

# James River Group Holdings, Ltd.

## NasdaqGS:JRVR

### FQ2 2025 Earnings Call Transcripts

**Tuesday, August 5, 2025 12:30 PM GMT**  
S&P Global Market Intelligence Estimates

	-FQ2 2025-			-FQ3 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
<b>EPS Normalized</b>	0.24	0.23	▼ (4.17 %)	0.24	0.92	NA
<b>Revenue (mm)</b>	176.46	174.84	▼ (0.92 %)	176.19	705.10	NA

Currency: USD

Consensus as of Aug-05-2025 6:13 PM GMT

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- EPS NORMALIZED -			
	CONSENSUS	ACTUAL	SURPRISE
<b>FQ3 2024</b>	0.50	(0.74)	NM
<b>FQ4 2024</b>	(0.46)	(0.99)	NM
<b>FQ1 2025</b>	0.29	0.19	▼ (34.48 %)
<b>FQ2 2025</b>	0.24	0.23	▼ (4.17 %)

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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*

**Casey Jay Alexander**

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

**Mark Douglas Hughes**

*Truist Securities, Inc., Research Division*

# Presentation

## Operator

Ladies and gentlemen, thank you for standing by. My name is Desiree, and I will be your conference operator today. At this time, I would like to welcome everyone to the James River Group Q2 2025 Earnings Call. [Operator Instructions]

I would now like to 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, everybody, and welcome to the James River Group Second Quarter 2025 Earnings Conference Call. During the call, we'll 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 our 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 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, Chief Executive Officer of James River Group.

## Frank N. D'Orazio

*CEO & Director*

Thank you for that introduction, Bob. Good morning, everyone, and welcome to James River's Second Quarter 2025 Earnings Call. I'm thrilled to be joining you today to share the details of another strong quarter of improved performance and increasing momentum throughout our flagship E&S business. We ended the second quarter with an annualized adjusted net operating return on tangible common equity of 14%, consistent with the mid-teens return target we've guided towards and \$0.23 per share of adjusted net operating income for the second quarter. While we now have delivered consecutive quarters evidencing the prudence of our decisions to derisk and upgrade our underwriting governance processes, we also continue to demonstrate our willingness to take the necessary steps to support our overriding objective to increase profitability and deliver shareholder value as a leading specialty insurer in the E&S space.

You will hear a few key themes repeated throughout our collective comments today focused on: one, our organizational positioning; two, our people; and three, the company's drive for profitability. As usual, I'll start the conversation, and we'll then turn it over to Sarah before we open up the discussion for questions.

But first, I'd like to start by spending a few moments on the concept of portfolio positioning because our belief is it materially impacts overall profitability. Positioning includes many elements, business mix, reinsurance strategy, customer focus, pricing and underwriting approach, management structure and operational efficiency. Over the last 2 years, we've built a consistent feedback loop and significantly improved our performance monitoring, allowing us to evaluate shifting market conditions and trends in our data to adjust our underwriting and risk management approach accordingly. That work is now producing tangible results, building momentum in both performance and execution, particularly in the most recent accident years. Perhaps not surprisingly, the company's focus and core competency continues to reflect a uniquely wholesale dedicated E&S portfolio, which has made us extremely relevant to the same distribution partners that we have listened to, serviced and traded with since 2003.

Our portfolio is focused on U.S.-based small and medium enterprises, predominantly in third-party lines with limited exposure to more commoditized sectors such as excess property and primary commercial auto, limiting our relative exposure to natural catastrophe risk as well as potential future downstream impacts from the administration's tariff policy. I believe what we're seeing in this quarter's results is a reflection of much of that same broader positioning, steady underwriting discipline and strong broker relationships, operating in a compelling rate environment and translating into healthy submission flow, demonstrable positive rate change and consistent performance. It is creating meaningful momentum, not just in profitability, but in confidence inside the organization as we continue to chart the company's turnaround.

