

# James River Group Holdings, Ltd.

## NasdaqGS:JRVR

### FQ1 2025 Earnings Call Transcripts

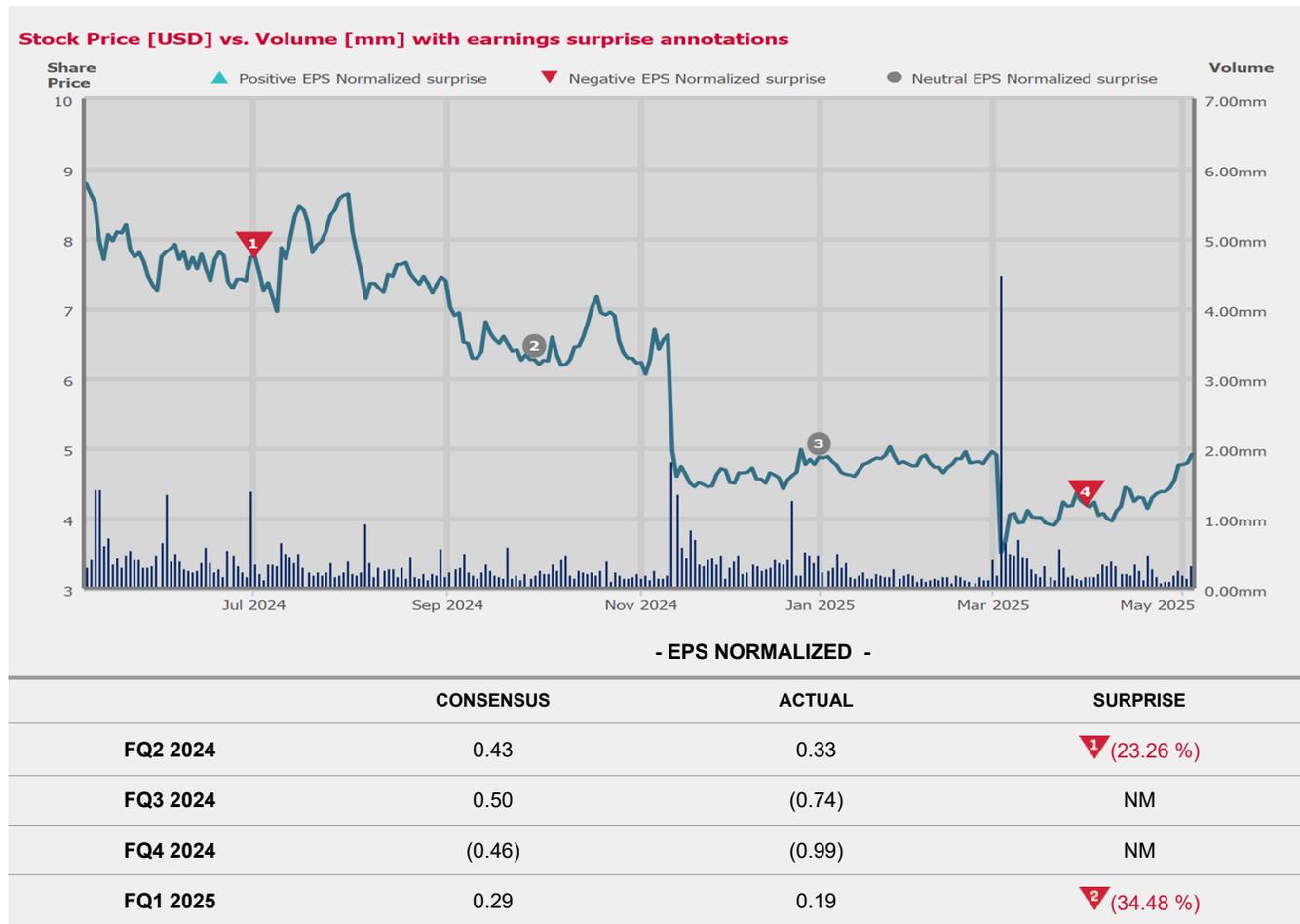
Tuesday, May 6, 2025 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2025-			-FQ2 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.29	0.19	▼ (34.48 %)	0.27	1.09	NA
Revenue (mm)	184.14	172.29	▼ (6.44 %)	186.23	751.23	NA

