UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2023**

or

☐ **Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _______ to _______**

Commission File Number: 001-36777

JAMES RIVER GROUP HOLDINGS, LTD.

(Exact name of registrant as specified in its charter)

Bermuda	**98-0585280**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Wellesley House, 2nd Floor, 90 Pitts Bay Road, Pembroke HM08, Bermuda
(Address of principal executive offices)
(Zip Code)

(441) 278-4580
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Names of each exchange on which registered
Common Shares, par value $0.0002 per share	JRVR	NASDAQ Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No x

Number of shares of the registrant's common shares outstanding at August 4, 2023: 37,619,749

James River Group Holdings, Ltd.
Form 10-Q
Index

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q, or Quarterly Report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the fact that they do not relate strictly to historical or current facts. You may identify forward-looking statements in this Quarterly Report by the use of words such as “anticipates,” “estimates,” “expects,” “intends,” “plans”, “seeks” and “believes,” and similar expressions or future or conditional verbs such as “will,” “should,” “would,” “may” and “could.” These forward-looking statements include, among others, all statements relating to our future financial performance, our business prospects and strategy, anticipated financial position and financial strength ratings, liquidity and capital needs and other similar matters. These forward-looking statements are based on management’s current expectations and assumptions about future events, which are inherently subject to uncertainties, risks and changes in circumstances that are difficult to predict.

Our actual results may differ materially from those expressed in, or implied by, the forward-looking statements included in this Quarterly Report as a result of various factors, many of which are beyond our control, including, among others:

- the inherent uncertainty of estimating reserves and the possibility that incurred losses may be greater than our loss and loss adjustment expense reserves;
- inaccurate estimates and judgments in our risk management may expose us to greater risks than intended;
- downgrades in the financial strength rating of our regulated insurance subsidiaries impacting our ability to attract and retain insurance and reinsurance business that our subsidiaries write, our competitive position, and our financial condition;
- the potential loss of key members of our management team or key employees, and our ability to attract and retain personnel;
- adverse economic factors resulting in the sale of fewer policies than expected or an increase in the frequency or severity of claims, or both;
- the impact of a persistent high inflationary environment on our reserves, the values of our investments and investment returns, and our compensation expenses;
- exposure to credit risk, interest rate risk and other market risk in our investment portfolio;
- reliance on a select group of brokers and agents for a significant portion of our business and the impact of our potential failure to maintain such relationships;
- reliance on a select group of customers for a significant portion of our business and the impact of our potential failure to maintain, or decision to terminate, such relationships;
- our ability to obtain reinsurance coverage at prices and on terms that allow us to transfer risk, adequately protect our Company against financial loss and that supports our growth plans;
- losses resulting from reinsurance counterparties failing to pay us on reinsurance claims, insurance companies with whom we have a fronting arrangement failing to pay us for claims, or a former customer with whom we have an indemnification arrangement failing to perform its reimbursement obligations, and our potential inability to demand or maintain adequate collateral to mitigate such risks;
- inadequacy of premiums we charge to compensate us for our losses incurred;
- changes in laws or government regulation, including tax or insurance law and regulations;
- changes in U.S. tax laws and the interpretation of certain provisions of the 2017 Tax Act (including associated regulations), which may be retroactive and could have a significant effect on us including, among other things, by potentially increasing our tax rate, as well as on our shareholders;
- in the event we do not qualify for the insurance company exception to the passive foreign investment company (“PFIC”) rules and are therefore considered a PFIC, there could be material adverse tax consequences to an investor that is subject to U.S. federal income taxation;
- the Company or any of its foreign subsidiaries becoming subject to U.S. federal income taxation;
- a failure of any of the loss limitations or exclusions we utilize to shield us from unanticipated financial losses or legal exposures, or other liabilities;

- losses from catastrophic events, such as natural disasters and terrorist acts, which substantially exceed our expectations and/or exceed the amount of reinsurance we have purchased to protect us from such events;
- potential effects on our business of emerging claim and coverage issues;
- the potential impact of internal or external fraud, operational errors, systems malfunctions or cyber security incidents;
- our ability to manage our growth effectively;
- failure to maintain effective internal controls in accordance with Sarbanes-Oxley Act of 2002, as amended ("Sarbanes-Oxley");
- changes in our financial condition, regulations or other factors that may restrict our subsidiaries' ability to pay us dividends;
- an adverse result in any litigation or legal proceedings we are or may become subject to; and
- other risks and uncertainties discussed elsewhere in this Quarterly Report.

Additional information about these risks and uncertainties, as well as others that may cause actual results to differ materially from those in the forward-looking statements, is contained in our filings with the U.S. Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 28, 2023.

Forward-looking statements speak only as of the date of this Quarterly Report. Except as expressly required under federal securities laws and the rules and regulations of the SEC, we do not have any obligation, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this Quarterly Report, whether as a result of new information or future events or otherwise. You should not place undue reliance on the forward-looking statements included in this Quarterly Report or that may be made elsewhere from time to time by us, or on our behalf. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

	(Unaudited) June 30, 2023	December 31, 2022
	(in thousands)	
Assets		
Invested assets:		
Fixed maturity securities, available-for-sale, at fair value (amortized cost: 2023 – $2,046,249; 2022 – $1,969,783)	$ 1,875,695	$ 1,783,417
Equity securities, at fair value (cost: 2023 – $117,920; 2022 – $117,169)	118,116	118,627
Bank loan participations, at fair value	143,762	154,991
Short-term investments	22,128	107,812
Other invested assets	27,415	27,447
Total invested assets	2,187,116	2,192,294
Cash and cash equivalents	227,239	173,164
Restricted cash equivalents	105,502	103,215
Accrued investment income	16,805	14,418
Premiums receivable and agents' balances, net	364,842	340,525
Reinsurance recoverable on unpaid losses, net	1,545,736	1,520,113
Reinsurance recoverable on paid losses	181,956	114,242
Prepaid reinsurance premiums	279,507	274,165
Deferred policy acquisition costs	51,668	59,603
Intangible assets, net	35,494	35,676
Goodwill	181,831	181,831
Other assets	118,174	127,829
Total assets	$ 5,295,870	$ 5,137,075

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets (continued)

	(Unaudited) June 30, 2023	December 31, 2022
	(in thousands, except share amounts)	
Liabilities and Shareholders' Equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 2,885,379	$ 2,768,995
Unearned premiums	665,189	676,016
Payables to reinsurers	170,004	123,502
Funds held	275,331	310,953
Deferred reinsurance gain	37,572	20,091
Senior debt	222,300	222,300
Junior subordinated debt	104,055	104,055
Accrued expenses	52,507	59,566
Other liabilities	142,712	152,933
Total liabilities	4,555,049	4,438,411
Commitments and contingent liabilities		
Series A redeemable preferred shares – 2023 and 2022: $0.00125 par value; 20,000,000 shares authorized; 150,000 shares issued and outstanding	144,898	144,898
Shareholders' equity:		
Common shares – 2023 and 2022: $0.0002 par value; 200,000,000 shares authorized; 37,619,226 and 37,470,237 shares issued and outstanding, respectively	7	7
Additional paid-in capital	872,359	868,858
Retained deficit	(127,844)	(152,055)
Accumulated other comprehensive loss	(148,599)	(163,044)
Total shareholders' equity	595,923	553,766
Total liabilities, Series A redeemable preferred shares, and shareholders' equity	$ 5,295,870	$ 5,137,075

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Income and Comprehensive Income (Loss) (Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands, except share amounts)			
Revenues				
Gross written premiums	$ 427,741	$ 399,714	$ 791,634	$ 759,650
Ceded written premiums	(209,562)	(205,023)	(390,235)	(389,100)
Net written premiums	218,179	194,691	401,399	370,550
Change in net unearned premiums	(8,521)	(8,429)	16,372	5,536
Net earned premiums	209,658	186,262	417,771	376,086
Net investment income	25,175	14,705	50,947	30,972
Net realized and unrealized gains (losses) on investments	2,145	(17,110)	2,552	(22,120)
Other income	1,464	949	2,773	1,816
Total revenues	238,442	184,806	474,043	386,754
Expenses				
Losses and loss adjustment expenses	141,308	121,369	296,596	256,977
Other operating expenses	58,865	49,036	119,124	99,097
Other expenses	223	—	826	368
Interest expense	6,941	4,049	13,557	6,341
Amortization of intangible assets	91	91	182	182
Total expenses	207,428	174,545	430,285	362,965
Income before taxes	31,014	10,261	43,758	23,789
Income tax expense	7,321	2,597	10,457	5,920
Net income	23,693	7,664	33,301	17,869
Dividends on Series A preferred shares	(2,625)	(2,625)	(5,250)	(3,500)
Net income available to common shareholders	$ 21,068	$ 5,039	$ 28,051	$ 14,369
Other comprehensive (loss) income:				
Net unrealized (losses) gains, net of taxes of $(3,633) and $1,369 in 2023 and $(7,998) and $(19,648) in 2022	(16,457)	(58,600)	14,445	(144,571)
Total comprehensive income (loss)	$ 7,236	$ (50,936)	$ 47,746	$ (126,702)
Net income per common share:				
Basic	$ 0.56	$ 0.13	$ 0.75	$ 0.38
Diluted	$ 0.54	$ 0.13	$ 0.74	$ 0.38
Dividend declared per common share	$ 0.05	$ 0.05	$ 0.10	$ 0.10
Weighted-average common shares outstanding:				
Basic	37,642,289	37,449,621	37,587,359	37,428,385
Diluted	43,498,905	37,732,371	37,822,405	37,643,634

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Number of Common Shares Outstanding	Common Shares (Par)	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive Loss	Total
			(in thousands, except share amounts)			
Balances at March 31, 2023	37,619,226	$ 7	$ 870,043	$ (146,993)	$ (132,142)	$ 590,915
Net income	—	—	—	23,693	—	23,693
Other comprehensive loss	—	—	—	—	(16,457)	(16,457)
Compensation expense under share incentive plans	—	—	2,316	—	—	2,316
Dividends on Series A preferred shares	—	—	—	(2,625)	—	(2,625)
Dividends on common shares	—	—	—	(1,919)	—	(1,919)
Balances at June 30, 2023	37,619,226	$ 7	$ 872,359	$ (127,844)	$ (148,599)	$ 595,923
Balances at December 31, 2022	37,470,237	$ 7	$ 868,858	$ (152,055)	$ (163,044)	$ 553,766
Net income	—	—	—	33,301	—	33,301
Other comprehensive income	—	—	—	—	14,445	14,445
Vesting of RSUs	148,989	—	(1,507)	—	—	(1,507)
Compensation expense under share incentive plans	—	—	5,008	—	—	5,008
Dividends on Series A preferred shares	—	—	—	(5,250)	—	(5,250)
Dividends on common shares	—	—	—	(3,840)	—	(3,840)
Balances at June 30, 2023	37,619,226	$ 7	$ 872,359	$ (127,844)	$ (148,599)	$ 595,923

Table of Contents

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

	Number of Common Shares Outstanding	Common Shares (Par)	Additional Paid-in Capital	Retained Deficit	Accumulated Other Comprehensive (Loss) Income	Total
			(in thousands, except share amounts)			
Balances at March 31, 2022	37,448,314	$ 7	$ 862,904	$ (159,241)	$ (55,993)	$ 647,677
Net income	—	—	—	7,664	—	7,664
Other comprehensive loss	—	—	—	—	(58,600)	(58,600)
Vesting of RSUs	1,950	—	(19)	—	—	(19)
Compensation expense under share incentive plans	—	—	2,196	—	—	2,196
Dividends on Series A preferred shares	—	—	—	(2,625)	—	(2,625)
Dividends on common shares	—	—	—	(1,907)	—	(1,907)
Balances at June 30, 2022	37,450,264	$ 7	$ 865,081	$ (156,109)	$ (114,593)	$ 594,386
Balances at December 31, 2021	37,373,066	$ 7	$ 862,040	$ (166,663)	$ 29,978	$ 725,362
Net income	—	—	—	17,869	—	17,869
Other comprehensive loss	—	—	—	—	(144,571)	(144,571)
Vesting of RSUs	77,198	—	(941)	—	—	(941)
Compensation expense under share incentive plans	—	—	3,982	—	—	3,982
Dividends on Series A preferred shares	—	—	—	(3,500)	—	(3,500)
Dividends on common shares	—	—	—	(3,815)	—	(3,815)
Balances at June 30, 2022	37,450,264	$ 7	$ 865,081	$ (156,109)	$ (114,593)	$ 594,386

See accompanying notes.

JAMES RIVER GROUP HOLDINGS, LTD. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
	(in thousands)	
Operating activities		
Net cash provided by operating activities (a)	$ 42,621	$ 139,321
Investing activities		
Securities available-for-sale:		
Purchases – fixed maturity securities	(142,680)	(351,715)
Sales – fixed maturity securities	10,092	158,469
Maturities and calls – fixed maturity securities	55,520	109,184
Purchases – equity securities	(8,557)	(6,751)
Sales – equity securities	8,548	5,171
Bank loan participations:		
Purchases	(17,119)	(59,450)
Sales	20,020	32,679
Maturities	12,650	11,360
Other invested assets:		
Purchases	(375)	—
Return of capital	682	998
Proceeds from sales	1,153	—
Short-term investments, net	85,684	6,128
Securities receivable or payable, net	3,625	22,042
Purchases of property and equipment	(2,173)	(3,175)
Net cash provided by (used in) investing activities	27,070	(75,060)
Financing activities		
Senior debt repayments	—	(40,000)
Issuance of Series A preferred shares (Note 12)	—	144,898
Payroll taxes withheld and remitted on net settlement of RSUs	(1,507)	(941)
Dividends on Series A preferred shares	(7,875)	(3,500)
Dividends on common shares	(3,931)	(4,007)
Other financing activities	(16)	—
Net cash (used in) provided by financing activities	(13,329)	96,450
Change in cash, cash equivalents, and restricted cash equivalents	56,362	160,711
Cash, cash equivalents, and restricted cash equivalents at beginning of period	276,379	292,128
Cash, cash equivalents, and restricted cash equivalents at end of period	$ 332,741	$ 452,839
Supplemental information		
Interest paid	$ 14,877	$ 5,455
Restricted cash equivalents at beginning of period	$ 103,215	$ 102,005
Restricted cash equivalents at end of period	$ 105,502	$ 102,099
Change in restricted cash equivalents	$ 2,287	$ 94

(a) Cash provided by operating activities for the six months ended June 30, 2023 and 2022 includes the restricted cash activity above related to a former insured, per the terms of a collateral trust. See "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – *Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book*". Excluding the restricted cash activity, cash provided by operating activities was $40.3 million and $139.2 million for the six months ended June 30, 2023 and 2022, respectively.

See accompanying notes.

1. Accounting Policies

Organization

James River Group Holdings, Ltd. (referred to as “JRG Holdings” or, with its subsidiaries, the “Company”) is an exempted holding company registered in Bermuda, organized for the purpose of acquiring and managing insurance and reinsurance entities.

The Company owns five insurance companies based in the United States (“U.S.”) focused on specialty insurance niches and a Bermuda-based reinsurance company as described below:

- James River Group Holdings UK Limited (“James River UK”) is an insurance holding company formed in 2015 in the United Kingdom (“U.K.”). JRG Holdings contributed James River Group, Inc. (“James River Group”), a U.S. insurance holding company, to James River UK in 2015.
- James River Group is a Delaware domiciled insurance holding company formed in 2002 which owns all of the Company’s U.S.-based subsidiaries, either directly or indirectly through one of its wholly-owned U.S. subsidiaries. James River Group oversees the Company’s U.S. insurance operations and maintains all of the outstanding debt in the U.S.
- James River Insurance Company is an Ohio domiciled excess and surplus lines insurance company that, with its wholly-owned insurance subsidiary, James River Casualty Company, a Virginia domiciled company, is authorized to write business in every state and the District of Columbia.
- Falls Lake National Insurance Company (“Falls Lake National”) is an Ohio domiciled insurance company which wholly owns Stonewood Insurance Company (“Stonewood Insurance”), a North Carolina domiciled company, and Falls Lake Fire and Casualty Company, a California domiciled company. Falls Lake National and its subsidiaries primarily write specialty admitted fronting and program business and individual risk workers' compensation insurance.
- JRG Reinsurance Company Ltd. (“JRG Re”) was formed in 2007 and commenced operations in 2008. JRG Re, a Bermuda domiciled reinsurer, primarily provides non-catastrophe casualty reinsurance to U.S. third parties and, through December 31, 2017, to the Company’s U.S.-based insurance subsidiaries.

Basis of Presentation

The accompanying condensed consolidated financial statements and notes have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and do not contain all of the information and footnotes required by U.S. GAAP for complete financial statements. The condensed consolidated financial statements include the results of the Company and its subsidiaries from their respective dates of inception or acquisition, as applicable. Readers are urged to review the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 for a more complete description of the Company’s business and accounting policies. In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results of operations for the full year. The consolidated balance sheet as of December 31, 2022 was derived from the Company’s audited annual consolidated financial statements.

Intercompany transactions and balances have been eliminated.

Estimates and Assumptions

Preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying disclosures. Those estimates are inherently subject to change, and actual results may ultimately differ from those estimates.

Variable Interest Entities

Entities that do not have sufficient equity at risk to allow the entity to finance its activities without additional financial support or in which the equity investors, as a group, do not have the characteristic of a controlling financial interest are referred to as variable interest entities (“VIE”). A VIE is consolidated by the variable interest holder that is determined to have the controlling financial interest (primary beneficiary) as a result of having both the power to direct the activities of a VIE that most significantly impact the VIE’s economic performance and the obligation to absorb losses or the right to receive benefits from the VIE that could potentially be significant to the VIE. The Company determines whether it is the primary beneficiary of an entity subject to consolidation based on a qualitative assessment of the VIE’s capital structure, contractual terms, nature of the VIE’s operations and purpose, and the Company’s relative exposure to the related risks of the VIE on the date it becomes initially involved in the VIE. The Company reassesses its VIE determination with respect to an entity on an ongoing basis.

The Company holds interests in VIEs through certain equity method investments included in “other invested assets” in the accompanying condensed consolidated balance sheets. The Company has determined that it should not consolidate any of the VIEs as it is not the primary beneficiary in any of the relationships. Although the investments resulted in the Company holding variable interests in the entities, they did not empower the Company to direct the activities that most significantly impact the economic performance of the entities. The Company’s investments related to these VIEs totaled $8.8 million at June 30, 2023 and $9.2 million at December 31, 2022, representing the Company’s maximum exposure to loss.

Income Tax Expense

Our effective tax rate fluctuates from period to period based on the relative mix of income reported by country and the respective tax rates imposed by each tax jurisdiction. For U.S.-sourced income, the Company’s U.S. federal income tax expense differs from the amounts computed by applying the federal statutory income tax rate to income before taxes due primarily to interest income on tax-advantaged state and municipal securities, dividends received income, and excess tax benefits or expenses on share based compensation. For the three and six months ended June 30, 2023, our U.S. federal income tax expense was 23.6% and 23.9%, respectively, of the income before taxes (25.3% and 24.9% in the respective prior year periods). The effective rate exceeded the 21.0% U.S. statutory rate in all periods due to projected annual losses in Bermuda that do not provide a tax benefit and due to discrete items in the respective periods primarily related to excess tax expenses associated with vested restricted share units (“RSUs”).

Adopted Accounting Standards

There were no new accounting standards adopted in 2023 that materially impacted the Company's financial statements.

2. Investments

The Company's available-for-sale fixed maturity securities are summarized as follows:

	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
June 30, 2023				
Fixed maturity securities:				
State and municipal	$ 381,802	$ 1,420	$ (45,252)	$ 337,970
Residential mortgage-backed	467,134	575	(37,461)	430,248
Corporate	784,248	1,217	(63,064)	722,401
Commercial mortgage and asset-backed	340,212	10	(24,716)	315,506
U.S. Treasury securities and obligations guaranteed by the U.S. government	72,853	—	(3,283)	69,570
Total fixed maturity securities, available-for-sale	$ 2,046,249	$ 3,222	$ (173,776)	$ 1,875,695
December 31, 2022				
Fixed maturity securities:				
State and municipal	$ 386,456	$ 712	$ (56,316)	$ 330,852
Residential mortgage-backed	437,702	801	(37,254)	401,249
Corporate	734,976	1,528	(66,292)	670,212
Commercial mortgage and asset-backed	335,066	76	(26,127)	309,015
U.S. Treasury securities and obligations guaranteed by the U.S. government	75,583	8	(3,502)	72,089
Total fixed maturity securities, available-for-sale	$ 1,969,783	$ 3,125	$ (189,491)	$ 1,783,417

The amortized cost and fair value of available-for-sale investments in fixed maturity securities at June 30, 2023 are summarized, by contractual maturity, as follows:

	Cost or Amortized Cost	Fair Value
	(in thousands)	
One year or less	$ 94,222	$ 92,437
After one year through five years	519,366	492,322
After five years through ten years	364,892	323,047
After ten years	260,423	222,135
Residential mortgage-backed	467,134	430,248
Commercial mortgage and asset-backed	340,212	315,506
Total	$ 2,046,249	$ 1,875,695

Actual maturities may differ for some securities because borrowers have the right to call or prepay obligations with or without penalties.

