Preferred Shares will include a fractional share, such determination shall be based on the aggregate number of Series A Preferred Shares of such Holder that are being converted and/or issued on any single Conversion Date or Fundamental Change Repurchase Date.

SECTION 12. Adjustment for Reorganization Events.

(a) Reorganization Events. In the event of:

(i) any reclassification, statutory exchange, merger, amalgamation, scheme of arrangement, consolidation or other similar business combination of the Company with or into another Person, in each case, pursuant to which at least a majority of the total voting power of the Voting Shares of the Company is changed or converted into, or exchanged for, cash, securities or other property of the Company or another Person;

(ii) any sale, transfer, lease or conveyance to another Person of all or a majority of the property and assets of the Company, in each case pursuant to which the Common Shares are converted into cash, securities or other property; or

(iii) any statutory exchange of securities of the Company with another Person (other than in connection with a merger or acquisition) or reclassification, recapitalization or reorganization of the Common Shares into other securities;

other than, in each case, any such transaction that constitutes a Fundamental Change, with respect to which, for the avoidance of doubt, the provisions of Section 9 shall apply (each of which is referred to as a "Reorganization Event"), each Series A Preferred Share outstanding immediately prior to such Reorganization Event will, without the consent of the Holders and subject to Section 12(d) and Section 13(b), remain outstanding but shall become convertible into, out of funds legally available therefor,

the number, kind and amount of securities, cash and other property (the "Exchange Property") (without any interest on such Exchange Property and without any right to dividends or distribution on such Exchange Property which have a record date that is prior to the applicable Conversion Date) that the Holder of such Series A Preferred Share would have received in such Reorganization Event had such Holder converted its Series A Preferred Shares into the applicable number of Common Shares immediately prior to the effective date of the Reorganization Event using the Conversion Price applicable immediately prior to the effective date of the Reorganization Event and the Liquidation Preference applicable at the time of such subsequent conversion; provided that the foregoing shall not apply if such Holder is a Person with which the Company consolidated or into which the Company amalgamated or merged or which amalgamated with or merged into the Company or to which such sale or transfer was made, as the case may be (any such Person, a "Constituent Person"), or an Affiliate of a Constituent Person, to the extent such Reorganization Event provides for different treatment of Common Shares held by such Constituent Persons or such Affiliate thereof. If the kind or amount of securities, cash and other property receivable upon such Reorganization Event is not the same for each Common Share held immediately prior to such Reorganization Event by a Person (other than a Constituent Person or an Affiliate thereof), then for the purpose of this Section 12(a), the kind and amount of securities, cash and other property receivable upon conversion following such Reorganization Event will be deemed to be the weighted average of the types and amounts of consideration received by the holders of Common Shares.

(b) Successive Reorganization Events. The above provisions of this Section 12 shall similarly apply to successive Reorganization Events and the provisions of Section 11 shall apply to any Capital Shares received by the holders of the Common Shares in any such Reorganization Event.

(c) Reorganization Event Notice. The Company (or any successor) shall, no less than thirty (30) days prior to the anticipated effective date of any Reorganization Event, provide written notice to the Holders of such occurrence of such event and of the kind and amount of the cash, securities or other property that constitutes the Exchange Property. Failure to deliver such notice shall not affect the operation of this Section 12.

(d) Reorganization Event Agreements. The Company shall not enter into any agreement for a transaction constituting a Reorganization Event unless (i) such agreement provides for or does not interfere with or prevent (as applicable) conversion of the Series A Preferred Shares into the Exchange Property in a manner that is consistent with and gives effect to this Section 12, and (ii) to the extent that the Company is not the surviving corporation in such Reorganization Event or will be dissolved in connection with such Reorganization Event, proper provision shall be made in the agreements governing such Reorganization Event for the conversion of the Series A Preferred Shares into Capital Shares of the Person surviving such Reorganization Event or such other continuing entity in such Reorganization Event.

SECTION 13. Voting Rights.

(a) General. Except as provided in Sections 13(b) and 13(c), Holders of Series A Preferred Shares shall be entitled to vote as a single class with the holders of the Common Shares and the holders of any other class or series of Capital Shares of the Company then entitled to vote with the Common Shares on all matters submitted to a vote of the holders of Common Shares (and, if applicable, holders of any other class or series of Capital Shares of the Company). Each Holder shall be entitled to the number of votes equal to the product of (i) the largest number of whole Common Shares into which all Series A Preferred Shares could be converted pursuant to Section 6 multiplied by (ii) a fraction the numerator of which is the number of Series A Preferred Shares held by such Holder and the denominator of which is the aggregate number of issued and outstanding Series A Preferred Shares, in each case, at and calculated as of the record date for the determination of shareholders entitled to vote or consent on such matters or, if no such record date is established, at and as of the date such vote or consent is taken or any written consent of shareholders is first executed; provided that in no event shall the Series A Preferred Shares, or Common Shares received by

such Holders on conversion of Series A Preferred Shares or as Dividends with respect to Series A Preferred Shares, be entitled to vote in excess of 9.9% of the aggregate voting power of the then-outstanding Common Shares on an as-converted basis or of the Voting Shares. Notwithstanding the foregoing, upon transfer of a Holder's Series A Preferred Shares to an unaffiliated third party, the voting limitation will not apply to the transferee third party unless such transferee shall affirmatively elect to be limited in the same manner as the Holder transferor. The Holders shall be entitled to notice of any meeting of holders of Common Shares in accordance with the Bye-Laws.

(b) Adverse Changes. The affirmative vote of the Holders, voting as a separate class, of (x) at least a majority of the Series A Preferred Shares outstanding at such time, if given in person or by proxy, at any meeting called for the purpose or (y) at least three-fourths of the Series A Preferred Shares outstanding at such time, if given by written consent, will be necessary for effecting or validating any of the following actions, whether or not such approval is required pursuant to the Act:

(i) any amendment, alteration or repeal (whether by merger, amalgamation, scheme of arrangement, consolidation or otherwise) of any provision of the Memorandum of Association, the Bye-Laws or this Certificate of Designations that would reasonably be expected to adversely affect any of the rights, preferences or privileges of the Series A Preferred Shares;

(ii) any amendment or alteration (whether by merger, amalgamation, scheme of arrangement, consolidation or otherwise) of, or any supplement (whether by a certificate of designations or otherwise) to, the Memorandum of Association, the Bye-Laws or any provision thereof, or any other action to authorize or create, or increase the number of authorized or issued shares of, or any securities convertible into shares of, or reclassify any security into, or issue, any class or series of Capital Shares of the Company ranking senior to or *pari passu* with the Series A Preferred Shares as to dividend rights or rights on the distribution of assets on any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the Company; or

(iii) any issuance of additional Series A Preferred Shares, other than in payment of Dividends on the outstanding Series A Preferred Shares;

provided, however, (A) that, with respect to the occurrence of any of the events set forth in clause (i) above, so long as (1) Series A Preferred Shares remain outstanding with the terms thereof materially unchanged, or (2) the holders of the Series A Preferred Shares receive equity securities with rights, preferences, privileges and voting power substantially the same as those of the Series A Preferred Shares, then the occurrence of such event shall not be deemed to adversely affect such rights, preferences, privileges or voting power of the Series A Preferred Shares, and in such case such holders shall not have voting rights under this Section 13(b) with respect to the occurrence of any of the events set forth in clause (i) above and (B) that the authorization or creation of, or the increase in the number of authorized or issued shares of, or any securities convertible into shares of, or the reclassification of any security (other than the Series A Preferred Shares) into, or the issuance of, Junior Shares will not require the vote of the holders of the Series A Preferred Shares.

(c) Each Holder of Series A Preferred Shares will have one vote per share on any matter on which Holders of Series A Preferred Shares are entitled to vote separately as a class, whether at a meeting or by written consent.

