JAMES RIVER GROUP, INC
Form 10-Q
November 06, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended September 30, 2007

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

COMMISSION FILE NO. 000-51480

JAMES RIVER GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

05-0539572 (State or Other Jurisdiction of
Incorporation or Organization) (I.R.S. Employer
Identification No.) 300 Meadowmont Village Circle, Suite 333
Chapel Hill, North Carolina 27517 (Address of Principal Executive Offices) (Zip Code)
(919) 883-4171

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of ''accelerated filer and large accelerated filer'' in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes No

On November 2, 2007, 15,138,708 shares of the registrant's common stock, par value $0.01 per share, were outstanding.

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements.

Condensed Consolidated Balance Sheets

(in thousands)	(Unaudited) September 30, 2007	December 31, 2006
Assets		
Investments available-for-sale, at fair value:		
Fixed maturity securities (amortized cost: 2007 – $539,735; 2006 – $488,232)	$ 537,885	$ 486,016
Equity securities (cost: 2007 – $32,361; 2006 – $8,536)	33,104	8,703
Total investments available-for-sale	570,989	494,719
Cash and cash equivalents	36,419	40,319
Restricted cash	1,711	—
Accrued investment income	6,113	5,471
Premiums receivable and agents’ balances	40,319	34,862
Reinsurance recoverable on unpaid losses	99,314	90,495
Reinsurance recoverable on paid losses	5,913	7,041
Prepaid reinsurance premiums	20,777	31,626
Deferred policy acquisition costs	17,076	15,005
Deferred tax assets	16,513	13,016
Goodwill	9,341	—
Other assets	16,957	9,167
Total assets	$ 841,442	$ 741,721

See accompanying notes.

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Condensed Consolidated Balance Sheets (continued)

(in thousands, except for share data)	(Unaudited) September 30, 2007	December 31, 2006
Liabilities and stockholders' equity		
Liabilities:		
Reserve for losses and loss adjustment expenses	$ 374,776	$ 300,294
Unearned premiums	124,176	131,286
Payables to reinsurers	2,081	5,672
Payable to insurance companies	12,125	—
Senior debt	15,000	15,000
Junior subordinated debt	43,300	43,300
Note payable	1,231	—
Funds held	6,331	15,567
Accrued expenses	17,596	11,510
Federal income taxes payable	212	613
Other liabilities	5,674	4,087
Total liabilities	602,502	527,329
Commitments and contingencies		
Stockholders' equity:		
Common Stock – $0.01 par value; 100,000,000 shares authorized; 2007: 15,138,708 shares issued and outstanding; 2006: 15,117,308 shares issued and outstanding	151	151
Common stock warrants	524	524
Additional paid-in capital	176,618	175,437
Convertible preferred stock – $0.01 par value; 5,000,000 shares authorized and no shares outstanding	—	—
	177,293	176,112
Notes receivable from employees	(435)	(535)
Retained earnings	62,802	40,147
Accumulated other comprehensive loss	(720)	(1,332)
Total stockholders' equity	238,940	214,392
Total liabilities and stockholders' equity	$ 841,442	$ 741,721

See accompanying notes.

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Condensed Consolidated Income Statements (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
(in thousands, except for share data)				
Revenues				
Gross written premiums	$ 71,898	$ 73,449	$ 231,435	$ 216,248
Ceded written premiums	(12,098)	(15,137)	(36,193)	(49,424)
Net written premiums	59,800	58,312	195,242	166,824
Change in net unearned premiums	7,036	(866)	(5,170)	(8,687)
Net earned premiums	66,836	57,446	190,072	158,137
Net investment income	6,280	5,191	18,002	13,690
Net realized investment losses	(64)	(64)	(91)	(148)
Other income	1,891	67	2,029	155
Total revenues	74,943	62,640	210,012	171,834
Expenses				
Losses and loss adjustment expenses	37,956	33,376	109,178	92,807
Other operating expenses	18,851	14,404	52,419	39,813
Commissions, fees and other agency expenses	2,181	—	2,181	—
Interest expense	1,340	1,305	3,922	2,978
Total expenses	60,328	49,085	167,700	135,598
Income before taxes	14,615	13,555	42,312	36,236
Federal income tax expense	4,431	4,293	12,845	11,594
Net income	$ 10,184	$ 9,262	$ 29,467	$ 24,642
Earnings per share:				
Basic	$ 0.67	$ 0.61	$ 1.95	$ 1.63
Diluted	$ 0.63	$ 0.58	$ 1.82	$ 1.54
Cash dividends declared per common share	$ 0.15	$ —	$ 0.45	$ —