Currency: USD

Consensus as of May-06-2025 5:56 AM GMT



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# Call Participants

## EXECUTIVES

**Frank N. D’Orazio**  
*CEO & Director*

**Sarah Casey Doran**  
*Chief Financial Officer*

**Zachary Shytle**

## ANALYSTS

**Casey Jay Alexander**  
*Compass Point Research & Trading,  
LLC, Research Division*

**Mark Douglas Hughes**  
*Truist Securities, Inc., Research  
Division*

**Matthew John Carletti**  
*Citizens JMP Securities, LLC, Research  
Division*

# Presentation

## Operator

Good morning, everyone, and welcome to the James River Group Quarter 1, 2025 Earnings Call. I am France, and I'll be the operator assisting you today. [Operator Instructions]

I would now like to turn the call over to Zachary Shytle with Investor Relations. Please go ahead.

## Zachary Shytle

Good morning, everyone, and welcome to the James River Group First Quarter 2025 Earnings Conference Call. During the call, we will be making forward-looking statements. These statements 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. For a discussion of such risks and uncertainties, please see the cautionary language regarding forward-looking statements in yesterday's earnings release and the risk factors of our most recent Form 10-K and other reports and filings we have made with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statements.

In addition, during this presentation, we may reference to 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 at [www.jrvrgroup.com](http://www.jrvrgroup.com). 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, Chief Executive Officer of James River Group.

## Frank N. D'Orazio CEO & Director

Thank you for that introduction, Zach. Good morning, everyone, and welcome to our first quarter 2025 earnings call. This morning, I'll begin the discussion with some high-level commentary regarding James River and then provide more specific details on the quarter before Sarah provides some prepared comments.

For Q1, we are pleased to report a profitable and more stable quarter. We entered 2025 focused on long-term stability and profitability, driven by a focus on our E&S business. We believe we are taking a first step toward meeting those objectives. While overarching global headlines are increasingly focused on market volatility, fears of recession and uncertainty around economic policy, our approach continues to focus on core competencies and risk mitigation across both our Insurance segments as well as the Investment portfolio.

Relative to the new administration's emerging tariff policy, we believe we may be fortuitously positioned on a relative basis given our deliberate and sole focus on U.S.-based SME insurance as well as our more limited exposure to property and auto. Underlying businesses along with construction commonly rely on imported materials and goods. That said, we will continue to monitor new administration policy changes as well as any potential observed impact on our business.

Before we delve further into the quarter's performance, I'd like to address a few very positive developments for James River. First off, in late April, the company successfully concluded the post-close purchase price adjustment process for our former Bermuda Reinsurance segment that was sold last April in accordance with the Stock Purchase Agreement between the parties. While James River had previously disclosed the quantum of that dispute between the parties amounted to a \$54 million downward price adjustment claimed by the purchaser, the final and binding determination resulted in a downward adjustment of approximately \$500,000, which we have accounted for in the first quarter. We are pleased the purchase price adjustment process has included as we believe it is a very significant step towards closing the chapter on the sale of JRG Re.

Secondly, the company experienced de minimis overall prior year reserve activity during the first quarter across both segments. As a result, we did not utilize any additional retroactive legacy capacity this quarter. And so the balance of unused coverage remains at \$116 million. We move forward into the remainder of 2025 with what is effectively prepaid legacy coverage equivalent to an additional 12.5% of our E&S casualty reserve balance for the period of 2010 to 2023.