(d) For the avoidance of doubt and notwithstanding anything to the contrary in the Memorandum of Association or Bye-Laws of the Company, the Holders of Series A Preferred Shares shall have the exclusive consent and voting rights set forth in Sections 13(b) and 13(c) and may take action or consent to any action with respect to such rights without a meeting by delivering a consent in writing or by electronic transmission of the Holders of the Series A Preferred Shares entitled to cast not less than three-fourths of the Series A Preferred Shares outstanding at such time.

SECTION 14. Preemptive Rights. The Holders shall not have any preemptive rights.

SECTION 15. Term. Except as expressly provided in this Certificate of Designations, the Series A Preferred Shares shall not be redeemable or otherwise mature and the term of the Series A Preferred Shares shall be perpetual.

SECTION 16. Creation of Capital Shares. Subject to Section 13(b)(ii) and the Memorandum of Association and By-laws, the Board, or any duly authorized committee thereof, without the vote of the Holders, may authorize and issue additional Capital Shares of the Company.

SECTION 17. No Sinking Fund. Series A Preferred Shares shall not be subject to or entitled to the operation of a retirement or sinking fund.

SECTION 18. Transfer Agent, Conversion Agent, Registrar and Paying Agent. The duly appointed Transfer Agent, Conversion Agent, Registrar and paying agent for the Series A Preferred Shares shall be Broadridge Corporate Issuer Solutions, Inc. The Company may, in its sole discretion, appoint any other Person to serve as Transfer Agent, Conversion Agent, Registrar or paying agent for the Series A Preferred Shares and thereafter may remove or replace Broadridge Corporate Issuer Solutions, Inc. or such other Person at any time. Upon any such appointment or removal, the Company shall send notice thereof to the Holders.

SECTION 19. Replacement Certificates.

(a) Mutilated, Destroyed, Stolen and Lost Certificates. If physical certificates evidencing the Series A Preferred Shares are issued, the Company shall replace any mutilated certificate at the Holder's expense upon surrender of that certificate to the Transfer Agent. The Company shall replace certificates that become destroyed, stolen or lost at the Holder's expense upon delivery to the Company and the Transfer Agent of satisfactory evidence that the certificate has been destroyed, stolen or lost, together with any indemnity that may be required by the Transfer Agent and the Company.

(b) Certificates Following Conversion. If physical certificates representing the Series A Preferred Shares are issued, the Company shall not be required to issue replacement certificates representing Series A Preferred Shares on or after the Conversion Date applicable to such shares (except if any certificate for Series A Preferred Shares shall be surrendered for partial conversion, the Company shall, at its expense, execute and deliver to or upon the written order of the Holder of the certificate so surrendered a new certificate for the Series A Preferred Shares not converted). In place of the delivery of a replacement certificate following the applicable Conversion Date, the Transfer Agent, upon receipt of the satisfactory evidence and indemnity described in clause (a) above, shall deliver certificates representing the Common Shares issuable upon conversion of such Series A Preferred Shares formerly evidenced by the physical certificate.

SECTION 20. Taxes.

(a) Transfer Taxes. The Company shall pay any and all stock transfer, documentary, stamp and similar taxes that may be payable in respect of any issuance or delivery of Series A Preferred Shares or Common Shares or other securities issued on account of Series A Preferred Shares pursuant hereto or certificates representing such shares or securities. However, in the case of conversion of Series A Preferred Shares, the Company shall not be required to pay any such tax that may be payable in respect of any transfer involved in the issuance or delivery of Series A Preferred Shares, Common Shares or other securities to a Beneficial Owner other than the Beneficial Owner of the Series A Preferred Shares immediately prior to such conversion, and

shall not be required to make any such issuance, delivery or payment unless and until the Person otherwise entitled to such issuance, delivery or payment has paid to the Company the amount of any such tax or has established, to the satisfaction of the Company, that such tax has been paid or is not payable.

(b) Withholding. All payments and distributions (or deemed distributions) on the Series A Preferred Shares (and on the Common Shares received upon their conversion) shall be subject to withholding and backup withholding of taxes to the extent required by law, subject to applicable exemptions, and amounts withheld, if any, shall be treated as received by the Holders.

SECTION 21. Notices. All notices referred to herein shall be in writing and, unless otherwise specified herein, all notices hereunder shall be deemed to have been given upon the earlier of receipt thereof or three (3) Business Days after the mailing thereof if sent by registered or certified mail with postage prepaid, or by private courier service addressed: (i) if to the Company, to its office at James River Group Holdings, Ltd., Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM 08 Bermuda (Attention: Chief Executive Officer), (ii) if to any Holder, to such Holder at the address of such Holder as listed in the Register of Members or (iii) to such other address as the Company or any such Holder, as the case may be, shall have designated by notice similarly given.

SECTION 22. Facts Ascertainable. When the terms of this Certificate of Designations refers to a specific agreement or other document to determine the meaning or operation of a provision hereof, the Secretary of the Company shall maintain a copy of such agreement or document at the principal executive offices of the Company and a copy thereof shall be provided free of charge to any Holder who makes a request therefor; provided that the Secretary of the Company is provided copies upon execution or upon request. The Secretary of the Company shall also maintain a written record of the Issuance Date, the number of Series A Preferred Shares issued to a Holder and the date of each such issuance, and shall furnish such written record free of charge to any Holder who makes a request therefor.

SECTION 23. Waiver. Notwithstanding any provision in this Certificate of Designations to the contrary, any provision contained herein and any right of the Holders of Series A Preferred Shares granted hereunder may be waived as to all Series A Preferred Shares (and the Holders thereof) upon the vote or written consent of the Holders of a majority of the Series A Preferred Shares then outstanding.

SECTION 24. Severability. If any term of the Series A Preferred Shares set forth herein is invalid, unlawful or incapable of being enforced by reason of any rule of law or public policy, all other terms set forth herein which can be given effect without the invalid, unlawful or unenforceable term will, nevertheless, remain in full force and effect, and no term herein set forth will be deemed dependent upon any other such term unless so expressed herein.

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Certificate of Designations to be executed this 1st day of March, 2022.

JAMES RIVER GROUP HOLDINGS, LTD.

By: /s/ Frank N. D'Orazio
Name: Frank N. D'Orazio
Title: Chief Executive Officer

[Signature Page to Certificate of Designations]

REGISTRATION RIGHTS AGREEMENT

by and among

JAMES RIVER GROUP HOLDINGS, LTD.

and

GPC PARTNERS INVESTMENTS (THAMES) LP

Dated as of March 1, 2022

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REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this “Agreement”) is entered into as of March 1, 2022, by and among James River Group Holdings, Ltd., a Bermuda exempted company (the “Company”), and GPC Partners Investments (Thames) LP, a limited partnership organized under the laws of the Cayman Islands (the “Investor”). Capitalized terms that are used but not defined elsewhere herein are defined in Exhibit A.

WHEREAS, the Company and the Investor are parties to the Investment Agreement, dated as of February 24, 2022 (as amended from time to time, the “Investment Agreement”), pursuant to which the Company is selling to the Investor, and the Investor is purchasing from the Company, Series A Convertible Preferred Shares (the “Series A Preferred Shares”), which are convertible into Common Shares; and

WHEREAS, as a condition to the obligations of the Company and the Investor under the Investment Agreement, the Company and the Investor are entering into this Agreement for the purpose of granting certain registration and other rights to the Investor.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the receipt and sufficiency of which are hereby acknowledged, the parties to this Agreement hereby agree as follows:

ARTICLE I

Resale Shelf Registration

Section 1.1 Resale Shelf Registration Statement. No later than the expiration of the Lock-Up Period, the Company shall, at its cost, file with the SEC a registration statement covering the sale or distribution from time to time by the Holders, on a delayed or continuous basis pursuant to Rule 415 of the Securities Act, of all of the Registrable Securities on Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, then such registration shall be on another appropriate form and shall provide for the registration of such Registrable Securities for resale by the Holders in accordance with any reasonable method of distribution elected by the Investor) (the “Resale Shelf Registration Statement”) and the Company shall use its commercially reasonable efforts to cause such Resale Shelf Registration Statement to be declared effective by the SEC no later than the expiration of the Lock-Up Period (it being agreed that the Resale Shelf Registration Statement shall be an Automatic Shelf Registration Statement as such term is defined in Rule 405 that shall become effective upon filing with the SEC pursuant to Rule 462(e) if Rule 462(e) is available to the Company).