The following table shows the Company's gross unrealized losses and fair value for available-for-sale securities aggregated by investment category and the length of time that individual securities have been in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
			(in thousands)			
June 30, 2023						
Fixed maturity securities:						
State and municipal	$ 61,424	$ (1,782)	$ 237,616	$ (43,470)	$ 299,040	$ (45,252)
Residential mortgage-backed	192,536	(7,046)	184,815	(30,415)	377,351	(37,461)
Corporate	204,182	(5,482)	443,535	(57,582)	647,717	(63,064)
Commercial mortgage and asset-backed	51,158	(1,508)	262,838	(23,208)	313,996	(24,716)
U.S. Treasury securities and obligations guaranteed by the U.S. government	17,925	(412)	51,326	(2,871)	69,251	(3,283)
Total fixed maturity securities, available-for-sale	$ 527,225	$ (16,230)	$ 1,180,130	$ (157,546)	$ 1,707,355	$ (173,776)
December 31, 2022						
Fixed maturity securities:						
State and municipal	$ 241,586	$ (34,840)	$ 72,805	$ (21,476)	$ 314,391	$ (56,316)
Residential mortgage-backed	225,870	(18,823)	98,594	(18,431)	324,464	(37,254)
Corporate	412,942	(33,417)	167,541	(32,875)	580,483	(66,292)
Commercial mortgage and asset-backed	184,985	(12,829)	114,955	(13,298)	299,940	(26,127)
U.S. Treasury securities and obligations guaranteed by the U.S. government	47,106	(1,699)	21,808	(1,803)	68,914	(3,502)
Total fixed maturity securities, available-for-sale	$ 1,112,489	$ (101,608)	$ 475,703	$ (87,883)	$ 1,588,192	$ (189,491)

At June 30, 2023, the Company held fixed maturity securities of 552 issuers that were in an unrealized loss position with a total fair value of $1,707.4 million and gross unrealized losses of $173.8 million. None of the fixed maturity securities with unrealized losses has ever missed, or been delinquent on a scheduled principal or interest payment. At June 30, 2023, 99.9% of the Company's fixed maturity security portfolio was rated "BBB-" or better ("investment grade") by Standard & Poor's or received an equivalent rating from another nationally recognized rating agency. Fixed maturity securities with ratings below investment grade by Standard & Poor's or another nationally recognized rating agency at June 30, 2023 had an aggregate fair value of $2.3 million and an aggregate net unrealized loss of $160,000.

The Company reviews its available-for-sale fixed maturities to determine whether unrealized losses are due to credit-related factors. An allowance for credit losses is established for any credit-related impairments, limited to the amount by which fair value is below amortized cost. Changes in the allowance for credit losses are recognized in earnings and included in net realized and unrealized gains (losses) on investments. Unrealized losses that are not credit-related are recognized in other comprehensive income.

The Company considers the extent to which fair value is below amortized cost in determining whether a credit-related loss exists. The Company also considers the credit quality rating of the security, with a special emphasis on securities downgraded below investment grade. A comparison is made between the present value of expected future cash flows for a security and its amortized cost. If the present value of future expected cash flows is less than amortized cost, a credit loss is presumed to exist and an allowance for credit losses is established. Management may conclude that a qualitative analysis is sufficient to support its conclusion that the present value of the expected cash flows equals or exceeds a security's amortized cost. As a result of this review, management concluded that there were no credit-related impairments of fixed maturity securities at June 30, 2023, December 31, 2022, or June 30, 2022. In the six months ended June 30, 2023, management recognized an impairment loss of $85,000 for one fixed maturity security due to an intent to sell the security. For the remainder of securities in an unrealized loss position, management does not intend to sell the securities, and it is not "more likely than not" that the Company will be required to sell these securities before a recovery in their value to their amortized cost basis occurs.

Bank loan participations are measured at fair value pursuant to the Company's election of the fair value option, and changes in unrealized gains and losses in bank loan participations are reported in the income statement as net realized and unrealized gains (losses) on investments. Applying the fair value option to the bank loan portfolio increases volatility in the Company's financial statements, but management believes it is less subjective and less burdensome to implement and maintain than the requirements of ASU 2016-13. At June 30, 2023, the Company's bank loan portfolio had an aggregate fair value of $143.8 million and unpaid principal of $156.3 million. Investment income on bank loan participations included in net investment income was $4.4 million and $8.7 million for the three and six months ended June 30, 2023, respectively ($2.7 million and $5.1 million for the three and six months ended June 30, 2022, respectively). Net realized and unrealized gains (losses) on bank loan participations included losses of $2.1 million and gains of $3.5 million for the three and six months ended June 30, 2023, respectively (losses of $9.9 million and $12.0 million for the three and six months ended June 30, 2022, respectively). For the three and six months ended June 30, 2023, management concluded that $497,000 and $2.4 million, respectively, of the unrealized losses were due to credit-related impairments. For the three and six months ended June 30, 2022, management concluded that unrealized losses were largely market-driven and that none of the unrealized losses were due to credit-related impairments. Losses due to credit-related impairments are determined based upon consultations and advice from the Company's specialized investment manager and consideration of any adverse situations that could affect the borrower's ability to repay, the estimated value of underlying collateral, and other relevant factors.

Bank loan participations generally provide a higher yield than our portfolio of fixed maturities and have a credit rating that is below investment grade (i.e. below “BBB-” for Standard & Poor’s) at the date of purchase. These bank loans are primarily senior, secured floating-rate debt rated “BB”, “B”, or “CCC” by Standard & Poor’s or an equivalent rating from another nationally recognized rating agency. These bank loans include assignments of, and participations in, performing and non-performing senior corporate debt generally acquired through primary bank syndications and in secondary markets. Bank loans consist of, but are not limited to, term loans, the funded and unfunded portions of revolving credit loans, and other similar loans and investments. Management believed that it was probable at the time that these loans were acquired that the Company would be able to collect all contractually required payments receivable.

Interest income on bank loan participations is accrued on the unpaid principal balance, and discounts and premiums on bank loan participations are amortized to income using the interest method. Generally, the accrual of interest on a bank loan participation is discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest. A bank loan participation may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. Generally, bank loan participations are restored to accrual status when the obligation is brought current, has performed in accordance with the contractual terms for a reasonable period of time, and the ultimate collectability of the total contractual principal and interest is no longer in doubt. Interest received on nonaccrual loans generally is reported as investment income. There were no bank loans on nonaccrual status at June 30, 2023 or December 31, 2022.

The Company’s net realized and unrealized gains and losses on investments are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Fixed maturity securities:				
Gross realized gains	$ 45	$ 1,332	$ 45	$ 1,698
Gross realized losses	(322)	(278)	(414)	(442)
	(277)	1,054	(369)	1,256
Bank loan participations:				
Gross realized gains	24	18	105	113
Gross realized losses	(3,142)	(122)	(4,353)	(306)
Changes in fair values of bank loan participations	5,234	(9,791)	7,779	(11,800)
	2,116	(9,895)	3,531	(11,993)
Equity securities:				
Gross realized gains	353	5	935	29
Gross realized losses	—	—	(267)	(381)
Changes in fair values of equity securities	(41)	(8,250)	(1,262)	(10,992)
	312	(8,245)	(594)	(11,344)
Short-term investments and other:				
Gross realized gains	—	—	3	—
Gross realized losses	(6)	(24)	(19)	(39)
Changes in fair values of short-term investments and other	—	—	—	—
	(6)	(24)	(16)	(39)
Total	$ 2,145	$ (17,110)	$ 2,552	$ (22,120)

Realized investment gains or losses are determined on a specific identification basis.

The Company invests selectively in private debt and equity opportunities. These investments, which together comprise the Company's other invested assets, are primarily focused in renewable energy, limited partnerships, and bank holding companies.

	Carrying Value		Investment Income			
			Three Months Ended June 30,		Six Months Ended June 30,	
	June 30, 2023	December 31, 2022	2023	2022	2023	2022
			(in thousands)			
Renewable energy LLCs *(a)*						
Excess and Surplus Lines	$ 8,849	$ 9,159	$ (305)	$ 81	$ 698	$ 2,361
Corporate & Other	—	—	—	15	170	259
	8,849	9,159	(305)	96	868	2,620
Renewable energy notes receivable (*b*)						
Excess and Surplus Lines	1,202	1,202	36	70	72	140
Corporate & Other	1,503	1,503	45	87	90	174
	2,705	2,705	81	157	162	314
Limited partnerships *(c)*						
Excess and Surplus Lines	10,297	10,019	370	(828)	621	(696)
Corporate & Other	1,064	1,064	—	—	—	—
	11,361	11,083	370	(828)	621	(696)
Bank holding companies *(d)*						
Excess and Surplus Lines	4,500	4,500	86	86	172	172
Corporate & Other	—	—	—	—	—	—
	4,500	4,500	86	86	172	172
Total other invested assets						
Excess and Surplus Lines	24,848	24,880	187	(591)	1,563	1,977
Corporate & Other	2,567	2,567	45	102	260	433
	$ 27,415	$ 27,447	$ 232	$ (489)	$ 1,823	$ 2,410

a) The Company's Excess and Surplus Lines segment owns equity interests ranging from 2.6% to 4.9% in various LLCs whose principal objective is capital appreciation and income generation from owning and operating renewable energy production facilities (wind and solar). The Corporate and Other segment also held an interest in one of the LLCs until the fourth quarter of 2022. The LLCs are managed by an entity for which two former directors served as officers, and the Company's Non-Executive Chairman has invested in certain of these LLCs. The equity method is used to account for the Company's LLC investments. Income for the LLCs primarily reflects adjustments to the carrying values of investments in renewable energy projects to their determined fair values. The fair value adjustments are included in revenues for the LLCs. Expenses for the LLCs are not significant and are comprised of administrative and interest expenses. The Company received cash distributions from these investments totaling $24,000 and $951,000 in the six months ended June 30, 2023 and 2022, respectively. During the fourth quarter of 2022, the underlying projects in two of our LLCs were sold at the manager's discretion. In the three months ended March 31, 2023, the Company received additional proceeds from the sales of $1.2 million comprised of $984,000 in the Excess and Surplus Lines segment and $170,000 in the Corporate and Other segment. We could receive additional contingent payments in the future according to terms of the transaction.

b) The Company's Excess and Surplus Lines and Corporate and Other segments have invested in notes receivable for renewable energy projects. At June 30, 2023, the Company held two notes issued by an entity for which two of our former directors serve as officers. Interest on the notes, which mature in 2025, is fixed at 12%.

c) The Company owns investments in limited partnerships that invest in concentrated portfolios including publicly-traded small cap equities, loans of middle market private equity sponsored companies, private equity general partnership interests, commercial mortgage-backed securities, and tranches of distressed home loans. Income from the partnerships is recognized under the equity method of accounting. At June 30, 2023, the Company's Excess and Surplus Lines segment has outstanding commitments to invest another $5.0 million in the limited partnerships and a $20.0 million commitment to invest in a new limited partnership.

d) The Company's Excess and Surplus Lines segment holds $4.5 million of subordinated notes issued by a bank holding company for which the Company's Non-Executive Chairman was previously the Lead Independent Director and an investor and for which one of the Company's directors is also an investor (the "Bank Holding Company"). Interest on the notes, which mature on August 12, 2023, is fixed at 7.6% per annum.

3. Goodwill and Intangible Assets

On December 11, 2007, the Company completed an acquisition of James River Group by acquiring 100% of the outstanding shares of James River Group common stock, referred to herein as the "Merger". The transaction was accounted for under the purchase method of accounting, and goodwill and intangible assets were recognized by the Company as a result of the transaction. Goodwill resulting from the Merger was $181.8 million at June 30, 2023 and December 31, 2022.

The gross carrying amounts and accumulated amortization for each major specifically identifiable intangible asset class were as follows:

		June 30, 2023		December 31, 2022	
	Life (Years)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
		($ in thousands)			
Intangible Assets					
Trademarks	Indefinite	$ 22,200	$ —	$ 22,200	$ —
Insurance licenses and authorities	Indefinite	8,964	—	8,964	—
Identifiable intangible assets not subject to amortization		31,164	—	31,164	—
Broker relationships	24.6	11,611	7,281	11,611	7,099
Identifiable intangible assets subject to amortization		11,611	7,281	11,611	7,099
		$ 42,775	$ 7,281	$ 42,775	$ 7,099

4. Earnings Per Share

The following represents a reconciliation of the numerator and denominator of the basic and diluted earnings (loss) per common share computations contained in the condensed consolidated financial statements:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands, except share and per share amounts)			
Net income	$ 23,693	$ 7,664	$ 33,301	$ 17,869
Less: Dividends on Series A preferred shares	(2,625)	(2,625)	(5,250)	(3,500)
Net income available to common shareholders	$ 21,068	$ 5,039	$ 28,051	$ 14,369
Weighted average common shares outstanding:				
Basic	37,642,289	37,449,621	37,587,359	37,428,385
Dilutive potential common shares	5,856,616	282,750	235,046	215,249
Diluted	43,498,905	37,732,371	37,822,405	37,643,634
Net income per common share:				
Basic	$ 0.56	$ 0.13	$ 0.75	$ 0.38
Dilutive potential common shares	(0.02)	—	(0.01)	—
Diluted	$ 0.54	$ 0.13	$ 0.74	$ 0.38

For the three months ended June 30, 2023, all potential common shares were dilutive. Dividends on the Series A preferred shares were added back to the numerator and 5,640,158 common shares from an assumed conversion of the Series A preferred shares were included in the denominator for the diluted earnings per common share calculation. For the six months ended June 30, 2023, potential common shares of 5,640,158, representing the outstanding Series A preferred shares, were anti-dilutive and excluded from the calculation of diluted earnings per common share. For the three and six months ended June 30, 2022, potential common shares of 5,928,132 and 4,089,627, respectively, were excluded from the calculation of diluted earnings per common share as their effects were anti-dilutive.

5. Reserve for Losses and Loss Adjustment Expenses

The following table provides a reconciliation of the beginning and ending reserve balances for losses and loss adjustment expenses, net of reinsurance, to the gross amounts reported in the condensed consolidated balance sheets. Reinsurance recoverables on unpaid losses and loss adjustment expenses are presented gross of an allowance for credit losses on reinsurance balances of $670,000 at June 30, 2023, $661,000 at March 31, 2023, $612,000 at December 31, 2022, $601,000 at June 30, 2022, $604,000 at March 31, 2022, and $631,000 at December 31, 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at beginning of period	$ 1,299,835	$ 1,131,700	$ 1,248,270	$ 1,399,214
Add: Incurred losses and loss adjustment expenses net of reinsurance:				
Current year	138,402	122,945	275,465	251,749
Prior years - retroactive reinsurance	618	—	17,481	—
Prior years - excluding retroactive reinsurance	2,288	(1,576)	3,650	5,228
Total incurred losses and loss and adjustment expenses	141,308	121,369	296,596	256,977
Deduct: Loss and loss adjustment expense payments net of reinsurance:				
Current year	5,859	6,832	8,711	9,606
Prior years	95,693	92,765	179,701	193,620
Total loss and loss adjustment expense payments	101,552	99,597	188,412	203,226
Deduct: Change in deferred reinsurance gain - retroactive reinsurance	618	—	17,481	—
Deduct: Loss reserves ceded in Casualty Re LPT	—	—	—	299,493
Add: Changes in reinsurance recoverable of Casualty Re LPT unrelated to net reserve activity	—	5,673	—	5,673
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	1,338,973	1,159,145	1,338,973	1,159,145
Add: Reinsurance recoverables on unpaid losses and loss adjustment expenses at end of period	1,546,406	1,571,486	1,546,406	1,571,486
Reserve for losses and loss adjustment expenses gross of reinsurance recoverables on unpaid losses and loss adjustment expenses at end of period	$ 2,885,379	$ 2,730,631	$ 2,885,379	$ 2,730,631

The Company experienced $2.3 million of net adverse reserve development in the three months ended June 30, 2023 on the reserve for losses and loss adjustment expenses held at December 31, 2022 (excluding adverse prior year development on the loss portfolio transfers subject to retroactive reinsurance accounting - see *Loss Portfolio Transfers* below). This reserve development included $118,000 of net adverse development in the Excess and Surplus Lines segment, $839,000 of net favorable development in the Specialty Admitted Insurance segment, and $3.0 million of net adverse development in the Casualty Reinsurance segment.

The Company experienced $1.6 million of net favorable reserve development in the three months ended June 30, 2022 on the reserve for losses and loss adjustment expenses held at December 31, 2021. This reserve development included $32,000 of net favorable development in the Excess and Surplus Lines segment, $1.5 million of net favorable development in the Specialty Admitted Insurance segment, and no development in the Casualty Reinsurance segment.

The Company experienced $3.7 million of net adverse reserve development in the six months ended June 30, 2023 on the reserve for losses and loss adjustment expenses held at December 31, 2022 (excluding adverse prior year development on the loss portfolio transfers subject to retroactive reinsurance accounting - see *Loss Portfolio Transfers* below). This reserve development included $206,000 of net favorable development in the Excess and Surplus Lines segment, $1.0 million of net favorable development in the Specialty Admitted Insurance segment, and $4.9 million of net adverse development in the Casualty Reinsurance segment.

The Company experienced $5.2 million of net adverse reserve development in the six months ended June 30, 2022 on the reserve for losses and loss adjustment expenses held at December 31, 2021. This reserve development included $91,000 of net favorable development in the Excess and Surplus Lines segment, $1.5 million of net favorable development in the Specialty Admitted Insurance segment, and $6.8 million of net adverse development in the Casualty Reinsurance segment that was associated with the Casualty Re LPT (as defined below).

Loss Portfolio Transfers

The Company has entered into two loss portfolio transfers, which are a form of reinsurance utilized by the Company to transfer losses and loss adjustment expenses and associated risk of adverse development on covered subject business, as defined in the respective agreements, to an assuming reinsurer in exchange for a reinsurance premium.

Commercial Auto Loss Portfolio Transfer

On September 27, 2021, James River Insurance Company and James River Casualty Company (together, “James River”) entered into a loss portfolio transfer transaction (the “Commercial Auto LPT”) with Aleka Insurance, Inc. (“Aleka”), a captive insurance company affiliate of Rasier LLC, to reinsure substantially all of the Excess and Surplus Lines segment's legacy portfolio of commercial auto policies previously issued to Rasier LLC and its affiliates (collectively, “Rasier”) for which James River is not otherwise indemnified by Rasier. The reinsurance coverage is structured to be fully collateralized, is not subject to an aggregate limit, and is subject to certain exclusions.

Casualty Re Loss Portfolio Transfer

On February 23, 2022, JRG Re entered into a loss portfolio transfer retrocession agreement (the “Casualty Re LPT”) with Fortitude Reinsurance Company Ltd. (“FRL”) under which FRL reinsures the majority of the reserves in the Company’s Casualty Reinsurance segment. Under the terms of the transaction, which closed on March 31, 2022 (the “Retrocession Closing Date”), JRG Re (a) ceded to FRL all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the “Subject Business”), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of $400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid FRL a reinsurance premium of $335.0 million, $310.0 million of which JRG Re credited to a notional funds withheld account (the “Funds Withheld Account”) and $25.0 million of which was paid in cash to FRL; and (d) pays FRL a 2% per annum crediting rate on the Funds Withheld Account balance on a quarterly basis. The total premium, initial Funds Withheld Account credit, and aggregate limit were adjusted for claims paid from October 1, 2021 to the Retrocession Closing Date. The Casualty Reinsurance segment incurred $6.8 million of net adverse reserve development in the three months ended March 31, 2022 associated with the Casualty Re LPT.

Retroactive Reinsurance Accounting

The Company periodically reevaluates the remaining reserves subject to the Commercial Auto LPT and the Casualty Re LPT. For the three and six months ended June 30, 2023, due to adverse paid and reported loss trends, the Company recognized adverse prior year development of $18.4 million and $67.2 million, respectively, on the reserves subject to the Commercial Auto LPT ($12.6 million and $53.6 million, respectively) and Casualty Re LPT ($5.8 million and $13.7 million, respectively), resulting in corresponding additional amounts ceded under the respective loss portfolio transfers. Both loss portfolio transfers are in gain positions as the cumulative amounts ceded under the loss portfolio transfers exceed the consideration paid, requiring the application of retroactive reinsurance accounting under GAAP.

Under retroactive reinsurance accounting, gains are deferred and recognized in earnings in proportion to actual paid recoveries under the loss portfolio transfers using the recovery method. Over the life of the contracts, we would expect no economic impact to the Company as long as any additional losses are within the limit of the loss portfolio transfer and the counterparty performs under the contract. In periods where the Company recognizes a change in the estimate of the reserves subject to the loss portfolio transfers that increases or decreases the amounts ceded under the loss portfolio transfers, the proportion of actual paid recoveries to total ceded losses is affected and the change in deferred gain is recognized in earnings as if the revised estimate of ceded losses was available at the effective date of the loss portfolio transfer. The effect of the deferred retroactive reinsurance benefit is recorded in losses and loss adjustment expenses on the Condensed Consolidated Statements of Income and Comprehensive Income (Loss).