See accompanying notes.

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Condensed Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended September 30,	
	2007	2006
	(in thousands)	
Operating activities		
Net cash provided by operating activities	$ 91,644	$ 103,937
Investing activities		
Acquisitions, net of cash acquired	(9,042)	—
Securities available-for-sale:		
Purchases – fixed maturity securities	(147,082)	(176,271)
Purchases – equity securities	(25,123)	—
Maturities and calls – fixed maturity securities	43,107	23,627
Sales – fixed maturity securities	50,897	26,665
Sales – equity securities	1,363	—
Net payable to securities brokers	(276)	(448)
Purchases of property and equipment	(770)	(264)
Investment in real estate joint venture	(2,264)	—
Net cash used in investing activities	(89,190)	(126,691)
Financing activities		
Proceeds from issuance of Common Stock	219	173
Excess tax benefits from stock option exercises	145	75
Issuance of junior subordinated debt	—	20,000
Issuance costs	—	(27)
Dividends paid to common stockholders	(6,812)	—
Repayment of notes receivable from employees	100	—
Payments on note payable	(6)	—
Net cash (used in) provided by financing activities	(6,354)	20,221
Change in cash and cash equivalents	(3,900)	(2,533)
Cash and cash equivalents at beginning of period	40,319	41,029
Cash and cash equivalents at end of period	$ 36,419	$ 38,496

See accompanying notes.

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Notes to Condensed Consolidated Financial Statements
(Unaudited)

September 30, 2007

1.

Accounting Policies and Basis of Presentation

Basis of Presentation

The accompanying condensed consolidated financial statements and notes have been prepared in accordance with United States generally accepted accounting principles for interim financial information and do not contain all of the information and footnotes required by United States generally accepted accounting principles for complete financial statements. Readers are urged to review the Company’s 2006 audited consolidated financial statements contained in Form 10-K for a more complete description of the Company’s business and accounting policies. In the opinion of management, all adjustments necessary for a fair presentation of the condensed consolidated financial statements have been included. Such adjustments consist only of normal recurring items. Interim results are not necessarily indicative of results of operations for the full year. The consolidated balance sheet as of December 31, 2006 was derived from the Company’s audited annual consolidated financial statements.

Significant intercompany transactions and balances have been eliminated.

Estimates and Assumptions

Preparation of the condensed consolidated financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying disclosures. Those estimates are inherently subject to change, and actual results may ultimately differ from those estimates.

New Accounting Standards

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (FIN 48). FIN 48 clarifies the accounting for uncertain tax positions. The interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The Company adopted FIN 48 on January 1, 2007, and adoption of FIN 48 had no effect on the Company’s financial position or results of operations.

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value in United States generally accepted accounting principles and expands disclosures about fair value measurements. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007 with earlier application encouraged. The Company is currently evaluating the impact of adopting Statement 157 on its financial statements.

In February 2007, the FASB issued Statement No. 159, The Fair Value Option for Financial Assets and Liabilities, (Statement 159). Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value with changes in fair value included in current earnings. The election is made on specified election dates, can be made on an instrument-by-instrument basis and is irrevocable. Statement 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting Statement 159 on its financial statements.

Notes to Condensed Consolidated Financial Statements
(Unaudited) (continued)

2.