Section 1.2 Effectiveness Period; Certain Representations.

(a) Once declared effective, the Company shall, subject to the other applicable provisions of this Agreement, use its commercially reasonable efforts to cause the Resale Shelf Registration Statement to be continuously effective and usable by the Holders for sales and distributions of the Registrable Securities until such time as there are no longer any Registrable Securities (the “Effectiveness Period”).

(b) Notwithstanding any other provisions hereof, the Company shall use its commercially reasonable efforts to provide that (i) any Shelf Registration Statement and any amendment thereto and any prospectus forming part thereof and any supplement thereto complies in all material respects with the Securities Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any prospectus forming part of any Shelf Registration Statement, and any supplement to such prospectus (as amended or supplemented from time to time), does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. In order to assist the Company in complying with its obligations in Sections 1.2(b), the Holders shall comply with their obligations set forth in Section 2.4.

Section 1.3 Subsequent Shelf Registration Statement. If any Shelf Registration Statement ceases to be effective under the Securities Act for any reason at any time during the Effectiveness Period, the Company shall use its commercially reasonable efforts to, as promptly as is reasonably practicable, cause such Shelf Registration Statement to again become effective under the Securities Act (including obtaining the withdrawal of any order suspending the effectiveness of such Shelf Registration Statement), and shall use its commercially reasonable efforts to, as promptly as is reasonably practicable, amend such Shelf Registration Statement in a manner reasonably expected to result in the withdrawal of any order suspending the effectiveness of such Shelf Registration Statement or file an additional registration statement (a “Subsequent Shelf Registration Statement”) for an offering to be made on a delayed or continuous basis pursuant to Rule 415 of the Securities Act registering the resale from time to time by the Holders thereof of all securities that are Registrable Securities as of the time of such filing. If a Subsequent Shelf Registration Statement is filed, the Company shall use its commercially reasonable efforts to (a) cause such Subsequent Shelf Registration Statement to become effective under the Securities Act as promptly as reasonably practicable after the filing thereof (it being agreed that the Subsequent Shelf Registration Statement shall be an Automatic Shelf Registration Statement as such term is defined in Rule 405 that shall become effective upon filing with the SEC pursuant to Rule 462(e) if Rule 462(e) is available to the Company) and (b) keep such Subsequent Shelf Registration Statement continuously effective and usable by the Holders for sales and distributions of Registrable Securities until the end of the Effectiveness Period. Any such Subsequent Shelf Registration Statement shall be a registration statement on Form S-3 to the extent that the Company is eligible to use such form. Otherwise, such Subsequent Shelf Registration Statement shall be on another appropriate form and shall provide for the registration of such Registrable Securities for resale by the Holders in accordance with any reasonable method of distribution elected by the Holders.

Section 1.4 Supplements and Amendments. The Company shall supplement and amend any Shelf Registration Statement if required by the Securities Act, or to the extent the Company does not reasonably object, as reasonably requested in writing by the Holders with respect to information relating to the applicable Holder, and to furnish to the Holders that are covered under such Shelf Registration Statement copies of any such supplement or amendment promptly after its being used or filed with the SEC in such amounts as they may reasonably request.

Section 1.5 Subsequent Holder Notice. If a Person entitled to the benefits of this Agreement becomes a Holder of Registrable Securities after a Shelf Registration Statement becomes effective under the Securities Act, the Company shall, as promptly as is reasonably practicable following delivery of written notice to the Company of such Person becoming a Holder and requesting for its name to be included as a selling securityholder in the prospectus related to the Shelf Registration Statement:

(a) if required and permitted by applicable law, file with the SEC a supplement to the related prospectus or a post-effective amendment to the Shelf Registration Statement so that such Holder is named as a selling securityholder in the Shelf Registration Statement and the related prospectus in such a manner as to permit such Holder to deliver a prospectus to purchasers of the Registrable Securities in accordance with applicable law; provided, however, that the Company shall not be required to file more than one post-effective amendment or a supplement to the related prospectus for such purpose in any 180-day period;

(b) if, pursuant to Section 1.5(a), the Company shall have filed a post-effective amendment to the Shelf Registration Statement that is not automatically effective, use its commercially reasonable efforts to cause such post-effective amendment to become effective under the Securities Act as promptly as is reasonably practicable; and

(c) notify such Holder as promptly as is reasonably practicable after the effectiveness under the Securities Act of any post-effective amendment filed pursuant to Section 1.5(a).

Section 1.6 Underwritten Offering.

(a) Subject to the other applicable provisions of this Agreement and any restrictions on transfer in the Company Charter Documents and the Investment Agreement, at any time that any Shelf Registration Statement is effective, one or more of the Holders (the “Demand Holders”) may deliver a written notice to the Company (the “Underwritten Offering Notice”) specifying that the sale of some or all of the Registrable Securities subject to the Shelf Registration Statement is intended to be conducted through an underwritten offering (the “Underwritten Offering”); provided, however, that the Holders of Registrable Securities may not, without the Company’s prior written consent, (i) demand any such transaction the anticipated gross proceeds of which shall be less than \$50,000,000, (ii) effect (A) more than two (2) Underwritten Offerings in the aggregate within any twelve (12) month period or (B) more than one (1) Underwritten Offering during any 90-day period, or (iii) effect an Underwritten Offering within the period commencing fifteen (15) calendar days (or if such day is not a trading day, then commencing the immediately prior trading day) prior to and ending two (2) Business Days following the Company’s scheduled earnings release date for any fiscal quarter or year (or such shorter period as is the Company’s customary “blackout window” applicable to directors and officers). Upon receipt of a request for an Underwritten Offering, the Company shall notify all Holders of such request and shall include in such Underwritten Offering all shares requested to be sold by Holders responding to such notice.

(b) In the event of an Underwritten Offering, the Demand Holders of a majority of the Registrable Securities participating in an Underwritten Offering shall select the managing underwriter(s) (which shall consist of one or more nationally recognized investment banks) to administer the Underwritten Offering; provided, that the choice of such managing underwriter(s) shall be subject to the consent of the Company, which is not to be unreasonably withheld,

conditioned or delayed. The Company and the Holders of Registrable Securities participating in an Underwritten Offering will enter into an underwriting agreement in customary form with the managing underwriter or underwriters selected for such offering.

(c) If the managing underwriter or underwriters advise the Company and the Demand Holders that in its or their good faith opinion the number of Registrable Securities (including, without limitation, securities proposed to be included by the Company other holders of securities entitled to include securities in such Registration Statement pursuant to piggyback registration rights, if applicable) exceeds the number of securities which can be sold in such Underwritten Offering pursuant to this Section 1.6 in light of market conditions or is such so as to adversely affect the success of such offering, the Company will include in such offering only such number of securities that can be sold without adversely affecting the marketability of the offering, which securities will be so included in the following order of priority: (i) first, the Registrable Securities of the Demand Holders that have requested to participate in such Underwritten Offering, allocated pro rata among such Demand Holders on the basis of the percentage of the Registrable Securities then-owned by such Holders, (ii) second, to any Holders that have requested to participate in such Underwritten Offering, other than Demand Holders, pro rata among such Holders on the basis of the percentage of the Registrable Securities then owned by such Holders, (iii) third, the securities of the Company that the Company desires to participate in such Underwritten Offering, and (iv) the securities requested to participate in such Underwritten Offering pursuant to any other registration rights granted by the Company.

