S&P Global
Market Intelligence

James River Group Holdings, Ltd. NasdaqGS:JRVR

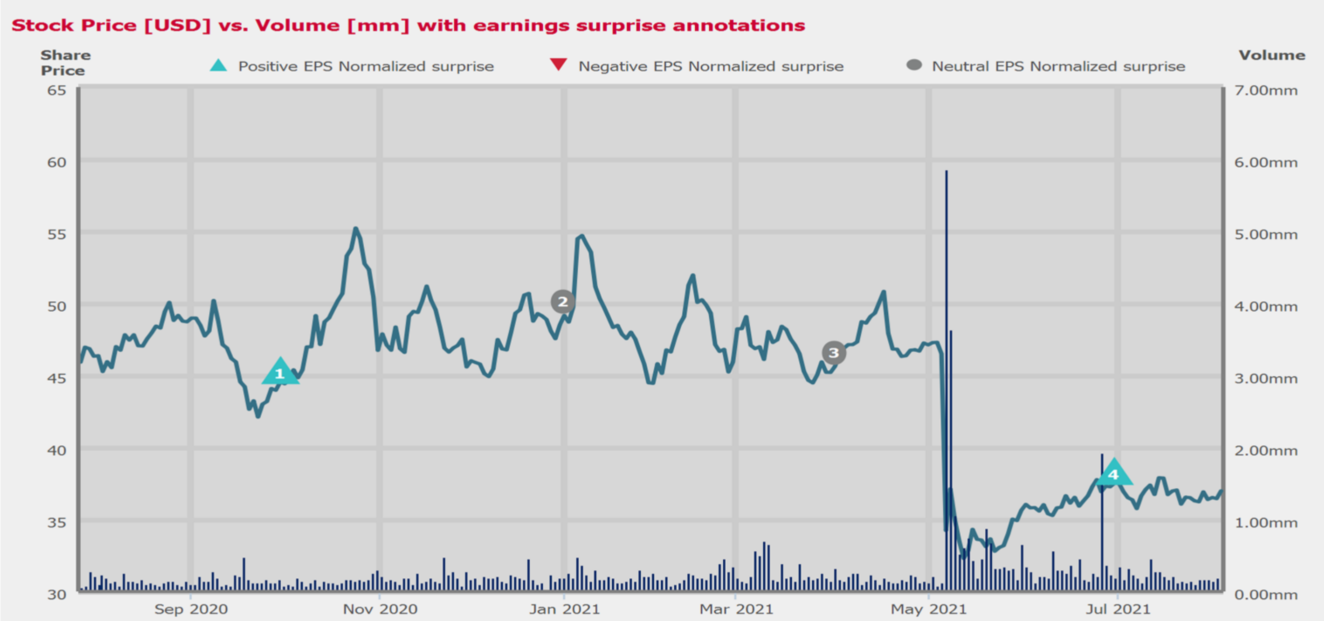
FQ2 2021 Earnings Call Transcripts

Thursday, August 05, 2021 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2021-			-FQ3 2021-	-FY 2021-	-FY 2022-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.51	0.54	▲5.88	0.53	(1.58)	NA
Revenue (mm)	188.92	191.57	▲1.40	195.80	767.49	NA

Currency: USD
Consensus as of Aug-05-2021 3:17 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ3 2020	0.50	0.56	▲12.00 %
FQ4 2020	(0.50)	(0.95)	NM
FQ1 2021	0.59	(3.54)	NM
FQ2 2021	0.51	0.54	▲5.88 %

Table of Contents

Call Participants

EXECUTIVES

Frank N. D'Orazio
CEO & Director

Sarah Casey Doran
Chief Financial Officer

ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

Cullen Johnson
B. Riley Securities, Inc., Research Division

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Good day, and thank you for standing by. Welcome to James River Group 2021 Second Quarter Earnings Call. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I would now like to hand the conference over to your first speaker today, Sarah Doran. Please go ahead.

Sarah Casey Doran
Chief Financial Officer

Thank you, Henry. Good morning, everyone, and welcome to the James River Group Second Quarter 2021 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, Form 10-Qs 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.

