James River Group, INC
Form S-1/A
July 12, 2005
As filed with the Securities and Exchange Commission on July 12, 2005

Registration No. 333-124605

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Pre-Effective Amendment No. 2

to

FORM S-1
REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933

JAMES RIVER GROUP, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**6331**	**05-0539572**
(State or Other Jurisdiction of Incorporation or Organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

1414 Raleigh Road
Suite 415
Chapel Hill, NC 27517
(919) 883-4171
(Address Including Zip Code, and Telephone Number Including Area Code, of Registrant's Principal Executive Offices)

J. Adam Abram
President and Chief Executive Officer
1414 Raleigh Road
Suite 415
Chapel Hill, NC 27517
Telephone: (919) 883-4171
Facsimile: (919) 883-4177
(Name, Address, Including Zip Code, and Telephone and Facsimile Numbers, Including Area Code, of Agent For Service)

Copies to:

Kenneth L. Henderson, Esq. Heather R. Badami, Esq.	John M. Schwolsky, Esq. Matthew M. Ricciardi, Esq.

Bryan Cave LLP
1290 Avenue of the Americas
New York, NY 10104-3300
Telephone: (212) 541-2000
Facsimile: (212) 541-4630

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, NY 10019
Telephone: (212) 424-8000
Facsimile: (212) 424-8500

Approximate date of commencement of proposed sale to public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion
Dated July 11, 2005

PROSPECTUS

Shares

James River Group, Inc.

Common Stock

This is the initial public offering of common stock of James River Group, Inc. We are offering shares of our common stock.

Prior to this offering, there has been no public market for our common stock. The initial public offering price of our common stock is expected to be between $ and $ per share. We intend to list our common stock on the Nasdaq National Market under the symbol "JRVR."

Investing in our common stock involves risks. See "Risk Factors" beginning on page 9.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds (before expenses) to James River Group, Inc.	$	$

We have granted the underwriters a 30-day option to purchase up to an additional shares of common stock at the public offering price, less the underwriting discount, to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission or regulatory authority has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2005.

Keefe, Bruyette & Woods
Bear, Stearns & Co. Inc.
Friedman Billings Ramsey
Wachovia Securities

The date of this prospectus is , 2005.

TABLE OF CONTENTS

You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date of this prospectus, even if this prospectus is delivered to you after that date or you buy our securities after that date. Our business, financial condition, results of operations and prospects may have changed since that date.

PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus, but may not contain all the information that may be important to you. To understand us and this offering fully, you should read this entire prospectus carefully, especially the "Risk Factors" section beginning on page 9 and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus. References in this prospectus to the "company," "we," "our" and "us" are to James River Group, Inc. and its subsidiaries, unless the context otherwise requires. References to "James River" are to James River Group, Inc., our holding company. References to "James River Insurance" are to our subsidiary James River Insurance Company, and references to "Stonewood Insurance" are to our subsidiary Stonewood Insurance Company. James River Group is our registered service mark. This prospectus also refers to trademarks and trade names of other organizations. This prospectus contains terms that are specific to the insurance industry. A glossary of these terms appears beginning on page G-1 of this prospectus.

James River Group

Who We Are

James River is an insurance holding company that owns and manages specialty property/casualty insurance companies with the objective of consistently earning underwriting profits. We were founded in September 2002 and wrote our first insurance policy in July 2003. We currently underwrite in two specialty areas:

- excess and surplus lines in 48 states and the District of Columbia; and
- workers' compensation primarily for the residential construction industry in North Carolina.

Our underwriters evaluate and price each policy individually, and we do not extend underwriting or claims handling authority to third parties. For the year ended December 31, 2004, our first full year of insurance operations, we wrote $142.5 million in direct written premiums, earned net income of $8.8 million and had a combined ratio (a measure of underwriting profitability calculated by dividing the sum of losses incurred, including loss adjustment expenses, and other operating expenses by net earned premiums) of 90.1%. A combined ratio of less than 100% generally indicates profitable underwriting prior to the consideration of investment income.

The executives and professional investors who founded our company have significant experience managing, acquiring or investing in insurance operations. Key members of our management team, including J. Adam Abram, our President and Chief Executive Officer, five of our directors and a number of the managers in our excess and surplus lines business, were previously involved together at Front Royal, Inc., another insurance holding company with a similar business focus. Because we wrote our first policy in July 2003, we are not burdened by material loss exposures for years prior to 2003. We did not write any insurance during the 1990's when pricing was more competitive and policy terms were less restrictive than in the current environment. We craft our excess and surplus lines policy language to manage our exposure to expanding theories of legal liability like those which have given rise to claims for lead paint, asbestos, mold and construction defects.

Our Products

Our subsidiary James River Insurance Company writes excess and surplus lines insurance. Excess and surplus lines insurance covers risks that do not fit the underwriting criteria of standard carriers due, usually, to the perceived risk associated with aspects of the insured's business. In contrast to standard carriers that are required to be licensed in the state where the insurance is written, James River Insurance has significantly expanded regulatory freedom to craft policy terms and charge negotiated prices. Generally, James River Insurance offers more restrictive coverage at higher prices than would be offered by the standard market, which is necessary because insureds in the excess and surplus market are generally considered higher risk than those in the standard market. For the year ended December 31, 2004, James River Insurance had $133.4 million in direct written premiums.

Our subsidiary Stonewood Insurance Company writes workers' compensation insurance in North Carolina, primarily for the residential construction industry. Workers' compensation insurance provides coverage for the statutory obligations of employers to pay for medical care and lost wages for employees who are injured in the course of their employment. We focus on the residential construction industry because this hazardous class has relatively high premium rates and we believe we can successfully underwrite these accounts through proactive loss control. This approach requires us to rely on our underwriting and loss control staff to assess the risk of potential insureds. Stonewood Insurance was licensed in late 2003 and began writing business in January 2004. For the year ended December 31, 2004, Stonewood Insurance had $9.2 million in direct written premiums.

Both James River Insurance and Stonewood Insurance are rated "A−" (Excellent) by A.M. Best Company, Inc., a leading insurance rating agency, which we refer to in this prospectus as A.M. Best. "A−" (Excellent) is the fourth highest of 16 A.M. Best ratings. These ratings are based on matters of concern to policyholders but are not designed or intended for use by investors in evaluating our securities.

Our Approach to Our Business

We believe our approach will help us achieve our goal of delivering superior returns to our stockholders. This approach involves the following:

Generate Underwriting Profits. We intend to generate underwriting profits by minimizing our underwriting expenses and focusing on underwriting specialty insurance risks where we can use our expertise to price and structure policies to minimize our claims expenses.

- Operate at a Lower Expense Ratio Than Many of Our Competitors. We believe that we are able to achieve a lower expense ratio than many of our competitors because of our assertive management of costs, including commissions. In 2004, our Excess and Surplus Insurance segment had a statutory expense ratio (a measure of our underwriting profitability calculated by dividing our underwriting expenses by net written premiums, in each case determined on a statutory accounting basis) of 19.95%. According to the 2004 edition of Best's Aggregates & Averages – Property/Casualty, from 1999 through 2003, which we believe is the latest data available, the United States excess and surplus lines sector had an average statutory expense ratio of 30.9%.
- Focus on Specialty Insurance Markets. By focusing on specialty markets in which our underwriters have particular expertise and in which we have fewer competitors than in standard markets, we have greater freedom to price and structure our products and to utilize loss control measures to target maximum profitability. For example, in our Excess and Surplus Insurance segment, we seek an underwriting profit by generally offering a combination of higher prices and more restrictive policy terms than standard carriers. Our insureds, on the other hand, generally present higher risk than that presented by the insureds of standard carriers.
- Underwrite Each Risk Individually. We believe our goal of earning underwriting profits is best accomplished through careful risk selection combined with a thoughtful approach to setting the terms and conditions of the policies for these risks. We individually underwrite each risk and do not extend underwriting authority to brokers, agents or other third parties. Our underwriting team leaders have an average of 27 years of insurance industry experience. A substantial portion of our underwriters' compensation is linked to the underwriting profit produced by the policies they underwrite. This approach has the potential drawback of requiring us to rely heavily on experienced underwriters who can tailor coverages and to be particularly careful in selecting the policies we bind. Our underwriters regularly interact with our claims personnel to aid in underwriting decisions and policy form development. In our Workers' Compensation Insurance segment, we supplement the underwriting process through on-site inspection of insureds and proactive loss control measures.

