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JRVR - Q1 2015 James River Group Holdings Ltd Earnings Call

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MAY 07, 2015 / 1:00PM, JRVR - Q1 2015 James River Group Holdings Ltd Earnings Call

CORPORATE PARTICIPANTS

Adam Abram *James River Group Holdings Ltd - CEO*

Robert Myron *James River Group Holdings Ltd - President, COO*

Gregg Davis *James River Group Holdings Ltd - CFO*

CONFERENCE CALL PARTICIPANTS

Randy Binner *FBR Capital Markets - Analyst*

Mark Hughes *SunTrust Robinson Humphrey - Analyst*

Seth Canetto *KBW - Analyst*

Charles Sebaski *BMO Capital Markets - Analyst*

Brian Meredith *UBS - Analyst*

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the James River Group Holdings Q1 2015 Results conference call. At this time, all participants are in a listen-only mode. Later, we will conduct the question-and-answer session and instructions will follow at that time.

(Operator Instructions).

As a reminder, this conference is being recorded.

Participants on this call should be aware that during the course of this conference call, the Company will make forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Forward-looking statements are based on management's current beliefs, expectations and assumptions. In some cases, such forward-looking statements may be identified by terms such believe, expect, intend, seek, may, will or similar words.

These statements are subject to certain risks and uncertainties that could cause actual results to differ materially although it is not possible to identify all the risks and factors, they include, among others, the following, losses exceeding reserves; loss of key members of the Company's management or key employees; adverse economic factors; and decline in Company's financial strengths; loss of group of brokers and agents and generate significant portions of the Company's business; loss in the Company's investment portfolio; additional government or market regulations; the Company potentially becoming subject to United States taxation and other risks described in the Company's annual report on Form 10-K of the year end December 31st, 2014, and other filings of the Company with the Securities and Exchange Commission.

The Company undertakes no obligation to update or revise any forward-looking statements to reflect changes and beliefs, expectations or assumptions or the occurrence of unanticipated events or otherwise expected as law -- required by law.

Additionally, the Company will discuss non-GAAP financial measures including references to underwriting profit, net operating income and return on tangible equity.

Reconciliation of non-GAAP financial measures to GAAP financial measures are included at the end of the Company's earnings release which is posted under the Investor Relations section of its website, www.jrgh.net.

I would like to introduce your host for today's conference, Mr. Adam Abram. Sir, please go ahead.



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Adam Abram - James River Group Holdings Ltd - CEO

Thank you, operator. Good morning, everyone. This is Adam Abram, and I'm joined by Bob Myron, our President and Chief Operating Officer, and Gregg Davis, our Chief Financial Officer. We appreciate you joining us this morning. We have just a few comments to make and then we look forward to a good dialog.

The year is off to a good start. This quarter's growth in tangible book value adding back the dividend is 12.4% on an annualized basis. Tangible book value growth in underwriting results are a major focus for us and I'd like to begin by congratulating our colleagues in each of our underwriting segments and thank them for their continued focus on producing underwriting profits.

We posted our group-wide accident year or loss ratio at 65.8% for the quarter, which is about 160 basis points above our selection in the first quarter of last year. This has got some attention from careful observers that the pick is consistent with our maxim. We do not declare victory early.

We continue to grow across our franchise and importantly, our very profitable Excess and Surplus Lines segment exceeded our expectations for growth. We obtained rate increases in every underwriting segment, loss trends are benign, and our incurred but not reported reserves as a percent of total reserves increased during the quarter even after reserve releases.

So our accident year pick is consistent with our longstanding practice of maintaining a healthy respect for our obligations to policyholders and shareholders both. We really like the mix of business we have for the quarter, the largest portion of our group-wide premium, \$75.7 million or 58% came from our Excess and Surplus Lines segment where we enjoyed 23% growth in gross written premiums compared to the first quarter of 2014.

Rates per unit of exposure on our renewal book were up by about 1% while loss costs continued to be benign. We're very pleased with the margin in this business. We earned the substantial underwriting profit with an 87.5% combined ratio for the segment.