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, Sarah. Good morning, everyone, and thank you for joining our second quarter 2021 earnings call. Last night, James River reported very strong results for the quarter, highlighted by continued robust growth and excellent underwriting returns while delivering operating earnings of $0.54 per diluted share, sending a company record for quarterly segment underwriting profit of $25.7 million and recording no adverse development in our commercial auto runoff portfolio.

The group experienced 26% growth in the quarter, while recording a combined ratio of 89.7% and a very impressive return on tangible equity of 14.2%. These results demonstrate the resiliency of the organization and the strength and depth of the relationships with our distribution partners, irrespective of the challenges of the previous 2 quarters.

To our friends in the wholesale, program management and reinsurance marketplaces, we appreciate your continued support, value your partnership and look forward to continuing to service the needs of both you and our mutual clients. Now let me talk a bit about our business segments as they continue to demonstrate the company's ability to maximize the current favorable industry market conditions.

In core E&S, the segment exceeded expectations for the quarter by growing GWP by 15.1% despite the fact that new business production was essentially flat for the month of May, following our Q1 earnings announcement, but then rebounded tremendously in June and for that matter, for July as well. The segment recorded its 18th consecutive quarter of positive rate change at 18.1%, bringing our cumulative compounded rate change to 42.5% over that period.

This was the second consecutive quarter where rates surpassed our full year 2020 rate change, building an expectation that these conditions should remain in place into 2022. More importantly, we believe the rate improvements we are achieving significantly exceed our view of loss cost trends, allowing us to increase the future profit margins in our business.

Our key production metrics remained very strong. Our renewal policy retention remained consistent with prior quarters. Our new business submission activity and hit ratio increased and policy count was up 27% over Q2 2020. For the quarter, we experienced positive rate in 11 out of 12 underwriting divisions and premium growth in 10 out of those departments with particularly strong traction in our underwriting unit that serves a smaller end of the commercial market, our small business division, which includes contract binding. The division grew 33.1%. This is a sector we expect to scale as the recovery of the domestic economy continues, and our investments in the space take hold.

Other underwriting units that experienced double-digit rate and growth for the quarter include Allied Health, Excess Casualty and Excess Property. Overall, E&S recorded a 77.2% combined ratio for the quarter benefiting from $7.5 million of favorable development from prior years, and again, just as critically, with our commercial auto runoff portfolio performing within our actuarial indications.

Moving on. Our Specialty Admitted segment continues to expand impressively and profitably. Not only have we retained 100% of our programs in the quarter, but our premium growth is up 46.1% versus prior, while producing a combined ratio of 88.5%. Our pipeline remains robust as we continue to see a healthy flow of program submissions, including a 21% increase in submission activity over Q2 2020.

Growth in fee income within that segment continues at a positive trajectory. Excluding a onetime catch-up in fee income realized in the second quarter of 2020, fee income would have increased 33% over the prior year quarter. The segment is currently in various stages, performing diligence on a number of new opportunities while also marketing unbundled services such as claims handling and our forthcoming new policy issuance platform.

Finally, Casualty Re showed significant GWP growth of 41% over prior year quarter, based primarily on the growth in existing treaties and underlying rate increases of approximately 15% rather than the onboarding of new placements. Unfortunately, the segment experienced adverse development of $5 million in the quarter, coming substantively from treaties we no longer support. While we continue to remain optimistic about the implied margin embedded in the 2020 and 2021 accident years, the prior year loss emergence drove the segment combined ratio of 109.2% for the quarter.

Before I hand the call back to Sarah, I would be remiss if I didn't mention how extremely proud I am of the management and employees of James River who have continued to remain focused on the opportunities in front of the organization as these results indicate while furthering the group's objectives for the year, remaining committed to our underwriting culture while continuing to make investments in our enterprise risk management framework in an effort to create a larger, more profitable specialty E&S carrier. Sarah?