For the three and six months ended June 30, 2023, retroactive reinsurance benefits totaling $17.8 million and $49.8 million, respectively ($14.8 million and $44.1 million for the Commercial Auto LPT, respectively, and $2.9 million and $5.6 million for the Casualty Re LPT, respectively), were recorded in losses and loss adjustment expenses on the Condensed Consolidated Statements of Income and Comprehensive Income (Loss) using the recovery method. As of June 30, 2023, the cumulative amounts ceded under the loss portfolio transfers was $800.1 million ($445.4 million under the Commercial Auto LPT and $354.7 million under the Casualty Re LPT). The total unrecognized deferred retroactive reinsurance gain of $37.6 million at June 30, 2023 under the loss portfolio transfers ($25.2 million related to the Commercial Auto LPT and $12.4 million related to the Casualty Re LPT) is separately presented on the Company's Condensed Consolidated Balance Sheets. The Company has $45.3 million of aggregate limit remaining under the Casualty Re LPT at June 30, 2023.

6. Other Comprehensive (Loss) Income

The following table summarizes the components of other comprehensive (loss) income:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Unrealized (losses) gains arising during the period, before U.S. income taxes	$ (20,367)	$ (65,544)	$ 15,445	$ (162,963)
U.S. income taxes	3,637	7,777	(1,363)	19,385
Unrealized (losses) gains arising during the period, net of U.S. income taxes	(16,730)	(57,767)	14,082	(143,578)
Less reclassification adjustment:				
Net realized investment (losses) gains	(277)	1,054	(369)	1,256
U.S. income taxes	4	(221)	6	(263)
Reclassification adjustment for investment (losses) gains realized in net income	(273)	833	(363)	993
Other comprehensive (loss) income	$ (16,457)	$ (58,600)	$ 14,445	$ (144,571)

In addition to the $277,000 and $369,000 of net realized investment losses on available-for-sale fixed maturities for the three and six months ended June 30, 2023 ($1.1 million and $1.3 million of net realized investment gains for the three and six months ended June 30, 2022, respectively), the Company also recognized net realized and unrealized investment gains (losses) in the respective periods of $2.1 million and $3.5 million on its investments in bank loan participations ($(9.9) million and $(12.0) million in the respective prior year periods) and $312,000 and $(594,000) on its investments in equity securities ($(8.2) million and $(11.3) million in the respective prior year periods).

7. Contingent Liabilities

The Company is involved in various legal proceedings, including commercial matters and litigation regarding insurance claims which arise in the ordinary course of business, as well as an alleged class action lawsuit. In addition, the Company is involved from time to time in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. The Company believes that the outcome of such matters, individually and in the aggregate, is not reasonably likely to have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

On July 9, 2021 a purported class action lawsuit was filed in the U.S. District Court, Eastern District of Virginia (the "Court") by Employees' Retirement Fund of the City of Fort Worth against James River Group Holdings, Ltd. and certain of its present and former officers (together, "Defendants"). On September 22, 2021, the Court entered an order appointing Employees' Retirement Fund of the City of Fort Worth and the City of Miami General Employees' and Sanitation Employees' Retirement Trust as co-lead plaintiffs (together, "Plaintiffs"). Plaintiffs' consolidated amended complaint was filed on November 19, 2021 (the "First Amended Complaint"). The Defendants filed a motion to dismiss the First Amended Complaint on January 18, 2022, Plaintiffs' opposition thereto was filed on March 4, 2022, and the Defendants' reply to the Plaintiffs' opposition was filed on April 4, 2022. On August 25, 2022, Plaintiffs filed a motion for leave to file a second amended class action complaint (the "Second Amended Complaint"). On September 8, 2022, the Defendants consented to the Plaintiffs' motion to file the Second Amended Complaint, and filed a motion to dismiss the Second Amended Complaint on October 24, 2022 (the "Second MTD"). The Plaintiffs' opposition to the Second MTD was filed on November 7, 2022, and the Defendant's reply to the Plaintiffs' opposition was filed on November 14, 2022. The First Amended Complaint and Second Amended Complaint assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of persons and entities that purchased the Company's stock between February 22, 2019 and October 25, 2021, and allege that Defendants failed to make appropriate disclosures concerning the adequacy of reserves for policies that covered Rasier LLC, a subsidiary of Uber Technologies, Inc., and seek unspecified damages, costs, attorneys' fees and such other relief as the court may deem proper. We believe that the Plaintiffs' claims are without merit and we intend to vigorously defend this lawsuit.

The Company's reinsurance subsidiary, JRG Re, entered into three letter of credit facilities with banks as security to third-party reinsureds on reinsurance assumed by JRG Re. JRG Re has established custodial accounts to secure these letters of credit. Under a $30.0 million facility, $4.4 million of letters of credit were issued through June 30, 2023 which were secured by deposits of $5.7 million. Under a $102.5 million facility, $42.3 million of letters of credit were issued through June 30, 2023 which were secured by deposits of $53.0 million. Under a $100.0 million facility, $28.2 million of letters of credit were issued through June 30, 2023 which were secured by deposits of $43.7 million. JRG Re has also established trust accounts to secure its obligations to selected reinsureds. The total amount deposited in the trust accounts for the benefit of third-party reinsureds was $399.8 million at June 30, 2023.

Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book

James River previously issued a set of commercial auto insurance contracts (the "Rasier Commercial Auto Policies") to Rasier under which James River pays losses and loss adjustment expenses on the contracts. James River has indemnity agreements with Rasier (non-insurance entities) (collectively, the "Indemnity Agreements") and is contractually entitled to reimbursement for the portion of the losses and loss adjustment expenses paid on behalf of Rasier under the Rasier Commercial Auto Policies and other expenses incurred by James River. On September 27, 2021, James River entered into the Commercial Auto LPT with Aleka to reinsure substantially all of the Rasier Commercial Auto Policies for which James River is not otherwise indemnified by Rasier under the Indemnity Agreements. Under the terms of the Commercial Auto LPT, effective as of July 1, 2021, James River ceded to Aleka approximately $345.1 million of commercial auto liabilities relating to Rasier Commercial Auto Policies written in the years 2013-2019, which amount constituted the reinsurance premium. Since inception, due to adverse paid and reported loss trends on the legacy Rasier business, the Company has recognized adverse prior year development of $100.3 million on the reserves subject to the Commercial Auto LPT, bringing the cumulative amount ceded under the Commercial Auto LPT to $445.4 million at June 30, 2023.

Each of Rasier and Aleka are required to post collateral under the Indemnity Agreements and the Commercial Auto LPT, respectively:

- Pursuant to the Indemnity Agreements, Rasier is required to post collateral equal to 102% of James River's estimate of the amounts that are recoverable or may be recoverable under the Indemnity Agreements, including, among other things, case loss and loss adjustment expense reserves, IBNR loss and loss adjustment expense reserves, extra contractual obligations and excess policy limits liabilities. The collateral is provided through a collateral trust arrangement (the "Indemnity Trust") in favor of James River by Aleka. In connection with the execution of the Commercial Auto LPT, James River returned $691.3 million to the Indemnity Trust, representing the remaining balance of the amount withdrawn in October 2019, as was permitted under the indemnification agreements with Rasier and the associated trust agreement. At June 30, 2023, the balance in the Indemnity Trust was $187.3 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the Indemnity Agreements as described below, the total balance of collateral securing Rasier's obligations under the Indemnity Agreements was $256.5 million.

- Pursuant to the Commercial Auto LPT, Aleka is required to post collateral equal to 102% of James River's estimate of Aleka's obligations under the Commercial Auto LPT, calculated in accordance with standard actuarial principles and based on reserves recorded in the Company's statutory financial statements. The collateral is provided through a collateral trust arrangement (the "LPT Trust") established in favor of James River by Aleka. At June 30, 2023, the balance in the LPT Trust was $85.6 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the Commercial Auto LPT as described below, the total balance of collateral securing Aleka's obligations under the Commercial Auto LPT was $113.8 million. At June 30, 2023, the total reinsurance recoverables under the Commercial Auto LPT was $122.4 million (including $111.9 million of unpaid recoverables and $10.5 million of paid recoverables).

In connection with the execution of the Commercial Auto LPT, James River and Aleka entered into an administrative services agreement (the "Administrative Services Agreement") with a third party claims administrator (the "Administrator") pursuant to which the Administrator handles the claims on the Rasier Commercial Auto Policies for the remaining life of those claims. The claims paid by the Administrator are reimbursable by James River, and pursuant to the Administrative Services Agreement, James River established a loss fund trust account for the benefit of the Administrator (the "Loss Fund Trust") to collateralize its claims payment reimbursement obligations. James River funds the Loss Fund Trust using funds withdrawn from the Indemnity Trust, funds withdrawn from the LPT Trust, and its own funds, in each case in an amount equal to the pro rata portion of the required Loss Fund Trust balance attributable to the Indemnity Agreements, the Commercial Auto LPT and James River's existing third party reinsurance agreements, respectively. At June 30, 2023, the balance in the Loss Fund Trust was $105.5 million, including $69.2 million representing collateral supporting Rasier's obligations under the Indemnity

Agreements and $28.2 million representing collateral supporting Aleka's obligations under the Commercial Auto LPT. Funds posted to the Loss Fund Trust are classified as restricted cash equivalents on the Company's balance sheets.

While the Commercial Auto LPT brings economic finality to substantially all of the Rasier Commercial Auto Policies, the Company has credit exposure to Rasier and Aleka under the Indemnity Agreements and the Commercial Auto LPT if the estimated losses and expenses of the Rasier Commercial Auto Policies grow at a faster pace than the growth in the collateral balances. In addition, the Company has credit exposure if its estimates of future losses and loss adjustment expenses and other amounts recoverable under the Indemnity Agreements and the Commercial Auto LPT, which are the basis for establishing the collateral balances, are lower than actual amounts paid or payable. The amount of our credit exposure in any of these instances could be material. To mitigate these risks, the Company closely and frequently monitors its exposure compared to the collateral held, and requests additional collateral in accordance with the terms of the Commercial Auto LPT and Indemnity Agreements when its analysis indicates that it has uncollateralized exposure.

8. Segment Information

The Company has four reportable segments: the Excess and Surplus Lines segment, the Specialty Admitted Insurance segment, the Casualty Reinsurance segment, and the Corporate and Other segment. Segment profit (loss) is measured by underwriting profit (loss), which is generally defined as net earned premiums and gross fee income (in specific instances when the Company is not retaining insurance risk) in "other income" in the condensed consolidated statements of income and comprehensive income (loss) less loss and loss adjustment expenses on business not subject to retroactive reinsurance accounting for loss portfolio transfers (see *Loss Portfolio Transfers* in *Note 5 - Reserve for Losses and Loss Adjustment Expenses*) and other operating expenses of the operating segments. Gross fee income of $1.3 million and $2.4 million for the Specialty Admitted Insurance segment was included in other income and in underwriting profit (loss) for the three and six months ended June 30, 2023, respectively ($900,000 and $1.7 million in the respective prior year periods). Segment results are reported prior to the effects of intercompany reinsurance agreements among the Company's insurance subsidiaries.

The following table summarizes the Company's segment results:

	Excess and Surplus Lines	Specialty Admitted Insurance	Casualty Reinsurance	Corporate and Other	Total
			(in thousands)		
Three Months Ended June 30, 2023					
Gross written premiums	$ 286,126	$ 136,924	$ 4,691	$ —	$ 427,741
Net earned premiums	159,002	23,858	26,798	—	209,658
Underwriting profit of operating segments	19,433	384	128	—	19,945
Net investment income	14,903	3,173	6,941	158	25,175
Interest expense	—	—	944	5,997	6,941
Segment revenues	175,521	28,330	34,269	322	238,442
Segment goodwill	181,831	—	—	—	181,831
Segment assets	2,880,824	1,381,877	945,628	87,541	5,295,870
Three Months Ended June 30, 2022					
Gross written premiums	$ 266,635	$ 124,967	$ 8,112	$ —	$ 399,714
Net earned premiums	137,884	18,141	30,237	—	186,262
Underwriting profit of operating segments	22,334	1,252	2,059	—	25,645
Net investment income	3,298	934	10,441	32	14,705
Interest expense	—	—	1,327	2,722	4,049
Segment revenues	131,659	19,187	33,854	106	184,806
Segment goodwill	181,831	—	—	—	181,831
Segment assets	2,096,138	1,135,839	1,999,687	33,611	5,265,275
Six Months Ended June 30, 2023					
Gross written premiums	$ 515,029	$ 261,475	$ 15,130	$ —	$ 791,634
Net earned premiums	310,361	44,339	63,071	—	417,771
Underwriting profit (loss) of operating segments	39,428	(85)	434	—	39,777
Net investment income	29,956	6,158	14,288	545	50,947
Interest expense	—	—	1,977	11,580	13,557
Segment revenues	342,171	52,840	78,136	896	474,043
Segment goodwill	181,831	—	—	—	181,831
Segment assets	2,880,824	1,381,877	945,628	87,541	5,295,870
Six Months Ended June 30, 2022					
Gross written premiums	$ 470,917	$ 250,677	$ 38,056	$ —	$ 759,650
Net earned premiums	269,185	37,459	69,442	—	376,086
Underwriting profit (loss) of operating segments	43,791	1,461	(6,778)	—	38,474
Net investment income	8,840	1,691	20,154	287	30,972
Interest expense	—	—	1,342	4,999	6,341
Segment revenues	265,051	39,550	81,725	428	386,754
Segment goodwill	181,831	—	—	—	181,831
Segment assets	2,096,138	1,135,839	1,999,687	33,611	5,265,275

The following table reconciles the underwriting profit (loss) of the operating segments by individual segment to consolidated income before income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Underwriting profit (loss) of the operating segments:				
Excess and Surplus Lines	$ 19,433	$ 22,334	$ 39,428	$ 43,791
Specialty Admitted Insurance	384	1,252	(85)	1,461
Casualty Reinsurance	128	2,059	434	(6,778)
Total underwriting profit of operating segments	19,945	25,645	39,777	38,474
Other operating expenses of the Corporate and Other segment	(8,548)	(8,888)	(17,830)	(16,762)
Underwriting profit	11,397	16,757	21,947	21,712
Losses and loss adjustment expenses - retroactive reinsurance	(618)	—	(17,481)	—
Net investment income	25,175	14,705	50,947	30,972
Net realized and unrealized gains (losses) on investments	2,145	(17,110)	2,552	(22,120)
Amortization of intangible assets	(91)	(91)	(182)	(182)
Other income and expenses	(53)	49	(468)	(252)
Interest expense	(6,941)	(4,049)	(13,557)	(6,341)
Income before income taxes	$ 31,014	$ 10,261	$ 43,758	$ 23,789

9. Other Operating Expenses and Other Expenses

Other operating expenses consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Amortization of policy acquisition costs	$ 27,457	$ 23,188	$ 55,503	$ 46,025
Other underwriting expenses of the operating segments	22,860	16,960	45,791	36,310
Other operating expenses of the Corporate and Other segment	8,548	8,888	17,830	16,762
Total	$ 58,865	$ 49,036	$ 119,124	$ 99,097

Other expenses of $223,000 and $826,000 for the three and six months ended June 30, 2023, respectively ($0 and $368,000 in the respective prior year periods), primarily consist of certain nonoperating expenses including legal fees related to a purported class action lawsuit and legal and other professional fees and other expenses related to various strategic initiatives including loss portfolio transfers accounted for as retroactive reinsurance.

10. Fair Value Measurements

Three levels of inputs are used to measure fair value of financial instruments: (1) Level 1: quoted price (unadjusted) in active markets for identical assets, (2) Level 2: inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the instrument, and (3) Level 3: inputs to the valuation methodology are unobservable for the asset or liability.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

The fair values of fixed maturity securities, equity securities, and bank loan participations have been determined using fair value prices provided by the Company’s investment accounting services provider or investment managers, who utilize internationally recognized independent pricing services. The prices provided by the independent pricing services are generally based on observable market data in active markets (*e.g.* broker quotes and prices observed for comparable securities). Values for U.S. Treasury and publicly-traded equity securities are generally based on Level 1 inputs which use the market approach valuation technique. The values for all other fixed maturity securities (including state and municipal securities and obligations of U.S. government corporations and agencies) and bank loan participations generally incorporate significant Level 2 inputs, and in some cases, Level 3 inputs, using the market approach and income approach valuation techniques. There have been no changes in the Company's use of valuation techniques since December 31, 2021.

The Company reviews fair value prices provided by its outside investment accounting service provider or investment managers for reasonableness by comparing the fair values provided by the managers to those provided by its investment custodian. The Company also reviews and monitors changes in unrealized gains and losses. The Company has not historically adjusted security prices. The Company obtains an understanding of the methods, models and inputs used by the investment managers and independent pricing services, and controls are in place to validate that prices provided represent fair values. The Company's control process includes, but is not limited to, initial and ongoing evaluation of the methodologies used, a review of specific securities and an assessment for proper classification within the fair value hierarchy, and obtaining and reviewing internal control reports for our investment manager that obtains fair values from independent pricing services.

Assets measured at fair value on a recurring basis as of June 30, 2023 are summarized below:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(in thousands)			
Fixed maturity securities, available-for-sale:				
State and municipal	$ —	$ 337,970	$ —	$ 337,970
Residential mortgage-backed	—	430,248	—	430,248
Corporate	—	722,401	—	722,401
Commercial mortgage and asset-backed	—	315,506	—	315,506
U.S. Treasury securities and obligations guaranteed by the U.S. government	69,570	—	—	69,570
Total fixed maturity securities, available-for-sale	$ 69,570	$ 1,806,125	$ —	$ 1,875,695
Equity securities:				
Preferred stock	—	70,514	—	70,514
Common stock	45,321	2,265	16	47,602
Total equity securities	$ 45,321	$ 72,779	$ 16	$ 118,116
Bank loan participations	$ —	$ 143,762	$ —	$ 143,762
Short-term investments	$ —	$ 22,128	$ —	$ 22,128

Assets measured at fair value on a recurring basis as of December 31, 2022 are summarized below:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3	Total
	(in thousands)			
Fixed maturity securities, available-for-sale:				
State and municipal	$ —	$ 330,852	$ —	$ 330,852
Residential mortgage-backed	—	401,249	—	401,249
Corporate	—	670,212	—	670,212
Commercial mortgage and asset-backed	—	309,015	—	309,015
U.S. Treasury securities and obligations guaranteed by the U.S. government	71,770	319	—	72,089
Total fixed maturity securities, available-for-sale	$ 71,770	$ 1,711,647	$ —	$ 1,783,417
Equity securities:				
Preferred stock	—	70,831	—	70,831
Common stock	45,232	2,547	17	47,796
Total equity securities	$ 45,232	$ 73,378	$ 17	$ 118,627
Bank loan participations	$ —	$ 154,991	$ —	$ 154,991
Short-term investments	$ —	$ 107,812	$ —	$ 107,812

A reconciliation of the beginning and ending balances of available-for-sale fixed maturity securities, equity securities, and bank loan participations measured at fair value on a recurring basis using significant unobservable inputs (Level 3) is shown below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)		(in thousands)	
Beginning balance	$ 17	$ —	$ 17	$ 1(
Transfers out of Level 3	—	—	—	-
Transfers in to Level 3	—	—	—	-
Purchases	—	—	—	-
Sales	—	—	—	(9
Maturities, calls and paydowns	—	—	—	-
Amortization of discount	—	—	—	-
Total gains or losses (realized/unrealized):				
Included in earnings	(1)	—	(1)	(1
Included in other comprehensive income	—	—	—	-
Ending balance	$ 16	$ —	$ 16	$ -

The Company had one equity security at December 31, 2022 and June 30, 2023 for which the fair value was determined using significant unobservable inputs (Level 3). The fair value of $16,000 at June 30, 2023 for the equity security was obtained from our asset manager and was derived from an internal model.

The Company held one equity security at December 31, 2021 for which the fair value was determined using significant unobservable inputs (Level 3). The fair value of $102,000 for the equity security was based on expected proceeds from its sale. During the six months ended June 30, 2022, the Company sold the equity security.

Transfers out of Level 3 occur when the Company is able to obtain reliable prices from pricing vendors for securities for which the Company was previously unable to obtain reliable prices. Transfers in to Level 3 occur when the Company is unable to obtain reliable prices for securities from pricing vendors and instead must use broker price quotes to value the securities.

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2023 or 2022. The Company recognizes transfers between levels at the beginning of the reporting period.

In the determination of the fair value for bank loan participations and certain high yield bonds, the Company's investment manager endeavors to obtain data from multiple external pricing sources. External pricing sources may include brokers, dealers and price data vendors that provide a composite price based on prices from multiple dealers. Such external pricing sources typically provide valuations for normal institutional size trading units of such securities using methods based on market transactions for comparable securities, and various relationships between securities, as generally recognized by institutional dealers. For investments in which the investment manager determines that only one external pricing source is appropriate or if only one external price is available, the relevant investment is generally recorded at fair value based on such price.

Investments for which external sources are not available or are determined by the investment manager not to be representative of fair value are recorded at fair value as determined by the Company, with input from its investment managers and valuation specialists as considered necessary. In determining the fair value of such investments, the Company considers one or more of the following factors: type of security held, convertibility or exchangeability of the security, redeemability of the security (including the timing of redemptions), application of industry accepted valuation models, recent trading activity, liquidity, estimates of liquidation value, purchase cost, and prices received for securities with similar terms of the same issuer or similar issuers. At June 30, 2023 and December 31, 2022, there were no investments for which external sources were unavailable to determine fair value.

