S&P Global
Market Intelligence

James River Group Holdings, Ltd. NasdaqGS:JRVR

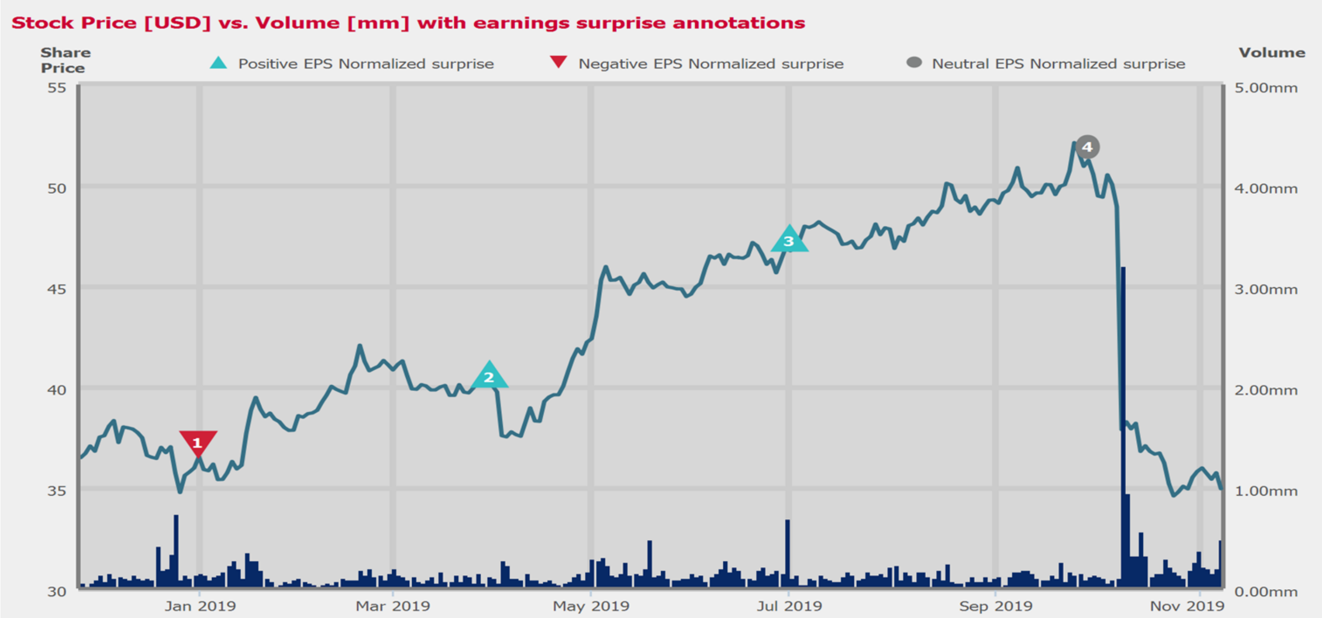
FQ3 2019 Earnings Call Transcripts

Thursday, November 07, 2019 1:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ3 2019-			-FQ4 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	(0.92)	(0.73)	NM	0.66	1.12	2.31
Revenue (mm)	235.20	231.47	▼ (1.59 %)	248.00	917.70	870.83

Currency: USD
Consensus as of Nov-07-2019 1:05 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2018	0.66	0.56	▼1 (15.15 %)
FQ1 2019	0.63	0.71	▲2 12.70 %
FQ2 2019	0.63	0.66	▲3 4.76 %
FQ3 2019	(0.92)	(0.73)	NM

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Chairman & CEO

Kevin B. Copeland
SVP Finance & Chief Investment Officer

Sarah Casey Doran
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ANALYSTS

Brian Robert Meredith
UBS Investment Bank, Research Division

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Matthew John Carletti
JMP Securities LLC, Research Division

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

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to the James River Third Quarter 2019 Results Conference 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 speakers today, Kevin Copeland, Head of Investor Relations. Please go ahead.