Section 1.7 Take-Down Notice. Subject to the other applicable provisions of this Agreement and any restrictions on transfer in the Company Charter Documents and the Investment Agreement, at any time that any Shelf Registration Statement is effective, if a Holder delivers a notice to the Company (a “Take-Down Notice”) stating that it intends to effect a sale or distribution (a “Shelf Offering”) of all or part of its Registrable Securities included by it on any Shelf Registration Statement, other than pursuant to an Underwritten Offering, which shall be implemented in accordance with Section 1.6, and stating the number of Registrable Securities to be included in such Shelf Offering, then, subject to the other applicable provisions of this Agreement, the Company shall promptly amend or supplement the Shelf Registration Statement as may be necessary in order to enable such Registrable Securities to be sold and distributed pursuant to the Shelf Offering.

Section 1.8 Piggyback Registration.

(a) If at any time, the Company proposes to file a registration statement under the Securities Act with respect to an offering following the expiration of the Lock-Up Period, or the Company proposes a shelf take-down of Common Shares or securities convertible into, or exchangeable or exercisable for, Common Shares, whether or not for sale for its own account following the expiration of the Lock-Up Period (other than a registration statement (i) on Form S-4, Form S-8 or any successor forms thereto or (ii) filed to effectuate an exchange offer or any merger or acquisition, amalgamation, scheme of arrangement, employee benefit, equity compensation, incentive or dividend reinvestment plan or a Block Trade), then the Company shall give written notice of such filing or offering, which notice shall be given, to the extent reasonably practicable, no later than five (5) Business Days prior to the filing or launch date (the “Piggyback Notice”) to each of the Holders of Registrable Securities (except in the case of an offering that is an “overnight offering”, in which case such notice must be given no later than three (3) Business Days prior to the

filing or launch date). The Piggyback Notice shall offer such Holders the opportunity to include (or cause to be included) in such registration statement or offering the number of Registrable Securities as each such Holder may request (each, a “Piggyback Registration Statement”). Subject to Section 1.8(b), the Company shall include in each Piggyback Registration Statement all Registrable Securities with respect to which the Company has received written requests for inclusion therein (each a “Piggyback Request”) promptly following delivery of the Piggyback Notice but in any event no later than two (2) Business Days prior to the filing date of a Piggyback Registration Statement. Notwithstanding the foregoing, if, at any time after giving written notice of its intention to register any securities and prior to the effective date of the Piggyback Registration Statement, the Company shall determine for any reason not to proceed with the proposed registration of the securities to be sold by it, the Company may, at its election, give written notice of such determination to each Holder that requested to participate in an offering initiated by the Company, and thereupon shall be relieved of its obligation to register any Registrable Securities in connection with such registration.

(b) If any of the securities to be registered pursuant to the registration giving rise to the rights under this Section 1.8 are to be sold in an underwritten offering, the Company shall use commercially reasonable efforts to cause the managing underwriter or underwriters selected by the Company of a proposed underwritten offering to permit Holders of Registrable Securities who have timely submitted a Piggyback Request in connection with such offering to include in such offering all Registrable Securities included in each Holder’s Piggyback Request on the same terms and subject to the same conditions as any other shares, if any, of the Company included in the offering, and any Holders exercising piggyback rights will enter into an underwriting agreement with the managing underwriters and the Company setting forth such terms. Notwithstanding the foregoing, if the managing underwriter or underwriters of such underwritten offering advise the Company in writing that in its or their good faith opinion the number of securities exceeds the number of securities which can be sold in such offering in light of market conditions or is such so as to adversely affect the success of such offering, the Company will include in such offering only such number of securities that can be sold without adversely affecting the marketability of the offering, which securities will be so included in the following order of priority: (i) first, the securities proposed to be sold by the Company for its own account; (ii) second, the Registrable Securities of the Holders that have requested to participate in such underwritten offering, allocated *pro rata* among such Holders on the basis of the percentage of the Registrable Securities then-owned by such Holders; (iii) third, any other securities of the Company that have been requested to be included in such offering. For the avoidance of doubt, a piggyback sale shall not count against the limitations in Section 1.6(a).

Section 1.9 “Market Stand-off” Agreement. The Holders shall not sell, transfer, make any short sale of, grant any option for the purchase of, or enter into any hedging or similar transaction with the same economic effect as a sale with respect to, any Common Shares (or other securities of the Company) held by the Holders (other than the Common Shares included in the registration) for a period specified by the representatives of the managing underwriter or underwriters of Common Shares (or other securities of the Company convertible into Common Shares) not to exceed five (5) days prior and ninety (90) days following any registered public sale of securities by the Company in which such Holder participates in accordance with this Article II, except (i) in the case of a private sale or distribution, with the transferee agreeing in writing to be subject to the restrictions on transfer contained in this Section 1.9, and (ii) as

expressly permitted by such lock-up agreement or in the event the managing underwriter or underwriters otherwise agree by written consent. Each Holder shall also execute and deliver any “lock-up” agreement reasonably requested by the managing underwriter or underwriters of the Company in connection with an offering.

ARTICLE II

Additional Provisions Regarding Registration Rights

Section 2.1 Registration Procedures. Subject to the other applicable provisions of this Agreement, in the case of each registration of Registrable Securities effected by the Company pursuant to Article I, the Company shall:

- (a) prepare and promptly file with the SEC a registration statement with respect to such securities and use commercially reasonable efforts to cause such registration statement to become and remain effective for the period of the distribution contemplated thereby, in accordance with the applicable provisions of this Agreement;
- (b) prepare and file with the SEC such amendments (including post-effective amendments) and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to keep such registration statement effective for the period specified in paragraph (a) above and comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement in accordance with a Holder’s intended method of distribution set forth in such registration statement for such period;
- (c) furnish to legal counsel for each Holder participating in such registration and to the underwriters of the securities being registered such reasonable number of copies of the registration statement and the prospectus included therein (including each preliminary prospectus) proposed to be filed and provide such legal counsel a reasonable opportunity to review and comment on such registration statement;
- (d) if requested by the managing underwriter or underwriters, if any, or the Holders, promptly include in any prospectus supplement or post-effective amendment such information as the managing underwriter or underwriters, if any, or the Holders may reasonably request in order to permit the intended method of distribution of such securities and make all required filings of such prospectus supplement or post-effective amendment as soon as reasonably practicable after the Company has received such request; provided, however, that the Company shall not be required to take any actions under this Section 2.1(d) that are not, in the opinion of counsel for the Company, in compliance with applicable law;
- (e) in the event that the Registrable Securities are being offered in an Underwritten Offering, furnish to the Holders participating in the offering and to the underwriters of the securities being registered such reasonable number of copies of the registration statement, preliminary prospectus and final prospectus as the participating Holders or such underwriters may reasonably request in order to facilitate the public offering or other disposition of such securities;

(f) as promptly as is reasonably practicable notify the Holders at any time when a prospectus relating thereto is required to be delivered under the Securities Act or of the Company's discovery of the occurrence of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances then existing, and, subject to Section 2.2, at the request of a Holder, prepare as promptly as is reasonably practicable and furnish to such Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading or incomplete in the light of the circumstances then existing;

(g) register and qualify (or exempt from registration) such other securities or "blue sky" laws of such jurisdictions within the United States as shall be reasonably requested in writing by the Holders; provided, however, that the Company shall not be required in connection therewith or as a condition thereto to (i) qualify to do business in any jurisdictions where it would not otherwise be required to qualify but for this subsection or (ii) take any action that would subject it to general service of process in any such jurisdictions;

(h) in the event that the Registrable Securities are being offered in an underwritten public offering, enter into an underwriting agreement on customary terms (including with respect to the indemnification of such underwriters) and in accordance with the applicable provisions of this Agreement;

(i) use commercially reasonable efforts to furnish (i) on the dates that such Registrable Securities are delivered to the underwriters for sale, if such securities are being sold through underwriters, (A) an opinion, dated as of such date, of the legal counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering, addressed to the underwriters, if any, (B) a "negative assurances letter", dated as of such date, of the legal counsel representing the Company for the purposes of such registration, in form and substance as is customarily given to underwriters in an underwritten public offering and (ii) on the date of the underwriting agreement and on the date(s) that such Registrable Securities are delivered for sale, a letter dated such date from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering, addressed to the underwriters;

