S&P Global
Market Intelligence

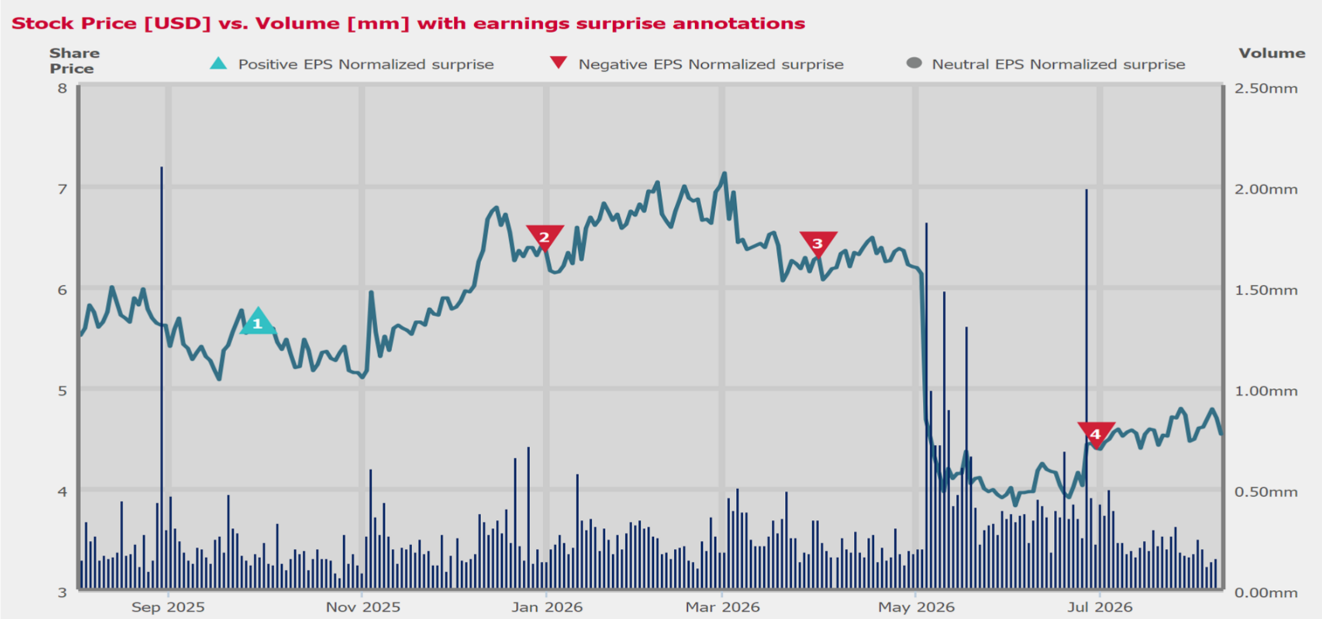
James River Group Holdings, Inc. NasdaqGS:JRVR
FQ2 2026 Earnings Call Transcripts

Tuesday, August 11, 2026 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2026-			-FQ3 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.26	0.20	(23.08 %)	0.24	0.80	NA
Revenue (mm)	159.43	161.34	1.20	155.90	620.90	NA

Currency: USD
Consensus as of Aug-11-2026 4:13 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2025	0.24	0.32	33.33 %
FQ4 2025	0.42	0.30	(28.57 %)
FQ1 2026	0.27	0.12	(55.56 %)
FQ2 2026	0.26	0.20	(23.08 %)

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Call Participants

EXECUTIVES

Bob Zimardo
Senior VP for Investments & Investor Relations

Frank N. D'Orazio
CEO & Director

Sarah Casey Doran
Chief Financial Officer

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Presentation

Operator

Hello, and thank you for standing by. My name is Lacey, and I will be your conference operator today. At this time, I would like to welcome everyone to the James River Group Second Quarter Earnings Call. [Operator Instructions] I would now like to turn the call over to Bob Zimardo, Senior Vice President, Investment and Investor Relations. Please go ahead.