- Use Timely and Accurate Data. We design our internal processing and data collection systems to provide our management team with accurate and relevant information in real-time. Our data warehouse collects premium, commission and claims data, including detailed information regarding policy price, terms, conditions and the insured's business. This data allows us to analyze trends in our business, including results by individual agent or broker, underwriter and class of business. We rely on our technology systems in this process.

- Actively Manage Claims. We believe that actively managing our claims is an important aspect of keeping loss and loss adjustment expenses low and accurately setting reserves. We promptly and thoroughly investigate all claims, generally through direct contact with the insured and other affected parties. When we believe claims are not validly covered under the policy form, we vigorously contest payment and are willing to pursue prosecution for claims fraud.

Opportunistically Grow Our Business. We plan to opportunistically grow our business in markets where we can use our specialized expertise to generate consistent underwriting profits.

- Expand Existing Operations. We intend to expand our existing insurance operations to increase our market share in our chosen markets. Both our Excess and Surplus Insurance and Workers' Compensation Insurance segments are relatively new, and we believe they can capture more market share. A potential drawback of our specialized approach is that we may be more vulnerable to adverse events that affect the excess and surplus lines and workers' compensation insurance business than companies that have more diversified business.
  - Excess and Surplus Insurance Segment. We seek to grow the business of our Excess and Surplus Insurance segment by taking advantage of opportunities for enhanced product offerings, additional coverages, geographic expansion and increased penetration in our existing markets. We have expanded the Excess and Surplus Insurance segment from seven underwriting divisions at inception to ten divisions at December 31, 2004, added an additional underwriting division in May 2005 and anticipate adding another underwriting division in 2005. We continue to make selective broker appointments which helps drive our market penetration. In 2004, our Excess and Surplus Insurance segment wrote $133.4 million in direct written premiums. A.M. Best estimated total premiums in this market to be $32.8 billion in 2003.
  - Workers' Compensation Insurance Segment. We seek to expand our Workers' Compensation Insurance segment by adding selected agents and achieving greater market penetration. Our Workers' Compensation Insurance segment wrote $9.2 million in direct written premiums in 2004, its first year of operation, and we estimate, based in part on 2001 data (the latest we believe to be available) from the North Carolina Rate Bureau, that the North Carolina workers' compensation market for the portions of the construction industry in which we compete is approximately $450 million in direct written premiums.
- Acquire Additional Specialty Insurance Businesses. We intend to pursue acquisitions of specialty insurance businesses which have particular expertise in operating profitably in their markets. Our management team has significant industry experience in acquisitions of insurance companies and managing general agencies.

Manage Specialized Insurance Operations on a Decentralized Basis. Our holding company structure allows our specialized insurance operations to focus on achieving an underwriting profit in their markets. Our decentralized underwriting and claims handling personnel are able to respond effectively to changing conditions in the particular markets in which they operate. We handle capital raising, mergers and acquisitions, investor and rating agency relations, financial reporting and other support functions at the holding company level. This decentralized approach means our company must make special efforts to ensure the company is coordinated as a whole.

Manage Capital Actively. We intend to expand our business and capital base to capitalize on opportunities to earn an underwriting profit, and reduce our business and capital base if attractive underwriting opportunities are not available. We expect to finance our future operations with a combination of debt and equity and do not intend to raise or retain more capital than we believe we can profitably deploy in a reasonable time frame. We may not, however, always be able to raise capital when needed. Our ratings from A.M. Best are very important to us, and maintaining them will be a principal consideration in our decisions regarding capital.

Maintain a Strong Balance Sheet. We intend to set reserves conservatively and monitor reinsurance recoverables exposure carefully in order to maintain a strong balance sheet. We focus on making our profits from underwriting and do not expect above-market returns or risks in our investment portfolio. As a consequence, our investment returns may not be as high as those earned by some of our competitors. Our balance sheet is not burdened with material legacy liabilities related to loss exposures for years prior to 2003.

Our Challenges

As part of your evaluation of our business, you should take into account the challenges we face in implementing our strategies, including but not limited to the following:

A Downgrade in Our A.M. Best Rating Would Negatively Affect Our Business. We believe that the A.M. Best rating of "A−" (Excellent) of our insurance subsidiaries has a significant influence on our business and that many brokers, agents and customers would not place business with us if we experienced a downgrade in our rating. As a result, a downgrade in our rating could cause a substantial reduction in the number of policies we write, which would have a material adverse effect on our results of operations and our financial position.

Changes in Our Operating Environment May Adversely Affect Our Performance. Our operating results may fluctuate significantly quarter to quarter and year to year due to various factors generally out of our control, including changes in competition, market conditions, catastrophe losses, severe weather conditions, general economic conditions (including interest rate changes), court decisions, legislative initiatives, frequency of litigation and the size of judgments.

The Failure of Any of Our Loss Limitations or Exclusions Could Harm Our Business. Various provisions of our excess and surplus lines policies, such as limitations or exclusions from coverage, have been negotiated to limit our risks and may not be enforceable in the manner we intend. Court decisions, legislation or regulatory actions could interpret or regulate the use of such endorsements and limitations in a way that would adversely effect our loss experience, which could have a material adverse effect on our financial condition or results of operations.

We Rely on a Select Group of Brokers and Agents To Distribute Our Products. Two brokers accounted for approximately 34.9% of 2004 direct written premiums for James River Insurance, and one agent accounted for approximately 11.0% of 2004 direct written premiums for Stonewood Insurance. These relationships could terminate or fail to be profitable in the future, which could have a material adverse effect on us.

Our Reinsurers May Not Pay Our Claims in a Timely Fashion. We cede a part of the policy risk we assume to reinsurers in exchange for part of the premium we receive in connection with the risk. If our reinsurers do not pay claims made by us on a timely basis, or they fail to pay some or all of these claims, we will be responsible for additional payments to our policyholders. This would increase our costs and could have a material adverse effect on our business.

We Are Dependent on Our Key Employees. Because we are dependent on certain key executives, the loss of any of these executives or our inability to retain other key personnel could adversely affect our business.

Our Premium and Loss Reserves May Be Inadequate to Cover Our Actual Losses. If we fail to accurately assess the risks associated with the business we insure, we may fail to establish appropriate premium rates, and our reserves for unpaid losses and loss adjustment expenses (which we refer to as loss reserves) may be inadequate to cover our actual losses. Our loss reserves are estimates and are inherently

4

uncertain. If our loss reserves are inadequate to cover our actual losses and loss adjustment expenses, any changes in our estimates will be reflected in our results of operations during the period in which the changes are made, with increases in our loss reserves resulting in a reduction to our earnings.

We Have a Short Operating History. We have completed only six quarters of operations and our historical financial results may not accurately indicate our future performance.

Our Business is Subject to Extensive Regulation. Our business is subject to extensive regulation by applicable federal and state agencies in the jurisdictions in which we operate. The extensive regulation or changes in the regulation governing our business may affect the cost or demand for our products and may limit our ability to obtain rate increases or take other actions, including those that relate to the terms of our coverage, that we may wish to take to increase our profitability.

Selected Operating History

The following table shows selected quarterly operating history for our business:

	As of or for the Three Months Ended						
	March 31, 2005	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003
	($ in thousands)						
Direct written premiums	$ 47,020	$ 50,447	$ 38,511	$ 29,643	$ 23,938	$ 25,097	$ 11,667
Net earned premiums	24,832	28,314	22,113	16,081	9,255	4,164	923
Losses and loss adjustment expenses	13,394	16,789	14,490	10,456	5,853	2,818	554
Other operating expenses	5,693	7,358	5,499	4,395	3,438	2,292	2,092
Income (loss) before taxes	6,922	4,964	2,899	1,947	581	(1,243)	(1,541)
Net income (loss)	4,606	3,259	2,968	1,947	581	(1,243)	(1,541)
Loss ratio	53.9%	59.3%	65.5%	65.0%	63.2%	67.7%	60.0%
Expense ratio	22.9%	26.0%	24.9%	27.3%	37.1%	55.0%	226.7%
Combined ratio	76.9%	85.3%	90.4%	92.4%	100.4%	122.7%	286.7%
Total assets	$ 305,783	$ 266,948	$ 213,092	$ 182,733	$ 143,163	$ 123,561	$ 78,803
Total stockholders' equity	83,101	80,695	77,687	72,480	71,963	70,396	51,352

How to Contact Us

Our headquarters are located at 1414 Raleigh Road, Suite 415, Chapel Hill, North Carolina 27517 and our telephone number is (919) 883-4171. Our website is www.James-River-Group.com. The information on our website should not be construed as part of the prospectus.