Our Specialty Admitted segment is growing. We reported as with our plan a very small underwriting loss in Specialty Admitted and this was really due to the still high but rapidly declining expense ratio which is being reduced as we earn additional premium and fees on this segment.

We expect our underwriting results from Specialty Admitted with turn positive. Our traditional Workers' Compensation business which is within the segment continues to deliver good margins to us while growing.

Workers' Comp premiums were up by 32% in the quarter and exposure adjusted rate increases on our Workers' Compensation business amounted to 3% on a year-over-year basis. We continue to make progress across the group in developing opportunities to earn fees. In the most recent quarter, our fee generating activities generated \$523,000 of pretax income compared to \$137,000 in the first quarter of 2014.

In sum, we think there are continuing opportunities for to grow profits in each of our business segments and we feel very, very comfortable about our prospects.

With that, let me ask Bob Myron to talk about our reinsurance business and about our investment returns. Bob?

Robert Myron - James River Group Holdings Ltd - President, COO

Thank you, Adam. For our Casualty Reinsurance segment, our gross premiums were lower than a year ago. This was principally due to one proportional contract that was written in the first quarter of last year with a 15-month term for \$37 million worth of premium. And as a result, it's scheduled to renew in the second quarter this year.

Adjusting for this timing difference, we actually wrote more premium in the quarter than we had budgeted by a few million dollars. Terms and conditions held up well and equally important in the underlying contracts with the reinsurer. [Fees] were getting mid-single digit rate increases in the quarter.



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This enters directly to our benefit since so much of our reinsurance book [this quarter] share, 94% of the business we wrote in the quarter was written on a proportional basis with a sliding scale commissions and other loss mitigation features that protect our downside.

Our retention rate in the quarter was over 90% on the premium basis. For over 50% of our enforced contracts in our Casualty Reinsurance segment, the underlying business is Excess and Surplus Lines insurance. We reported a 99.9% combined ratio in the second quarter.

Now, onto investments, as of March 31st, the carrying value of our cash investment portfolio, 2/3 of which is in Bermuda, was approximately 1.3 billion. We had a modest unrealized gain in the portfolio which has an overall book yield of about 3.4% in an average duration of about three as of March 31st. Overall, our portfolio has a weighted average credit rating of A.

During the quarter, we had a good result from our renewable energy investments, specifically LP investments in solar and wind energy generation. These partnerships which had a carrying value of 26.9 million as of March 31st, 2015, rose in value by \$2.5 million which -- during the quarter which was reflected in net investment income.

On the flipside, the oil and gas portion of our bank loan portfolio performed poorly as we sold some loans for realized losses of 3.4 million pretax. However, as a result of these sales, the remaining exposure we have of oil and gas bank loans approximates 25 million over 11 different issuers.

The credit story on each is good and accordingly, the market value of these funds is a little more than \$2 million below our carrying value as of March 31st, 2015.

Most recently, I am pleased to report that the market value of these loans as of April 30th is above their market value as of quarter-end.

After backing out the return from solar and wind energy partnerships in the first quarter of both years, our investment income increased by approximately \$370,000 year-over-year. At a high level, this is because the \$130 million of positive operating cash flow we generated in 2014 offset by the \$70 million paid in dividends in September 2014 and a slightly declining book yield on investments.

We continue to actively pursue investments in investment strategies that are well understood by our management team and investment committee, and on the margin, will help generate compelling net investment income going forward.

Lastly, we reaffirmed our earnings guidance. For calendar 2015, we continue to expect our diluted net operating income to be between \$1.95 and \$2 per share. Note that we are using a weighted average share count of 29.4 million shares to calculate this amount.

As a reminder, it is our expectation that the last two quarters of the year will have better results than the first two quarters as we had historically recognized more favorable reserve development and therefore better underwriting performance in the latter half of any given calendar year.

With those comments, I'd like to turn it over to Gregg Davis.

