



JAMES RIVER GROUP HOLDINGS, LTD.

**Fourth Quarter 2018  
Investor Presentation**

# Disclosure

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## Forward-Looking Statements

This press release contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. In some cases, such forward-looking statements may be identified by terms such as believe, expect, seek, may, will, intend, project, anticipate, plan, estimate, guidance or similar words. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. Although it is not possible to identify all of these risks and factors, they include, among others, the following: 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; 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; a decline in our financial strength rating resulting in a reduction of new or renewal business; 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 such relationships; changes in laws or government regulation, including tax or insurance law and regulations; the recently enacted Public Law No. 115-97, informally titled the Tax Cuts and Jobs Act, may 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 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; exposure to credit risk, interest rate risk and other market risk in our investment portfolio; our ability to obtain reinsurance coverage at prices and on terms that allow us to transfer risk and adequately protect our company against financial loss; 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 an insured group of companies with whom we have an indemnification arrangement failing to perform their reimbursement obligations; the potential impact of internal or external fraud, operational errors, systems malfunctions or cyber security incidents; our ability to manage our growth effectively; inadequacy of premiums we charge to compensate us for our losses incurred; failure to maintain effective internal controls in accordance with Sarbanes-Oxley Act of 2002, as amended; and changes in our financial condition, regulations or other factors that may restrict our subsidiaries' ability to pay us dividends. 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 filed with the SEC on March 1, 2018. These forward-looking statements speak only as of the date of this release and the Company does not undertake any obligation to update or revise any forward-looking information to reflect changes in assumptions, the occurrence of unanticipated events, or otherwise.

## Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures as defined by Regulation G of the rules of the SEC. These non-GAAP measures, such as underwriting profit, adjusted net operating income, tangible equity and adjusted net operating return on average tangible equity (which is calculated as adjusted net operating income divided by the average tangible equity for the trailing five quarters) are not in accordance with, nor are they a substitute for, GAAP measures. We believe these non-GAAP measures provide users of our financial information useful insight into our performance. Investors should consider non-GAAP measures in addition to, and not as a substitute for, or superior to, the comparable GAAP measures. Please refer to pages 25 & 26 of this presentation for a reconciliation of the non-GAAP financial measures to the equivalent GAAP equivalents.

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# Overview









# Our Strategy

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**We deliver consistent, top tier returns on tangible equity and generate sector leading value creation**

- We are executing a clear growth strategy while maintaining superior underwriting margins and growing both non-risk fee and investment income
- We target niche low volatility casualty risks for our 'A' rated balance sheet, with low retentions and little property exposure
- We are focused on profitably growing our unique portfolio of new economy, excess and surplus and selected admitted risks
- We seek out new opportunities to meaningfully build fee income and increase the proportion of total company non-risk earnings
- We are optimizing investment returns, much of which are largely generated from niche strategies representing a small portion of our portfolio

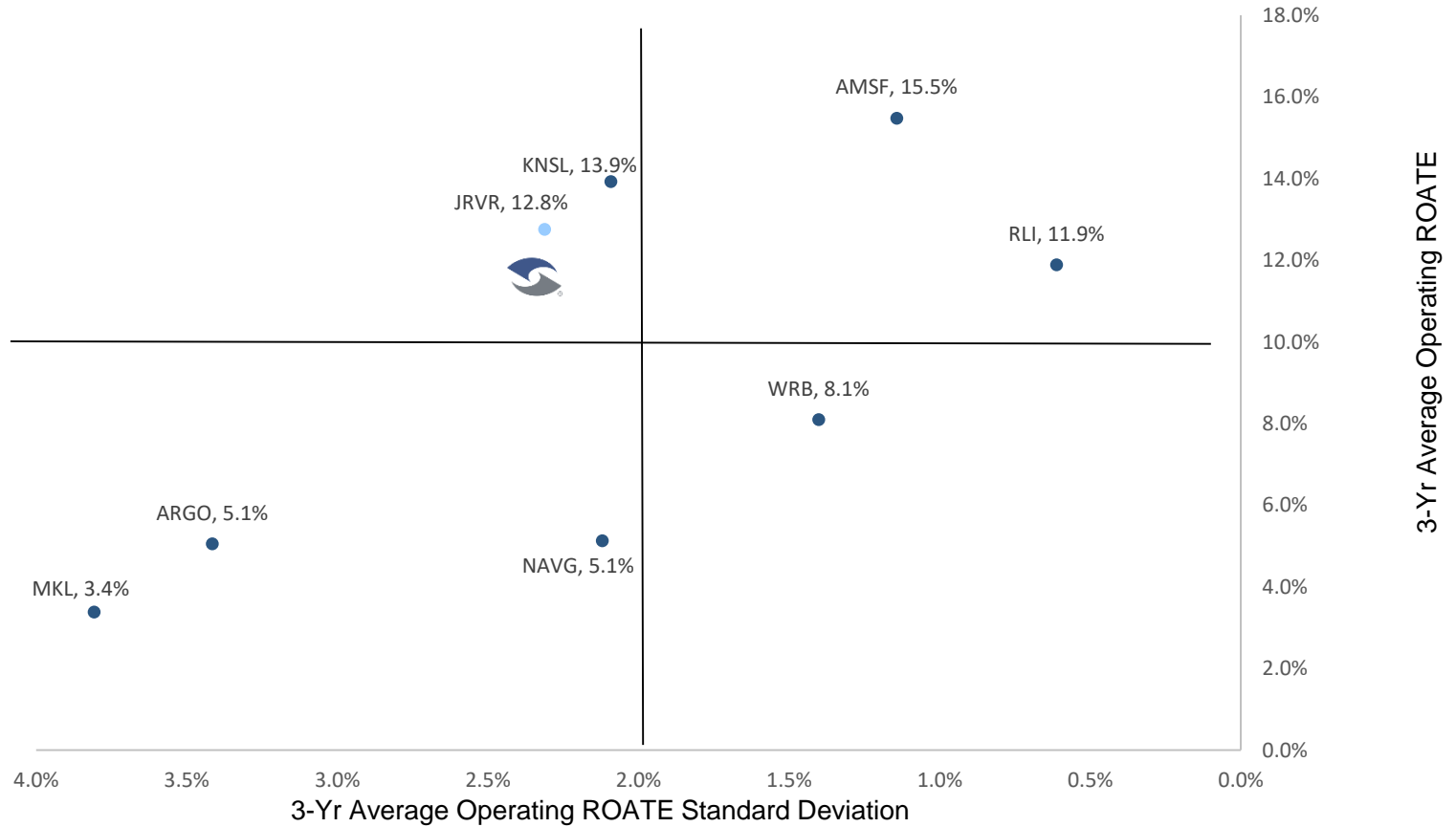
# FY 2018: Improved Operating Results

(\$millions, except per share amounts)	FY 2017	FY 2018	Change
Gross Premiums Written	\$ 1,081.9	\$ 1,166.8	7.8% 
Expense Ratio	24.3%	23.0%	-5.3% 
Combined Ratio	99.2%	96.6%	-2.6% 
Operating Income	47.4	70.6	48.9% 
Operating Cash Flows	207.8	290.0	39.6% 
Tangible Book Value per Share Inclusive of Dividends	15.98	17.54	9.8% 
<b>Operating Return on Tangible Equity (OROATE)</b>	<b>9.7%</b>	<b>14.8%</b>	<b>52.6%</b> 
Average Multiple of Price to Tangible Equity	2.43	2.41	-0.8% 

Source: SNL Financial, company filings.

