S&P Global
Market Intelligence

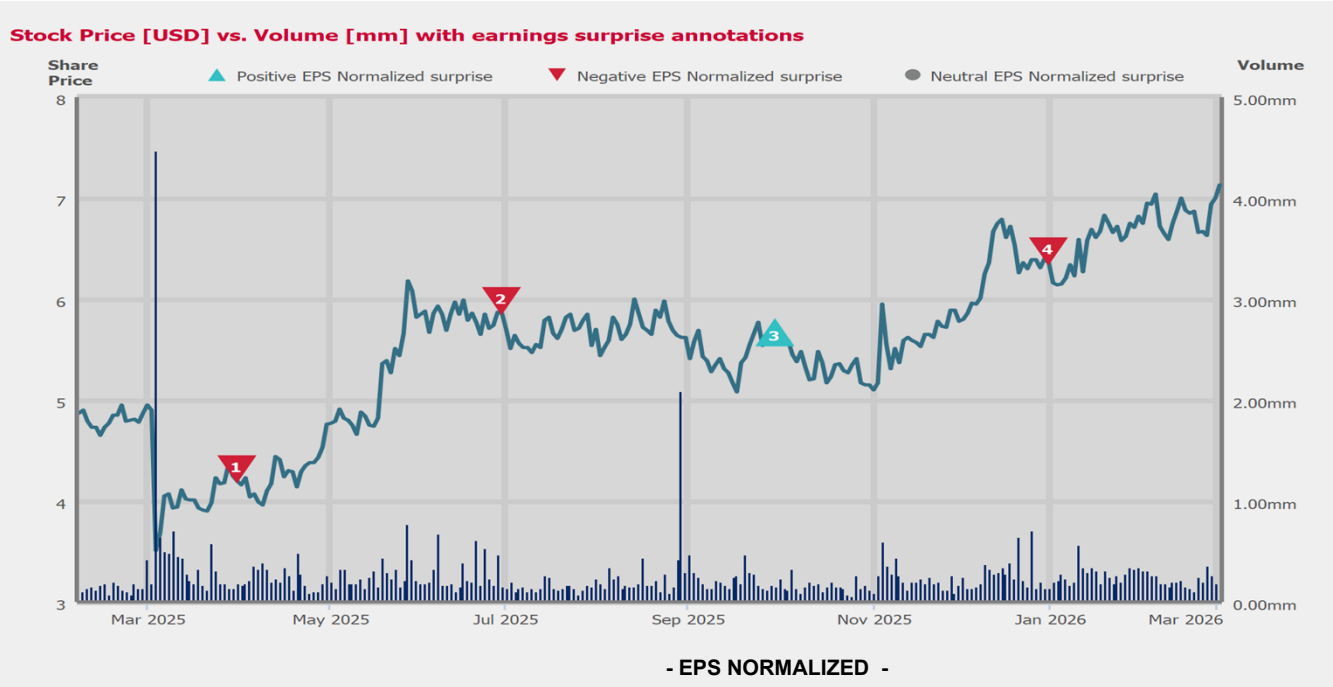
James River Group Holdings, Inc.
NasdaqGS:JRVR
FQ4 2025 Earnings Call Transcripts

Tuesday, March 3, 2026 1:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ4 2025-			-FQ1 2026-	-FY 2025-			-FY 2026-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS
EPS Normalized	0.42	0.30	▼(28.57 %)	0.28	1.18	1.03	▼(12.71 %)	1.20
Revenue (mm)	171.98	167.75	▼(2.46 %)	170.84	690.95	687.61	▼(0.48 %)	684.21

Currency: USD
Consensus as of Jan-16-2026 6:56 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2025	0.29	0.19	▼1 (34.48 %)
FQ2 2025	0.24	0.23	▼2 (4.17 %)
FQ3 2025	0.24	0.32	▲3 33.33 %
FQ4 2025	0.42	0.30	▼4 (28.57 %)

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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

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Presentation

Operator

Ladies and gentlemen, thank you for standing by. Hello, and welcome to James River Group Fourth Quarter 2025 Earnings Conference Call. [Operator Instructions] Thank you.

I would now like to turn the conference over to Bob Zimardo, Senior Vice President of Investor Relations. Please go ahead, sir.

