S&P Global
Market Intelligence

James River Group Holdings, Ltd. NasdaqGS:JRVR

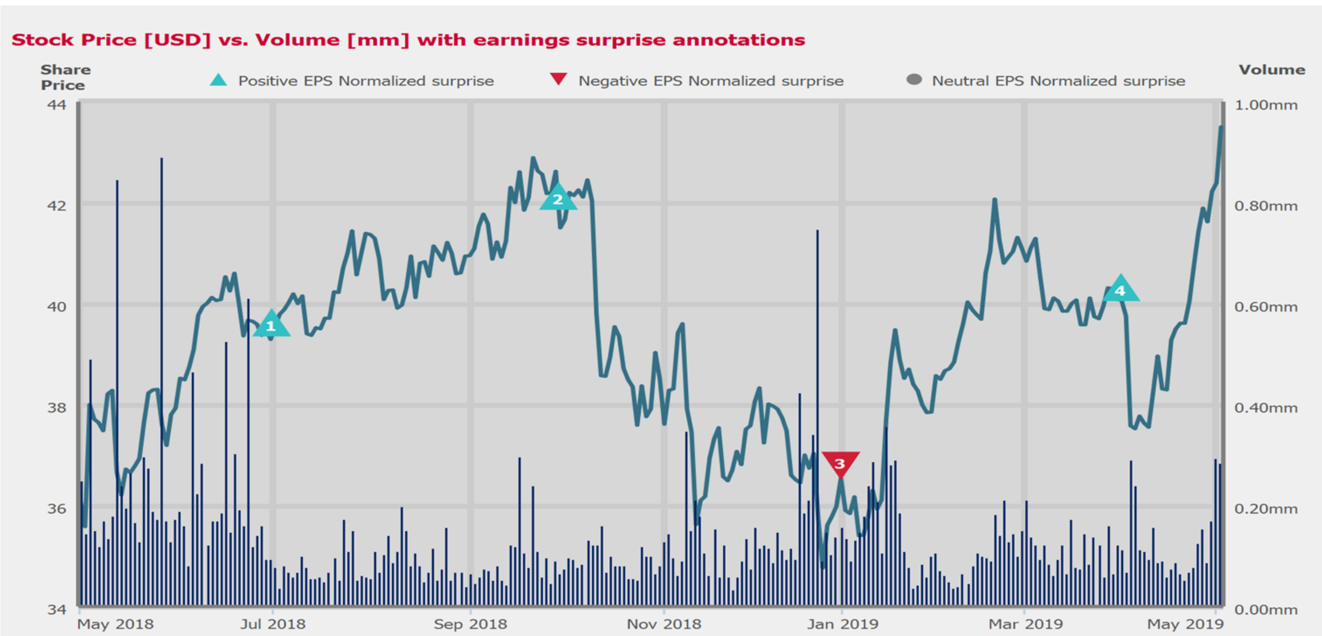
FQ1 2019 Earnings Call Transcripts

Thursday, May 02, 2019 12:00 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2019-			-FQ2 2019-	-FY 2019-	-FY 2020-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.63	0.71	▲12.70	0.71	2.85	2.76
Revenue (mm)	211.90	214.13	▲1.05	212.65	870.40	922.33

Currency: USD
Consensus as of May-02-2019 3:40 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2018	0.54	0.58	▲1 7.41 %
FQ3 2018	0.60	0.64	▲2 6.67 %
FQ4 2018	0.66	0.56	▼3 (15.15 %)
FQ1 2019	0.63	0.71	▲4 12.70 %

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Call Participants

EXECUTIVES

Kevin B. Copeland
SVP Finance & Chief Investment Officer

Robert Patrick Myron
President, CEO & Director

Sarah Casey Doran
Chief Financial Officer

ANALYSTS

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

Matthew John Carletti
JMP Securities LLC, Research Division

Randolph Binner
B. Riley FBR, Inc., Research Division

Sean Keller Reitenbach
Keefe, Bruyette, & Woods, Inc., Research Division

Seth A. Rosenberg
UBS Investment Bank, Research Division

Presentation

Operator

Good day, ladies and gentlemen, and welcome to the James River Q1 2019 Results Call. [Operator Instructions] And as a reminder, this conference call is being recorded.