Kevin B. Copeland
SVP Finance & Chief Investment Officer

Thank you, Danielle. Good morning, everyone, and welcome to the James River Group Third Quarter 2019 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 section of our most recent Form 10-K, Form 10-Qs and other reports and filings we make 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 Adam Abram, Chief Executive Officer of James River Group.

Jonathan Adam Abram
Chairman & CEO

Thanks so much, Kevin, and good morning, everybody. Sarah Doran, Bob Myron and I are all here together. And before I turn the call to Sarah, I have a few comments about the loss we reported this quarter and our decision to walk away from our largest account.

I think those of you who have followed us for a while know that we pride ourselves in our underwriting standards, and this loss, which is driven by the lack of profitability on the Uber account, is not acceptable to us. We decided that it is not in the long-term interest of our company and our stakeholders to continue our contract with Uber. In 17 years, since we founded James River, we've made underwriting profits in all but 2 years, and we've never reported a loss of this magnitude before. We've canceled the account and after taking a reserve charge, we expect to resume producing low double-digit annual returns on tangible equity in 2020.

In Uber, we wrote a new type of risk that initially seemed to be highly profitable based on the data available to us, but Uber's business and the underlying risk evolved very quickly. Our underwriting assumptions and the related pricing did not keep pace with changes in Uber's business. Uber created a new transportation model that altered the American transport system and presented new challenges and opportunities for the insurance industries. The risk associated with this model shifted as the company expanded into new regions, added tens of thousands of drivers and evolved beyond just ride hailing. All of these factors created a situation where the risk became too large in absolute terms given the size of our company. And candidly, in some years, we mispriced the risk.

Having said that, we're comfortable with our pricing for the 2018 and 2019 years. In response to poor results in 2016 and 2017, we negotiated substantial pricing increase for the contract on the 2018 renewal and renewed at similar rates for the 2019 renewal. We also purchased a quota share reinsurance contract for the 1/3 -- for 1/3 of the account for the first time in 2019. However, profits we anticipate earning in these last 2 years will not fully offset losses from prior years.

We decided to cancel this year, even though we believe the risk is well-priced, because of further complications related to the passage of Assembly Bill 5, or AB 5, as it's known, in the State of California. We believe AB 5 will adversely alter the claims profile for rideshare companies. In 2019, our pricing had not anticipated AB 5, hence our concern. The legislation becomes effective 2 months before our policies would have naturally expired.

When we canceled the account, we also drew upon the collateral established to pay the portion of claims costs retained by our client. The $1.2 billion in that trust account is now on our balance sheet and may be used to pay our former client's share of any claims as they arise. The funds are invested in short-term treasuries and the interest earned will accrue to our benefit. While that does not reduce our loss ratio, the investment earnings will somewhat mitigate the effect of the losses we have reported.

Last night, after we released earnings, Uber sent a note asking the collateral be redeposited within the trust. We're confident that we've handled the trust appropriately and do not intend to redeposit the funds. We expect to process approximately 18,500 claims during the runoff of this book of business. We're well staffed to handle these claims and are committed to handling them expeditiously and properly.

In the end, I'd say the Uber account was a diversion from the steady engine that has always propelled our company, highly profitable underwriting of small- and middle-market risk, and that business is performing very, very well, in line with or ahead of our expectations. We decided to reset our focus on the many positives in our core E&S business and attractive growth opportunities we continue to see there and in our Specialty Admitted segment and to start the new year focused on those opportunities.

During the past quarter, our core E&S, our Excess and Surplus lines business, meaning our James River E&S business other than Commercial Auto, grew by 72% compared to the same period a year ago. Rates in this segment have gone up for 10 quarters in a row and increased 3.2% in the third quarter and were up 6.5% if we exclude one large renewal of a profitable account. We wrote $133 million in core E&S this quarter and are on a pace to write approximately $500 million in core E&S this year.

The growth in our core E&S business is very, very strong. Submissions through the first 3 quarters of this year are up by 22% compared to the first 3 quarters of last year, 2018. The pace is accelerating. Submissions in the third quarter were up 29%. We're continuing to book the current year at or above a 70% loss in LAE ratio, and long-term observers of our company know our E&S book has historically developed at significantly lower loss ratios than 70%. Pricing is excellent.

