

7. Misstatement of Key Financial Measures for the Second Quarter of 2020

193. On July 30, 2020, James River filed with the SEC a press release announcing its financial results for the second quarter of 2020 on Form 8-K (“2Q 2020 Press Release”) signed by Defendant Doran and held an earnings call to discuss its results for the second quarter of 2020. On July 31, 2020, the Company filed its Quarterly Report on Form 10-Q, signed by Defendants Abram and Doran (“2Q 2020 Form 10-Q”).

194. In the 2Q 2020 Press Release, James River reported its “Reserve for losses and loss adjustment expenses” as **\$2.067 billion** as of June 30, 2020. In the 2Q 2020 Form 10-Q, the Company clarified that, as of June 30, 2020, the Company’s “*net reserves*” were **\$1.340 billion**. The 2Q 2020 Form 10-Q broke down the “net reserve” by segment. Specifically, the reported net reserve for the E&S line—which included the commercial auto segment—was **\$968 million**.

195. Furthermore, in its 2Q 2020 Form 10-Q, James River disclosed the following reserve developments:

The Company experienced **\$1.1 million** of adverse reserve development in the three months ended June 30, 2020 on the reserve for losses and loss adjustment expenses held at December 31, 2019. ***This reserve development included \$2.8 million of favorable development in the Excess and Surplus Lines segment.***

196. In the 2Q 2020 Press Release, James River similarly reported, “The Excess and Surplus Lines segment experienced **\$2.8 million** of favorable development due to reserve releases in its Core divisions.”

197. The reported reserves and reserve developments set forth in ¶¶194-196 above were materially false and misleading because they were materially understated:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using

this improper methodology caused James River's reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.

- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information as described in ¶¶79-88 above.
- d. James River "bent over backwards" for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River's reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River's past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

8. Misstatement of Key Financial Measures for the Third Quarter of 2020

198. On October 28, 2020, James River filed with the SEC a press release announcing its financial results for the third quarter of 2020 on Form 8-K ("3Q 2020 Press Release") signed by Defendant Doran. On October 29, 2020, the Company filed its Quarterly Report on Form 10-Q, signed by Defendants Abram and Doran ("3Q 2020 Form 10-Q"), and held an earnings call to discuss its results for the third quarter of 2020.

199. In the 3Q 2020 Press Release, James River reported its "Reserve for losses and loss adjustment expenses" as **\$2.107 billion** as of September 30, 2020. In the 3Q 2020 Form 10-Q, the Company clarified that, as of September 30, 2020, the Company's "*net reserves*" were **\$1.337 billion**. The 3Q 2020 Form 10-Q broke down the "*net reserve*" by segment. Specifically, the

reported net reserve for the E&S line—which included the commercial auto segment—was **\$959 million**.

200. In its 3Q 2020 Form 10-Q, James River further disclosed the following reserve developments:

The Company experienced **\$4.2 million** of net adverse reserve development in the three months ended September 30, 2020 on the reserve for losses and loss adjustment expenses held at December 31, 2019. ***This reserve development included \$27,000 of net adverse development in the Excess and Surplus Lines segment***

201. In the 3Q 2020 Press Release, James River similarly reported an “adverse reserve development” of **\$27,000** in the Excess and Surplus Lines for the third quarter of 2020.

202. During the earnings call, Defendant Abram represented that the Company “add[ed] approximately \$10 million to reserves for the run-off of the large commercial account canceled at the end of last year,” (i.e., the Uber Contract). Defendant Doran represented on the same call that “we added **\$10 million** of reserves to our large commercial auto account in run-off this quarter but had a similar level of reserve takedowns from our core E&S book, which continues to run very well. The reserve increase relates to the 2017 and 2018 years.”

203. The reported reserves and reserve developments set forth in ¶¶199-202 above were materially false and misleading because they were materially understated:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.

- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

9. Misstatement of Reserve Development on February 17, 2021

204. On February 17, 2021, the Company issued a press release that was filed with the SEC on Form 8-K, signed by Defendant Doran, preliminarily announcing the Company’s financial results for the fourth quarter of 2020. The press release revealed that the Company suffered an *“unfavorable development of prior year loss reserves of between \$85 million and \$90 million during the fourth quarter*. The unfavorable development is concentrated in the Company’s Commercial Auto division within its E&S segment and its Casualty Re segment.”

205. The reported development set forth in ¶204 above was materially false and misleading because it was materially understated:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures

for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.

- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

10. Misstatement of Key Financial Measures for the Fourth Quarter of 2020 and Full Year 2020

206. On February 25, 2021, James River filed with the SEC a press release announcing its financial results for the fourth quarter and fiscal year ended December 31, 2020 on Form 8-K (“4Q 2020 Press Release”) signed by Defendant Doran. On February 26, 2021, James River filed with the SEC its Annual Report on Form 10-K, signed by Defendants D’Orazio, Doran, and Abram (“2020 Form 10-K”), and held an earnings call to discuss its results for the fourth quarter and full year of fiscal 2020.

207. In the 4Q 2020 Press Release, James River reported its “Reserve for losses and loss adjustment expenses” as **\$2.192 billion** as of December 31, 2020. In the 2020 Form 10-K, the Company clarified that “*the Company’s net reserve for losses and loss adjustment expenses . . . at December 31, 2020 was \$1,386.1 million.*” The 2020 Form 10-K further provided that the specific amount of “*net reserves*” attributed to the Company’s “*E&S – commercial auto*” business was **\$337 million**.

208. Furthermore, in the 4Q 2020 Press Release, James River revealed an “overall unfavorable reserve development of **\$86.0 million**.” The Company further explained, “The prior year reserve development in the quarter included **\$62.3 million** of adverse development in the E&S segment, driven by **\$75.8 million** of unfavorable development in the commercial auto division, principally from one large account [Uber].”

209. During the earnings call, Defendant D’Orazio confirmed that “during our fourth quarter, we strengthened our reserves by **\$75.8 million** in our commercial auto runoff portfolio.”

210. The 2020 Form 10-K disclosed the following reserves developments for the full year 2020:

\$92.2 million of adverse development was experienced in 2020 on the reserve for losses and loss adjustment expenses held at December 31, 2019. ***This adverse reserve development included \$59.4 million of adverse development in the Excess and Surplus Lines segment, including \$91.4 million of adverse development in the commercial auto line of business that was primarily related to the 2018 and prior accident years with Rasier.***

211. On March 1, 2021, James River filed a Fourth Quarter 2020 Investor Presentation (“4Q 2020 Investor Presentation”) with the SEC on Form 8-K, signed by Defendant Doran. The 4Q 2020 Investor Presentation provided a “Fourth Quarter and Year End 2020 Review,” which stated, “We recorded **\$86.0 million** of adverse development on prior accident year loss reserves, driven by commercial auto (**\$75.8 million**, primarily from one large runoff account).”

212. The reported reserves and reserve developments set forth in ¶¶207-211 above were materially false and misleading because they were materially understated:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss

adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.

- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

11. Misstatement of Key Financial Measures for the First Quarter of 2021

213. On May 5, 2021, James River filed with the SEC a press release announcing its financial results for the first quarter of 2021 on Form 8-K (“1Q 2021 Press Release”) signed by Defendant Doran. That day, James River also filed its Quarterly Report on Form 10-Q, signed by Defendants D’Orazio and Doran (“1Q 2021 Form 10-Q”), and released a pre-recorded earnings call discussing its results for the first quarter of 2021.

214. In the 1Q 2021 Press Release, James River reported its “Reserve for losses and loss adjustment expenses” as **\$2.414 billion** as of March 31, 2021. In the 1Q 2021 Form 10-Q, the Company clarified that, as of March 31, 2021, its “*net reserves*” were **\$1.535 billion**. The 1Q 2021 Form 10-Q broke down the “*net reserve*” by segment. Specifically, the reported net reserve for the E&S line—which included the commercial auto segment—was **\$1.134 billion**.

215. In its 1Q 2021 Form 10-Q, James River further disclosed the following reserve developments:

The Company experienced ***\$170.1 million*** of net adverse reserve development in the three months ended March 31, 2021 on the reserve for losses and loss adjustment expenses held at December 31, 2020. ***This reserve development included \$168.7 million of net adverse development in the Excess and Surplus Lines segment including \$ 170.0 million on commercial auto business, almost entirely related to a previously canceled account that has been in runoff since 2019.***

216. In the pre-recorded earnings call, Defendant D’Orazio similarly explained, “During the first quarter, we strengthened our prior year reserves by ***\$170 million*** in our commercial auto runoff portfolio.” The 1Q 2021 Press Release likewise disclosed “***\$168.7 million*** of unfavorable development in the E&S segment, ***inclusive of \$170.0 million of unfavorable development in Commercial Auto, primarily driven by a previously canceled account that has been in runoff since 2019.***”

217. The reported reserves and reserve developments set forth in ¶¶214-216 above were materially false and misleading because they were materially understated:

- a. As described in ¶¶63-68 above, on October 26, 2021, James River announced \$29.6 million in “impacts” relating to Uber, which Defendant D’Orazio described as bringing “economic finality to substantially all of” the Uber Account that was in run-off, and \$13.8 million of which James River confirmed was recorded as an adverse loss and loss adjustment expense reserve development because the Uber Account was still under-reserved.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims due to pressure from Uber, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.

- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River's reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River's past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP

12. Misstatement of Key Financial Measures for the Second Quarter of 2021

218. On August 4, 2021, James River filed with the SEC a press release announcing its financial results for the second quarter of 2021 on Form 8-K ("2Q 2021 Press Release") signed by Defendant Doran. On August 5, 2021, the Company held an earnings call to discuss its results for the second quarter of 2021 and filed its Quarterly Report on Form 10-Q, signed by Defendants D'Orazio and Doran ("2Q 2021 Form 10-Q").

219. In the 2Q 2021 Press Release, James River reported its "Reserve for losses and loss adjustment expenses" as **\$2.447 billion** as of June 30, 2021. In the 2Q 2021 Form 10-Q, the Company clarified that, as of June 30, 2021, the Company's "*net reserves*" were **\$1.511 billion**. The 2Q 2021 Form 10-Q broke down the "net reserve" by segment. Specifically, the reported net reserve for the E&S line—which included the commercial auto segment—was **\$1.106 billion**.

220. Furthermore, in its 2Q 2021 Form 10-Q, James River disclosed the following reserve developments:

The Company experienced **\$3.5 million** of net favorable reserve development in the three months ended June 30, 2021 on the reserve for losses and loss adjustment expenses held at December 31, 2020. This reserve development included ***\$7.5 million of net favorable development in the Excess and Surplus Lines segment***

221. In the 2Q 2021 Press Release, James River similarly reported that "The prior year reserve development in the quarter included **\$7.5 million** of favorable development in Core E&S lines."

222. The reported reserves and reserve developments set forth in ¶¶219-221 above were materially false and misleading because they were materially understated:

- a. As described in ¶¶63-68 above, on October 26, 2021, James River announced \$29.6 million in “impacts” relating to Uber, which Defendant D’Orazio described as bringing “economic finality to substantially all of” the Uber Account that was in run-off, and \$13.8 million of which James River confirmed was recorded as an adverse loss and loss adjustment expense reserve development because the Uber Account was still under-reserved.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims due to pressure from Uber, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

B. Impact Of Materially Understated Reserve On James River’s Financial Statements

223. The false and misleading reserves set forth in Section V.A. above impact other material financial measures in James River’s financial statements, and rendered those financial statements materially inflated. The tables below reflect the impact of the \$170 million, and later \$13.8 million, adverse charge in the particular prior quarter or year on James River’s financial statements.