Gross written premium for casualty E&S increased 4% compared to the prior year quarter, accelerating from 1% of casualty growth reported in the first quarter this year. Overall, the E&S segment grew 3% over the same comparable period, an encouraging indicator of our ambitions to profitably grow this segment while refocusing on smaller accounts and further taking advantage of market opportunities. Notably, this marks the first time we've surpassed \$300 million in E&S gross written premiums in a single quarter, a meaningful milestone for the segment and additionally noteworthy as we have made a number of significant underwriting changes over the last 3 years, in particular, again, while focusing on smaller commercial accounts. While our larger divisions, Excess Casualty, General Casualty and Manufacturers and Contractors continue to gain traction and scale, we also saw 25% growth in Allied Health and 12% growth in energy during the quarter.

Renewal rates remained healthy across most divisions with overall casualty rates up 14.5% in the quarter, including rate change of over 20% in our excess casualty portfolio on both the second quarter and year-to-date basis. Additionally, submission volume increased 6% during the quarter, reflecting both the continued overall strength of the E&S market and the depth of our broker partner relationships. Given the significant portfolio management underwriting changes that we have made since 2023 and the continued strong indicators from those corresponding accident years showing a notable drop in claims counts, we took the opportunity to increase the retention of our midyear E&S casualty quota share in an effort to keep more of the underwriting profits we continue to feel excited about.

Additionally, during the treaty renewal process, we improved overall pricing on the program and received more treaty authorizations than we were seeking, while adding several new quality reinsurance partners to our stable of existing panel members, which is just another positive external validation of the underwriting actions and portfolio repositioning that has taken place over the last few years. In our Specialty Admitted segment, we remain opportunistically positioned with very deliberate low net retentions across our fronted programs business as we have significantly called the commercial auto components that we believe do not meet our profitability or reinsurance security hurdles.

And finally, as disclosed last month, we are pleased that the Southern District of New York has granted our request for dismissal of the federal matter related to the sale of our former Bermuda reinsurance entity.

Now with respect to our people, you will recall that I mentioned management structure and operational efficiency earlier in my remarks, and I'm extremely excited about the new energy and leadership structure that has been unveiled in our E&S segment. Following Todd Sutherland's appointment as President of our E&S business in May, we have taken a hard look at how we are managing our 15 divisions across E&S. Prospectively, those divisions will roll up into 1 of 5 primary business segments, where we have further empowered designated leaders to manage the segment to achieve our growth and profitability objectives. We strongly believe this evolution increases our ability to stay nimble, allowing us to more quickly and thoughtfully respond to market dynamics and opportunities while driving increased underwriting accountability and responsibility throughout the E&S underwriting leadership at James River.

Additionally, we've sought to complement our already deep bench at James River with appointments that will bring new energy and additional expertise to our company. The past quarter saw us welcome Val Langenburg as Group Chief Information Officer and promote and introduce Justin Zaharris as our new Group Chief Claims Officer. Together, they will be instrumental in advancing our initiatives across data, technology and claims, respectively. And more recently, Joel Cavaness joined our Board of Directors with decades of property and casualty wholesale distribution leadership experience. And suffice it to say, we're very excited to have his presence and expertise on the Board of James River.

We will continue to remain focused on profitability and seek to maximize underwriting opportunities while managing risk and expenses across the company. We've made significant progress on operating efficiency and expense management this quarter and look forward to our planned redomicile to the United States likely later this year, a move which is expected to bring operational efficiencies as well as significant onetime and ongoing cost savings to the organization. With an underwriting profit of \$11.7 million, the combined ratio in the E&S segment was 91.7% nearly 4 points lower than the prior year quarter and complemented by widespread price increases and growth across most underwriting divisions.

