

James River Group Holdings, Inc.

NasdaqGS:JRVR

FQ1 2026 Earnings Call Transcripts

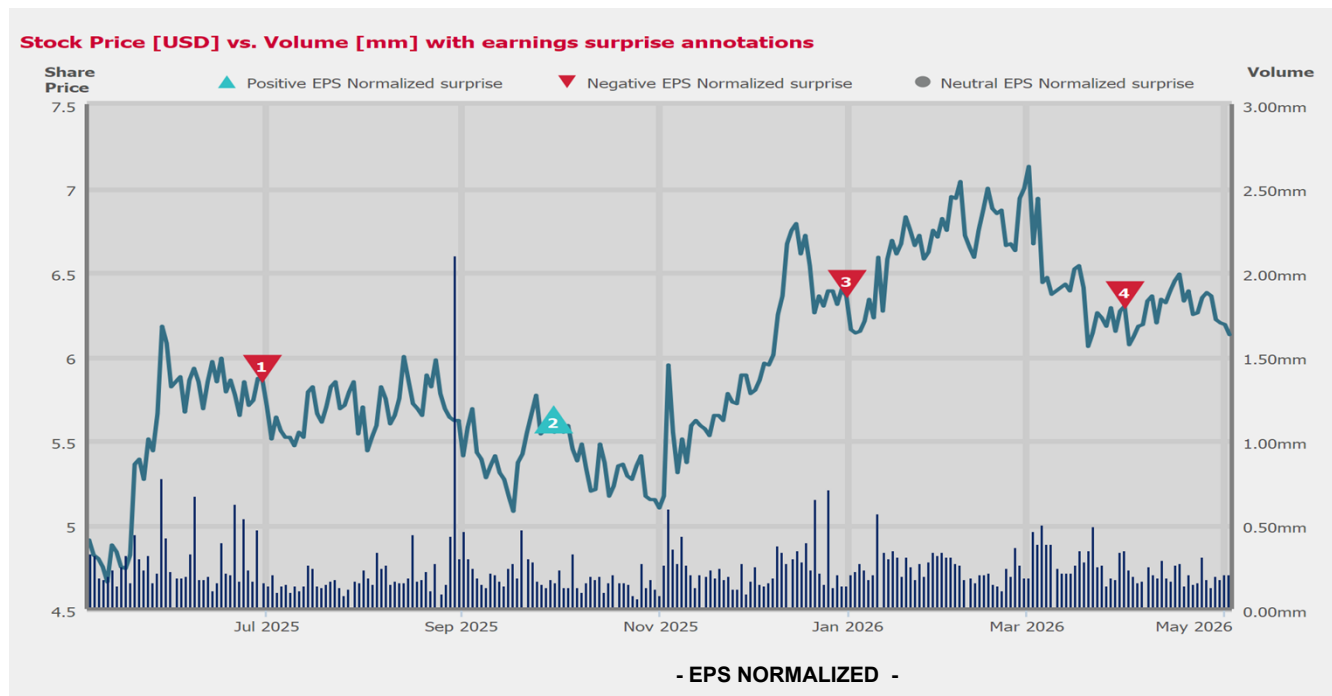
Tuesday, May 5, 2026 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2026-			-FQ2 2026-	-FY 2026-	-FY 2027-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.27	0.12	▼ (55.56 %)	0.29	1.16	NA
Revenue (mm)	166.22	151.38	▼ (8.93 %)	165.00	659.62	NA

Currency: USD

Consensus as of Apr-17-2026 9:31 AM GMT



	CONSENSUS	ACTUAL	SURPRISE
FQ2 2025	0.24	0.23	▼ ¹ (4.17 %)
FQ3 2025	0.24	0.32	▲ ² 33.33 %
FQ4 2025	0.42	0.30	▼ ³ (28.57 %)
FQ1 2026	0.27	0.12	▼ ⁴ (55.56 %)

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Call Participants

EXECUTIVES

Bob Zimardo

*Senior VP for Investments & Investor
Relations*

Frank D'Orazio

Former 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

Ladies and gentlemen, thank you for standing by. At this time, I would like to welcome everyone to the James River Group Holdings, Inc. First Quarter 2026 Earnings Call. [Operator Instructions] I will now turn the conference over to Bob Zimardo, Senior Vice President of Investor Relations. You may begin.