Bob Zimardo
Senior VP for Investments & Investor Relations

Thank you. Good morning, everybody, and welcome to James River Group's fourth quarter 2025 earnings conference call.

A reminder that during the call, we'll be making forward-looking statements that are based on current beliefs, intentions, expectations and assumptions that are subject to various risks and uncertainties, which may cause actual results to differ materially. Such risks and uncertainties are detailed in the cautionary language regarding forward-looking statements in yesterday's earnings release and the risk factors of our most recent Form 10-K and other reports and filings we have made with the Securities and Exchange Commission. We do not undertake any duty to update any forward-looking statements.

In addition, during this presentation, we may reference non-GAAP financial measures. Please refer to our earnings press release for a reconciliation of these numbers to GAAP, a copy of which can be found on our website. Lastly, unless otherwise specified, for the reasons described in our earnings press release, all underwriting performance ratios referred to are for our continuing operations and business that is not subject to retroactive reinsurance accounting for loss portfolio transfers.

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

Frank N. D'Orazio
CEO & Director

Okay. Thanks, Bob. Good morning, everyone, and thank you for joining our call today. We're speaking to you this morning already 2 months into 2026 and keenly focused on executing our business plan and strategic objectives for the year. Today, I'm [indiscernible] to discuss our fourth quarter and full year results with you, but just as importantly, I want to communicate our vision and share our optimism for 2026.

Over the past few quarters, we have commented at length on the strides that the company has taken to focus on its wholesale-only E&S platform, maintaining a strong position in the E&S marketplace, while delivering shareholder value to our investors. I think it's fair to say that our future success will not be driven by a single factor, but rather the combination of several purposeful prioritized initiatives working in concert to drive our future results.

At a high level, I believe 3 primary themes, both underlie and empower our ability to perform in 2026 and beyond. First, I would point to our refined risk appetite and enhanced performance monitoring that we have invested in over the last few years, which has resulted in a focus on smaller and more profitable accounts across our casualty universe, while exiting or reengineering our stands on several classes that have proven to be unprofitable to James River over time.

Secondly, we will benefit from the lasting operational efficiencies and expense management focus achieved through substantial cost saving initiatives across the business during 2025, including our redomicile to the United States. And finally, our continued engagement and deployment of our technology platform will support both of these efforts, which we expect will drive efficiencies and future profitable scale in our E&S business.

Now as for execution, we've begun the year with a refreshed and reorganized E&S leadership team fully in place with a compelling game plan for the implementation of our strategic vision. With respect to our redefined appetite in E&S, that work has largely been done already. We will continue to target smaller accounts that tend to have higher renewal retention ratios that we believe have proven to be more profitable for James River over the company's 20-plus year history.

In Q4, that same focus saw our average policy size decreased by 9.6% compared to the prior year quarter. And for the full year, the impact has been an average policy size decrease of 8.4%. While our approach tempered top line growth in the quarter and much of 2025, the prioritized focus of the organization is on profitability and admittedly, we were comfortable with that trade-off. Submission flow across our casualty focused business remains healthy with 4% overall growth for 2025.

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With increased competition in a transitioning market, we are seeing a combination of both strong renewal submission activity, which we view as a sign of continued relevance with our distribution partners and an increase in new submissions overall.

Rate change remained positive at 9% for the year, consistent with 2024 and above loss trend, but clearly, the level of rate increases have moderated and there is dispersion by product line and division. Expense discipline remains an essential part of our story. In the fourth quarter, we executed on our redomicile to the U.S., which simplifies our corporate structure, improves tax efficiency and gives us greater flexibility as a U.S. specialty insurer.

Through the redomicile and other initiatives, we removed meaningful expenses permanently, lowering our full year expense ratio over 1 point from 2024 and the quarterly expense ratio over 2.5 points from the first quarter, all on fairly flat net earned premium. Combined with the underwriting improvements and appetite changes we've made over the last several years, our expense discipline has meaningfully improved the company's profitability and earnings profile.

Perhaps even more importantly, deliberately taking these measures has enhanced the organization's future ability to further leverage profitability and increase scale, utilizing the investments we have made in technology. Most notably, complete multiyear upgrade of our core operating systems to Guidewire that will be completed in 2026, and our recently announced partnership with CalEPA, to roll out AI-enabled underwriting work bench capabilities throughout our E&S segment.