# Consistent Top Tier Returns

Best in class risk reward generated with low volatility, sector-leading returns

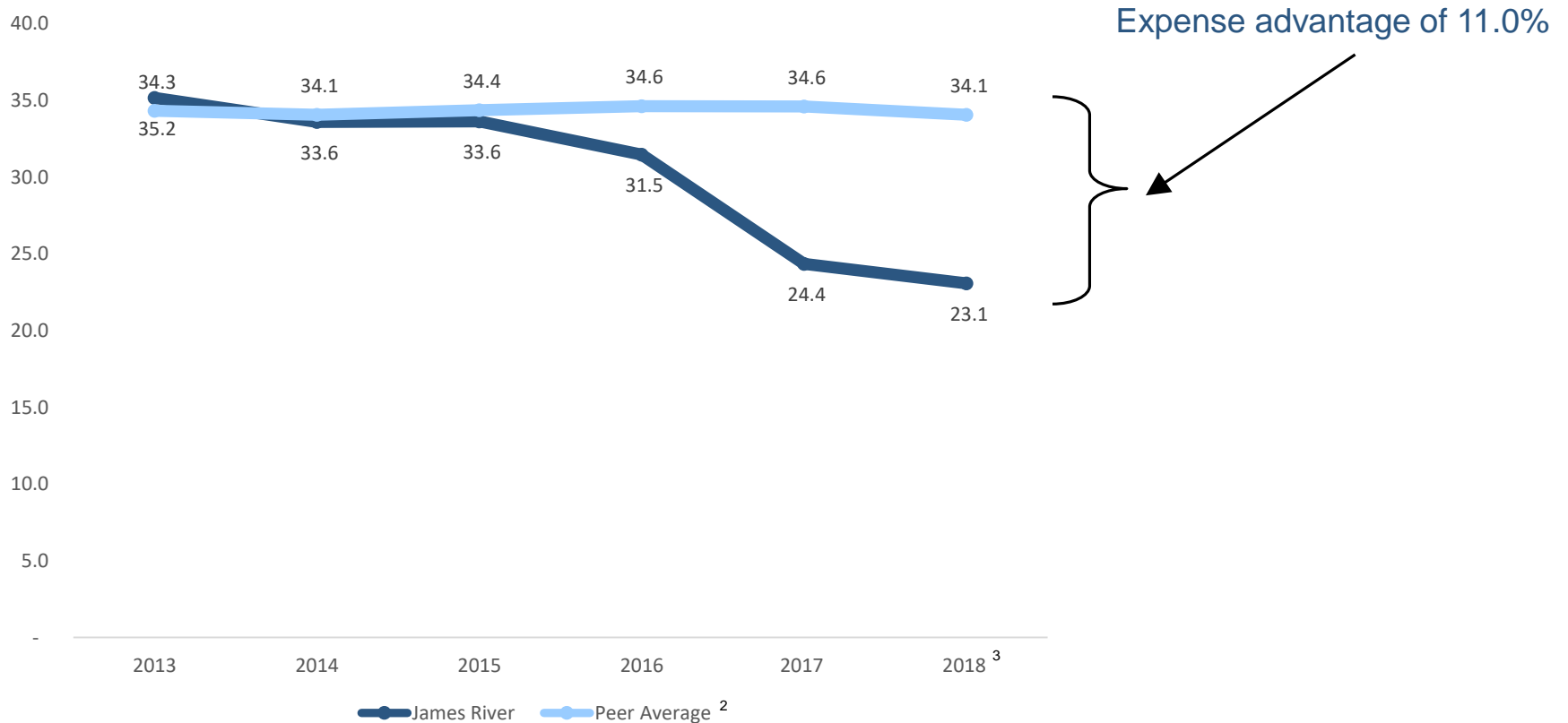


Source: SNL Financial

Operating ROATE calculated as trailing twelve month operating returns per share through December 31, 2018 for JRVR, ARGO, KNSL, MKL, RLI, WRB, and through September 30, 2018 for AMSF and NAVG divided by the average of the previous 5 quarters Tangible Book Value per Share through December 31, 2018 for JRVR, ARGO, MKL and RLI and the previous 4 quarters Tangible Book Value per Share through September 30, 2018 for AMSF, KNSL, NAVG and WRB.

# Leading Expense and Scale Benefit

Our material expense advantage is a key competitive advantage<sup>1</sup>



<sup>1</sup> GAAP expense ratio; all other expenses adjusted for inclusion in the expense ratio.

<sup>2</sup> Peer Group: Amerisafe Inc. (AMSF), Argo Group International Holdings, Ltd. (ARGO), Kinsale Capital Group Inc. (KNSL), Markel Corp. (MKL), Navigators Group Inc. (NAVIG), RLI Corp. (RLI) and W. R. Berkley Corp. (WRB).

<sup>3</sup> 2018 data for AMSF and NAVIG through September 30, 2018. All others through December 31, 2018.

