

James River Group Holdings, Ltd.

NasdaqGS:JRVR

FQ3 2025 Earnings Call Transcripts

Tuesday, November 4, 2025 2:00 PM GMT
S&P Global Market Intelligence Estimates

	-FQ3 2025-			-FQ4 2025-	-FY 2025-	-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.24	0.32	▲33.33	0.35	1.00	NA
Revenue (mm)	179.21	172.74	▼(3.61%)	176.80	696.60	NA

Currency: USD
Consensus as of Nov-04-2025 5:29 PM GMT

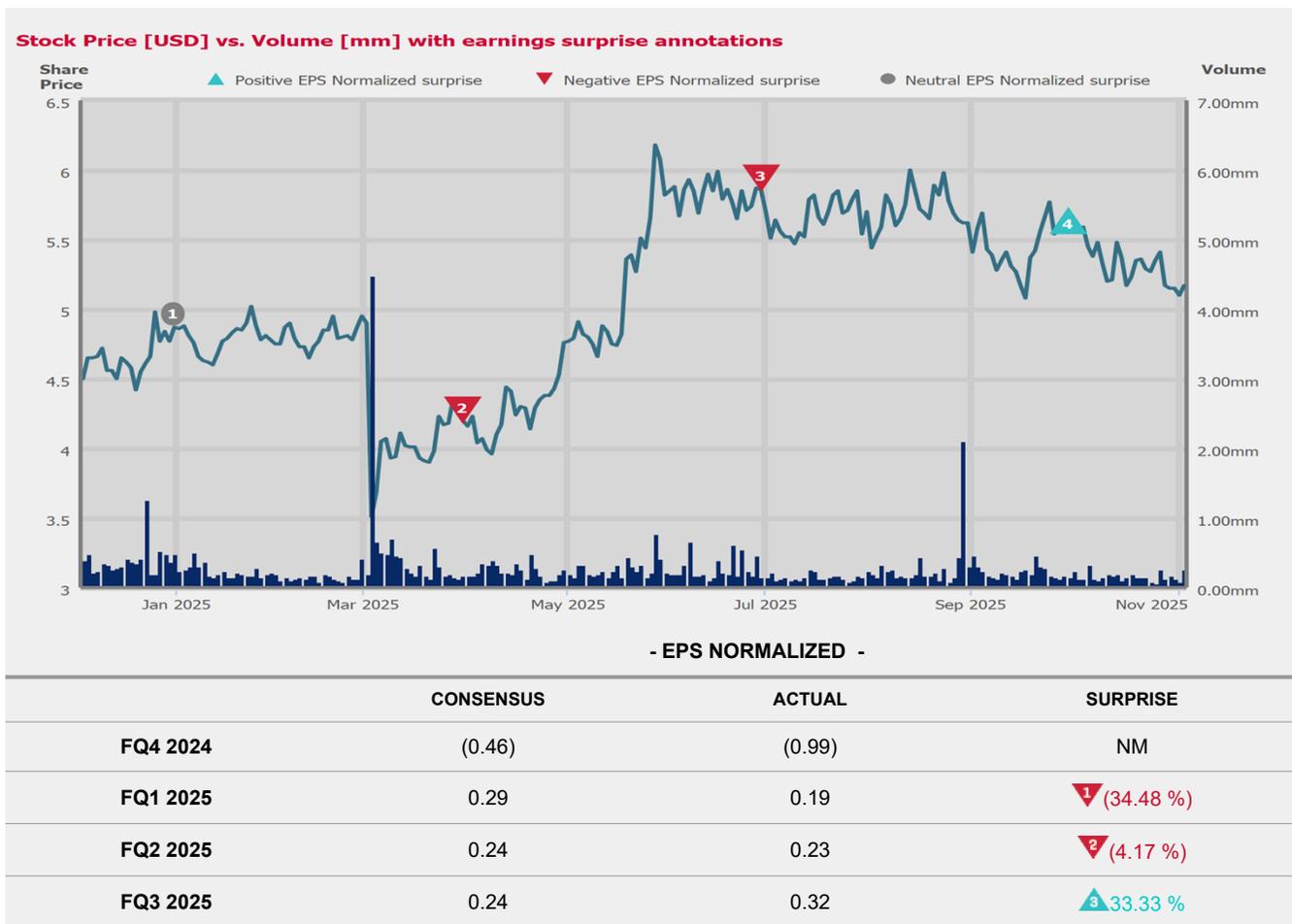


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Call Participants

EXECUTIVES

Bob Zimardo

Senior VP for Investments & Investor Relations

Frank N. D'Orazio

CEO & Director

Sarah Casey Doran

Chief Financial Officer

ANALYSTS

Brian Robert Meredith

UBS Investment Bank, Research Division

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Presentation

Operator

Good morning. My name is Carrie, and I will be your conference operator today. At this time, I would like to welcome everyone to the James River Group Q3 2025 Earnings Conference Call. [Operator Instructions]

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

Bob Zimardo

Senior VP for Investments & Investor Relations

Thank you, operator, and good morning, everybody, and welcome to the James River Group Third Quarter 2025 Earnings Conference Call. During the call, we will be making forward-looking statements. These statements are based on current beliefs, intentions, expectations and assumptions that are subject to various risks and uncertainties, which may cause actual results to differ materially. For a discussion of such risks and uncertainties, please see the cautionary language regarding forward-looking statements in yesterday's earnings release and the risk factors of our most recent Form 10-K and other reports and filings we have made with the SEC. We do not undertake any duty to update any forward-looking statements.

In addition, during this presentation, we may reference non-GAAP financial measures. Please refer to our earnings press release for a reconciliation of these numbers to GAAP, a copy of which can be found on our website.

Lastly, unless otherwise specified for the reasons described in our earnings press release, all underwriting performance ratios referred to are for our continuing operations and business that is not subject to retroactive reinsurance accounting for loss portfolio transfers.

I will now turn the call over to Frank D'Orazio, Chief Executive Officer of James River Group.

Frank N. D'Orazio

CEO & Director

Thank you for that introduction, Bob. Good morning, everyone, and welcome to James River's Third Quarter 2025 Earnings Call. I'm pleased to be joining you today on this election day morning and would like to start by emphasizing the fact that we feel a focus on profitability above all else, is a critical North Star for success in a transitioning property and casualty marketplace. We believe the underwriting and derisking actions that we've taken throughout James River demonstrate that commitment and the fruits of our labor are beginning to show up in our operating results, specifically in the company's bottom line performance that we'll discuss today. As usual, I'll start the conversation, and we'll turn it over to Sarah before we open up the discussion for questions.