The Guidewire implementation has afforded our platform and notable modernization uplift while allowing us to fully engage in the deployment of customized AI underwriting workbench technology. which we believe will enhance our underwriting efficiency in 2026 and beyond. We're using advanced data and decision support tools to enhance underwriting judgment, not replace it. These tools will help us assess risk more consistently, identify outliers earlier and improve operating efficiency in an increasingly competitive environment.

While speed in our market is a priority, the goal isn't speed for its own sake. It's about better decisions, made more efficiently and having a positive impact on our day-to-day underwriting workflows and quote and bind rates. We are confident that continued technology adoption will undoubtedly be a tangible differentiator for us as we optimize our SME platform and our very special wholesale-only distribution model.

Moving back to our performance. Our 2025 results validate the balance sheet actions over the last few years, but more so positions us for continued success ahead. For the full year, we delivered a 96.6% combined ratio and generated a 15.3% annualized adjusted net operating return on tangible common equity while growing tangible common book value per share by 34%.

Those outcomes weren't driven by a favorable market surprise rather they are a result of strong execution, deliberate choices around underwriting, expenses and risk selection. Our fourth quarter E&S combined ratio of 86% reflects that progress and represents our strongest quarterly profitability in several years.

When we look at production over the course of 2025, our gross written premium was down approximately 5% overall. That said, 2 of our 5 primary divisions are driving most of that reduction with property down 27% year-over-year, and manufacturers and contractors, one of our larger divisions down 11% year-over-year.

Property remains a small component of our overall focus and our construction production has been impacted by our decision to refine our underwriting guidelines relative to track housing exposure. Despite these dynamics, we did see growth in this year across several specialty departments, including Allied Health, professional liability and management liability and maintain flat performance in our largest division, excess casualty.

Overall, we remain encouraged by the profitability headroom we see across even more divisions in 2026. On recent accident years, we continue to be encouraged by a lower frequency of claims and improved loss emergence, but we remain cautious in recognizing those trends as the book continues to mature. Importantly, we continue to operate with reserve protection in place, which has allowed us to focus on the company's current performance profile rather than its legacy.

In sum, while growth in certain lines have slowed, we believe that the trade-off has been the right one for James River. Profitability, balance sheet strength and earnings durability were priorities in 2025, our results reflect that focus.

We entered 2026 with a leadership reorganization complete, a cleaner corporate structure, improving margins, a more disciplined portfolio and a team that is empowered by technology are positioned well to execute. The North American E&S market is vast and although the market has been transitioning for several quarters now, we see attractive opportunities for James River in 2026.

And particularly with our focus on smaller insurers and with the benefit of refreshed underwriting guidelines, new technology and the emphasis we have placed on performance monitoring. In particular, we see an opportunity to scale our small business unit as well

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as several underwriting departments in our Specialty division like Allied Health and Professional Liability. Departments that have historically been very profitable for the company.

We also expect to push rate in areas like excess casualty in parts of our general casualty portfolio in an effort to stay ahead of our view of loss trends. We have also identified areas across the E&S segment where we can relax rate an attempt to gain a bit of scale in those businesses.

In short, we feel 2026 holds significant promise and opportunity for Janus River.

With that, I'll turn it over to Sarah to walk through more details for the quarter and the year.

Sarah Casey Doran
Chief Financial Officer

Thank you, Frank, and good morning, everyone. James River generated very strong financial results for 2025. We reported $47.4 million of net income, $39.6 million of it available to common shareholders, which is a marked improvement from the $81.1 million net loss of 2024. Operating earnings were $54.1 million or $0.79 per share diluted for the 2025 year.

As Frank pointed out, we delivered a full year combined ratio of 96.6% as compared to 117.6% for 2024. Our operating return on average tangible common equity was 15.3% for the year, and tangible common book value per share increased 34% to $8.94 per share. For the fourth quarter, we reported operating earnings of $16 million as compared to a loss of $40.8 million in the prior year quarter. Annualized return on tangible common equity was 16.2%.