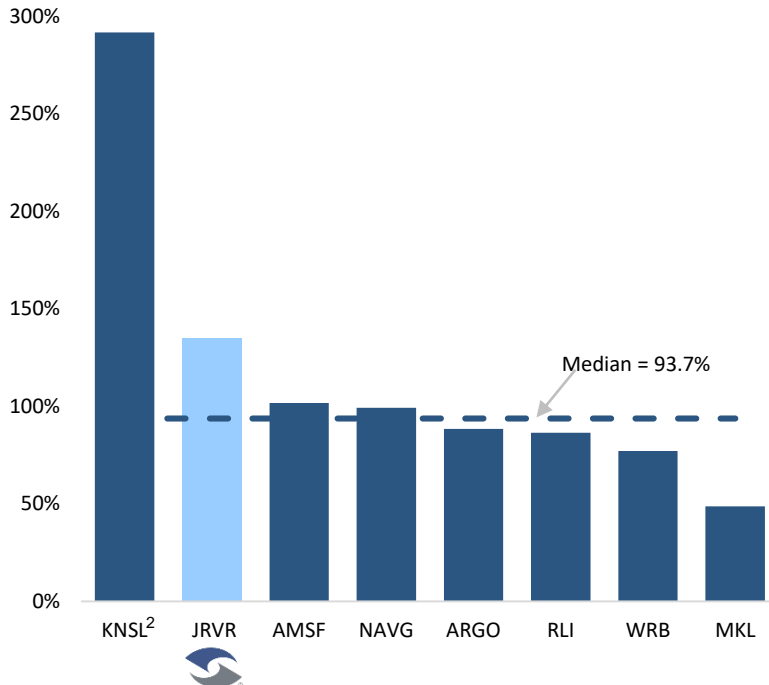
Source: SNL Financial (peer data), company filings



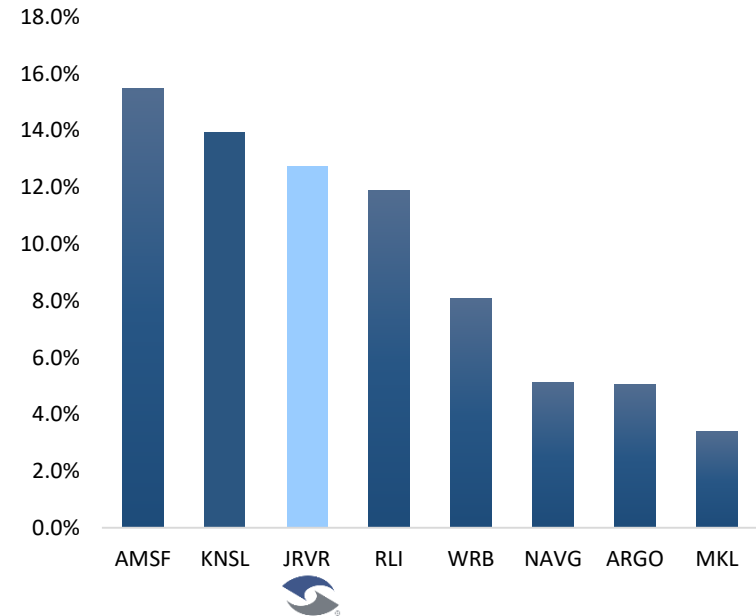
# Leading Value Creation

We have delivered best in class shareholder returns since becoming a public company

Total Shareholder Return Since JRVR IPO <sup>1</sup>



3 Year Avg Operating ROATE <sup>3</sup>

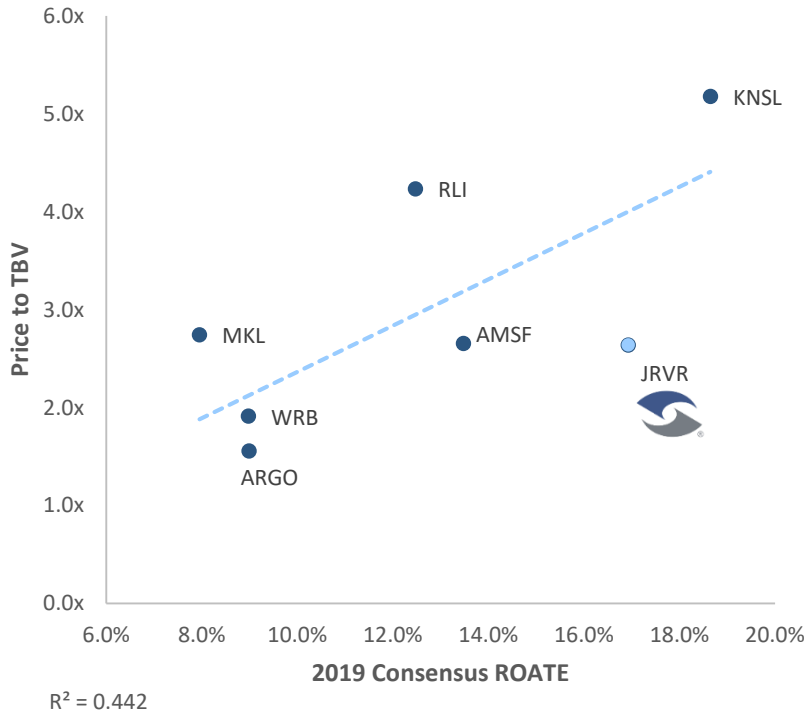


Source: SNL Financial.

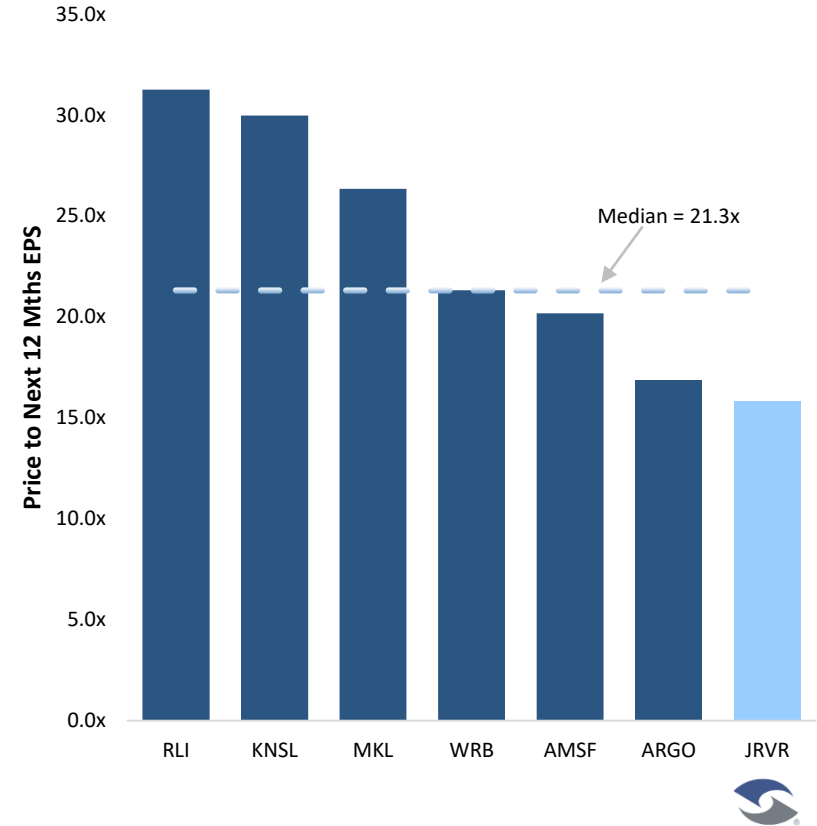
1. Shareholder return represents the dividend-adjusted share price appreciation from James River's initial public offering date of December 12, 2014 until February 21, 2019.
2. KNSL's total shareholder return is calculated since its July 27, 2016 initial public offering.
3. Operating ROATE calculated as trailing twelve month operating returns per share through December 31, 2018 for JRVR, ARGO, KNSL, MKL, RLI, WRB, and through September 30, 2018 for AMSF and NAVG divided by the average of the previous 5 quarters Tangible Book Value per Share through December 31, 2018 for JRVR, ARGO, MKL and RLI and the previous 4 quarters Tangible Book Value per Share through September 30, 2018 for AMSF, KNSL, NAVG and WRB.

