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James River Group Holdings, Inc.

NasdaqGS:JRVR

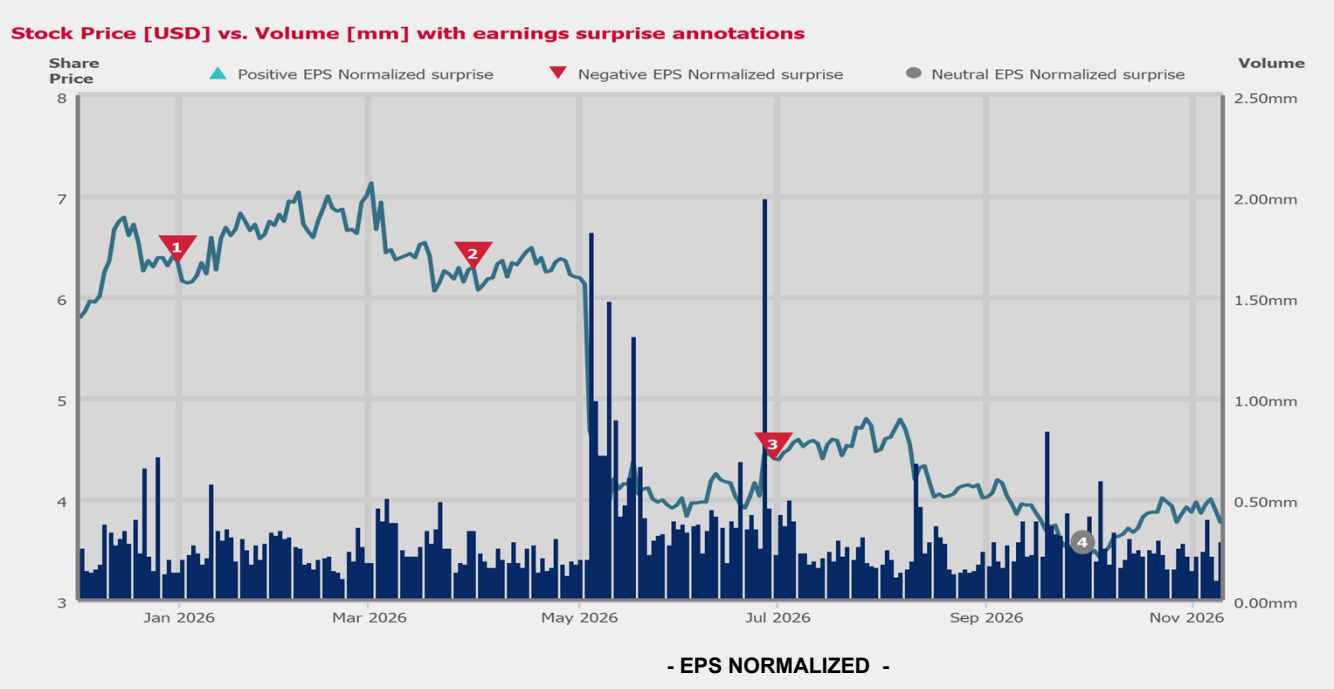
FQ3 2026 Earnings Call Transcripts

Tuesday, November 10, 2026 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2026-			-FQ4 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.23	(0.10)	NM	0.22	0.74	NA
Revenue (mm)	153.62	147.71	▼ (3.85 %)	149.91	619.05	NA

Currency: USD
Consensus as of Oct-12-2026 7:00 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2025	0.42	0.30	▼1 (28.57 %)
FQ1 2026	0.27	0.12	▼2 (55.56 %)
FQ2 2026	0.26	0.20	▼3 (23.08 %)
FQ3 2026	0.23	(0.10)	NM

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Presentation

Operator

Hello and thank you for standing by. My name is Demi and I'll be your conference operator today. At this time, I would like to welcome everyone to the James River Group Third Quarter 2026 Earnings Call.

[Operator Instructions]

I would now like to turn the conference over to Bob Zimardo, Senior Vice President, Investments and Investor Relations. Please go ahead.

Bob Zimardo
Senior VP for Investments & Investor Relations

Good morning, everyone, and welcome to James River Group's third quarter earnings conference call. A reminder that during the call, we will be making forward-looking statements that are based on current beliefs, intentions, expectations, and assumptions that are subject to various risks and uncertainties, which may cause actual results to differ materially. Such risks and uncertainties are detailed in the cautionary language regarding forward-looking statements in yesterday's earnings release and the risk factors of our most recent Form 10-K, Form 10-Q, and other reports and filings we have made with the SEC.