The Offering

Shares of common stock offered by us	
Shares of common stock outstanding after the offering	
Over-allotment shares offered by us	
Use of Proceeds	We intend to use the proceeds from the offering to make contributions to the capital of our insurance subsidiaries and for other general corporate purposes, including potential acquisitions. See "Use of Proceeds."
Proposed Nasdaq National Market Symbol	JRVR
Dividend Policy	We do not expect to pay cash dividends on our common stock for the foreseeable future. We currently intend to retain any future earnings to finance our operations and growth. Any future determination to pay cash dividends will be at the discretion of our board of directors.

The number of shares of common stock shown to be outstanding after the offering is based upon 9,849,035 shares outstanding as of May 31, 2005 and reflects the 10 for 1 split of our common stock which we intend to effect prior to the completion of this offering and the automatic conversion of all issued and outstanding shares of our preferred stock into an aggregate of 9,849,025 shares of our common stock immediately prior to the effectiveness of this offering, including shares representing accrued dividends on our convertible preferred stock through May 31, 2005 (on a post stock split basis). This number does not include, as of May 31, 2005:

- shares that may be issued pursuant to the underwriters' over-allotment option;
- 1,694,090 shares that may be issued pursuant to the exercise of outstanding options, at a weighted average exercise price of $10.07 per share; and
- 149,625 shares that may be issued pursuant to the exercise of outstanding warrants, at a weighted average exercise price of $10.00 per share.

Assumptions in this Prospectus

Except as otherwise indicated, all information in this prospectus:

- assumes no exercise of the underwriters' over-allotment option;
- reflects a 10 for 1 split of our common stock which we intend to effect prior to the completion of this offering;
- reflects the automatic conversion of all issued and outstanding shares of our Series A convertible preferred stock and Series B convertible preferred stock into an aggregate of 9,849,025 shares of common stock immediately prior to the effectiveness of this offering, including shares representing accrued dividends on our convertible preferred stock through May 31, 2005 (on a post stock split basis); and

• reflects amendments to our amended and restated certificate of incorporation and our amended and restated by-laws that we expect to effect prior to the completion of this offering.

Summary Historical Consolidated Financial and Other Data

The summary historical consolidated financial and other data set forth below as of and for the three months ended March 31, 2005 and 2004 are derived from our unaudited condensed consolidated financial statements. In the opinion of our management, the unaudited condensed consolidated financial data presented in the table below reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our consolidated financial position and results of operations as of the dates and for the periods indicated.

The summary historical consolidated financial and other data set forth below as of and for the years ended December 31, 2004 and 2003, as of December 31, 2002 and for the period from September 25, 2002 (inception) through December 31, 2002 are derived from our consolidated financial statements audited by Ernst & Young LLP, Independent Registered Public Accounting Firm.

These historical results are not necessarily indicative of results to be expected for any future period. You should read the information provided below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Three Months Ended March 31,		Year Ended December 31,		Period from September 25, 2002 (Inception) Through December 31,
	2005	2004	2004	2003	2002
	(Unaudited)				
Operating Data:	**($ in thousands, except for share data)**				
Direct written premiums(1)	$ 47,020	$ 23,938	$ 142,539	$ 36,764	$ —
Net written premiums(2)	30,990	17,714	120,178	27,425	—
Net earned premiums	24,832	9,255	75,763	5,087	—
Net investment income	1,745	588	3,626	407	2
Net realized investment losses	(25)	—	(71)	—	—
Total revenues	26,597	9,872	79,462	5,550	2
Losses and loss adjustment expenses	13,394	5,853	47,588	3,372	—
Other operating expenses	5,693	3,438	20,690	6,842	280
Interest expense	588	—	793	—	—
Compensation expense on common stock warrant issuance	—	—	—	524	—
Total expenses	19,675	9,291	69,071	10,738	280

Income (loss) before tax	6,922	581	10,391	(5,188)	(278)
Income taxes	2,316	—	1,636	—	—
Net income (loss)	$ 4,606	$ 581	$ 8,755	$ (5,188)	$ (278)
Comprehensive income (loss)	$ 2,406	$ 1,557	$ 8,946	$ (5,488)	$ (278)
Balance Sheet Data:					
Cash and cash equivalents and investments	$ 220,318		$ 195,231	$ 79,324	$ 6,783
Reinsurance recoverables on unpaid losses	27,253		15,200	14,234	—
Total assets	305,783		266,948	123,561	6,823
Reserve for losses and loss adjustment expenses	84,374		62,243	17,417	—
Senior debt	15,000		15,000	—	—
Junior subordinated debt	22,681		22,681	—	—
Total stockholders' equity	83,101		80,695	70,396	(278)

	Three Months Ended March 31,		Year Ended December 31,		Period from September 25, 2002 (Inception) Through December 31,
	2005	2004	2004	2003	2002
	(Unaudited)				
Operating Data:			**($ in thousands, except for share data)**		
Earnings (Loss) per Share:					
Basic — historical	$3,424,852.00	$ (589,653.00)	$3,991,672.00	$ (7,381,060.00)	$ (278,102.00)
Diluted — historical	$ 4.55	$ (589,653.00)	$ 9.28	$ (7,381,060.00)	$ (278,102.00)
Diluted — as adjusted (3)	$ 0.46	$ (58,965.30)	$ 0.93		
Weighted average shares outstanding — basic — historical	1	1	1	1	1
Weighted average shares outstanding — diluted — historical	1,011,323	1	943,330	1	1
Weighted average shares outstanding — diluted — as adjusted(3)	10,113,230	10	9,433,300		
GAAP Underwriting Ratios:					
Loss ratio(4)	53.9%	63.2%	62.8%	66.3%	—
Expense ratio(5)	22.9%	37.1%	27.3%	134.5%	—
Combined ratio(6)	76.9%	100.4%	90.1%	200.8%	—
Other Data:					
Return on average stockholders' equity(7)	22.5%	3.3%	11.6%	(14.8%)	(200.0%)
Debt to total capitalization ratio(8)	31.2%	—	31.8%	—	—

Statutory capital and surplus	$ 86,177	$ 57,358	$ 79,378	$ 58,183	—
Net written premiums to surplus ratio(9)	1.44	1.24	1.51	0.47	—

(1)The amount received or to be received for insurance policies written by us during a specific period of time without reduction for acquisition costs, reinsurance costs or other deductions.

(2)Net written premiums are direct written premiums less the portion of direct written premiums ceded to (reinsured by) other insurers, which we refer to as ceded written premiums.

(3)Earnings (loss) per share — diluted — as adjusted and earnings (loss) per share — weighted average shares outstanding — diluted — as adjusted give effect to the conversion of all outstanding shares of our convertible preferred stock into common stock, including shares representing accrued but unpaid dividends on our convertible preferred stock through the respective balance sheet date presented and reflect a 10 for 1 split of our common stock each of which will occur after the effectiveness of the Registration Statement of which this prospectus forms a part. Upon the conversion of the preferred stock, the only significant difference between basic and diluted earnings per share will relate to the treatment of warrants and options.

(4)The loss ratio is the ratio, expressed as a percentage, of losses and loss adjustment expenses to net earned premiums, net of the effects of reinsurance.

(5)The expense ratio is the ratio, expressed as a percentage, of other operating expenses to net earned premiums.

(6)The combined ratio is the sum of the loss ratio and the expense ratio.

(7)Return on average stockholders' equity is the ratio, expressed as a percentage, of net income (loss) to the average of the beginning of period and end of period total stockholders' equity. The calculations for the three months ended March 31, 2005 and 2004 use annualized net income as the numerator in the calculation. Annualized results are not necessarily indicative of our actual results for the full year.

(8)The debt to total capitalization ratio is the ratio, expressed as a percentage, of total indebtedness for borrowed money to the sum of total indebtedness for borrowed money and stockholders' equity.

(9)The net written premiums to surplus ratio is the ratio of net written premiums to statutory-basis capital and surplus. We believe this measure is useful in evaluating our insurance subsidiaries' operating leverage. It may not be comparable to the definition of net written premiums to surplus ratio for other companies. The calculations for the three months ended March 31, 2005 and 2004 use annualized net written premiums as the numerator in the calculation. Annualized results are not necessarily indicative of our actual results for the full year.

RISK FACTORS

Investing in our common stock involves a high degree of risk. Before you invest in our common stock, you should carefully consider each of the following risks and cautionary statements, together with the other information contained in this prospectus. If any of the events described in the following risks actually occurs, our business, financial condition or results of operations may suffer. As a result, the trading price of our common stock could decline, and you could lose all or a substantial portion of your investment.