Bob Zimardo

Senior VP for Investments & Investor Relations

Good morning, everyone, and welcome to James River Groups First Quarter, 2026 Earnings Conference Call. A quick 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 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 nonGAAP 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. And 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 D'Orazio

Former CEO & Director

Thank you for the introduction, Bob. Good morning, everyone, and thank you for joining us today. As we do each quarter, we look forward to discussing notable highlights of our performance, updates on the execution of key corporate objectives and the progress that James River continues to make in becoming a best-in-class E&S carrier. This quarter, our E&S results were negatively impacted by a sizable reinsurance reinstatement charge on a 2022 casualty treaty triggered by an individual claim, a disappointing development on an otherwise solid quarter.

As we've discussed in the past, the organization restructured its E&S treaty placements in July of 2023 to prevent these types of outsized adjustments from impacting future results. In a few moments, Sarah will provide additional details on the specifics of this reinsurance charge. But before she does, I'd like to spend a few minutes discussing our current view of the market opportunity for James River as well as our progress across a number of prioritized corporate initiatives.

First and foremost, relative to market opportunities, we continue to believe that heightened discipline is essential in a transitioning marketplace, and James River has been well served by the refinement of our underwriting appetite, focus on smaller insureds, investment in underwriting governance and performance monitoring and prioritization on underwriting margin, particularly over the last several years.

For 2026, we feel our greatest opportunity to push rate remains in our Excess Casualty division and the greatest opportunities for overall growth reside in our specialty lines division as well as our small business unit, underwriting areas that we feel hold the most attractive margin in today's marketplace. At the segment level, casualty rates were positive at 7.7% for the quarter and were consistent with our expectations.

While pressure on rates has been most pronounced in our excess property division for several quarters now, we've also recently seen increasing competitive pressure in our primary general casualty department. And as a result, our underwriters are navigating opportunities in those lines with appropriate prudence. For the segment, submission growth was strong at 4%.

And for the first time in several quarters, we modestly grew gross written premiums across our E&S Casualty and Specialty portfolios with 7 of our 14 underwriting divisions reporting positive growth. Excluding our manufacturers and contractors business, where we made refinements and appetite last year and our small delegated contract binding portfolio, which is currently in runoff, our casualty portfolio was up over 6% when compared to the prior year.

Looking more closely at production, targeted growth during the quarter was driven by several areas I have highlighted this morning. In the aggregate, specialty lines were up 6%, driven by professional liability, energy and health care and excess casualty premiums increased 15%, largely driven by our underwriters' ability to continue to drive rate. As mentioned earlier, during 2026, the company has prioritized a number of initiatives aimed largely at making James River a more efficient organization while also significantly improving our business development acumen and expanding our presence with our distribution partners. Continuing the same discipline that we exhibited during 2025, we also reduced G&A expenses across the group during the quarter by 11%.

Finally, as we discussed during last quarter's call, we are excited about the significant investments in technology that we believe will increase underwriting efficiency while improving the underwriting tools and resources available to our E&S underwriting staff. The rollout of AI-enabled underwriting workbench technology is already underway with our first 2 underwriting departments being rolled out this quarter, and we expect to report on the progress of the initiative in future quarters.

We are confident that the combination of underwriting improvements and appetite changes we have made over the last several years in concert with continued expense vigilance and technology adoption will allow us to optimize our SME platform and further differentiate our very special wholesale-only distribution model. As we manage the market cycle, I'm encouraged by the uptick in focus production in areas we are hoping to scale and by our ability to continue to push rate where necessary as we navigate through 2026. It continues to be a dynamic and competitive marketplace, but we are well positioned to succeed, strongly supported by our underwriters and wholesale distribution partners.

With that, I'll turn it over to Sarah to walk through the financial results in more detail.