Gregg Davis - James River Group Holdings Ltd - CFO

Thank you, Bob, and again, good morning to everyone on the call. The combined ratio for the company was 97.5% for the quarter. This 97.5% includes favorable development of \$2.5 million or \$2 million after-tax for the quarter. In the prior year, we have \$1.1 million of favorable development or \$804,000 after-tax.

Our favorable reserve development in our two insurance segments was offset by the adverse reserve development from the Casualty Reinsurance segment that Bob talked previously.

In relation to our reserves, even after the favorable reserve development taken, 70.5% of our net reserves as of March 31st, 2015, is an IBNR, up from 70.3% as of December 31st, 2014. Additionally, we continue to see benign loss trends and negligible loss contemplation.



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I'd like to turn our attention now to our expense ratio. Our expense ratios decreased from the Company in the quarter to 33.8% from 35.5% in the prior year. This was the most pronounced in our Specialty Admitted Insurance segment where the expense ratio is decreased from 56.4% the first quarter of last year to 41% this quarter.

The decrease in our expense ratio is even more impressive when taking into account the \$4.4 million of pretax expenses of the corporate and other segment which was in line with our internal budget. But in the prior year quarter, this amount had been \$1.9 million.

The increase in these expenses was expected and were (inaudible) primarily to the cost of being a publicly traded entity, costs such as increased legal, audit and insurance fees as well as increased share-based compensation expense relating to options and restricted shares issued in the fourth quarter of 2014 as well as low -- lower loans and corporate overhead allocated to our segments.

However, as we started before, we include all the expenses of the group in our expense ratio. Accordingly, we had net income for the quarter of \$9.4 million which is a slight 2.6% improvement to the \$9.1 million in the first quarter than prior year, but to see how the quarter really progressed, one needs to exclude the effects of our realized losses as well as some other noise in our income statement.

Accordingly, I'd like to focus your attention on our net operating income which was \$11.7 million for the quarter and was 11.7% higher than the \$10.5 million in net operating income in the prior year.

So to tie all this in where Adam began, this translated into a 2.1% increase in tangible book value in the quarter or 3.1% when adding back to dividends we paid on March 31st, 2015. And speaking of dividends with these continued good results, our board met Tuesday and declared another \$0.16 per share dividend to be paid on June 30th.

This concludes our prepared remarks. Operator, could you please open the lines for questions? Thank you.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions).

Our first question comes from the line of Randy Binner with FBR. Your line is open. Please go ahead.

Randy Binner - FBR Capital Markets - Analyst

Hey, good morning. Thanks. I guess I just want to clarify a number there. The IBNR percentage of total increase, was it 75% from 73%, was that the right numbers?

Gregg Davis - James River Group Holdings Ltd - CFO

70.5% from the 70.3%.

Randy Binner - FBR Capital Markets - Analyst

Okay, got you. And then...

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Gregg Davis - *James River Group Holdings Ltd - CFO*

Randy, it's sequential quarters. I went too fast?

Randy Binner - *FBR Capital Markets - Analyst*

No, I missed -- I had a long (inaudible), so no, thanks for the clarification.

So then, you know, so we have a -- we have a call out that, you know, reserve activity for a lot of casualty line writers could be favorable in the 2011 and 2014 accident years on a premise that the economy was better, pricing was better and you can -- you had the little mini hard market and so emergence should be should.

I guess I'd be interested to hear your perspective on that. I mean it sounds like you're very conservative in increasing your -- you know, your loss pick by nearly 1-1/2 point and you referenced in the IBNR. But I mean is this -- you know, what kind of redundancy do you think you're building up from those most recent accident years?

Adam Abram - *James River Group Holdings Ltd - CEO*

Randy, of course, we think our reserves are perfectly stated. But over time, it has been historically true and that by taking a cautious approach early, we've enjoyed good redundancy over time. And we just end to try to let the years mature and to be confident that we're going to meet all our obligations before we, you know, make too many predictions.