I'd now like to turn the conference over to Kevin Copeland, Head of Investor Relations. Please, go ahead.

Kevin B. Copeland
SVP Finance & Chief Investment Officer

Thank you, Candice. Good morning, everyone, and welcome to the James River Group First 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 Bob Myron, Chief Executive Officer of James River Group.

Robert Patrick Myron
President, CEO & Director

Thank you, Kevin, and good morning, everyone, and welcome to our investor call. I'm Bob Myron, CEO, and with me today are Sarah Doran, our CFO; and Kevin Copeland, our Chief Investment Officer and Head of Investor Relations.

I'll spend some time today talking about our overall results for the quarter and also some specifics on each one of our segments, both results as well as operations.

I'll then turn the call over to Sarah, and then we'll get to your questions.

We are off to a great start for the year. The $21.7 million of after-tax operating income and the 16.9% annualized return on tangible equity is one of the best quarters we've had in our 17-year history.

Our underwriting results were strong with underwriting profits at all 3 of our segments in a 96.2% combined ratio overall.

We had good growth in our 2 U.S. primary insurance segments, which is where we are focusing our growth efforts. There are many items of note that bode well for the rest of the year. Our expense ratio of 22.6% is market-leading as we continue to carefully manage expenses and get great leverage out of our franchise. I am particularly pleased of our growing tangible book value per share from $16.34 to $17.74 in the last 3 months, while at the same time producing a great return on tangible equity and continuing to pay a nearly 3% dividend.

Let me now talk about each of our 3 segments individually.

In our largest segment, E&S submissions were up 17% in the quarter year-over-year, the highest quarterly percentage increase in submissions we have had in the last 11.5 years. In the quarter, we received over 68,000 new and renewal submissions. This reflects the continued strong and growing U.S. economy, the excellent relationships we have with our wholesale brokers and meaningful amounts of business flowing from the admitted market into the E&S market.

Pricing on renewals was up about 3% in the quarter on our core E&S business, but the renewal pricing doesn't tell the whole story. I'll give an example of a couple of habitational risks that we wrote in the quarter, which is a class where we are seeing strong flow in our general casualty division from business being nonrenewed in the admitted market. The first one we wrote in the quarter, we received a 100% increase on the expiring premium, wrote it on a tighter coverage form and for the same $25,000 deductible of the expiring policy. The second one we wrote with a 68% price increase relative to the expiring premium on a tighter coverage form with a $5,000 deductible, where previously the account had no deductible.

In our E&S segment, our underwriting staff are in 3 offices: Richmond, Virginia; Alpharetta, Georgia; and Scottsdale, Arizona; as well as a few people in remote locations.

We have a total of 172 persons currently working in underwriting in this segment. This is the highest underwriting headcount number we have had in our history, and we are continually looking to find additional staff in this area to help us work through the strong and growing submission flow. Under our Segment President, Richard Schmitzer, we have a strong and deep bench of talent with great subject matter expertise at the division manager level as well as at levels below that.

We have had the same group of division managers that we have when I came to the company 9 years ago, so the continuity is fantastic. Of note, our core E&S segment, which excludes Commercial Auto, represented $334 million of gross written premiums last year in 2018, which substantially exceeds our previous cyclical high from back in 2006 when we wrote a little less than $250 million.

It's the largest book of business that we have at our whole group. As of last year, our Commercial Auto division was $322 million of gross written premiums.

With this strong submission flow and the strength of our franchise, we are going to continue to see great opportunities for profitable growth going forward in core E&S.

With respect to growth in core E&S, gross written premiums were up 5% in the quarter, which was fine, but ex our Allied Health division, our growth -- our core gross written premium was up 23%. You may recall that we had significant growth in Allied Health business a year ago in Q1 driven by flow from the admitted market and substantial rate increases.