As we review them, our results included strong underwriting income, meaningfully improved expenses solid investment returns as well as a tax benefit, which I will address first. As previously discussed, the onetime $14.1 million tax benefit was driven by interest expense deduction in connection with the company's November redomicile from Bermuda to Delaware. Importantly, we excluded that tax benefit from our operating earnings due to its onetime nature.

I'm drawing this important distinction as most analysts did include it in operating earnings, which distorted a comparison this quarter. If we had included it, fourth quarter operating earnings would have been $0.53 per share rather than the $0.30 per share that we reported.

On top of that, annualized operating return on tangible equity would have been 19.7% for the quarter and 19.3% for the full year.

Looking ahead, alongside the expense work accomplished in 2025, we see meaningful efficiency benefits to our tax rate coming out of the redomicile as on a go-forward basis, we expect our effective tax rate to be in line with the U.S. statutory rate.

Moving to underwriting results. Our E&S segment generated $59.5 million of underwriting income for the year and $19.7 million for the quarter. Our full group results were $20.3 million and $8.6 million, respectively. Our full year expense ratio of 30.2% was below the 31% indication discussed earlier in the year. While we have made meaningful permanent changes to our structure throughout the year. It's notable that we reduced the expense ratio in a year when we also reduced gross written premium and more so that net earned premium was flat given our portfolio management, as Frank reviewed.

Throughout the year, we've created nearly $13 million -- $30 million in expense savings and reduced G&A expenses by about 9% overall. We ended the year with 578 total employees, over 60 fewer than when we began the year. These changes were driven by continued optimization and operating efficiency gains at both operating segments. As a result, lasting changes in items, including compensation expenses, drove a material amount of the savings throughout the year, while rent and professional fees contributed as well.

Regarding the quarter's loss activity, we recorded $1.8 million of net favorable impact from prior year development. This consisted of $5 million of favorable development in the E&S segment, partially offset by adverse development attributed to Specialty Admitted. Within E&S, we continue to observe declining trends in frequency for recent accident years. And now, we have removed meaningful exposure to accounts and risks that drove prior year development in 2023 and prior.

We start 2026 with $23 million of aggregate limit on the adverse development cover for E&S, covering accident years 2010 through 2023 with no retention. During the quarter, we ceded $28.6 million of development to the cover, largely related to product liability in the 2019 through 2023 years. As you know, our external opining actuary completes their work in opinion in the fourth quarter with the filing of our statutory opinions.

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Turning to investments. We had $21 million of net investment income for the quarter, down about $1 million from the previous quarter in a year when interest rates also declined generally. The quarterly result reflects outperformance within the company's fixed income portfolio, which add about 72% of cash and invested assets generated meaningful income as new money yields remain in the 5% range, well above our current book yield of 4.5%.

We mentioned earlier this year that we had been able to put a meaningful amount of cash to work at attractive yields and high credit quality securities as we work through our cash aggregation from year-end 2024. Still, compared to the prior year quarter, a lower rate environment overall impacted both the bank loan portfolio and short-term cash returns. Our portfolio remains conservatively positioned with an average credit rating of A+ and duration of 3.5 years.

Finally, as we closed out last year and move further into 2026, we expect our performance for the year to generate a low to mid-teen return on average tangible common equity. While we continue to prioritize the protection of our balance sheet, we feel our active portfolio management actions are largely behind us. That means that especially given our employment of technology, which Frank covered, we see meaningful opportunities for profitable top line growth this year.

Finally, we expect to continue to be vigilant with our expenses as we look for profitable growth to bring improved scale benefits across our E&S business, especially.
But with that, I would like to turn the call back over to the operator to open the line for any questions.

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Question and Answer

Operator

[Operator Instructions] And we have not received any questions from any of our analysts. I'll be turning the call back over to Frank D'Orazio, our CEO, for closing remarks.

Frank N. D'Orazio
CEO & Director

Thank you, operator, and many thanks to those of you who are able to join our call this morning.

To conclude, we're pleased with how the organization performed in 2025, particularly given the competitive market we're operating in. The progress we've made reflects a continued focus on bottom line profitability. And with new leadership in place across the organization, we're motivated and encouraged to perform well in 2026.

Thank you again for your time, and we look forward to speaking to you again in just a few short weeks.

Operator
The meeting has now concluded. Thank you all for joining. You may now disconnect.

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