(j) list the Registrable Securities covered by such registration statement with any securities exchange on which the Common Shares are then listed;

(k) provide a transfer agent and registrar (which may be the same entity) for all such Registrable Securities not later than the effective date of such registration statement;

(l) in connection with a customary due diligence review, make available for inspection by the Holders, any underwriter participating in any such disposition of Registrable Securities, if any, and any counsel or accountants retained by the Holders or underwriter (collectively, the "Offering Persons"), at the offices where normally kept, during reasonable business hours, all financial and other records, pertinent corporate documents and properties of the

Company and its subsidiaries, and cause the officers, directors and employees of the Company and its subsidiaries to supply all information and participate in customary due diligence sessions in each case reasonably requested by any such representative, underwriter, counsel or accountant in connection with such registration statement (“Requested Information”), provided, however, that any Requested Information that is not generally publicly available at the time of delivery of such information shall be kept confidential by such Offering Persons unless (i) disclosure of the Requested Information is required by court or administrative order or in connection with an audit or examination by, or a blanket document request from, a regulatory or self-regulatory authority, bank examiner or auditor, (ii) disclosure of such information is required by law or applicable legal process (including in connection with the offer and sale of securities pursuant to the rules and regulations of the SEC) in the opinion of counsel for the Offering Persons, (iii) disclosure of the Requested Information is ordered pursuant to a final, non-appealable subpoena or order from a court or government body of competent jurisdiction, (iv) the Requested Information is or becomes generally available to the public other than as a result of a non-permitted disclosure or failure to safeguard by such Offering Persons in violation of this Agreement or (v) the Requested Information (A) was known to such Offering Persons or their representatives (prior to its disclosure by the Company) from a source other than the Company when such source was not bound by any contractual, legal or fiduciary obligation of confidentiality to the Company with respect to such information, (B) becomes available to the Offering Persons from a source other than the Company when such source is not bound by any contractual, legal or fiduciary obligation of confidentiality to the Company with respect to such information or (C) was developed independently by the Offering Persons or their respective representatives without the use of, or reliance on, information provided by the Company. In the case of a proposed disclosure pursuant to clauses (i), (ii) or (iii) above, if permitted by applicable law or any applicable order of a court of government body, such Person shall be required to give the Company prompt written notice of the proposed disclosure prior to such disclosure (except in the case of clause (i) above when a proposed disclosure is in connection with a routine audit or examination by, or a blanket document request from, a regulatory or self-regulatory authority, bank examiner or auditor and except in the case of clause (ii) above when a proposed disclosure was or is to be made in connection with a registration statement or prospectus under this Agreement), to allow the Company, at the Company’s expense, to undertake appropriate action to prevent disclosure of, or to obtain a protective order for, the Requested Information deemed confidential;

(m) cooperate with the Holders and each underwriter or agent participating in the disposition of Registrable Securities and their respective counsel in connection with any filings required to be made with FINRA, including the use of commercially reasonable efforts to obtain FINRA’s pre-clearance or pre-approval of the registration statement and applicable prospectus upon filing with the SEC; and

(n) as promptly as is reasonably practicable notify the Holders (i) when the prospectus or any prospectus supplement or post-effective amendment has been filed and, with respect to such registration statement or any post-effective amendment, when the same has become effective, (ii) of any request by the SEC or other federal or state governmental authority for amendments or supplements to such registration statement or related prospectus or to amend or to supplement such prospectus or for additional information, (iii) of the issuance by the SEC of any stop order suspending the effectiveness of such registration statement or the initiation of any proceedings for such purpose, or (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any proceeding for such purpose.

Each Holder agrees that, upon receipt of any notice from the Company of the happening of any event of the kind described in Sections 2.1(f), 2.1(n)(ii) or 2.1(n)(iii), such Holder shall discontinue disposition of any Registrable Securities covered by such registration statement or the related prospectus until receipt of the copies of the supplemented or amended prospectus, which supplement or amendment shall, subject to Section 2.2, be prepared and furnished as soon as reasonably practicable, or until such Holder is advised in writing by the Company that the use of the applicable prospectus may be resumed, and have received copies of any amended or supplemented prospectus or any additional or supplemental filings which are incorporated, or deemed to be incorporated, by reference in such prospectus (such period during which disposition is discontinued being an “Interruption Period”) and, if requested by the Company in writing, such Holder shall use commercially reasonable efforts to return to the Company all copies then in their possession, of the prospectus covering such Registrable Securities at the time of receipt of such request. As soon as is reasonably practicable after the Company has determined that the use of the applicable prospectus may be resumed, the Company will promptly notify the Holders thereof. In the event the Company invokes an Interruption Period hereunder and in the reasonable discretion of the Company the need for the Company to continue the Interruption Period ceases for any reason, the Company shall provide written notice, as soon as is reasonably practicable, to the Holders that such Interruption Period is no longer applicable.

Section 2.2 Suspension. (a) The Company shall be entitled, for a period of time not to exceed thirty (30) calendar days in any three-month period, or an aggregate of 90 calendar days in any twelve-month period, to (x) defer any registration of Registrable Securities and shall have the right not to file and not to cause the effectiveness of any registration statement covering any Registrable Securities, (y) suspend the use of any prospectus and registration statement covering any Registrable Securities, and (z) require the Holders of Registrable Securities to suspend any offerings or sales of Registrable Securities pursuant to a registration statement, if the Company delivers to the Holders a certificate signed by an executive officer certifying that such registration and offering would (i) require the Company to make an Adverse Disclosure or (ii) materially interfere with any bona fide material financing, acquisition, disposition or other similar material transaction involving the Company or any of its subsidiaries then under consideration, and specifying in reasonable detail the nature of the event giving rise to such suspension. Each Holder shall keep confidential any communications received by it from the Company regarding the suspension, except as required by applicable law. If the Company defers any registration of Registrable Securities in response to a Underwritten Offering Notice, or requires the Holders to suspend any Underwritten Offering, the Holders shall be entitled to withdraw such Underwritten Offering Notice and if they do so, such request shall not be treated for any purpose as the delivery of an Underwritten Offering Notice pursuant to Section 1.6.

Section 2.3 Expenses of Registration. All Registration Expenses incurred in connection with any registration shall be borne by the Company, provided that each Holder of Registrable Securities participating in an offering shall pay all applicable underwriting discounts and commissions, brokers’ commissions and stock transfer taxes, if any, on the Registrable Securities sold by such Holder.

Section 2.4 Information by Holders. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders and their Affiliates, the Registrable Securities held by them and the distribution proposed by such Holder or Holders and their Affiliates as the Company may reasonably request and as shall be required by applicable law in connection with any registration,

qualification or compliance referred to in this Agreement. It is understood and agreed that the obligations of the Company under Article I are conditioned on the timely provisions of the foregoing information by such Holder or Holders and, without limitation of the foregoing, will be conditioned on compliance by such Holder or Holders with the following:

(a) such Holder or Holders will, and will cause their respective Affiliates to, cooperate with the Company in connection with the preparation of the applicable registration statement and prospectus and, for so long as the Company is obligated to keep such registration statement effective, such Holder or Holders will and will cause their respective Affiliates to, provide to the Company, in writing and in a timely manner, for use in such registration statement (and expressly identified in writing as such), all information regarding themselves and their respective Affiliates as the Company may reasonably request and as shall be required by applicable law to enable the Company to prepare or amend such registration statement, any related prospectus and any other documents related to such offering covering the applicable Registrable Securities owned by such Holder or Holders and to maintain the currency and effectiveness thereof;

(b) during such time as such Holder or Holders and their respective Affiliates may be engaged in a distribution of the Registrable Securities, such Holder or Holders will, and they will cause their Affiliates to, comply with all laws applicable to such distribution, including Regulation M promulgated under the Exchange Act, and, to the extent required by such laws, will, and will cause their Affiliates to, among other things (i) not engage in any stabilization activity in connection with the securities of the Company in contravention of such laws; (ii) distribute the Registrable Securities acquired by them solely in the manner described in the applicable registration statement and (iii) if required by applicable law, cause to be furnished to each agent or broker-dealer to or through whom such Registrable Securities may be offered, or to the offeree if an offer is made directly by such Holder or Holders or their respective Affiliates, such copies of the applicable prospectus (as amended and supplemented to such date) and documents incorporated by reference therein as may be required by such agent, broker-dealer or offeree; and

(c) such Holder or Holders shall, and they shall cause their respective Affiliates to, (i) permit the Company and its representatives to examine such documents and records and will supply in a timely manner any information as they may be reasonably requested to provide in connection with the offering or other distribution of Registrable Securities by such Holder or Holders and (ii) execute, deliver and perform under any agreements and instruments reasonably requested by the Company or its representatives to effectuate such registered offering, including opinions of counsel and questionnaires.