Our first quarter accident year loss ratio of 65.5% is consistent with the accident year loss ratios observed over the past several quarters, though slightly lower due to shifts in our business mix. And finally, last night, we announced the impending retirement of our long-standing E&S segment leader, Richard Schmitzer, who will step down from his position at the end of July and be succeeded

by Todd Sutherland, who joined James River in 2023 with over 30 years of underwriting and large P&L management experience. I've known Todd for over 20 years, and I'm confident that he will do a fantastic job leading our E&S business forward as we strive to continue to improve our profitability, efficiency and product diversification while becoming more meaningful to our distribution partners.

So with that, turning to the quarter's performance, 2025 is off to a solid start as we were reporting \$0.18 per share of net income from continuing operations and adjusted net operating income of \$0.19 per share for the first quarter. We generated an 11.5% adjusted net operating return on tangible common equity, driven by E&S and investment portfolio returns and grew tangible common book value per share by 6.6% to \$7.11.

Focusing on our E&S segment first, we continue to see robust support from our wholesale distribution partners as well as strong overall market conditions. New renewal submissions each grew 6% during the quarter, establishing a new quarterly record of over 91,000 submissions. Of particular note, we saw submission growth of 26% in Environmental, 18% in Manufacturers & Contractors, and 10% in Small Business which drove strong departmental premium growth for the latter 2 divisions in particular.

Pricing conditions remain broadly attractive across casualty E&S allowing us to actively pick our spots in take rate or selectively move away from opportunities that do not meet our underwriting appetite. Renewal rates for the first quarter were up 7.8% in Process segment with several divisions experiencing double-digit increases, including Environmental, Energy and Excess Casualty. We believe the level of rate increase that we're able to achieve continues to meaningfully exceed our view of loss trend. However, we continue to remain cautious in certain areas of the portfolio such as commercial auto heavy exposures within Excess Casualty, where pricing does not align with our expectations.

In the aggregate, across the entire segment, our average premium declined 8.4% per policy compared to the prior year quarter. Drilling down into a few specific divisions, average premium size declined 23% in Life Sciences, 9% in Small Business and 12% in Excess Casualty. This dynamic reflects our deliberate and focused approach on smaller accounts that have historically been more profitable for us. As a result, gross premium for the quarter was essentially flat to prior. That said, we saw a premium growth in several underwriting divisions, including Allied Health, Manufacturers & Contractors, Professional Liability and Small Business. Across the segment, March was a particularly strong month with written premium growth exceeding 9% compared to March of 2024. Undoubtedly, we'll look to carry that momentum forward as we expect to grow our total segment premium base over the course of the year.

In summary, the E&S segment produced a combined ratio of 91.5% for the first quarter with \$11.7 million of underwriting income, representing a solid start to the year. Our accident year loss ratio of 63.4% for the first quarter was a slight improvement compared to the prior year quarter.

Turning to Specialty Admitted, gross written premiums in our fronting business declined 21% compared to the prior year quarter. We have diligently been reducing our primary commercial auto exposure from the portfolio as we have now non-renewed the majority of our commercial auto programs and have also reduced our overall net retention on our in-force portfolio to less than 10%.

Challenges in capacity in terms and conditions in the reinsurance market as well as increased competition have led us to significantly derisk our fronting program portfolio while remaining focused on actively managing expenses in the face of declining program premiums. Taking in tandem, these are significant actions to derisk the underwriting profile of the portfolio. Sarah will touch on our planned expense savings across the company momentarily, but our G&A expense base and expense ratio for the Specialty Admitted segment have improved over the prior quarter. Overall, the segment produced a combined ratio of 102.1% and a small underwriting loss for the quarter.

In short, we're focused on creating value for stakeholders and believe this quarter is a positive step in demonstrating that we have a derisked balance sheet and an increasingly focused organization. We are placing tremendous emphasis on profitability first as well as taking a number of steps to reduce expenses to become a better and more efficient E&S insurer focused on the SME market.