Proposed Transaction

On June 11, 2007, the Company entered into an Agreement and Plan of Merger (the Merger Agreement), with Franklin Holdings (Bermuda), Ltd., a Bermuda company (Parent) and Franklin Acquisition Corp., a Delaware corporation and a wholly-owned direct subsidiary of Parent (Merger Sub). Under the terms of the Merger Agreement, Merger Sub will be merged with and into the Company, and as a result, the Company will continue as the surviving corporation and a wholly-owned subsidiary of Parent (the Merger). Parent is a Bermuda-based holding company and member of the D. E. Shaw group, a global investment management firm. The Company is permitted, under the terms of the Merger Agreement, to continue to pay regular quarterly cash dividends until the consummation of the Merger, such amount not to exceed $0.15 per share per quarter.

Subject to the terms and conditions set forth in the Merger Agreement, at the effective time of the Merger, each outstanding share of Common Stock, other than shares as to which appraisal rights under Delaware law may have been perfected, will be canceled and converted into the right to receive $34.50 in cash per share, without interest (the Merger Consideration). In addition, at the effective time of the Merger, (a) each outstanding option to purchase Common Stock (vested or unvested) will be canceled and the holder will be entitled to receive an amount of cash equal to the difference between the Merger Consideration and the exercise price of the applicable stock option without interest and less any required withholding taxes, and (b) each outstanding warrant to purchase Common Stock will be converted into the right to receive, upon exercise of such warrant, the Merger Consideration the holder of such warrant would have been entitled to receive upon consummation of the Merger if such holder had been, immediately prior to the Merger, the holder of the number of shares of Common Stock then issuable upon exercise in full of such warrant or, if the holder and the Company agree, canceled and extinguished, and the holder thereof will be entitled to receive, following exercise or cancellation, as the case may be, an amount in cash equal to the excess (if any) of (a) the product of (x) the number of shares of Common Stock subject to the warrant and (y) the Merger Consideration, minus (b) the aggregate exercise price of the warrant, without interest and less any required withholding taxes.

The closing of the Merger is expected to occur in early December, subject to the receipt of stockholder approval and regulatory approvals and satisfaction or waiver of other customary closing conditions. The Company and Parent filed notification and report forms relating to the Merger under the Hart-Scott-Rodino Act (the HSR Act) with the Federal Trade Commission (the FTC) and the Department of Justice. On July 20, 2007, the FTC granted early termination of the waiting period under the HSR Act with respect to the Merger. Parent made the required filings for regulatory approval relating to the Merger with the insurance commissioners of North Carolina and Ohio, the states in which the Company's insurance subsidiaries are domiciled, on July 11, 2007, and subsequently amended such filings on September 25, 2007. The Merger is not subject to a financing condition and equity commitments for the full amount of the Merger Consideration plus funds sufficient to pay all related fees and expenses required to be paid or funded as of or prior to the consummation of the Merger have been received by Parent from affiliates of the D.E. Shaw group.

The Company and Parent each have certain termination rights under the terms of the Merger Agreement, including the right by either party to terminate the Merger Agreement if the Merger has not been consummated on or before December 15, 2007. In the event that the Merger Agreement is terminated under certain circumstances set forth in the Merger Agreement, the Company will be required to pay a fee of approximately $11.5 million to Parent and reimburse Parent for an amount not to exceed approximately $3.6 million for transaction fees and expenses incurred by Parent and its affiliates.

On October 2, 2007, the Company filed a definitive proxy statement with the Securities and Exchange Commission containing information about the Merger and a special meeting of stockholders, to be held on November 6, 2007, at which the Company's stockholders will be asked to

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Notes to Condensed Consolidated Financial Statements
(Unaudited) (continued)

2. Proposed Transaction (continued)

vote on a proposal to approve the Merger Agreement. All holders of the Company’s common stock at the close of business on the record date, September 26, 2007, will be eligible to vote at the special meeting of stockholders.