# Our Current Valuation Supports Meaningful Upside

## P/TBV vs Operating ROATE<sup>1</sup>



## Price/Next Twelve Month Consensus Earnings



Source: SNL Financial.

Market data as of February 21, 2019.

<sup>1</sup> Analyst Consensus Operating Return on Average Tangible Equity for the full financial year



# **Our Business**

# Our Business

## E&S Segment

- E&S business underwritten by specialists in 13 divisions organized by product or industry segment
- 88.5% average combined ratio from 2014-2018
- Leading market for new economy risks led by transportation networking companies
- Focus on small and medium-sized commercial accounts; 97% casualty and no primary property
- Distributes through 120+ broker groups

PROFITABLE SPECIALTY UNDERWRITING

## Specialty Admitted Segment

- Specialty admitted insurance coverages in the US, including a growing fee income business
- Growing, transactional driven fee based fronting business
- Targeted book of workers' compensation risks
- Gross fee income of \$11.3MM in 2017 and \$14.8MM in 2018

A FOCUS ON FEE INCOME

## Casualty Reinsurance Segment

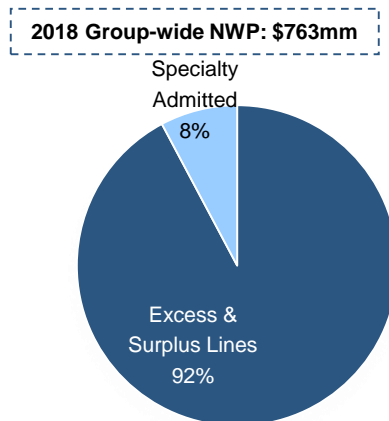
- Third-party proportional and working-layer excess casualty business focused on small and medium U.S. specialty lines
- Significantly downsized during 2018 to optimize group returns and structure; remains core to group
- 84% of the segment's Gross Written Premium consisted of E&S risks in 2018
- At December 31, 2018, 97% of third party treaties were written as quota share arrangements and 82% contained loss mitigation features to drive low volatility

LOW VOLATILITY UNDERWRITING

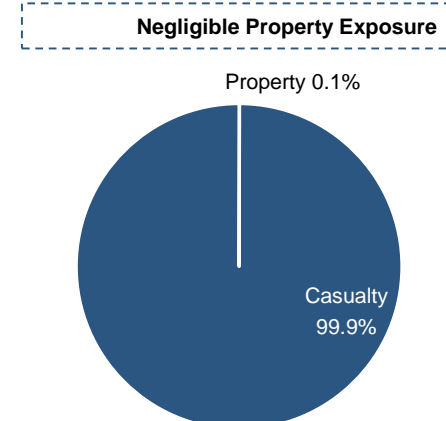
# Franchise Overview

- We are a specialty, low volatility underwriting company with a proven history of generating consistent profits
- Our key area of focus is small and medium sized commercial account Excess & Surplus Lines casualty business with \$1 million per occurrence limits and approximately \$20,000 average account premiums
- We look to marry that with a growing fee business, through our fronting strategy within our specialty admitted segment
- Our niche workers' compensation and third-party casualty reinsurance businesses help provide attractive returns on capital
- We expect to deliver 12% or better operating returns on tangible equity for the 2019 fiscal year and a combined ratio of 94% to 97%
- 2017 result: 9.7% OROATE; 2018 result: 14.8% OROATE <sup>1</sup>