We ended the third quarter with an annualized adjusted net operating return on tangible common equity of 19.3%, well above our mid-teens return target and with \$0.32 per share of adjusted net operating income. Notably, tangible common book value per share has grown 23.4% year-to-date. Our group combined ratio of 94% is down over 40 percentage points from the 135.5% reported in the third quarter of 2024 and also down more than 4 percentage points compared to the 98.6% we reported in the second quarter of this year. We're very proud of our deliberate efforts to significantly reduce our expense ratio now at 28.3%, reflecting a decrease of more than 3 percentage points compared to the prior year quarter and 2 percentage points lower than our second quarter this year.

Since the start of the year, we have taken actions to make lasting changes and increase efficiency across our organization with savings largely attributed to headcount and professional fee reductions. These savings, coupled with the impact of our anticipated redomicile have created material and tangible efficiencies for the company going forward. In a few minutes, Sarah will provide additional context and detail regarding these actions.

As alluded to, James River continues to build a resilient E&S business that prioritizes profitability. This focus is extremely relevant in today's transitioning market where competition continues to increase, particularly in larger accounts and across property risks where rate pressures persist. While our portfolio is not immune to these headwinds, we remain constructive on the market opportunity ahead given our positioning, which emphasizes small- to medium-sized casualty risks and specialty third-party lines with limited property exposure. As we have previously discussed, we continue to be intentional in our shift to smaller accounts with lower average premiums, which we believe have historically proven to be more profitable than larger account segments of the market.

Our segment leadership reorganization now complete has created a more agile structure focused on improving speed while driving execution and accountability. Underwriting teams have leaned into smaller accounts and delivered strong performance in our specialty divisions. Empowered by technology and data, our underwriters are acting decisively and efficiently with continued overwhelming

support from our wholesale broker partners. While our innovation journey continues, we're focused on streamlining our workflows with the benefit of technology and greater efficiency in our underwriting operations.