1. Misstatement of Key Financial Measures for the Full Year of 2018⁷

224. The following financial measures for fiscal year 2018 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$600	\$770	22%
Income (loss) before taxes	\$71	\$(99)	171%
Net income (loss)	\$64	\$(76)	184%
Basic earnings (loss) per share	\$2.14	\$(2.56)	184%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,194	\$1,364	12%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period - E&S - commercial auto	\$355	\$525	32%

2. Misstatement of Key Financial Measures for the First Quarter of 2019

225. The following reported financial measures for 1Q 2019 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$140	\$310	55%
Income (loss) before taxes	\$25	\$(145)	118%
Net income (loss)	\$23	\$(118)	119%
Basic earnings (loss) per share	\$0.76	\$(3.91)	119%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,222	\$1,392	12%

⁷ All data presented in these tables, except for EPS data, is presented in millions of dollars. These calculations are based on information presented in James River's Class Period Forms 10-Q and 10-K, with each table reflecting a column showing the impact of the reserve charge in the particular period or year, from the fourth quarter of 2018 to the fourth quarter of 2020. The "Adjusted" amounts for net income (loss) and earnings per share were calculated using a tax-effected rate of approximately 17.5%, the average effective tax rate reflected in the Company's reported results for the eleven quarters comprising the Class Period (fourth quarter / full year 2018 through second quarter 2021). Amounts may not precisely compute because of rounding.

3. Misstatement of Key Financial Measures for the Second Quarter of 2019

226. The following reported financial measures for 2Q 2019 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$147	\$317	54%
Income (loss) before taxes	\$25	\$(145)	117%
Net income (loss)	\$20	\$(120)	117%
Basic earnings (loss) per share	\$0.67	\$(3.97)	117%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,238	\$1,408	12%

4. Misstatement of Key Financial Measures for the Third Quarter of 2019

227. The following reported financial measures for 3Q 2019 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$214	\$384	44%
Income (loss) before taxes	\$(27)	\$(198)	86%
Net income (loss)	\$(25)	\$(165)	85%
Basic earnings (loss) per share	\$(0.83)	\$(5.45)	85%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,326	\$1,497	11%

5. Misstatement of Key Financial Measures for the Full Year of 2019

228. The following reported financial measures for fiscal year 2019 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$672	\$842	20%
Income (loss) before taxes	\$52	\$(118)	144%
Net income (loss)	\$38	\$(102)	138%
Basic earnings (loss) per share	\$1.27	\$(3.37)	138%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,377	\$1,548	11%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period - E&S - commercial auto	\$433	\$603	28%

6. Misstatement of Key Financial Measures for the First Quarter of 2020

229. The following reported financial measures for 1Q 2020 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$97	\$267	64%
Income (loss) before taxes	\$(41)	\$(211)	80%
Net income (loss)	\$(37)	\$(177)	79%
Basic earnings (loss) per share	\$(1.21)	\$(5.81)	79%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,352	\$1,522	11%

7. Misstatement of Key Financial Measures for the Second Quarter of 2020

230. The following reported financial measures for 2Q 2020 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$99	\$269	63%
Income (loss) before taxes	\$40	\$(130)	131%
Net income (loss)	\$36	\$(105)	134%
Basic earnings (loss) per share	\$1.17	\$(3.43)	134%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,340	\$1,510	11%

8. Misstatement of Key Financial Measures for the Third Quarter of 2020

231. The following reported financial measures for 3Q 2020 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$106	\$276	62%
Income (loss) before taxes	\$31	\$(139)	122%
Net income (loss)	\$26	\$ (114)	123%
Basic earnings (loss) per share	\$0.86	\$(3.73)	123%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,337	\$1,507	11%

9. Misstatement of Key Financial Measures for the Full Year of 2020

232. The following reported financial measures for fiscal year 2020 were materially false and misleading due to the impact of the \$170 million adverse charge:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$479	\$649	26%
Income (loss) before taxes	\$12	\$(158)	108%
Net income (loss)	\$5	\$(135)	104%
Basic earnings (loss) per share	\$0.16	\$(4.43)	104%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period	\$1,386	\$1,556	11%
Reserve for losses and loss adjustment expenses net of reinsurance recoverables at end of period - E&S - commercial auto	\$337	\$507	34%

10. Misstatement of Key Financial Measures for the First Quarter of 2021

233. The following reported financial measures for 1Q 2021 were materially false and misleading due to the impact of the \$13.8 million adverse charge announced on October 26, 2021 and confirmed on November 3, 2021:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$274	\$287	5%
Income (loss) before taxes	\$(141)	\$(155)	9%
Net income (loss)	\$(103)	\$(115)	10%
Basic earnings (loss) per share	\$(3.37)	\$(3.74)	10%

11. Misstatement of Key Financial Measures for the Second Quarter of 2021

234. The following reported financial measures for 2Q 2021 were materially false and misleading due to the impact of the \$13.8 million adverse charge announced on October 26, 2021 and confirmed on November 3, 2021:

	Reported Amount	Adjusted Amount	Percent Misstatement
Losses and loss adjustment expenses	\$110	\$124	11%
Income (loss) before taxes	\$32	\$19	74%
Net income (loss)	\$21	\$9	120%
Basic earnings (loss) per share	\$0.61	\$0.27	122%

C. Materially False And Misleading Statements That James River’s Internal Controls and Financial Statements Were In Accordance With GAAP

235. During the Class Period, each of James River’s Forms 10-Q set forth in ¶¶167 to 218 asserted that the Company’s “financial statements and notes . . . have been prepared in accordance with . . . U.S. GAAP.”⁸ The James River Form 10-Ks set forth in ¶¶162, 181 and 206, similarly stated that they were “prepared in accordance” with U.S. GAAP.⁹

⁸ ¶167 (1Q 2019 Form 10-Q at pp.10, 28); ¶171 (2Q 2019 Form 10-Q at pp.11, 31); ¶176 (3Q 2019 Form 10-Q at pp.11, 31); ¶187 (1Q 2020 Form 10-Q at pp.10, 29); ¶193 (2Q 2020 Form 10-Q at pp.11, 31); ¶198 (3Q 2020 Form 10-Q at pp.11, 31); ¶213 (1Q 2021 Form 10-Q at pp.10, 28); ¶218 (2Q 2021 Form 10-Q at pp.11, 30).

⁹ ¶162 (2018 Form 10-K at p.F-9); ¶181 (2019 Form 10-K at p.F-10); ¶206 (2020 Form 10-K at p.F-10).

236. The statements set forth in ¶235 above were materially false and misleading because each of those financial statements and related earnings releases failed to comply with GAAP. In particular, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP. For example:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring adverse reserve developments of \$170 million, and, later, an additional \$13.8 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.

237. During the Class Period, each of James River’s Form 10-Ks and 10-Qs set forth in ¶¶162-218, contained certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

(“SOX Certifications”) made by Defendants Myron, Abram, or D’Orazio, and by Defendant Doran.¹⁰

238. The SOX Certifications represented that the Company’s financial statements were accurate and in accordance with GAAP, and that Defendants had designed and implemented internal controls that provided reasonable assurance that James River’s financial reporting was reliable and complied with GAAP. Specifically, the SOX Certifications provided, in relevant part:

1. I have reviewed this annual report on [Form 10-K or Form 10-Q] of James River Group Holdings, Ltd.;
2. Based on my knowledge, *this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report*;
3. Based on my knowledge, *the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant* as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) *Designed such disclosure controls and procedures*, or caused such disclosure controls and procedures to be designed under our supervision, *to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to*

¹⁰ ¶162 (2018 Form 10-K at Exhs. 31.1, 31.2 (Myron and Doran)); ¶167 (1Q 2019 Form 10-Q at Exhs. 31.1, 31.2 (Myron and Doran)); ¶171 (2Q 2019 Form 10-Q at Exhs. 31.1, 31.2 (Myron and Doran)); ¶176 (3Q 2019 Form 10-Q at Exhs. 31.1, 31.2 (Abram and Doran)); ¶181 (2019 Form 10-K at Exhs. 31.1, 31.2 (Abram and Doran)); ¶187 (1Q 2020 Form 10-Q at Exhs. 31.1, 31.2 (Abram and Doran)); ¶193 (2Q 2020 Form 10-Q at Exhs. 31.1, 31.2 (Abram and Doran)); ¶198 (3Q 2020 Form 10-Q at Exhs. 31.1, 31.2 (Abram and Doran)); ¶206 (2020 Form 10-K at Exhs. 31.1, 31.2 (D’Orazio and Doran)); ¶213 (1Q 2021 Form 10-Q at Exhs. 31.1, 31.2 (D’Orazio and Doran)); ¶218 (2Q 2021 Form 10-Q at Exhs. 31.1, 31.2 (D’Orazio and Doran)).

us by others within those entities, particularly during the period in which this report is being prepared;

- b) *Designed such internal control over financial reporting*, or caused such internal control over financial reporting to be designed under our supervision, *to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;*
- c) *Evaluated the effectiveness of the registrant's disclosure controls and procedures* and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation.

239. The filings also contained SOX Certifications claiming that “The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.”¹¹

240. In addition, the Form 10-Ks acknowledged that “Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act.” The Form 10-Ks therefore all included a statement as follows:

Management has conducted an assessment, including testing, of the effectiveness of our internal control over financial reporting as of December 31, [of the relevant year]. . . . ***Based on this assessment, the Company's management has concluded that, as of December 31, [of the relevant year], the Company's internal control over financial reporting was effective.***¹²

¹¹ ¶162 (2018 Form 10-K at Exh. 32.1 (Myron and Doran)); ¶167 (1Q 2019 Form 10-Q at Exh. 32 (Myron and Doran)); ¶171 (2Q 2019 Form 10-Q at Exh. 32 (Myron and Doran)); ¶176 (3Q 2019 Form 10-Q at Exh. 32 (Abram and Doran)); ¶181 (2019 Form 10-K at Exh. 32.1 (Abram and Doran)); ¶187 (1Q 2020 Form 10-Q at Exh. 32 (Abram and Doran)); ¶193 (2Q 2020 Form 10-Q at Exh. 32 (Abram and Doran)); ¶198 (3Q 2020 Form 10-Q at Exh. 32 (Abram and Doran)); ¶206 (2020 Form 10-K at Exh. 32.1 (D'Orazio and Doran)); ¶213 (1Q 2021 Form 10-Q at Exh. 32 (D'Orazio and Doran)); ¶218 (2Q 2021 Form 10-Q at Exh. 32 (D'Orazio and Doran)).

¹² 2018 Form 10-K at 110-111; 2019 Form 10-K at 98-99; 2020 Form 10-K at 101-102.

241. The statements in ¶¶237-240 were materially false and misleading and omitted to state material facts. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring adverse reserve developments of \$170 million, and, later, an additional \$13.8 million. Moreover, as described in ¶¶76-103 above, James River: (a) had no reserve methodology except to keep reserves low; (b) had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims; (c) systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information; (d) “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved; and (e) James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves. As a result of these issues, James River’s disclosure controls and procedures were not effective and its ICFR contained material weaknesses.

242. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP. These GAAP violations constitute an ICFR violation.

243. Further, the statements set forth in ¶¶237-240 above omitted to disclose the material facts that James River (a) had no reserve methodology except to keep reserves low; (b) had no

established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims; (c) systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information; (d) “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved; and (e) knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves.

D. Materially False And Misleading Statements And Omissions Regarding The Reserving Process

1. Materially False and Misleading Statements and Omissions Relating to Fourth Quarter 2018 and Fiscal Year 2018.

244. As noted above, James River filed its 2018 Form 10-K, signed by Defendants Myron, Abram, and Doran, on February 27, 2019.

245. In the 2018 Form 10-K, James River described the Company’s policy for setting reserves. Specifically, under the heading “Reserve Policy,” James River stated:

We continually monitor reserves using new information on reported claims and a variety of statistical techniques and adjust our estimates as necessary as experience develops or new information becomes known. Such adjustments (referred to as reserve development) are included in current operations. Anticipated inflation is reflected implicitly in the reserving process through analysis of cost trends and the review of historical development.

* * *

In many cases, several years may elapse between the occurrence of an insured loss, the reporting of the loss and our eventual payment of the loss. We establish loss and loss adjustment expense reserves for the ultimate payment of all losses and loss adjustment expenses incurred. *We estimate the reserve for losses and loss adjustment expenses using individual case-basis valuations of reported claims. We also use statistical analyses to estimate the cost of losses that have been incurred but not reported to us. These estimates are based on historical information* and on estimates of future trends that may affect the frequency of claims and changes in the average cost of claims that may arise in the future. We also consider various factors such as:

* * *

The procedures we use to estimate loss reserves assume that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events.