Risks Related To Our Business

A decline in our financial strength rating may result in a reduction of new or renewal business.

Each of our insurance subsidiaries currently is rated "A−" (Excellent) by A.M. Best, which is the fourth highest of 16 A.M. Best ratings. A.M. Best assigns ratings that are intended to provide an independent opinion of an insurance company's ability to meet its obligations to policyholders and is not an evaluation directed to investors. A.M. Best focuses on balance sheet strength (including capital adequacy, and loss and loss expense reserve adequacy), operating performance and business profile. A reduction in our performance in these criteria could result in a downgrade of our rating. A downgrade of this rating could cause our current and future brokers and agents, retail brokers and insureds to choose other, more highly rated competitors. A downgrade of this rating could also increase the cost or reduce the availability of reinsurance to us.

The failure of any of the loss limitations or exclusions we employ, or changes in other claim or coverage issues, could have a material adverse effect on our financial condition or our results of operations.

Various provisions of our policies, such as limitations or exclusions from coverage or choice of forum, which have been negotiated to limit our risks, may not be enforceable in the manner we intend. At the present time, we employ a variety of endorsements to our policies that limit exposure to known risks. As industry practices and legal, judicial, social and other conditions change, unexpected and unintended issues related to claims and coverage may emerge. These issues may adversely affect our business by either extending coverage beyond our underwriting intent or by increasing the size or number of claims.

In addition, we craft our excess and surplus lines policy language to manage our exposure to expanding theories of legal liability like those which have given rise to claims for lead paint, asbestos, mold and construction defects. Many of the policies we issue also include conditions requiring the prompt reporting of claims to us and our right to decline coverage in the event of a violation of that condition, In addition, many of our policies limit the period during which a policyholder may bring a claim under the policy, which in many cases is shorter than the statutory period under which such claims can be brought against our policyholders. While these exclusions and limitations help us assess and reduce our loss exposure and help eliminate known exposures to certain risks, it is possible that a court or regulatory authority could nullify or void an exclusion or legislation could be enacted modifying or barring the use of such endorsements and limitations. This could result in higher than anticipated losses and loss adjustment expenses which could have a material adverse effect on our financial condition or results of operations. In some instances, these changes may not become apparent until some time after we have issued insurance policies that are affected by the changes. As a result, the full extent of liability under our insurance contracts may not be known for many years after a contract is issued.

We distribute our products through a select group of brokers and agents, three of which account for a significant part of our business, and there can be no assurance that such relationships will continue.

We distribute our products through a select group of brokers and agents. For the year ended December 31, 2004, 34.9% of James River Insurance's direct written premiums were distributed through two brokers, CRC Insurance Services, Inc. and Swett & Crawford, and approximately 11.0% of Stonewood Insurance's direct written premiums were distributed through one agent, SIA Group, Inc. Because our agreements with our agents and brokers do not require mimumum premium volumes and are terminable upon 30 or 60 days notice, we cannot assure you that such relationships will continue. If they do continue, it is possible they may not be profitable for us. The termination of our relationship with one or more of these brokers or agents could result in lower direct written premiums and have a material adverse effect on us.

We may not be successful in reducing our risk through reinsurance arrangements and our reinsurers may not pay claims made by us in a timely fashion.

We purchase reinsurance by transferring part of the risk we have assumed (known as ceding) to reinsurers in exchange for part of the premium we receive in connection with the risk. Ceded premiums amounted to 15.7% of our direct written premiums in 2004. The availability, cost and structure of reinsurance protection are subject to changing market conditions, which are outside our control. If we are not able to obtain reinsurance protection on favorable terms, or at all, our potential losses could exceed our ability to pay and our business, financial condition or results of operations could suffer. Although reinsurance makes the reinsurer liable to us to the extent the risk is transferred or ceded to the reinsurer, it does not relieve us (the reinsured) of our liability to our policyholders. Accordingly, we bear risk with respect to our reinsurers. That is, our reinsurers may not pay claims made by us on a timely basis, or they may not pay some or all of these claims. Either of these events would increase our costs and could have a material adverse effect on our business. As of December 31, 2004, we had $15.2 million of reinsurance recoverable on unpaid losses and no reinsurance recoverable on paid losses.

If we lose key personnel or are unable to recruit qualified personnel, our ability to implement our business strategies could be delayed or hindered.

Our future success will depend, in part, upon the efforts of our executive officers and other key personnel, including J. Adam Abram, President and Chief Executive Officer; Michael T. Oakes, Executive Vice President and Chief Financial Officer; Michael E. Crow, Senior Vice President—Finance and Chief Accounting Officer; Michael P. Kehoe, President and Chief Executive Officer of James River Management Company, Inc.; and C. Kenneth Mitchell, President and Chief Executive Officer of Stonewood Insurance Management Company, Inc. The loss of any of these officers or other key personnel could prevent us from fully implementing our business strategies and materially and adversely affect our business, financial condition and results of operations. We have employment agreements with four of our executive officers. We do not have key person insurance on the lives of any of our key management personnel. As we continue to grow, we will need to recruit and retain additional qualified management personnel, but we may not be able to do so. Our ability to recruit and retain such personnel will depend upon a number of factors, such as our results of operations, prospects and the level of competition then prevailing in the market for qualified personnel.

Our actual incurred losses may be greater than our loss and loss adjustment expense reserves, which could have a material adverse effect on our financial condition and results of operations.

We are liable for losses and loss adjustment expenses under the terms of the insurance policies we underwrite. In many cases, several years may elapse between the occurrence of an insured loss, the reporting of the loss to us and our 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. They are by their nature imprecise, and our ultimate losses and loss adjustment expenses may vary from established reserves. If any of our reserves should prove to be inadequate, we will be required to increase reserves resulting in a reduction in our net income and stockholders' equity in the period in which the deficiency is identified. Future loss experience substantially in excess of established reserves could also have a material effect on future earnings and liquidity and our financial rating.

Furthermore, factors that are difficult to predict, such as:

- claims inflation,
- claims development patterns,
- legislative activity,
- social and economic patterns and

• litigation and regulatory trends

10

may have a substantial impact on our future losses and loss adjustment expenses. As of December 31, 2004, unpaid loss and loss adjustment expense reserves (net of reserves ceded to our reinsurers) were $47.0 million.

Since we have a limited operating history, it is difficult to predict our future performance.

James River was organized in September 2002 and formed or acquired its two insurance subsidiaries in 2003. James River Insurance wrote its first policy effective July 1, 2003. Stonewood Insurance commenced writing insurance as of January 1, 2004. We therefore have limited operating and financial history available to help you evaluate our past performance or to make a decision about an investment in our common stock. In addition, because we focus our efforts on certain specialized sectors of the insurance market, and because we do not have an extensive claims history to date, our limited historical financial results may not accurately predict our future performance. Moreover, companies in their initial stages of development present substantial business and financial risks and may suffer significant losses. For example, early stage companies must generally develop business relationships, establish operating procedures, hire staff, install information and other management systems, establish facilities and obtain licenses in order to conduct their intended business activities. They are not always able to find the necessary resources at a reasonable cost, or at all. As a result of the risks specific to our business and those associated with new companies in general, it is possible that we may not be successful in implementing our business strategy. You should carefully consider our prospects in light of the risks and difficulties frequently encountered by early stage companies with limited operating histories.

We are subject to extensive regulation, which may adversely affect our ability to achieve our business objectives. In addition, if we fail to comply with these regulations, we may be subject to penalties, including fines and suspensions, which may adversely affect our financial condition and results of operations.

Our subsidiaries are subject to extensive regulation, primarily by Ohio, the domiciliary state for James River Insurance, and North Carolina, the domiciliary state for Stonewood Insurance, and to a lesser degree, the other states in which we operate. Most insurance regulations are designed to protect the interests of insurance policyholders, as opposed to the interests of stockholders. These regulations generally are administered by a department of insurance in each state and relate to, among other things, authorizations to write excess and surplus lines of business, capital and surplus requirements, rate and form approvals, investment, underwriting limitations, affiliate transactions, dividend limitations, changes in control, solvency and a variety of other financial and non-financial aspects of our business. Significant changes in these laws and regulations could further limit our discretion or make it more expensive to conduct our business. State insurance departments also conduct periodic examinations of the affairs of insurance companies and require the filing of annual and other reports relating to financial condition, holding company issues and other matters. These regulatory requirements may impose timing and expense constraints that could adversely affect our ability to achieve some or all of our business objectives.