The carrying values and fair values of financial instruments are summarized below:

	June 30, 2023		December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Assets				
Fixed maturity securities, available-for-sale	$ 1,875,695	$ 1,875,695	$ 1,783,417	$ 1,783,417
Equity securities	118,116	118,116	118,627	118,627
Bank loan participations	143,762	143,762	154,991	154,991
Cash and cash equivalents	227,239	227,239	173,164	173,164
Restricted cash equivalents	105,502	105,502	103,215	103,215
Short-term investments	22,128	22,128	107,812	107,812
Other invested assets – notes receivable	7,205	7,676	7,205	7,703
Liabilities				
Senior debt	222,300	228,409	222,300	226,063
Junior subordinated debt	104,055	136,328	104,055	127,149

The fair values of fixed maturity securities, equity securities, and bank loan participations have been determined using quoted market prices for securities traded in the public market or prices using bid or closing prices for securities not traded in the public marketplace. The fair values of cash and cash equivalents and short-term investments approximate their carrying values due to their short-term maturity.

The fair values of other invested assets-notes receivable, senior debt, and junior subordinated debt at June 30, 2023 and December 31, 2022 were determined by calculating the present value of expected future cash flows under the terms of the note agreements or debt agreements, as applicable, discounted at an estimated market rate of interest at June 30, 2023 and December 31, 2022, respectively.

The fair values of senior debt and junior subordinated debt at June 30, 2023 and December 31, 2022 were determined using inputs to the valuation methodology that are unobservable (Level 3).

11. Senior Debt

The Company repaid $40.0 million of loans that were outstanding under a credit agreement (the "2017 Facility") in the three months ended March 31, 2022. At June 30, 2023, unsecured loans of $21.5 million and secured letters of credit totaling

$28.2 million were outstanding under the 2017 Facility. The 2017 Facility provides the Company with a revolving line of credit of up to $100.0 million, which may be used for loans and letters of credit made or issued, at the borrowers' option, on a secured or unsecured basis. The 2017 Facility contains certain financial and other covenants which the Company was in compliance with at June 30, 2023.

12. Series A Preferred Shares

On February 24, 2022, the Company entered into an Investment Agreement with GPC Partners Investments (Thames) LP ("GPC Partners"), an affiliate of Gallatin Point Capital LLC, relating to the issuance and sale of 150,000 7% Series A Perpetual Cumulative Convertible Preferred Shares, par value $0.00125 per share (the "Series A Preferred Shares"), for an aggregate purchase price of $150.0 million, or $1,000 per share, in a private placement. The transaction closed on March 1, 2022 (the "Series A Closing Date").

The Series A Preferred Shares rank senior to our common shares with respect to dividend rights and rights on the distribution of assets on any liquidation, dissolution or winding up of the affairs of the Company, upon which the holders of Series A Preferred Shares would receive the greater of the $1,000 liquidation preference per share (the "Liquidation Preference") plus accrued and unpaid dividends, or the amount they would have received if they had converted all of their Series A Preferred Shares to common shares immediately before such liquidation, dissolution or winding up.

Holders of the Series A Preferred Shares are entitled to a dividend at the initial rate of 7% of the Liquidation Preference per annum, paid in cash, in-kind in common shares or in Series A Preferred Shares, at the Company's election. On the five-year anniversary of the Series A Closing Date, and each five-year anniversary thereafter, the dividend rate will reset to a rate equal to the five-year U.S. treasury rate plus 5.2%. Dividends accrue and are payable quarterly. Cash dividends of $7.9 million were paid in the six months ended June 30, 2023 including cash dividends paid in January, March, and June for the three month periods ended December 31, 2022, March 31, 2023, and June 30, 2023, respectively. In 2022, the first dividend payment of $3.5 million was paid on June 30, 2022.

The Series A Preferred Shares are convertible at the option of the holders thereof at any time into common shares at an initial conversion price of $26.5950, making the Series A Preferred Shares initially convertible into 5,640,158 common shares. The conversion price is subject to customary anti-dilution adjustments, including cash dividends on the common shares above specified levels, as well as certain adjustments in case of adverse reserve developments. None of the triggers that would result in adjustments to the conversion price have been met at June 30, 2023.

The Certificate of Designations setting forth the terms of the Series A Preferred Shares limits the Company's ability to pay dividends to its common shareholders. If the Company pays cash dividends of more than $0.05 per common share per quarter, without the consent of at least the majority of the Series A Preferred Shares then outstanding, the Company will be required to reduce the conversion price of the Series A Preferred Shares. Additionally, the payment of cash dividends in excess of $0.10 per common share per quarter is not permitted if the dividends on the Series A Preferred Shares for that quarter are not paid in cash, unless the Company's U.S.-based insurance subsidiaries and direct Bermuda-based insurance subsidiary satisfy certain capital requirements. Share dividends payable on the common shares to the Company's shareholders also trigger a reduction of the conversion price applicable to the Series A Preferred Shares.

At any time on or after the two year anniversary of the Series A Closing Date, if the volume-weighted average price ("VWAP") per common share is greater than 130% of the then-applicable conversion price for at least twenty consecutive trading days, the Company will be able to elect to convert (a "Mandatory Conversion") all of the outstanding Series A Preferred Shares into common shares. In the case of a Mandatory Conversion, each Series A Preferred Share then outstanding will be converted into (i) the number of common shares equal to the quotient of (A) the sum of the Liquidation Preference and the accrued and unpaid dividends with respect to such Series A Preferred Share to be converted divided by (B) the conversion price of such share in effect as of the date of the Mandatory Conversion plus (ii) cash in lieu of fractional shares.

Upon any Mandatory Conversion on or before the five-year anniversary of the Series A Closing Date, all dividends that would have accrued from the date of the Mandatory Conversion to the later of the five-year anniversary of the Series A Closing Date or the last day of the eighth quarter following the date of the Mandatory Conversion, the last eight quarters of which will be discounted to present value using a discount rate of 3.5% per annum, and will be immediately payable in common shares, valued at the average of the daily VWAP of the Company's common shares during the five (5) trading days immediately preceding the Mandatory Conversion.

The holders of the Series A Preferred Shares may require the Company to repurchase their shares upon the occurrence of certain change of control events. Upon the occurrence of a Fundamental Change (as defined in the Certificate of Designations designating the Series A Preferred Shares), each holder of outstanding Series A Preferred Shares will be permitted to, at its election, (i) effective as of immediately prior to the Fundamental Change, convert all or a portion of its Series A Preferred

Shares into common shares, or (ii) require the Company to repurchase any or all of such holder's Series A Preferred Shares at a purchase price per Series A Preferred Share equal to the Liquidation Preference of such Series A Preferred Share plus accrued and unpaid dividends plus, if the Fundamental Change repurchase occurs prior to the five-year anniversary of the Series A Closing Date, all dividends that would have accrued up to such five-year anniversary, but that have not been repaid. The repurchase price will be payable in cash.

Because the Company may be required to repurchase all or a portion of the Series A Preferred Shares at the option of the holder upon the occurrence of certain change of control events, the Series A Preferred Shares have been classified as mezzanine equity in the Company's condensed consolidated balance sheets and are recognized at fair value of $150.0 million (the proceeds on the date of issuance) less issuance costs of $5.1 million, resulting in a carrying value of $144.9 million.

Under the terms of the Investment Agreement, GPC Partners has the right to designate one member of the Board (the "Series A Designee"). GPC Partners has designated Matthew Botein as the Series A Designee and, accordingly, the Board approved the appointment of Mr. Botein to serve as a Class I director with a term expiring at the 2024 annual meeting of the Company's shareholders.

13. Capital Stock and Equity Awards

Common Shares

Total common shares outstanding increased from 37,470,237 at December 31, 2022 to 37,619,226 at June 30, 2023, reflecting 148,989 common shares issued in the six months ended June 30, 2023 related to vesting of RSUs.

Dividends

The Company declared the following dividends on common shares during the first six months of 2023 and 2022:

Date of Declaration	Dividend per Common Share	Payable to Shareholders of Record on	Payment Date	Total Amount
2023				
February 16, 2023	$ 0.05	March 13, 2023	March 31, 2023	$ 1,921,802
April 27, 2023	$ 0.05	June 12, 2023	June 30, 2023	1,921,040
	$ 0.10			$ 3,842,842
2022				
February 16, 2022	$ 0.05	March 14, 2022	March 31, 2022	$ 1,908,482
April 28, 2022	$ 0.05	June 13, 2022	June 30, 2022	$ 1,907,953
	$ 0.10			$ 3,816,435

Included in the total dividends for the six months ended June 30, 2023 and 2022 are $81,000 and $72,000, respectively, of dividend equivalents on unvested RSUs. The balance of dividends payable on unvested RSUs was $244,000 at June 30, 2023 and $335,000 at December 31, 2022.

Equity Incentive Plans

The Company's shareholders have approved various equity incentive plans, including the 2014 Long Term Incentive Plan ("2014 LTIP") and the 2014 Non-Employee Director Incentive Plan ("2014 Director Plan") (collectively, the "Plans"). All awards issued under the Plans are issued at the discretion of the Board of Directors.

Employees are eligible to receive non-qualified stock options, incentive stock options, share appreciation rights, performance shares, restricted shares, RSUs, and other awards under the 2014 LTIP. The maximum number of shares available for issuance under the 2014 LTIP is 4,982,650, and at June 30, 2023, 1,502,779 shares are available for grant.

On July 26, 2022, the Board of Directors of the Company approved a new long-term incentive plan (the "LTI Plan") under the 2014 LTIP. The LTI Plan is designed to align compensation of designated senior officers of the Company with Company performance and shareholder interests over the long-term. Awards under the LTI Plan are made in the form of performance restricted share units (a "PRSU") and service based restricted share units (RSUs). Initial awards were granted in the first quarter of 2023.

Each PRSU represents a contingent right to receive one Company common share based upon the level of achievement of certain performance metrics during the performance period, with payout for achievement of threshold, target and maximum performance levels to be set at 50%, 100% and 200% of the target number of PRSUs, respectively. The initial PRSU awards have a performance period of January 1, 2023 through December 31, 2025.

Non-employee directors of the Company are eligible to receive non-qualified stock options, share appreciation rights, performance shares, restricted shares, RSUs, and other awards under the 2014 Director Plan. The maximum number of shares available for issuance under the 2014 Director Plan is 150,000, and at June 30, 2023, 70,508 shares are available for grant.

Generally, awards issued under the 2014 LTIP and 2014 Director Plan vest immediately in the event that an award recipient is terminated without Cause (as defined in the applicable plans), and in the case of the 2014 LTIP for Good Reason (as defined in the applicable plans), at any time following a Change in Control (as defined in the applicable plans).

Options

The following table summarizes option activity:

	Six Months Ended June 30,					
	2023			2022		
	Shares		Weighted-Average Exercise Price	Shares		Weighted-Average Exercise Price
Outstanding:						
Beginning of period	287,974	$	35.26	287,974	$	35.26
Granted	—	$	—	—	$	—
Exercised	—	$	—	—	$	—
Forfeited	(45,106)	$	34.92	—	$	—
Lapsed	(164,548)	$	32.07	—	$	—
End of period	78,320	$	42.17	287,974	$	35.26
Exercisable, end of period	78,320	$	42.17	287,974	$	35.26

All of the outstanding options are fully vested (vesting period of three years from date of grant) and have a contractual life of seven years from the original date of grant. All of the outstanding options have an exercise price equal to the fair value of the underlying shares at the date of grant. The weighted-average remaining contractual life of the options outstanding and exercisable at June 30, 2023 was 0.6 years.

RSUs

The following table summarizes RSU activity:

	Six Months Ended June 30,					
	2023			2022		
	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value
Unvested, beginning of period	665,458	$	25.98	292,135	$	45.89
Granted	363,484	$	24.83	538,778	$	20.50
Vested	(212,128)	$	28.93	(112,353)	$	45.49
Forfeited	(15,233)	$	23.10	(9,760)	$	22.97
Unvested, end of period	801,581	$	24.73	708,800	$	26.97

Outstanding RSUs granted to employees generally vest ratably over a three year vesting period. RSUs granted to non-employee directors have a one year vesting period. The holders of RSUs are entitled to dividend equivalents. The dividend equivalents are settled in cash at the same time that the underlying RSUs vest and are subject to the same risk of forfeiture as the underlying shares. The fair value of the RSUs granted is based on the market price of the underlying shares at the date of grant. The RSUs granted in 2023 include 91,818 PRSU awards.

Compensation Expense

Share based compensation expense is recognized on a straight-line basis over the vesting period. The amount of expense and related tax benefit is summarized below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Share based compensation expense	$ 2,316	$ 2,196	$ 5,008	$ 3,982
U.S. tax benefit on share based compensation expense	427	409	943	745

At June 30, 2023, the Company had $14.8 million of unrecognized share based compensation expense expected to be charged to earnings over a weighted-average period of 2.0 years.

14. Subsequent Events

On July 27, 2023, the Board of Directors declared a cash dividend of $0.05 per common share. The dividend is payable on September 29, 2023 to shareholders of record on September 11, 2023.

On July 27, 2023, the Board of Directors declared a 7% dividend on the Series A Preferred Shares. The dividend of $2.6 million will be payable in cash on October 2, 2023 to shareholders of record on September 15, 2023.

On July 7, 2023, the Company entered into a Third Amended and Restated Credit Agreement for its $315.0 million senior revolving credit facility which, among other things, extended the maturity date of such facility until July 7, 2026 and increased the applicable interest rate and letter of credit fees.

On July 27, 2023, the Board of Directors approved awards under the 2014 LTIP and the 2014 Director Plan to the Company’s employees and directors with aggregate fair values of $187,000 and $50,000 and grant dates of July 27, 2023 and August 9, 2023, respectively.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors. Factors that could cause such differences are discussed in the sections entitled “Special Note Regarding Forward-Looking Statements”, and Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022. The results of operations for the three and six months ended June 30, 2023 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2023, or for any other future period. The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2022.

The accompanying condensed consolidated financial statements and related notes have been prepared in accordance with United States (“U.S.”) generally accepted accounting principles (“GAAP”) and include the accounts of James River Group Holdings, Ltd. and its subsidiaries. Unless the context indicates or suggests otherwise, references to “the Company”, “we”, “us” and “our” refer to James River Group Holdings, Ltd. and its subsidiaries.

Our Business

James River Group Holdings, Ltd. is a Bermuda-based holding company. We own and operate a group of specialty insurance companies with the objective of generating compelling returns on tangible equity while limiting underwriting and investment volatility. We seek to accomplish this by earning profits from insurance underwriting and generating meaningful risk-adjusted investment returns while managing our capital.

We are organized into four reportable segments, which are separately managed business units:

- The Excess and Surplus Lines segment offers commercial excess and surplus lines liability and property insurance in every U.S. state, the District of Columbia, Puerto Rico and the U.S. Virgin Islands through James River Insurance Company and its wholly-owned subsidiary, James River Casualty Company;
- The Specialty Admitted Insurance segment approaches the insurance market in two ways: as a “fronting” company and as a risk bearing underwriter. In its fronting business, the Specialty Admitted segment works with distributors, such as managing general agents and other producers, by using our licensure, rating and administrative services in order to produce and service insurance policies for reinsurers and other third party risk bearing entities. We charge fees for “fronting” for these capital providers. In some instances, we retain a small percentage of the risk on fronted business, generally 10%-35%. The Company’s risk bearing underwriting is focused on niche classes within the standard insurance markets, such as workers’ compensation coverage for residential contractors, light manufacturing operations, transportation workers and healthcare workers. This segment has admitted licenses and the authority to write excess and surplus lines insurance on a non-admitted basis in every U.S. state and the District of Columbia;
- The Casualty Reinsurance segment, until the suspension of its underwriting activities at the beginning of this year, primarily provided proportional and working layer casualty reinsurance to third parties (primarily through reinsurance intermediaries) through JRG Reinsurance Company Ltd. (“JRG Re”). JRG Re also provided reinsurance to the Company’s U.S.-based insurance subsidiaries in the past through a quota-share reinsurance agreement. Carolina Re Ltd (“Carolina Re”) was formed in 2018 to also provide reinsurance to the Company’s U.S.-based insurance subsidiaries through a quota-share reinsurance agreement, and was also the cedent on an aggregate stop loss reinsurance treaty with JRG Re through December 31, 2021. JRG Re and Carolina Re are both Bermuda-based companies, and JRG Re is licensed as a Class 3B reinsurer by the Bermuda Monetary Authority. Carolina Re made an irrevocable election to be taxed as a U.S. domestic corporation under Section 953(d) of the Internal Revenue Code of 1986, as amended, effective January 1, 2018. Carolina Re surrendered its Class 3A insurance license in 2022.
- The Corporate and Other segment consists of the management and treasury activities of our holding companies, interest expense associated with our debt, and expenses of our holding companies, including public company expenses, that are not reimbursed by our insurance segments.

All of the Company’s U.S.-domiciled insurance subsidiaries are party to an intercompany pooling agreement that distributes the net underwriting results among the group companies based on their approximate pro-rata level of statutory capital and surplus to the total Company statutory capital and surplus. Additionally, each of the Company’s U.S.-domiciled insurance subsidiaries is a party to a quota share reinsurance agreement that in periods prior to January 1, 2018 ceded 70% of their premiums and losses to JRG Re, and from January 1, 2018 through December 31, 2021, ceded 70% of their premiums and losses to Carolina Re. During 2022, Carolina Re commuted the outstanding obligations ceded under the intercompany quota-share reinsurance agreements back to the Company’s U.S.-based insurance subsidiaries with effect from January 1, 2022. During the second quarter of 2023, JRG Re commuted the majority of the outstanding obligations ceded under the intercompany quota share reinsurance agreements back to the Company's U.S.-based insurance subsidiaries with effect from

January 1, 2023. We report all segment information in this ‘‘Management’s Discussion and Analysis of Financial Condition and Results of Operations’’ prior to the effects of intercompany reinsurance, consistent with the manner in which we evaluate the operating performance of our reportable segments.

All of our insurance and reinsurance subsidiaries have financial strength ratings of “A-” (Excellent) from A.M. Best Company.

Key Metrics

We discuss certain key metrics, described below, which we believe provide useful information about our business and the operational factors underlying our financial performance.

Underwriting profit is a non-GAAP measure commonly used in the property and casualty insurance industry to evaluate underwriting performance. We believe that the disclosure of underwriting profit by individual segment and of the Company as a whole is useful to investors, analysts, rating agencies and other users of our financial information in evaluating our performance because our objective is to consistently earn underwriting profits. We evaluate the performance of our segments and allocate resources based primarily on underwriting profit. We define underwriting profit as net earned premiums and gross fee income (in specific instances when the Company is not retaining insurance risk) less losses and loss adjustment expenses on business not subject to retroactive reinsurance accounting for loss portfolio transfers and other operating expenses. Other operating expenses include the underwriting, acquisition, and insurance expenses of the operating segments and, for consolidated underwriting profit, the expenses of the Corporate and Other segment. Our definition of underwriting profit may not be comparable to that of other companies. See “Reconciliation of Non-GAAP Measures” for a reconciliation of underwriting profit to income before taxes and for additional information.

Loss ratio, expressed as a percentage, is the ratio of losses and loss adjustment expenses on business not subject to retroactive reinsurance accounting for loss portfolio transfers to net earned premiums. Our definition of loss ratio may not be comparable to that of other companies. See “Underwriting Performance Ratios” for a reconciliation of underwriting ratios.

Accident year loss ratio, expressed as a percentage, is the ratio of losses and loss adjustment expenses for the current accident year (excluding development on prior accident year reserves) to net earned premiums.

Expense ratio, expressed as a percentage, is the ratio of other operating expenses net of gross fee income included in other income to net earned premiums.

Combined ratio is a measure of underwriting performance calculated as the sum of the loss ratio and the expense ratio. A combined ratio of less than 100% indicates an underwriting profit, while a combined ratio greater than 100% reflects an underwriting loss. Our definition of combined ratio may not be comparable to that of other companies. See “Underwriting Performance Ratios” for a reconciliation of underwriting ratios.

Adjusted net operating income is an internal performance measure used in the management of our operations. We believe it gives our management and other users of our financial information useful insight into our results of operations and our underlying business performance. Adjusted net operating income is defined as income available to common shareholders excluding a) the impact of retroactive reinsurance accounting for loss portfolio transfers, b) net realized and unrealized gains (losses) on investments, c) certain non-operating expenses such as professional service fees related to a purported class action lawsuit, various strategic initiatives, and the filing of registration statements for the offering of securities, and d) severance costs associated with terminated employees. Adjusted net operating income is a non-GAAP measure and should not be viewed as a substitute for net income calculated in accordance with GAAP. Our definition of adjusted net operating income may not be comparable to that of other companies. See “Reconciliation of Non-GAAP Measures” for a reconciliation of income available to common shareholders to adjusted net operating income.

Tangible equity is defined as shareholders' equity plus mezzanine Series A Preferred Shares (as defined below) and the unrecognized deferred retroactive reinsurance gain on loss portfolio transfers less goodwill and intangible assets, net of amortization. We believe tangible equity is a good measure to evaluate the strength of our balance sheet and to compare returns relative to this measure. Key financial measures that we use to assess our longer term financial performance include the percentage growth in our tangible equity per share and our return on tangible equity. Tangible equity is a non-GAAP measure and should not be viewed as a substitute for shareholders’ equity calculated in accordance with GAAP. Our definition of tangible equity may not be comparable to that of other companies. See “Reconciliation of Non-GAAP Measures” for a reconciliation of shareholders' equity to tangible equity.