A couple of anecdotes will give you a flavor for parts of our market. Liability for habitational risk have seen very large rate increases. We recently wrote an E&S liability, excess liability policy, on a California apartment complex, where we reduced the limit by 50% from the expiring limit and increased the rate by over 500%. A similar example from the East Coast, where we write the primary layer: our premium was almost 400% of expiring premium with substantial supplements for assault and battery, water damage and even an absolute dog bite exclusion. This illustrates that, right now, in truing the E&S business, there is an opportunity for improved pricing and more favorable terms and conditions. And because these are new accounts to us and not in the renewal, these increases aren't incorporated in our rate increase information that I was quoting to you before.

In our Allied Health division, we're seeing real strength in the smaller nursing home assisted living area. Larger facilities have not yet seen rate increases, but in September, we wrote multiple smaller accounts at increases exceeding 50%. We have not yet seen significant increases in construction-related accounts.

Our Specialty Admitted business, turning to that, also had a very good quarter, growing slightly compared to a year ago and reporting a 94.1% combined ratio. We believe our fronting business in this segment has great potential to deliver high returns on equity, while taking only moderate underwriting risk. Underwriting profits from the Specialty Admitted unit were $837,000 for the quarter, and we're just starting there. New leadership in our Specialty Admitted segment has signed 4 new fronting deals we anticipate will bring in over $50 million in gross premiums annually.

So because of the fundamental strengths of our company, I expect going forward that we will deliver a low double-digit return on tangible -- average tangible equity.

And before we get into your questions, I know we'd benefit from having additional insight from Sarah Doran, our Chief Financial Officer. Sarah?

Sarah Casey Doran
Chief Financial Officer

Thanks, Adam. Let me highlight a few of the financial points from the quarter. Net earned premium grew over 16% in our E&S segment this quarter and 30% in our core E&S business alone. Year-to-date, core E&S premium is up 20%. Core E&S earned premium is up 20%. This quarter, the E&S segment represented over 77% of our total group net earned premiums.

Starting in January of 2020, core E&S will be the majority of our group's earned premium as the large commercial auto account will roll-off by the end of this year. Thinking about core E&S on its own, as Adam mentioned, we're booking loss ratios at above a 70% loss in LAE ratio. The expense and commission ratio for this business is in the mid- to high-20s. As we've mentioned previously, we are getting strong rate in our core E&S lines. Given our strong pricing and our historical results in core E&S, we expect this business will generate very attractive returns.

Let me take a moment to provide some additional color on the adverse development we experienced this quarter. We had adverse development of $57 million overall. We had $50 million of adverse development in the Uber book, most of which was focused on the 2017 underwriting year, with the balance in the 2016 underwriting year. This recent quarter, we had losses in excess of expected for the 2016 and 2017 years, but we did not see this for the more recent 2018 and 2019 years, so we took no action there. And as Adam mentioned earlier, and we've mentioned before, in 2018, we raised rates on this account significantly.

We also had adverse development of about $8 million in our Casualty Reinsurance book, driven by much higher-than-average claims volumes in the quarter related to several accident years. We had $1 million of favorable development from our individual risk Workers' Compensation book.

Turning back to cash flow. We continue to enjoy strong cash flow from our businesses as operating cash flow was $145.7 million in the quarter alone and $213.8 million year-to-date. Third quarter cash flow is up materially over that of the first 2 quarters of this year, given the strong growth in core E&S gross written premium, which is up 51% year-to-date on its own.

The investment portfolio performed as we expected this quarter, as we earned $17.9 million in net investment income, an increase of 9% from the prior year quarter, largely in line with the growth of our portfolio.

More notably, as Adam mentioned, subsequent to delivering the early cancellation to our clients on October 9, we brought approximately $1.2 billion of assets on to our balance sheet from a collateralized trust, which Uber had posted for our benefit. These funds are invested in short-term government securities and now will earn additional net investment income for us. The collateral secured claims payments for the portion of the risk that we effectively fronted for our now former client, not for own booked reserves. We are entitled to ask for additional collateral should that prove necessary.