In our E&S segment, we remain focused on profitable underwriting production, business mix improvements and appropriate underwriting governance. Year-to-date, rates are up 11% across casualty lines in the aggregate, moderating since last quarter, but still comfortably in excess of our view of loss cost trends. For the quarter, casualty rates increased 6.1% with notable gains in commercial auto at plus 29.8%, energy at plus 19%, excess casualty at plus 10% and general casualty at plus 7.9%. Submission volumes, which rose 3% over the prior year quarter, are up nearly 5% year-to-date, while our average renewal premium size is down 12.7%, also year-to-date.

Over the past several years, we've worked diligently to refine our underwriting appetite, institute tools for better performance monitoring and further embed the culture of enterprise risk management throughout the organization. These efforts are paying off, particularly in the most recent accident years. After 33 months, the reported loss ratio for the 2023 accident year reflects a 21% improvement compared to 2020 despite a significant increase in earned premium. Claim count decreases for the same period are in the low to mid-teen percentages as well. This performance gave us the confidence to modestly increase our net retention at our midyear reinsurance treaty renewal. This quarter, the E&S net retention on the portfolio exceeded 58% for the first time in over 2 years, up from 56% in the same quarter last year.

From a production standpoint, gross written premiums declined 8.9% compared to the prior year quarter. However, production dynamics were not uniform in the segment. 6 of our 15 underwriting departments showed growth led by our Specialty division, which grew by 4% in aggregate compared to the prior year quarter and includes Allied Health, Energy, Environmental, Life Sciences, management liability and professional liability. Within Specialty, Allied Health has now grown 20-plus percent for a second consecutive quarter, while Energy and Life Sciences grew at 16% and 10%, respectively. These departments are delivering strong performance with what we believe are attractive margins, and we're encouraged by the continued opportunity these divisions hold.

Our Excess Casualty and general casualty portfolios were down 4% and 2%, respectively, reflecting increased competition as well as our intentional focus on smaller accounts and in Nexus Casualty specifically, our more conservative positioning on large commercial auto fleets, acknowledging many of the same unattractive dynamics that market competitors continue to report. Although a small line of business for us, rates were down 19.6% and subsequently, gross premiums decreased by 38.2% in our excess property unit, where for the second year in a row, we continue to see greater market pressures than anywhere else in our portfolio due to a significant increase in market appetite and capacity. However, the biggest driver of decreased production for the segment in the quarter was in our Manufacturers and Contractors division, which decreased its gross premium writings by 30% or \$13.5 million.

While we have seen increased competition in certain pockets of the market, this is an area where we have taken direct underwriting response to an increased frequency of low severity claims over the last several quarters despite frequency being down across our other 14 underwriting departments. While we believe some of the increased frequency may be attributable to the Florida statute change introduced last year, we've taken deliberate actions to reduce our exposure to subcontractors serving the tracked home building space as we believe this subclass has been a driver of the uptick we've experienced in low severity frequency.

As mentioned, while E&S gross premiums declined by 8.9% in the quarter, net earned premium grew 1%, which helped to drive \$16.4 million in underwriting income and a much improved 88.3% combined ratio. Our accident year loss ratio of 63.5% was 1.2 points lower than the prior year quarter simply due to business mix, but consistent on a year-to-date basis. As our press release highlighted, during the quarter, we completed our annual detailed valuation review or DVR process. As a reminder, the DVR is the first principles ground-up review of all assumptions and selections underpinning our E&S segment's reserve base. By definition, our actuaries complete this in-depth study once a year during the third quarter. This review of our entire E&S reserve balance provides a detailed analysis of the assumptions underlying reserves, adding additional rigor to our internal quarterly actuarial processes. While the company has long completed its DVR parameter process during the third quarter, this is the third annual review of what has evolved into a much deeper and more granular process.