In addition, regulatory authorities have broad discretion to deny or revoke licenses for various reasons, including the violation of regulations. In some instances, where there is uncertainty as to applicability, we follow practices based on our interpretations of regulations or practices that we believe generally to be followed by the industry. These practices may turn out to be different from the interpretations of regulatory authorities. If we do not have the requisite licenses and approvals or do not comply with applicable regulatory requirements, insurance regulatory authorities could preclude or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us. This could adversely affect our ability to operate our business. Further, changes in the level of regulation of the insurance industry or changes in laws or regulations themselves or interpretations by regulatory authorities could interfere with our operations and require us to bear additional costs of compliance, which could adversely affect our ability to operate our business.

The National Association of Insurance Commissioners has adopted a system to test the adequacy of statutory capital, known as "risk-based capital." This system establishes the minimum amount of risk-based capital necessary for a company to support its overall business operations. It identifies property/casualty insurers that may be inadequately capitalized by looking at certain inherent risks of

11

---

each insurer's assets and liabilities and its mix of net written premiums. Insurers falling below a calculated threshold may be subject to varying degrees of regulatory action, including supervision, rehabilitation or liquidation. Failure to maintain our risk-based capital at the required levels could adversely affect the ability of our insurance subsidiaries to maintain regulatory authority to conduct our business.

Stonewood Insurance's business is heavily concentrated in workers' compensation insurance for the residential construction industry in North Carolina.

Stonewood Insurance's business is heavily concentrated in workers' compensation insurance in North Carolina and is further concentrated in the residential construction business. This makes Stonewood Insurance vulnerable to changes affecting the economy of North Carolina and in particular the residential construction business in North Carolina. By concentrating a substantial portion of its business in construction operations, Stonewood Insurance is exposed to substantial losses due to accidents and occupational hazards. We attempt to moderate these risks by the purchase of reinsurance and by underwriting and pricing accounts with these risks in mind. However, there can be no assurance that these precautions are adequate and that we will not be exposed to greater than anticipated losses arising from the hazardous nature of the business conducted by its insureds.

We may require additional capital in the future, which may not be available or only available on unfavorable terms.

Our future capital requirements depend on many factors, including our ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses. To the extent that the funds generated by this offering are insufficient to fund future operating requirements and/or cover claim losses, we may need to raise additional funds through financings or curtail our growth. Based on our current operating plan, we believe that the net proceeds to us from this offering, together with our anticipated retained earnings, will support our operations through 2006 without the need to raise additional capital. However, we cannot provide any assurance in that regard, since many factors will affect our capital needs and their amount and timing, including our growth and profitability, our claims experience, and the availability of reinsurance, as well as possible acquisition opportunities, market disruptions and other unforeseeable developments. If we have to raise additional capital, equity or debt financing may not be available at all or may be available only on terms that are not favorable to us. In the case of equity financings, dilution to our stockholders could result. In any case, such securities may have rights, preferences and privileges that are senior to those of the shares offered hereby. In the case of debt financings, we may be subject to covenants that restrict our ability to freely operate our business. If we cannot obtain adequate capital on favorable terms or at all, we may not have sufficient funds to implement our operating plans and our business, financial condition or results of operations could be materially adversely affected.

Our investment results and, therefore, our results and operations and financial condition may be impacted by changes in the business, financial condition or operating results of the entities in which we invest, as well as changes in interest rates, government monetary policies, general economic conditions and overall capital market conditions.

Our results of operations depend, in part, on the performance of our invested assets. Fluctuations in interest rates affect our returns on, and the fair value of, fixed-income securities. Unrealized gains and losses on fixed-income securities are recognized in accumulated other comprehensive income, net of taxes and minority interest, and increase or decrease our stockholders' equity. Interest rates in the United States are currently low relative to historical levels. An increase in interest rates could reduce the fair value of our investments in fixed-income securities. In addition, defaults by third parties who fail to pay or perform obligations could reduce our investment income and realized investment gains and could result in investment losses in our portfolio.

We had fixed-income and equity investments (consisting of a bond mutual fund) with a fair value of $175.0 million as of December 31, 2004 that are subject to:

- credit risk, which is the risk that our invested assets will decrease in value due to unfavorable changes in the financial prospects or a downgrade in the credit rating of an entity in which we have invested;

- equity price risk, which is the risk that we will incur economic loss due to a decline in the bond mutual fund share price; and
- interest rate risk, which is the risk that our invested assets may decrease in value due to changes in interest rates.

Our fixed-income investment portfolio includes mortgage-backed securities. As of December 31, 2004, mortgage-backed securities constituted 18.1% of our fixed maturity securities. As with other fixed-income securities, the fair value of these securities fluctuates depending on market and other general economic conditions and the interest rate environment. Changes in interest rates can expose us to prepayment risks on these investments. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities and other asset-backed securities are paid more quickly, requiring us to reinvest the proceeds at the then current market rates. Conversely, during periods of rising interest rates, the rate of prepayment generally slows. Mortgage-backed securities that have an amortized cost that is less than par (i.e. purchased at a discount) may incur a decrease in yield as a result of a slower rate of prepayment.

Our equity portfolio totaled $2.3 million as of December 31, 2004, which is invested in one bond mutual fund. The bond mutual fund in which we invest is highly diversified, and all of the securities in its portfolio are rated "AAA" by Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc., which we refer to in this prospectus as Standard & Poor's, or received an equivalent rating from another nationally recognized rating agency. The fund's portfolio has an average duration of less than one year.

Since the end of 2002, the United States financial markets have experienced a high degree of volatility in interest rates, which affect the value of our fixed-income securities. As of December 31, 2004, our investment portfolio had a net unrealized investment loss, before the effect of income taxes, of $168,000.

We rely on our information technology and telecommunication systems, and the failure of these systems could materially and adversely affect our business.

Our business is highly dependent upon the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to process new and renewal business, provide customer service, make claims payments and facilitate collections and cancellations. These systems also enable us to perform actuarial and other modeling functions necessary for underwriting and rate development. The failure of these systems, or the termination of a third-party software license upon which any of these systems is based, could interrupt our operations or materially impact our ability to evaluate and write new business. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to write and process new and renewal business and provide customer service or compromise our ability to pay claims in a timely manner. This could result in a material adverse effect on our business.

Our growth may be dependent upon our successful acquisitions of other insurance businesses.

Following the offering, we will continue to pursue acquisitions of specialty insurance businesses that can be acquired on acceptable terms. Some of these acquisitions could be material in size and scope. Our future growth may depend, in part, upon the successful implementation of this strategy. While we will continually be searching for acquisition opportunities, there can be no assurance that we will be successful in identifying suitable acquisitions. If any potential acquisition opportunities are identified, there can be no assurance that we will consummate such acquisitions, or, if any such acquisition does occur, that it will be successful in enhancing our business, be accretive to either our profitability or book value or generate an underwriting profit. We may in the future face increased competition for acquisition opportunities which may inhibit our ability to consummate suitable acquisitions. In addition, to the extent that our acquisition strategy results in the acquisition of businesses, such acquisitions could pose a number of special risks, including the diversion of management's attention, the unsuccessful integration of the operations and personnel of the acquired companies, adverse short-term effects on reported operating results, the impairment of acquired intangible assets and the loss of key employees.

We may, in the future, issue additional common stock in connection with one or more acquisitions, which may dilute our stockholders, including the investors in this offering. Alternatively, we may issue debt, which could limit our future financial flexibility. Additionally, with respect to future acquisitions, our stockholders may not have an opportunity to review the financial statements of the entity being acquired or to vote on such acquisitions.

If North Carolina drastically increases the assessments Stonewood Insurance is required to pay, our results of operations and financial condition will suffer.

Stonewood Insurance, our admitted insurance subsidiary, is subject to assessments in North Carolina, its domiciliary state, for various purposes, including the provision of funds necessary to fund the operations of the North Carolina insurance department and the state fund that pays covered claims under certain policies provided by impaired, insolvent or failed insurance companies. These assessments are generally set based on an insurer's percentage of the total premiums written in the insurer's state within a particular line of business. As Stonewood Insurance grows, our share of any assessments may increase. However, we cannot predict with certainty the amount of future assessments because they depend on factors outside our control, such as insolvencies of other insurance companies. Significant assessments could result in higher than expected operating expenses and have a material adverse effect on our financial condition or results of operations.

Our reliance on brokers and agents subjects us to their credit risk.