3. Stock Based Compensation

A summary of stock option activity is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
($ in thousands, except for share data)				
Other operating expenses recognized for stock based compensation	$ 277	$ 260	$ 817	$ 721
Related tax benefits of stock based compensation	$ 97	$ 90	$ 286	$ 252
Option Grant Activity:				
Number of options granted	—	12,583	17,500	57,583
Weighted-average fair value on the date of grant	$ —	$ 13.07	$ 11.00	$ 12.01
Option Exercise Activity:				
Cash received from stock options exercised	$ —	$ —	$ 219	$ 173
Shares of common stock issued in connection with stock options exercised	—	—	21,400	17,255
Intrinsic value of options exercised	$ —	$ —	$ 416	$ 217
Income tax benefit of options exercised	$ —	$ —	$ 145	$ 75

The Company uses a Black-Scholes-Merton option pricing model in determining the fair value of the options granted. The following table summarizes the assumptions used to estimate the fair value of the Company’s share-based awards issued during the nine months ended September 30, 2007:

Weighted-average expected life	7 years
Expected stock price volatility	35.00 %
Risk-free interest rate	4.67 %
Dividend yield	2.00 %

For all awards, the expected life is based on the midpoint between the vesting period and the contractual term of the award. Stock price volatility is estimated based on stock price volatility data for similar property/casualty companies in the period following their respective initial public offerings. The risk-free interest rate assumption is based on the seven-year U.S. Treasury rate at the date of grant. The dividend yield assumption is based upon the rate of expected future dividend payments over the life of the options at the time that the options were granted.

As of September 30, 2007, there was $2.3 million of estimated unrecognized compensation cost related to non-vested option awards expected to be charged to earnings over a weighted-average period of 2.1 years.

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Notes to Condensed Consolidated Financial Statements
(Unaudited) (continued)

4. Earnings Per Share

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands, except for share data)			
Net income – numerator for basic and diluted earnings per share	$ 10,184	$ 9,262	$ 29,467	$ 24,642
Weighted – average common shares outstanding – denominator for basic earnings per share	15,138,708	15,087,308	15,133,697	15,083,505
Dilutive potential common shares:				
Options	991,219	853,884	969,277	804,156
Warrants	104,055	93,629	102,799	89,744
Weighted – average common shares and dilutive potential common shares outstanding – denominator for diluted earnings per share	16,233,982	16,034,821	16,205,773	15,977,405
Earnings per share:				
Basic	$ 0.67	$ 0.61	$ 1.95	$ 1.63
Diluted	$ 0.63	$ 0.58	$ 1.82	$ 1.54

5. Income Taxes

Income tax expense differs from the amounts computed by applying the Federal statutory income tax rate to income before income taxes primarily due to interest income on tax-advantaged state and municipal securities. The Company did not have any unrecognized tax benefits at September 30, 2007 or January 1, 2007, the date FIN 48 was adopted. Tax year 2004 and all subsequent tax years remain subject to examination by the Internal Revenue Service.

6. Reserve for Losses and Loss Adjustment Expenses

A $3.1 million reserve redundancy developed in the three months ended September 30, 2007 on the direct business written arising from prior accident years. Of this development, $5.8 million of favorable development occurred in the Excess and Surplus Insurance segment’s casualty lines primarily related to the 2006, 2005 and 2004 accident years. The Excess and Surplus Insurance segment’s property lines experienced $2.3 million of adverse development primarily related to hurricane losses in the 2005 accident year. Adverse development on prior accident years for direct business for the Workers’ Compensation Insurance segment in the three months ended September 30, 2007 was $489,000, with $557,000 of adverse development on the 2006 accident year exceeding $68,000 of favorable development on the 2005 and 2004 accident years.