I will say this, our claims counts continue to be quite good. We continue to move claims along well. It has been our history. And we agree with the general premise that the industry is enjoying very favorable development from the years that you mentioned. We have put up conservative, we think, accident year loss picks for those years and we feel very good about our balance sheet and our ability to meet our projections going forward.

Randy Binner - *FBR Capital Markets - Analyst*

Okay, that's perfect. And then on another matter, there is -- there is a share unlock coming up meaning that the lockup period for, I think around 17 million shares from the IPO expires in June 9th 2015.

And that's a quite a bit of the kind of the large ownership of the initial financial sponsor. So I would be interested in any commentary you can give us on what the plan for that might be, how you look at what could be a potential liquidity event for the stock.

Adam Abram - *James River Group Holdings Ltd - CEO*

Well, we're -- you know, we've had conversations with analysts and other advisers who have indicated that the liquidity of our stock maybe part of -- could be improved and that there's appetite among investors for more of our stock.

In order for this stock to come out, there have to be -- it would have to be registered first. We don't know of any current plans for large sales or secondaries out of the stock currently held by the large shareholders we didn't issue in the primary offering nor is there a plan today for our primary offering, but we're keeping our eye on this and I would expect that at some point in the future but I'm not predicting, you know, a date, but at some point, clearly, in an orderly way I would expect that stock to start coming out.



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Randy Binner - *FBR Capital Markets - Analyst*

Yes, great, yes, from the analyst perspective, there's a huge -- there's a significant liquidity issue, the holding back, the valuation, that's consistent with what we published.

Adam Abram - *James River Group Holdings Ltd - CEO*

Totally glad to have the -- glad to have that input and thank you.

Robert Myron - *James River Group Holdings Ltd - President, COO*

Randy, this is Bob Myron, and, you know, we -- we'd have to file a -- I think if we were to do anything with any year of our IPO date, we have to file another S-1 to register those institutional shares that are run, you know, currently in the lockup.

Randy Binner - *FBR Capital Markets - Analyst*

Yes, understood. That's all I had, everyone. Thank you so much.

Robert Myron - *James River Group Holdings Ltd - President, COO*

Thanks, Randy.

Adam Abram - *James River Group Holdings Ltd - CEO*

Thank you, Randy.

Operator

Thank you. And our next question comes from the line of Mark Hughes with SunTrust. Your line is open. Please go ahead.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

Thank you. Good morning. Where are you -- good morning -- where are you seeing the growth in the Excess and Surplus? I wonder if you could make some generalizations about either industry segments or lines of business that are hoping to drive that good growth?

Adam Abram - *James River Group Holdings Ltd - CEO*

Well, we're seeing it in several elements of that business. It's greatest in our general casualty position. We had good growth in our Allied Health division during the quarter. Our manufacturer and contractors division also enjoyed good growth during the period, so it's from several divisions.

We do have, you know, other divisions that are down, energy is down a little bit, excess/casualty is down a little bit. So -- and this is typical for us, you know, where we will expand in some divisions where there is an opportunity and contract in others. But those are the areas where we grow -- where we grew and the largest [group] was in our general casualty division.



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Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

I think you'd suggested on the reinsurance business that the underlying pricing was up mid-single digits, did I hear that correctly? That seems like a pretty good pricing for this time in the market.

Robert Myron - *James River Group Holdings Ltd - President, COO*

Yes, that's correct. The indications were mid-single digits are in information that we see from the (inaudible) sent out, those were exposure adjusted rate increases.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

All right. Any more specifics you can provide on -- you said loss costs are benign, claims counts continue to be quite good. If you're getting 1% rate on renewal, is that running ahead of the loss cost trend or is it flat to down?

Adam Abram - *James River Group Holdings Ltd - CEO*

I believe that -- you know, I would characterize our margins as having been very good and we're maintaining those margins.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

So maybe loss cost now equaling rate trends?

Adam Abram - *James River Group Holdings Ltd - CEO*

You know, I don't want to get too exact but I think that the margins, we've got -- and you're talking about the E&S business there I think in particular. You know, I think that the margins we've enjoyed in that business are being maintained with the rate increase that we saw in the first quarter.