With respect to the premiums produced by our brokers and agents, certain premiums from the policyholders are collected directly by the brokers or agents and forwarded to our insurance subsidiaries. In certain jurisdictions, when the insured pays premiums for these policies to brokers or agents for payment over to our insurance subsidiaries, the premiums might be considered to have been paid under applicable insurance laws and regulations and the insured will no longer be liable to us for those amounts, whether or not we have actually received the premiums from the broker or agent. Consequently, we assume a degree of credit risk associated with brokers and agents. Although brokers' and agents' failures to remit premiums to us have not had a material adverse effect on us to date, there may be instances where brokers and agents collect premium but do not remit it to us and we may be nonetheless required under applicable law to provide the coverage set forth in the policy despite the absence of premium. Because the possibility of these events is dependent in large part upon the financial condition and internal operations of our brokers and agents, which in most cases are not public information, we are not able to quantify the exposure presented by this risk. If we are unable to collect premiums from our brokers and agents in the future, our underwriting profits may decline and our financial condition and results of operations could be materially and adversely affected.

Risks Related to Our Industry

Our business is cyclical in nature, which may affect our financial performance.

Historically, the financial performance of the property/casualty insurance industry has tended to fluctuate in cyclical periods of price competition and excess capacity (known as a soft market) followed by periods of high premium rates and shortages of underwriting capacity (known as a hard market). Although an individual insurance company's financial performance is dependent on its own specific business characteristics, the profitability of most property/casualty insurance companies tends to follow this cyclical market pattern. Further, this cyclical market pattern can be more pronounced in the excess and surplus market than in the standard insurance market. When the standard insurance market hardens, the excess and surplus market hardens, and growth in the excess and surplus market can be significantly more rapid than growth in the standard insurance market. Similarly, when conditions begin to soften, many customers that were previously driven into the excess and surplus market may return to the admitted market, exacerbating the effects of rate decreases. Beginning in 2000 and accelerating in 2001, the property/casualty insurance industry has been experiencing a market reflecting increasing rates, more restrictive coverage terms and more conservative risk selection. We believe these trends slowed beginning in 2004 and that the current insurance market is becoming generally more competitive in terms of pricing, policy terms and conditions. Since this cyclicality is due in large part to the actions of our competitors and

general economic factors, we cannot predict the timing or duration of changes in the market cycle. These cyclical patterns cause our revenues and net income to fluctuate, which may cause the price of our common stock to be volatile.

If we are not able to renew our existing reinsurance or obtain new reinsurance, either our net exposure would increase or we would have to reduce the level of our underwriting commitment.

We currently purchase excess of loss reinsurance to stop our loss from a single occurrence on any one coverage part from any one policy. For our property, excess casualty and workers' compensation lines of business, we retain $500,000 of loss. For our workers' compensation line, we also retain the risk of loss for claims above a $20.0 million limit and $10.0 million for any one life. For our primary casualty business, we retain $1.0 million in loss. Further, we purchase catastrophe reinsurance to cover losses arising from any single occurrence, regardless of how many policyholders are involved or the extent of their loss, from $2.0 million per occurrence up to $7.0 million per occurrence. However, we may choose in the future to re-evaluate the use of reinsurance to increase, decrease or eliminate the amount of liability we cede to reinsurers, depending upon the cost and availability of reinsurance.

Market conditions beyond our control determine the availability and cost of the reinsurance protection that we purchase. The reinsurance market has changed dramatically over the past few years as a result of inadequate pricing, poor underwriting and the significant losses incurred as a consequence of the terrorist attacks on September 11, 2001. As a result, reinsurers have exited some lines of business, reduced available capacity and implemented provisions in their contracts designed to reduce their exposure to loss. In addition, the historical results of reinsurance programs and the availability of capital also affect the availability of reinsurance. Our reinsurance facilities generally are subject to annual renewal. We cannot provide any assurance that we will be able to maintain our current reinsurance facilities or that we will be able to obtain other reinsurance facilities in adequate amounts and at favorable rates. If we are unable to renew our expiring contracts or to make new arrangements, either our net exposures would increase, which could increase our costs, or, if we were unwilling to bear an increase in net exposures, we would have to reduce the level of our underwriting commitments, especially catastrophe exposed risks, which would reduce our revenues.

We compete with a large number of companies in the insurance industry for underwriting revenues.

We compete with a large number of other companies in our selected lines of business. Our principal competitors in the excess and surplus lines sector are Scottsdale Insurance Company (Nationwide Mutual Insurance Company), Markel Corporation, Burlington Insurance Group, Admiral Insurance Company (W. R. Berkley Corporation), Colony Insurance Company (The Argonaut Group) and RLI Corp., and in the workers' compensation insurance sector are Builders Mutual Insurance Company, Key Risk (W. R. Berkley Corporation) and Amerisure. We face competition both from specialty insurance companies, underwriting agencies and intermediaries, as well as diversified financial services companies that are significantly larger than we are and that have significantly greater financial, marketing, management and other resources than we do. Some of these competitors also have significantly greater experience and market recognition than we do. Larger carriers may have lower expense ratios, allowing them to price their products more competitively than us. We may incur increased costs in competing for underwriting revenues. If we are unable to compete effectively in the markets in which we operate or to expand our operations into new markets, our underwriting revenues and net income may decline.

A number of new, proposed or potential legislative and industry developments could further increase competition in our industry. These developments include:

- an increase in capital-raising by companies in our lines of business, which could result in new entrants to our markets and an excess of capital in the industry;
- programs in which state-sponsored entities provide property insurance in catastrophe prone areas or other "alternative markets" types of coverage;
- changing practices caused by the internet, which may lead to greater competition in the insurance business; and
- consolidation in the insurance industry, which could lead to lower margins for us.

15

New competition from these developments could cause the supply and/or demand for insurance or reinsurance to change, which could affect our ability to price our products at attractive rates and thereby affect our underwriting results. In addition, deregulation of commercial lines insurance has been adopted in many states and may be adopted in others. In some states, the deregulation of commercial lines generally enables admitted insurers to underwrite certain commercial property/casualty risks without the necessity of obtaining prior approval for rates and/or forms, although the content of policy forms is still regulated. In others states, the terms and conditions of commercial insurance policy forms have been deregulated. The deregulation of commercial lines may permit risks that would not otherwise be considered attractive by standard market carriers to be underwritten by such carriers using forms and rates that are attractive to them. Although no assurance can be given that further deregulation will occur, the extent to which it may occur or the form it will take, it is possible that deregulation of commercial lines insurance will increase competition in our markets, which could reduce our written premiums or make our products less profitable to us and adversely affect our results of operations and financial position.

We also may compete with new entrants in the future. Competition is based on many factors, including:

- the perceived market strength of the insurer;
- pricing and other terms and conditions;
- services provided;
- the speed of claims payment;
- the reputation and experience of the insurer; and
- ratings assigned by independent rating organizations such as A.M. Best.

Ultimately, this competition could affect our ability to attract business at premium rates that are likely to generate underwriting profits.

As a holding company, we are dependent on the results of operations of our insurance subsidiaries and are likely to rely on the regulatory and financial capacity of our subsidiaries to pay dividends to us. The domiciliary states of our insurance subsidiaries limit the aggregate amount of dividends our subsidiaries may pay to us in any twelve-month period, thereby limiting our funds to pay expenses and dividends.

We are an insurance holding company and our principal asset is the shares we hold in our subsidiaries. Payments from our insurance company subsidiaries pursuant to management agreements and tax sharing agreements are our primary source of funds to pay holding company expenses. We anticipate that such payments, together with dividends paid to us by our subsidiaries, will be the primary source of funds for our holding company following this offering. The payment of dividends by our subsidiaries to us is limited by statute. In general, these restrictions limit the aggregate amount of dividends or other distributions that our subsidiaries may declare or pay within any 12 month period without advance regulatory approval. In Ohio, the domiciliary state of James River Insurance, this limitation is the greater of statutory net income for the preceding calendar year or 10% of the statutory surplus at the end of the preceding calendar year, and dividends may be paid only out of James River Insurance's earned surplus. In North Carolina, the domiciliary state of Stonewood Insurance, this limitation is the lesser of statutory net income for the preceding calendar year or 10% of the statutory surplus at the end of the preceding calendar year. For Stonewood Insurance, pursuant to the dividend limitations under North Carolina law, we are not currently allowed to pay dividends without the prior permission of the North Carolina Department of Insurance. In addition, insurance regulators have broad powers to prevent reduction of statutory surplus to inadequate levels and could refuse to permit the payment of dividends calculated under any applicable formula. As a result, we may not be able to receive dividends from our subsidiaries at times and in amounts necessary to pay corporate expenses or meet other obligations. Subject to the foregoing, the maximum amount of dividends available to us from our insurance subsidiaries during 2005 without regulatory approval is $5.8 million.