And with that, I'll ask Sarah to provide some additional color on the quarter.

**Sarah Casey Doran**  
*Chief Financial Officer*

Thank you very much, Frank. Good morning, everyone, and thanks for joining us today. We've started out 2025 on a strong note with net income from continuing operation available to common shareholders of \$9 million or \$0.18 per diluted share. On an adjusted nonoperating basis, we're reporting \$9.1 million or \$0.19 of income per share. Annualized operating return on common tangible equity was 11.5% and tangible common book value per share grew meaningfully to \$7.11 per share.

Turning first to our underwriting results. The first quarter combined ratio of 99.5% is driven by a loss ratio of 66.8%, which is largely unchanged from 66.4% a year ago. We did not experience any catastrophe losses over the quarter. And there was really no net impact from prior year development across the business, which means, as Frank said, that we move further into the year with a sizable amount of effectively prepaid cover for \$116 million of casualty prior year development at E&S, covering the years 2023 and prior. This cover provides protection across 92% of our total E&S IBNR, which means that we can increase IBNR on subject reserves by over 20%.

The more recently underwritten quarters, while early, have shown to be stable and consistent, a reflection of a conservative approach. At 32.7%, our expense ratio ticked up from 28.9% a year ago. However, we anticipate improvement throughout the year and expect the full year 2025 expense ratio to be close to last year's 31%. We are taking actions across our business to improve efficiency while we balance negative leverage from a slight decline in earned premiums, given the refinements in our risk appetite as well as the impact of our large E&S prospective reinsurance program which renews annually each June.

Over the last several years, our effective tax rate has generally been above the U.S. statutory rate, driven by the jurisdictional mix of profits and losses. As previously discussed, we are taking actions to redomicile our holding company from Bermuda to the United States, which is expected to be complete later this year, and we expect that this will reduce our effective tax rate to a level consistent with the U.S. statutory rate. This should result in an expense reduction of between \$3 million to \$6 million on an annual go-forward basis, and also a onetime benefit of between \$10 million and \$13 million in the quarter that our domicile is complete.

Coming back to finish up with investments. For the first quarter, we recorded net investment income of \$20 million, a slight decrease from the prior year quarter due to reduced assets under management. As you know, we had meaningful outflows, which were used to fund our 2 loss portfolio transfers in the third and fourth quarter of last year. New money yields on our portfolio continue to average in the low to mid-5s, with book yields around 4.4%. So we should continue to see investment income benefit from higher rates.

We've also been holding a fair amount of our portfolio in short term, our cash strategies and over the last month in particular, have been focused on putting some of this to work, having had the opportunity to invest in high credit quality fixed income securities amid recent market dislocation. We continue to have a duration of approximately 3.5 years and the fixed income portfolio benefits from an average credit rating of A+. As economic uncertainty has increased, our high-quality conservative portfolio remains well positioned in the current environment. with relatively little exposure to investments that are meaningfully impacted by tariffs. With that, I'll turn the call back over to the operator to open the line for questions.

# Question and Answer

## Operator

[Operator Instructions] And your first question comes from the line of Mark Hughes from Truist.

## Mark Douglas Hughes

*Truist Securities, Inc., Research Division*

Frank, you mentioned March up 9%, a good strong month. At the same time, you've been shifting to focus on smaller accounts. I think that's dampened the top line a little bit. Are you through that process, do you think of kind of the re-underwriting, so to speak, and March ought to be representative of a little more growthy posture through the balance of the year? Where do we stand on that?

## Frank N. D'Orazio

*CEO & Director*

Sure. So listen, we're going to continue to be good portfolio managers, and that's a constant process. So it doesn't end after an annual cycle of renewals because the portfolio constantly changes, losses and risks emerge, and we've got to respond accordingly and responsibly. But yes, we want to grow...

## Operator

I really do apologize. But it seems that the line got silent or muted. Hello?