In our E&S portfolio, average premium per policy declined almost 20%, while policies in force rose slightly compared to the second quarter of 2024. This dynamic, coupled with the strong rate changes we just discussed, exemplifies our deliberate strategy to target small- to medium-sized accounts that have historically been more profitable and least vulnerable to turnover. As mentioned previously, we are managing our specialty admitted fronting business concentrating on expense management and maintaining very low net retentions. Segment expenses in the first half of the year have declined over 20% compared to the same period last year. Sarah will follow up in more detail around the reduction, notably in G&A. Overall, fronting premiums declined 31%, reflective of our demonstrated shift to reduce commercial auto exposure in the segment while upholding our underwriting and reinsurance security standards.

In short, we're excited and encouraged by the energy and direction of James River and feel the steps we have taken to position the franchise for greater and more consistent profitability while further strengthening the leadership team will lead to a stronger company and greater returns for our shareholders.

And with that, I'll now turn the call over to Sarah.

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

Thank you very much, Frank. Good morning, everyone, and thanks so much for joining us today. We continue to show strong momentum across the business, meaningful progress in our focused efforts to increase operating efficiency while benefiting from a stable balance sheet. This quarter, net income from continuing operations available to common shareholders was \$3.2 million or \$0.07 per diluted share. On an adjusted net operating basis, we're reporting \$11.7 million or \$0.23 of income per share. As Frank mentioned, our annualized operating return on tangible common equity was in line with guidance provided at the beginning of the year at 14% and tangible common book value per share increased 5.3% this quarter to \$7.49 per share.

Our second quarter combined ratio of 98.6% for the group consists of a 68.1% loss ratio and a 30.5% expense ratio. Our use of the retroactive capacity we purchased last year lowered the combined ratio by 6.1%. The expense ratio improved over 2 points sequentially as we made focused headway in reducing our G&A and underwriting expenses. On a year-to-date basis, we reported an expense ratio of 31.7%, which we expect to decline to closer to last year's 31% for the full year. Our expense reductions have shown momentum to date across both our corporate expense line and our Specialty Admitted insurance segment G&A. We expect these to also show through to our E&S segment over the midterm as well as through our operating structure as we benefit from our planned redomicile from Bermuda to Delaware likely later this year.

This quarter, our corporate expenses declined about \$2.4 million sequentially and about \$400,000 quarter-over-quarter. We expect that the actions we've taken to increase operational efficiencies will drive a 5% to 10% decline in the corporate expense line this year, with longer-term savings coming through items like rent reduction, professional fees and other expenses. We've reduced G&A expenses in specialty admitted over 20% year-to-date as compared to prior, and we expect that to be the case for the full year.

Finally, overlapping on expenses, as Frank mentioned, we successfully renewed our large E&S reinsurance treaty effective July 1. The treaty includes both quota share in excess of loss structures with improved rate and more diverse participants as compared to last year. More importantly, though, we chose to slightly reduce the quota share given our confidence in our business written since 2023, supported by its many underwriting changes. This should add meaningfully underwriting -- meaningful underwriting profit to E&S as it bleeds in next year. Overall, we expect this to move our E&S premium retention from the 55% reported this quarter closer to 60% once the treaty is fully in play.

On losses, again, we had no catastrophe losses in the quarter and reported \$3 million of adverse impact from prior year development, \$2.3 million of adverse development attributable to E&S and about \$700,000 attributable to specialty admitted. A majority of this development represents the 15% retained loss corridor on the first layer of adverse development cover in E&S, which we purchased last year. As it covers accident years 2010 through 2023, this cover provides protection across a significant portion of our total E&S IBNR which effectively means that we could increase IBNR on subject reserves by over 20% before exhausting the limit. In aggregate, there remains over \$100 million of prepaid cover, providing protection for a significant portion of our casualty E&S reserves.

Turning to investments. We reported \$20.5 million of net investment income, up from \$20 million in the previous quarter and reflective of lower average book values in 2025 following outflows used to fund the 2 loss portfolio transfers in the second half of 2024. The portfolio remains conservatively positioned with an average credit rating of A+ and duration of 3.5. Our goal has been to responsibly reduce our cash and short-term strategies, taking advantage of attractive yields and high-quality fixed income securities, our primary focus. This deliberate approach has allowed us to take advantage of volatility in the market. And while new money yields have come down modestly, we are still able to put money to work at 5.6% average book yield, well above our current yield, which is a little bit over 4%.