Bob Zimardo
Senior VP for Investments & Investor Relations

Thank you, operator, and good morning, everybody. Welcome to James River Group's Second Quarter 2026 Earnings Conference Call. A reminder that during the call, we'll 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 report in 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 lost 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 for that introduction, Bob. Good morning, everyone, and thank you for joining us today. I'd like to pick up today's call with the very same theme we've emphasized over the last several quarters. Organizationally, profitability remains our primary focus, and we saw that evidence in the 92.8% combined ratio we achieved for our E&S segment, a meaningful improvement from the 96.5% we recorded last quarter, which was largely impacted by some unique and legacy reinsurance dynamics. As you've heard from other competitors this quarter, the property and casualty market continues to transition.

As conditions shift, our objectives remain the same, to direct underwriting capacity and capital towards areas offering the most attractive risk-adjusted returns, while maintaining the discipline to walk away from opportunities that do not meet our profitability expectations. We are stewarding the portfolio amidst a transitioning market, while taking meaningful expense out of our business and strategically capitalizing on more efficient ways to target profitability over growth. A prime example of this activity is evident in our specialty admitted segment, where we have significantly downsized our writings and deliberately reduced our net exposures fronting market, while removing over 40% of the expense base in the segment during the year.

While the decrease in the group's overall gross written premium is largely impacted by the intentional downsizing of our specialty admitted segment, at the same time, we've increased our gross net premium retention 9 points to 55% this quarter from 47% in the same quarter last year. With the shift away from fronting, we're also taking advantage of several years of underwriting improvements in our E&S segment that we see manifesting in our most recent underwriting year results. As for market conditions, we continue to observe additional capacity entering sectors of the E&S market, primarily through MGAs and other newer market participants.

As has been the case for several quarters now, property remains characterized by abundant capacity and a more competitive pricing environment. The story in casualty is more nuanced. Social inflation and elevated loss severity continue to create pressure across many casualty classes. So positive rate opportunities remain available in several areas where we continue to focus, including excess casualty and certain specialty lines today. Today's market requires underwriters to pick their spots and for established participants to leverage long-standing distribution and client relationships.

While the impact of industry competition is prevalent in the property marketplace and also notably pronounced in the larger account casualty space, we have continued to remain focused on smaller insurers as market conditions have softened based on our own historical views of the profitability and renewal retention levels of this sector of the market. During the quarter, submission activity continued to grow. Our submissions for active divisions increased 4% and 10 of our 13 underwriting divisions quoted more business than they did a year ago, with quotes on new business also increasing by 4%.

As we discussed last quarter, the implementation of our AI-enabled underwriting workbench continues to progress with a handful of departments now employing the initial deliverables from these tools, including excess casualty and small business. Our objective is to improve underwriting efficiency, increase quote responsiveness, and more directly focus our underwriters' attention on submissions that fit our appetite and pricing objectives. We are still early in the implementation process, but our initial progress is encouraging. Turning to production, the drivers of the lower premium volume in the quarter are largely tied to a few specific dynamics, including deliberate underwriting appetite changes in the business mix and competitive dynamics within certain areas of the market, reflective of ongoing portfolio management in a shifting marketplace.

There are a few important dynamics to cite when analyzing our production, in particular when comparing levels versus prior year. First, our previously discussed decisions to put our contract binding department into runoff and to non-renew certain tract housing exposures within our manufacturers and contractors division removed nearly $10 million of renewable premium from the quarter and approximately $25 million of premium from the portfolio over the past year. In particular, the construction accounts also carried average premium sizes that were significantly larger than our overall average premiums per policy.

Secondly, the quarter was marked by an unusually significant amount of account premium that remains in force but did not renew because account renewal effective dates have moved to other quarters, as well as a large non-recurring project in our energy department. An impact from this renewal timing dynamic, as well as the energy project, amounted to over $60 million in gross written premiums. Finally, business mix has become increasingly important as the market continues to transition. For example, within our Specialty E&S division, we continue to see attractive opportunities and healthy margins, but the business we are writing today in these areas generally consists of smaller accounts, lower average premium per policy levels than recent years.