Section 2.5 Rule 144 Reporting. With a view to making available the benefits of Rule 144 to the Holders, the Company agrees that, for so long as a Holder owns Registrable Securities, the Company will:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, at all times after the date of this Agreement as is necessary to permit sales pursuant to Rule 144; and

(b) so long as a Holder owns any Registrable Securities, furnish to the Holder upon written request a written statement by the Company as to its compliance with the reporting requirements of the Exchange Act.

Section 2.6 In-Kind Distributions. If the Investor (and/or any of its Affiliates) seeks to effectuate an in-kind distribution of all or part of their Registrable Securities to their respective direct or indirect equityholders, the Company will work with the foregoing Persons to facilitate such in-kind distribution in the manner reasonably requested.

ARTICLE III

Indemnification

Section 3.1 Indemnification by Company. To the fullest extent permitted by applicable law, the Company will, with respect to any Registrable Securities covered by a registration statement or prospectus (including a prospectus supplement), or as to which registration, qualification or compliance under applicable “blue sky” laws has been effected pursuant to this Agreement, indemnify and hold harmless each Holder, each Holder’s current and former officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees, and each Person controlling such Holder within the meaning of Section 15 of the Securities Act and such Holder’s current and former officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees, and each underwriter thereof, if any, and each Person who controls any such underwriter within the meaning of Section 15 of the Securities Act (collectively, the “Company Indemnified Parties”), from and against any and all expenses, claims, losses, damages, costs (including costs of preparation and reasonable attorney’s fees and any legal or other fees or expenses actually incurred by such party in connection with any investigation or proceeding), judgments, fines, penalties, charges, amounts paid in settlement and other liabilities, joint or several, (or actions in respect thereof) (collectively, “Losses”) to the extent arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus (or prospectus supplement), preliminary prospectus (or prospectus supplement), offering circular, Issuer Free Writing Prospectus, “road show” presentation or other document, in each case related to such registration statement, or any amendment or supplement thereto, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, the Company will reimburse each of the Company Indemnified Parties for any reasonable and documented out-of-pocket legal expenses and any other reasonable and documented out-of-pocket expenses actually incurred in connection with investigating, defending or, subject to the last sentence of this Section 3.1, settling any such Losses or action; provided that the Company’s indemnification obligations shall not apply to amounts paid in settlement of any Losses or action if such settlement is effected without the prior written consent of the Company (which consent shall not be unreasonably withheld or delayed), nor shall the Company be liable to a Holder in any such case for any such Losses or action to the extent that (a) it arises out of or is based upon a violation or alleged violation of any state or federal law (including any claim arising out of or based on any untrue statement or alleged untrue statement or omission or alleged omission in the registration statement or prospectus) which occurs in reliance upon and in conformity with written information regarding such Holder furnished to the Company by such Holder expressly for use in connection with such registration by any such Holder, or (b) in the case of a sale directly by a Holder of Registrable Securities (including a sale of such Registrable Securities through any underwriter retained by such Holder engaging in a distribution solely on behalf of such Holder),

such untrue statement or alleged untrue statement or omission or alleged omission was corrected in a final or amended prospectus, and such Holder failed to deliver a copy of the final or amended prospectus at or prior to the confirmation of the sale of the Registrable Securities to the Person asserting any such loss, claim, damage or liability in any case in which such delivery is required by the Securities Act.

Section 3.2 Indemnification by Holders. To the fullest extent permitted by applicable law, each Holder will, if Registrable Securities held by such Holder are included in the securities as to which registration or qualification or compliance under applicable “blue sky” laws has been effected pursuant to this Agreement, indemnify and hold harmless, severally and not jointly with any other Holders of Registrable Securities, the Company, each of its current and former officers, directors, partners, members, managers, shareholders, accountants, attorneys, agents and employees, each underwriter, if any of the Company’s securities covered by such a registration, each Person controlling the Company or such underwriter within the meaning of Section 15 of the Securities Act (collectively, the “Holder Indemnified Parties”), from and against all Losses (or actions in respect thereof) to the extent arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, preliminary prospectus, offering circular, Issuer Free Writing Prospectus or other document, in each case related to such registration statement, or any amendment or supplement thereto, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading, and will reimburse each of the Holder Indemnified Parties for any reasonable and documented out-of-pocket legal expenses and any other reasonable and documented out-of-pocket expenses actually incurred in connection with investigating, defending or, subject to the last sentence of this Section 3.2, settling any such Losses or action, as such expenses are incurred, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement, prospectus, offering circular, Issuer Free Writing Prospectus or other document in reliance upon and in conformity with written information regarding such Holder furnished to the Company by such Holder; provided, however, that in no event shall any indemnity under this Section 3.2 payable by any Holder exceed an amount equal to the gross proceeds (net of any underwriting commissions and discounts, but before deducting other expenses) received by such Holder in respect of the Registrable Securities sold pursuant to the registration statement. The indemnity agreement contained in this Section 3.2 shall not apply to amounts paid in settlement of any loss, claim, damage, liability or action if such settlement is effected without the prior written consent of the applicable Holder (which consent shall not be unreasonably withheld or delayed).

Section 3.3 Notification. If any Person shall be entitled to indemnification under this Article III (each, an “Indemnified Party”), such Indemnified Party shall give prompt notice to the party required to provide indemnification (each, an “Indemnifying Party”) of any claim or of the commencement of any proceeding as to which indemnity is sought. The Indemnifying Party shall have the right, exercisable by giving written notice to the Indemnified Party as promptly as is reasonably practicable after the receipt of written notice from such Indemnified Party of such claim or proceeding, to assume, at the Indemnifying Party’s expense, the defense of any such claim or litigation, with counsel reasonably satisfactory to the Indemnified Party and, after notice from the Indemnifying Party to such Indemnified Party of its election to assume the defense thereof, the Indemnifying Party will not (so long as it shall continue to have the right to defend, contest, litigate and settle the matter in question in accordance with this paragraph) be liable to such Indemnified Party hereunder for any legal expenses and other expenses subsequently incurred by such Indemnified

Party in connection with the defense thereof; provided, however, that an Indemnified Party shall have the right to employ one (1) separate counsel in any such claim or litigation, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless the Indemnifying Party shall have failed within a reasonable period of time to assume such defense and the Indemnified Party is or would reasonably be expected to be materially prejudiced by such delay; provided, further, however, that the Indemnifying Party shall not, in connection with any one such claim or proceeding or separate but substantially similar or related claims or proceedings in the same jurisdiction, arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one firm of attorneys (together with appropriate local counsel) at any time for all of the Indemnified Parties, or for fees and expenses that are not reasonable. The failure of any Indemnified Party to give notice as provided herein shall relieve an Indemnifying Party of its obligations under this Article III only to the extent that the failure to give such notice is materially prejudicial or harmful to such Indemnifying Party's ability to defend such action. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the prior written consent of each Indemnified Party (which consent shall not be unreasonably withheld or delayed), consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation. An Indemnifying Party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such Indemnifying Party with respect to such claim.