So through the first 6 months of the year, we've grown our book value by about $82 million or over 16%. While the loss this quarter is a setback, we still increased tangible equity over 12% year-to-date despite paying almost $30 million in dividends through the first 3 quarters of the year, given our healthy 3.6% yield.

Our balance sheet and capital position are well able to support the attractive growth that we continue to see in our core E&S business and additional opportunities for growth we are realizing in the Specialty Admitted segment. We expect that our Casualty Reinsurance business will largely remain at similar premium volumes to what it has over the last year or so.

So while it's too early for us to provide guidance on 2020, I will echo what Adam said, in that our opportunities to put capital to work at attractive returns for our shareholders are plentiful. While our top line will likely be down modestly from 2020 -- in 2020 from where we end 2019, our core E&S business has typically produced a lower developed combined ratio than has our Commercial Auto book, building a case for a compelling group-wide combined ratio. We will actively and carefully manage expenses over the next few quarters as we work to runoff the bulk of the Commercial Auto book.

And with that, I'll turn the call back to Adam.

Jonathan Adam Abram
Chairman & CEO
Thank you, Sarah. Operator, do we have questions?

Question and Answer

Operator

[Operator Instructions] And our first question comes from Matt Carletti from JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

If I could, maybe just a couple questions to start on the Commercial Auto reserve charge. For starters, can you give us a little bit of color behind the scenes in terms of what changed with the reserve charge this quarter? Are you at a different point in terms of kind of confidence level in the reserving numbers? Have you gone higher towards the top end of kind of the actuarial range as the percentage of IBNR increased? Can you help us understand how the reserve picture sits today versus a quarter or 2 ago?

Sarah Casey Doran
Chief Financial Officer

Sure, Matt. This is Sarah. I think I would say, first of all, we have fairly standard practices and procedures around this, and we follow the same that we do every quarter, in that we're looking at this book with monthly actuarial data and then we're doing a deep dive every single quarter. And what we reacted to was losses in excess of expected in this quarter. We put up the number that I think was demanding of that. And we're certainly watching it very carefully and very closely, especially around claims and further development and behavior of that, but we feel that we have put up a number that is in response -- well in response to the data that we saw that we were presented with, and that's where we got to this quarter. As I mentioned, more of that was concentrated on the '17 year than on the '16 year. We're clearly closer to the end of the '16 year, just from a timing perspective than we would have been at the beginning of the year.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. And then maybe can you remind us a little bit of some of the -- either the broad pricing changes or underlying exposure, state footprint changes that -- how '17 might be different than '16 on a underlying basis?

Sarah Casey Doran
Chief Financial Officer

Sure. I mean, I think -- and that's a great question. A big piece of moving from '16 to '17 was that we took a smaller share, I think we've mentioned this publicly before, of Florida. And we mentioned Florida as being an outsized contributor from an underinsured and uninsured motorist perspective, and that causing some issues with regard to '16.

Now clearly, we, in retrospect, have underpriced '17 from the reserve additions that we're making this quarter. But we have less exposure to that state in '17 than we did in '16. We did have a pricing increase from '16 to '17, but as Adam mentioned, much more material pricing increase from '17 into '18, and I think that really provides a significant amount of the basis for our comfort in '18 and then '19.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. Great. And then I'll stop beating the reserve question here, just one more. Have you considered, would you consider, are you considering an ADC on that book or some other form of reinsurance protection or transaction that would kind of put it out of investors' minds for good?

Sarah Casey Doran
Chief Financial Officer

We certainly realize the value that something like that could provide for -- exactly as you said it, for putting it to the side from an investor and certainly from our perspective. And those are options that we look at every day in our business with regard to this business, with regard to other options, soft capital options that could make sense. I think they need to make sense economically for us, and they're not simple transactions, but they're absolutely things that we would and should be considering, for sure.