Sarah Casey Doran
Chief Financial Officer

Thanks, Frank. Last night, we reported net income of $20.8 million for the quarter and had $18.8 million of operating profit. As Frank mentioned, our performance for the quarter in E&S reflects accelerating renewal rate pricing, meaningful current year underwriting profit, augmented by favorable benefit from prior year reserves. In Specialty Admitted, the story is significant growth and scale in the fronting business. And across the organization, we delivered meaningful expense savings and scale uplift.

In sum, we posted record quarterly underwriting profit, an 89.7% combined ratio, experienced 26% top line growth and generated a 14.2% average operating return on tangible equity despite holding our highest amount of tangible equity. The accident year loss ratio was 65.7% for the quarter, on par with that of the second quarter of 2020 and a few points above that of the full year 2020.

Despite the significant rate increases we've taken over the last 18 quarters, we continue to feel that we are building reserving strength and our growing core E&S business, especially. Our current accident year combined ratio continued to improve to 91.7% in the quarter, down from 94.2% in the second quarter of last year. We had overall favorable reserve development of $3.5 million, a 2-point benefit. Reserve development in E&S was a favorable $7.5 million across multiple accident years. We continue to see a material claims frequency decline in the 2020 year. We did have about $5 million of adverse development in Casualty Reinsurance and about 60% of the development was on treaties that we no longer write including 1 that expired this past quarter.

Moving on to expenses. Our group expense ratio decreased to 26% this quarter as compared to 28.6% in the second quarter of last year and 28.9% last quarter. The absolute dollar amount of operating expenses increased approximately 5% across the group as compared to the same quarter last year while net earned premium increased 16%.

This is a testament to solid expense management as well as mix of business. The ratio is sensitive to growth in lines where we see significant premium for attractive ceding commissions, especially Excess Casualty in our E&S segment. While stronger than we expected this quarter, this growth can be highly variable. The expense ratio also benefited meaningfully from the scale we continue to build in our Specialty Admitted segment.

In sum, our expense ratio was highly sensitive to growth in rate experienced in any 1 quarter. but we continue to expect that our expense ratio for the full year will likely be somewhere between our first quarter results of 28.9% and our year-to-date results of 27.4%.

On to investments. Net investment income for the second quarter was $14.4 million, a decline of 4.9% from the first quarter at about 6.5% from the second quarter of last year. The decline is due to the reduction in short-term interest rates and the sale of a meaningful portion of our bank loan portfolio, which occurred during the second quarter of 2020.

We're also carrying a significantly higher cash balance than we were at the end of the first quarter, as we're in the process of putting the proceeds raised from our May 2021 equity offering to work. I'm going to take a moment on taxes. Our effective tax rate is highly dependent upon the tax rate where we earn income. In this quarter, we earned more income in the U.S. than we did in Bermuda, pushing up the effective tax rate.

I expect that our full year 2021 tax rate will approximate the 23.7% that we have now reported for the first 6 months of the year. We ended the quarter well within our target operating and leverage ratios at 1.12x and 28%, respectively, having successfully positioned ourselves for further opportunistic growth.

And finally, a few points on commercial auto reserves and claims. The rate of claims closure remains strong as we've closed about 1,000 claims since March 31 and remain with roughly 7,100 open claims, about 40% of which relate to the 2019 year and around 50% of relates to the 2017 and '18 years combined.

We've now closed over 65% of the claims that were open when we put the large account into runoff in January of 2019. We hold about $400 million of commercial auto reserves on our balance sheet, the majority of which relates to the 2016 to 2019 years. As of the end of the second quarter, we had about $55,000 of reserves per open claim on our balance sheet as compared to a current average closing cost per open claim of $43,000.

And I'll -- with that, I'll hand the call back to Frank to kick off Q&A.

Frank N. D’Orazio
CEO & Director
Thanks, operator. I think we can open up the line for questions.

Question and Answer

Operator

[Operator Instructions] Your first question comes from Cullen Johnson of Riley Securities.