Section 3.4 Contribution. If the indemnification provided for in this Article III is held by a court of competent jurisdiction to be unavailable to an Indemnified Party, other than pursuant to its terms, with respect to any Losses or action referred to therein, then, subject to the limitations contained in this Article III, the Indemnifying Party, in lieu of indemnifying such Indemnified Party hereunder, shall contribute to the amount paid or payable by such Indemnified Party as a result of such Losses or action in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party, on the one hand, and the Indemnified Party, on the other, in connection with the actions, statements or omissions that resulted in such Losses or action, as well as any other relevant equitable considerations. The relative fault of the Indemnifying Party, on the one hand, and the Indemnified Party, on the other hand, shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission to state a material fact, has been made (or omitted) by, or relates to information supplied by such Indemnifying Party or such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent any such action, statement or omission. The Company and the Holders agree that it would not be just and equitable if contribution pursuant to this Section 3.4 was determined solely upon *pro rata* allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding sentence of this Section 3.4. Notwithstanding the foregoing, the amount any Holder will be obligated to contribute pursuant to this Section 3.4 will be limited to an amount equal to the gross proceeds (net of any underwriting commissions and discounts, but before deducting other expenses) received by such Holder in respect of the Registrable Securities sold pursuant to the registration statement which gives rise to such obligation to contribute. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution or indemnification from any Person who was not also guilty of such fraudulent misrepresentation.

ARTICLE IV

Transfer and Termination of Registration Rights

Section 4.1 Transfer of Registration Rights. Any rights to cause the Company to register securities granted to a Holder under this Agreement may be transferred or assigned to a Permitted Transferee of the Investor in connection with a Transfer (as defined in the Investment Agreement) of Registrable Securities to a Permitted Transferee; provided, however, that (i) prior written notice of such assignment of rights is given to the Company, and (ii) such transferee agrees in writing to be bound by, and subject to, this Agreement as a “Holder” pursuant to the form of Joinder attached to the Investment Agreement.

Section 4.2 Termination of Registration Rights. The rights of any particular Holder to cause the Company to register securities under Article I shall terminate with respect to such Holder upon the date upon which such Holder no longer holds any Series A Preferred Shares or Registrable Securities. The registration rights set forth in this Agreement shall terminate on the date on which all Common Shares issuable (or actually issued) upon conversion of the Series A Preferred Shares cease to be Registrable Securities.

ARTICLE V

Miscellaneous

Section 5.1 Amendments and Waivers. Subject to compliance with applicable law, this Agreement may be amended or supplemented in any and all respects by written agreement of the Company and the Holders of a majority of all Registrable Securities. Notwithstanding the foregoing, this Agreement may be amended by a written agreement between the Company and the Investor, without the consent of the Holders of the Registrable Securities, in order to cure any ambiguity or to correct or supplement any provision contained herein, provided that no such amendment shall adversely affect the interest of the Holders of Registrable Securities.

Section 5.2 Extension of Time, Waiver, Etc. The parties hereto may, subject to applicable law, (a) extend the time for the performance of any of the obligations or acts of the other party or (b) waive compliance by the other party with any of the agreements contained herein applicable to such party or, except as otherwise provided herein, waive any of such party’s conditions. Notwithstanding the foregoing, no failure or delay by the parties hereto in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right hereunder. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

Section 5.3 Assignment. Except as provided in Section 4.1, neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned, in whole or in part, by operation of law or otherwise, by any of the parties hereto without the prior written consent of the other party hereto.

Section 5.4 Counterparts; Electronic Signature. This Agreement may be executed and delivered in one or more counterparts, all of which shall be considered one and the same agreement and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart. This Agreement may be executed by facsimile, by any electronic signature covered by the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act, the Electronic Signatures and Records Act, or other Requirements of Law, e.g., www.docusign.com or by .pdf signature by any party and such signature shall be deemed binding for all purposes hereof without delivery of an original signature being thereafter required.

Section 5.5 Entire Agreement; No Third Party Beneficiary. This Agreement, and the other Transaction Documents, constitutes the entire agreement, and supersedes all other prior agreements and understandings, both written and oral, among the parties and their Affiliates, or any of them, with respect to the subject matter hereof and thereof, except for contracts and agreements referred to herein. No provision of this Agreement shall confer upon any Person other than the parties hereto and their permitted assigns any rights or remedies hereunder.

Section 5.6 Governing Law; Jurisdiction.

(a) This Agreement and all matters, claims or Actions (whether at law, in equity, in Contract, in tort or otherwise) based upon, arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement (collectively, the “Relevant Matters”), shall be governed by, and construed in accordance with, the laws of the State of New York, regardless of the laws that might otherwise govern under any applicable conflict of Laws principles.

(b) All Actions arising out of or relating to any Relevant Matter (“Actions”) shall be heard and determined in any state or federal court located in the Borough of Manhattan, The City of New York, New York, and the parties hereto hereby irrevocably submit to the exclusive jurisdiction and venue of such courts in any such Action and irrevocably waive the defense of an inconvenient forum or lack of jurisdiction to the maintenance of any such Action. The consents to jurisdiction and venue set forth in this Section 5.6 shall not constitute general consents to service of process in the State of New York and shall have no effect for any purpose except as provided in this Section 5.6 and shall not be deemed to confer rights on any Person other than the parties hereto. Each party hereto agrees that service of process upon such party in any Action arising out of or relating to this Agreement shall be effective if notice is given by overnight courier at the address set forth in Section 5.9 of this Agreement. The parties hereto hereby waive any right to stay or dismiss any action or proceeding in connection with any Relevant Matter brought before the foregoing courts on the basis of (i) any claim that it is not personally subject to the jurisdiction of the above-named courts for any reason or that it or any of its property is immune from the above-described legal process, (ii) that such action or proceeding is brought in an inconvenient forum, that venue for the action or proceeding is improper or that this Agreement may not be enforced in or by such courts, or (iii) any other defense that would hinder or delay the levy, execution or collection of any amount to which any party hereto is entitled pursuant to any final judgment of any court having jurisdiction. The parties hereto agree that a final judgment in any such Action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by applicable Law; provided, however, that nothing in the foregoing shall restrict any party’s rights to seek any post-judgment relief regarding, or any appeal from, a final trial court judgment.

Section 5.7 Specific Enforcement. The parties acknowledge and agree that (a) the parties shall be entitled to an injunction or injunctions, specific performance or other equitable relief to enforce specifically the terms and provisions hereof in the courts described in Section 5.6 without proof of damages or otherwise, this being in addition to any other remedy to which they are entitled under this Agreement and (b) the right of specific enforcement is an integral part of this Agreement and without that right, neither the Company nor the Investor would have entered into this Agreement. The parties hereto agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to law or inequitable for any reason, and agree not to assert that a remedy of monetary damages would provide an adequate remedy or that the parties otherwise have an adequate remedy at law. The parties hereto acknowledge and agree that any party seeking an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in accordance with this Section 5.7 shall not be required to provide any bond or other security in connection with any such order or injunction.

Section 5.8 Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE IN CONNECTION WITH ANY RELEVANT MATTER IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO ANY RELEVANT MATTER. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (A) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF ACTION, SEEK TO ENFORCE THE FOREGOING WAIVER, (B) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVER, (C) IT MAKES SUCH WAIVER VOLUNTARILY AND (D) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVER AND CERTIFICATIONS IN THIS SECTION 5.8.