Litigation and legal proceedings against our insurance subsidiaries could have an adverse effect on our business, results of operations and/or financial condition.

Our insurance subsidiaries have been named as defendants in various legal actions in the course of their insurance operations. Our subsidiaries have responded to the lawsuits, and we believe that there are meritorious defenses and intend to vigorously contest these claims. Adverse judgments in one or more of such lawsuits could require us to pay significant damage amounts or to change aspects of our operations, which could have a material adverse effect on our financial results.

Severe weather conditions and other catastrophes may result in an increase in the number and amount of claims filed against us.

Our business is exposed to the risk of severe weather conditions and other catastrophes. Catastrophes can be caused by various events, including natural events such as severe winter weather, tornadoes, windstorms, earthquakes, hailstorms, severe thunderstorms and fires, and other events such as explosions, terrorist attacks and riots. The incidence and severity of catastrophes and severe weather conditions are inherently unpredictable. Severe weather conditions and catastrophes can cause losses in a variety of our property/casualty lines and generally result in an increase in the number of claims filed as well as the amount of compensation sought by claimants. It is possible that a catastrophic event or multiple catastrophic events could have a material adverse effect on our results of operations, liquidity and financial condition. It is possible that losses could exceed our catastrophe reinsurance coverage.

Risks Related to This Offering

Applicable insurance laws and certain provisions in our amended and restated certificate of incorporation make it difficult to effect a change of control.

Under applicable Ohio and North Carolina insurance laws and regulations, no person may acquire control of our company unless that person has filed a statement containing specified information with both the Ohio Department of Insurance and North Carolina Department of Insurance and obtains advance approval for such acquisition. Under applicable laws and regulations, any person acquiring, directly or indirectly (by revocable proxy or otherwise), 10% or more of the voting shares of any other person is presumed to have acquired control of such person, and a person who beneficially acquires 10% or more of our common shares without obtaining advance approval would be in violation of Ohio and North Carolina insurance laws and may be subject to injunctive action enjoining the acquisition and the voting of such shares, and seizure of the shares, as well as other action as determined by the Director of the Ohio Department of Insurance and the Commissioner of the North Carolina Department of Insurance.

In addition, many state insurance laws require prior notification to the state insurance department of a change of control of a non-domiciliary insurance company licensed to transact insurance in that state. While these pre-notification statutes do not authorize the state insurance departments to disapprove the change of control, they authorize regulatory action (including a possible revocation of our authority to do business) in the affected state if particular conditions exist, such as undue market concentration. Any future transactions that would constitute a change of control of us may require prior notification in the states that have pre-acquisition notification laws.

Certain provisions of Delaware law and our certificate of incorporation as it will be amended and restated prior to the effectiveness of this offering make it more difficult to effect the acquisition of control of our company by means of a tender offer, open market purchase, proxy fight or otherwise. The provisions in our certificate of incorporation that will make it difficult to effect a change of control include the authority of our board of directors to issue series of preferred shares with such voting rights and other powers as the board of directors may determine and notice requirements in our by-laws relating to nominations to the board of directors and to the raising of business matters at stockholders' meetings. See "Description of Capital Stock."

Future sales of our common stock by our existing stockholders in the public market, or the possibility or perception of such future sales, could adversely affect the market price of our common stock.

After giving effect to this offering, our existing stockholders will beneficially own % of our outstanding common stock (approximately % if the underwriters' over-allotment option is exercised in full). Of these shares, % are subject to lock-up agreements that prohibit the owners from disposing of our shares for 180 days after the date of this prospectus. See "Shares Eligible for Future Sale." We cannot predict what effect, if any, future sales of shares by these persons, their affiliates or our other stockholders, or the availability of shares for future sale, may have on the prevailing market price of our common stock from time to time. Sales of substantial amounts of our common stock in the public market by these persons, their affiliates or our other stockholders, or the possibility or perception that such sales could occur, could adversely affect prevailing market prices for our common stock. See "Shares Eligible for Future Sale." If such sales reduce the market price of our common stock, our ability to raise additional capital in the equity markets may be adversely affected, and it may be difficult for you to sell your shares at a time and price which you deem appropriate.

Our directors, executive officers and principal stockholders will own a large percentage of our common stock after this offering, which will allow them to control substantially all matters requiring stockholder approval.

Our directors, executive officers and principal stockholders will beneficially own approximately % of our outstanding common stock (after giving effect to the conversion of all of our outstanding convertible preferred stock, including shares representing accrued dividends and the exercise of all outstanding options and warrants as of , 2005) immediately following completion of this offering. Accordingly, these directors, executive officers and principal stockholders will have substantial influence, if they act as a group, over the election of directors and the outcome of other corporate actions requiring stockholder approval or may seek to arrange a sale of our company at a time or under conditions that are not favorable to our other stockholders. These stockholders may also delay or prevent a change of control, even if such a change of control would benefit our other stockholders, if they act as a group. This significant concentration of stock ownership may adversely affect the trading price of our common stock due to investors' perception that conflicts of interest may exist or arise.

Being a public company will increase our administrative costs and may add other burdens.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act of 2002, rules implemented by the Securities and Exchange Commission and new listing requirements of the Nasdaq National Market have required changes in corporate governance practices of public companies. We expect these new rules and regulations to increase our legal and financial compliance costs and to make some activities more time consuming and costly. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee.

You will experience immediate and substantial dilution upon your purchase of our common stock.

Based on an assumed initial offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discount and estimated offering expenses we must pay in connection with this offering, our stockholders' equity per share as of , 2005, after giving effect to this offering and the conversion of all of our outstanding convertible preferred stock into common stock, would be $. Accordingly, purchasers of our common stock through this offering will suffer immediate dilution in pro forma net tangible book value per share of $. In the event that we issue additional shares of common stock in the future, including shares that may be issued upon exercise of options and other rights granted under our employee benefit plans, purchasers of our common stock in this offering may experience future dilution. See "Dilution."

We cannot assure you that a public market for our common stock will develop, and our share price may be volatile.

Prior to this offering, there has been no public market for our common stock, and we cannot provide you with any assurance that an active trading market will develop and continue upon the closing of this offering or that the market price for our common stock will not decline below the initial public offering

18

---

price. The initial public offering price will be determined through negotiations between us and the underwriters. The initial public offering price of our common stock will be based on numerous factors and may not be indicative of the market price for our common stock after the initial public offering. Factors such as variations in our actual or anticipated operating results, changes in or failure to meet earnings estimates of securities analysts, market conditions in the insurance industry, regulatory actions and general economic and securities market conditions, among other factors, could cause the market price of our common stock to decline below the initial public offering price.

19

FORWARD-LOOKING STATEMENTS

Some of the statements in this prospectus are forward-looking statements. Forward-looking statements are derived from information that we currently have and assumptions that we make. Anticipated results may not be achieved, and actual results may differ materially, because of both known and unknown risks and uncertainties we face. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Forward-looking statements are identified by words such as "expect," "intend," "plan," "believe," "anticipate," "seek" and similar words of a future or forward-looking nature. These statements relate to, among other things:

- statements relating to our business and growth strategies, including plans for generating underwriting profits and to opportunistically grow our business;
- expectations regarding the payment of cash dividends;
- anticipated estimated use of proceeds from this offering;
- expectations regarding cash flows related to the regulatory approvals required to transact insurance business;
- expectations regarding future results at Stonewood Insurance due to increases in premiums and claims activity;
- expectations regarding the adequacy of our loss and loss adjustment expense reserves;
- statements and assumptions under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook," including those relating to expected return on equity, growth of direct written premiums, market shares of our segments; adding underwriting divisions, cessions under our quota share reinsurance agreement and combined ratio;
-

belief that we are not exposed to any environmental liability claims other than those which we have specifically underwritten and priced as an environmental exposure;

- belief that we can successfully underwrite workers' compensation accounts in the residential construction industry;
- belief that there is not widespread pressure to lower prices in order to retain insurance business;
- expectation that our data warehouse will prove to be a competitive advantage for us;
- expectation that no material regulatory action will result due to our unusual IRIS ratios;
- belief that we will be able to manage our capital actively in response to changing market conditions;
- belief that provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated by-laws will discourage coercive takeover practices and inadequate takeover bids; and
- any other statements or assumptions that are not historical facts.