Cullen Johnson
B. Riley Securities, Inc., Research Division

The first question that in the investor presentation in Q1, you noted you've been closing about 100 claims a week in the commercial auto book. Has that pace kept more or less constant here? And would you expect it to remain so over time if so?

Sarah Casey Doran
Chief Financial Officer

Yes. Right now, Cullen, it's a great question. For the most recent quarter, we closed anywhere between 50 to 100 claims a week. So it's a slightly slower pace than it was in the first quarter. And I would expect that over time, as we move further away from the runoff of the initial data, the runoff of the large account that, that would continue to slow down. I would say that closing about 13% of the open claims during the quarter was slightly above the pace than I think we might have expected. So I think a very strong story as we continue to put the book behind us.

Cullen Johnson
B. Riley Securities, Inc., Research Division

Okay. Great. That's helpful. And then the $43,000 closing cost per open claim that you noted in the prepared remarks, I think in the prior quarter, was that number closer to $39,000 if I recall, does that fluctuate -- is that a relatively normal fluctuation you would see or would we maybe expected to kind of sit at that $43,000 run rate? I'm just curious how you think about that figure?

Sarah Casey Doran
Chief Financial Officer

Yes, that's exactly right. We were at $39,000 at the end of last quarter. So we would expect that to go up. Right now, we've got $55,000 of reserves per open claim. And if we could close every single claim that we have open at the average cost that we've been closing them, I think I mentioned that would cost us roughly $43,000 claims. So we would expect those numbers to narrow over time. And I would say, looking at the claims data on an accident year basis, where we are for some of those early years in terms of trajectory is very similar to where we are for the greener year in terms of 2019. So we're comfortable with that trajectory, and we would expect that dynamic to continue.

Cullen Johnson
B. Riley Securities, Inc., Research Division

Okay. Great. And then just last question for me. Can you just talk a little bit about what your -- the favorable development in core E&S in the quarter?

Sarah Casey Doran
Chief Financial Officer

Yes. I think we saw favorable development in multiple accident years in core E&S. I would say, in particular, the 2020 year continues to be a bright spot, as we mentioned in the prepared remarks. Claims frequency there is down almost 20% at any given point in time. And I think that we feel very, very comfortable with that continuing to be a very effective and profitable year. But we saw a bunch of other years performing well, just over the last, I would say, that $7.5 million kind of tracks a handful of years over the last 5, 6 years, which is pretty typical for us given the tale of our business.

Operator

Your next question comes from Matt Carletti of JMP.

Matthew John Carletti

JMP Securities LLC, Research Division

Frank, I caught your comments on the new business production that May was a bit flat and then rebounded strongly. Can you compare kind of how June, July compared to, say, maybe Q1 levels? Is it kind of back at those levels above those levels? Just kind of curious if you could provide some more color on where the market is.

Frank N. D'Orazio
CEO & Director

Yes. So well, you just -- let me give you a little bit of color there. So obviously, it's 1 quarter. It happens to be a larger quarter than Q1. And we grew core about 18% in the same quarter last year. So the bar obviously gets higher after 18 quarters of positive rate. But again, we exceeded our own budget expectations for the quarter. And we've seen quarterly growth rates jumping around before. I think it boils down to some of the dynamics that I referenced earlier. So new business production for May was flattish right after we announced the Q1 earnings. But then the June rebound was tremendous. I'd say that for us to come in at the growth rate that we did for the quarter despite being flat for May. It gives you some sense that we performed significantly better than what we posted for the quarter in the month of June. And like I said, July was in a similar vein as well.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. Great. That's really helpful. And then just 1 other kind of just pricing question. I mean you guys have had strong pricing for a while, definitely kind of held serve there. Are you seeing any kind of running a pricing elasticity kind of your point of 18 quarters in a row. Is it becoming harder to achieve those sorts of price increases? Are you seeing any sort of quote-to-bind ratios or some of the things inflation and otherwise going on in the market, continuing to kind of support those rate increase levels more broadly?