As a result, early growth opportunity is initially seen through increased submissions, quote activity, and policy count before translating into meaningful premium growth. But aided by our technology investment, we believe we are positioning the segment well for future profitable growth. And on the other side of the P&L, our focus on expense discipline continues to produce tangible benefits. In the aggregate, our G&A expense was down 9% through the first half of the year compared with the same period last year. Those savings have been driven primarily by our specialty admitted and corporate segments and represent another example of our continued effort to improve efficiency, particularly in a transitioning market. With that, I'll turn it over to Sarah to discuss our financial results in greater detail.

Sarah Casey Doran
Chief Financial Officer

Thank you, Frank. Good morning, everyone. This quarter, we reported net income available to common shareholders of $4.4 million, which compares to net income of $2.8 million in the second quarter of 2025, which is a 59% increase. Operating earnings were $10 million or $0.20 per diluted share as compared to $11.7 million or $0.23 per share in the prior year quarter. Our annualized operating return on tangible common equity for the quarter was 10%, and tangible common book value per share increased slightly from the start of the year to $9.01. The consolidated combined ratio was 100.2% and consists of a 66.3% loss ratio and 33.9% expense ratio for the quarter.

While as Frank mentioned, the E&S segment in particular generated a combined ratio of 92.8%. As Frank mentioned, the consolidated results heavily reflect our deliberate actions leading to lower earned premium, particularly within specialty admitted. We've deliberately shrunk our segment given the competitive conditions in the fronting and admitted market generally, and have done so while removing a significant part of the expense supporting the business. Expense reduction remains an important contributor to our overall performance and is an active and ongoing effort.

General and administrative expenses declined $2.5 million, or 7%, compared to the prior year quarter, and we're down 9% on a year-to-date basis. Savings were primarily driven by our specialty admitted and corporate segments, down 39% and 9% respectively. They reflect the actions we've taken over the last several quarters to simplify the organization, improve efficiency, and better align expenses with the size and composition of the business. The largest portion of these savings came from lower compensation-related expenses, including the impact of organizational efficiencies. We continue to actively improve operating efficiency across our business functions, and expenses remain firmly in focus.

On taxes, our effective tax rate was 21.8% in line with the U.S. statutory rate following our redomicile last year. As a reminder, our November 2025 redomicile itself was a significant and lasting expense savings effort, everything from where and how we operate to our financing costs. And in the same quarter last year, which was prior to the redomicile, our effective tax rate was over 30%. Turning to reserves, underlying loss trends remain stable during the quarter. We recorded net adverse reserve development of under $1 million compared to $3 million of adverse development reported in the prior year quarter.

Prior year development stems from the 2023 time, the pre-2023 timeframe and does not change our overall review of reserve adequacy or the underlying performance in particular of more recent accident years, which continue to benefit from meaningfully improved risk collection, underwriting, governance, and discipline. During the quarter, we ceded the remaining $7.5 million of development to the E&S top-up adverse development cover related to accident years 2010 through 2023. And consistent with prior quarters, this development was largely due to our product liability book. Turning to investments, portfolio performance remains stable and continues to support earnings and growth in book value.

Net investment income was $20.3 million for the quarter, consistent with the prior year period, and supported primarily by income generated from our high-quality fixed income portfolio, where we've been able to put new money to work well above our portfolio book yields. As a reminder, the capital supporting our specialty admitted business continues to drive results in our overall net investment income. Turning back to the components of net investment income, private investment income was lower than the prior year quarter, reflecting a stronger comparison period in 2025, rather than any meaningful change to portfolio strategy. Net realized and unrealized gains contributed approximately $1 million during the quarter.
Our portfolio remains conservatively positioned, but well positioned to support growth in book value. Approximately 75% of invested assets in cash are allocated to high-grade fixed income securities with an average duration of 3.6 years and average credit quality of A+. We remain focused on generating consistent investment income over time while preserving capital. Finally, we completed the third renewal of our E&S reinsurance treaty structure put in place beginning in July 2023. The structure was maintained with modest changes based on current conditions, but retained a similar and consistent panel of quality reinsurance partners in very similar terms and conditions otherwise. With that, I'll turn the call back to the operator and open the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from the line of Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Frank, just a question about the written premium in the E&S business. Obviously, you had some timing and project impact in the quarter. Maybe that's about 5 points, I think. How did that competition progress through the quarter? Kind of month to month when we think about what to expect in Q3, and should we anticipate, you know, this sustained pressure, will have continuing impact or perhaps will be offset by some of your initiatives around submissions and getting more quotes out. Just a few thoughts about the Q3 second half would be very helpful in a volatile environment.