2018 Group-wide Net Written Premiums by Type



2018 Group-wide Net Written Premiums by Coverage

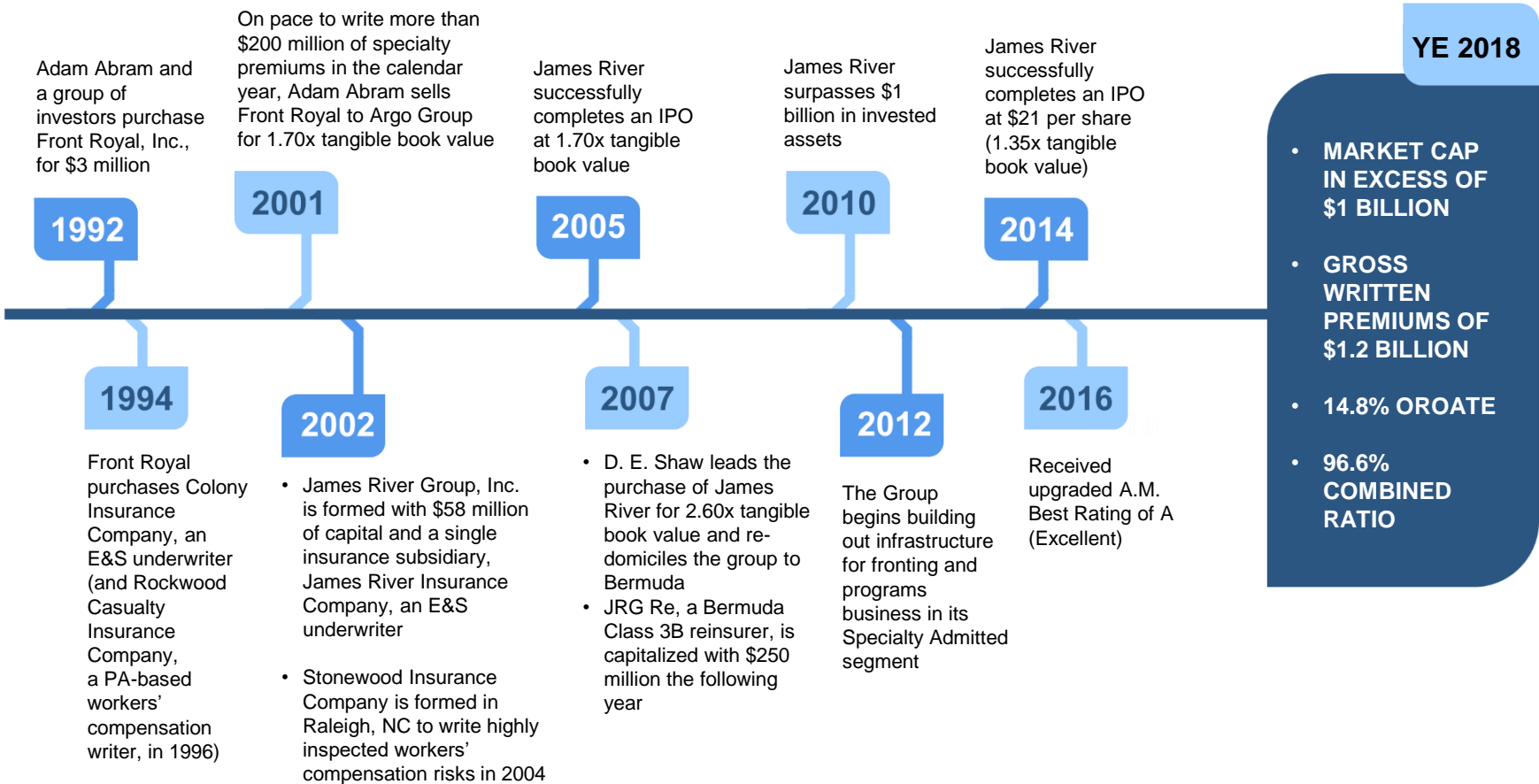


Source: Company filings

<sup>1</sup> Operating Return on Average Tangible Equity, calculated as annualized YTD Operating Income divided by the average Tangible Equity over the period

# Our Specialty Market History

We have a long history of success in building niche businesses and generating top tier returns for investors



# E&S Focus | Profitable, Niche Specialty Underwriting

- Our business is heavily concentrated in E&S Casualty (92% of 2018 NWP and generated by both the E&S and Casualty Reinsurance segments).
- We have focused on building an attractive portfolio of new economy risks
- E&S is the most profitable part of the property/casualty market and has been gaining market share.

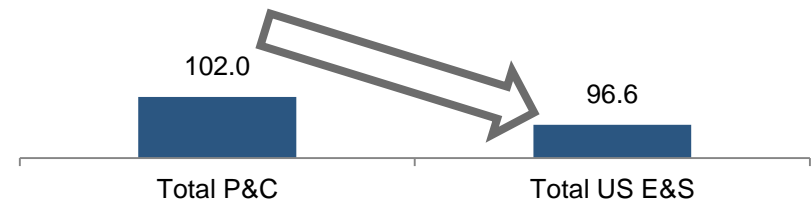
**E&S segment GWP grew by 43% during 2017 and 24% during 2018.**

Source: Market data per A.M. Best data and research and SNL.

## Profitability of E&S vs. Total P&C Industry

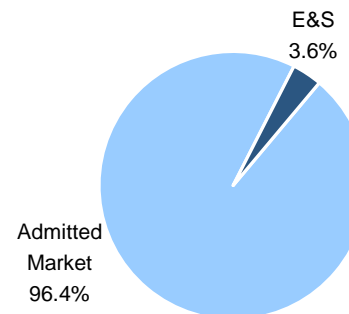
Avg. Combined Ratios 2000–2017

Difference of 5 percentage points



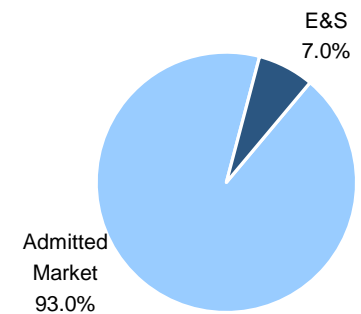
## E&S Gaining Share of P&C Insurance Market

2000 P&C Market



Total P&C GWP: \$327.3bn  
E&S GWP: \$11.7bn

2017 P&C Market



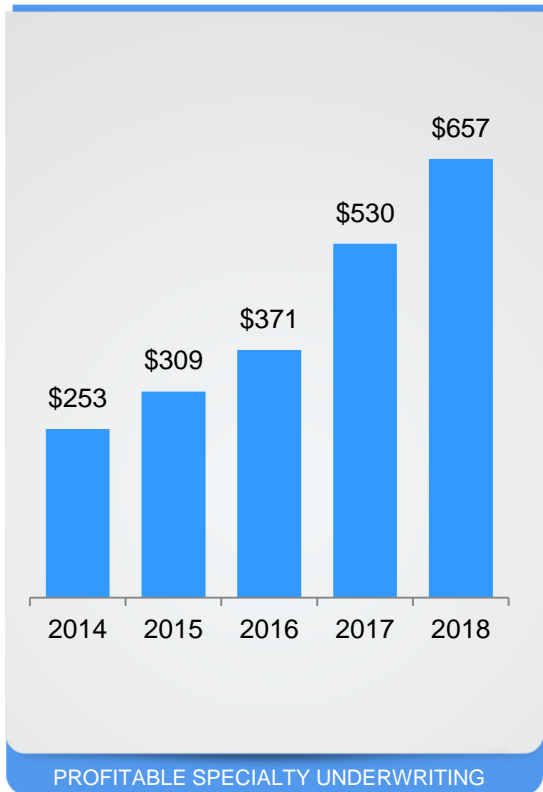
Total P&C GWP: \$642.1bn  
E&S GWP: \$44.9bn

# Attractive Growth in Gross Written Premium

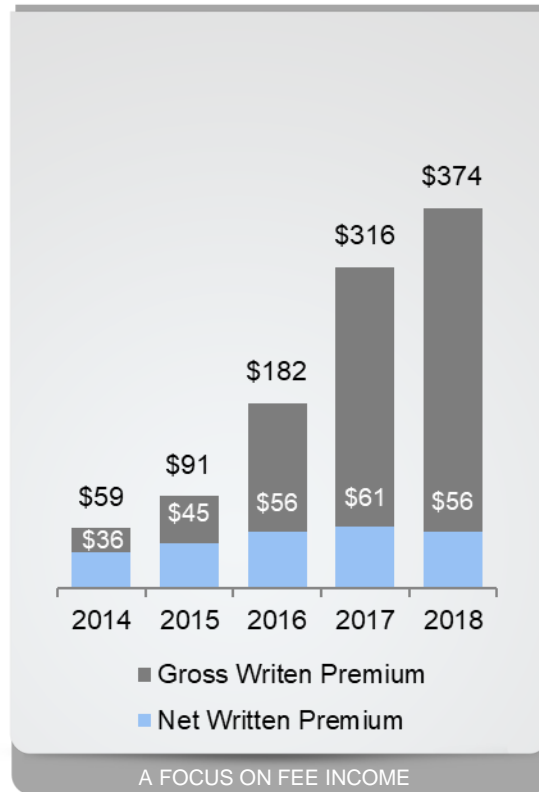
Growth driven by attractive new economy risks, core E&S growth, and expansion of our fee based fronting business