Matthew John Carletti
JMP Securities LLC, Research Division

Great. And one last one, if I can, on the reserves. You mentioned -- can you help us understand kind of how that E&S segment maybe will look different in -- and I know 2020 will be bit of a transition year and then longer term in terms of loss ratio, expense ratio mix. I heard you mention kind of mid- to high-20s expense ratio, historically, where the core E&S has run. But I would imagine maybe it runs a little higher initially as you still have the commercial auto TPA business, all the 18,500 claims kind of in runoff. So can you help us at least directionally understand kind of how that split will look as we move forward?

Sarah Casey Doran
Chief Financial Officer

That's a great question. And we are still working through -- I'll maybe take a stab at it and then let Adam come in at the end. We're still working through kind of the fine point on our 2020 plan. But what I would say is that we'll probably carry a little bit of additional expense into the beginning of the year, but we'll have worked our way out of that, certainly, by the end of the year. So I'm comfortable with that mid- to high-20s expense ratio on the core E&S business for all of 2020.

I would say it would be at the low end of that once we work our way out of all of the additional expense related to the business and managing that -- those runoff claims because we -- just to reinforce, we do not expect to have any premiums coming in from that large account in 2020. But I think what's most important there is that we work our way out of the claims, and we come to a good reserve result, and we're okay to carry a little bit of additional expense in the beginning with the big picture to come to a good landing.

Adam, is there more you'd add to that?

Jonathan Adam Abram
Chairman & CEO

No. It's just that -- I think you can get a good feel for how this book will look if you go back and look prior to our taking on the Uber account at our E&S business. For years, that business has run at a loss and an ALE (sic) [LAE] ratio hovering around 60. And we've been able to run that business, as Sarah said, well below 30, in the mid-25% to 28% expense ratio. So that's where I would expect this book to settle out once we move through all the other, what I will now call, noise, I mean because it's stuff we're rolling off.

Operator

Your next question comes from Mark Hughes from SunTrust.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Adam, the underwriting expenses in E&S kind of the mid- to high-20s, what sort of corporate expense would you have on top of that? I think you break that out in your earnings report. If I'm looking at it properly, the other operating expenses, the corporate and other, $7 million last quarter. Do we have the kind of mid- to 20 -- mid- to high-20s E&S expense load and then the corporate on top of that?

Sarah Casey Doran
Chief Financial Officer

Yes. When I -- yes, excuse me, Matt. When I say mid- to high-20s, that's just the E&S -- the core E&S expense ratio. We do have the ongoing corporate expense, which is roughly $7 million and change a quarter, and then we've got the expense ratios in the other segments that we wouldn't expect to change materially.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Very good. And then the -- when you think about the core E&S, and if you point out how you usually book it at 70, and then it develops favorably over time. As we think about 2020, the pace of development, I think it's all been -- you're kind of caught up in the issues with Uber this last year or 2, and so it's been harder to get a look at what's going on in the core E&S. Can you say anything about either the pace of development in the core E&S as it's been recently, or as it's likely to be at least in the near term? I know that's something that's difficult to predict or provide guidance on, but just sort of kind of thinking how the model looks at least in the near term with respect to those moving pieces?

Jonathan Adam Abram
Chairman & CEO

We were booking, and Sarah, you'll correct me I hope here, but we started booking the E&S business at a 70 in '18. And so we had the benefit of the '18 year, which is already developing some maturity and we get more insight into that as it goes on. But typically, I mean, we don't have a script here about how we bring on reserves. We look at the actual case reserves and we look at on our IBNR and measure the pace of claims and make a judgment that's a historically well-informed judgment. And then it starts a couple years after we write the business, you'll start to see those reserves roll into earnings as appropriate.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Very good. And then just 2 others, if I may. The $1.2 billion, why -- if it was available and you could begin generating investment income, why -- just economically speaking, why wouldn't you have done it sooner than you did here? What was the -- kind of the dynamic on the timing on the decision process?

Sarah Casey Doran
Chief Financial Officer

It's just -- it's a standard trustmark, and we felt that we were making a change and by canceling the account, we just -- we felt like we wanted to be as secure as we could be in the moment. And we made the decision to draw on the funds commensurate with the early cancellation of the account, just out of an abundance of caution.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Is there -- is that what triggers if this is some sort of a -- you have to make a case that there is a reason to take the assets, and then it becomes -- yes, go ahead.