246. James River further claimed in the 2018 Form 10-K that “every known claim has a specific case reserve established against it which *management believes is adequate to resolve the claim and pay attendant expenses based on information available at the time.*”

247. The 2018 Form 10-K concluded that James River’s “*reserve estimates are reasonable*” and that, “In order to maintain balance sheet integrity, we seek to estimate the amount of future obligations, especially reserves for losses and loss adjustment expenses, *in a consistent and appropriate fashion.*”

248. The statements set forth in ¶¶245-247 above were materially false and misleading because (a) the reserve for losses and loss adjustment expenses reported in the 2018 Form 10-K was materially understated in violation of GAAP; (b) the reserves were not “based on historical information” and James River’s reserving procedures did not “assume that past experience . . . is an appropriate basis for predicting future events”; and (c) the reserve estimates were not “reasonable” or estimated “in a consistent and appropriate fashion.” For example:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.

- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

249. Further, the statements set forth in ¶¶244-247 above omitted to disclose the material facts that James River (a) had no reserve methodology except to keep reserves low; (b) had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims; (c) systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information; (d) “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved; and (e) knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶76-103 above. In addition, Defendants had no reasonable basis to believe that the reserves were “reasonable” or “adequate” because Defendants knew that the reserving process was defective and that James River had historically under-reserved for claims arising from the Uber Contract, as described in ¶¶76-103, 106-114, and 119-148 above, and ¶¶275-291 below. Defendants thus knew, or were reckless in not knowing, that the reserve for losses and loss adjustment expenses was materially understated.

2. Materially False and Misleading Statements and Omissions Relating to the Third Quarter of 2019

250. As noted above, James River filed its 3Q 2019 Form 10-Q, signed by Defendants Abram and Doran on November 7, 2019, and held its third quarter 2019 earnings call on November 7, 2019.

251. During the November 7, 2019 earnings call, in response to a question from a SunTrust analyst, Defendant Abram stated, “We look at the actual case reserves and we look at our IBNR and measure the pace of claims and *make a judgment that’s a historically well-informed judgment.*”

252. The statements set forth in ¶¶250-251 above were materially false and misleading and omitted to state material facts because James River’s reserve for losses and loss adjustment expenses reported in the 3Q 2019 Form 10-Q was not primarily based on past loss experience with similar claims. For example:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶89-92 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.

- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River's reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River's past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

3. Materially False and Misleading Statements and Omissions Relating to Fourth Quarter 2019 and Fiscal Year 2019

253. As noted above, James River filed its 2019 Form 10-K, signed by Defendants Abram, Doran, and Myron, on February 27, 2020.

254. In the 2019 Form 10-K, James River described the Company's policy for setting reserves. Specifically, under the heading "Reserve Policy," James River stated:

We continually monitor reserves using new information on reported claims and a variety of statistical techniques and adjust our estimates as experience develops or new information becomes known. Such adjustments (referred to as reserve development) are included in current operations. Anticipated inflation is reflected implicitly in the reserving process through analysis of cost trends and the review of historical development.

* * *

In many cases, several years may elapse between the occurrence of an insured loss, the reporting of the loss and our eventual payment of the loss. We establish loss and loss adjustment expense reserves for the ultimate payment of all losses and loss adjustment expenses incurred. *We estimate the reserve for losses and loss adjustment expenses using individual case-basis valuations of reported claims. We also use statistical analyses to estimate the cost of losses that have been incurred but not reported to us. These estimates are based on historical information* and on estimates of future trends that may affect the frequency of claims and changes in the average cost of claims that may arise in the future. We also consider various factors such as:

* * *

The procedures we use to estimate loss reserves assume that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. . . .

255. James River further claimed in the 2019 Form 10-K that “every known claim has a specific case reserve established against it which *management believes is adequate to resolve the claim and pay attendant expenses based on information available at the time.*”

256. The 2019 Form 10-K concluded that James River’s “*reserve estimates are reasonable*” and that, “In order to maintain balance sheet integrity, we seek to estimate the amount of future obligations, especially reserves for losses and loss adjustment expenses, *in a consistent and appropriate fashion.*”

257. The statements set forth in ¶¶253-256 above were materially false and misleading because (a) the reserve for losses and loss adjustment expenses reported in the 2019 Form 10-K was materially understated in violation of GAAP; (b) the reserves were not “based on historical information” and James River’s reserving procedures did not “assume that past experience . . . is an appropriate basis for predicting future events”; and (c) the reserve estimates were not “reasonable” or estimated “in a consistent and appropriate fashion.” For example:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.

- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River's reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River's past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

258. Further, the statements set forth in ¶¶253-256 above omitted to disclose the material facts that James River (a) had no reserve methodology except to keep reserves low; (b) had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims; (c) systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information; (d) "bent over backwards" for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved; and (e) knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶76-103, 119-135 above. In addition, Defendants had no reasonable basis to believe that the reserves were "reasonable" or "adequate" because Defendants knew that the reserving process was defective and that James River had historically under-reserved for claims arising from the Uber Contract, as described in ¶¶76-103, 106-114, and 119-148 above, and ¶¶275-291 below. Defendants thus knew, or were reckless in not knowing, that the reserve for losses and loss adjustment expenses was materially understated.

259. During his prepared remarks on the earnings call held on February 21, 2020, Defendant Abram talked specifically about the reserves relating to run-off of the Uber Account. He stated: "We had two external reserve studies performed at year-end and we did, of course, our own internal work. *We feel confident about our reserves and the progress we are making in the run-off of the cancelled account.*"

260. The statements set forth in ¶259 above were materially false and misleading and omitted to state material facts because the reserves established to handle the run-off were grossly understated. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million. Further, Defendants had no reasonable basis to “feel confident about our reserves and the progress we are making in the run-off of the canceled account” because Defendants knew that the reserving process was defective and that James River had historically under-reserved for claims arising from the Uber Contract, as described in ¶¶76-103, 106-114, and 119-148 above, and ¶¶275-291 below. Defendants thus knew, or were reckless in not knowing, that the reserve for losses and loss adjustment expenses was materially understated. Indeed, the Company’s processes for setting reserves was flawed throughout the run-off period, as described in ¶¶76-114 and 136-148 above.

4. Materially False and Misleading Statements and Omissions Relating to the First Quarter of 2020

261. As noted above, James River filed its 1Q 2020 Form 10-Q, signed by Defendants Abram and Doran, on April 30, 2020, and held its first quarter of 2020 earnings call also on April 30, 2020.

262. During the earnings call, Defendant Abram told investors that the problems with the reserves for James River’s Uber Account were now in the past and that the runoff of the Uber Account was going well. Specifically, Defendant Abram stated, without qualification, “The run

off of the large commercial account is going well. *We're settling commercial auto claims at a rapid pace for amounts that are consistent with our held reserves.*"

263. The statements set forth in ¶262 above were materially false and misleading and omitted to state material facts because the reserves established to handle the run-off were grossly understated. As described in ¶¶63-68 above, on May 5, 2021, Defendant D'Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior "own loss experience," but that doing so "would give us a better and more conservative estimate of ultimate losses on [the Uber] account" as required under GAAP. Using this improper methodology caused James River's reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million. Further, Defendants had no reasonable basis to believe that James River was "settling commercial auto claims at a rapid pace for amounts that are consistent with our held reserves" because Defendants knew that the reserving process was defective and that James River had historically under-reserved for claims arising from the Uber Contract, as described in ¶¶76-103, 106-114, and 119-148 above, and ¶¶275-291 below. Defendants thus knew, or were reckless in not knowing, that the reserve for losses and loss adjustment expenses was materially understated. Indeed, the Company's processes for setting reserves was flawed throughout the run-off period, as described in ¶¶76-114 and 136-148 above.

5. Materially False and Misleading Statements and Omissions Relating to Fourth Quarter Fiscal 2020 and Fiscal Year 2020

264. As noted in ¶206, James River filed its 2020 Form 10-K, signed by Defendants D'Orazio, Abram, and Doran, on February 26, 2021.

265. In the 2020 Form 10-K, James River described the Company's policy for setting reserves. Specifically, under the heading "Reserve Policy," James River stated:

We continually monitor reserves using new information on reported claims and a variety of statistical techniques and adjust our estimates as experience develops or new information becomes known. Such adjustments (referred to as reserve development) are included in current operations. Anticipated inflation is reflected implicitly in the reserving process through analysis of cost trends and the review of historical development.

* * *

In many cases, several years may elapse between the occurrence of an insured loss, the reporting of the loss and our eventual payment of the loss. We establish loss and loss adjustment expense reserves for the ultimate payment of all losses and loss adjustment expenses incurred. *We estimate the reserve for losses and loss adjustment expenses using individual case-basis valuations of reported claims. We also use statistical analyses to estimate the cost of losses that have been incurred but not reported to us. These estimates are based on historical information* and on estimates of future trends that may affect the frequency of claims and changes in the average cost of claims that may arise in the future. We also consider various factors such as:

* * *

The procedures we use to estimate loss reserves assume that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. . . .

266. James River further claimed in the 2020 Form 10-K that “every known claim has a specific case reserve established against it which *management believes is adequate to resolve the claim and pay attendant expenses based on information available at the time.*”

267. The 2020 Form 10-K stated that James River’s “*reserve estimates are reasonable*” and that, “In order to maintain balance sheet integrity, we seek to estimate the amount of future obligations, especially reserves for losses and loss adjustment expenses, *in a consistent and appropriate fashion.*”

268. The statements set forth in ¶¶265-267 above were materially false and misleading because (a) the reserve for losses and loss adjustment expenses reported in the 2020 Form 10-K was materially understated in violation of GAAP; (b) the reserves were not “based on historical information” and James River’s reserving procedures did not “assume that past experience . . . is

an appropriate basis for predicting future events”; and (c) the reserve estimates were not “reasonable” or estimated “in a consistent and appropriate fashion.” For example:

- a. As described in ¶¶63-68 above, on May 5, 2021, Defendant D’Orazio admitted that, despite insuring Uber claims since 2014 and recognizing adverse reserve developments year after year, James River did not primarily rely on its prior “own loss experience,” but that doing so “would give us a better and more conservative estimate of ultimate losses on [the Uber] account” as required under GAAP. Using this improper methodology caused James River’s reserve for losses and loss adjustment expenses to be materially understated, requiring an adverse reserve development of \$170 million.
- b. James River had no reserve methodology except to keep reserves low, as described in ¶¶76-78 above. Indeed, James River had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims, as described in ¶¶119-135 above.
- c. James River systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information, as described in ¶¶79-88 above.
- d. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, thereby causing the claims to be under-reserved, as described in ¶¶89-92 above.
- e. James River knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103, 122-135 above.
- f. In addition, as described in ¶¶275-291 below, James River’s reported reserves for losses and loss adjustment expenses were (a) not primarily based on James River’s past loss experience with similar claims; and (b) not reasonably estimated, in violation of GAAP.

269. Further, the statements set forth in ¶¶265-267 above omitted to disclose the material facts that James River (a) had no reserve methodology except to keep reserves low; (b) had no established policies or procedures for claims handlers or their supervisors to follow in setting, monitoring, and adjusting reserves for Uber related claims; (c) systematically under-reserved on Uber claims by putting caps on reserves and then refusing to increase them based on new information; (d) “bent over backwards” for Uber, systematically overpaying on Uber claims to

avoid embarrassing Uber, thereby causing the claims to be under-reserved; and (e) knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶76-103 and 119-135 above. In addition, Defendants had no reasonable basis to believe that the reserves were “reasonable” or “adequate” because Defendants knew that the reserving process was defective and that James River had historically under-reserved for claims arising from the Uber Contract, as described in ¶¶76-103, 106-114, and 119-148 above, and ¶¶275-291 below. Defendants thus knew, or were reckless in not knowing, that the reserve for losses and loss adjustment expenses was materially understated.

VI. THE STANDARDS AND REGULATIONS GOVERNING THE CALCULATION AND REPORTING OF THE RESERVE FOR LOSSES AND LOSS ADJUSTMENT EXPENSES

A. GAAP Governs The Calculation Of Reserve Losses And Loss Adjustment Expenses

270. Financial statements (including footnote disclosures) are a central feature of financial reporting and are a principal means of communicating financial information to external parties, such as investors. For companies such as James River, the accounting profession (and the SEC) recognize Generally Accepted Accounting Principles (“GAAP”) as the uniform rules, conventions, and procedures necessary to define and reflect accepted accounting practices at a particular time. SEC Regulation S-X states that financial statements filed with the SEC that are not prepared and presented in accordance with GAAP “will be presumed to be misleading or inaccurate, despite footnotes or other disclosures.” 17 C.F.R. § 210.4-01(a)(1). Violations of GAAP, therefore, bear on whether SEC regulations for publicly-traded companies, such as James River, have been properly followed and satisfied.