Frank N. D’Orazio
CEO & Director

Sure, thanks, Mark. There's a lot there, so let me try to cover it all, and then I think your last piece was really about outlook. So just in terms of the premium drop-off in E&S, we had a number of, I'll call it noisy dynamics. I think most instances you wouldn't call out some of those items because when you have over 30,000 in-force accounts, you can see some semblance of these items in any given quarter. But when they aggregate into tens of millions of premium dollars, I think they're worth clarifying, particularly for a company of our size. So the runoff of contract binding, the tract housing construction decision, and then some of the timing and non-recurring items accounted for about $26 million of GWP alone.

We had about a 9-point kind of movement just relative to prior GWP. I think you had a little bit less. But in terms of the market conditions, I mean, clearly the market's been transitioning for several quarters now. We're seeing increased competition beyond property. And you can see that I think probably most evident in the overall rate change for the portfolio. So sometimes rate change jumps around from quarter to quarter, but we were at a higher single-digit range in Q1 and about 3% in Q2. So still positive, but moderating. And we felt the difference in the quarter.

And I don't, you were asking for month to month. I'm not sure I can give you a sense in terms of how that moved from April through June. But fortunately, with the significant underwriting changes that we made over the past several years and the continual overlay of the performance monitoring, which we've put in place and has informed our decisions to exit certain classes, I feel the portfolio is in a much better position today to navigate changing market conditions and target-specific areas that we feel that we can grow profitably focused on underwriting margins. So the shift continues within the company and we continue to really focus on SME and smaller accounts. We believe they're more profitable across market cycles.

For Q2 2026 over Q2 2025, our average account premium was down 22.9%, and that's while the rate increases for the portfolio as a whole were still positive. So you get a real sense for the shift in the size of the insurance in the portfolio, but also I think some of the pure premium headwinds when looking at prior. So, we think the trade-off makes sense, particularly in this phase of the market. We've analyzed historical loss ratios across the portfolio by premium band, and our history tells us that there's a comfortable, our view, double-digit spread in loss ratio points between business that we're targeting and, let's say, a company that's a little bit more upper middle market to larger accounts where the premiums drift, let's say, north of $500,000 or so.

But, again, in terms of competition, I said it earlier, it's hard to deny that we're seeing general competition in the areas that we write increase. We've seen some business moving to the admitted markets, especially in property, but I wouldn't say necessarily at a concerning rate elsewhere across the book. Biggest competition remains from MGAs in front of facilities, particularly in excess property, and I would say in the excess or the general casualty space as well, so basically primary GL, but also from other E&S carriers and newer entrants into the space. We spent a little bit of time on property, but I think that's pretty well chronicled.

I mean, in a nutshell, increased capacity supply over the last two years has well outpaced the growth or the need in the market, and the results pretty tangible. Rates are off significantly, and as an excess player, we see program layers being replaced with much larger stretches of primaries and some terms in addition pressure on deductibles. But I think the more recent development that we've seen really this year is in the general casualty space. And we talked a little bit about it in Q1. It's become exceptionally competitive and the pressures and competition differ regionally. So there are pricing pressures.