But we got strong growth elsewhere, in particular, in our 3 largest core E&S divisions, namely: manufacturers and contractors, which was up 34% in the quarter; general casualty, which was up 46%; and excess casualty, which was up 55%. This bodes well for the future. We feel that we are extremely well poised for the ongoing hardening market and small account E&S casualty business that we have been seeing in the last 6 quarters or so continuing. Richard Schmitzer has done a great job managing this segment for us over the last 10 years.

Now a few comments about our Commercial Auto division within E&S, the majority of which is with one client. In the quarter, Commercial Auto grew 19%. This was principally from growth in written premiums in January and February of 2019 over the previous year's contract with our largest client. As we have said before, this contract renews on March 1 of any given year. From March 1 forward, we will have growth in gross written premiums but not much growth in net written premiums. The approximate written premiums for the 12-month policy term incepting March 1, 2019 is projected to be $400 million gross and $300 million net. The reason for the $100 million difference is that we place the $100 million quota share reinsurance contract behind us on this risk.

We are very happy to have received from the client a larger share of the risk in the 20 states and the 2 territories that we are insuring. The flexibility of our E&S paper has been very important to our relationship and opportunity with the client.

Our relationship with this largest client continues to be strong, but that doesn't cause us to rest on our laurels. We work hard to service this account to the best of our ability every day and seek to make constant improvements to service levels and technology.

Claim servicing is one of the most important parts of the relationship as our ability to service the account is central to the 6 years of history we have had with this client. We handle all of the claims for this account using our own staff who are based in 3 offices: Richmond, Scottsdale and Raleigh. And our claims headcount dedicated to servicing this account is over 300 people.

We are making appropriate use of leading-edge claims technology in handling these claims. We also have access to all of the client's telematics when it comes to claims handling. We don't use third-party administrators to handle claims or TPAs. This has been a key tenet of our relationship with the client from the beginning going all the way back to 2013. Also as we probably said before, this account is priced on a per mile basis by state.

In our Specialty Admitted segment, we grew 18%. Submissions were up 52% in our individual risk workers' compensation business, which reflects strong agency relationships, continued economic growth and continued modest expansion into a few other states. Rates were down about 3% in individual risk workers' comp, but margins were down only about half that and remain strong as we continue to see benign loss activity. You may remember that we buy 50% quota share reinsurance treaty on this business behind us, which has helped to support our modest and calculated expansion and the resulting increase in submission flow and opportunity.

In our fronting division, we grew gross written premiums by 15%. This was because of new fronted deals that were not on the books a year ago. A few comments on our largest fronted transaction, which is produced by Atlas, a California-based MGA. We reinsure in excess of 90% of this business to quota share and excess reinsurers. The contract continues to perform well from a loss perspective and produces -- and production continues to be in line with expectations. Our group has had a long and successful relationship with Atlas. While we take a small slice of risk, we watch this closely like we do with all fronted transactions and MGA relationships and work collaboratively with the MGA through our own underwriting staff and underwriting guidelines employed, which include oversight and frequent audits of both claims and underwriting operations. This contract renews on June 1 of each year, and at this time, we expect it to renew again.

Otherwise, we are continuing to grow in both count and premium other fronting transactions. Of note, in April, we wrote 2 new transactions that we expect to deliver between $40 million and $45 million of gross written premium per annum. We are pleased to report that both of these deals are for property business, which is a first for this division, and will be 100% reinsured without any property tail risk whatsoever. While these transactions will represent a modest amount of premium growth, we are also seeing opportunities which may show up as fee income rather than premium, so the segment growth likely will all register through the top line.

Otherwise, Terry McCafferty, our Specialty Admitted Segment President, has a strong pipeline of new prospective deals that we are optimistic about. In our Casualty Re segment, while we did have a modest amount of adverse development in the quarter, sliding scale ceding commissions absorbed much of this so that the net result was still a 99.1% combined ratio and an underwriting profit. We shrunk the top line in this segment in line with our expectations. For the full year 2019, gross written premiums will be between flat to up 10% as our underlying cedings get rate and positive exposure increases.