Robert Myron - *James River Group Holdings Ltd - President, COO*

And this is Bob Myron. I would add to that that the growth at these margins obviously gives us the scale benefit of the expense leverage, right?

Adam Abram - *James River Group Holdings Ltd - CEO*

That's an excellent point.

Robert Myron - *James River Group Holdings Ltd - President, COO*

So there is -- we love the margins that we're getting in the E&S segment right now and even with the 1% rate increase and the growth is giving us life scale benefit.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

Then you had a little adverse development I think in reinsurance, anything to that?



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Robert Myron - *James River Group Holdings Ltd - President, COO*

Well, it's from one season, from one underwriting year, 2011, in one line of business, commercial auto, and the underlying premium here, a component of one reinsurance premium is 13.4 million and there are always 71 claims outstanding with respect to this piece of that treaty.

This piece of the treaty has performed pretty poorly but given those parameters, the total size of the premium -- premiums as well as the outstanding claims we feel is still in manageable situation.

Mark Hughes - *SunTrust Robinson Humphrey - Analyst*

Thank you.

Operator

Thank you. And our next question comes from the line of Seth Canetto with KBW. Your line is open. Please go ahead.

Seth Canetto - *KBW - Analyst*

Good morning.

Adam Abram - *James River Group Holdings Ltd - CEO*

Hey, Seff.

Seth Canetto - *KBW - Analyst*

Thanks for taking my questions. I know you mentioned the improving margins within the Specialty Admitted segment and that the exposure rate increases I believe are 3% on a year-over-year basis. I just want to get your thoughts like --

(Multiple Speakers)

Adam Abram - *James River Group Holdings Ltd - CEO*

Yes, so that's for the Workers' Comp that we write directly there.

Seth Canetto - *KBW - Analyst*

Okay. And then our --

Adam Abram - *James River Group Holdings Ltd - CEO*

(inaudible).



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Seth Canetto - *KBW - Analyst*

Are those -- I mean do you, guys, see those rates being sustainable for the rest of the year? And should we be thinking of sort of an upward to mid-90s combined for that segment?

Adam Abram - *James River Group Holdings Ltd - CEO*

We do expect to make an underwriting profit in the segment for the year. And the Workers' Comp is a good contributor to that overall profitability.

I think that for the -- you know, I would say that the high-90s is the realistic expectation for that unit for this year given the fact that we are building out the program business and then the expenses associated with that.

Seth Canetto - *KBW - Analyst*

Okay, great. And then just on the expense ratio improvement that you, guys, highlighted, you know, you're significantly growing, you know, (inaudible) are coming in a lot faster than expense, everything elevated by it. Do you have an expectation of, you know, where the expense ratio might shake out in terms of that improvement?

Robert Myron - *James River Group Holdings Ltd - President, COO*

Yes. You know, I think it's really a question of guidance there and we -- I think on the last call, we indicated that we expected the expense ratio which was I think 33.6 or 33.8 last year to probably climb a little bit in 2015 to sort of a mid-30s because of being the public company principally in expenses associated with that and new equity plans and the expenses associated with that and the like.

So far, you know, obviously, in the first quarter, we're doing well relative to that but I think it's too early to declare victory early on changing our expense expectations.

Seth Canetto - *KBW - Analyst*

Okay, great.

Robert Myron - *James River Group Holdings Ltd - President, COO*

And you will see that -- you know, and you can see that as we outlined in the script in the press release.

Seth Canetto - *KBW - Analyst*

Great. Thanks for the clarification. That's it.

Robert Myron - *James River Group Holdings Ltd - President, COO*

Sure.

Operator

Thank you. Thank you. And our next question comes from the line of Charles Sebaski with BMO Capital Markets. Your line is open. Please go ahead.



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Charles Sebaski - *BMO Capital Markets - Analyst*

Thanks. I guess just to follow up on that expense topic specifically for the E&S business, you know, it came down materially, you know, we think, you know, just over -- just had over 27 versus 29-1/2.