Jonathan Adam Abram
Chairman & CEO

Mark, no, there's no case that needs to be made. But I don't -- look, this is an account with a client we had for quite some time. And I don't really want to get us into a lot of specifics about the account, but this is a very standard arrangement. Across the industry, any insurer who enters into one of these standard agreements can at any time typically draw down that trust. Our policy was, we had canceled the policy, we're putting this book into runoff. We thought carefully about our situation and made the choice that we thought was the appropriate choice.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

And then the AB 5, you say that -- you think that may adversely alter the claims profile for ridesharing. Could you expand on that a little bit?

Jonathan Adam Abram
Chairman & CEO

Well, look, there's been an awful lot written about that by a lot of experts, but obviously, it's something that we did not price for. Nobody -- we didn't price for AB 5, and it was a change, and we think it's a material change. And so having experienced many different changes in the course of this relationship that affected losses, we thought this was the right thing for us to do, just was not incorporated in our pricing.

Operator

And your next question comes from Meyer Shields from KBW.

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

So just a few, hopefully, quick questions. I'm trying to understand -- or let me ask this as a question. Given the significant rate increases embedded in both new and renewal core E&S, should we assume that 2020 could be booked to something below 70% initially? Or is that roughly a good initial guide with favorable experience to be reported later?

Sarah Casey Doran
Chief Financial Officer

We're not far along there, Meyer, to have a materially different view on the market. So in the absence of new data in the beginning of November, I do think about that loss ratio, that 70% accident year as being a reasonable assumption.

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

Okay. That is perfect. Is this -- can you give us a sense of the time line for paying down the $1.2 billion of claims-related collateral? In other words, how long that will be augmenting investment income?

Sarah Casey Doran
Chief Financial Officer

Yes. That's very hard to tell because there are a lot of assumptions around claims payments and kind of future, I guess, interaction as well. So I think in the absence of that, I would just assume that it's $1.2 billion over the next year.

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

Okay. Perfect. Does the fronting arrangement in casualty reinsurance provide ceding commissions to be earned in coming quarters? Was it all booked in the third quarter?

Sarah Casey Doran
Chief Financial Officer

No. That will come over the next few quarters. Good question.

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

Okay. And then one last question, if I can, on the Uber reserves. I guess the one question that I'm hearing is that since you've had sort of late adverse experience on accident year '16 and '17, how do you have comfort that, that won't materialize later on in the more recent accident years, even in the context of the current improved underwriting performance?

Jonathan Adam Abram
Chairman & CEO

I think the biggest buffer against that is a very, very substantial price increase that we got in the '18-'19 year.

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

Does that preclude later development of claims for later emerging information?

Jonathan Adam Abram
Chairman & CEO

No. It doesn't preclude later emergence of things, but we are -- we just aren't seeing that right now. We're not seeing that kind of emergence right now.

Sarah Casey Doran
Chief Financial Officer

Whereas I think we were at earlier points of prior years.

Jonathan Adam Abram
Chairman & CEO

Yes.

Operator

[Operator Instructions] And your next question comes from Brian Meredith from UBS.

Brian Robert Meredith
UBS Investment Bank, Research Division

One quick one and one maybe a little bit longer. The first one, Sarah, what kind of yield should we assume on those short-term funds?

Sarah Casey Doran
Chief Financial Officer

It's a money market treasury -- T-bill type yield there, Brian. [indiscernible], yes.

Brian Robert Meredith
UBS Investment Bank, Research Division

Immaterial. Okay. Great. And then my second question, Adam, I'm just curious. With the substantial growth you're putting on, on your E&S, core E&S business, do you have kind of the platform or infrastructure to absorb that type of growth right now? And then I want to tie that in with what's going on right now with Uber, and just how integrated was that in the rest of your platform? And just to avoid disruptions that could potentially cause some issues and towards claims management, underwriting all sorts of other things.