Frank N. D'Orazio
CEO & Director

It's a great question. We've been pleasantly surprised that rate has exceeded our full year 2020 rate change for 2 consecutive quarters now. And obviously, you can never predict when rates will change or begin to moderate and eventually begin to reverse course. But I don't expect to see that this year. To your question, we have not seen it beginning that much more difficult in that regard. We're not seeing that in any of our ratios. Submission activity was up. Our hit ratio was up. So no signs of any moderation just relative to our ability to produce the type of rates that we're seeing right now. I think there's some outside forces that could potentially even impact the next couple of quarters. Obviously, hurricane season is active. That may have some impact in certain product lines. But right now, it certainly feels to me like we've got several quarters of favorable conditions ahead of us, particularly as casualty loss and sale for the soft market years and carriers continue to remain disciplined relative to limit deployment. And right now, the interest rate outlook certainly remains pretty much unchanged.

Operator

Next question comes from Casey Alexander of Compass Point.

Casey Jay Alexander
Compass Point Research & Trading, LLC, Research Division

Just one of the things that you had mentioned previously was if there was an opportunity to do a loss transfer kind of capital markets transaction related to the commercial auto book that you would explore that. Has the company made any moves down that path, looked at any pricing in order to pull off that kind of transaction might that require some addition to the reserves that exist on the commercial auto book. Just some color on where the company stands on that could be helpful.

Frank N. D'Orazio
CEO & Director

Sure. Thanks for the question, Casey. We put so much analysis into the Q1 reserve action that we took basically starting over, taking a different approach, changing our methodology and then, of course, taking the charge that we did. So I'm comfortable with the steps that we've taken since I've been at James River certainly. That said, if we're presented with a legacy structure that mechanically and economically makes sense, we're going to give it serious consideration. If it significantly increases certainty and is not overly cost prohibitive, that's still key. So remember, even if there's an agreement on the ultimate, a third party still needs to be paid to assume the liabilities. So I guess, to summarize my comments here, it's still a possibility if we find a structure that we feel makes sense on the conditions that I've just outlined, but I don't feel it's a necessity.

Operator

Your next question comes from Mark Hughes of Truist. All right. We'll just get back to Mark. Your next question comes from Meyer Shields of KBW.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

I guess first question, can you talk about the loss trends that you're assuming in excess and surplus? And I'm curious particularly whether those have changed overall? And as the contribution from Excess Casualty becomes bigger?

Frank N. D’Orazio
CEO & Director

Yes. So -- good question, Meyer. So our actuarial team performs a formal trend study annually that analyzes frequency and severity trends across statutory lines, as you might imagine. We also look at exposure trends to the extent that business we're writing is inflation insensitive. We're picking up that impact on exposure as well. Our actuaries look at the duration of [liability] associated with those products and have to take that into consideration relative to the impact on future claims payments, but we're constantly seeking to identify trends in various segments of the business that we write. So whether that's Northeast habitational or California nursing homes or New York contractors just I guess, decide a couple of examples. And so we adjust our pricing trends and rates accordingly when we deem it necessary, whether that's a price index related form of inflation or social inflation. We get fairly granular by line of business. But at a very high level, we currently think about loss cost trends on the overall portfolio in the mid-single-digit range. And clearly, the rate increases we're producing are a multiple of that range. We're actually in the process right now of doing that formal review and kind of setting our expectations kind of going forward. So we'll be refreshing that you shortly.

Meyer Shields
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Second question, just a numbers one. Was there any expense ratio impact associated with the reserve charge in Casualty Re?

Sarah Casey Doran
Chief Financial Officer

No. That's a great question, Meyer. Often, there's a sliding scale impact that would move the expense ratio down the treaties that had adverse development in this quarter, either didn't have a sliding scale impact or didn't have a sliding scale in particular. So thank you for asking a question. There was no expense ratio impact from the adverse development in Casualty Re this quarter.

Operator

Next question comes from Brian Meredith of UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

A couple of ones for you. Just, I guess, mathematically trying to figure out the E&S growth versus rate. Is it that you're kind of declining exposures or exposures are going down on your E&S given that growth was only, call it, 14%, 15%, but your rate was up 18% and change?