And finally, on taxes. Our effective tax rate remains above the U.S. statutory rate at approximately 30%. The redomicile process, which we've discussed to bring our holding company from Bermuda to the U.S. is planned to occur later this year, and we expect it will reduce our effective tax rate closer to be in line with the U.S. statutory rate. This is expected to also bring a onetime \$10 million to \$13 million benefit and an ongoing \$3 million to \$6 million annual benefit in terms of savings once completed.

And that's all I had today. So with that, I'll turn it over to the operator to open the line for questions.

# Question and Answer

## Operator

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

### **Mark Douglas Hughes**

*Truist Securities, Inc., Research Division*

The excess casualty growth in the quarter, the price increase is obviously very strong. And I think you talked about moving a little more down market or smaller policies. What end markets are you targeting there? Kind of what industries? I just wonder if you could talk a little bit more. That seems like a lot of -- obviously, a lot of price. Just sort of curious where you're seeing the opportunities?

### **Frank N. D'Orazio**

*CEO & Director*

Sure. So let me talk about like the rate process first and what we're seeing there in the quarter and then try to answer your specific questions relative to where we see opportunities in excess casualty. So we have, as you might imagine, department rate change goals. We've had it for several years. This year, within the larger departments, we also deconstructed the portfolio into bands of accounts with varying level of necessary rate change, including areas where we need to push rate significantly and on the other end of the spectrum areas that can support rate decreases. For the second quarter of 2025, we saw positive rate increases across 11 of our 15 underwriting divisions. That rolled up to 13.9% across the E&S segment and 14.5% in casualty lines.

Excess casualty is one of those large underwriting departments where we've introduced the banded rate need. It definitely led the way at 24.2% rate for the quarter. But less you think all that is commercial auto driven. The auto-driven excess casualty component now accounts for less than 20% of that portfolio, whereas it used to be about 40% as recently as last year. Most of the other underwriting divisions, particularly the primary lines were in the middle to high single-digit range. But within excess casualty, we further break down the book into 3 kind of main silos, so auto-driven GL or OL&T driven and then all other. The majority of that book is now not auto-driven. So we've got manufacturers, we have premises risk, we have hospitality risk, et cetera. And we are moving a little bit down market, as you suggest, trying to stay away from some of the larger accounts.

We see that in our average premium per mill coming down fairly significantly within excess casualty. So it's a major shift in the book, particularly in excess casualty. We've taken out, I want to say, upwards of \$50 million over the last year in terms of removing some of that large primarily auto-driven business into accounts much smaller.

### **Mark Douglas Hughes**

*Truist Securities, Inc., Research Division*

I appreciate all that detail. On the -- how are you doing in terms of policy or premium retention? I saw your submission up 6%, but I think the renewal submissions were up double digits. How is retention trending?

### **Frank N. D'Orazio**

*CEO & Director*

So I would say we look at retention in 2 banners, right? So policy count as well as premium. The policy count has, I'd say, historically for this company been between 60% and 65%, and it's pretty much there, kind of in that range. It's the premium area where we have seen more impact because of the steps that we've taken. So if I can share with you relative to premium retention, that has dropped more significantly. I would say, premium retention because of that shift that we've talked about, that shift from larger accounts to smaller accounts has moved as much as, let's say, 20 points relative to premium retention that we had historically experienced. But again, that policy count number is staying right in that same range that we would expect it to be.

### **Mark Douglas Hughes**

*Truist Securities, Inc., Research Division*

So that's just the turnover, the -- letting go some of those larger accounts that might be more competitive and focusing on the smaller midsized accounts.

### **Frank N. D'Orazio**

*CEO & Director*

That's absolutely right.