Section 5.9 Notices. All notices, requests and other communications to any party hereunder shall be in writing and shall be deemed given if delivered personally, emailed (which is confirmed) or sent by overnight courier (providing proof of delivery) to the parties at the following addresses:

(a) If to the Company, at:

James River Group Holdings, Ltd.
Wellesley House, 2nd Floor
90 Pitts Bay Road
Pembroke Bermuda
HM 08
Email: Frank.Dorazio@james-river-group.com

with a copy to (which shall not constitute notice):

Bryan Cave Leighton Paisner LLP
1290 Avenue of the Americas
New York, NY 10104
Attn: Kenneth L. Henderson
Email: kenneth.henderson@bclplaw.com

(b) If to the Investor, at:

GPC Gallatin Investments (Thames) LP
c/o Gallatin Point Capital LLC
660 Steamboat Road
First Floor
Greenwich, CT 06830
Attn: Lance Toler
Email: ltoler@gallatinpoint.com

with a copy to (which shall not constitute notice):

Goodwin Procter LLP
100 Northern Avenue
Boston, MA 02210
Attn: Laura Hodges Taylor
Email: LHodgesTaylor@goodwinlaw.com

(c) If to any other Holder, to the address(es) and e-mail(s) set forth in such Holder's joinder.

or such other address or email address as such party may hereafter specify by like notice to the other parties hereto. All such notices, requests and other communications shall be deemed received on the date of actual receipt by the recipient thereof if received prior to 5:00 p.m. local time in the place of receipt and such day is a Business Day in the place of receipt. Otherwise, any such notice, request or communication shall be deemed not to have been received until the next succeeding Business Day in the place of receipt.

Section 5.10 Severability. If any term, condition or other provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or incapable of being enforced by any rule of law or public policy, all other terms, provisions and conditions of this Agreement shall nevertheless remain in full force and effect. Upon such determination that any term, condition or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible to the fullest extent permitted by applicable law.

Section 5.11 Expenses. Except as provided in Section 2.3, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

Section 5.12 Interpretation. The rules of interpretation set forth in Section 8.12 of the Investment Agreement shall apply to this Agreement, *mutatis mutandis*.

[Signature pages follow]

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first above written.

COMPANY:

JAMES RIVER GROUP HOLDINGS, LTD.

By: /s/ Frank N. D'Orazio
Name: Frank N. D'Orazio
Title: Chief Executive Officer

INVESTOR:

GPC PARTNERS INVESTMENTS (THAMES) LP

By: GPC Partners II GP LLC, its general partner

By: Gallatin Point Capital LLC, its sole member

By: /s/ Matthew Botein
Name: Matthew Botein
Title: Managing Partner

[Signature Page to Registration Rights Agreement]

EXHIBIT A

Defined Terms

1. The following capitalized terms have the meanings indicated:

“Actions” means legal or administrative proceedings, suits, investigations, arbitrations or actions.

“Adverse Disclosure” means public disclosure of material non-public information that, in the good faith judgment of the Company: (i) would be required to be made in any registration statement or report filed with the SEC by the Company so that such registration statement would not contain any untrue statement of material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading; (ii) would not be required to be made at such time but for the filing, effectiveness or continued use of such registration statement; and (iii) the Company has a bona fide business purpose for not disclosing publicly.

“Affiliates” shall have the meaning given to such term in the Investment Agreement.

“Block Trade” means a registered securities offering in which an underwriters agrees to purchase Registrable Securities at an agreed price or utilizing a pricing formula without a prior marketing process.

“Business Day” shall have the meaning given to such term in the Investment Agreement.

“Closing Date” shall have the meaning given to such term in the Investment Agreement.

“Common Shares” means all shares currently or hereafter existing of the common shares, par value \$0.0002 per share, of the Company.

“Company Charter Documents” shall have the meaning given to such term in the Investment Agreement.

“Exchange Act” means the Securities Exchange Act of 1934, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

“FINRA” means the Financial Industry Regulatory Authority, Inc.

“Holder” means the Investor and any Person holding Registrable Securities that has been transferred or assigned rights under this Agreement in accordance with Section 4.01.

“Issuer Free Writing Prospectus” shall have the meaning set forth in Rule 433 of the Securities Act.

“Lock-Up Period” shall have the meaning given to such term in the Investment Agreement.

“Permitted Transferee” shall have the meaning given to such term in the Investment Agreement.

“Person” means any individual, corporation, limited liability company, limited or general partnership, joint venture, association, joint-stock company, trust, unincorporated organization, government or any agency or political subdivision thereof, any other form of entity or any group comprised of two or more of the foregoing.

“register”, “registered” and “registration” refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act, and the declaration or ordering of the effectiveness of such registration statement or the automatic effectiveness of such registration statement, as applicable.

“Registrable Securities” means, as of any date of determination, any Common Shares acquired by any Investor pursuant to the conversion of the Series A Preferred Shares, any other securities issued or issuable with respect to any such Common Shares by way of share split, share dividend, distribution, recapitalization, merger, amalgamation, scheme of arrangement, exchange, replacement or similar event or otherwise. As to any particular Registrable Securities, once issued, such securities shall cease to be Registrable Securities when (i) such securities are sold or otherwise transferred pursuant to an effective registration statement under the Securities Act, (ii) such securities shall have ceased to be outstanding, (iii) such securities have been sold or otherwise transferred in a transaction in which the Holder’s rights under this Agreement are not assigned to the transferee of the securities, (iv) such securities are sold pursuant to Rule 144 (or other exemption from registration under the Securities Act); and (v) such securities are transferable by a Person (A) who is not an affiliate of the Company pursuant to Rule 144 under the Securities Act and (B) who, collectively with its Affiliates, hold less than 3% of outstanding Common Shares.

“Registration Expenses” means all expenses incurred by the Company in complying with Article I, including all registration, qualification, listing and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company and accountants for the Company, fees and expenses in connection with complying with state securities or “blue sky” laws, FINRA fees, fees of transfer agents and registrars, but excluding underwriting discounts and commissions, brokers’ commissions and stock transfer taxes, if any, in each case to the extent applicable to the Registrable Securities of any selling Holders.

“Rule 144” means Rule 144 promulgated under the Securities Act and any successor provision.

“Rule 462(e)” means Rule 462(e) promulgated under the Securities Act and any successor provision.

“SEC” means the U.S. Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and any successor statute thereto, and the rules and regulations of the SEC promulgated thereunder.

“Shelf Registration Statement” means the Resale Shelf Registration Statement or a Subsequent Shelf Registration Statement, as applicable.

“Transaction Documents” shall have the meaning given to such term in the Investment Agreement.

2. The following capitalized terms have the meanings indicated:

INDEX OF TERMS

<u>Term</u>	<u>Section</u>
Actions	Section 5.6(b)
Agreement	Preamble
Company	Preamble
Company Indemnified Parties	Section 3.1
Effectiveness Period	Section 1.2(a)
Holder Indemnified Parties	Section 3.2
Indemnified Party	Section 3.3
Indemnifying Party	Section 3.3
Interruption Period	Section 2.1(n)
Investment Agreement	Recitals
Investor	Preamble
Losses	Section 3.1
Offering Persons	Section 2.1(l)
Piggyback Notice	Section 1.8(a)
Piggyback Registration Statement	Section 1.8(a)
Piggyback Request	Section 1.8(a)
Relevant Matters	Section 5.6(a)
Requested Information	Section 2.1(l)
Resale Shelf Registration Statement	Section 1.1
Series A Preferred Shares	Recitals
Shelf Offering	Section 1.7
Subsequent Shelf Registration Statement	Section 1.3
Take-Down Notice	Section 1.7
Underwritten Offering	Section 1.6(a)
Underwritten Offering Notice	Section 1.6(a)

CERTIFICATION

I, Frank N. D'Orazio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of James River Group Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2022

/s/ Frank N. D'Orazio

Frank N. D'Orazio

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION

I, Sarah C. Doran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of James River Group Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 10, 2022

/s/ Sarah C. Doran

Sarah C. Doran

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of James River Group Holdings, Ltd. (the "Company") on Form 10-Q for the period ended March 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Frank N. D'Orazio, Chief Executive Officer of the Company, and Sarah C. Doran, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frank N. D'Orazio

Frank N. D'Orazio
Chief Executive Officer
(Principal Executive Officer)
May 10, 2022

/s/ Sarah C. Doran

Sarah C. Doran
Chief Financial Officer
(Principal Financial Officer)
May 10, 2022