The book is expected to be over 90% E&S business in 2019. In terms of pricing for Casualty Re, the underlying business saw rate increases of about 3%, and we got 1% increase in reinsurance pricing upon renewals.

With that, let me turn the call over to Sarah Doran, our CFO.

Sarah Casey Doran
Chief Financial Officer

Thanks, Bob, and good morning, everyone. For the first quarter of 2019, we made strong underwriting profits of $7.1 million. We generated an operating profit of $21.7 million, and we're reporting net income of $22.7 million.

Our expense ratio of 22.6% is an improvement of 2.3 points from the prior year quarter. While slightly elevated from the sequential quarter, the improvement is largely due to mix. Our E&S segment, which has the lowest expense ratio of the operating segment, now represents about 75% of our earned premium, up from about 65% in the first quarter of last year. We also saw expense ratio improvement in both the Specialty Admitted and Casualty Re segments and as always, continue to be focused on managing our expenses throughout the organization. The 22.6% is an extremely meaningful 10-point advantage to our competitors.

We continue to enjoy strong cash flow from our businesses as operating cash flow was $35.4 million this quarter, down slightly due to some timing difference of our Casualty Re segment. Net investment income was the highest in the company's history this quarter. Our investment performance this quarter is a credit to our growth over these past few years as well as a thoughtful strategy around the portfolio, and we had the benefit of a market rebound. We are at $19.4 million of NII, an increase of almost 50% from the first quarter of 2018, reversing much of the underperformance we experienced last quarter.

Cash and investment assets were up about 15% from the first quarter of 2018, although I believe this growth will likely be slower going forward.

This quarter, in particular, our small other private investment portfolio delivered exceptional returns. We construct the entire portfolio to have a few pockets for outperformance that represents a small portion of invested assets, take moderate risk in our well-performing floating bank loan portfolio and to a lesser degree, in our high-grade portfolio.

Our balance sheet continues to be a key focus. In this quarter, our prior year reserve development was stable with E&S, benefited from continued positive margin in Specialty Admitted, in our individual workers' compensation book and has a small amount of prior year development in Casualty Re. As mentioned in February, our external reserve processes, which include -- which conclude in the fourth quarter, had showed us as having some redundancy across the group. We are focused on making prudent and conservative current accident year loss picks, so our current accident year loss ratio increased from both the prior and sequential quarter.

But perhaps our strongest highlight this quarter is that we grew tangible equity per share 10.4% from 1 quarter ago while also delivering annualized adjusted net operating return on average tangible equity of 16.9%. We ended the quarter with tangible shareholders' equity of 531 -- $535.1 million, an increase over the $489.9 million at the end of 2018. Operating leverage were 12 months, net premiums written to tangible equity was 1.4x:1. Our ability to generate strong tangible book value growth and a high ROTE is very important to us and shows we have great opportunities to put our capital to work.

And finally, on taxes. Our effective tax rate for the quarter was 10.8%. And while there are many points of impact to our tax rate, we continue to believe that going forward, our tax rate will be similar to historical averages, ticking up slightly as more of our assets move over time from a nontaxable jurisdiction.

That said, it's worth noting that our Bermuda domicile continues to be a strong advantage of ours as the majority of our invested assets remain offshore, and we have an efficient capital management framework in place, which among other things yield strong relationships with our regulators and rating agencies.

And with that, I'll turn it back to Bob.

Robert Patrick Myron
President, CEO & Director
Thank you, Sarah. Operator, that concludes our prepared remarks. Would you please open the line for questions?

Question and Answer

Operator

[Operator Instructions] And our first question comes from Mark Hughes of SunTrust.

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

Could you talk about -- on the quota share presumably you'll be getting a ceding commission. Any sense of what the impact of that will be? I assume that will be an offset to operating expenses. But could you give us a little insight what that could do to the margin?