And last year, at least the last couple of years, the expense ratio, you know, is seemingly seasonally highest or higher in the beginning of the year and coming down in the fourth quarter. I'm just wondering, you know, is -- you know, I guess 27 was just better than what I was thinking. Is 27 kind of a good run rate for that business given the size of it now?

Adam Abram - *James River Group Holdings Ltd - CEO*

I think -- I think that we are in a good place right now and something around 27%, 28% is normalized expense ratio for us in that -- in that segment.

Charles Sebaski - *BMO Capital Markets - Analyst*

Okay. Then on the Specialty Admitted business and the Work Comp, I saw during the quarter there was an announcement that you, guys, entered into an agreement with Patriot National for a multi-state Work Comp program.

And I'm just wondering if you could highlight that. I thought the Work Comp that you, guys, were doing was more tailored towards North Carolina contractors and how this multistate program might fit in with your expectations or goals for the Work Comp business?

Adam Abram - *James River Group Holdings Ltd - CEO*

The -- this program which I don't think will be super large, the program is a relatively small program in the context of our group, so, of course, happy to have. Our retention here is relatively low overall as a percentage of the program and the reinsurance also drops down relatively low and we attach to the relatively low rate on here.

So I don't think this is going to be a significant part of our earned premium in the program division but it's one program among several that we developed in our -- and it's part of developing that business.

Charles Sebaski - *BMO Capital Markets - Analyst*

All right. With regard to the fee income growth in the quarter, there is -- is there much expense associated with that or is most of that fee income growth dropped to the bottom-line?

Robert Myron - *James River Group Holdings Ltd - President, COO*

Yes, this is Bob Myron. The way we have that book is on a pretax basis but it's net of expenses. And so we are allocating expenses against those numbers to come down to the net number that is being presented which is not tax affected. The budget is net of expenses. It's indicative of the margin in that business on a pretax basis.

Charles Sebaski - *BMO Capital Markets - Analyst*

Okay, so -- and so it's 5-1/4 this quarter, is that something we can expect should be running quarterly, so for 2015, there should be \$2 -- \$2-1/2 million of a fee income or is it one period than that?



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Robert Myron - James River Group Holdings Ltd - President, COO

We certainly expect that it is going to be at a level probably equivalent to that. We expected that it's going to grow but I think we're not at this point forecasting our guidance sort of by quarter or toward the year. It's what individual income statement captions or proponents might be.

It's going to -- if things go according to our plans, it will ramp up on a slow and steady pace. And ultimately, a nice component of our overall revenue picture, revenue (inaudible) picture.

Charles Sebaski - BMO Capital Markets - Analyst

And for the guidance you provided, what's the tax rate being used to come up with the \$2 EPS? I guess I thought the tax rate was, you know, closer to low double digits then you came in about 8-1/2% this quarter? Just wondering what's embedded in the guidance.

Adam Abram - James River Group Holdings Ltd - CEO

Those are -- I don't think we gave guidance from our tax rate but if you look historically, it has been in the low double digits.

Charles Sebaski - BMO Capital Markets - Analyst

Okay. And then finally, I know you, guys, have got programs with Uber and Lyft I believe, and just wondering what's going on with some of the states and some of the regulation on those businesses. I'm trying to change drivers from contractors to employees. If there was a shift of regulation to require drivers to be employees of Uber versus standalone contractors, would that affect how you, guys, offer insurance to that, is that something that's on your, guys, radar? I just I don't know exactly, so I was curious of your thoughts.

Adam Abram - James River Group Holdings Ltd - CEO

Well, you know, we don't really comment on individual accounts. I will comment on -- I'll just make an observation that this shared economy movement is very broad and very powerful and has attractive lots of users, you know, Uber and Lyft in transportation, other groups in delivery of, you know, various products and services.

And it's enormously popular across the country in a lot of different segments and generally, not in every case but in -- generally, I think that the elected officials when they look at the benefit to consumers as expressed by consumer behavior, they've aligned themselves with adapting and adapting to this new shared economy approach.