Frank N. D’Orazio
CEO & Director

No. Listen, I think -- first of all, I think it really boils down to just a few items. So our retention rate in line with past quarters, submission and hit ratios are up. We saw -- we believe we saw very little impact in terms of cancellations or nonrenewals that were tied to the events of the first quarter. To date, we're aware of only 1 in-force policy in the E&S segment that totaled $29,000 that was either nonennewed or canceled due to a rating impact.

I talked about new business being flattish for the month of May, but then rebounding in the following months. The other dynamic, I think, is probably worth mentioning, and maybe this gets more to your point, is the size of our average new business policy premiums came down roughly $23,500 in Q2 2020 to $17,400 per new policy this past quarter.

And that's really driven by the traction we've been gaining over time in our binding facility and small business units that, again, experienced significant growth in the quarter that I referenced in my prepared comments. So that's been an area that we've been investing in and bringing along since 2017. Our contract binding portal is now getting up to 900 to 1,000 visits per week, again, been growing steadily as we continue to roll out access to that portal with our distribution partners.

So we're certainly happy to have the growth in those units that cater to smaller insurers because the margins are attractive. It's low touch. We keep on earning box fairly tight. And we have the ability to continue to expand the network. So we like where that's going. But some of the impact there is just bringing down some of the new business kind of average premium.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. Makes sense. Second question, just curious, in your Specialty Admitted segment, fronting growth, obviously terrific. What's happening with your more traditional workers' comp business right now? And kind of what's your view on that business?

Frank N. D’Orazio
CEO & Director

Yes. Workers' Comp is -- the outlook is still mixed, right? NCCI continues to reduce their loss costs, and we still see pricing declines in most of the markets. But we do see competition slowing. We believe that rate indications from the rating bureaus will turn positive soon and their prices will go up in the near term. So we're in the camp that believes an inflection point is coming, and we're making rate filings for increases in several states. But right now, we were off our individual risk Workers' Comp business, I want to say it was down. Sarah, keep me honest here by to say about 12% on the quarter.

Sarah Casey Doran
Chief Financial Officer

Yes. But I think the -- an important point there, which I know you know too, Brian, is as we've grown -- had success in growing the rest of the program business within that segment. Workers' Comp between a large program that we have and the individual risk Workers' Comp book is about 1/3 of the total GPW in that segment. And as recently as 2 years ago, that was the overwhelming majority of it. So we have looked through the growth, really diversify against that concentration.

Brian Robert Meredith
UBS Investment Bank, Research Division

Got you. And then I guess last question here. Frank, as I look at the Casualty Re business, it seems like every quarter, we've got adverse reserve development on that book. Is there anything that you're doing with respect to systems or data or I don't know, to basically try to get that under control?

Frank N. D’Orazio
CEO & Director

Yes. Well, it's an issue that I guess we've talked about in the past, right? So there's a $5 million adverse charge for the quarter coming primarily from old accident years. So in this quarter was primarily from the 14 to 17 years. And it came primarily from treaties that -- well, let's say that the $5 million in the adverse charge, 60% of it came from treaties that we no longer write. So 4 treaties that are no longer underwritten by the book. It was some GL and some hospitality and contracting classes and nonstandard auto accounting exposure. So I continue to be very, very optimistic about the '20 and '21 accident years. But admittedly, the prior year emergence is a disappointment. Again, this is a different part of our business in which we're not handling the claims. We're not necessarily reporting the claims, right? They're coming to us from a third party, but we're going to continue to evaluate our positioning in Bermuda.

Operator

Your next question comes from Mr. Mark Hughes of Truist.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Can you hear me?

Frank N. D’Orazio
CEO & Director

We can hear you, Mark.

Sarah Casey Doran
Chief Financial Officer

We can hear you. Yes.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Excellent. I -- my audio cut out when there's a question about the -- if you took out May where your activity is more flat kind of June and July, what the growth profile might have been in those months more recently? I'd be curious to hear what your answer was on that point.