Adjusted net operating return on tangible equity is defined as annualized adjusted net operating income expressed as a percentage of the average quarterly tangible equity balances in the respective period.

Tangible equity per share represents tangible equity divided by the sum of total common shares outstanding plus the common shares resulting from an assumed conversion of the outstanding Series A Preferred Shares into common shares (at the current conversion price).

Net retention is defined as the ratio of net written premiums to gross written premiums.

Gross investment yield is annualized investment income before any deductions for fees and expenses, expressed as a percentage of the average beginning and ending carrying values of those investments during the period.

Unless specified otherwise, all references to our defined metrics above in this *Management's Discussion and Analysis of Financial Condition and Results of Operations* are for our business that is not subject to retroactive reinsurance accounting for loss portfolio transfers. Retroactive reinsurance accounting lacks economic impact and management believes that the presentation of our key metrics on business not subject to retroactive reinsurance accounting is helpful to the users of our financial information. See "Underwriting Performance Ratios" and "Reconciliation of Non-GAAP Measures."

Critical Accounting Policies and Estimates

In preparing the unaudited condensed consolidated financial statements, we are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ significantly from those estimates.

The most critical accounting policies involve significant estimates and include those used in determining the reserve for losses and loss adjustment expenses and investment valuation and impairment. For a detailed discussion of each of these policies, refer to our Annual Report on Form 10-K for the year ended December 31, 2022. There have been no significant changes to any of these policies during the current year.

Impact of Inflation and Higher Interest Rates

The Company continues to be impacted by the heightened inflationary environment and higher interest rates. Most evident are the impacts on our investment portfolio and investing results, as well as the interest due on our outstanding variable rate senior and trust preferred debt. Our investment portfolio is primarily comprised of fixed maturity investments (85.8% of total invested assets at June 30, 2023). The fair values of fixed maturities generally move inversely with interest rates, and unrealized gains and losses associated with the changes in fair values, which are recognized as a component of other comprehensive income (loss), contribute to volatility in shareholders' equity and tangible equity. For the six months ended June 30, 2023 and 2022, other comprehensive income (loss), representing the after-tax impact of the unrealized gains and losses on fixed maturity investments, was $14.4 million and $(144.6) million, respectively. We continue to monitor our portfolio for credit-related impairments, and to date, we have concluded that the declines are primarily market-driven with no allowance for credit losses deemed necessary. As turnover occurs in our portfolio and we invest cash generated from operations, our investment income benefits from the addition of higher yielding fixed income investments. The annualized gross investment yield on fixed maturities was 4.2% and 4.2% for the three and six months ended June 30, 2023, respectively (3.0% and 2.9% in the respective prior year periods). Bank loans carry floating rates and yields on these investments have risen with interest rates.

Higher interest rates have also increased interest expense on our outstanding variable rate senior and trust preferred debt. The applicable rates on our debt reset periodically and are structured as LIBOR or SOFR plus a margin or spread. Interest expense on our outstanding debt was $6.0 million and $11.6 million (average interest rates of 7.4% and 7.2%) for the three and six months ended June 30, 2023, respectively ($2.7 million and $5.0 million in the respective prior year periods, average interest rates of 3.3% and 3.1%).

Recent Strategic Actions

Suspension of Underwriting Activities in Casualty Reinsurance Segment

As disclosed in our Form 10-K for the year ended December 31, 2022, the Company has suspended writing business in the Casualty Reinsurance segment, as we continue our focus on growing our higher returning U.S. insurance businesses. The Casualty Reinsurance segment will continue earning premium due to the nature of the earnings patterns in the reinsurance business, which can extend over multiple years. Aside from the suspension of underwriting activities, the Casualty Reinsurance segment will maintain its normal day-to-day operations, with a staff to service the business on its books and facilitate compliance with regulatory requirements.

RESULTS OF OPERATIONS

The following table summarizes our results:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
			($ in thousands)			
Gross written premiums	$ 427,741	$ 399,714	*7.0 %*	$ 791,634	$ 759,650	*4.2 %*
Net retention	51.0 %	48.7 %		50.7 %	48.8 %	
Net written premiums	$ 218,179	$ 194,691	*12.1 %*	$ 401,399	$ 370,550	*8.3 %*
Net earned premiums	$ 209,658	$ 186,262	*12.6 %*	$ 417,771	$ 376,086	*11.1 %*
Losses and loss adjustment expenses excluding retroactive reinsurance	(140,690)	(121,369)	*15.9 %*	(279,115)	(256,977)	*8.6 %*
Other operating expenses	(57,571)	(48,136)	*19.6 %*	(116,709)	(97,397)	*19.8 %*
Underwriting profit (1), (2)	11,397	16,757	*(32.0)%*	21,947	21,712	*1.1 %*
Losses and loss adjustment expenses - retroactive reinsurance	(618)	—	—	(17,481)	—	—
Net investment income	25,175	14,705	*71.2 %*	50,947	30,972	*64.5 %*
Net realized and unrealized gains (losses) on investments	2,145	(17,110)	—	2,552	(22,120)	—
Other income and expense	(53)	49	—	(468)	(252)	*85.7 %*
Interest expense	(6,941)	(4,049)	*71.4 %*	(13,557)	(6,341)	*113.8 %*
Amortization of intangible assets	(91)	(91)	—	(182)	(182)	—
Income before taxes	31,014	10,261	*202.3 %*	43,758	23,789	*83.9 %*
Income tax expense	7,321	2,597	*181.9 %*	10,457	5,920	*76.6 %*
Net income	$ 23,693	$ 7,664	*209.1 %*	$ 33,301	$ 17,869	*86.4 %*
Dividends on Series A Preferred Shares	(2,625)	(2,625)	—	(5,250)	(3,500)	*50.0 %*
Net income available to common shareholders	$ 21,068	$ 5,039	*318.1 %*	$ 28,051	$ 14,369	*95.2 %*
Adjusted net operating income (1)	$ 20,551	$ 20,025	*2.6 %*	$ 42,142	$ 33,892	*24.3 %*
Ratios:						
Loss ratio	67.1 %	65.2 %		66.8 %	68.3 %	
Expense ratio	27.5 %	25.8 %		27.9 %	25.9 %	
Combined ratio	94.6 %	91.0 %		94.7 %	94.2 %	
Accident year loss ratio	66.0 %	66.0 %		65.9 %	66.9 %	

(1) Underwriting profit and adjusted net operating income are non-GAAP measures. See "Reconciliation of Non-GAAP Measures."

(2) Included in underwriting results for the three and six months ended June 30, 2023 is gross fee income of $5.8 million and $11.5 million, respectively ($5.9 million and $11.4 million in the respective prior year periods).

Three Months Ended June 30, 2023 and 2022

The Company produced net income available to common shareholders of $21.1 million for the three months ended June 30, 2023 compared to $5.0 million for the three months ended June 30, 2022. Adjusted net operating income was $20.6 million and $20.0 million for the three months ended June 30, 2023 and 2022, respectively.

Underwriting profits were $11.4 million and $16.8 million (combined ratios of 94.6% and 91.0%) for the three months ended June 30, 2023 and 2022, respectively. Net earned premiums grew by $23.4 million or 12.6% over the prior year primarily driven by growth in the Excess and Surplus Lines segment. Net earned premiums for the Excess and Surplus Lines segment grew by $21.1 million or 15.3% reflecting growth in our larger underwriting divisions with broad based renewal rate increases and higher net retention in our Excess Casualty division. Our loss ratio increased from 65.2% in the prior year to 67.1% in the current year due to net reserve development on prior accident years. The three months ended June 30, 2023 include $2.3 million or 1.1 percentage points of net adverse development including $3.0 million of net adverse development in our Casualty Reinsurance segment related to prior year treaties not subject to the Casualty Re LPT. The three months ended June 30, 2022 include $1.6 million or 0.8 percentage points of net favorable development with $1.5 million experienced in the Specialty Admitted Insurance segment. Our expense ratio increased from 25.8% to 27.5% driven primarily by lower reinsurance cessions in both the Excess and Surplus Lines and Specialty Admitted insurance segments that resulted in fewer ceding commissions in the aggregate and higher net commissions.

Investment income exceeded the prior year by $10.5 million or 71.2% driven by higher yields on fixed maturities, bank loans, and cash equivalents. Net realized and unrealized gains and losses on investments include the impact of market volatility in the respective periods on the fair values of equity securities and bank loan participations. Equities and bank loans are carried at fair value with changes in fair value recognized as unrealized gains and losses in our Condensed Consolidated Statements of Income and Comprehensive Income (Loss) (see *Investing Results* below). Interest expense was $2.9 million higher in the current year largely driven by higher interest rates on our variable rate senior and trust preferred debt.

Adjusted net operating income was 2.6% above prior year due to the higher investment income, which offset the lower underwriting results and higher interest expense. Tangible equity and tangible equity per share both increased 1.0% in the current quarter as the positive operating results were mostly offset by unrealized losses on fixed maturities in other comprehensive income. Our 14.7% adjusted net operating return on tangible equity for the three months ended June 30, 2023 compares to a 14.6% return for the three months ended June 30, 2022.

Six Months Ended June 30, 2023 and 2022

The Company produced net income available to common shareholders of $28.1 million for the six months ended June 30, 2023 compared to $14.4 million for the six months ended June 30, 2022. Adjusted net operating income was $42.1 million for the six months ended June 30, 2023 compared to $33.9 million for the six months ended June 30, 2022.

Underwriting profits were $21.9 million and $21.7 million (combined ratios of 94.7% and 94.2%) for the six months ended June 30, 2023 and 2022, respectively. Net earned premiums grew by $41.7 million or 11.1% over the prior year driven by $41.2 million or 15.3% growth in the Excess and Surplus Lines segment. Our loss ratio improved from 68.3% in the prior year to 66.8% in the current year due to a lower current accident year loss ratio reflecting changes in the mix of our business and net reserve development on prior accident years, which was $3.7 million or 0.9 percentage points adverse for the six months ended June 30, 2023 compared to $5.2 million or 1.4 percentage points adverse in the six months ended June 30, 2022. Our expense ratio increased from 25.9% to 27.9% primarily due to higher net commissions resulting from lower reinsurance cessions and fewer ceding commissions in the aggregate in both the Excess and Surplus Lines and Specialty Admitted insurance segments.

Investment income grew by $20.0 million or 64.5% over the prior year primarily driven by higher yields on fixed maturities, bank loans, and cash equivalents. Net realized and unrealized gains and losses on investments include the impact of market volatility in the respective periods on the fair values of equity securities and bank loan participations (see *Investing Results* below). Interest expense was $7.2 million higher in the current year largely driven by higher interest rates on our variable rate senior and trust preferred debt. Net income available to common shareholders reflects dividends on the Series A Preferred Shares of $5.3 million and $3.5 million in the six months ended June 30, 2023 and 2022, respectively.

Adjusted net operating income increased 24.3% over the prior year due to the higher investment income, partially offset by the higher interest expense. Tangible equity and tangible equity per share increased by 11.9% and 11.5%, respectively, in the current year mainly due to the positive operating results and unrealized gains on fixed maturities in other comprehensive income. Our 15.6% adjusted net operating return on tangible equity for the six months ended June 30, 2023 also compares favorably to the 12.7% return for the six months ended June 30, 2022.

Loss Portfolio Transfers and Impact of Retroactive Reinsurance

The Company has entered into two loss portfolio transfers, which are a form of reinsurance utilized by the Company to transfer losses and loss adjustment expenses and associated risk of adverse development on covered subject business, as defined in the respective agreements, to an assuming reinsurer in exchange for a reinsurance premium. Loss portfolio transfers can bring economic finality on the subject risks as long as any additional losses are within the limit of the loss portfolio transfer and the counterparty performs under the contract.

On September 27, 2021, James River Insurance Company and James River Casualty Company (together, “James River”) entered into a loss portfolio transfer transaction (the “Commercial Auto LPT”) with Aleka Insurance, Inc. (“Aleka”), a captive insurance company affiliate of Rasier LLC, to reinsure substantially all of the Excess and Surplus Lines segment’s legacy portfolio of commercial auto policies previously issued to Rasier LLC and its affiliates (collectively, “Rasier”) for which James

River is not otherwise indemnified by Rasier. The reinsurance coverage is structured to be fully collateralized, is not subject to an aggregate limit, and is subject to certain exclusions.

On February 23, 2022, JRG Re entered into a loss portfolio transfer retrocession agreement (the “Casualty Re LPT”) with Fortitude Reinsurance Company Ltd. (“FRL”) under which FRL reinsures the majority of the reserves in the Company’s Casualty Reinsurance segment. Under the terms of the transaction, which closed on March 31, 2022 (the “Retrocession Closing Date”), JRG Re (a) ceded to FRL all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the “Subject Business”), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of $400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid FRL a reinsurance premium of $335.0 million, $310.0 million of which JRG Re credited to a notional funds withheld account (the “Funds Withheld Account”) and $25.0 million of which was paid in cash to FRL; and (d) pays FRL a 2% per annum crediting rate on the Funds Withheld Account balance on a quarterly basis. The total premium, initial Funds Withheld Account credit, and aggregate limit was adjusted for claims paid from October 1, 2021 to the Retrocession Closing Date. The Casualty Reinsurance segment incurred $6.8 million of net adverse reserve development in the three months ended March 31, 2022 associated with the Casualty Re LPT. The Funds Withheld Account balance was $178.0 million and $213.6 million at June 30, 2023 and December 31, 2022, respectively. Funds Withheld Account crediting fees of $944,000 and $2.0 million are included in interest expense in our Condensed Consolidated Statements of Income and Comprehensive Income (Loss) for the three and six months ended June 30, 2023, respectively ($1.3 million and $1.3 million in the respective prior year periods).

The Company periodically reevaluates the remaining reserves subject to the Commercial Auto LPT and the Casualty Re LPT. For the three and six months ended June 30, 2023, due to adverse paid and reported loss trends on the business subject to the loss portfolio transfers, the Company recognized adverse prior year development of $18.4 million and $67.2 million, respectively, on the reserves subject to the Commercial Auto LPT ($12.6 million and $53.6 million, respectively) and Casualty Re LPT ($5.8 million and $13.7 million, respectively), resulting in corresponding additional amounts ceded under the respective loss portfolio transfers. Both loss portfolio transfers are in gain positions as the cumulative amounts ceded under the loss portfolio transfers exceed the consideration paid, requiring the application of retroactive reinsurance accounting.

Under retroactive reinsurance accounting, gains are deferred and recognized in earnings in proportion to actual paid recoveries under the loss portfolio transfers using the recovery method. Over the life of the contracts, we would expect no economic impact to the Company as long as any additional losses are within the limit of the loss portfolio transfer and the counterparty performs under the contract. In periods where the Company recognizes a change in the estimate of the reserves subject to the loss portfolio transfers that increases or decreases the amounts ceded under the loss portfolio transfers, the proportion of actual paid recoveries to total ceded losses is affected and the change in deferred gain is recognized in earnings as if the revised estimate of ceded losses was available at the effective date of the loss portfolio transfer. The effect of the deferred retroactive reinsurance benefit is recorded in losses and loss adjustment expenses on the Condensed Consolidated Statements of Income and Comprehensive Income (Loss).

Retroactive reinsurance benefits totaling $17.8 million and $49.8 million, respectively ($14.8 million and $44.1 million for the Commercial Auto LPT, respectively, and $2.9 million and $5.6 million for the Casualty Re LPT, respectively) were recorded in losses and loss adjustment expenses for the three and six months ended June 30, 2023 using the recovery method, resulting in net impacts of $618,000 and $17.5 million within our net losses and loss adjustment expenses for the three and six months ended June 30, 2023, respectively. As of June 30, 2023, the cumulative amounts ceded under the loss portfolio transfers was $800.1 million ($445.4 million under the Commercial Auto LPT and $354.7 million under the Casualty Re LPT). The total unrecognized deferred retroactive reinsurance gain of $37.6 million at June 30, 2023 under the loss portfolio transfers ($25.2 million related to the Commercial Auto LPT and $12.4 million related to the Casualty Re LPT) is separately presented on the Company's Condensed Consolidated Balance Sheets. At June 30, 2023, the Company has $45.3 million of aggregate limit remaining under the Casualty Re LPT.

Premiums

Insurance premiums are earned ratably over the terms of our insurance policies, generally twelve months. Reinsurance premiums assumed are earned over the terms of the underlying policies or reinsurance contracts. Reinsurance contracts written on a “losses occurring” basis cover claims that may occur during the term of the contract or underlying insurance policy, which is typically twelve months. Reinsurance contracts written on a “risks attaching” basis cover claims which attach to the underlying insurance policies written during the terms of such contracts. Premiums earned on such contracts usually extend beyond the original term of the reinsurance contract, typically resulting in recognition of premiums earned over a 24-month period or more in proportion to the level of underlying exposure.

The following table summarizes the change in premium volume by component and business segment:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
			($ in thousands)			
Gross written premiums:						
Excess and Surplus Lines	$ 286,126	$ 266,635	*7.3 %*	$ 515,029	$ 470,917	*9.4 %*
Specialty Admitted Insurance	136,924	124,967	*9.6 %*	261,475	250,677	*4.3 %*
Casualty Reinsurance	4,691	8,112	*(42.2)%*	15,130	38,056	*(60.2)%*
	$ 427,741	$ 399,714	*7.0 %*	$ 791,634	$ 759,650	*4.2 %*
Net written premiums:						
Excess and Surplus Lines	$ 184,768	$ 166,004	*11.3 %*	$ 332,198	$ 291,714	*13.9 %*
Specialty Admitted Insurance	29,116	18,390	*58.3 %*	55,841	38,595	*44.7 %*
Casualty Reinsurance	4,295	10,297	*(58.3)%*	13,360	40,241	*(66.8)%*
	$ 218,179	$ 194,691	*12.1 %*	$ 401,399	$ 370,550	*8.3 %*
Net earned premiums:						
Excess and Surplus Lines	$ 159,002	$ 137,884	*15.3 %*	$ 310,361	$ 269,185	*15.3 %*
Specialty Admitted Insurance	23,858	18,141	*31.5 %*	44,339	37,459	*18.4 %*
Casualty Reinsurance	26,798	30,237	*(11.4)%*	63,071	69,442	*(9.2)%*
	$ 209,658	$ 186,262	*12.6 %*	$ 417,771	$ 376,086	*11.1 %*

Gross written premiums for the Excess and Surplus Lines segment (which represents 65.1% of our consolidated gross written premiums in the six months ended June 30, 2023) increased 7.3% and 9.4% over the corresponding three and six month periods in the prior year. Total policy submissions for Core E&S lines (excluding commercial auto) increased 3.4% from the prior year and our ratio of bound policies to quoted policies was also higher, generating 3.9% more bound policies in the six months ended June 30, 2023 than in the six months ended June 30, 2022. The total number of policies in force for the segment increased 1.1% over the prior year. Renewal rates for the Excess and Surplus Lines segment were up 11.0% and 10.2% compared to the three and six months ended June 30, 2022, respectively. The change in gross written premiums was notable in several divisions as shown below:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
			($ in thousands)			
Excess Casualty	$ 92,912	$ 84,769	*9.6 %*	$ 174,306	$ 154,951	*12.5 %*
General Casualty	60,668	55,119	*10.1 %*	98,278	89,514	*9.8 %*
Manufacturers & Contractors	46,873	42,229	*11.0 %*	89,055	78,028	*14.1 %*
Excess Property	25,560	19,744	*29.5 %*	42,088	29,548	*42.4 %*
All other Core E&S divisions	53,036	54,138	*(2.0)%*	97,710	99,835	*(2.1)%*
Total Core E&S divisions	279,049	255,999	*9.0 %*	501,437	451,876	*11.0 %*
Commercial Auto	$ 7,077	$ 10,636	*(33.5)%*	13,592	19,041	*(28.6)%*
Excess and Surplus Lines gross written premium	$ 286,126	$ 266,635	*7.3 %*	$ 515,029	$ 470,917	*9.4 %*

The components of gross written premiums for the Specialty Admitted Insurance segment (which represents 33.0% of our consolidated gross written premiums for the six months ended June 30, 2023) are as follows:

	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2023	2022	Change	2023	2022	Change
			($ in thousands)			
Fronting and program premium	$ 125,524	$ 113,097	11.0 %	$ 237,107	$ 223,188	6.2 %
Individual risk workers’ compensation premium	11,400	11,870	(4.0)%	24,368	27,489	(11.4)%
Specialty Admitted gross written premium	$ 136,924	$ 124,967	9.6 %	$ 261,475	$ 250,677	4.3 %

Our fronting written premium increased over the prior year driven primarily by the continued expansion of existing fronting relationships. Our two largest fronting relationships represented $71.7 million and $133.9 million (52.4% and 51.2%) of segment gross written premium for the three and six months ended June 30, 2023, respectively, compared to $59.3 million and $112.8 million (47.4% and 45.0%) for the three and six months ended June 30, 2022, respectively. Individual risk workers' compensation premium declined for the comparable three and six month periods as we maintain underwriting discipline against continued soft market conditions for workers' compensation.