Robert Patrick Myron
President, CEO & Director

Yes. So we will be getting a ceding commission. There is -- it will be an offset to operating expenses, but we don't want to get into the terms of -- and conditions of it because it's a private transaction principally with one party. And so I think it's best to just make mention of the fact that we have it. We're happy to have it and how it's going to be accounted for. But don't want to get into the terms and conditions on it, Mark.

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

Okay. The share of the risk you're taking now with your large client, are you taking the majority of the risk? Or is it still a less than half?

Robert Patrick Myron
President, CEO & Director

Well, as I know you know, we haven't gotten into the forever sort of talking about the share of the risk that we actually take. I mean this is obviously increased than it's more than it's been -- more than it's been in the past on a gross basis. But there still is meaningful risk sharing between us and the client.

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

Understood. The current accident year loss in Specialty Admitted, I'm not sure if you touched on that in your prepared remarks, but that was up a bit year-over-year. Would you expect that to stay at that level or should that kind of return to perhaps where it has been last year or the year before?

Sarah Casey Doran
Chief Financial Officer

Sure. Thanks for the question, Mark. That's about around the fair amount as we don't have count of premium in that segment. So the 74.5% this quarter is improved from the 77.5% in the fourth quarter of last year, but up versus the first quarter. So I think the point is there's not a great trend there, but I would think about the 74.5% or kind of 74.5% area for this year. That's just the thesis of us taking a conservative look at everything that we're putting on the books right now, in this year, in particular. Not seeing any reason to move things up other than just trying to be conservative where we can, as we're doing throughout the group.

Operator

And our next question comes from Matthew Carletti of JMP Securities.

Matthew John Carletti
JMP Securities LLC, Research Division

Sarah, maybe first question for you. Just you mentioned some color on the reserves and largely the lack of movement in the quarter. I was hoping you could maybe piece apart the E&S movement a little bit. I think it was pretty small. Let's call it nil overall. Were there any notable movements on one side or the other kind of core E&S versus Commercial Auto. And likewise within Commercial Auto by accident year, was there any movement of note? Or was it kind of just rounding errors across the board?

Sarah Casey Doran
Chief Financial Officer

Yes. I appreciate the question. Thanks for asking. We know this is going to be a big focus. So clearly, we're pretty happy to come out the quarter as we were hoping at the end of last quarter with a very stable reserve in that segment in particular. I would say, there's -- they were small movements in a lot of different directions. They were not big movements on one side or the other, in one line, in 1 year, Matt. So really it was kind of -- it netted out to the 10,000, but it was small pieces within that. Both within commercial autos and core over the years, nothing of note to report there.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. Great. And then shifting to core E&S pricing. Matthew, you mentioned how the growth -- because Allied Health had a really good quarter a year ago, and so you gave kind of the corresponding growth figures. Would the story on kind of top line pricing be similar, that if you excluded Allied Health, that I think it was a 3% number, would have been materially higher just because Allied Health had a head start?

Robert Patrick Myron
President, CEO & Director

Yes. A little bit higher, Matt, when you exclude it. Although it sort of moves from like 3% to 3.5% when you look at the rest of the divisions. I guess a couple of things come to mind here. First, we've been getting meaningful rate increases now for 6 quarters, and we are up 13% I think it was Q1 a year ago, right? So we're now getting rate increases on top of rate increases. And I think we feel really good about the rate environment overall where the pricing is with the cumulative changes that we've got in the last 6 quarters. And to be specific around Allied Healthcare and the like, we -- as you say, we had that difficult comparative a year ago, but in the subsequent quarters, in the rest of this year, for example, in Allied Healthcare, we don't really have that situation. So I think we're very optimistic about rate. We're very optimistic about the growth prospects in terms of percentage-wise what that can be. And the submission flow, obviously, gives us tremendous amount of optimism as well.

Matthew John Carletti
JMP Securities LLC, Research Division

Great. And then one last question if I can, just around capital. Kind of what's your current thinking on capital and operating leverage? I mean we've kind of shifted from what was a capital return story for many years to an environment where you're seeing some nice growth. And so just hoping you could update us on your views.