271. GAAP are primarily promulgated by the Financial Accounting Standards Board (“FASB”) and are codified into a system that has been accepted by the SEC as the framework by which public companies must report their financial position and the results of their operations (among other things)—i.e., SEC regulations require that public company financial statements be prepared in conformity with GAAP. Beginning with the year 2009, the FASB codified its accounting standards into a system whereby pertinent sections are organized and referenced by the acronym ASC (“Accounting Standards Codification”). These ASCs represent the source of authoritative GAAP for nongovernmental entities, including James River. (ASC 105, *Generally Accepted Accounting Principles*, section 10-05-1).

272. The framework for the accounting standards that make up the ASCs within GAAP is set out in, among other places, Statements of Financial Accounting Concepts (“FASCON”). To that end, FASCON 8, *Conceptual Framework for Financial Reporting* (“FASCON 8”), states:

Financial reports represent economic phenomena in words and numbers. To be useful, financial information not only must represent relevant phenomena, but it also must faithfully represent the phenomena it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral, and free from error.

FASCON 8, ¶QC12.

273. In each of its quarterly and annual financial statements during the Class Period, James River reported a reserve for losses and loss adjustment expenses. That reserve for losses and loss adjustment expenses purported to reflect the costs that James River estimated it would incur to ultimately settle unpaid claims. As the Company stated in its 2018, 2019, and 2020 Forms 10-K, “We establish loss and loss adjustment expense reserves for the ultimate payment of all losses and loss adjustment expenses incurred.”

274. The accounting for the reserve for losses and loss adjustment expenses is governed by specific, applicable standards within GAAP, and because James River reported this reserve as part of its financial statements, those figures must comply with GAAP.

B. James River Admitted That Its Reserve Methodology Violated GAAP

275. As Defendant Abram admitted on James River’s November 7, 2019 earnings call, James River “mispriced the risk” of the Uber Contract because “[o]ur underwriting assumptions and the related pricing did not keep pace with changes in Uber’s business.” Eighteen months later, Defendant D’Orazio stunningly added additional detail acknowledging that James River utterly failed to comply with GAAP, conceding that the Company changed its methodology for determining and reporting its reserve for losses and loss adjustment expenses, primarily as a result of the Uber Contract. Defendant D’Orazio *admitted* that the new methodology used “only our own loss experience in our paid and incurred reserve projections rather than the array of inputs that we had used in prior quarters,” which gave James River “a better and more conservative estimate of ultimate losses.”

C. James River Violated GAAP By Calculating Reserves That Were Not Primarily Based On Past Experience With Similar Claims

276. GAAP requires that the primary information that a company should use to determine the ultimate expected cost to settle its unpaid claims (i.e., what James River reports as the “reserve for losses and loss adjustment expenses”) is the company’s past experience with similar claims.

277. Specifically, ASC 944-40-30-1 provides that an insurance company’s estimates of the costs it will incur to settle unpaid claims should be determined “using past experience adjusted for current trends, and any other factors that would modify past experience.”

278. Similarly, paragraph 4.34 of the *Audit and Accounting Guide for Property and Liability Insurance Entities* issued by the American Institute of Certified Public Accountants (“AICPA”) states that the various techniques insurance companies use to determine their reserves for losses and loss adjustment expenses “generally consist of statistical analyses of historical information.” According to paragraph 4.35 of the AICPA guide, “Understanding and assessing . . . the reliability of historical experience as an indicator of future loss payments require[s] a careful analysis of the historical loss data and the use of projection methods that are sensitive to the particular circumstances.”

279. Paragraph 4.23 of the AICPA guide further provides that one of the three “most important factors” an insurance company should consider for “purposes of establishing an appropriate financial statement reserve” is “the historical adequacy or inadequacy of total reserves.” Thus, GAAP required James River to calculate reserves for losses and loss adjustment expenses that were primarily based on the Company’s past experience with similar claims, including whether its reserves had historically been adequate or inadequate. Indeed, in its 2018, 2019, and 2020 Forms 10-K, James River told investors that its estimates for its reserve for losses and loss adjustment expenses “are based on historical information” and that “[t]he procedures we use to estimate loss reserves assume that past experience . . . is an appropriate basis for predicting future events.”

280. James River violated GAAP by calculating and reporting reserves for losses and loss adjustment expenses that were not primarily based on the Company’s past experience with similar claims. Indeed, on May 5, 2021, Defendants admitted that James River had historically failed to primarily use its “own loss experience” in calculating its reserve for losses and loss

adjustment expenses on the Uber Account and that this failure resulted in a \$170 million adverse reserve development—an expense and charge to income.

281. As set forth in Section IV, James River’s past experience with the Uber Contract revealed that James River’s losses on the claims arising from the Uber Contract were consistently significantly higher than the reserve for losses and loss adjustment expenses that it had previously established. Rather than take actual losses and then-recent loss experience into account in adjusting the loss reserves on Uber-related claims—as required by GAAP—James River, incredibly, kept its reserves artificially low from the moment a claim was filed and then refused to increase those reserves based on its past loss experience with similar claims, as required by GAAP.

282. As set forth in ¶¶76-78 and 119-135 above, James River had no reserve methodology except to keep reserves low. Further, James River systematically under-reserved on Uber-related claims, as described in ¶¶79-88 above. For example, James River directed its claims adjusters to stay within well-defined reserve limits, regardless of new facts impacting the expected claims exposure. In addition, adjusters were routinely forced to cut and reduce their estimates of reserves on claims they processed. Claims employees were also required to draft time-consuming reports known as LLRs to increase the reserves set on certain Uber-related claims, which they did not do and thus, contributed to under-reserving. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, as described in ¶¶89-92 above. James River also knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103 and 122-135 above. As a result of these issues, James River’s reserves for losses and loss adjustment expenses were not primarily based on its past loss experience with similar claims.

283. Indeed, the Company’s past loss experience included the fact that James River recognized adverse reserve developments (i.e., expenses recorded to increase previously-determined loss estimates) for its E&S segment in each calendar year from 2017 through 2020, which it attributed to claims from the Uber Contract. Specifically, in its 2020 10-K, James River disclosed the favorable/(adverse) reserve developments for each of its business segments for the calendar years 2011 through 2020, including the following adverse reserve developments for E&S:

Calendar Year	Excess & Surplus Lines Adverse Reserve Development
2020	(59,437)
2019	(51,173)
2018	(15,012)
2017	(20,023)

284. These adverse reserve developments demonstrate that James River was continuously underestimating its reserve for losses and loss adjustment expenses for the Uber Contract. However, James River continued to report materially understated reserves for losses and loss adjustment expenses that violated GAAP.

285. Accordingly, Defendants’ failure to report reserves for losses and loss adjustment expenses for claims on the Uber Contract that were primarily based on James River’s past loss experience with similar claims on the Uber Contract violated GAAP.

D. James River Violated GAAP By Recording Reserves For Losses That Were Not Reasonably Estimated

286. GAAP further requires that loss contingencies, including a company’s reported reserve for losses and loss adjustment expenses, reflect losses that are reasonably estimated.

287. Specifically, ASC 450-20-25-2, *Loss Contingencies*, provides that an “estimated loss from a loss contingency shall be accrued by a charge to income” if (a) “information available before the financial statements are issued or are available to be issued . . . indicates that it is

probable that . . . a liability had been incurred at the date of the financial statements,” and (b) “*the amount of loss can be reasonably estimated.*”

288. Thus, GAAP requires that the expected loss on claims reported by James River in its reserves for losses and loss adjustment expenses be reasonably estimated. Indeed, James River represented in its Forms 10-K for 2018, 2019, and 2020 that its “reserve estimates are reasonable” and that, “[i]n order to maintain balance sheet integrity, we seek to estimate the amount of future obligations, especially reserves for losses and loss adjustment expenses, in a consistent and appropriate fashion.”

289. James River violated GAAP by not reasonably estimating expected losses on claims when reporting its reserve for losses and loss adjustment expenses.

290. As set forth in Section IV above, James River failed to reasonably estimate its reserves for losses on claims from the Uber Contract during the Class Period.

291. As set forth in ¶¶76-78 and 119-135 above, James River had no reserve methodology except to keep reserves low. Further, James River systematically under-reserved on Uber-related claims, as described in ¶¶79-88 above. For example, James River directed its claims adjusters to stay within well-defined reserve limits, regardless of new facts impacting the expected claims exposure. In addition, adjusters were routinely forced to cut and reduce their estimates of reserves on claims they processed. Claims employees were also required to draft time-consuming reports known as LLRs to increase the reserves set on certain Uber-related claims, which they did not do and thus, contributed to under-reserving. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, as described in ¶¶89-92 above. James River also knowingly hired adjusters with no claims experience, gave them no training, and prevented them from using software that would accurately set reserves, as described

in ¶¶93-103 and 122-135 above. As a result of these issues, James River did not reasonably estimate expected losses on claims when reporting its reserves for losses and loss adjustment expenses.

292. Accordingly, Defendants' failure to reasonably estimate expected losses on claims when reporting James River's reserve for losses and loss adjustment expenses violated GAAP.

VII. THE LAWS AND REGULATIONS GOVERNING INTERNAL CONTROLS OVER FINANCIAL REPORTING

A. Public Companies Are Required To Implement Internal Controls Over Financial Reporting And Ensure They Are Effective

293. Public companies that file reports with the SEC, like James River, are required to design and implement two separate, but related, systems of internal controls to ensure that their representations to investors—both financial and non-financial—are complete and accurate: “disclosure controls and procedures” and “internal controls over financial reporting” (otherwise referred to as ICFR).

294. Under the Exchange Act of 1934, SEC filers must maintain “disclosure controls and procedures” such that information required to be disclosed by a company is addressed within the organization and communicated to company management, including its CEO and CFO, sufficiently in advance of the company's filing dates, to allow senior management ample time to consider the information and to develop proper disclosures in its filings. Disclosure controls and procedures pertain to, generally, the common set of accounting principles, standards, and procedures that United States companies use to compile their financial statements, and which may include, as an example, components meant to provide reasonable assurances that allowances are recorded properly by the Company, and to ensure that the Company's financial statements (including the footnotes thereto) are prepared in accordance with GAAP.

295. Likewise, ICFR are designed by or under the supervision of a company's CEO and CFO to provide reasonable assurances that a company's financial statements are accurate, reliable, and prepared in accordance with GAAP before they are shared with investors in, for example, Forms 10-Q and 10-K. Management is required to review and evaluate these controls on a quarterly basis to determine whether they are designed and operating effectively to prevent or detect, in a timely manner, material misstatements in the company's financial statements.

296. The foregoing obligations are outlined in several established laws and regulations, generally emanating from the Sarbanes-Oxley Act of 2002. Section 302 of the Sarbanes-Oxley Act of 2002, 15 U.S.C. § 7241 ("SOX 302") intends to ensure that a public company's CEO and CFO take a proactive role in their company's public disclosure and to give investors confidence in the accuracy, quality, and reliability of a company's periodic SEC reports. More specifically, the CEO and CFO of public companies are required to certify both that a company's quarterly and annual reports filed with the SEC have been prepared in accordance with GAAP and that the disclosure controls and procedures are designed and were operating effectively during the periods for which financial information is being reported on Forms 10-Q and 10-K.

297. Under SOX 302, the CEO and CFO must certify that: (1) they have reviewed the periodic quarterly or annual report that contains the company's financial statements; (2) that report does not contain any untrue statement of material fact or omit to state a material fact necessary to make any statements made not misleading; (3) based on their knowledge, the financial statements and other financial information fairly present the financial condition and results of operations of the company; (4) the company has maintained disclosure controls and procedures and has designed such controls to ensure that all material information is made known to them and to provide reasonable assurance regarding the reliability of financial information; and (5) they have disclosed

to the audit committee and auditors all significant deficiencies and material weaknesses in the design or operation of internal controls. These certifications communicate to investors that all material information required to be disclosed is contained in the report.