Frank N. D’Orazio
CEO & Director

Sure. Well, let me see if I can replay the tape for you. So yes, I think what I pointed to, Mark, was the fact that we produced a 15.1% growth rate for the quarter despite the fact that we were flat in May. So June was significantly better than that. And then we saw the same type of trajectory in July. So much more in line with our expectations.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

Okay. Good. And then from a more global perspective, your risk management, as you've seen these events here lately, and this may even tie into the last question about loss emergence in the Casualty Re. What changes perhaps have you made from a broader perspective around risk and the underwriting that you might point to over the last few months?

Frank N. D’Orazio
CEO & Director

Sure. Good question, Mark. So listen, let me say this, we have strong processes in place at James River, particularly relative to rate and performance monitoring. We have monthly segment checking calls, quarterly segment reviews. We do regular deep dives on the business, discussions and studies and loss trends. And just we tie those processes into how we underwrite and price and reserve the business. What I would say though is we've been broadly looking across the organization at how we take very good and improve upon it. So make it better, make it great. The actuarial practice plays a large role in overall enterprise risk management. We've been reviewing all of our controls in the risk register individually. We're finding where necessary, adding where necessary. And we're going through similar processes with our framework and governance controls and our risk policies and our cybersecurity and how we use our economic capital model, it's pretty much an iterative process, and we expect to continue to refine our governance framework. I just think that's a healthy process to continue to go through just relative to ERM.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then you've got a new group Chief Actuary, I think. Any changes you might anticipate [indiscernible]

Frank N. D’Orazio
CEO & Director

Well, it's day 4 for our new Chief Actuary. So he's probably just ordered business cards. But listen, I expect him to focus on the same thing that all newly hired executives focus on when they joined a new organization. And remember, I was in a similar position just a few months ago. So meet your team and the leadership of the business segments you support, you listen, you observe, you take a lot of notes and of course, you immerse yourself in your new responsibilities. And we're very fortunate. Our current Chief Actuary isn't retiring until the end of the quarter. So we expect to have a very orderly knowledge and process transfer. But listen, Dave Gelinne is a grizzled veteran with extensive expertise in lines that we write casualty, workers' compensation, professional lines, property reinsurance and he's seen it all. Nothing is going to surprise them. but he's coming in with no preconceived notions certainly.

Mark Douglas Hughes
Truist Securities, Inc., Research Division

And then 1 final question on the Specialty Admitted. What kind of combined grade should that be operating at? What would you be targeting for that combined?

Sarah Casey Doran
Chief Financial Officer

Yes. So that the business obviously had a very good quarter at the 88.5% combined ratio. I think you've seen it move around a lot, Mark, and this is a tough 1 just with any line where you're getting 50-ish percent growth in any given quarter-over-quarter. That's coming through new programs, mix of business, different retentions. We're still in the kind of sub-20% retention, but it moves around on any given program. So I'm definitely not trying to avoid the question, but just paint the picture that I think that with all these moving pieces, it's tough to probably have an exact trend line there.

But conceptually, I think about that business running in a combined that's probably somewhere between a 90% or 92% on a run rate basis and that probably improves over time. But the delta there is just going to be a little bit on the expense ratio. We had some expense benefits throughout the business this quarter because I was kind of covering in my prepared remarks. And then I would say some fluctuation in the loss ratio, just as those more recent programs continue to come on.

Operator

No further questions over the phone. I would now like to hand the conference back to Frank. Sir, please go ahead.

Frank N. D’Orazio
CEO & Director

Okay. Thank you, Henry. James River produced an excellent quarter of both growth and profitability, and we thank you all for making the time to listen to this morning's discussion. Before we end the call, I'd like to take a moment to recognize Bob Myron, our former President and COO, who retired at the end of last week after a long and distinguished career at James River. Bob, thank you for your many contributions to the group. And I know I speak for many at the company and around the industry when I say we wish you all the very best in your retirement. Okay. Well, thank you again for your time today. We look forward to speaking with you again next quarter. Have a great day.

Operator
This concludes today's conference call. Thank you for participating. You may now disconnect.