Sarah Casey Doran
Chief Financial Officer

Thank you, Frank, and good morning, everyone. This quarter, we reported a net loss to common shareholders of \$10.9 million, which compares to net income of \$7.6 million for the first quarter of 2025. Operating earnings were \$5.8 million or \$0.12 per diluted share as compared to \$9.1 million or \$0.19 per share. As Frank mentioned, our results this quarter were negatively impacted by \$6.7 million of reinsurance reinstatement premiums, largely related to a single E&S claim from 2022 that was booked and settled in the first quarter and subject to our prior \$9 million excess of \$2 million casualty reinsurance treaty.

The runoff structure of that treaty includes specific amounts of reinstatement premium potential for each accident year, leaving reinstatement premium aggregate exposure of about \$9 million across accident years 2022 and prior. The structural changes that we made to that treaty should mitigate the forward impact of earnings volatility for accident years 2023 and on as we now pay a higher rate on such a premium upfront rather than pay meaningfully for these reinstatement premiums.

Absent the reinsurance reinstatement impact, operating earnings would have been \$0.22 per diluted share. This impact reduced net written premium, net earned premium and underwriting income for the quarter. It added approximately 5 points to the group combined ratio of 104.6%, including almost 2 points to our expense ratio, which was 35.4%. Absent this impact, the consolidated combined ratio would have been 99.7%, comprised of an adjusted loss ratio of 66% and expense ratio of 33.7%.

For E&S specifically, the combined ratio of 96.5% was driven by a 68% loss ratio and a 28.5% expense ratio. And again, when adjusted for the impact of reinstatement premiums, the E&S combined ratio would be 91.8%, which is right in line with that of the prior quarter.

Moving quickly to expenses. As Frank mentioned, expense efficiency continues to be a priority and G&A expenses declined 11% compared to the prior year quarter, driven by reductions within Specialty Admitted, where they were down 46% in the Corporate segment, where they were down 15%. Underlying loss trends remain stable, and the reserves continue to reflect improved risk selection in the more recent accident years.

We recorded de minimis favorable reserve development of \$165,000 split between E&S and Specialty Admitted. Consistent with the prior year period, and we continue to observe lower frequency and incurred losses in recent accident years, while remaining appropriately cautious in recognizing those trends as the business seasons. During the quarter, we ceded \$16.2 million of development to the E&S top-up adverse development cover, which covers accident years 2010 through 2023. There is \$7.5 million remaining on that cover.

Finally, moving on to investments. Net investment income was \$21.3 million for the quarter, an increase of 6.6% year-over-year. These results were driven by improved private investment income due to our move over the last 18 months to invest capital efficiently in private credit rated note vehicles as well as the deployment of cash into our high-grade portfolio. While we did have strong income

from our diversified bank loan portfolio, which represents about 8% of our total cash and invested assets, we also saw some volatility there as the largest driver of net realized and unrealized investment losses.

Overall, though, the portfolio remains positioned fairly conservatively with about 73% of it invested in high-grade fixed income at an average duration of 3.5 years and an A+ average credit rating. Tangible common equity per share declined modestly to \$8.77, reflecting the combination of investment market movements and the impact of the legacy reinsurance structures.

With that, I'll turn the call back to the operator to open the line for questions.

Question and Answer

Operator

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

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Frank, you had mentioned a little more competition in the primary general casualty. Where do you see that coming from? How significant do you think that is?

Frank D'Orazio

Former CEO & Director

So in casualty lines, first of all, thanks for the question, Mark. In casualty lines, we've seen fairly aggressive MGAs and just an overall increase in capacity from carriers interested in the E&S sector as others, I think, have reported. We've also seen some of the newer competition not only competing on price, but in terms and conditions that at this point, seem unwise, particularly in the GC space.

I mean fortunately, for James River, we've been in the sector for greater than 20 years with an existing portfolio and long-standing relationships with distribution partners and insurers. But we definitely see a break between underwriters being able to push rate in the excess lines versus the primary lines, much more significant. There seems to be more respect for loss trend from excess casualty underwriters at this point.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Understood. And then, Sarah, on the adverse development cover, the top-up cover, what through the total reserves that are covered by that? And then if you've got it in front of you, how much has been paid on those expected losses? Just trying to figure out what the paid versus unpaid is at this point on the relevant reserves.