298. Item 307 of SEC Regulation S-K, 17 CFR § 229.307, also requires that a company disclose the conclusions of its CEO and CFO regarding the effectiveness of the company's disclosure controls and procedures as of the end of the period covered by the periodic report, in view of the established framework and the company's periodic assessment thereof.

299. Section 404 of SOX, 15 U.S.C. § 7262 ("SOX 404"), requires that management of a public company and its outside auditor annually evaluate the effectiveness of the company's internal controls over financial reporting and disclose the conclusion of that evaluation, including, specifically, any material weaknesses found in ICFR, to investors. Under the Public Company Accounting Oversight Board's ("PCAOB") standards established for the conduct of quarterly reviews and annual audits by independent accountants, a "material weakness" in internal controls over financial reporting is a control deficiency that gives rise to a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. A "significant deficiency," by contrast, is a deficiency in internal control over financial reporting that is less severe than a material weakness, but important enough to merit attention by those responsible for oversight of a company's financial reporting.

300. SOX 404 reiterates the need for public company management to establish and maintain a system of internal controls relating to, among other things, financial reporting, and to document, test, and maintain those controls and procedures to ensure their effectiveness, as well as to assess and report on the design and operating effectiveness of internal controls over financial

reporting on an annual basis. SOX 404 was “intended to bring information about material weaknesses [in internal controls] into public view.” SEC Release 33-8810.

301. In developing and reporting on the required framework for internal controls, most companies, including James River, adopt a framework established by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The COSO Framework states: “Internal control is a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (i) effectiveness and efficiency of operations; (ii) reliability of financial reporting; and (iii) compliance with applicable laws and regulations.”

302. COSO identifies interrelated components of internal control: control environment, risk assessment, control activities, information and communication, and monitoring. Most relevant to this litigation, the “information and communication” component of the COSO Framework requires that an “organization obtains or generates and uses relevant, quality information to support the functioning of internal control; internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control; and communicates with external parties regarding matters affecting the functioning of internal control.”

303. Item 308 of Regulation S-K, 17 CFR § 229.308(a)(3) (“Item 308”) then requires that a company provide annual reports on the state of its internal controls over financial reporting containing a statement of management’s responsibility for maintaining adequate internal controls, identifying the framework used by management to evaluate the effectiveness of the internal controls, and the assessment of the effectiveness of the internal controls. Under Item 308, “Management is not permitted to conclude that the registrant’s internal control over financial

reporting is effective if there are one or more material weaknesses in the registrant's internal control over financial reporting.” A statement that internal controls over financial reporting are effective is, therefore, an assertion by management that there are no material weaknesses in such internal controls.

304. In addition to management's annual report on internal controls over financial reporting, SEC Regulation § 240.13a-15(d) requires that companies such as James River evaluate any change in its internal controls over financial reporting that occur during each of its fiscal quarters. After such evaluation, Item 308 requires that a company disclose any change to its internal controls over financial reporting during its last fiscal quarter.

B. James River Violated The Laws And Regulations Governing Internal Controls

305. James River violated the laws and regulations governing internal controls because during the Class Period, James River's disclosure controls and procedures were not effective and its ICFR contained material weaknesses, rendering them inadequate and ineffective throughout the Class Period.

306. As set forth in ¶¶76-78 and 119-135 above, James River had no reserve methodology except to keep reserves low. Further, James River systematically under-reserved on Uber-related claims, as described in ¶¶79-88 above. For example, James River directed its claims adjusters to stay within well-defined reserve limits, regardless of new facts impacting the expected claims exposure. In addition, adjusters were routinely forced to cut and reduce their estimates of reserves on claims they processed. Claims employees were also required to draft time-consuming reports known as LLRs to increase the reserves set on certain Uber-related claims, which they did not do and thus, contributed to under-reserving. James River “bent over backwards” for Uber, systematically overpaying on Uber claims to avoid embarrassing Uber, as described in ¶¶89-92 above. James River also knowingly hired adjusters with no claims experience, gave them no

training, and prevented them from using software that would accurately set reserves, as described in ¶¶93-103 and 122-135 above. As a result of these issues, James River's disclosure controls and procedures were not effective and its ICFR contained material weaknesses.

VIII. ADDITIONAL SCIENTER ALLEGATIONS

A. Senior James River Management Reviewed And Approved The Company's Reserves For Losses And Loss Adjustment Expenses

307. As set forth above and further below, numerous facts demonstrate that the Executive Defendants and James River knew or were, at a minimum, reckless in not knowing that Defendants' statements identified in Section V were materially false and misleading when made. The scienter of James River as a corporate entity is derived from the scienter of its executives, including the Executive Defendants and senior James River executives Richard Schmitzer, Courtenay Warren, and Anita Rogers.

- a. As CEO of James River's E&S segment, Schmitzer is an agent of James River Group Holdings, and his scienter should be imputed to Defendant James River. Specifically, Schmitzer's employment contract—which was filed as an exhibit to James River's 2018 Form 10-K—provides that he is directly employed by James River Group, Inc. (i.e., "The Parent Company"). The contract also provides that Schmitzer "shall report exclusively and directly to the Chief Executive Officer of the Parent Company." The contract is signed by Defendants Myron and Doran, and Schmitzer's employment can only be terminated by James River Group, Inc. Moreover, the Company listed Schmitzer as an Executive Officer in its SEC filings throughout the Class Period, including its Proxy Statements dated April 2, 2019, March 31, 2020, and September 21, 2021.
- b. As a former high-ranking executive of James River Insurance, Anita Rogers is an agent of James River Group Holdings, and her scienter should be imputed to Defendant James River. Rogers served as Vice President of Claims at James River Insurance from 2018 to 2021 and Director of Claims at James River Insurance from 2016 to 2018.
- c. As a former high-ranking executive of James River Insurance, Courtenay Warren is an agent of James River Group Holdings, and her scienter should be imputed to Defendant James River. Warren served as James River Insurance's Senior Vice President and Chief Claims Officer from 2018 to 2021, Vice President of Claims from 2016 to 2021; Assistant Vice President of Claims from 2015 to 2016; and Director of Claims from 2013 to 2015.

308. The Company's own disclosures confirm that senior James River management—including Defendants Abram, Myron, D'Orazio, Doran, and Executive Officer Schmitzer—reviewed and approved the Company's reserves for losses and loss adjustment expenses.

309. James River described how senior management reviewed and approved the Company's reserves for losses and loss adjustment expenses in each Form 10-K that the Company issued during the Class Period, including the 2018 Form 10-K signed by Defendants Myron, Abram and Doran, the 2019 Form 10-K signed by Defendants Myron, Abram and Doran, and the 2020 Form 10-K signed by Defendants D'Orazio, Doran, and Abram.

310. Each Class Period Form 10-K described James River's Reserve Committee's membership and responsibilities to review the reserve. First, the Reserve Committee was comprised of the Company's Chief Actuary, Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, and Chief Accounting Officer. As such, the Reserve Committee included Defendant Myron (the Company's CEO from January 2017 through August 2019 and President and Chief Operating Officer from August 2019 to the present), Defendant Abram (the Company's CEO from August 2019 through October 2020), Defendant D'Orazio (the Company's CEO from November 2020 to the present), and Defendant Doran (the Company's CFO from January 2017 to the present). In addition, each of the Forms 10-K provided that the "presidents, chief financial officers and chief actuaries of each of [the Company's] three insurance segments assist in the evaluation of reserves in their respective segments." The Reserve Committee thus includes Schmitzer, the President and CEO of James River's E&S segment during the Class Period.

311. Each of the Forms 10-K further describes the Reserve Committee's responsibilities as (a) reviewing, (b) determining, (c) monitoring, and (d) approving James River's reserves.

Specifically, the Forms 10-K provide that the Reserve Committee (a) “meets quarterly to review the actuarial recommendations made by each chief actuary”; (b) uses its best judgment to determine the best estimate to be recorded for the reserve for losses and loss adjustment expenses on our quarterly balance sheet”; (c) “continually monitor reserves using new information on reported claims and a variety of statistical techniques and adjust our estimates as experience develops or new information becomes known”; and (d) “review[s]” and “approve[s]” the reserve for losses and loss adjustment expenses.

312. The Forms 10-K reiterated that senior management reviewed the reserves at least quarterly, and that the settlement authority of front-line adjusters was intentionally kept low:

Senior management reviews each case above a specified amount at least quarterly to evaluate whether the key issues in the case are being considered and to monitor case reserve levels. We keep the settlement authority of front-line adjusters low to ensure the practice of having two or more members of the department participate in the decision as to whether to settle or defend.

313. Lead Counsel’s investigation corroborates the Company’s statements. As described in more detail in ¶¶78, 84-85, 110-114, and 142-146 above and ¶¶340-341 below, former employees of James River, including FE11, Rogers, Belcher, and Slaughter, have confirmed that senior James River management, including Schmitzer, Rogers, and Warren, were intimately involved in reviewing and approving the Company’s reserves for Uber claims. For example, Rogers testified that in her role as VP of Claims, she “monitored reserves in the department as a whole” and conducted “informal file audits” and reviewed files. She further testified that part of that review included the determination of “whether or not the reserves were accurately set.” Further, as described in more detail in ¶¶87-88, 106-114 above, FE3, FE10, and FE11 explained that the Company’s LLRs for Uber claims over a certain threshold and reserve reports were sent to Warren, Rogers, and sometimes Schmitzer for their review and approval. Further, as described in more detail in ¶¶113-114 and 136-148 above and Section VIII(F) below, FE11, FE12, Belcher,

and Slaughter described how, after James River cancelled the Uber Contract, the Company created a “PLM” inbox, to which reserves exceeding a certain dollar amount were sent for review by Warren, Rogers, and Schmitzer. Belcher and Slaughter further described that James River employees were instructed not to discuss the PLM account.

314. The fact that senior James River executives, including the Executive Defendants, reviewed, determined, monitored, and approved James River’s reserves for losses and loss adjustment expenses during the Class Period supports a strong inference of scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract, and the Company’s flawed reserves processes.

B. Senior James River Management Met Regularly To Discuss James River’s Uber Reserves

315. In addition to the Reserve Committee’s quarterly meetings discussed in ¶107 above, Lead Counsel’s investigation confirms that senior James River executives also participated in regular meetings specifically regarding reserves for Uber claims.

316. For instance, as described in more detail in ¶¶92 and 110-113 above, FE13, FE10 and FE3 noted that the Company’s top executives reviewed audit reports regarding the Uber claims and Uber was often in the room to conduct their own audits.

317. The fact that senior James River executives personally attended and participated in meetings concerning reserves for claims on the Company’s Uber Account supports a strong inference of Defendants’ scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract, and the Company’s flawed reserves processes.

C. Senior James River Management Received Reserve Reports And Audited James River's Uber Reserves

318. Lead Counsel's investigation confirms that senior James River management was personally involved in auditing reserves for claims under the Uber Account.

319. As described in more detail in ¶¶110-113 above, FE3 explained that the Company's "reserve reports"—which were titled "Rasier [Uber] Reserves Audit"—came from Anita Rogers and Donna Jefferson, and Schmitzer's name was included on them. FE10 also related that Rogers and Warren were involved in the QA audit process.

320. The fact that senior James River executives personally received reserve reports and participated in audits of claims on the Company's Uber Account supports a strong inference of Defendants' scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

D. Defendants' Own Admissions And The Magnitude Of The \$170 Million Charge Establish Scienter

321. Given that senior James River executives repeatedly represented that they closely monitored the Uber reserve, the stunning \$170 million shortfall could not have gone unnoticed. Indeed, as set forth in ¶¶63-70 above, the \$170 million charge represented **over 50%** of the entire Commercial Auto Division's \$337 million net reserves reported in James River's 2020 Form 10-K. Moreover, the \$170 million charge exceeded all of James River's prior adverse reserve developments in the E&S Lines in the eight quarters since the Class Period began, **combined**. Indeed, the \$170 million charge resulted in a net quarterly loss to James River of \$103.5 million. This loss was nearly **three times** greater than the largest quarterly income loss the Company had ever reported—\$36.8 million—and completely wiped out the \$54.7 million in profit that the

Company had reportedly earned over the nine prior quarters of the Class Period. Moreover, the charge was more than three times greater than the profit that the Company had reported for the prior two and a half years.