We do not undertake any duty to update any forward-looking statements. In addition, during this presentation, we may reference non-GAAP financial measures. Please refer to our earnings press release for a reconciliation of these numbers to GAAP, a copy of which can be found on our website.

Lastly, unless otherwise specified for the reasons described in our earnings press release, all underwriting performance ratios referred to are for our continuing operations and business that is not subject to retroactive reinsurance accounting for loss portfolio transfers.

I will now turn the call over to Frank D'Orazio, James River's Chief Executive Officer.

Frank N. D'Orazio
CEO & Director

Thank you, Bob. Good morning, everyone, and thank you for joining us. We have quite a bit to cover today, and I'd like to start the call by repeating the theme we've emphasized over the last several quarters. James River continues to focus on optimizing the value in its SME E&S franchise with a profitability-first mindset. Given all that the company has navigated over the last few years, we simply will not chase volume for the sake of production. We do not believe that business will meet our expectation for profitability.

Although perhaps not immediately obvious, we feel our third quarter actions reflect that focus, and I'll cover several key components of the quarterly results in detail today to help illustrate that narrative. Clearly, several factors drove our third quarter results, including our E&S production, the findings and impact of our actuarial detailed valuation review, and the beneficial impacts of both our expense initiatives and investment performance.

I'll speak to E&S production first. Amidst an increasingly competitive environment, which is showing up in rate moderation and selective pockets of deterioration in terms and conditions, E&S gross written premiums declined over 18% from the prior year quarter, but we continue to see strong growth in submissions of 8% for active divisions. The year-over-year comparison is impacted by a handful of factors. The intentional non-renewal of contract binding and tract housing exposures that has totaled nearly $30 million over the last year are part of the shortfall this quarter.

Most significantly, competition within habitational business has pressured non-renewals, rate continues to moderate overall for our casualty divisions, and was roughly flat year over year compared to mid-single-digit growth a year ago. Finally, we've continued to prioritize our efforts to attract, bind, and retain smaller accounts across the portfolio. Those efforts have been encouraging, and we see significant pockets of opportunity and momentum in our shift toward these smaller accounts.

Insureds with policy premium levels of $35,000 or less represent over 80% of our policy count, have the highest premium retention in our book, and based on our own experience, produce better underwriting results across the cycle. Given the rate at which the market is transitioning, we believe this is the time to make this adjustment. As such, we are utilizing our new AI technology to add efficiency and speed to the underwriting process. That said, the emphasis and shift to smaller accounts continues to create a near-term headwind

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to our production efforts, as evidenced by a 12% year-over-year reduction for the quarter in average premium per bound policy and over a 22% reduction for the year.

As we've heard from others this quarter, competition in the sector takes many forms, including MGAs, fronting carriers, established E&S writers moving downmarket, and to a lesser extent, admitted carriers becoming more active in selected classes such as property. In casualty lines, we tend to observe more aggressive behavior on larger premium items. For the quarter, our largest divisions, excess casualty and general casualty, are contributing an outsized proportion of the premium reduction in the quarter, particularly in the habitational space on both the primary and an excess basis where there's significant pressure on both rates and terms and conditions. We've made the decision to maintain underwriting discipline.

As a result, we ended up non-renewing in excess of $15 million to $17 million of habitational business in the quarter that did not meet our pricing and profitability expectations. Despite the overall competitive environment, the segment did write approximately $45 million of new business in the quarter. Our specialty division continues to be an area of focus for us as we've been able to increase policy count in several departments while also seeing some of the healthier rate opportunities in the segment such as in energy and environmental, both in high single digits. We continue to be encouraged by what we perceive to be opportunities for attractive margins in specialty, and we'll focus on efficiencies and technology to continue to increase our quote counts in this segment.

Moving forward, our strategy demands that our underwriters take advantage of our growing submission counts to find the most profitable accounts to quote and bind. Speed and efficiency in that process have become a competitive necessity. Our AI-enabled underwriting workbench within Kalepa helps our underwriters clear, prioritize, and quote the submissions that fit our appetite more quickly. Thus far in 2026, we've onboarded 3 departments and are in process on 3 more.