A $2.5 million reserve redundancy developed in the three months ended September 30, 2006 on direct business written arising from prior accident years. Of this development, $3.7 million of favorable development occurred in the Excess and Surplus Insurance segment’s casualty lines, with $2.3 million of this favorable development coming from the 2005 accident year and $1.3 million coming from the 2004 accident year. This favorable development was partially offset by unfavorable development in the Excess and Surplus insurance segment’s property lines of $1.1 million primarily related to the 2005 hurricanes and $102,000 of unfavorable development on direct business for the Workers’ Compensation Insurance segment.

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Notes to Condensed Consolidated Financial Statements
(Unaudited) (continued)

6. Reserve for Losses and Loss Adjustment Expenses (continued)

An $8.9 million reserve redundancy developed in the nine months ended September 30, 2007 on direct business written arising from prior accident years. Of this development, $11.9 million of favorable development occurred in the Excess and Surplus Insurance segment’s casualty lines primarily related to the 2006, 2005 and 2004 accident years. Adverse development in the Excess and Surplus Insurance segment’s property lines during the nine months ended September 30, 2007 of $2.9 million primarily related to hurricane losses in the 2005 accident year. Adverse development on prior accident years for direct business of the Workers’ Compensation Insurance segment in the nine months ended September 30, 2007 was $73,000.

A $6.9 million redundancy developed in the nine months ended September 30, 2006 on the direct business written arising from prior accident years. Of this development, $6.7 million of favorable development occurred in the Excess and Surplus Insurance segment’s casualty lines, with $3.7 million of this favorable development coming from the 2004 accident year and $2.6 million coming from the 2005 accident year. Favorable development in the Excess and Surplus Insurance segment’s property lines of $85,000 primarily related to the 2005 accident year. Favorable development for direct business written by the Workers’ Compensation Insurance segment totaled $140,000.

7. Comprehensive Income

The following table summarizes the components of comprehensive income:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
	(in thousands)			
Net unrealized gains arising during the period, before taxes	$ 7,431	$ 10,817	$ 851	$ 2,224
Income taxes	(2,601)	(3,785)	(298)	(778)
Net unrealized gains arising during the period, net of taxes	4,830	7,032	553	1,446
Less reclassification adjustment:				
Net realized investment losses	(64)	(64)	(91)	(148)
Income taxes	23	23	32	52
Reclassification adjustment for losses realized in net income	(41)	(41)	(59)	(96)
Other comprehensive income	4,871	7,073	612	1,542
Net income	10,184	9,262	29,467	24,642
Comprehensive income	$ 15,055	$ 16,335	$ 30,079	$ 26,184

8. Contingent Liabilities

We are aware of two lawsuits filed in connection with the proposed merger.

On June 13, 2007, Levy Investments (the Levy plaintiff) filed a purported class action complaint in the Superior Court for Orange County, North Carolina against the Company, all of the directors of the Company and the D. E. Shaw group (the Levy NC Class Action). The complaint alleges, among other things, that our directors breached their fiduciary duties to our stockholders in approving the merger agreement and that the negotiation and structure of the proposed merger are the result of an unfair process. The complaint seeks, among other things, class certification and an injunction preventing the completion of the merger, and a declaration that the directors breached their fiduciary duties in approving the merger agreement. On September 10, 2007, the Levy plaintiff filed an

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Notes to Condensed Consolidated Financial Statements
(Unaudited) (continued)

8.

Contingent Liabilities (continued)

amended complaint that contains substantially similar allegations as the original complaint, except that it adds allegations that the directors have breached their fiduciary duties to our stockholders by filing a preliminary proxy statement on August 3, 2007 that omitted material information about the proposed merger. Following a hearing on September 18, 2007, the Superior Court for Orange County entered an order to stay the Levy NC Class Action pending the resolution by the Delaware Chancery Court of a proposed settlement of the Cardwell Class Action discussed below.