(\$ in Millions)

### E&S Segment



### Specialty Admitted Segment



### Casualty Reinsurance Segment







# **Financial Highlights**

# Broad Risk Appetite Permits Us to 'Pick Our Spots'

Each Excess & Surplus lines policy is underwritten by in-house specialists with deep technical expertise across 13 underwriting divisions

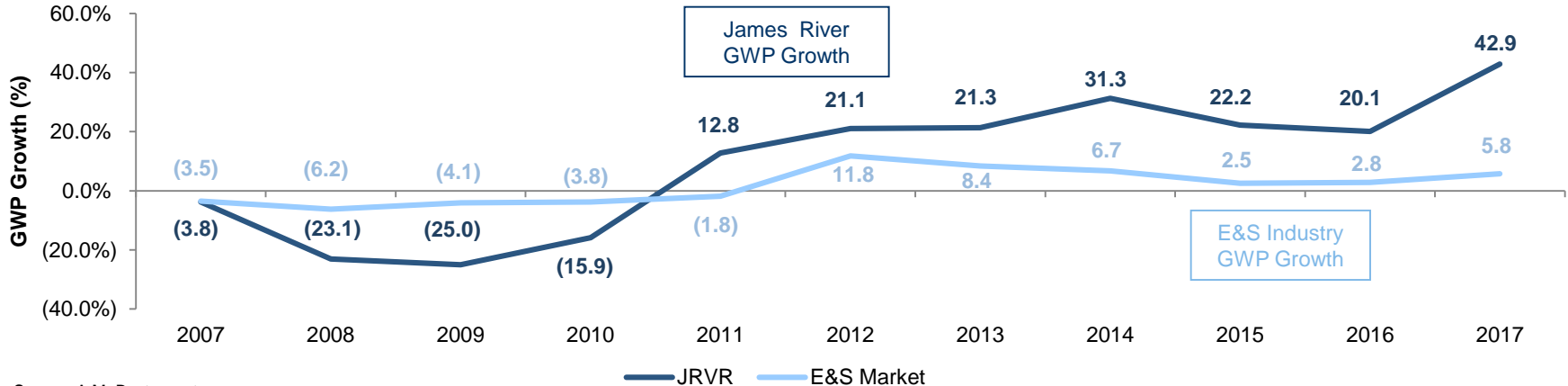
- 2018 has seen pricing increase of 6.5% across our core (non-commercial auto) E&S business

Division	Lead U/W Years of Industry Experience	Gross Written Premiums			Description
		Year Ended Dec 31, 2018	Year Ended Dec 31, 2017	Year Ended Dec 31, 2016	
Commercial Auto	30	\$322.1	\$248.0	\$110.1	Hired / non-owned auto, ride share
Manufacturers & Contractors (MC)	34	79.2	85.7	83.3	Products liability & completed operations exposure
Excess Casualty	34	66.5	51.2	43.5	Following form excess on risks similar to GC and MC
General Casualty (GC)	30	54.1	38.1	36.9	Premises ops (e.g., apartments, offices & restaurants)
Energy	46	33.9	29.7	29.7	Oil & gas contractors, mining, alternative energy & utilities
Allied Health	24	30.4	19.2	14.4	Long-term care, outplacement facilities & social services
Excess Property	32	16.9	14.4	14.1	CAT-exposed excess property > 1/100 year return period
Life Sciences	34	16.7	13.0	11.1	Nutrition products, medical devices and human clinical trials
Small Business	30	14.8	11.3	9.1	Small accounts similar to GC and MC
Environmental	46	10.5	7.9	5.3	Environmental contractors and consultants
Professional Liability	24	5.9	6.3	8.4	E&O for non-medical professionals (lawyers, architects, engineers)
Sports & Entertainment	30	3.7	3.0	2.2	Amusement parks, campgrounds, arenas
Medical Professional	24	1.8	2.3	2.7	Non-standard physicians and dentists
<b>Total</b>		<b>\$656.5</b>	<b>\$530.1</b>	<b>\$370.8</b>	

# Demonstrated Underwriting Discipline

We have proven our willingness to expand and contract when market conditions dictate, and have a strong track record of profitable underwriting

E&S Segment – GWP Growth vs. Total E&S Industry



Source: A.M. Best report

E&S Segment Loss Ratio vs. Surplus Line Specialists Peer Group\*



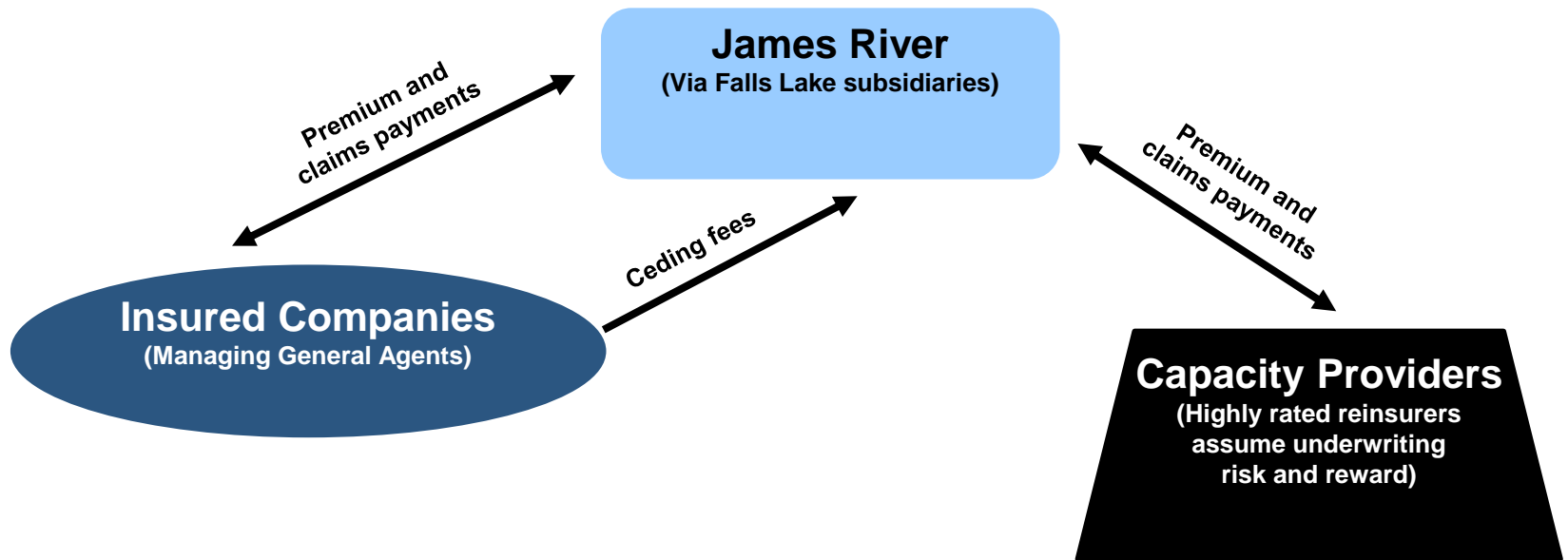
Source: Company filings, A.M. Best data and research, and S&P Global Market Intelligence