Sarah Casey Doran
Chief Financial Officer

Yes. Thanks for the question on that, too. I think for right now, we're very happy with having moved away from the special dividend in the third quarter of last year. We're seeing great opportunities to put our capital to work. So I think we continue with our above-peer 3% dividend yield and look to put as much of that to work as we can. I would expect that operating leverage might tick up a little bit from 1.42. We certainly have room to. But we're able to get to that 16.9% with that leverage, too. So I think it's taking advantage of all the opportunities we're seeing come over the trends and especially in E&S right now.

Operator

And our next question comes from Sean Reitenbach of KBW.

Sean Keller Reitenbach
Keefe, Bruyette, & Woods, Inc., Research Division

Going to the Allied Health division, was the drag on the growth, was it completely just a tough comparable? Or was there any nonrenewal activity there or anything?

Robert Patrick Myron
President, CEO & Director

Well, it was a really tough comparable. That was a market that got really hard at the -- in Q1 last year and a substantial amount of flow from business come out of the admitted market. And then it sort of moderated as the year went on, I would guess, I would say, both in terms of flow and pricing and the like. So that's really the reason and the answer.

Sean Keller Reitenbach
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. And then overall, on core E&S, do you guys feel comfortable with where rates are versus loss trend? Or do you need another point or a couple of points to really feel comfortable or where's that at?

Robert Patrick Myron
President, CEO & Director

Yes. So the rates that we've gotten over the last 6 quarters are definitely outpacing the loss trend. I think that we -- it's a good question. We certainly do think about it that way, but I also think that we have been out seeking rate increases and achieving that for over that 6-quarter period of time. So it's also just what the market dynamic is and what the market will accept from a rate increase perspective. So I guess we're not specifically thinking about needing to get a certain rate to get over a loss trend. We're thinking about optimizing the portfolio between putting nonprofitable business and getting compelling rates. And so we're going to continue to do that. And I think we are optimistic that there is so much discussion in the marketplace from other carriers that are both in the E&S space and then the commercial line space as well that many lines of business, of course, excluding workers' compensation, there is a -- there's pretty strong momentum for continued price increases.

Sean Keller Reitenbach
Keefe, Bruyette, & Woods, Inc., Research Division

All right. And for the Casualty Reinsurance, is there anything that's driving the lower accident year loss pick? It looks like it's been consistently improving over the last 5 months at least, if not longer.

Robert Patrick Myron
President, CEO & Director

Yes. That's another great question. And the biggest thing is really, really just mix. When we pared the book down, for example, from '17 to '18 and now into '19, we really moved from -- a fair amount of what was not renewed was nonstandard auto business, which had a higher loss pick and a lower expense ratio or ceding commission associated with it. And this book going forward is almost all Excess and Surplus Lines liability type of business, which has a lower loss pick and perhaps a slightly higher ceding commission. One thing to remember about that loss pick is that the -- a piece of the LAE expenses are included in the ceding commissions. So we don't -- we're not necessarily having to book a loss ratio that includes all of the LAE. So -- but that's really the reason. It's mix. It's moving to almost entire E&S -- entirely E&S liability business and away from some other lines of business that had carried higher loss picks.

Sean Keller Reitenbach
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. That's helpful. And then finally, on the growing portfolio. Sarah, I know you said that it should slow down. But in terms of the growth of the portfolio, and it has been growing pretty -- at a good pace, and if that were -- happen to persist at all, would that change the trajectory of the tax rate movement as more investments come onshore at a faster pace maybe than what you guys are expecting?

Sarah Casey Doran
Chief Financial Officer

Yes. I don't know if the growth rate is going to necessarily impact the tax ratio -- tax rate. I think there are lot of things that play in the tax rate. The movement of assets onshore is one, but we still have the majority of our assets offshore. So I don't think that's going to cause a change to that existing trajectory, if that makes sense. Because I just wanted to make the point that our growth in operating cash flow is down a little bit but will continue to grow clearly, just perhaps not at the prior rates and that will impact cash invested assets.

Operator

And our next question comes from Brian Meredith of UBS.