## Mark Douglas Hughes

*Truist Securities, Inc., Research Division*

This is Mark Hughes. I'm still here.

## Operator

Yes. Thank you so much, Mark. What I mean is that the line of the speaker got silent suddenly. So I apologize for this and convenience, I'll try to fix this as soon as possible.

And ladies and gentlemen, we are experiencing some technical difficulty. We will resume the conference shortly. Until that time, your line will be placed on a music call. And thank you for your patience.

Ladies and gentlemen, thank you so much for patiently waiting. Go ahead.

## Frank N. D'Orazio

*CEO & Director*

Mark, I'm sorry for the technical difficulty we have had here. So let me try to answer your question. So we're going to continue to be good portfolio managers. It's a constant process. It doesn't end after an annual cycle of renewals because the portfolio constantly changes, losses and risks emerge and we have to respond accordingly and responsibly, but yes, we want to grow the E&S book profitably. We have a number of initiatives underway already in 2025 around profitability and efficiency, we want to get more quotes out the door to have a higher chance of finding business in the key areas that we have identified that we want to grow based on profit expectations.

And we're using innovation and technology like intelligent data processing to help us achieve our goals. And then beyond that, we obviously now have a new segment leader waiting in E&S shortly, who will be charged with driving profitable growth and product diversification. So we should have more to be discussed in the future as Todd Sutherland transitions into his new role.

## Mark Douglas Hughes

*Truist Securities, Inc., Research Division*

Very good. And then you'd mentioned the E&S reinsurance program updates or renewals on June 1. Any visibility around pricing on that?

## Sarah Casey Doran

*Chief Financial Officer*

It's actually the end of June, Mark. So we'll expect to cover that when we have our call next quarter. But everything seems quite orderly. I would just head up -- provide heads up on that, but we're just in the early days of it. Thank you.

**Operator**

And your next question comes from Matt Carletti from Citizens Bank.

**Matthew John Carletti**

*Citizens JMP Securities, LLC, Research Division*

Frank, last quarter, you talked a little bit about a spike in claims in construction in Florida. Do you have any update there in terms of if that kind of was a onetime sort of phenomenon or if you've seen it persist?

**Frank N. D'Orazio**

*CEO & Director*

Sure. So listen, I'm not certain we expected it to dissipate in one quarter, but we've continued to experience some level of elevated claim activity in Florida from the Manufacturers & Contractors book that we are at least would suggest partially attributing to the shortening of the state statutes to propose caused by a bit of a rush by plaintiff attorneys to file claims. So frequency is up a bit there. Frequency is down across the remainder of the entire portfolio. But relative to this book, severity is actually down, about 8% over the last 12 months. And I think it just reflects the nature of the [SB] contractors that we write. But as you might imagine, we're watching it closely and we'll continue to monitor it and report as we see developments there.

**Matthew John Carletti**

*Citizens JMP Securities, LLC, Research Division*

Okay. Great. That's helpful. And then if I could just ask one other question for Specialty Admitted kind of -- I know you went through some of the kind of high-level stuff. Could you just help maybe pick apart some of the moving pieces in the Q1 premiums? I know there's some reunderwriting taking place, but also, was there any kind of onetime impact, audit premium or otherwise that we should be thinking about? And how material might have that been?

**Frank N. D'Orazio**

*CEO & Director*

Yes. Let me talk about some background on the quarter, and then I'm not -- maybe Sarah can speak to the audit premium piece. But the fronting market, I think, has been commented on this quarter by some other competitors. I just want to maybe provide a little bit more commentary around what we've experienced there. And so maybe at the expense of making a long story longer here, let me try to address some of this. We all know that the fronting market environment has changed fairly significantly over the last several years as the number of competitors has multiplied. I think when we entered the business, there were maybe half a dozen competitors and now there's well over 30.