While we're still in the early stages of recognizing these efficiencies, there are green shoots of execution gains in those first 3 departments as we're seeing the initial signs of material productivity improvements in quotes and binders per underwriter. While still early in our application of technology, we look forward to additional efficiencies as more divisions are onboarded later this year and into 2027.

Moving on to our reserve movement in the quarter, I'd like to address the outcome of our detailed valuation review, or DVR, which we conduct each year during the third quarter. Again, our DVR is our first principles ground-up review of all assumptions and selections underpinning our E&S segment's reserve base. This year's DVR process concluded with a $19.2 million of net adverse reserve development in our E&S segment concentrated primarily in years 2019 to '23 in our legacy product liability portfolio. As we've reported in past quarters, the product development we've been experiencing for several quarters now is driven by construction defect claim activity, notably associated with artisan and trade contractors concentrated in Florida with exposure to tract home building. In most instances, our insureds were subcontractors doing exterior and finishing work on these homes.

Specifically, we've observed a high frequency of low severity claims with a high proportion being closed with minimal or no indemnity payments being made. During the quarter, our actuaries increased their view of trend and development assumptions for these claims and as a result, increased their view of expected losses. While we've observed new claim counts coming down meaningfully in the most recent quarters, we will continue to closely monitor the segment of our reserve portfolio. Additionally, we have now non-renewed all of the remaining construction accounts in the portfolio that had the same type of exposure to tract housing that has driven our reserve development.

I do think it is important to put this year's DVR result in context. Our primary focus is on the health of the overall $1 billion net E&S reserve position, inclusive of all years and lines. Our review did not result in meaningful development or concern elsewhere in the portfolio, and what hasn't changed is the positive performance of our more recent accident years across the broader portfolio.

Recent years demonstrate meaningfully lower claim counts and improved incurred loss ratios with positive future implications consistent with the underwriting actions, enhanced governance, and portfolio shifts we've implemented over the past several years. Our current accident year loss ratio for the group was 65.7% for the quarter, unchanged from the prior year quarter. Finally, as we prudently manage our top line for profitability, we continue to actively take costs out of the business. G&A expenses are down 9% compared to the prior year quarter as we've taken additional actions to further align our expense base with the current size and composition of our business.

With that, I'll turn it over to Sarah to discuss our financial results.

Sarah Casey Doran
Chief Financial Officer

Thank you, Frank, and good morning, everyone.

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Net loss available to common shareholders was $189.4 million, or $4.08 per diluted share, almost entirely driven by the $181.8 million of non-cash impairment of goodwill we previously had on our balance sheet. On an adjusted net operating basis, we reported a loss of $0.10 per diluted share, or $4.4 million, compared to income of $17.4 million, or $0.32 per diluted share, in the prior year quarter. As mentioned, this quarter our results were significantly impacted by 2 items that I'll get right into.

The primary driver of our reported net loss available to common shareholders was the non-cash impairment of our full $181.8 million of goodwill, which had the largest impact on our net results but had no impact on our operating results, statutory capital, tangible common equity, or compliance with our debt covenants. We review our goodwill for potential impairment at least annually, if not more frequently, if circumstances arise that indicate impairment may exist. As we reported in our second quarter 10-Q, we performed an interim impairment assessment of our goodwill during the previous quarter, and that analysis then indicated goodwill was not impaired by a margin of approximately 3%.

Given items such as our stock price performance and the conditions in the E&S market, we performed an updated assessment during the third quarter, which indicated a full impairment of goodwill. Accordingly, we recorded a goodwill charge in the current quarter. This charge removes all goodwill from our balance sheet. For background, we've carried this goodwill on our E&S business since 2007 as part of the company's take-private transaction at that time, rather than because of any acquisition that we have made.

The second driver of results this quarter was the $19.2 million of adverse reserve development in E&S on total net reserves of $1.1 billion. That development added 15 points to the quarterly E&S combined ratio at 108.5%. Absent that impact, the E&S combined ratio would have been 93.4%. Year to date, the combined ratio for that segment is 99%. Consolidated combined ratio for the company was 115.6% this quarter and 106.6% year to date. The group's current accident year loss ratio was 65.7% for the quarter, in line with the year to date and the prior year.