I think the bigger concerns that we see are on the terms and conditions that the market has fought hard over the last several years to establish, particularly relative to assault and battery sublimits. But you pick a territory. In the Southeast, there's about 30 MGAs that are going hard after this business. So general casualty, excess property. I think those are some areas that we're going to be off our numbers in the quarter, but with good reason. That said, overall for the segment, submissions were up 4% in total in the quarter. Quotes were up overall. 10 of 13 underwriting departments increased quote count, and 7 of 13 increased binders overall. Again, just the business that we're writing is typically smaller account premium than we have traditionally.

So generally, I don't feel the sector as a whole is in a very significant growth phase, but the areas that we feel most confidently about trying to profitably grow, I would say, are in the specialty division. So professional liability, allied health, energy, environmental come to mind. Our small business unit is a place that we feel we can grow. And in all those areas, we feel we've got a strong view relative to the historical underwriting margins, had a strong focus in their class. And then elsewhere, I think we'll still be able to push rate in certain areas like excess casualty, which is a big part of the book. Those are the areas that we're going to continue to focus on and push to offset some of what we're seeing in the marketplace, Mark.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Appreciate that detail, Frank. Sarah, anything on the expenses this quarter, the corporate expenses? Obviously, very good progress over here. Anything non-recurring or unusual, or is this a good kind of starting point to go forward?

Sarah Casey Doran
Chief Financial Officer

Thanks for the question, Mark. I think it's a fair starting point. There's nothing exceptional in this quarter, only that I would just make the point that we're not finished on our expenses. We're actively managing them as we're managing the business through the rest of the year. Safe to say and I'd be comfortable with where we are now with obviously giving us some room going forward.

Operator

[Operator Instructions] Your next question comes from Brian Meredith with UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

Sarah, I appreciate you said that the more recent accident years are looking pretty good on the reserve side. I wonder if you could talk a little bit about the reserves associated with the ADC that's now been exhausted. What accident years was the development coming from and maybe a little bit in depth on what line of business is coming from? Trying to get comfortable with those reserves won't continue to develop adversely.

Sarah Casey Doran
Chief Financial Officer

I'll have a start and then Frank can give some more color, Brian. So, the reserves, the additions were really primarily related to 2022 through 2020. Those were the more significant years of addition. And as I mentioned in my comment, it's almost entirely from our product liability book, which we've talked about the last few quarters. And I think Frank is probably better positioned to give you a little bit more color on that, but that answers, I think, your threshold level questions there.

Frank N. D’Orazio
CEO & Director

Yes, Brian, let me give you a little bit of just additional cover in terms of where that stands. So, you know, Sarah just addressed what was the driver in the quarter. I just want to talk more broadly about the legacy covers in general. And obviously, we put them in place a few years ago. And looking back, they've allowed us to bolster our reserve base by about $235 million over the last, call it, 2 years. So, I take some comfort in the fact that the amounts that we cede to the legacy structures have generally become progressively smaller. And perhaps more importantly, I focus on the overall reserve position inclusive of all years, which we feel is adequate.

Reserve cover has really just been a piece of the overall position and thankfully we continue to see a clear demarcation in both claim counts and incurred loss ratios in recent accident year performance that we believe has been a reflection of the underwriting changes that we made over the past few years while we've utilized the legacy cover. So we put the legacy structure in place coming out of our 2023 strategic review to retain any volatility coming out of the company's legacy years. And since that time, we've been through a couple of annual reviews of our reserves, both internally and externally. And while our more recent accident years continue to mature with those positive indications.

In essence, we never had any type of preconceived notion in terms of when and if the covers would be exhausted, but the structure has, I think, provided the protections as intended. And the recent underlying years have continued to develop favorably. And we talked about it in terms of what does that mean? In essence, if you look at our 2024 year, which is now 30 months on the triangle, you see real improvements in claims counts being down 23% overall and the incurred loss ratio being down 34% for the same period. So perhaps one of the more helpful indicators just regarding the work that we've done with the underwriting portfolio over the last couple of years.