The Company suspended writing business in the Casualty Reinsurance segment earlier this year, and we are now focused on growing our higher returning U.S. insurance businesses. The gross written premiums of $4.7 million and $15.1 million for the Casualty Reinsurance segment in the three and six months ended June 30, 2023 represent adjustments to written premium estimates for prior year treaties.

Net Retention

Our net premium retention is summarized by segment as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Excess and Surplus Lines	64.6 %	62.3 %	64.5 %	61.9 %
Specialty Admitted Insurance	21.3 %	14.7 %	21.4 %	15.4 %
Casualty Reinsurance	91.6 %	126.9 %	88.3 %	105.7 %
Total	51.0 %	48.7 %	50.7 %	48.8 %

The net premium retention for the Excess and Surplus Lines segment increased relative to the three and six month periods of the prior year. The segment's Excess Casualty division, which comprises close to one-third of the segment's gross written premiums in the three and six months ended June 30, 2023 and 2022, cedes a high percentage of written premiums under a reinsurance treaty and changes in growth rates of this division can impact comparable premium retention ratios for the segment. In the third quarter of 2022, we increased our retention on the reinsurance treaty applicable to the Excess Casualty division. Net retention for the Excess Casualty division was 26.6% and 26.8% for the three and six months ended June 30, 2023 compared to 13.5% and 13.8% for the respective three and six month periods in the prior year.

The net premium retention for the Specialty Admitted Insurance segment increased for the three and six months ended June 30, 2023 as compared to the prior year primarily due to the termination of an individual risk workers' compensation quota share treaty effective January 1, 2023. The net retention on the individual risk workers’ compensation business was 73.9% and 73.6% for the three and six months ended June 30, 2023, respectively, compared to 29.2% and 30.0% for the three and six months ended June 30, 2022, respectively. Net retention on the fronting business was also higher due to the mix of business and changes in reinsurance coverage as treaties renew. The net retention on the segment’s fronting business was 16.5% and 16.0% for the three and six months ended June 30, 2023, respectively, compared to 13.2% and 13.6% for the three and six months ended June 30, 2022, respectively.

The Casualty Reinsurance segment previously wrote a retrocessional treaty/fronting arrangement under which 100% of the premiums were ceded. The treaty was nonrenewed for 2022 and net retentions above or below 100% in the respective periods reflect adjustments to prior year assumed and ceded written premiums on the treaty.

Segment Results

The following table presents our combined ratios by segment:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Excess and Surplus Lines	87.8 %	83.8 %	87.3 %	83.7 %
Specialty Admitted Insurance	98.4 %	93.1 %	100.2 %	96.1 %
Casualty Reinsurance	99.5 %	93.2 %	99.3 %	109.8 %
Total	94.6 %	91.0 %	94.7 %	94.2 %

Excess and Surplus Lines Segment

Results for the Excess and Surplus Lines segment are as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
			($ in thousands)			
Gross written premiums	$ 286,126	$ 266,635	*7.3 %*	$ 515,029	$ 470,917	*9.4 %*
Net written premiums	$ 184,768	$ 166,004	*11.3 %*	$ 332,198	$ 291,714	*13.9 %*
Net earned premiums	$ 159,002	$ 137,884	*15.3 %*	$ 310,361	$ 269,185	*15.3 %*
Losses and loss adjustment expenses excluding retroactive reinsurance	(105,098)	(89,184)	*17.8 %*	(204,287)	(174,109)	*17.3 %*
Underwriting expenses	(34,471)	(26,366)	*30.7 %*	(66,646)	(51,285)	*30.0 %*
Underwriting profit *(1)*	$ 19,433	$ 22,334	*(13.0)%*	$ 39,428	$ 43,791	*(10.0)%*
Ratios:						
Loss ratio	66.1 %	64.7 %		65.8 %	64.7 %	
Expense ratio	21.7 %	19.1 %		21.5 %	19.0 %	
Combined ratio	87.8 %	83.8 %		87.3 %	83.7 %	
Accident year loss ratio	66.0 %	64.7 %		65.9 %	64.7 %	

(1) Underwriting Profit is a non-GAAP Measure. See "Reconciliation of Non-GAAP Measures."

The Excess and Surplus Lines segment produced underwriting profits of $19.4 million and $22.3 million (combined ratios of 87.8% and 83.8%) in the three months ended June 30, 2023 and 2022, respectively. For the six months ended June 30, 2023 and 2022, segment underwriting profit was $39.4 million and $43.8 million (combined ratios of 87.3% and 83.7%), respectively. Attractive market conditions and higher net retentions drove the growth in written and earned premiums for both periods. Higher loss ratios in the current year periods primarily reflect the mix of business which resulted in higher current accident year loss ratios. Net reserve development on prior accident years (excluding adverse prior year development on the legacy Rasier business and the impact of retroactive reinsurance - see discussion above) was negligible at $118,000 adverse and $32,000 favorable in the three months ended June 30, 2023 and 2022, respectively ($206,000 favorable and $91,000 favorable in the six months ended June 30, 2023 and 2022, respectively). The expense ratios increased over the prior year mainly due to the mix of business and higher retentions which resulted in higher net commissions expense.

Specialty Admitted Insurance Segment

Results for the Specialty Admitted Insurance segment are as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
			($ in thousands)			
Gross written premiums	$ 136,924	$ 124,967	*9.6 %*	$ 261,475	$ 250,677	*4.3 %*
Net written premiums	$ 29,116	$ 18,390	*58.3 %*	$ 55,841	$ 38,595	*44.7 %*
Net earned premiums	$ 23,858	$ 18,141	*31.5 %*	$ 44,339	$ 37,459	*18.4 %*
Losses and loss adjustment expenses	(17,594)	(13,217)	*33.1 %*	(33,086)	(28,652)	*15.5 %*
Underwriting expenses	(5,880)	(3,672)	*60.1 %*	(11,338)	(7,346)	*54.3 %*
Underwriting profit (loss) *(1), (2)*	$ 384	$ 1,252	*(69.3)%*	$ (85)	$ 1,461	—
Ratios:						
Loss ratio	73.7 %	72.9 %		74.6 %	76.5 %	
Expense ratio	24.7 %	20.2 %		25.6 %	19.6 %	
Combined ratio	98.4 %	93.1 %		100.2 %	96.1 %	
Accident year loss ratio	77.3 %	81.4 %		76.9 %	80.4 %	

(1) Underwriting Profit (Loss) is a non-GAAP Measure. See "Reconciliation of Non-GAAP Measures."

(2) Underwriting results include gross fee income of $5.8 million and $11.5 million for the three and six months ended June 30, 2023, respectively ($5.9 million and $11.4 million in the respective prior year periods).

The Specialty Admitted Insurance segment produced underwriting profits of $384,000 and $1.3 million (combined ratios of 98.4% and 93.1%) in the three months ended June 30, 2023 and 2022, respectively. The higher loss ratio in the current year primarily reflects lower favorable development in our loss estimates for prior accident years, partially offset by changes in the mix of business which helped to produce a lower current accident year loss ratio. Net favorable development in our loss estimates for prior accident years was $839,000 or 3.5 points in the three months ended June 30, 2023 compared to $1.5 million or 8.5 points in the three months ended June 30, 2022. The higher expense ratio of 24.7% for the three months ended June 30, 2023 compared to 20.2% in the prior year was mainly driven by higher net commission expense due to the January 1, 2023 termination of the individual risk workers' compensation quota share treaty.

For the six months ended June 30, 2023, the Specialty Admitted Insurance segment had an underwriting loss of $85,000 and a combined ratio of 100.2%. This compares to an underwriting profit of $1.5 million and a combined ratio of 96.1% in the six months ended June 30, 2022. The loss ratio improvement from 76.5% in the prior year to 74.6% in the current year primarily reflects changes in the mix of business which helped to produce a lower current accident year loss ratio, partially offset by lower net favorable development in our loss estimates for prior accident years. Net favorable development in our loss estimates for prior accident years was $1.0 million or 2.3 points in the six months ended June 30, 2023 compared to $1.5 million or 4.0 points in the six months ended June 30, 2022. The higher expense ratio of 25.6% for the six months ended June 30, 2023 compared to 19.6% in the prior year was mainly driven by higher net commission expense due to the January 1, 2023 termination of the individual risk workers' compensation quota share treaty.

Casualty Reinsurance Segment

Results for the Casualty Reinsurance segment are as follows:

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
			($ in thousands)			
Gross written premiums	$ 4,691	$ 8,112	(42.2)%	$ 15,130	$ 38,056	(60.2)%
Net written premiums	$ 4,295	$ 10,297	(58.3)%	$ 13,360	$ 40,241	(66.8)%
Net earned premiums	$ 26,798	$ 30,237	(11.4)%	$ 63,071	$ 69,442	(9.2)%
Losses and loss adjustment expenses excluding retroactive reinsurance	(17,998)	(18,968)	(5.1)%	(41,742)	(54,216)	(23.0)%
Underwriting expenses	(8,672)	(9,210)	(5.8)%	(20,895)	(22,004)	(5.0)%
Underwriting profit (loss) *(1)*	$ 128	$ 2,059	(93.8)%	$ 434	$ (6,778)	—
Ratios:						
Loss ratio	67.2 %	62.7 %		66.2 %	78.1 %	
Expense ratio	32.3 %	30.5 %		33.1 %	31.7 %	
Combined ratio	99.5 %	93.2 %		99.3 %	109.8 %	
Accident year loss ratio	55.9 %	62.7 %		58.5 %	68.3 %	

(1) Underwriting Profit (Loss) is a non-GAAP Measure. See "Reconciliation of Non-GAAP Measures."

The Casualty Reinsurance segment suspended underwriting activities earlier this year. Current year written premiums represent adjustments to written premium estimates for prior year treaties. The earning patterns of the business can extend over multiple years, and changes in net earned premium for this segment will lag the decline in gross and net written premium.

For the three months ended June 30, 2023 and 2022, the segment produced underwriting profits of $128,000 and $2.1 million (combined ratios of 99.5% and 93.2%), respectively. The loss ratio increase from 62.7% in the prior three month period to 67.2% in the current year was largely driven by net adverse reserve development of $3.0 million or 11.2 percentage points in the three months ended June 30, 2023 compared to none in the prior year (excluding adverse prior year development on the business subject to the Casualty Re LPT and the impact of retroactive reinsurance - see discussion above). This was partially offset by a lower current accident year loss ratio resulting from changes in the mix of business. The expense ratio increased from 30.5% for the three months ended June 30, 2022 to 32.3% for three months ended June 30, 2023 primarily reflecting higher commissions due to changes in the mix of business.

For the six months ended June 30, 2023, the segment had an underwriting profit of $434,000 and a combined ratio of 99.3%. This compares to an underwriting loss of $6.8 million and a combined ratio of 109.8% in the six months ended June 30, 2022. The loss ratio improved from 78.1% in the prior six month period to 66.2% in the current year, driven by a decline in the current accident year ratio and lower net adverse reserve development on prior accident years. For the six months ended June 30, 2023 and 2022, $4.9 million and $6.8 million (7.7 and 9.8 percentage points), respectively, of net adverse reserve development was recognized (excluding adverse prior year development on the business subject to the Casualty Re LPT and the impact of retroactive reinsurance - see discussion above). The expense ratio increased from 31.7% for the six months ended June 30, 2022 to 33.1% for the six months ended June 30, 2023 primarily reflecting higher commissions due to changes in the mix of business.

Corporate and Other Segment

Other operating expenses for the Corporate and Other segment include personnel costs associated with the Bermuda and U.S. holding companies, professional fees, share based compensation for the full Company group, and various other corporate expenses that were not reimbursed by our subsidiaries, including costs associated with our internal reinsurance, rating agencies and strategic initiatives. The expenses are included in our calculation of consolidated underwriting profit, and in our consolidated expense ratio and combined ratio. Total operating expenses of the Corporate and Other segment were $8.5 million and $17.8 million for the three and six months ended June 30, 2023, respectively ($8.9 million and $16.8 million in the respective prior year periods). The lower operating expense for the three months ended June 30, 2023 primarily reflects lower short-term incentive compensation, while the higher year to date expense is largely attributable to share based compensation, which was $5.0 million and $4.0 million for the six months ended June 30, 2023 and 2022, respectively.

Investing Results

Net investment income was $25.2 million and $50.9 million for the three and six months ended June 30, 2023, compared to $14.7 million and $31.0 million for the respective periods in the prior year. The Company's private investments generated income of $232,000 and $1.8 million for the three and six months ended June 30, 2023 compared to losses of $489,000 and income of $2.4 million in the respective prior year periods. Excluding private investments, our net investment income for the three and six months ended June 30, 2023 increased 64.2% and 72.0% over the prior year periods, respectively, principally due to higher yields on fixed maturities and bank loan participations. The average duration of our portfolio excluding restricted cash equivalents was 4.0 years at June 30, 2023.

Major categories of the Company's net investment income are summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	($ in thousands)			
Fixed maturity securities	$ 16,933	$ 11,818	$ 33,360	$ 22,611
Bank loan participations	4,374	2,709	8,686	5,062
Equity securities	1,761	1,315	3,426	2,549
Other invested assets	232	(489)	1,823	2,410
Cash, cash equivalents, restricted cash equivalents and short-term investments	2,949	348	5,811	380
Gross investment income	26,249	15,701	53,106	33,012
Investment expense	(1,074)	(996)	(2,159)	(2,040)
Net investment income	$ 25,175	$ 14,705	$ 50,947	$ 30,972

The following table summarizes our annualized gross investment yields:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Cash and invested assets	4.2 %	2.5 %	4.3 %	2.7 %
Fixed maturity securities	4.2 %	3.0 %	4.2 %	2.9 %

Of our total cash and invested assets of $2,414.4 million at June 30, 2023 (excluding restricted cash equivalents), $227.2 million represents the cash and cash equivalents portion of the portfolio. The majority of the portfolio, or $1,875.7 million, is comprised of fixed maturity securities that are classified as available-for-sale and carried at fair value with unrealized gains and losses on these securities reported, net of applicable taxes, as a separate component of accumulated comprehensive income (loss). Also included in our investments are $143.8 million of bank loan participations, $118.1 million of equity securities, $22.1 million of short-term investments, and $27.4 million of other invested assets.

Bank loan participations generally provide a higher yield than our portfolio of fixed maturity securities and are primarily senior, secured floating-rate debt rated "BB", "B", or "CCC" by Standard & Poor's or an equivalent rating from another nationally recognized statistical rating organization, and are therefore below investment grade. Bank loans include assignments of and participations in performing and non-performing senior corporate debt generally acquired through primary bank syndications and in secondary markets. They consist of, but are not limited to, term loans, the funded and unfunded portions of revolving credit facilities, and similar loans and investments. Bank loan participations are measured at fair value pursuant to the Company's election of the fair value option, and changes in unrealized gains and losses in bank loan participations are reported in our income statement as net realized and unrealized gains (losses) on investments. At June 30, 2023 and December 31, 2022, the fair market value of these securities was $143.8 million and $155.0 million, respectively.

For the six months ended June 30, 2023, the Company recognized net realized and unrealized investment gains of $2.6 million ($2.1 million of net realized and unrealized investment gains for the three months ended June 30, 2023), including $7.8 million of net unrealized gains on bank loan participations, $1.3 million of net unrealized losses for the change in the fair value of equity securities, an $85,000 impairment loss for one fixed maturity security, $4.2 million of net realized investment losses on the sale of bank loan participations, $668,000 of net realized investment gains on the sale of equity securities, and $284,000 of net realized investment losses on the sale of fixed maturity securities.

For the six months ended June 30, 2022, the Company recognized net realized and unrealized investment losses of $22.1 million ($17.1 million of net realized and unrealized investment losses for the three months ended June 30, 2022), including $11.8 million of net unrealized losses on bank loan participations, $11.0 million of net unrealized losses for the change in the fair value of equity securities, $1.3 million of net realized investment gains on the sale of fixed maturity securities, $193,000 of net realized investment losses on the sale of bank loan participations, and $352,000 of net realized investment losses on the sale of equity securities.

In conjunction with its outside investment managers, the Company performs quarterly reviews of all securities within its investment portfolio to determine whether any impairment has occurred. In the six months ended June 30, 2023, management recognized an impairment loss of $85,000 for one fixed maturity security due to an intent to sell the security. Management concluded that none of its fixed maturity securities were impaired at December 31, 2022. At June 30, 2023, 99.9% of the Company's fixed maturity security portfolio was rated "BBB-" or better ("investment grade") by Standard & Poor's or received an equivalent rating from another nationally recognized rating agency. Management does not intend to sell available-for-sale securities in an unrealized loss position, and it is not "more likely than not" that the Company will be required to sell these securities before a recovery in their value to their amortized cost basis occurs.

The amortized cost and fair value of our available-for-sale fixed maturity securities were as follows:

	June 30, 2023			December 31, 2022		
	Cost or Amortized Cost	Fair Value	% of Total Fair Value	Cost or Amortized Cost	Fair Value	% of Total Fair Value
	($ in thousands)					
Fixed maturity securities, available-for-sale:						
State and municipal	$ 381,802	$ 337,970	*18.0 %*	$ 386,456	$ 330,852	*18.6 %*
Residential mortgage-backed	467,134	430,248	*22.9 %*	437,702	401,249	*22.5 %*
Corporate	784,248	722,401	*38.6 %*	734,976	670,212	*37.6 %*
Commercial mortgage and asset-backed	340,212	315,506	*16.8 %*	335,066	309,015	*17.3 %*
U.S. Treasury securities and obligations guaranteed by the U.S. government	72,853	69,570	*3.7 %*	75,583	72,089	*4.0 %*
Total fixed maturity securities, available-for-sale	$ 2,046,249	$ 1,875,695	*100.0 %*	$ 1,969,783	$ 1,783,417	*100.0 %*

The following table sets forth the composition of the Company's portfolio of available-for-sale fixed maturity securities by rating as of June 30, 2023:

Standard & Poor's or Equivalent Designation	Fair Value	% of Total
	($ in thousands)	
AAA	$ 402,068	21.4 %
AA	$ 772,373	41.2 %
A	$ 539,556	28.8 %
BBB	$ 159,359	8.5 %
Below BBB and unrated	$ 2,339	0.1 %
Total	$ 1,875,695	100.0 %

The amortized cost and fair value of our available-for-sale investments in fixed maturity securities summarized by contractual maturity are as follows:

	June 30, 2023		
	Amortized Cost	Fair Value	% of Total Value
	($ in thousands)		
Due in:			
One year or less	$ 94,222	$ 92,437	*4.9 %*
After one year through five years	519,366	492,322	*26.3 %*
After five years through ten years	364,892	323,047	*17.3 %*
After ten years	260,423	222,135	*11.8 %*
Residential mortgage-backed	467,134	430,248	*22.9 %*
Commercial mortgage and asset-backed	340,212	315,506	*16.8 %*
Total	$ 2,046,249	$ 1,875,695	*100.0 %*

Other Income and Expense

Other income and expense primarily consists of non-operating expenses of $223,000 and $798,000 for the three and six months ended June 30, 2023, respectively ($0 and $347,000 for the three and six months ended June 30, 2022, respectively). Non-operating expenses include legal fees related to a purported class action lawsuit and legal and other professional fees and other expenses related to various strategic initiatives including loss portfolio transfers accounted for as retroactive reinsurance.

Interest Expense

Interest expense was $6.9 million and $13.6 million for the three and six months ended June 30, 2023, respectively ($4.0 million and $6.3 million for the three and six months ended June 30, 2022, respectively). The increase over the prior year periods reflects the impact of rising interest rates on our variable rate senior and trust preferred debt and crediting fees on the Funds Withheld Account balance under the Casualty Re LPT ($944,000 and $2.0 million for the three and six months ended June 30, 2023, respectively, and $1.3 million for both the three and six months ended June 30, 2022). See "—Liquidity and Capital Resources—Sources and Uses of Funds" for more information regarding our senior bank debt facilities and trust preferred securities.

Amortization of Intangibles

The Company recorded $91,000 of amortization of intangible assets in each of the three months ended June 30, 2023 and 2022 ($182,000 in each of the six months ended June 30, 2023 and 2022).

Income Tax Expense

Our effective tax rate fluctuates from period to period based on the relative mix of income reported by country and the respective tax rates imposed by each tax jurisdiction. For U.S.-sourced income, the Company's U.S. federal income tax expense differs from the amounts computed by applying the federal statutory income tax rate to income before taxes due primarily to interest income on tax-advantaged state and municipal securities, dividends received income, and excess tax benefits or expenses on share based compensation. For the three and six months ended June 30, 2023, our U.S. federal income tax expense was 23.6% and 23.9%, respectively, of the income before taxes (25.3% and 24.9% in the respective prior year periods). The effective rate exceeded the 21.0% U.S. statutory rate in all periods due to projected annual losses in Bermuda that do not provide a tax benefit and due to discrete items in the respective periods primarily related to excess tax expenses associated with vested restricted share units ("RSUs").

Reserves

An indicator of reserve strength that we monitor closely is the percentage of our gross and net loss reserves that are comprised of incurred but not reported ("IBNR") reserves.