Jonathan Adam Abram
Chairman & CEO

Absolutely. We've got the infrastructure to manage the growth in the E&S business and our throughput right now is growing without -- because of good hard work and very capable management and organization by our teams in the E&S unit, our throughput has grown. That is the number of quotes that we've been able to put out. We put some technology behind that, that assist us in quoting faster and better. And so we're not strained at all in terms of our ability to handle this growth. We've added new people in the underwriting division.

Right now, the Uber account is really strictly, obviously, a claims operation, and we have sufficient people to handle those claims easily, efficiently, consistently and within the 4 corners of the contract. And we'll engage in a orderly runoff of that book. And the Uber claims segment is separated from our E&S claims segment; they're under a common management, but the people handling Uber claims are different than the people handling the liability claims in our E&S segment.

Now as Uber runs off, by the way, there may be opportunities for us to move people over from -- some people over from Uber claims into the liability group as that grows. And in fact, that's kind of an advantage that we have right now in terms of this expanding book. And as you think about the growth in claims that -- just in numerical claims that will inevitably come, we've got a lot of talented people handling Uber claims who may eventually come over and be part of the E&S claims handling. So it's actually a fortuitous and good arrangement.

Operator

You have a follow-up question from Mark Hughes from SunTrust.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Yes. On claims development, there's been some commentary, obviously, around the Commercial Auto that the development pattern has been lengthening or you're seeing -- not you, but others are seeing higher losses in the tail. But then even on noncommercial auto, risks or losses there perhaps have been developing less favorably than expected. Have you seen that? This whole point about social inflation, just kind of broadening up the conversation and one of your notable competitors that talked about it, are you seeing anything like that in your core E&S business where some of the development patterns are a little different?

Jonathan Adam Abram
Chairman & CEO

We're not. We're looking hard at it. We certainly are aware of all the commentary around that. We've not seen what people are referring to as the social inflation in our core E&S book, middle market, basically small and middle market E&S book to date, but we are alert to it.

I will say we've enjoyed 10 quarters in a row of significant rate increases. And then, as I was pointing out before, the renewal book, those rate increases that we report to you, I think, are -- they're part of the story, but there's another part of the story where you can't quite capture the flavor of it, except to explain to you what the expiring premium from another insurer was compared to the premium we've got, and I gave you a couple of examples of several hundred percent here. And I didn't just cherry pick those examples. That's a phenomena that's going on in parts of the E&S market.

And at the same time, I'm not seeing yet the social inflation that people are talking about. But if you look at our long-term history in this business, which is, as I pointed out earlier, 17 years, we've got a long history through many cycles of looking at fully developed loss and LAE ratios. And those typically have been hovering right around 60% over time. I think the price increases that we're getting are really good. And I think that this book will perform in line with our long-term history in good years because I think we're really in good position in these years in the current environment.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

Understood. Then one final quick question. Do you happen to have the written and earned for the Commercial Auto piece in the third quarter? I think, historically, that maybe gets broken out later. But I wondered if you have them there in front of you, again, the written and earned in Commercial Auto within E&S?

Sarah Casey Doran
Chief Financial Officer

Yes. It was about $80 million there.

Mark Douglas Hughes

SunTrust Robinson Humphrey, Inc., Research Division

That would be -- that was the earned?

Sarah Casey Doran
Chief Financial Officer

They're about -- yes, that's the net written and the net earned, they're about the same, right? Because we basically earn the premium as we write it.

Mark Douglas Hughes
SunTrust Robinson Humphrey, Inc., Research Division

I guess that's right. I guess -- yes, so, yes, net written would be the same. Do you have gross written by any chance?

Sarah Casey Doran
Chief Financial Officer

Well, gross would be the additional amount. Given the large reinsurance contracts, that's a little over $100 million.

Operator

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

Jonathan Adam Abram
Chairman & CEO

Well, thank you, everybody, for your interest in our company, and we look forward to reporting to you next quarter and to visiting with you from time to time, and we appreciate -- deeply appreciate your interest and speak to you soon. Thank you.

Operator
Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.