Sarah Casey Doran
Chief Financial Officer

The only thing I just add a couple of numbers just to contextualize, because I've seen some different data out there, so to speak. Just to be clear, we've got $1.05 billion of total net reserves on our balance sheet. $950 million of those to the E&S business and only about 15% of those, a little bit more than that, relate to the 2023 and prior years. So we are building up, point being, building up a significant balance of reserves in the '24, '25 and '26 years, to the tune of over $800 million at this point. So that's what you would expect given the tail on our business. But just wanted to lay out a few numbers as Frank has contextualized some of the more recent developments.

Brian Robert Meredith
UBS Investment Bank, Research Division

I appreciate that. And a second question, Frank, I'm just curious, on the specialty admitted segment, maybe give us a little color on what kind of the medium-term and long-term plans are for that business, and is there any visibility to maybe break even results on an underwriting basis at some point?

Frank N. D’Orazio
CEO & Director

Sure. So, listen, I think the view on specialty admitted, it's been fairly consistent the last couple years now. Like the rationale in terms of the steps that we've taken. Obviously, plenty of carriers in the space, some less obvious but real exposures in the sector with heavy MGA competition for lines like commercial auto and larger casualty accounts, we now have less than one handful of active programs today and are really maintaining just a, I'd say, capital-light platform.

We still have a need to handle the claims and process the programs in runoff, so we'll continue to manage the segment to what are low net retentions and have very diligent focus relative to expense management. But right now, its main contribution is to NII. I mean, it contributes roughly 25% of our overall NII, so that we think overshadows a small underwriting loss there, but you see kind of the direction that we're taking the business here. You know, it was once dozens of programs, and we're down to less than one handful.

Operator

[Operator Instructions] We have a follow-up from Mark Hughes with Truist Securities.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Frank or Sarah, just the crowd into general casualty these days, do you think it's just some soft market behavior, property is down, people are stretching for premium, there's more capacity in the market. Or I'm just sort of curious, you talked about the recent accident years developing pretty well. Do you think there's some sense that frequency and severity are really under control. And so therefore, it's leading to more people being comfortable taking these long-tail lines. And obviously, you've got interest rates that are influencing that. So I'm just sort of curious what you think or how you would weigh some of those factors when you consider the step-up in competition in the general casualty.

Frank N. D’Orazio
CEO & Director

Yes, Mark, I'll take a shot. I mean, obviously the property market has been kind of on this glide path now for about 2 years. So kind of coming into planning for '26, I think the general view was that there were more attractive returns in casualty and heck, a lot of new MGA kind of startups focusing and align where reinsurers are starting to target more capital deployment. And we know what the formula is just relative to how MGAs are viewed as being successful. So we see it really kind of throughout the country, but you know, slightly different shades in terms of focus. But I think it's as simple as, being able to more readily put together, you know, reinsurance support for a primary $1 million and pretty, pretty aggressive MGA community.

Operator

At this time, there are no further questions. I would like to turn it back over to Frank D'Orazio, CEO, for closing remarks.

Frank N. D'Orazio
CEO & Director

Thank you, moderator, and thank you to everyone for your time and for the questions we received this morning. Before we conclude, I want to recognize and thank Dennis Langwell for his service on our Board of Directors following his retirement. We certainly wish him all the best. I'd also like to welcome Rajiv Basu to the board. Rajiv brings decades of insurance industry experience and we're pleased to have him join the board of James River. Stepping back, we continue to believe the company is well positioned in today's market.

The quarter was not without pressure and premium trends remained affected by the underwriting and market dynamics we discussed this morning, but our core E&S business remained profitable, expenses continue to improve, and our balance sheet protections have significantly bolstered our reserve balances over the last 2 years as our more recent underwriting years have continued to mature. Undoubtedly, our focus remains clear. We will manage the business for underwriting profitability and long-term value rather than near-term volume.

We believe the actions taken over the last several years have created a more focused organization, a more disciplined E&S portfolio, and a stronger foundation for profitable growth over time. Importantly, I want to thank all of my James River colleagues for their efforts and continued commitment to the pursuit of our corporate objectives. And for those listening to the call, we appreciate your continued interest in James River and look forward to speaking with you again next quarter.

Operator
Ladies and gentlemen, this concludes today's call. You may disconnect.