The outcome of our DVR process is a \$51 million charge in accident years 2022 and prior, which we ceded to the legacy covers that we purchased last year. The largest portion of the charge is driven by other liability occurrence and product completed operations related to accident years 2020 to 2022. In essence, we feel the legacy covers are serving their purpose as intended, responding to any development from older years as they reach maturity or allowing for the company's more recent years to age favorably given the numerous underwriting actions and positive indicators reflected in those years. I should point out that while it varies by line of business for the majority of our portfolio, our tail continues to be characterized as 75% developed at about 5 years, meaning that the underwriting years of concern, 2022 and prior are largely already at that vintage or older. We continue to see a stark contrast in the indicators and performance of the portfolio between the 2022 and prior years and the positive performance trends of the more recent accident years of 2023 forward.

Claims frequency is meaningfully down in those most recent years as our incurred losses despite meaningful portfolio growth since 2020. Importantly, we have not experienced any adverse development for the period of 2023 through the current accident year, and our diagnostics continue to substantiate our favorable view of those years.

Moving on from E&S. As discussed in prior quarters, we are actively managing our specialty admitted fronting business with a focus on expense management and significantly reduced net retentions as we take meaningful underwriting actions based on our view of the sector's dynamics and a decisive shift away from commercial auto. As a result, segment expenses have declined 44% year-to-date as we've continued to manage expenses aggressively while also reducing our net premium retention to below 5% this quarter. Despite the reductions in both gross premiums and net retentions, we continue to renew programs that meet our underwriting criteria while selectively reviewing new opportunities.

Looking ahead, our strategy remains sharply focused on profitability. We expect to maintain discipline, continue our deliberate mix shift towards smaller, more profitable accounts and uphold underwriting guardrails in challenging areas. We are closely monitoring casualty pricing trends, submission velocity and quote-to-bind efficiency to ensure we remain data-driven and responsive to market signals. Expense management will remain a core area of focus as we seek to improve operational leverage without compromising the quality of our underwriting or claim service.

Now I'll turn the call over to Sarah to expand on several of the areas that we referenced this morning before we open up the call to questions.

Sarah Casey Doran
Chief Financial Officer

Thanks very much, Frank. Good morning, everyone, and thanks for joining us today. We continue to make notable progress on our strategic goals through 2025 in our efforts to increase lasting operating efficiency while demonstrating the stability of our balance sheet. This quarter, we're reporting a small net loss from continuing operations available to common shareholders of \$376,000 or about \$0.01 per diluted share. On an adjusted net operating basis, we're reporting \$17.4 million or \$0.32 of income per share. As Frank mentioned, our annualized operating return on tangible common equity for the quarter was 19.3% and tangible common book value per share increased 23.4% from the start of the year to \$8.24 a share as we've made meaningful strides to grow our capital base.

Strong investment results and a meaningful improvement in AOCI from market interest rate reductions this quarter provided some uplift. Our third quarter combined ratio of 94% consists of a 65.7% loss ratio and a 28.3% expense ratio much improved from the 135.5% we reported in the prior year quarter, and that's really driven by strong performance across our E&S segment. On a year-to-date basis, we reported an expense ratio of 30.5%, which is below our full year 31% target. Just as a reminder, we started the year with an expense ratio of 32.7%. Year-to-date, we've recorded lasting savings of about \$8 million coming out of all 3 of our reportable segments, E&S, Specialty Admitted and Corporate. The largest area of reduction has come from reduced compensation expense across the group. And notably, we began the year with 640 full-time employees and had 590 or 50 fewer by the end of the third quarter.

We've also reduced costs meaningfully in areas like rent and professional fees. The 28.3% group expense ratio this quarter is more notable given the decline in gross written and net earned premium quarter-over-quarter, up 28% and 7%, respectively.

Reviewing by segment, quarter-over-quarter, E&S had a \$3 million G&A reduction, Specialty admitted about \$2.5 million; and corporate, a little over \$1 million. Year-to-date, corporate expenses have declined 7.5% compared to the same period in 2024, well within the 5% to 10% decline in corporate expenses we're working towards for the full year.