We also see the rated reinsurance markets appetite retracting for the sector. So as a result, what we've seen is request for loss ratio caps and a requirement to take larger nets on the business. And we've resisted that. For one, your fronting fee isn't pricing for tail risk and we don't have an appetite for taking increasingly larger nets, particularly on large commercial auto or property [cat]. And that's primarily where we've reduced exposure here. This is consistent with, I think, our appetite across the company, in our Commercial Auto book and E&S, that is a higher non-owned portfolio. So it's a contingent liability book only.

And I think we've gone on record now for a number of quarters relative to the steps that we've taken with Large Auto and Excess Casualty. So it'd be counterintuitive to take more risk in our Specialty Admitted portfolio for Large Commercial Auto. So we've been taking steps to derisk the portfolio. My belief is there's always a fine line between what is generally accepted as traditional fronting of programs versus simply placing reinsurance on a commercial program to net down your own account. We're very much trying to keep our activity in line with the former and not the latter.

So one other piece I'll share with you, we've non-renewed or lost a number of these programs. In doing so, we brought our average retention on the inforce programs to less than 10%. That is significant in a sector where it's becoming more common to see retentions closer to 20% or higher. But as a result, we've been acutely focused on managing our expenses leading to a decline in expenses of about \$2.3 million in the quarter. That's 48% versus the quarter of -- the first quarter of 2024. And relative to the audit premiums, sorry, I don't have any additional color...

**Sarah Casey Doran**

*Chief Financial Officer*

Yes, there's nothing in particular there, Matt. But if the question is regarding the \$117,000 of the first quarter of last year versus the \$81,000 of the top line this year, I think the biggest delta between those 2 is the continued runoff from the individual risk workers' comp business and the other large workers' comp program. And those had more of a contribution based on their own audit premiums in the first quarter of last year than this year. Now they're really much further along in their own runoff. So I think you're seeing more of a normalization of what the book looks like at present, given Frank's comments and the dynamics and the changes there than what last quarter still had more significant contributions from programs that are in runoff, if that helps.

**Operator**

[Operator Instructions] And your next question comes from Casey Alexander from Compass Point.

**Casey Jay Alexander**

*Compass Point Research & Trading, LLC, Research Division*

Just to kind of follow on that Specialty Admitted. You've hammered your retained risk down to a very low level. I don't see much in the way of fee income. I'm not sure I understand what the economic proposition of being in this business is at all. I mean, should we -- are you thinking of this in terms of effectively running it off entirely? Or where does it go from here?

**Frank N. D'Orazio**

*CEO & Director*

Yes. Thanks for the question, Casey. So as you know, since we exited workers' comp, Specialty Admitted has been purely focused on fronting because we felt it provided a diversification and balance to James River without consuming much additional capital. But from my earlier comments, we don't necessarily want to turn this into a traditional program operation. That's not the goal. The fronting business has been and I think will continue to be deal-driven and rather lumpy. And we've obviously taken up the underwriting steps that I just went through. But suffice it to say, we're constantly evaluating all of our businesses for scale and profitability where we believe we'll produce the best returns for shareholders. I think our recent history has demonstrated that practice. So we'll continue to do what we do relative to that evaluation.

**Casey Jay Alexander**

*Compass Point Research & Trading, LLC, Research Division*

I'm not sure that's an answer to my question.

**Frank N. D'Orazio**

*CEO & Director*

Well, I think the answer is that the company will continue to evaluate, right? That's what we've done in the past relative to all of our businesses, and we'll continue to do that. Thanks, Casey.

**Operator**

There are no further questions at this time. I would now like to turn the call back over to Frank D'Orazio for closing remarks. Please go ahead.

**Frank N. D'Orazio**

*CEO & Director*

Thank you, operator. To summarize, we continue to believe that 2025 will provide significant opportunities to generate attractive risk-adjusted returns for our shareholders. I want to thank everyone for their time this morning and for the questions we received. We look forward to speaking with you all again in a few months to discuss our second quarter results. Thank you, and enjoy the rest of your day.

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