322. Additionally, Defendants’ close monitoring of the Uber Account would have revealed that James River was employing a completely incorrect and worthless methodology to calculate reserves. Indeed, on May 5, 2021, Defendant D’Orazio—who admittedly made it his *“personal goal to be able to eliminate the overhang surrounding [the] Commercial Auto runoff”*—conceded openly on May 5, 2021 that *“we got it wrong.”* Specifically, D’Orazio explained that James River *“meaningfully changed our actuarial methodology,”* admitting that *“using only our own loss experience in our paid and incurred reserve projections rather than the array of inputs that we had used in prior quarters, and giving greater weight to incurred methods would give us a better and more conservative estimate of ultimate losses on this account.”* As Defendant D’Orazio further acknowledged, *“The result in the changed methodology is significant”*

E. Senior James River Management Oversaw And Maintained A Company Policy Of Under-Reserving

323. Lead Counsel’s investigation confirms that James River’s policy required claims employees to under-reserve and that the Company maintained procedures and practices that resulted in under-reserving. Senior James River executives, who received their instructions from the Company’s c-suite, oversaw and maintained this policy.

1. Senior James River Management Directed Claims Employees To Under-Reserve And To Stay Within Reserve Limits Regardless Of Actual Claim Exposure

324. As described in ¶¶76-78, 84, 94, and 136-148 above, former employees of the Company have explained that James River policy required the Company's claims employees to set reserves too low and to stay within reserve limits, regardless of potential claim exposure.

325. The existence of a policy at James River that required the Company's claims employees to set reserves too low and to stay within reserve limits, regardless of potential claim exposure supports an inference of Defendants' scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

2. Senior James River Management Prevented Claims Employees From Increasing Reserves Based on Actual Loss Experience

326. As described in ¶¶79-88 and 136-148 above, former employees of the Company have explained that James River policy, directed by senior James River management, prevented claims employees from appropriately increasing reserves based on actual loss experience.

327. The existence of internal James River policies, directed by senior James River management, that prevented claims employees from appropriately increasing reserves based on actual loss experience supports an inference of Defendants' scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

3. The Company Maintained No Formal Reserving Processes And Knowingly Failed To Train Employees On Proper Reserving

328. Defendants repeatedly assured investors throughout the Class Period that James River maintained a comprehensive and robust "Reserve Policy" for the setting, monitoring, and adjusting of reserves for reported and unreported Uber claims. The Company specifically assured

investors that it “continually monitor[ed] reserves using new information on reported claims and a variety of statistical techniques and adjust our estimates as necessary as experience develops or new information becomes known”—including, specifically, “individual case-basis valuations” to reserves for reported claims, and sophisticated “statistical analyses” to set reserves for incurred but unreported claims.” Indeed, each of the Company’s Forms 10-K unequivocally assured investors that “every known claim ha[d] a specific case reserve established against it which management believes is adequate to resolve the claim and pay attendant expenses based on information available at the time.” However, more than a half dozen former employees, including multiple senior claims personnel, have described how these statements were lies.

329. As described in more detail in ¶¶93-103 and 119-136 above, former employees of the Company, including FE6, FE3, FE1, FE12, Rogers, Slaughter, and Belcher have explained that the Company maintained no formal processes for setting reserves, and knowingly failed to train its new employees on reserving practices. This process persisted even after the Company placed the Uber Account into runoff. As FE12 confirmed, James River did not have a formalized training program for new hires until 2020. Rogers repeatedly testified that she could not “recall” and did not “know” if the Company had policies or procedures for setting, adjusting, or monitoring reserves on Uber-related claims. When asked, “Were there any policies and procedures that you recall in place regarding how to adjust the reserve when you were at James River?” Slaughter similarly testified, “No.” Belcher and Slaughter confirmed that no formal training program existed, and that they received no formal training, when they began their tenures at James River.

330. The Company’s Reserve Committee—on which Defendants and other high-ranking James River executives sat—oversaw the Company’s reserving process and thus knew or were

reckless in not knowing that the Company lacked formal processes for reserving and provided no training on reserving for new employees.

331. Defendants' failure to maintain formal processes for setting reserves and/or to train Company employees in proper reserving processes supports an inference of their scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

4. The Company Hired Inexperienced Personnel To Handle The Influx Of Claims From The Uber Account

332. As described in more detail in ¶¶97-99, 125, and 133 above, former employees of James River described that the Company experienced "hypergrowth" after signing the Uber Contract. As a result, the Company began aggressively hiring claims personnel to manage the influx of claims it was processing from Uber. As described in more detail in ¶¶100-101 above, the Company's problems with inexperienced staff, personnel shortages, and an influx of claims continued and worsened after the Company placed the Uber Account into runoff.

333. Senior James River management knew or were reckless in not knowing about the Company's hiring spree, as well as the Company's practice of hiring inexperienced personnel in critical claims roles, particularly given the importance of the Uber Contract to the Company and the Company's small size prior to the commencement of the Uber Contract.

334. Defendants' awareness of the "hypergrowth" of James River's claims department in order to service the Uber Contract, the Company's hiring of inexperienced claims employees, and the Company's failure to fill positions for employees who quit in the claims department after the cancellation of the Uber Contract supports an inference of Defendants' scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that

the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

5. The Company Maintained Outdated, Dysfunctional Technology For Setting Reserves

335. As described in more detail in ¶¶102-103 above, former employees of James River, including FE8, have described that the Company maintained dysfunctional, outdated systems and technology for setting reserves, which resulted in under-reserved claims. The Company continued to use outdated, ineffective technology to set reserves after the cancellation of the Uber Contract. FE13 explained that the Company did not start using the Mitchell system for their bodily injury evaluations until the last year he was at the Company—2019. Prior to that, they did not have any tools for evaluating claims.

336. Despite having deficient technology, Defendant Myron specifically told investors during the May 2, 2019 earnings call that the Company was “making appropriate use of a *leading-edge claims technology* in handling [Uber] claims.” The Company's use of outdated, ineffective technology to evaluate claims and to set reserves, as well as Defendants' touting the Company's use of technology for servicing the Uber Account on conference calls with investors, supports an inference of their scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

F. Management Implemented Deliberate Steps To Further Suppress Reserves After Cancelling The Uber Contract

337. As described in ¶¶113-161 and 136-148 above, former James River employees, including Slaughter and Belcher, have explained that Defendants' efforts to suppress reserves across the entire Uber book increased dramatically after James River cancelled the Uber Contract.

Specifically, by October 2019, management implemented draconian, arbitrary, and surreptitious practices designed to further suppress reserves—and all requests to increase reserves—across the entire Uber book.

338. *First*, as Belcher testified, *all requests for a reserve increase to \$250,000 or more now had to be approved by James River Insurance’s CEO, Schmitzer, who routinely refused to approve them.* Belcher similarly testified that after the termination of the Uber Account, Schmitzer, Rogers, and Warren had more involvement regarding the Company’s handling of reserves—and that Schmitzer made all decisions to accept or reject an increase to the reserve over \$250,000.

339. *Second*, as Slaughter and Belcher testified, post termination, the Company *dramatically slashed reserve authority levels* throughout the entire claims department. Slaughter described how Schmitzer, Warren, and Rogers “stripped everyone’s authority,” “dump[ing] the claims managers down to [\$]25,000”—a *tenfold decrease*—“which is basically taking all of their authority away,” and that both Slaughter’s and her boss’s (the Director of Claims) reserve authority was “*stripped away to nothing.*” Belcher similarly confirmed that employees’ reserve authority was dramatically slashed after James River terminated the Uber Account, noting that her personal authority was reduced from \$250,000 to just \$25,000. Similarly, Rogers testified that claims examiners’ reserve authority was “lowered” after the Uber contract was cancelled. FE2, FE8, FE11, and FE12 (discussed at ¶¶83 and 113-114 above) similarly described the process by which James River systematically decreased claims employees’ and their managers’ reserve and settlement authority in the aftermath of the Uber termination and noted that requests over a certain dollar threshold were reviewed by Rogers and Warren.

340. *Third*, Slaughter and Belcher testified that James River opened the secret PLM portal (described by FEs 11 and 12) in October 2019, and that all requests to increase reserves were “funneled to this one email account where everyone had to go . . . if they wanted authority.” Slaughter and Belcher both testified that *claims handlers were specifically instructed not to mention the PLM system in their notes* so that the adjuster’s belief that reserves were inadequate and management’s denial of the requested increases were not documented in the claims file. If the request was approved, the adjuster “had to go in and write a note about why they were changing the reserve.” This practice was “very unusual” because instead of justifying the need for the reserve in the claim file at the outset, after the implementation of the PLM, “everything was after the fact. So you had to basically apply for your reserve change and if it was granted, then you would document the notes.”

341. Rogers, Warren, and Schmitzer knew of, and managed, the PLM portal. Slaughter testified that the PLM email account “went to Anita Rogers most of the time” or to “Courtenay Warren if Anita Rogers was not available or if it exceeded Anita Rogers’ authority. And then it went even higher to [Schmitzer]” These requests were “*almost always denied*,” and Schmitzer would often “disagree” with Rogers’s determination to increase a reserve. According to Slaughter, reserve increase requests were frequently denied for vague reasons, such as “we didn’t present it well enough. We needed more information. It’s not ready to resolve yet.” After October 2019, Schmitzer weighed in more aggressively on reserve increase requests, often sending “a paragraph of things that you needed to do in order to have the reserve reviewed.”

342. Schmitzer, James River Insurance’s CEO during the Class Period, sat on the Company’s Reserve Committee with the Executive Defendants and reported directly to James River’s CEO. It is implausible that he would have imposed such draconian measures, and been so

intimately involved in their execution, without the knowledge of the Reserve Committee, which was tasked with (a) reviewing, (b) determining, (c) monitoring, and (d) approving James River's reserves, and the knowledge of the Executive Defendants, who sat on the Reserve Committee.

343. The fact that the Company's scrutiny of reserves increased after the cancellation of the Uber Contract—and that senior James River management was responsible for reviewing and approving authority requests over a certain dollar threshold and implemented a secret email portal through which requests for reserve increases were funneled—supports an inference of Defendants' scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company's flawed reserves processes.

G. Defendants Were Motivated To Keep The Reserves Artificially Low Because They Wanted To Sell The Company

344. Defendants were motivated to keep reserves inappropriately low even after the Uber Account was terminated because, in addition to unloading their personally held shares at fraudulently inflated prices (discussed below), James River was trying to sell the Company. Indeed, Slaughter testified that Defendants attempted to sell the Company in 2018 but were unable to “because of the Uber account.” *See supra* at ¶149. Slaughter further testified that, after she left the Company in May 2020, she heard that Defendants attempted to sell the Company again, but the prospective buyers “were doing due diligence” and “were [not] liking the answers they were getting”—undoubtedly referring, again, to the Company's massive Uber-related liabilities. *See id.*

345. The fact that Defendants had a motive to keep reserves artificially low supports an inference of Defendants' scienter with respect to the materially understated reserves for losses and

loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period as well as the Company's flawed reserves processes.

H. Defendants Myron And Doran's Suspicious Sales Of James River Stock

346. Defendants Myron and Doran engaged in suspicious insider stock sales during the Class Period. Defendants' insider sales were suspiciously timed: they each sold shares in the months between James River's cancellation of the Uber Contract and the Company's announcement of a \$170 million adverse charge, primarily due to the Uber Contract. Defendants Myron and Doran's insider sales were not comparable to their prior trading: neither Defendant sold shares of James River common stock in the three years prior to the Class Period. Neither Myron nor Doran's sales were made pursuant to Rule 10b5-1 plans. And Defendants' insider sales were suspicious in amount: the Defendants sold between 21% and 25% of their holdings of James River common stock for collective profits of over ***\$3.6 million***.

347. Defendant Myron sold nearly \$3 million worth of shares of James River common stock during the Class Period. In particular, Defendant Myron sold 65,000 shares of James River stock on August 4, 2020, in the months between James River's cancellation of the Uber Contract and the Company's announcement of a \$170 million adverse charge, primarily due to the Uber Contract. Defendant Myron's sale during the Class Period comprised 21% of his total holdings of James River stock and garnered \$2,905,183.69 in proceeds.