Moving on to expenses and investments. We've continued to deliver expense reductions as Frank cited. Across the company, G&A expenses declined about $3 million and $10 million, respectively compared to the prior year quarter and year-to-date periods. That's a reduction of nearly 10% for each period. In our specialty admitted segment, G&A was down 34% this quarter compared to last year, and we reduced expenses in the corporate segment in excess of 20%. Our consolidated expense ratio of 33.7% compares to 28.3% a year ago. That increase is primarily a function of the 14% decline in net earned premium. While we continue to manage our expense ratio as we manage our top line, we focus more on the dollars of savings and our expense efficiency, as that's the piece that we can control most readily.

Turning to investments, the portfolio continues to be a steady and meaningful contributor to earnings. Net investment income was $22.2 million for the quarter, up 1% compared to the prior year quarter, and up 9% from the second quarter. The increase was primarily due to our high-quality fixed-income portfolio, where we have been able to put new money to work well above our portfolio book yield, 5% plus, given the interest in interest rates -- rise in interest rates. Private investment income was substantially higher than in the prior year quarter as we put funds to work in the portfolio's small allocation to a capital-efficient rated note strategy that we've had for the last few years.

Net realized and unrealized losses on investments were just shy of $3 million, primarily related to the company's preferred stock portfolio, whose values moved with the rise in rates. But overall, the portfolio remains conservatively positioned with approximately 75% of invested assets and cash allocated to high-grade fixed-income securities at an average duration of 3.8 years and average credit quality of A+. Tangible common equity per share was $7.95 at the end of the quarter, compared to $8.94 at year-end. The $52 million increase in accumulated other comprehensive loss this quarter, which was due to the rise in rates alone, decreased tangible book value per share by $1.12. We continue to consider these unrealized losses as temporary, given we have both the intent and ability to hold to maturity.

Briefly on taxes, our effective tax rate was 0.7%, predominantly reflective of goodwill impairment which is not deductible for tax purposes. Absent the effects of the impairment, our effective tax rate would have been more in line with the U.S. statutory rate.
So with that, I'll turn the call back to the operator and open the line for questions.

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Question and Answer

Operator

[Operator Instructions]

Our first question comes from the line of Maxwell Fritscher with Truist.

Maxwell Fritscher
Truist Securities, Inc., Research Division

I'm calling in for Mark Hughes. Submission growth appears to continue to be strong. But how has your bind rate changed? Are you still able to bind policies at a similar rate, or has the increased competition had an effect on that?

Frank N. D'Orazio
CEO & Director

Max, we're seeing -- we're starting to see some of the impact of the investments we've made in our AI-enabled workbenches. And so the departments that are now coming through this process and have the workbench embedded, we're starting to see fairly significant gains just relative to both quotes and binders per underwriter. That's what's probably most apparent when I look back at the quarter is the improvements that we're seeing relative to that investment.

But just overall on the submission activity, I think it's pretty normal that when competition intensifies in the market that it's not unlikely that brokers are covering their bases in order to present their clients with more options. But I think it does breed genuine opportunity in many cases. In some cases, it's picking up data. In other cases, it's basically creating a prospect for the future. So we've definitely seen an uptick overall in submissions across the board and selectively seeing it in our quote and bind ratios.

Maxwell Fritscher
Truist Securities, Inc., Research Division

Great, thank you. And then as you continue to migrate the book towards smaller accounts, how far through that shift would you say you are, and how much of your book remains in that larger account cohort?

Frank N. D'Orazio
CEO & Director

Well, so 80% of our in-force book right now is premium levels of $35,000 per policy or less. So you get a pretty good sense that we're the majority of the way there, quite frankly. I think we're always going to have some portion of the book that falls outside of that band. We're well on our way here through this shift. And we've been doing this for a couple of quarters now, just because of what we've said in the past, just relative to the historical profitability levels that we see in that premium band size and the risk profile presented by those insureds versus some of the larger insureds that tend to get a lot more competition and deterioration in terms and conditions in transitioning markets.

Maxwell Fritscher
Truist Securities, Inc., Research Division

And then as you called out, current accident year was steady or slightly down, and then as you continued this shift -- I know you said you're most of the way through, but do you expect that to migrate down a bit, or is this a good sustainable level for the near term?

Frank N. D'Orazio
CEO & Director

In terms of, you're talking about the loss ratio specifically?