And finally, on expenses, our planned redomicile to bring our holding company from Bermuda to Delaware is expected to be complete this coming Friday, November 7. That will bring significantly more expense benefits via a more efficient structure and a lower expected effective tax rate. We expect that this transition will be meaningfully accretive to our fourth quarter earnings and going forward, bring our effective tax rate closer in line with the U.S. statutory rate. As mentioned previously, the redomicile is expected to bring a onetime tax savings of \$10 million to \$13 million during the fourth quarter of 2025 and ongoing quarterly expense savings of between \$3 million and \$6 million going forward.

Let me quickly wrap up my comments with investments. We reported \$21.9 million of net investment income, up from \$20.5 million in the previous quarter. The portfolio remains conservatively positioned with an average credit rating of A+ and a duration of 3.4 years. We've been strategically reducing our allocation to cash and short-term investments during the year taking advantage of strong relative value opportunities across our fixed income allocation, where we've been putting money to work at an average book yield of 5.2%, which is well above our current book yield of 4.5%. And we've been doing this while not sacrificing credit quality. I do expect a more favorable quarter-over-quarter comparison of NII next quarter, given the impact from the payment of the retroactive structures that we purchased in the second half of 2024.

With all that, I'd like to turn the call back over to the operator and open the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question will come from Mark Hughes with Truist Securities.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Frank, you had spoken about the recent accident years, 2023 and forward, you're seeing a much more favorable loss experience. Any way to distinguish how much of that might be just your underwriting actions versus the broader market trends perhaps in the last couple of years?

Frank N. D'Orazio

CEO & Director

Thanks, Mark. I think our view is it's heavily tied to the underwriting actions that we took. It's such a dichotomy in terms of experience. We kind of went through the number just relative to the decrease in claim counts as well as the reduction in incurred losses. So if you remember, we instituted a number of sublimits and exclusions. We exited certain classes. We really, at the same time, also improved our performance monitoring and the rate in which we do that and some of the processes relative to feedback loops within the organization. So I would say it is directly tied to the underwriting actions we've taken as well as the rate environment. So we have been able to produce rate in excess of our view of loss trends. So that obviously helps as well.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

Yes, very good. Sarah, did you provide any sort of expense ratio target? I think you may have commented on that in the past. But with the improvement this quarter, it sounds like more expense savings flowing through the P&L. Is there a particular target you've got in mind?

Sarah Casey Doran

Chief Financial Officer

Yes. Thanks, Mark. I think our full year target is consistent with what we've said a couple of quarters ago, and that's 31%, which would be certainly down from where we started the year at 32% and change. So I still feel very good about that. I'm obviously hesitating a little bit because we're doing this while we're making the underwriting changes, which has pushed down net earned. So I'm much more focused on the dollars we've taken out of the organization because I think those dollars have permanently left the organization than the ratio because I think the ratio also is going to miss the tax savings and the additional benefits that we're getting through the red. But a long way of saying, I still feel good about 31%, but I think there are other levers there that tell the story in a more effective way as well.

Mark Douglas Hughes

Truist Securities, Inc., Research Division

And then excess property, I know it's small in your book. Rates are down, business is down. What's your judgment about where that stands now? It was obviously a light storm season. Is that business continuing to see further declines and not your book necessarily, but just kind of your judgment of market conditions? Is it softening further here in the fourth quarter? Or is that maybe stabilized?

Frank N. D'Orazio

CEO & Director

Yes, Mark. Well, I think you kind of alluded to it. I mean the industry U.S. property losses, the experience this year is certainly well within most carriers' plans. So my expectation would be from a rate environment perspective, I would expect more of the same, so double-digit rate decreases. We're also seeing some loosening up of terms and conditions. So just plenty of capacity out there, whether it's carrier, MGA and MGU. So I guess the wildcard would be that if something significant, very significant, like \$50 billion event type significant happen between now and year-end, that could be perhaps a game changer to kind of slow down the rate of the aggression in the property marketplace. But right now, that's what we see. We're kind of thinking more of the same.

Operator

Your next question will come from Brian Meredith with UBS.

Brian Robert Meredith

UBS Investment Bank, Research Division

A couple of questions here for you. First, I'm just curious, the reserve charge that took that went to the ADC cover, the lines of business that, that was involved in, how much of that business are you still writing today? And was anything kind of learned through that study that maybe affected your kind of thoughts on what you're underwriting today and how you're booking stuff?