On August 17, 2007, Judy Quinn Cardwell Roth IRA (the Cardwell plaintiff) filed a purported class action complaint in the Court of Chancery for the State of Delaware in and for New Castle County against the Company, all of the directors of the Company and the D. E. Shaw group (the Cardwell Class Action). The complaint alleges, among other things, that our directors breached their fiduciary duties to our stockholders in approving the merger agreement, that certain of the defendants acted to better their own interests at the expense of our stockholders, that our management engineered and timed the proposed merger to freeze-out our public stockholders in order to capture the benefits of our future potential without paying adequate or fair consideration to our public stockholders while enabling our largest stockholders to liquidate their holdings and realize significant gain, that the consideration to be paid in the proposed merger is unfair and inadequate and that our directors breached their fiduciary duties to our stockholders in not pursuing negotiations or proposals from other interested parties. The complaint also alleges that our preliminary proxy statement, filed on August 3, 2007, omitted information that is material to our stockholders' decisions whether to approve the proposed merger or seek appraisal. The complaint seeks, among other things, class certification, an injunction preventing the completion of the merger, damages for all profits and special benefits obtained by the defendants in connection with the merger and the award of plaintiff's costs and expenses, including attorney and expert fees.

On September 17, 2007, the parties entered into a memorandum of understanding (the MOU) with the plaintiff in the Cardwell Class Action, providing for the settlement of the Cardwell Class Action subject to approval by the Chancery Court. In connection with the terms of the MOU and the contemplated settlement, the Company agreed to make additional disclosures to stockholders, which disclosures are contained in the definitive proxy statement filed on October 2, 2007 in connection with the proposed merger.

On October 12, 2007, the Levy plaintiff filed a purported class action complaint in the Court of Chancery for the State of Delaware in and for New Castle County against the Company, all of the directors of the Company and the D. E. Shaw group (the Levy Delaware Class Action). Following a motion by the Cardwell plaintiff, the Court of Chancery entered an order to consolidate the Cardwell Class Action and the Levy Delaware Class Action (together, the Consolidated Class Action) on October 17, 2007. On November 2, 2007, the parties to the Consolidated Class Action entered into a Stipulation and Agreement of Compromise, Settlement and Release (the Stipulation), providing for the settlement of the Consolidated Class Action subject to approval by the Chancery Court. The parties submitted the Stipulation to the Chancery Court on November 2, 2007 and the Court is expected to set a date for a hearing to determine whether to approve the settlement.

The Company is a party to various lawsuits arising in the ordinary course of its operations. The Company believes that the ultimate resolution of these matters will not materially impact its financial position or results of operations.

9. Segment Information

The Company has three reportable segments: the Excess and Surplus Insurance segment, the Workers' Compensation Insurance segment and the Corporate and Other segment. On July 2, 2007, the Company acquired Align Financial Group, a wholesale and retail insurance agency. The operating results of Align Financial Group for the period subsequent to its acquisition by the Company are

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Notes to Condensed Consolidated Financial Statements
(Unaudited) (continued)

9. Segment Information (continued)

included in the Corporate and Other segment. Segment profit is measured by underwriting profit, which is generally defined as net earned premiums less loss and loss adjustment expenses and other operating expenses of the insurance segments. Segment results are reported prior to the effects of the intercompany reinsurance pooling agreement between the Company's insurance subsidiaries. The following table summarizes segment results:

	Excess and Surplus Insurance	Workers' Compensation Insurance	Corporate and Other	Total
	(in thousands)			
Three Months Ended September 30, 2007				
Gross written premiums	$ 53,492	$ 18,406	$ —	$ 71,898
Net earned premiums	50,993	15,843	—	66,836
Segment revenues	56,016	16,986	1,941	74,943
Underwriting profit of insurance segments	10,915	732	—	11,647
Net investment income	5,087	1,126	67	6,280
Interest expense	—	—	1,340	1,340
Segment assets	684,397	118,993	38,052	841,442
Three Months Ended September 30, 2006				
Gross written premiums	$ 59,565	$ 13,884	$ —	$ 73,449
Net earned premiums	46,343	11,103	—	57,446
Segment revenues	50,346	11,927	367	62,640
Underwriting profit of insurance segments				