348. Lead Counsel calculated the percentage of Defendant Myron's total holdings of James River stock sold during the Class Period using Defendant Myron's Form 4 filed with the SEC on August 5, 2020, which reflects that Myron held 251,183 shares of James River common stock, of which he sold 65,000—or 21%—on that date. Significantly, Defendant Myron's August 4, 2020 sale comprised 21% of his James River holdings, which according to Myron's Form 4 filed with the SEC on August 5, 2020, was 251,183 shares after the transaction. The sale of James

River common stock garnered Myron \$2,905,183.69 in proceeds and was not made pursuant to a Rule 10b5-1 trading plan.

349. Defendant Doran sold a quarter of her James River holdings during the Class Period, procuring over \$700,000 worth of shares of James River common stock during the Class Period in proceeds. In particular, Defendant Doran sold 14,012 shares of James River stock on November 17, 2020, in the months between James River's cancellation of the Uber Contract and the Company's announcement of a \$170 million adverse charge, primarily due to the Uber Contract. Significantly, Defendant Doran's November 17, 2020 sale during the Class Period comprised 25% of her total James River holdings, which according to Doran's Form 4 filed with the SEC on November 17, 2020, was 14,012 shares after the transaction. The sale garnered Doran \$702,423.29 in proceeds and was not made pursuant to a Rule 10b5-1 trading plan.

350. The fact that Defendants Myron and Doran sold significant percentages of their personally held shares of James River common stock in the months prior to James River's disclosure of the truth concerning the profitability of the Uber Contract and the materially understated reserve for losses and loss adjustment expenses, while they were in possession of material non-public information, supports a strong inference that their sales were suspiciously timed, which further supports a strong inference of their scienter.

I. Defendants Held Themselves Out As Knowledgeable About James River's Reserves

351. The Executive Defendants regularly spoke to investors and securities analysts regarding James River's reserving practices, professing to know details of the process.

352. For example, on the Company's November 7, 2019 earnings call, in response to an analyst's question about the Company's recent adverse reserve charge on Commercial Auto losses, Defendant Doran stated, "We have fairly standard practices and procedures around this. And we

follow the same that we do every quarter, and that we're looking at this book with monthly actuarial data and then *we're doing a deep dive every single quarter*. . . . And *we are certainly watching it very carefully and very closely*, especially around claims and further development and behavior of that." On this same call, Defendant Abram described the Company's process for booking reserves, stating, "*We look at the actual case reserves and . . . make a judgment that's a historically well-informed judgment.*"

353. Similarly, on the Company's February 26, 2021 earnings call, Defendant D'Orazio explained to analysts the state of the Company's reserves. He described, "We call for a claims *audit by our senior claims leadership team to review a healthy sampling of the open files of time* and we boosted our case reserves on a portion of those files. . . . *I'm comfortable with where we entered the quarter* in particular with the overall group reserve position, given the indications of our external reserve study."

354. The fact that the Executive Defendants held themselves out as knowledgeable about James River's reserves and reserving practices, and discussed these subjects in detail with investors and securities analysts, supports a strong inference of their scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract, and the Company's flawed reserves processes.

J. The Uber Contract Constituted A "Core Operation" Of James River

355. The fraud concerned James River's core business operation during the Class Period—the Uber Contract.

356. As described in more detail in ¶¶49-50 above, the E&S segment was James River's largest and most profitable business segment. Within the E&S segment, the Commercial Auto

Division was the largest division, and within Commercial Auto, the Uber Contract generated the majority of the premiums the Company garnered.

357. Moreover, Defendants touted the importance of the Uber Contract on calls with investors and analysts. For example, on the Company's earnings call on February 22, 2019, Defendants touted James River's strong relationship with Uber and celebrated its contract renewal. Defendant Myron stated: "For Commercial Auto, we renewed our largest account [Uber] with an effective date of March 1, 2019, and we are appreciative of continuing the long and collaborative relationship we have had with this insured." And on James River's May 2, 2019 earnings call for the first quarter of 2019, Defendant Myron stated: "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 ***Our relationship with this largest client continues to be strong.***"

358. Further, given the relatively small size of James River compared to its peers and competitors in the insurance industry, its most profitable account and most important client would have been particularly visible to the Executive Defendants.

359. The fact that the Uber Contract was a core operation of James River's—and the Executive Defendants touted its importance and the Company's focus on it—supports a strong inference of the Executive Defendants' scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract, and the Company's flawed reserves processes.

K. James River Took Adverse Charges In The Two Years Prior To The Class Period And In Each Year Of The Class Period

360. As described in ¶¶283-284 above, the Company recognized adverse reserve developments in its Excess and Surplus segment in each calendar year from 2017 through 2020. These developments indicate that Defendants had, at each prior period's end, underestimated the reserve for losses and loss adjustment expenses.

361. The fact that the Company was forced to recognize adverse reserve developments for each year of the Class Period and the two years prior to the Class Period supports a strong inference of scienter with respect to the flawed reserve methodology that contributed to the reserve for losses and loss adjustments being materially understated during the Class Period.

L. In Response To Questions From Analysts, Defendants Denied Problems Existed With Its Reserves And, Later, With The Runoff Of The Uber Contract

362. In response to questions from analysts, Defendants assured investors that the Company was comfortable with its reserves and that the Company was making strong progress in the runoff of the Uber Contract.

363. For example, during James River's November 7, 2019 earnings call, in response to a question from a SunTrust analyst, Defendant Abram reiterated the strength of James River's reserving process and that its reserve calculations were based on past historical loss experience, stating: "We look at the actual case reserves and we look at our IBNR and measure the pace of claims and make a judgment that's a historically well-informed judgment."

364. On this same earnings call, in response to an analyst's question about the Company's recent adverse reserve charge on Commercial Auto losses, Defendant Doran stated, "We have fairly standard practices and procedures around this. And we follow the same that we do every quarter, and that we're looking at this book with monthly actuarial data and then we're

doing a deep dive every single quarter. . . . And we are certainly watching it very carefully and very closely, especially around claims and further development and behavior of that.”

365. Following the Company’s cancellation of the Uber Account, in response to questions by analysts and investors, Defendants specifically denied to the market that the Company was facing any problems putting the Uber Account into runoff.

366. For example, during the Company’s February 26, 2021 earnings call for year-end 2020, an analyst from JMP pointedly asked Defendant D’Orazio a question that was “on a lot of investors’ minds.” The analyst asked: “What can you say . . . [about] your confidence level with getting [the runoff contract] behind you,” that the Company’s actions with respect to the contract thus far were not “just a reaction to the data that you know . . . [b]ut that there was also a very large dose of increased conservatism put into the process such that hopefully [the Company’s assumptions] won’t have to be revisited?” In response, Defendant D’Orazio assured the analyst that the Company had conducted an external reserve study, was “comfortable with where we entered the quarter in particular with the overall group reserve position,” and was “comfortable with the actions that we’ve taken” with respect to the Uber Contract.

367. The Executive Defendants’ reassurances in response to analysts’ questions and concerns about the Company’s reserves and with the progress of putting the Uber Contract into runoff support a strong inference of their scienter with respect to the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company’s flawed reserve process.

M. The Executive Defendants Signed Sarbanes-Oxley And Internal Controls Certifications

368. The Executive Defendants signed Sarbanes-Oxley Certifications attesting to the fact that, “to [their] knowledge,” the SEC filing at issue “fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.” Specifically, Defendants Myron and Doran signed the Sarbanes-Oxley Certification included in James River’s 2018 Form 10-K filed on February 27, 2019. Defendants Abram and Doran signed the Sarbanes-Oxley Certification included in James River’s 2019 Form 10-K filed on February 27, 2020. And Defendants D’Orazio and Doran signed the Sarbanes-Oxley Certification included in James River’s 2020 Form 10-K filed on February 26, 2021.

369. However, the stated reserve figures included in the 2018, 2019, and 2020 Forms 10-K were materially understated in violation of Defendants’ obligations under the Securities Exchange Act of 1934.

370. The Executive Defendants’ signing Sarbanes-Oxley Certifications in the 2018, 2019, and 2020 Forms 10-K supports a strong inference of their scienter with respect to their statements in those SEC filings, including the materially understated reserves for losses and loss adjustment expenses and related metrics that the Company reported in its financial statements during the Class Period, as well as the unprofitability of the Uber Contract and the Company’s flawed reserves processes.

IX. LOSS CAUSATION

371. Throughout the Class Period, the price of James River’s common stock was artificially inflated as a result of Defendants’ materially false and misleading statements and omissions identified above. Defendants engaged in a scheme to deceive the market, and a course

of conduct that operated as a fraud or deceit on Class Period purchasers of James River common stock, by failing to disclose and misrepresenting the adverse facts detailed herein. These material misstatements and omissions were the cause and effect of creating in the market an unrealistically positive assessment of the Company and its financial well-being and prospects, thus causing the Company's stock price to be overvalued and artificially inflated and/or maintained at artificially inflated levels at all relevant times during the Class Period. Defendants' materially false and misleading statements and omissions made during the Class Period resulted in Lead Plaintiffs and other members of the Class purchasing the Company's stock at artificially inflated prices.

372. When Defendants' prior misrepresentations became apparent to the market through four disclosures that revealed to the market, on a piecemeal basis, the false and misleading nature of Defendants' statements and omissions, the price of James River common stock fell precipitously as the prior artificial inflation dissipated. As a result of their purchases of James River common stock during the Class Period, Lead Plaintiffs and the other Class members suffered economic loss, *i.e.*, damages, under the federal securities laws.

373. First, on October 8, 2019, after market close, James River revealed new facts to the market in a press release filed with the SEC on Form 8-K, signed by Defendant Doran, that it had delivered a notice of "early cancellation" of all insurance policies to Uber, "effective December 31, 2019." In the same press release, James River disclosed an adverse development charge of between \$55 and \$60 million, which the Company attributed "primarily" to its commercial auto business line for 2016 and 2017. Defendant Abram acknowledged that the Uber Account "has not met our expectations for profitability, and we think it best to terminate the underwriting relationship as of year end."

374. The next day, James River's stock dropped almost 23%, from a close of \$48.94 on October 8, 2019 to a close of \$37.88 per share on October 9, 2019, on high trading volume.

375. Second, on November 6, 2019, after market close, the Company revealed new facts to the market that the Uber Contract had been mispriced for years and disclosed an unfavorable reserve development of \$50 million attributable to the Uber Contract. In connection with the announcement, Defendant Abram stated that "[t]he results from [the Uber Contract] were not consistent with our focus on underwriting profit." In the Company's November 7, 2019 earnings call discussing the Company's third quarter 2019 results, Defendant Abram disclosed that the "underlying risk evolved very quickly" after the Uber Contract commenced and admitted that "candidly, in some years [James River] mispriced the risk." Thus, the November 6 and 7, 2019 disclosures further revealed to the market that the Uber Contract was not profitable and that the Company had mispriced the risk associated with the contract for years.

376. In direct response to this disclosure, the Company's stock dropped more than 3%, from an open of \$36.09 per share of November 7, 2019 to a close of \$34.95 on November 7, 2019 on high trading volume.

377. Third, on May 5, 2021, after market close, in announcing its results for the first quarter of 2021, the Company revealed new facts to the market, reporting a net loss of \$103.5 million, driven by \$170.0 million of unfavorable development in the Commercial Auto Division primarily due to the cancelled Uber Contract that had been in runoff since 2019. In connection with the announcement, James River further disclosed that the Company had been using the wrong reserve methodology in violation of GAAP. Defendant D'Orazio stated that James River had "meaningfully changed our actuarial methodology, resulting in a material strengthening of reserves," and that James River had concluded that "using only our own loss experience in our

paid and incurred reserve projections rather than the array of inputs that we had used in prior quarters, and giving greater weight to incurred methods would give us a better and more conservative estimate of ultimate losses on this account.”

378. Thus, the May 5, 2021 disclosures revealed that James River’s prior reported reserves for losses and loss adjustment expenses and its reserve developments were materially understated in violation of GAAP; the reserving process that caused the reserves to be materially understated was defective because James River had not primarily used its “own loss experience” to calculate the reserves, as required by GAAP; and that the Company’s internal controls were ineffective as a result of these GAAP violations.

379. Also on May 5, 2021, as a direct result of the losses attributable to the Uber Contract, James River announced that it had commenced an underwritten secondary public offering of approximately \$175 million of its common shares, priced at \$31.00 per share, with proceeds from the offering to be used for general corporate purposes.