Maxwell Fritscher
Truist Securities, Inc., Research Division

Yes, sorry, current accident year loss ratio. Sorry about that.

Frank N. D'Orazio
CEO & Director

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Yes, I think that's basically going to be driven by the business mix, and as the portfolio moves over time, we'll make other adjustments relative to our perception of where the expected loss ratio should be. But for right now, I think that's a good measure.

Maxwell Fritscher
Truist Securities, Inc., Research Division

Thank you. And the final one for me, specialty admitted segment, I believe I saw there are 4 current programs. Do you expect that to continue, or do you expect to continue these into 2027, and what does that imply for written premium? Do you anticipate that to stay around this level, or take another step down?

Frank N. D'Orazio
CEO & Director

So I would say, the story there is pretty much unchanged. We've intentionally reduced our fronting segment, keeping the net exposure very limited given the competitive market there, while continuing to take costs out of the business. I think we're at 3 active programs right now. So I think that's probably a pretty good sense of what the future holds right now for the segment.

Operator

Next question comes from the line of Brian Meredith with UBS.

Justin Xavier Tucker
UBS Investment Bank, Research Division

This is Justin Tucker on for Brian.

The first question I have is regarding competition. Are you guys continuing to see business migrate from the E&S market back to the admitted market? And then if so, what classes are most pronounced and what account size? And then continuing, how much of that 3Q premium decline would you attribute to the migration versus competition in the E&S market? Thank you.

Frank N. D'Orazio
CEO & Director

Sure. So listen, I mean, largely competition has intensified, and then we see it from all forms, right? I talked about it in the prepared comments. But in terms of the large-scale movement back to the admitted market, I mean, we see it probably most pronounced in the property space and not as pronounced anywhere else, really. Quite frankly, most of the competition that we see -- and remember, think about where we're focusing most of our time -- is coming from MGAs and other E&S carriers and maybe some fronting carriers.

Relative to what we've seen in the competition, the 2 areas, 2 departments that had kind of the outsized proportion of the premium reduction, really driven by habitational space in both primary and excess basis, so in excess casualty as well as general casualty. And I would say that is primarily, again, MGA and other E&S carrier. We're not seeing the admitted market being a big factor.

Justin Xavier Tucker
UBS Investment Bank, Research Division

Great. And then maybe unpacking the kind of competition from the MGAs, can you just broadly talk about the influence they're having and then how James River thinks about using MGAs within their distribution strategy?

Frank N. D'Orazio
CEO & Director

Sure. So I'll take the latter first. I mean, we have a fronting segment, but we've been downsizing that specifically as market conditions have been transitioning now for the last couple of years, so that's not been a focus of ours. And then the first part of your question, just do we see them? Yes, we absolutely see them, particularly in general casualty, excess casualty, some of the other specialty areas as well. They are one of our bigger competitors kind of in the collective, as well as other E&S carriers.

Operator

[Operator Instructions]

There are no further questions at this time. I will now turn the call back over to Frank D'Orazio, CEO, for any closing comments.

Frank N. D'Orazio

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CEO & Director

Thank you, moderator, and thank you to everyone for your time and for the questions we received this morning. Candidly, this was a difficult quarter for James River, and we recognize that our performance did not acceptably stack up relative to our own nor our shareholders' expectations. However, when you stop and peel back our results, I take comfort in knowing that the adverse development from this year's reserve review was highly concentrated in a single line of business in the legacy portfolio, and that the more recent accident years, as well as the current accident year, are performing well. Submissions continue to grow and at a rate we've not seen since 2024.

We've taken the right underwriting decisions to pare back the portfolio for future profitability, and have made timely investments in technology to support future efficiency and scale in targeted areas that we hope to grow profitably. Investment income continues to build, and we continue to take meaningful costs out of the organization with the primary goal of increasing shareholder value. Our focus remains on managing the business for underwriting profitability and long-term value rather than near-term volume.

I want to thank all my James River colleagues for their efforts and continued commitment through a challenging quarter, and for our shareholders on the call, we appreciate your continued support and interest in James River and look forward to speaking again next quarter. Before we conclude, I want to recognize and thank both Kirstin Gould and Tom Brown for their service on our Board of Directors over the last 5-plus years and wish them success in their future endeavors. We look forward to our next update on our progress in a few months.

Operator
This concludes today's conference. Thank you for participating. You may now disconnect.

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