Sarah Casey Doran

Chief Financial Officer

Yes. Thanks, Mark, for the question. I don't have the page right in front of me, but very little of the reserves subject to those -- both of those structures would have been paid by now. I can certainly follow up with that. But order of magnitude, I would expect that number to be fairly low. And then the top-up adverse development cover and the other E&S ADC, LPT cover all E&S accident years 2010 through 2023 with the exception of the excess property book and the exception of the runoff Uber portfolio, which is covered by a legacy structure as well.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Understood. If I could slip a third one in. Frank, you talked about the AI-enabled technology on the underwriters work bench, I think. Could you expand a little bit more on that, kind of what are the kind of practical implications of their day-to-day underwriting activity? And what do you think it could mean in terms of either efficiency, underwriting effectiveness? Just curious.

Frank D'Orazio

Former CEO & Director

Sure, Mark. So we spent the first -- really the last few years, I would say, kind of updating and upgrading our core systems, which has enabled us to now explore and invest in these AI-enabled work benches. And we see it as a competitive enabler just allowing us to optimize operational efficiency. But it really runs a gamut of clearance through risk prioritization against our appetite and production source relationships, data ingestion from third parties and ultimately, we will facilitate quote and buying processes. So we see it as a major efficiency play relative to being able to turn around quotes quicker and in a more targeted fashion.

Operator

Your next question comes from the line of Brian Meredith with UBS.

Brian Robert Meredith

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UBS Investment Bank, Research Division

Frank, just following up on the market conditions. Perhaps you can kind of give us a little color on what's going on as far as movements between E&S and the admitted markets. We've heard that we're starting to see some business move back to the admitted market.

Frank D'Orazio
Former CEO & Director

We've definitely seen that as well, particularly in property. We've definitely seen that. But we've now started to see it in some of the more standard lines like primary casualty as well. So from a primary basis, some lines that have historically been in the E&S marketplace now starting to attract some attention from standard markets as well. But I would say, to date, it's been most broadly observed in the property area for us specifically.

Brian Robert Meredith
UBS Investment Bank, Research Division

So would you like characterize as like a typical cycle here where business starts to move back a little bit? The market has been transitioning...

Frank D'Orazio
Former CEO & Director

I'm sorry, Brian, did I catch that?

Brian Robert Meredith
UBS Investment Bank, Research Division

You think it will continue?

Frank D'Orazio
Former CEO & Director

Yes. So listen, I think we're several quarters now into a transitioning market, and this is kind of an old story, right? So we start to see some of this business now get the attention of the admitted market. But I think it's going to be more specific to certain classes of business. And anybody who hangs a shingle, writes a primary general casualty capability or has a primary casualty capability. So that's an obvious choice as is property as well. We're seeing, I think, a little bit more resilience in some of the specialty lines.

Brian Robert Meredith
UBS Investment Bank, Research Division

Appreciate that. That's great. And then, Sarah, just one other just quick question on this reinstatement. Just trying to get my hands around it. So I think what's going on here, right, is that because there was perhaps some development on this claim is why you had the reinstatement premium come through. Is that true? So like if the treaty wasn't in effect, would there have been adverse development booked this quarter on this claim?

Sarah Casey Doran
Chief Financial Officer

Well, that -- let me just be clear. The 9X 2, there's an awful that covers the majority of our E&S book. That's obviously a prospective treaty. So I want to differentiate that from the retrospective treaties. And we have reinstatement premiums pretty frequently. I think what stood out this quarter, Brian, was that it was more sizable. So it was a larger claim that settled. But there is a fair amount in that book that, that treaty protects us from on an ongoing basis.

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 D'Orazio
Former CEO & Director

Thank you, moderator. I also want to thank everyone who listened to our call for their time and thoughtful questions this morning. While the quarter did have its headwinds, a very positive takeaway that remains is the underlying strength of the improved business model that we continue to build and most notably, the very targeted growth in Specialty and Casualty lines, the expense discipline and a team that is executing in today's market. We are well positioned for 2026 and look forward to keeping you updated on our progress in just a few months.

Operator

Ladies and gentlemen, that concludes today's call. Thank you all for joining, and you may now disconnect.

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