380. In direct response to these revelations, the Company’s stock dropped more than 26%, from a close of \$46.50 on May 5, 2021 to a close of \$34.23 on May 6, 2021, on high trading volume.

381. Fourth, on October 26, 2021, before the start of the trading day, James River announced new facts to the market in a press release filed with the SEC on Form 8-K that the Company that it “expect[ed] to report a Net Loss for the third quarter of 2021 of between \$23 million and \$26 million,” which included “\$29.6 million associated with the” loss portfolio transfer of the Uber claims. This announcement revealed that the Uber Contract was still negatively affecting the Company’s bottom line more than six months after the large adverse reserve development in the first quarter of 2021.

382. In response to this news, the Company's stock price dropped more than 16%, from a close of \$39.08 per share on October 25, 2021 to a close of \$32.75 per share on October 26, 2021.

383. In total, James River's market capitalization fell from a Class Period high of nearly \$1.7 billion on October 23, 2020, to a low of \$1.22 billion at the end of the Class Period, a decline of over \$466 million. The drastic and continuing decline in James River's stock price that occurred after each of the corrective disclosure events described above was a direct result of the nature and extent of Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of the decline in the Company's share price negates any inference that the loss suffered by Lead Plaintiffs and the other Class members was caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to Defendants' fraudulent conduct.

X. PRESUMPTION OF RELIANCE

384. At all relevant times, the market for James River common stock was an efficient market for the following reasons, among others:

- a. James River was listed and actively traded on the NASDAQ, a highly efficient and automated market;
- b. As a regulated issuer, James River filed periodic public reports with the SEC and/or the NASDAQ;
- c. James River regularly communicated with public investors via established market communication mechanisms, including through regular dissemination of press releases on the national circuits of major newswire services and through other wide-ranging public disclosures, such as communications with the financial press and other similar reporting services; and/or
- d. James River was followed by securities analysts employed by brokerage firms who wrote reports about the Company, and these reports were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered

the public marketplace.

385. As a result of the foregoing, the market for James River common stock promptly digested current information regarding James River from all publicly available sources and reflected such information in James River's stock price. Under these circumstances, all purchasers of James River stock during the Class Period suffered similar injury through their purchase of James River stock at artificially inflated prices and a presumption of reliance applies.

XI. INAPPLICABILITY OF THE STATUTORY SAFE HARBOR AND BESPEAKS CAUTION DOCTRINE

386. The statutory safe harbor or bespeaks caution doctrine applicable to forward-looking statements under certain circumstances do not apply to any of the false and misleading statements pleaded in this Complaint. None of the statements complained of herein was a forward-looking statement. Rather, they were historical statements or statements of purportedly current facts and conditions at the time the statements were made, including statements about James River's reserves, the data and processes used for the reserves, James River's financial condition and the financial condition of James River's E&S business, among others. Further, the statutory safe harbor does not apply to statements included in financial statements that were made purportedly in accordance with GAAP, including James River's quarterly reports on Form 10-Q and annual reports on Form 10-K issued during the Class Period.

387. To the extent that any of the false and misleading statements alleged herein can be construed as forward-looking, those statements were not accompanied by meaningful cautionary language identifying important facts that could cause actual results to differ materially from those in the statements. As set forth above in detail, then-existing facts contradicted Defendants' statements regarding James River's reserves and the financial condition of James River's E&S business, among others. Given the then-existing facts contradicting Defendants' statements, any

generalized risk disclosures made by James River were not sufficient to insulate Defendants from liability for their materially false and misleading statements.

388. To the extent that the statutory safe harbor does apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those statements was made, the particular speaker knew that the particular forward-looking statement was false, and the false forward-looking statement was authorized and approved by an executive officer of James River who knew that the statement was false when made.

XII. CLASS ACTION ALLEGATIONS

389. Plaintiffs bring this action as a class action pursuant to Fed. R. Civ. P. 23(a) and 23(b)(3) on behalf of a Class consisting of all those who purchased or otherwise acquired the common stock of James River between February 22, 2019, and October 25, 2021, inclusive (the “Class”), and who were damaged thereby. Excluded from the Class are Defendants, the officers and directors of James River at all relevant times, members of their immediate families and their legal representatives, heirs, agents, affiliates, successors or assigns, Defendants’ liability insurance carriers, and any affiliates or subsidiaries thereof, and any entity in which Defendants or their immediate families have or had a controlling interest.

390. The members of the Class are so numerous that joinder of all members is impracticable. Throughout the Class Period, James River shares were actively traded on the NASDAQ. As of November 3, 2021, James River had approximately 37.29 million shares of common stock issued and outstanding. While the exact number of Class members is unknown to Lead Plaintiffs at this time and can only be ascertained through appropriate discovery, Lead Plaintiffs believe that there are at least thousands of members of the proposed Class. Class members who purchased James River common stock may be identified from records maintained

by James River or its transfer agent(s), and may be notified of this class action using a form of notice similar to that customarily used in securities class actions.

391. Lead Plaintiffs' claims are typical of Class members' claims, as all members of the Class were similarly affected by Defendants' wrongful conduct in violation of federal laws as complained of herein.

392. Lead Plaintiffs will fairly and adequately protect Class members' interests and have retained competent counsel experienced in class actions and securities litigation.

393. Common questions of law and fact exist as to all Class members and predominate over any questions solely affecting individual Class members. Among the questions of fact and law common to the Class are:

- a. whether the federal securities laws were violated by Defendants' acts as alleged herein;
- b. whether the Defendants made statements to the investing public during the Class Period that were false, misleading or omitted material facts;
- c. whether Defendants acted with scienter; and
- d. the proper way to measure damages.

394. A class action is superior to all other available methods for the fair and efficient adjudication of this action because joinder of all Class members is impracticable. Additionally, the damage suffered by some individual Class members may be relatively small so that the burden and expense of individual litigation make it impossible for such members to individually redress the wrong done to them. There will be no difficulty in the management of this action as a class action.

XIII. CLAIMS FOR RELIEF UNDER THE EXCHANGE ACT

**COUNT I
FOR VIOLATIONS OF SECTION 10(b) OF THE EXCHANGE ACT
AND SEC RULE 10b-5 PROMULGATED THEREUNDER
(Against Defendants James River, Myron, Abram, D’Orazio, and Doran)**

395. Lead Plaintiffs repeat and re-allege each and every allegation set forth above as if fully set forth herein.

396. This Count is asserted on behalf of all members of the Class against Defendants James River, Myron, Abram, D’Orazio, and Doran for violations of Section 10(b) of the Exchange Act, 15 U.S.C. § 78j(b) and Rule 10b-5 promulgated thereunder, 17 C.F.R. § 240.10b-5.

397. During the Class Period, Defendants disseminated or approved the false statements specified above, which they knew were, or they deliberately disregarded as, misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

398. Defendants violated Section 10(b) of the Exchange Act and Rule 10b-5 in that they: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material facts or omitted to state material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; and/or (c) engaged in acts, practices, and a course of business that operated as a fraud or deceit upon Lead Plaintiffs and others similarly situated in connection with their purchases of James River common stock during the Class Period.

399. Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct that operated as a fraud and deceit upon Lead Plaintiffs and the Class; made various untrue and/or misleading statements of material facts and omitted to state

material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading; made the above statements intentionally or with a reckless disregard for the truth; and employed devices and artifices to defraud in connection with the purchase and sale of James River common stock, which were intended to, and did: (a) deceive the investing public, including Lead Plaintiffs and the Class, regarding, among other things, James River's reserves, the data used for the review, the Company's internal controls and the Company's financial statements; (b) artificially inflate and/or maintain the market price of James River common stock; and (c) cause Lead Plaintiffs and other members of the Class to purchase James River common stock at artificially inflated prices and suffer losses when the true facts became known.

400. Defendants James River, Myron, Abram, D'Orazio, and Doran are liable for all materially false and misleading statements made during the Class Period, as alleged above.

401. As described above, Defendants acted with scienter throughout the Class Period, in that they acted either with intent to deceive, manipulate, or defraud, or with recklessness. The misrepresentations and omissions of material facts set forth herein, which presented a danger of misleading buyers or sellers of James River stock, were either known to the Defendants or were so obvious that the Defendants should have been aware of them.

402. Lead Plaintiffs and the Class have suffered damages in that, in direct reliance on the integrity of the market, they paid artificially inflated prices for James River common stock, which inflation was removed from their price when the true facts became known. Lead Plaintiffs and the Class would not have purchased James River common stock at the prices they paid, or at all, if they had been aware that the market price had been artificially and falsely inflated by these Defendants' misleading statements.

403. As a direct and proximate result of these Defendants' wrongful conduct, Lead Plaintiffs and the other members of the Class suffered damages attributable to the material misstatements and omissions alleged herein in connection with their purchases of James River common stock during the Class Period.

COUNT II
FOR VIOLATIONS OF SECTION 20(a) OF THE EXCHANGE ACT
(Against Defendants Myron, Abram, D'Orazio, and Doran)

404. Lead Plaintiffs repeat and re-allege each and every allegation set forth above as if fully set forth herein.

405. This Count is asserted on behalf of all members of the Class against each of the Executive Defendants for violations of Section 20(a) of the Exchange Act, 15 U.S.C. § 78t(a).

406. During their tenures as officers and/or directors of James River, each of these Defendants was a controlling person of the Company within the meaning of Section 20(a) of the Exchange Act. By reason of their positions of control and authority as officers and/or directors of James River, these Defendants had the power and authority to direct the management and activities of the Company and its employees, and to cause the Company to engage in the wrongful conduct complained of herein. These Defendants were able to and did control, directly and indirectly, the content of the public statements made by James River during the Class Period, including its materially misleading financial statements, thereby causing the dissemination of the false and misleading statements and omissions of material facts as alleged herein.

407. In their capacities as senior corporate officers of the Company, and as more fully described above, Defendants Myron, Abram, D'Orazio, and Doran had direct involvement in the day-to-day operations of the Company, in reviewing and managing its regulatory and legal compliance, and in its accounting and reporting functions. Defendants Myron, Abram, D'Orazio, and Doran signed the Company's SEC filings during the Class Period, and were directly involved

in providing false information and certifying and approving the false statements disseminated by James River during the Class Period. Defendants Myron, Abram, D’Orazio, and Doran were also directly responsible for controlling, and did control, the Company’s violations of GAAP and other relevant accounting rules, and were directly involved in providing false information and certifying and approving the false statements disseminated by James River during the Class Period. As a result of the foregoing, Defendants Myron, Abram, D’Orazio, and Doran, as a group and individually, were controlling persons of James River within the meaning of Section 20(a) of the Exchange Act.

408. As set forth above, James River violated Section 10(b) of the Exchange Act by its acts and omissions as alleged in this Complaint. By virtue of their positions as controlling persons of James River and as a result of their own aforementioned conduct, Defendants Myron, Abram, D’Orazio, and Doran are liable pursuant to Section 20(a) of the Exchange Act, jointly and severally with, and to the same extent as, the Company is liable under Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder, to Lead Plaintiffs and the other members of the Class who purchased or otherwise acquired James River common stock. Moreover, as detailed above, during the respective times these Defendants served as officers and/or directors of James River, each of these Defendants was culpable for the material misstatements and omissions made by James River.

409. As a direct and proximate result of these Defendants’ conduct, Lead Plaintiffs and the other members of the Class suffered damages in connection with their purchase or acquisition of James River common stock.

XIV. PRAYER FOR RELIEF

410. WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

- a. Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3)

of the Federal Rules of Civil Procedure on behalf of the Class defined herein;

- b. Awarding Plaintiffs and the other members of the Class damages in an amount that may be proven at trial, together with interest thereon;
- c. Awarding Plaintiffs and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' and experts' witness fees and other costs; and
- d. Such other relief as this Court deems just and proper.

XV. JURY DEMAND

411. Plaintiffs hereby demand a trial by jury.

Dated: August 25, 2022

Respectfully submitted,

By: /s/ Steven J. Toll

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CERTIFICATE OF SERVICE

I hereby certify that on August 25, 2022, I caused the foregoing to be electronically filed with the Clerk of Court via CM/ECF, which will send a notice of electronic filing to all registered users.

/s/ Steven J. Toll

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