The drivers for Uber and Lyft, I will just make the point without being an all (inaudible) drivers for Uber and Lyft in general and other ridesharing services are much better insured. The higher limits (inaudible) is traditional in the taxi business across the United States.

And so, you know, as we talk about the insurance factor here, I think that this ridesharing companies or these transportation network companies have don't a really good job of protecting the drivers and the public by obtaining higher rates from the insurance market and the higher limits from the insurance market for this product.

So I didn't mean to take it on and trump at somebody else's business but you -- yes, the question I couldn't help myself.

Charles Sebaski - BMO Capital Markets - Analyst

I appreciate all the answers. Thank you very much.

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Robert Myron - James River Group Holdings Ltd - President, COO

Thanks, Charles.

Operator

Thank you. (Operator Instructions). Our next question comes from the line of Brian Meredith from UBS. Your line is open. Please go ahead.

Brian Meredith - UBS - Analyst

Hey, good morning, everybody. A quick question here for you, in the -- in the admitted segment, is it possible we get the split of what that premium was for Workers' Comp versus your program funding business? And I'm wondering if going forward, is it possible that you think about providing that just because they're very different businesses?

Robert Myron - James River Group Holdings Ltd - President, COO

Hi, Brian, this is Bob. We're going to have some breakout disclosure of that in the 10-Q, but we're not going to be providing that detail not.

Brian Meredith - UBS - Analyst

Okay. So you'll have it in the 10-Q, all right, terrific. And then a second question, did -- can you give us quick update on kind of the program funding versus the progress that's going there kind of opportunities, you know, are you seeing a fair amount of the inquiries on reinsurance companies? Obviously, you have the Patriot deal that came through, just kind of what's that looking like?

Adam Abram - James River Group Holdings Ltd - CEO

You know, we're encouraged by the quality and volume of activity, both, that we're seeing, the programs and the funding business that take a while to -- you know, from inception and full implementation, but we really like the pipeline here and feel very good about the opportunity.

And we're trying to develop I think a differentiated product for this market and the conversations have been warmed, you know, but this is a new enterprise for us and I don't want to point to a specific other than the guidance we've given. I don't want to point to specific expectations.

But we feel very good about both the business and also the pipeline and the prospects for it. And there are all sorts of types of capital that are looking for this kind of flow to them, so our infrastructure and our experience and capabilities line up well within capital markets right now in terms of our ability to produce a product that we think there's a demonstrated demand for.

Brian Meredith - UBS - Analyst

Great. Thanks. And then last question, I'm just -- and I know it's only a short period of time but just any -- anything you're seeing with respect to standard markets trying to impede upon the E&S markets at this point?

Adam Abram - James River Group Holdings Ltd - CEO

You know, we are saying, I mean, in fact, we have heard -- seen some standard markets vote occasionally against us. And so it's a great question and we're -- you know, we do see increased competition in the casualty side of that business.



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We -- I would say that, you know, despite that because of the way we cut such a broader risk appetite in a lot of talent on the ability to respond quickly, we were still able to grow, getting low rate and we flashed in some of these divisions growing in some and contracting in others. And it's a great opportunity just to say our focus on underwriting profit is the anchor of our approach to this business.

Robert Myron - James River Group Holdings Ltd - President, COO

And Brian, this is Bob. I might add to that that our folks, you know, the qualitative commentary of putting aside rate and so on and being that segment is that there's lots of competition out there as it always has been but it's rational.

Brian Meredith - UBS - Analyst

Great. Thank you.

Operator

Thank you.

Adam Abram - James River Group Holdings Ltd - CEO

Thank you very much.

Operator

Thank you. And I'm showing no further questions at this time. And I would like to turn the call back to Adam Abram for any further remarks.

Adam Abram - James River Group Holdings Ltd - CEO

Thank you, everybody, for joining us and we will be traveling and going to some conferences in the next few weeks and we look forward to seeing you in the next few weeks. We appreciate your interest in our Company. Thank you. Bye-bye.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone, have a great day.

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