Seth A. Rosenberg
UBS Investment Bank, Research Division

Seth here jumping in for Brian. Really appreciate the color on habitation, I thought the 2 examples are really interesting. But it's a line that you certainly heard a lot of other companies talk about as challenging. And one of the large E&S wholesale brokers kind of highlighted it as the most problematic line and particularly with apartments. Could you maybe give your perspective on why it's been a difficult line and why you feel comfortable about writing it?

Robert Patrick Myron
President, CEO & Director

Yes. I mean I think we wouldn't put anything on the books without feeling like it's going to be profitable when we do. It's so -- and some of these are larger accounts, and so they're not necessarily decisions that are made based upon the individual underwriter at the desk. When they start to get larger, we start to look at individually pricing them using our actuarial staff and then involving segment leadership as well. So I think we're looking at those really, really carefully. And I think it's an area that has -- more broadly has been written. I think the best answer I can give you, it's a high-level answer, it's been written pretty broadly by the admitted market for a reasonably significant period of time. There hasn't been a lot of rate change with respect to it. And I think you've just got meaningful loss creep there without a lot of rate change through the years. And now I think you're in a situation whereby it can't really be profitably written in the admitted market with a filed rate and form. Whereas I think we have the ability to exclude certain perils, so to speak, and obviously write it with sort of full open market flexibility on how we price that. So we feel good about those risks when we're putting them on. And so it's a typical thing that I think -- we're seeing a lot of flow here, and it doesn't seem -- seen any signs of abating. But I would just want to make sure you know that we are very carefully underwrite these accounts in particular when they're larger. Sarah, is there anything you'd like to add?

Sarah Casey Doran
Chief Financial Officer

No. I would just emphasize the point that you made before, when you're able to -- you want to take a hard look at something, you've got 100% opportunity for 100% price increase in a tighter form or a 68% price increase [with client] risk than it was when it was in the admitted market, that degree in a pricing perspective.

Robert Patrick Myron
President, CEO & Director

Yes. And I think we saw a similar thing and have seen a similar thing. For example, something we talked about before in the chain restaurant area, so to speak, which is this is business that very typically and for long periods of time had been in the admitted market. But I think the nature of the risk changed somewhat in terms of the types of claims that were occurring when a lot of the restaurants move to more drive-through business and less sort of park and walk-in type of business. And you had a lot more hot coffee spills on the lap and burns and sort of people getting hit walking through the drive-through areas. So accidents in the parking lots so to speak. And that also was an area that admitted market has been challenged to write for certain accounts with filed rate and form. And we were receiving -- have received price increases per location for primary general liability policy that could be to 2 to 3x what the expiring price was in the admitted market. And now we've got a year's worth of claims activity underneath us, and we've renewed some of those businesses and have a good sense for how that's running and how we feel about the pricing.

Seth A. Rosenberg
UBS Investment Bank, Research Division

Got it. Okay. That's a really -- that's a great answer. And then maybe this is too simplistic, but is there a way to think about terms and conditions sort of as a renewal pricing benefit? I mean, are tighter terms and conditions sort of like an additional point of value when you think about rate versus loss trend? Or is that not a fair way to think about things?

Robert Patrick Myron
President, CEO & Director

Well, there is -- I'm not going to be able to give an example -- perfect example. But one clear example obviously is a higher deductible or a deductible or a self-insured retention that didn't -- wasn't in place in the expiring policy and our underwriters look at from an increased limit factor perspective. Even a small deductible on a primary insurance policy can have up -- if you will translate into that what would that mean from a rate increase perspective, those are substantial, those -- having those deductibles in place have to be able to have the insured in effect have to pay the small nuisance claims, so to speak. And so those are powerful as well. Sub limits on certain things are powerful as well. Exclusions on certain types of risks. We're just talking to our claims person the other day, excluding things like high hazard type of activities in bars, restaurants and taverns, like mechanical bull machines and axe throwing areas and things like that. Just coverage restrictions that -- we have the ability to basically manuscript that, that can be really powerful. And sometimes it is difficult to translate exactly into a rate change. Probably the easiest thing, which is -- which would be done really by our underwriters is when you have a higher deductible and how that -- how you think about that from a rate perspective.