Frank N. D'Orazio

CEO & Director

Yes. Sure, Brian. Let me take a crack at that. So we're talking about primarily the charge being driven by other liability occurrence and product completed operations from 2020 to 2022. The other liability occurrence primarily was non [indiscernible] space. These are lines of business that we're still in, so that would include energy, sports and entertainment, some elements of general casualty and then the product completed operations charts clearly coming out of MC. I'll draw a direct kind of parallel to the actions that we're taking first in MC. We've done a pretty deep analysis of what we see as an increase in low severity claims over the last, call it, 1.5 years or so and have made the decision to take some significant underwriting actions relative to tracked homebuilding in a number of different states.

So we're not necessarily exiting the class, but we've got certain prohibited applications that we're paying attention to and a number of guidelines relative to the class. So I would say that's already in process. And I would say relative to the OLO, the other liability occurrence, those are changes that have been kind of, I think, already recognized and built into the organization over the last couple of years of underwriting changes that we've really started commencing at the end of '22.

Brian Robert Meredith

UBS Investment Bank, Research Division

Great. And then the second question, I'm just curious, maybe you can provide some outlook and what you think the ultimate happens with your Specialty Admitted segment. I mean it looks like it's shrunk pretty meaningfully.

Frank N. D'Orazio

CEO & Director

It has, Brian. And so we developed a view that we wanted to significantly reduce the commercial auto exposure in the portfolio based on our view of the behavior in the sector as well as the rated reinsurance market appetite, and we wanted to take less risk there. So we've greatly reduced our net retentions, and that view has not changed. You kind of see that playing through from quarter-to-quarter. We have -- I would say we've kind of picked our horses, so to speak, and have a handful of active programs today, mostly fully fronted. We feel like they're on a very solid footing and stable with low net retentions.

We're now less than 5% in terms of retention. It's a far cry from where we've been in the past and certainly, I would say, a fraction of where probably the rest of the sector is. And we're continuing to focus on expense management. So as you know, the segment capital contributes fairly meaningfully to net investment income, circa, call it, 20% or so. And so we've shown and stated in the past that we'll continue to manage the business to take advantage of what we view as profitable opportunities that meet our criteria.

Brian Robert Meredith

UBS Investment Bank, Research Division

Got you. I was just wondering, it's getting so small, just the relevance of that business in the marketplace? And does it make sense in even being in it?

Sarah Casey Doran

Chief Financial Officer

I think we're tag teaming on the question, Brian. I think we're -- the way that we thought about managing the segment, we're certainly still in it. We're getting inquiries into it. We've got active programs, but we're managing it for profitability. So to Frank's point, getting the retention is actually at 3.7% this quarter, managing the expenses. We've taken over 1/3 of the expenses out of it. I think that there's very little that we're able to or have to continue to invest in it to keep it online. I would also say is that the last thing I'd say is I think those profitability ratios that you're probably looking at as well, they've become, I think, less important indicators of the health of the business when you see net written premium drop 94% quarter-over-quarter.

So as we look at this to manage net investment income and to focus on the rest of our business, it's not much of an effort as we've continued to move forward there.

Frank N. D'Orazio
CEO & Director

Yes. And I guess if I just one final word on it, Brian. Our track record, I think, has demonstrated that we regularly evaluate all of our businesses and underwriting units to make sure they fit our corporate goals and objectives and it's just good stewardship, and we'll continue to do that.

Operator

There are no further questions at this time. And I'll turn the call back over to management for any closing remarks.

Frank N. D'Orazio
CEO & Director

Thank you, operator. As we approach the end of 2025, it's worth reflecting on the transformation this company has undergone. Our experienced and reenergized leadership team continues to build and improve James River, distinguished by underwriting profitability while flexibly reallocating capital to the most attractive opportunities as market dynamics evolve. I'm pleased with our continued progress as an organization. With every passing quarter, we're seeing the demarcation between the company's legacy performance and the more recent accident years characterized by significant underwriting changes and marked improvement in performance. Our primary goal remains to enhance shareholder value through consistent and deliberate execution over the years ahead.

Thank you to all for listening to the call today. We look forward to speaking to you again in a few months.

Operator

Thank you for your participation. This does conclude today's conference. You may now disconnect.

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