The Company's gross reserve for losses and loss adjustment expenses at June 30, 2023 was $2,885.4 million. Of this amount, 64.0% relates to amounts that are IBNR. This amount was 61.5% at December 31, 2022. The Company's gross reserves for losses and loss adjustment expenses by segment are summarized as follows:

	Gross Reserves at June 30, 2023		
	Case	IBNR	Total
	($ in thousands)		
Excess and Surplus Lines	$ 519,434	$ 1,133,996	$ 1,653,430
Specialty Admitted Insurance	380,496	428,258	808,754
Casualty Reinsurance	139,100	284,095	423,195
Total	$ 1,039,030	$ 1,846,349	$ 2,885,379

At June 30, 2023, the amount of net reserves (prior to the $670,000 allowance for uncollectible reinsurance recoverables) of $1,339.0 million that related to IBNR was 70.3%. This amount was 66.6% at December 31, 2022. The Company's net reserves for losses and loss adjustment expenses by segment are summarized as follows:

	Net Reserves at June 30, 2023		
	Case	IBNR	Total
	($ in thousands)		
Excess and Surplus Lines	$ 290,828	$ 742,089	$ 1,032,917
Specialty Admitted Insurance	52,736	69,305	122,041
Casualty Reinsurance	53,985	130,030	184,015
Total	$ 397,549	$ 941,424	$ 1,338,973

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Funds

Our sources of funds consist primarily of premiums written, investment income, reinsurance recoveries, proceeds from sales and redemptions of investments, borrowings on our credit facilities, and the issuance of common and Series A Preferred Shares. We use operating cash flows primarily to pay operating expenses, losses and loss adjustment expenses, reinsurance premiums, and income taxes. Cash flow from operations may differ substantially from net income. The potential for a large claim under an insurance or reinsurance contract means that substantial and unpredictable payments may need to be made within relatively short periods of time.

The following table summarizes our cash flows:

	Six Months Ended June 30,	
	2023	2022
	($ in thousands)	
Cash and cash equivalents provided by (used in):		
Operating activities (excluding restricted cash equivalents)	$ 40,334	$ 139,227
Investing activities	27,070	(75,060)
Financing activities	(13,329)	96,450
Change in cash and cash equivalents	54,075	160,617
Change in restricted cash equivalents (operating activities)	2,287	94
Change in cash, cash equivalents, and restricted cash equivalents	$ 56,362	$ 160,711

Cash provided by operating activities excluding restricted cash equivalents of $40.3 million and $139.2 million for the six months ended June 30, 2023 and 2022, respectively, was driven by the growth in our U.S. segments and the collection of premiums receivable at a quicker rate than payments of loss and loss adjustment expenses. The cash provided by operating activities declined relative to the prior year due to the suspension of underwriting activities in the Casualty Reinsurance segment earlier this year.

Cash provided by investing activities of $27.1 million for the six months ended June 30, 2023 primarily reflects the suspension of underwriting activities in the Casualty Reinsurance segment earlier this year and the withdrawal of invested assets to fund claims and operating expenses for the segment. Cash used in investing activities of $75.1 million for the six months ended June 30, 2022 reflects our efforts to enhance the yield in our investment portfolio by investing available cash and cash equivalents into higher yielding investments. Cash and cash equivalents (excluding restricted cash equivalents) comprised 9.4% and 14.7% of total cash and invested assets at June 30, 2023 and 2022, respectively.

Cash used in financing activities of $13.3 million for the six months ended June 30, 2023 includes $3.9 million of dividends paid to common shareholders and $7.9 million of dividends paid on the Series A Preferred Shares. Cash provided by financing activities of $96.5 million for the six months ended June 30, 2022 includes $144.9 million of net proceeds (after expenses) from the issuance and sale of 150,000 Series A Preferred Shares on March 1, 2022. The proceeds were used for general corporate purposes and to repay $40.0 million of loans outstanding on the 2017 Facility (as defined below) on March 28, 2022. Financing activities for the six months ended June 30, 2022 also include $4.0 million of dividends paid to common shareholders and $3.5 million of dividends paid on the Series A Preferred Shares.

The activity in restricted cash equivalents for the six months ended June 30, 2023 and 2022 relates to a former insured, per the terms of a collateral trust. See *Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book* below.

Dividends

We are organized as a Bermuda holding company with our operations conducted by our wholly-owned subsidiaries. Accordingly, our holding company may receive cash through loans from banks, issuance of equity and debt securities, corporate service fees or dividends received from our subsidiaries and/or other transactions. Our U.S. holding company may receive cash in a similar manner and also through payments from our subsidiaries pursuant to our U.S. consolidated tax allocation agreement.

The payment of dividends by our subsidiaries to us is limited by statute. In general, the laws and regulations applicable to our domestic insurance subsidiaries limit the aggregate amount of dividends or other distributions that they may declare or pay within any 12-month period without advance regulatory approval. Generally, the limitations are based on the greater of statutory net income for the preceding year or 10.0% of statutory surplus at the end of the preceding year. In addition, insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels and could refuse to permit the payment of dividends calculated under any applicable formula. See “Item 1. Business – U.S. Insurance Regulation – State Regulation” in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 28, 2023 for additional information. The maximum amount of dividends available to the U.S. holding company from our U.S. insurance subsidiaries during 2023 without regulatory approval is $53.7 million.

The Bermuda Insurance Act of 1978 prohibits an insurer from declaring or paying a dividend if it is in breach of its minimum solvency margin, its enhanced capital requirement, or its minimum liquidity ratio, or if the declaration or payment of such dividend would cause such a breach. An insurer can declare or pay dividends without prior regulatory approval up to 25% of the total statutory capital and surplus (as shown on its previous financial year's statutory balance sheet). See “Item 1. Business – Regulation – Restrictions on Dividends and Distributions” in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 28, 2023 for additional information. Based on that calculation, the maximum combined amount of dividends and return of capital available to us from JRG Re without regulatory approval in 2023 is calculated to be approximately $93.9 million. However, any dividend payment is contingent upon continued compliance with Bermuda regulatory requirements, including but not limited to the enhanced solvency requirement calculations.

Holders of the Series A Preferred Shares are entitled to a dividend at the initial rate of 7% of the Liquidation Preference per annum, paid in cash, in-kind in common shares or in Series A Preferred Shares, at our election. On the five-year anniversary of the Closing Date, and each five-year anniversary thereafter, the dividend rate will reset to a rate equal to the five-year U.S. treasury rate plus 5.2%. Dividends accrue and are payable quarterly. Cash dividends of $7.9 million were paid in the six months ended June 30, 2023 including cash dividends paid in January, March, and June for the three month periods ended December 31, 2022, March 31, 2023, and June 30, 2023, respectively.

At June 30, 2023, the Bermuda holding company had $2.3 million of cash and cash equivalents. The U.S. holding company had $22.8 million of cash and invested assets, comprised of cash and cash equivalents of $20.2 million and other invested assets of $2.6 million, which are not subject to regulatory restrictions. Additionally, our U.K. intermediate holding company had no invested assets and cash of less than ten thousand dollars at June 30, 2023.

Credit Agreements

The Company has a $315.0 million senior revolving credit facility (as amended or amended and restated, the “2013 Facility”). The 2013 Facility is comprised of the following at June 30, 2023:

- A $102.5 million secured revolving facility used by JRG Re to issue letters of credit for the benefit of third-party reinsureds. This portion of our credit facility is secured by our investment securities. At June 30, 2023, the Company had $42.3 million of letters of credit issued under the secured facility.
- A $212.5 million unsecured revolving facility to meet the working capital needs of the Company. All unpaid principal on the revolver is due at maturity. Interest accrues and is payable in arrears, currently at 1-month SOFR (the Company,

per the terms of the credit agreement, can elect between one, two, three, or six month interest periods) plus a 0.1% SOFR index adjustment and a SOFR margin which is currently 1.5% and is subject to change according to terms in the credit agreement. At June 30, 2023, the Company had a drawn balance of $185.8 million outstanding on the unsecured revolver.

The 2013 Facility has been amended from time to time since its inception in 2013. On November 8, 2019, the Company entered into a Second Amended and Restated Credit Agreement for the 2013 Facility which, among other things, extended the maturity date of the 2013 Facility until November 8, 2024, increased the amount available under the unsecured revolving credit facility to $212.5 million, lowered the applicable interest rate and letter of credit fees, and modified certain negative covenants to be less restrictive.

On July 7, 2023, the Company entered into a Third Amended and Restated Credit Agreement for its $315.0 million senior revolving credit facility which, among other things, extended the maturity date of such facility until July 7, 2026 and increased the applicable interest rate and letter of credit fees.

The 2013 Facility contains certain financial and other covenants (including minimum net worth, maximum ratio of total adjusted debt outstanding to total capitalization, and financial strength ratings) with which the Company was in compliance at June 30, 2023.

On August 2, 2017, the Company, and its wholly-owned subsidiary, JRG Re, together as borrowers, entered into a credit agreement (the "2017 Facility") that provides the Company with a revolving line of credit of up to $100.0 million, which may be used for loans and letters of credit made or issued, at the borrowers' option, on a secured or unsecured basis. Obligations under the 2017 Facility carry a variable rate of interest subject to terms in the credit agreement and will mature 30 days after notice of termination from the lender. The 2017 Facility contains certain financial and other covenants with which we are in compliance at June 30, 2023. The loans and letters of credit made or issued under the revolving line of credit of the 2017 Facility may be used to finance the borrowers' general corporate purposes. The 2017 Facility has been amended from time to time since its inception in 2017, including on November 8, 2019 when the Company entered into a First Amendment to Credit Agreement which, among other things, lowered the applicable interest rate and modified certain negative covenants to be less restrictive. Interest accrues and is payable in arrears at variable rates which are subject to change according to terms in the credit agreement. At June 30, 2023, unsecured loans of $21.5 million and secured letters of credit totaling $28.2 million were outstanding on the 2017 Facility. During the three months ended March 31, 2022, the Company repaid $40.0 million of loans that were outstanding under the 2017 Facility.

On May 26, 2004, we issued $15.0 million of senior debt due April 29, 2034. The senior debt is not redeemable by the holder or subject to sinking fund requirements. Interest accrues quarterly and is payable in arrears at a floating rate per annum equal to the 3-month LIBOR plus 3.85%. This senior debt is redeemable at par prior to its stated maturity at our option in whole or in part. The terms of the senior debt contain certain covenants, with which we are in compliance at June 30, 2023, and which, among other things, restrict our ability to assume senior indebtedness secured by our U.S. holding company’s common stock or its subsidiaries’ capital stock or to issue shares of its subsidiaries’ capital stock.

From May 2004 through January 2008, we sold trust preferred securities through five Delaware statutory trusts sponsored and wholly-owned by the Company or its subsidiaries. Each trust used the net proceeds from the sale of its trust preferred securities to purchase our floating-rate junior subordinated debt.

The following table summarizes the nature and terms of the junior subordinated debt and trust preferred securities outstanding at June 30, 2023 (including the Company's repurchases of a portion of these trust preferred securities):

	James River Capital Trust I	James River Capital Trust II	James River Capital Trust III	James River Capital Trust IV	Franklin Holdings II (Bermuda) Capital Trust I
			($ in thousands)		
Issue date	May 26, 2004	December 15, 2004	June 15, 2006	December 11, 2007	January 10, 2008
Principal amount of trust preferred securities	$7,000	$15,000	$20,000	$54,000	$30,000
Principal amount of junior subordinated debt	$7,217	$15,464	$20,619	$55,670	$30,928
Carrying amount of junior subordinated debt net of repurchases	$7,217	$15,464	$20,619	$44,827	$15,928
Maturity date of junior subordinated debt, unless accelerated earlier	May 24, 2034	December 15, 2034	June 15, 2036	December 15, 2037	March 15, 2038
Trust common stock	$217	$464	$619	$1,670	$928
Interest rate, per annum	Three-Month LIBOR plus 4.0%	Three-Month LIBOR plus 3.4%	Three-Month LIBOR plus 3.0%	Three-Month LIBOR plus 3.1%	Three-Month LIBOR plus 4.0%

All of the junior subordinated debt is currently redeemable at 100.0% of the unpaid principal amount at our option.

The junior subordinated debt contains certain covenants with which we are in compliance as of June 30, 2023.

At June 30, 2023 and December 31, 2022, the Company's leverage ratio was 22.3% and 22.9%, respectively. The leverage ratio is defined in our senior credit agreements as the ratio of adjusted consolidated debt to total capital. Adjusted consolidated debt treats trust preferred securities as equity capital up to 15% of total capital. The Series A Preferred Shares represent equity capital for purposes of the leverage ratio calculation under the credit agreements. Total capital is defined as total debt plus tangible equity excluding accumulated other comprehensive income. The maximum leverage ratio permitted by the agreements is 35.0%. We believe having debt as part of our capital structure allows us to generate a higher return on equity and greater book value per share results than we could by using equity capital alone.

Ceded Reinsurance

Our insurance segments enter into reinsurance contracts to limit our exposure to potential losses arising from large risks, to protect against the aggregation of several risks in a common loss occurrence, and to provide additional capacity for growth. Our reinsurance is contracted under excess of loss and quota share reinsurance contracts. In excess of loss reinsurance, the reinsurer agrees to assume all or a portion of the ceding company's losses in excess of a specified amount. The premiums payable to the reinsurer are negotiated by the parties based on their assessment of the amount of risk being ceded to the reinsurer because the reinsurer does not share proportionately in the ceding company's losses. In quota share reinsurance, the reinsurer agrees to assume a specified percentage of the ceding company's losses arising out of a defined class of business in exchange for a corresponding percentage of premiums. For the three months ended June 30, 2023 and 2022, our net premium retention was 51.0% and 48.7%, respectively. For the six months ended June 30, 2023 and 2022, our net premium retention was 50.7% and 48.8%, respectively.

The following is a summary of our Excess and Surplus Lines segment's ceded reinsurance in place as of June 30, 2023:

Line of Business	Company Retention
Casualty	
Primary Specialty Casualty, including Professional Liability	Up to $1.0 million per occurrence, subject to a $1.0 million aggregate deductible.(1)
Primary Casualty	Up to $2.0 million per occurrence.(2)
Excess Casualty	Up to $2.0 million per occurrence.(3)
Property	Up to $5.0 million per event.(4)

(1) Except for Life Sciences quota share carve out, which is up to $2.0 million per occurrence.
(2) Total exposure to any one claim is generally $1.0 million.
(3) For policies with an occurrence limit up to $10.0 million, the excess casualty treaty is set such that our retention is no more than $2.0 million.
(4) The property catastrophe reinsurance treaty has a limit of $20.0 million with one reinstatement.

We use catastrophe modeling software to analyze the risk of severe losses from hurricanes and earthquakes on our exposure. We utilize the model in our risk selection, pricing, and to manage our overall portfolio probable maximum loss ("PML") accumulations. A PML is an estimate of the amount we would expect to pay in any one catastrophe event within a given annual probability of occurrence (i.e. a return period or loss exceedance probability).

In our Excess and Surplus Lines segment, we write a small book of excess property insurance, but we do not write primary property insurance. The Excess and Surplus Lines segment has a specific quota share treaty in effect to cover property risks. The quota share treaty along with facultative reinsurance helps ensure that our net retained limit per risk will be $5.0 million or less.

Based upon the modeling of our Excess and Surplus Lines and Specialty Admitted segments, it would take an event greater than the 1 in 1000 year PML to exhaust our $20.0 million property catastrophe reinsurance. In the event of a catastrophe loss exhausting our $20.0 million property catastrophe reinsurance, we estimate our pre-tax cost would not exceed 2.5% of shareholders' equity, including reinstatement premiums and net retentions. In addition to this retention, we would retain any losses in excess of our reinsurance coverage limits.

The Commercial Auto LPT with Aleka reinsures substantially all of the Excess and Surplus Lines segment's legacy portfolio of commercial auto policies previously issued to Rasier. See "*Amounts Recoverable from an Indemnifying Party and Reinsurer on the Legacy Commercial Auto Book*" below for further information on this reinsurance agreement.

The following is a summary of our Specialty Admitted Insurance segment's ceded reinsurance in place as of June 30, 2023:

Line of Business	Coverage
Casualty	
Workers' Compensation	Excess of loss coverage for $29.5 million in excess of $500,000.
Auto Programs	Quota share coverage for 50%-90% of limits up to $1.5 million liability and $7.5 million physical damage per occurrence.
General Liability & Professional Liability – Programs	Quota share coverage for 62.5%-100% of limits up to $3.0 million per occurrence.
Umbrella and Excess Casualty - Programs	Quota share coverage for at least 65% of limits up to $10.0 million per occurrence, and 75% of excess of loss coverage for $5.0 million in excess of $10.0 million.
Property	
Property within Package - Programs	Quota share coverage for 100% of limits up to $40.0 million per occurrence.
Excess Property	Quota share coverage for 100% of limits up to $58.9 million.
Catastrophe Coverage	Excess of Loss coverage for $20.0 million in excess of $5.0 million per occurrence.
Aviation Programs	Quota share coverage for 80% of limits up to $20 million liability and $2.5 million hull per occurrence, each aircraft; and excess of loss coverage for up to $8.7M excess of $300,000 of our 20% share of the quota share each occurrence.

Our Specialty Admitted Insurance segment purchases reinsurance for at least 50% of the exposed limits on specialty admitted property-casualty business. The segment enters into reinsurance contracts for the individual risk workers' compensation business as well as fronting and program business. While the segment focuses on casualty business, incidental property risk is incurred in the fronting and program business. The segment is covered for $20.0 million in excess of $5.0 million per occurrence to manage its property exposure to an approximate 1 in 1,000 year PML.

In our Casualty Reinsurance segment, we also have limited property catastrophe exposure on treaties in run-off, primarily through auto physical damage coverage. In the aggregate, we believe our pre-tax group-wide PML from a 1 in 1,000 year property catastrophe event would not exceed 2.5% of shareholders' equity, inclusive of reinstatement premiums payable.

On February 23, 2022, JRG Re entered into the Casualty Re LPT with FRL to reinsure the majority of the segment risk, which closed on March 31, 2022. Under the terms of the transaction, JRG Re (a) ceded to FRL all existing and future claims for losses arising under certain casualty reinsurance agreements with underlying insurance companies with treaty inception dates ranging from 2011 to 2020 (the "Subject Business"), in each case net of third-party reinsurance and other recoveries, up to an aggregate limit of $400.0 million; (b) continues to manage and retain the benefit of other third-party reinsurance on the Subject Business; (c) paid FRL a reinsurance premium of $335.0 million, $310.0 million of which JRG Re credited to a notional funds withheld account (the "Funds Withheld Account") and $25.0 million of which was paid in cash to FRL.

We also had a contingency clash reinsurance treaty to cover both the Excess and Surplus Lines and Specialty Admitted Insurance segments in the event of a claim incident involving more than one of our insureds in addition to Extra Contractual and Excess Policy Limits protection. The treaty covered $10.0 million in excess of a $2.0 million retention for loss occurrences within the treaty term. This coverage was put into runoff effective July 1, 2022. As of June 30, 2023, our average net retained limit per risk is $2.5 million.

Effective January 1, 2020, we purchased an additional $10.0 million in claims made coverage for excess policy limits and extra contractual obligations exposures above the clash and contingency treaty for the period 2014 to present. This treaty had one reinstatement and expired on December 31, 2022.

The Company’s insurance segments remain liable to policyholders if its reinsurers are unable to meet their contractual obligations under applicable reinsurance agreements. We establish an allowance for credit losses for our current estimate of uncollectible reinsurance recoverables. At June 30, 2023, the allowance for credit losses on reinsurance recoverables was $670,000. To minimize exposure to significant losses from reinsurance insolvencies, the Company evaluates the financial condition of its reinsurers and monitors concentrations of credit risk. The Company generally seeks to purchase reinsurance from reinsurers with A.M. Best financial strength ratings of “A-” (Excellent) or better. The Company’s reinsurance contracts generally require reinsurers that are not authorized as reinsurers under U.S. state insurance regulations or that experience rating downgrades from rating agencies below specified levels to fund their share of the Company’s ceded outstanding losses and loss adjustment expense reserves, typically through the use of irrevocable and unconditional letters of credit. In fronting arrangements, which the Company conducts through its Specialty Admitted Insurance segment, we are subject to credit risk with regard to insurance companies who act as reinsurers for us in such arrangements. We customarily require a collateral trust arrangement to secure the obligations of the insurance entity for whom we are fronting.

At June 30, 2023, we had reinsurance recoverables on unpaid losses of $1,545.7 million (net of a $670,000 allowance for credit losses) and reinsurance recoverables on paid losses of $182.0 million, and all material recoverable amounts were from companies with A.M. Best ratings of “A-" (Excellent) or better, or are collateralized by the reinsurer for our benefit through letters of credit or funds on deposit in trust accounts.

Amounts Recoverable from an Indemnifying Party and Reinsurer on Legacy Commercial Auto Book

James River previously issued a set of commercial auto insurance contracts to Rasier (the “Rasier Commercial Auto Policies”) under which James River pays losses and loss adjustment expenses on the contracts. James River has indemnity agreements with Rasier (non-insurance entities) (collectively, the “Indemnity Agreements”) and is contractually entitled to reimbursement for the portion of the losses and loss adjustment expenses paid on behalf of Rasier under the Rasier Commercial Auto Policies and other expenses incurred by James River. On September 27, 2021, James River entered into a loss portfolio transfer reinsurance agreement (the “Commercial Auto LPT”) with Aleka to reinsure substantially all of the Rasier Commercial Auto Policies for which James River is not otherwise indemnified by Rasier under the Indemnity Agreements. Under the terms of the Commercial Auto LPT, effective as of July 1, 2021, James River ceded to Aleka approximately $345.1 million of commercial auto liabilities relating to Rasier Commercial Auto Policies written in the years 2013-2019, which amount constituted the reinsurance premium.