**Operator**

And our next question comes from the line of Casey Alexander with Compass Point.

**Casey Jay Alexander**

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

Sarah, you're making a good case for solid expense management, but we're also seeing net earned premiums on specialty admitted coming down. So I just want to clarify, are you saying that you expect the expense ratio to level off at 31%? Or is there some more room as we get into 2026 to bring that down further?

**Sarah Casey Doran**

*Chief Financial Officer*

I think there could be a little bit more room in '26. I'm talking about the 31% for this year, Casey, because that's kind of where we have immediate line of sight. But I think there are more opportunities to push things as we go through that process of planning out the '26 year.

**Casey Jay Alexander**

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

Okay. Great. Secondly, -- you mentioned the onetime positive \$10 million to \$13 million benefit from redomiciling the company. How does that come through? Does that come through as a tax benefit? Or how would we kind of forecast that in our model?

**Sarah Casey Doran**

*Chief Financial Officer*

Yes. No, you're exactly right. It will come through as a lower effective tax rate. So just increased EPS, increased earnings. And that will be the onetime benefit once the redomicile is effective, which we have planned. We expect that to be in the fourth quarter, but we've got to go through a regulatory process there, but that's our plan.

**Casey Jay Alexander**

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

And so then when you talk about the ongoing benefit, you're discussing a lower tax rate than the 30% you've been running at right now based upon redomiciling that's basically how you are thinking...

**Sarah Casey Doran**

*Chief Financial Officer*

Yes, that's exactly right. So we get the onetime \$10 million to \$13 million in the fourth quarter. And then going forward, Casey, so for 2026 and on, we expect to be closer to the U.S. stat rate of the 21%, which will yield a \$3 million to \$6 million annual benefit for us going forward.

**Operator**

And our last question comes from the line of Brian Meredith with UBS.

**Brian Robert Meredith**

*UBS Investment Bank, Research Division*

I may have missed this, but is there any other changes or to, call it, terms and conditions from the quota share? I understand that you're retaining a little bit more, but like ceding commission change, loss quarters, all those types of things.

**Frank N. D'Orazio**

*CEO & Director*

No. Brian, at a high level, to answer your question, no changes relative to terms. We had, again, a bit more offered participation than we chose to buy. Certainly a good sign that the reinsurance market agrees with the actions that we've been taking. We were able to reduce cost on the XOL and add a couple of new parties -- a couple of new panel members to the reinsurance panel. So overall, no. To your specific question on ceding commission, fairly flat there.

**Brian Robert Meredith**

*UBS Investment Bank, Research Division*

Fairly flat. All right. Helpful. And then, Frank, we've been hearing a fair amount on conference calls this quarter about MGAs, MGUs getting a little more competitive, some of them. I'm just curious what you're seeing with respect to your competing with them, I imagine, in some of the small stuff?

**Frank N. D'Orazio**

*CEO & Director*

Yes. Well, relative to competition, yes. So -- and you're talking particularly in the E&S. So I think -- and we've said this before, it's like we compete in some fashion on every piece of business that we buy just about every single day. The MGAs have become more pronounced relative to our excess property portfolio, certainly over the last 18 months or so, really fueled by distribution owned facilities. We also see them in the commercial auto space. We see them in excess casualty to some extent and larger accounts more generally. That's just relative to E&S.

**Operator**

That concludes the question-and-answer session. I would like to turn the call back over to Frank D'Orazio for closing remarks.

**Frank N. D'Orazio**

*CEO & Director*

Thank you, operator. 2025 continues to provide significant opportunities for measured and responsible growth as we work diligently to execute on our strategic objectives and generate attractive risk-adjusted returns for shareholders. Taken in aggregate, these second quarter results and developments reflect a solid first half of the year for James River. We've made meaningful progress on both operational and strategic fronts, and we look forward to continued measured growth in the second half of the year.

Thank you all for your 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 third quarter results.

**Operator**

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

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