Seth A. Rosenberg
UBS Investment Bank, Research Division

Got it. Okay. Great. And then I think you said, 6 -- quoting -- or sorry, submissions were up 68,000. How much of that business do you guys end up quoting? Is that -- and is that sort of limited by just your underwriting capacity? Or is there a lot of business that you just pass on?

Robert Patrick Myron
President, CEO & Director

Well, so to be clear, we got 68 -- over 68,000 new and renewal submissions in the quarter, and that was up 17% year-over-year. So that wasn't the growth number. That was the actual number of submissions. And then I think the second part of your question was around, do we have the capacity to handle that? Is that what you were getting at?

Seth A. Rosenberg
UBS Investment Bank, Research Division

Yes. I mean when you think about submissions, how much of that business do you guys actually go after?

Robert Patrick Myron
President, CEO & Director

Well, yes, so we go after a lot of it. I mean when you look at our -- generally, when you look at our statistics, these numbers float around a little bit. But you generally end up -- in Excess and Surplus Lines, you generally end up writing plus or minus 60% of your renewal submissions. And you generally end up quoting 30-some-odd-percent of the new submissions that come in. And then you end up ultimately -- for new business, you end up ultimately writing sort of 3% to 4% of those new submissions, right? So I mean those are kind of the statistics around it. I guess maybe the point that you're getting at is -- or maybe I should make a statement. All other things being equal, if our historical quote and hit rate stay the same, submission growth should turn into premium growth, which is perhaps where you're going with that.

Seth A. Rosenberg
UBS Investment Bank, Research Division

Yes, it was, exactly.

Operator

[Operator Instructions] And our next question comes from Randy Binner of B. Riley FBR.

Randolph Binner
B. Riley FBR, Inc., Research Division

So mostly asked and answered. But I guess back to the commercial auto book. Understanding kind of the claims discussion you've gone through and reserves more. But from a -- I guess, from kind of like a real loss perspective and from a loss mitigation perspective, how is claims management going in that Uber book? There certainly was a concentration in Florida in the '16 accident year. And there was issues there. But generally speaking, I know that, that organization has called the number of drivers. They've introduced basic safety standards. I think you all have been kind of investing more in claims. And so can you kind of dimension for us how the real loss activity in those vehicles has changed over the last kind of 12 to 18 months?

Robert Patrick Myron
President, CEO & Director

Yes. So good question, Randy. I would say that, yes, there's been a significant number of safety initiatives implemented by the insured, and part of that is definitely working to improve the driver pool based upon driver scoring, commentary that they get from riders, accidents and so on and so forth. So they have worked to improve the driver pool and in some instance, has been calling the driver pool in certain states and a number -- in all those ways I mentioned and more, right? So that has resulted in some decreased level of frequency of claims. And I think the other big thing really for us is we've talked a lot about Florida through the years, that is a tough jurisdiction in particular with certain types of liability claims, UM, UIM and the like. And there are some other jurisdictions throughout the U.S. that had some tough point bar in the legal environment with respect to that. And we are -- we don't have as many of those states anymore. And where we do, I think they're a very small percentage of the mileage. So I -- we feel like in terms of the 20 states and 2 territories that we have, there's a lot more stability in sort of the legal and litigation environment where we have liability claims in those states. So those are a couple of big things. And then you made an allusion to something else as well in our claims staffing. Yes, this was a rapid growth -- a rapidly growing account with a rapid growth in mileage. And we still have the largest share of the mileage for UberX in the U.S. But we feel like we've got our feet on the ground in terms of claims headcount and claims resources, in terms of handling these claims well for the mileage that we've been allocated.

Operator

Thank you, and that concludes our question-and-answer session for today. I'd like to turn the conference back over to Bob Myron for closing comments.

Robert Patrick Myron
President, CEO & Director

Thank you, operator, and thank you, everyone, for joining our call today. We look forward to talking to you again next quarter.

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.