Each of Rasier and Aleka are required to post collateral under the Indemnity Agreements and the Commercial Auto LPT, respectively:

- Pursuant to the Indemnity Agreements, Rasier is required to post collateral equal to 102% of James River's estimate of the amounts that are recoverable or may be recoverable under the indemnity agreements, including, among other things, case loss and loss adjustment expense reserves, IBNR loss and loss adjustment expense reserves, extra contractual obligations and excess policy limits liabilities. The collateral is provided through a collateral trust arrangement (the “Indemnity Trust”) in favor of James River by Aleka. In connection with the execution of the Commercial Auto LPT, James River returned $691.3 million to the Indemnity Trust, representing the remaining balance of the amount withdrawn in October 2019, as was permitted under the indemnification agreements with Rasier and the associated trust agreement. At June 30, 2023, the balance in the Indemnity Trust was $187.3 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the Indemnity Agreements as described below, the total balance of collateral securing Rasier’s obligations under the Indemnity Agreements was $256.5 million.

- Pursuant to the Commercial Auto LPT, Aleka is required to post collateral equal to 102% of James River's estimate of Aleka's obligations under the Commercial Auto LPT, calculated in accordance with statutory actuarial principles and based on reserves recorded in the Company's statutory financial statements. The collateral is provided through a collateral trust arrangement (the “LPT Trust”) established in favor of James River by Aleka. At June 30, 2023, the balance in the LPT Trust was $85.6 million, and, together with the balance of the Loss Fund Trust (as defined below) attributable to the Commercial Auto LPT as described below, the total balance of collateral securing Aleka’s obligations under the Commercial Auto LPT was $113.8 million. At June 30, 2023, the total reinsurance recoverables under the Commercial Auto LPT was $122.4 million (including $111.9 million of unpaid recoverables and $10.5 million of paid recoverables).

In connection with the execution of the Commercial Auto LPT, James River and Aleka entered into an administrative services agreement (the "Administrative Services Agreement") with a third party claims administrator (the "Administrator") pursuant to which the Administrator handles the claims on the Rasier Commercial Auto Policies for the remaining life of those claims. The claims paid by the Administrator are reimbursable by James River, and pursuant to the Administrative Services Agreement, James River established a loss fund trust account for the benefit of the Administrator (the "Loss Fund Trust") to collateralize its claims payment reimbursement obligations. James River funds the Loss Fund Trust using funds withdrawn from the Indemnity Trust, funds withdrawn from the LPT Trust, and its own funds, in each case in an amount equal to the pro rata portion of the required Loss Fund Trust balance attributable to the Indemnity Agreements, the Commercial Auto LPT and James River's existing third party reinsurance agreements, respectively. At June 30, 2023, the balance in the Loss Fund Trust was $105.5 million, including $69.2 million representing collateral supporting Rasier's obligations under the Indemnity Agreements and $28.2 million representing collateral supporting Aleka's obligations under the Commercial Auto LPT. Funds posted to the Loss Fund Trust are classified as restricted cash equivalents on the Company's balance sheet.

While the Commercial Auto LPT brings economic finality to substantially all of the Rasier Commercial Auto Policies, the Company has credit exposure to Rasier and Aleka under the Indemnity Agreements and the Commercial Auto LPT if the estimated losses and expenses of the Rasier Commercial Auto Policies grow at a faster pace than the growth in our collateral balances. In addition, we have credit exposure if our estimates of future losses and loss adjustment expenses and other amounts recoverable under the Indemnity Agreements and the Commercial Auto LPT, which are the basis for establishing the collateral balances, are lower than actual amounts paid or payable. The amount of our credit exposure in any of these instances could be material. To mitigate these risks, we closely and frequently monitor our exposure compared to our collateral held, and we request additional collateral in accordance with the terms of the Commercial Auto LPT and Indemnity Agreements when our analysis indicates that we have uncollateralized exposure.

Ratings

The A.M. Best financial strength rating for our group's regulated insurance and reinsurance subsidiaries is "A-" (Excellent) with a stable outlook. This rating reflects A.M. Best's opinion of our insurance and reinsurance subsidiaries' financial strength, operating performance and ability to meet obligations to policyholders and is not an evaluation directed towards the protection of investors. The rating for our operating insurance and reinsurance companies of "A-" (Excellent) is the fourth highest rating of the thirteen ratings issued by A.M. Best and is assigned to insurers that have, in A.M. Best's opinion, an excellent ability to meet their ongoing obligations to policyholders.

The financial strength ratings assigned by A.M. Best have an impact on the ability of our regulated subsidiaries to attract and retain agents and brokers and on the risk profiles of the submissions for insurance that our subsidiaries receive. We believe the "A-" (Excellent) ratings assigned to our insurance and reinsurance subsidiaries allow our subsidiaries to actively pursue relationships with the agents and brokers identified in their marketing plans.

Series A Preferred Shares

The Company closed on the issuance and sale of 150,000 Series A Preferred Shares on March 1, 2022 for an aggregate purchase price of $150.0 million, or $1,000 per share, in a private placement. The Series A Preferred Shares are convertible into the Company's common shares at the option of the holder at any time, or at the Company's option under certain circumstances. Dividends on the Series A Preferred Shares accrue quarterly at the initial rate of 7% of the Liquidation Preference per annum, which may be paid in cash, in-kind in common shares or in Series A Preferred Shares, at the Company's election.

EQUITY

Total common shares outstanding increased from 37,470,237 at December 31, 2022 to 37,619,226 at June 30, 2023, reflecting 148,989 common shares issued in the six months ended June 30, 2023 related to vesting of RSUs.

Share Based Compensation Expense

For the three months ended June 30, 2023 and 2022, the Company recognized $2.3 million and $2.2 million of share based compensation expense, respectively ($5.0 million and $4.0 million in the six month periods ended June 30, 2023 and 2022, respectively). As of June 30, 2023, the Company had $14.8 million of unrecognized share based compensation expense expected to be charged to earnings over a weighted-average period of 2.0 years.

Equity Incentive Plans

Options

The following table summarizes option activity:

	Six Months Ended June 30,					
	2023			2022		
	Shares		Weighted-Average Exercise Price	Shares		Weighted-Average Exercise Price
Outstanding:						
Beginning of period	287,974	$	35.26	287,974	$	35.26
Granted	—	$	—	—	$	—
Exercised	—	$	—	—	$	—
Forfeited	(45,106)	$	34.92	—	$	—
Lapsed	(164,548)	$	32.07	—	$	—
End of period	78,320	$	42.17	287,974	$	35.26
Exercisable, end of period	78,320	$	42.17	287,974	$	35.26

All of the outstanding options are fully vested (vesting period of three years from date of grant) and have a contractual life of seven years from the original date of grant.

RSUs

The following table summarizes RSU activity:

	Six Months Ended June 30,					
	2023			2022		
	Shares		Weighted-Average Grant Date Fair Value	Shares		Weighted-Average Grant Date Fair Value
Unvested, beginning of period	665,458	$	25.98	292,135	$	45.89
Granted	363,484	$	24.83	538,778	$	20.50
Vested	(212,128)	$	28.93	(112,353)	$	45.49
Forfeited	(15,233)	$	23.10	(9,760)	$	22.97
Unvested, end of period	801,581	$	24.73	708,800	$	26.97

Outstanding RSUs granted to employees generally vest ratably over a three year vesting period. RSUs granted to non-employee directors have a one year vesting period. The RSUs granted in 2023 include 91,818 PRSU awards.

Underwriting Performance Ratios

The following table provides the underwriting performance ratios of the Company inclusive of the business subject to retroactive reinsurance accounting for loss portfolio transfers. There is no economic impact to the Company over the life of a loss portfolio transfer contract so long as any additional losses subject to the contract are within the limit of the loss portfolio transfer and the counterparty performs under the contract. Retroactive reinsurance accounting is not indicative of our current and ongoing operations. Management believes that providing loss ratios and combined ratios on business not subject to retroactive reinsurance accounting for loss portfolio transfers gives the users of our financial statements useful information in evaluating our current and ongoing operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Excess and Surplus Lines:				
Loss Ratio	66.1 %	64.7 %	65.8 %	64.7 %
Impact of retroactive reinsurance	(1.4)%	— %	3.0 %	— %
Loss Ratio including impact of retroactive reinsurance	64.7 %	64.7 %	68.8 %	64.7 %
Combined Ratio	87.8 %	83.8 %	87.3 %	83.7 %
Impact of retroactive reinsurance	(1.4)%	— %	3.0 %	— %
Combined Ratio including impact of retroactive reinsurance	86.4 %	83.8 %	90.3 %	83.7 %
Casualty Reinsurance:				
Loss Ratio	67.2 %	62.7 %	66.2 %	78.1 %
Impact of retroactive reinsurance	10.7 %	— %	12.7 %	— %
Loss Ratio including impact of retroactive reinsurance	77.9 %	62.7 %	78.9 %	78.1 %
Combined Ratio	99.5 %	93.2 %	99.3 %	109.8 %
Impact of retroactive reinsurance	10.7 %	— %	12.7 %	— %
Combined Ratio including impact of retroactive reinsurance	110.2 %	93.2 %	112.0 %	109.8 %
Consolidated:				
Loss Ratio	67.1 %	65.2 %	66.8 %	68.3 %
Impact of retroactive reinsurance	0.3 %	— %	4.2 %	— %
Loss Ratio including impact of retroactive reinsurance	67.4 %	65.2 %	71.0 %	68.3 %
Combined Ratio	94.6 %	91.0 %	94.7 %	94.2 %
Impact of retroactive reinsurance	0.3 %	— %	4.2 %	— %
Combined Ratio including impact of retroactive reinsurance	94.9 %	91.0 %	98.9 %	94.2 %

RECONCILIATION OF NON-GAAP MEASURES

See “Key Metrics” above for descriptions of why management believes the following Non-GAAP measures provide useful information about our financial condition and results of operation.

Reconciliation of Underwriting Profit

We define underwriting profit as net earned premiums and gross fee income (in specific instances when the Company is not retaining insurance risk) less losses and loss adjustment expenses on business not subject to retroactive reinsurance accounting for loss portfolio transfers and other operating expenses. Other operating expenses include the underwriting, acquisition, and insurance expenses of the operating segments and, for consolidated underwriting profit, the expenses of the Corporate and Other segment. Our definition of underwriting profit may not be comparable to that of other companies.

The following table reconciles the underwriting profit (loss) of the operating segments by individual segment to consolidated income before income taxes:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(in thousands)			
Underwriting profit (loss) of the operating segments:				
Excess and Surplus Lines	$ 19,433	$ 22,334	$ 39,428	$ 43,791
Specialty Admitted Insurance	384	1,252	(85)	1,461
Casualty Reinsurance	128	2,059	434	(6,778)
Total underwriting profit of operating segments	19,945	25,645	39,777	38,474
Other operating expenses of the Corporate and Other segment	(8,548)	(8,888)	(17,830)	(16,762)
Underwriting profit (1)	11,397	16,757	21,947	21,712
Losses and loss adjustment expenses - retroactive reinsurance	(618)	—	(17,481)	—
Net investment income	25,175	14,705	50,947	30,972
Net realized and unrealized gains (losses) on investments	2,145	(17,110)	2,552	(22,120)
Amortization of intangible assets	(91)	(91)	(182)	(182)
Other income and expenses	(53)	49	(468)	(252)
Interest expense	(6,941)	(4,049)	(13,557)	(6,341)
Income before income taxes	$ 31,014	$ 10,261	$ 43,758	$ 23,789

(1) Included in underwriting results for the three and six months ended June 30, 2023 is gross fee income of $5.8 million and $11.5 million, respectively ($5.9 million and $11.4 million in the respective prior year periods).

Reconciliation of Adjusted Net Operating Income

Adjusted net operating income is defined as income available to common shareholders excluding a) the impact of loss portfolio transfers accounted for as retroactive reinsurance, b) net realized and unrealized gains (losses) on investments, c) certain non-operating expenses such as professional service fees related to a purported class action lawsuit, various strategic initiatives, and the filing of registration statements for the offering of securities, and d) severance costs associated with terminated employees. Adjusted net operating income should not be viewed as a substitute for net income calculated in accordance with GAAP, and our definition of adjusted net operating income may not be comparable to that of other companies.

Our income available to common shareholders reconciles to our adjusted net operating income as follows:

	Three Months Ended June 30,			
	2023		2022	
	Income Before Taxes	Net Income	Income Before Taxes	Net Income
	($ in thousands)			
Income available to common shareholders	$ 28,389	$ 21,068	$ 7,636	$ 5,039
Losses and loss adjustment expenses - retroactive reinsurance	618	1,091	—	—
Net realized and unrealized investment (gains) losses	(2,145)	(1,806)	17,110	14,986
Other expenses	223	198	—	—
Adjusted net operating income	$ 27,085	$ 20,551	$ 24,746	$ 20,025

	Six Months Ended June 30,			
	2023		2022	
	Income Before Taxes	Net Income	Income Before Taxes	Net Income
	($ in thousands)			
Income available to common shareholders	$ 38,508	$ 28,051	$ 20,289	$ 14,369
Losses and loss adjustment expenses - retroactive reinsurance	17,481	15,497	—	—
Net realized and unrealized investment (gains) losses	(2,552)	(2,179)	22,120	19,176
Other expenses	798	773	347	347
Adjusted net operating income	$ 54,235	$ 42,142	$ 42,756	$ 33,892

Tangible Equity and Tangible Equity per Share

Tangible equity is defined as shareholders' equity plus mezzanine Series A Preferred Shares and the unrecognized deferred retroactive reinsurance gain on loss portfolio transfers less goodwill and intangible assets, net of amortization. Tangible equity per share represents tangible equity divided by the sum of total common shares outstanding plus the common shares resulting from an assumed conversion of the outstanding Series A Preferred Shares into common shares (at the current conversion price). Our definitions of tangible equity and tangible equity per share may not be comparable to that of other companies, and they should not be viewed as a substitute for shareholders’ equity and shareholders’ equity per share calculated in accordance with GAAP.

The following table reconciles shareholders’ equity to tangible equity as of June 30, 2023, December 31, 2022, and June 30, 2022:

	June 30, 2023		December 31, 2022		June 30, 2022	
	Equity	Equity per Share	Equity	Equity per Share	Equity	Equity per Share
	($ in thousands, except share amounts)					
Shareholders’ equity	$ 595,923	$ 15.84	$ 553,766	$ 14.78	$ 594,386	$ 15.87
Series A redeemable preferred shares	144,898		144,898		144,898	
Deferred reinsurance gain	37,572		20,091		—	
Less:						
Goodwill	181,831		181,831		181,831	
Intangible assets, net	35,494		35,676		35,857	
Tangible equity	$ 561,068	$ 12.97	$ 501,248	$ 11.63	$ 521,596	$ 12.10
Common shares outstanding	37,619,226		37,470,237		37,450,264	
Common shares from assumed conversion of Series A Preferred Shares	5,640,158		5,640,158		5,640,158	
Common shares outstanding after assumed conversion of Series A Preferred Shares	43,259,384		43,110,395		43,090,422	

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market risk is the risk of economic losses due to adverse changes in the estimated fair value of a financial instrument as the result of changes in equity prices, interest rates, foreign currency exchange rates and commodity prices. Our consolidated balance sheets include assets and liabilities with estimated fair values that are subject to market risk. Our primary market risks have been interest rate risk associated with investments in fixed maturities and equity price risk associated with investments in equity securities. We do not have material exposure to foreign currency exchange rate risk or commodity risk.

There have been no material changes in market risk from the information provided in Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports we file under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required financial disclosure. In connection with the preparation of this quarterly report on Form 10-Q, our management carried out an evaluation, under the supervision and with the participation of our CEO and CFO, as of June 30, 2023, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and 15d-15(e) under the Exchange Act. Based upon this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2023.

Changes in Internal Controls over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during our quarter ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of controls and procedures is subject to certain limitations, and, as a result, there can be no assurance that our controls and procedures will detect all errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system will be attained.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in various legal proceedings, including commercial matters and litigation regarding insurance claims which arise in the ordinary course of business, as well as an alleged class action lawsuit. In addition, the Company is involved from time to time in legal actions which seek extra-contractual damages, punitive damages or penalties, including claims alleging bad faith in handling of insurance claims. We believe that the outcome of such matters, individually and in the aggregate, is not reasonably likely to have a material adverse effect on our consolidated financial position, results of operations or cash flows.

On July 9, 2021 a purported class action lawsuit was filed in the U.S. District Court, Eastern District of Virginia (the “Court”) by Employees’ Retirement Fund of the City of Fort Worth against James River Group Holdings, Ltd. and certain of its present and former officers (together, “Defendants”). On September 22, 2021, the Court entered an order appointing Employees’ Retirement Fund of the City of Fort Worth and the City of Miami General Employees’ and Sanitation Employees’ Retirement Trust as co-lead plaintiffs (together, “Plaintiffs”). Plaintiffs’ consolidated amended complaint was filed on November 19, 2021 (the “First Amended Complaint”). The Defendants filed a motion to dismiss the First Amended Complaint on January 18, 2022, Plaintiffs’ opposition thereto was filed on March 4, 2022, and the Defendants’ reply to the Plaintiffs’ opposition was filed on April 4, 2022. On August 25, 2022, Plaintiffs filed a motion for leave to file a second amended class action complaint (the "Second Amended Complaint"). On September 8, 2022, the Defendants consented to the Plaintiffs’ motion to file the Second Amended Complaint, and filed a motion to dismiss the Second Amended Complaint on October 24, 2022 (the "Second MTD"). The Plaintiffs’ opposition to the Second MTD was filed on November 7, 2022, and the Defendant's reply to the Plaintiffs' opposition was filed on November 14, 2022. The First Amended Complaint and Second Amended Complaint assert claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of a putative class of persons and entities that purchased the Company's stock between February 22, 2019 and October 25, 2021, and allege that Defendants failed to make appropriate disclosures concerning the adequacy of reserves for policies that covered Rasier LLC, a subsidiary of Uber Technologies, Inc., and seek unspecified damages, costs, attorneys’ fees and such other relief as the court may deem proper. We believe that the Plaintiffs’ claims are without merit and we intend to vigorously defend this lawsuit.

Item 1A. Risk Factors

There have been no material changes in our risk factors in the quarter ended June 30, 2023 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2022.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other information

None.

Item 6. Exhibits

Exhibit Number	Description
10.1	First Amendment to Employment Agreement dated October 28, 2020, by and among Frank N. D'Orazio, James River Group Holdings, Ltd., and its subsidiary James River Group, Inc. (incorporated by reference to Exhibit 10.1 on the Current Report on Form 8-K filed on June 8, 2023; Commission File No. 001-36777)
10.2	Amended and Restated Employment Agreement, dated June 7, 2023, by and among James River Group, Inc., certain subsidiaries of James River Group, Inc. and Terry McCafferty (incorporated by reference to Exhibit 10.2 on the Current Report on Form 8-K filed on June 8, 2023; Commission File No. 001-36777)
10.3	Third Amended and Restated Credit Agreement, dated as of July 7, 2023, by and among James River Group Holdings, Ltd., JRG Reinsurance Company, Ltd., KeyBank National Association, as Administrative Agent and Letter of Credit Issuer, KeyBank National Association and Truist Securities, Inc. as Joint Book Runners and Joint Lead Arrangers, Truist Bank as Syndication Agent, and the lender parties thereto (incorporated by reference to Exhibit 10.1 on the Current Report on Form 8-K filed on July 12, 2023; Commission File No. 001-36777)
31.1	Chief Executive Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)
31.2	Chief Financial Officer Certification pursuant to Rule 13a-14(a)/15d-14(a)
32	Chief Executive Officer and Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page XBRL tags are embedded within the Inline XBRL document in Exhibit 101.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

James River Group Holdings, Ltd.

Date:	August 8, 2023	By:	/s/ Frank N. D’Orazio
			Frank N. D’Orazio Chief Executive Officer and Director (Principal Executive Officer)
Date:	August 8, 2023	By:	/s/ Sarah C. Doran
			Sarah C. Doran Chief Financial Officer (Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Frank N. D’Orazio, certify that:

1. I have reviewed this quarterly report on Form 10-Q of James River Group Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 8, 2023

/s/ Frank N. D’Orazio

Frank N. D’Orazio
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION

I, Sarah C. Doran, certify that:

1. I have reviewed this quarterly report on Form 10-Q of James River Group Holdings, Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2023

/s/ Sarah C. Doran
Sarah C. Doran
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of James River Group Holdings, Ltd. (the “Company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, Frank N. D’Orazio, Chief Executive Officer of the Company, and Sarah C. Doran, Chief Financial Officer of the Company, certify, to the best of our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Frank N. D’Orazio
Frank N. D’Orazio
Chief Executive Officer
(Principal Executive Officer)
August 8, 2023

/s/ Sarah C. Doran
Sarah C. Doran
Chief Financial Officer
(Principal Financial Officer)
August 8, 2023