\* Specialists Peer Group = Alleghany Insurance Holdings Group, Argo Group, Crum & Forster Insurance Group, Global Indemnity Group, HIIG Group, Houston Casualty Group, IFG Companies, Kinsale Insurance Company, Market Corporation Group, RLI Group, W.R. Berkley Insurance Group

	2007-2017 Average
James River	57.2
Specialists Peer Group	60.6

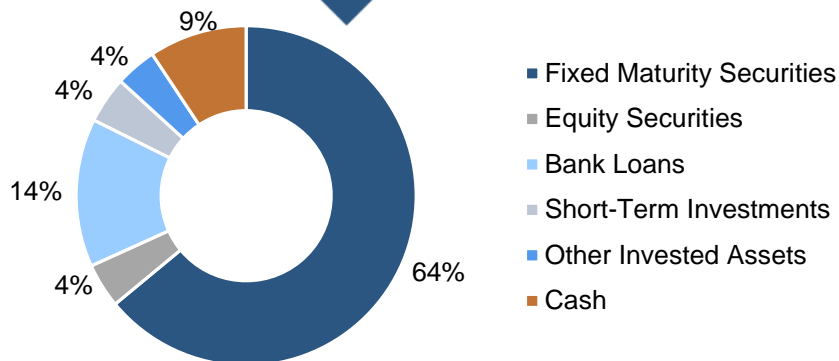
# A Growing Fee Business

## Fee Income Example



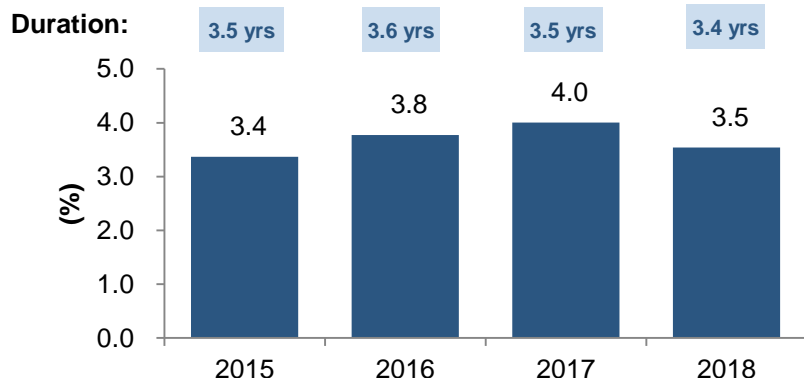
# Traditional Investment Approach Augmented by Higher Yielding Alternatives

## Investment Portfolio (as of December 31, 2018)



Total Cash and Investments: \$1,850MM

## Net Investment Yield



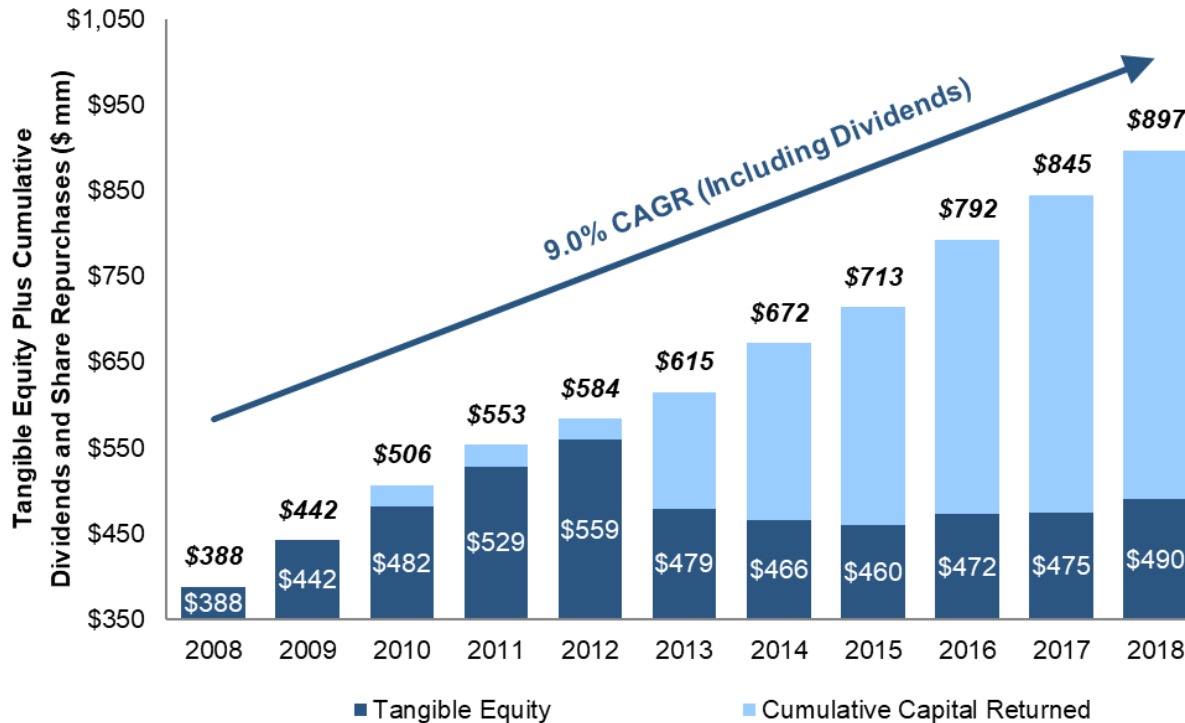
Source: Company filings.

## Commentary

- Our investment portfolio consists of investment grade fixed maturity securities, selectively supplemented by non-traditional investments
- Examples of non-traditional investments we have made include:
  - Participations in floating rate syndicated bank loans, generally senior secured loans with an average credit rating<sup>1</sup> of “B”;
  - Equity and debt investments in renewable energy project limited partnerships (~ \$39MM carrying value);
  - Investment in a limited partnership that invests in the equity tranches of collateralized loan obligations (CLOs)
- Weighted average credit rating<sup>1</sup>: “A”
- Negligible exposure to equity markets or correlated equity market exposure

1. Per S&P, or an equivalent rating from another nationally recognized rating agency; credit ratings of fixed maturity securities, bank loans and redeemable preferred stocks as of December 31, 2018.

# Capital Management Maximizes Shareholder Value



## Capital Management History

- \$407 million of capital returned since 2008
- \$201 million of capital returned to shareholders since December 2014 IPO, or 43.1% of tangible book value at that time
- Last twelve month dividend yield of 2.9%<sup>1</sup>

1. Calculated as dividends paid over last 4 quarters of \$1.20 divided by February 21, 2019 closing share price of \$41.27.

Source: Company filings



# Appendix

# James River Group Key Metrics

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● Exchange/Ticker	NASDAQ / “JRVR”
● Initial Public Offering	\$21.00 (December 12, 2014)
● Current Share Price	\$41.27 (Closing Price February 21, 2019)
● Market Capitalization	\$1.236 billion (February 21, 2019 market close)
● LTM Dividend / Yield	\$1.20 per share declared 2.9% yield <sup>1</sup>
● Gross Written Premium	\$1.167 billion in 2018
● Total Capitalization	\$932 million as of December 31, 2018
● AM Best Rating	‘A’ (Excellent)
● Analyst Coverage and Rating <sup>2</sup>	Compass Point (Buy) – Bijan Moazami Dowling (Neutral) – Aaron Woomer FBR (Neutral) – Randy Binner JMP (Outperform) – Matthew Carletti KBW (Neutral) – Meyer Shields SunTrust (Buy) – Mark Hughes UBS (Neutral) – Brian Meredith

1. Based on Q1 2018, Q2 2018, Q3 2018 and Q4 2018 dividends and closing price of \$41.27 on February 21, 2019.

2. Current coverage and ratings as of February 21, 2019.



# Non-GAAP Measures Reconciliation

## Non-GAAP Reconciliation

<b>Underwriting Profit (Loss)</b>					
<b>(\$mm)</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Underwriting profit (loss) of the operating segments:					
Excess and Surplus Lines	\$ 35.1	\$ 47.6	\$ 47.2	\$ 29.7	\$ 42.8
Specialty Admitted Insurance	0.0	1.1	2.9	3.2	7.0
Casualty Reinsurance	0.7	(2.6)	(0.2)	(1.8)	5.1
<b>Total underwriting profit of operating segments</b>	<b>35.8</b>	<b>46.1</b>	<b>49.9</b>	<b>31.1</b>	<b>54.9</b>
Operating expenses of Corporate segment	(9.1)	(18.5)	(20.4)	(25.3)	(26.9)
<b>Underwriting profit</b>	<b>26.7</b>	<b>27.6</b>	<b>29.5</b>	<b>5.8</b>	<b>28.0</b>
Net investment income	43.0	44.8	52.6	61.1	61.3
Net realized investment (losses) gains	(1.3)	(4.5)	7.6	(2.0)	(5.5)
Other income and expenses	(15.8)	(0.5)	(1.3)	(0.2)	(0.8)
Interest expense	(6.3)	(7.0)	(8.5)	(9.0)	(11.6)
Amortization of intangible assets	(0.6)	(0.6)	(0.6)	(0.6)	(0.6)
Impairment of intangible assets	-	-	-	-	-
<b>Income before taxes</b>	<b>\$ 45.6</b>	<b>\$ 59.8</b>	<b>\$ 79.3</b>	<b>\$ 55.1</b>	<b>\$ 70.8</b>

Source: Company filings.

# Non-GAAP Measures Reconciliation

## Non-GAAP Reconciliation

(\$mm)					
Adj. Net Operating Income	2014	2015	2016	2017	2018
<b>Income as reported</b>	<b>\$ 44.7</b>	<b>\$ 53.5</b>	<b>\$ 74.5</b>	<b>\$ 43.6</b>	<b>\$ 63.8</b>
Net realized inv. (gains) losses	(0.9)	4.1	(5.2)	1.4	4.4
Initial public offering costs	13.2	-	-	-	-
Dividend withholding taxes	-	2.5	-	1.0	-
Other expenses	1.0	0.6	1.1	0.6	1.1
Interest expense	0.4	0.4	0.9	0.8	1.3
<b>Adjusted net operating income</b>	<b>\$ 58.4</b>	<b>\$ 61.1</b>	<b>\$ 71.3</b>	<b>\$ 47.3</b>	<b>\$ 70.6</b>

Tangible Equity	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Shareholders' equity</b>	<b>\$ 677.8</b>	<b>\$ 724.7</b>	<b>\$ 714.2</b>	<b>\$ 762.4</b>	<b>\$ 784.0</b>	<b>\$ 701.5</b>	<b>\$ 687.9</b>	<b>\$ 681.0</b>	<b>\$ 693.2</b>	<b>\$ 694.7</b>	<b>\$ 709.2</b>
Goodwill & intangible assets	(289.7)	(282.4)	(232.7)	(233.8)	(225.0)	(222.6)	(222.0)	(221.4)	(220.8)	(220.2)	(219.3)
<b>Tangible equity</b>	<b>\$ 388.0</b>	<b>\$ 442.3</b>	<b>\$ 481.5</b>	<b>\$ 528.5</b>	<b>\$ 559.0</b>	<b>\$ 478.9</b>	<b>\$ 466.0</b>	<b>\$ 459.7</b>	<b>\$ 472.5</b>	<b>\$ 474.5</b>	<b>\$ 489.9</b>
Shares Outstanding (000's)	35,718	35,718	35,718	35,718	36,030	28,540	28,540	28,942	29,258	29,697	29,988
<b>Tangible Equity per Share</b>	<b>\$ 10.86</b>	<b>\$ 12.38</b>	<b>\$ 13.48</b>	<b>\$ 14.80</b>	<b>\$ 15.52</b>	<b>\$ 16.78</b>	<b>\$ 16.33</b>	<b>\$ 15.88</b>	<b>\$ 16.15</b>	<b>\$ 15.98</b>	<b>\$ 16.34</b>

Note: In the Tangible Equity Table, 2008 to 2013 shares outstanding are retroactively adjusted for 50/1 stock split. Additionally, all amounts are as of December 31 for each period indicated.

Source: Company filings.



JAMES RIVER GROUP HOLDINGS, LTD.

**Compounding Value through an  
Unrelenting Focus on Underwriting Profit**

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