Factors that could cause actual results to differ materially from our forward-looking statements include, but are not limited to, those described under "Risk Factors" and the following:

- increased competition on the basis of pricing, coverage or other factors may affect financial performance;
- the cyclical nature of our business may affect our financial performance;
- developments in the financial or capital markets may adversely affect the performance of our investments or our ability to raise capital;
- the loss of key personnel or the inability to recruit qualified personnel may adversely affect our ability to implement our business strategies;

- changes in the availability, cost or quality of reinsurance or failure of our reinsurers to pay claims timely or at all may adversely affect our financial performance;
- severe weather conditions and other catastrophes may result in greater frequency or severity of claims than our underwriting, reserving or investment practices anticipate;
- the effects of war or terrorism could adversely affect our business;
- changes in our relationships with the agencies and agents that distribute our products or our inability to recruit new agencies, brokers or agents may affect our ability to execute our business strategies;
- changes in rating agency policies or practices could result in changes in the way we conduct our business that adversely affect our financial condition and results of operations;
- a decline in our financial ratings may result in a reduction in new and renewal business;
- changes in regulations or laws applicable to our insurance subsidiaries could hinder our ability to execute our business strategies or result in penalties or suspensions that adversely affect our financial condition and results of operations; and
- changes in legal theories of liability under our insurance policies could adversely affect our financial position and results of operations.

The foregoing should not be considered an exhaustive list and should be read in conjunction with the other cautionary statements that are included in this prospectus. Before making an investment decision, you should specifically consider all of the factors identified in this prospectus that could cause actual results to differ. Neither the Private Securities Litigation Reform Act of 1995 nor Section 27A of the Securities Act of 1933 provides any protection to us for statements made in this prospectus.

SOURCES OF CERTAIN STATISTICAL AND OTHER INFORMATION

This prospectus includes certain statistical and other data with respect to us, our products and our industry, derived from publicly available reports and other publications of:

- A.M. Best;
- North Carolina Rate Bureau; and
- National Council on Compensation Insurance, Inc.

USE OF PROCEEDS

We estimate the net proceeds from this offering will be approximately $ million, based on an assumed initial public offering price of $ per share of common stock (the mid-point of the estimated range set forth on the cover page of this prospectus), and after deducting the underwriting discount and our estimated offering expenses of $ million. If the underwriters exercise their over-allotment option in full, we estimate our net proceeds will be approximately $ million.

We intend to use the net proceeds from our sale of common shares in this offering to make contributions to the capital of our insurance subsidiaries and for other general corporate purposes, which may include potential acquisitions of companies in the specialty insurance business. We anticipate that we will contribute $60.0 to $65.0 million of the net proceeds to the capital of our insurance subsidiaries in 2005. We do not intend to use these proceeds to discontinue our quota share reinsurance agreement in 2005. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Outlook" for our future plans with respect to this agreement. We are not currently engaged in discussions regarding any potential acquisition.

DIVIDEND POLICY

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We cannot assure you that we will declare and pay dividends in the future. Any future determination to pay dividends will be at the discretion of our board of directors and will depend upon our results of operations, financial condition, cash requirements, business prospects, regulatory and contractual restrictions on the payment of dividends by our subsidiaries and other factors our board of directors deems relevant. We currently intend to retain any future earnings to fund the development and growth of our business. For a discussion of our cash resources and needs, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

Our status as a holding company and a legal entity separate and distinct from our subsidiaries affects our ability to pay dividends and make other payments. As a holding company without significant operations of our own, the principal sources of our funds are dividends and other payments from our subsidiaries. The ability of our insurance subsidiaries to pay dividends to us is subject to limits under insurance laws of the states in which our insurance subsidiaries are domiciled. Furthermore, dividends from our subsidiaries are limited to minimum capital requirements in state regulations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" and "Regulation."

CAPITALIZATION

The following table sets forth our consolidated capitalization as of March 31, 2005:

- on an actual basis; and
- as adjusted to give effect to:
  - the sale of shares of common stock in this offering at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus), after the deduction of the underwriting discount and our estimated offering expenses;
  - the conversion of all of the outstanding shares of Series A convertible preferred stock into 1,923,280 shares of our common stock immediately prior to the effectiveness of this offering, including shares representing accrued but unpaid dividends as of March 31, 2005;
  - the conversion of all of the outstanding shares of Series B convertible preferred stock into 7,837,160 shares of common stock immediately prior to the effectiveness of this offering, including shares representing accrued but unpaid dividends as of March 31, 2005;
  - a 10 for 1 split of our common stock which we intend to effect prior to the completion of this offering;
  - repayment of $2.02 million of purchase money loans by the Company's directors, director affiliates and executive officers in April 2005; and
  - amendments to our amended and restated certificate of incorporation that we expect to effect prior to completion of this offering.

You should read this table in conjunction with the sections of this prospectus entitled "Selected Historical Consolidated Financial and Other Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our unaudited condensed consolidated financial statements and related notes included elsewhere in this prospectus.

	As of March 31, 2005 (unaudited)	
	Actual	As Adjusted
	($ in thousands)	
Debt:		
Senior debt	$ 15,000	$ 15,000
Junior subordinated debt	22,681	22,681
Total debt	$ 37,681	$ 37,681
Stockholders' equity		
Convertible preferred stock, $0.01 par value per share, 1,500,000 shares authorized; 5,000,000 shares – as adjusted:		
Series A – stated value $100 per share; 85,000 shares authorized, issued and outstanding; no shares outstanding – as adjusted	8,439	
Series B – stated value $100 per share; 713,500 shares authorized, issued and outstanding; no shares outstanding – as adjusted	71,117	
Common stock, $0.01 par value per share, 2,000,000 shares authorized; 1 share issued and outstanding; 100,000,000 shares authorized and	—	

shares issued and outstanding – as adjusted		
Paid in capital	—	
Common stock warrants	524	524
Notes receivable from employees and directors	(2,565)	(545)
Retained earnings	7,895	
Accumulated other comprehensive loss	(2,309)	(2,309)
Total stockholders' equity	83,101	
Total capitalization	$ 120,782	$

23

The table above does not include:

- shares that may be issued pursuant to the underwriters' over-allotment option;
- 88,585 shares that will be issued upon conversion of the issued and outstanding shares of Series A convertible preferred stock and Series B convertible preferred stock, representing accrued but unpaid dividends on our convertible preferred stock for the period from April 1, 2005 to May 31, 2005; and
- 1,694,090 shares that may be issued pursuant to the exercise of outstanding employee stock options, at a weighted average exercise price of $10.07 per share as of May 31, 2005.

DILUTION

Our net tangible book value — historical and net tangible book value per share — historical as of March 31, 2005 was approximately $78.9 million, prior to the effect of the 10 for 1 split of our common stock which we intend to effect prior to the completion of this offering. Our pro forma net tangible book value as of March 31, 2005 was approximately $, or $ per share of common stock, based on shares of common stock outstanding after giving effect to the conversion of all outstanding shares of our convertible preferred stock into common stock, including shares representing accrued dividends, immediately prior to the effectiveness of this offering and the 10 for 1 split of our common stock which we intend to effect prior to the completion of this offering. Pro forma net tangible book value per share is determined by dividing our net tangible book value (total tangible assets less total liabilities) by the pro forma number of shares of common stock outstanding before giving effect to this offering.

After giving effect to the sale of shares of common stock offered by us at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus) and after deducting the estimated underwriting discount and offering expenses, our pro forma adjusted net tangible book value as of March 31, 2005 would have been $ million, or $ per share. This represents an immediate increase in the net tangible book value of $ per share to existing stockholders, and an immediate dilution of $ per share to new investors. The following table illustrates the per share dilution:

Net tangible book value per share as of March 31, 2005 — historical	$78,917,634.00
Pro forma net tangible book value per share as of March 31, 2005	
Increase per share attributable to new investors	
Adjusted pro forma net tangible book value per share after this offering	
Dilution per share to new investors	$

The following table summarizes, as of March 31, 2005, the difference between the number of shares of common stock purchased from us (including shares issuable upon conversion of all outstanding shares of our convertible preferred stock into common stock, including shares representing accrued dividends), the total consideration paid to us and the average price per share paid by the existing stockholders and by the new investors, at an assumed initial public offering price of $ per share (the mid-point of the range set forth on the cover page of this prospectus) before the deduction of the estimated underwriting discount and offering expenses.

	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
		%	$	%	$
Existing stockholders					
New investors					
Total		100%	$	100%	$

SELECTED HISTORICAL CONSOLIDATED FINANCIAL AND OTHER DATA

The selected historical consolidated financial and other data set forth below as of and for the three months ended March 31, 2005 and 2004 are derived from our unaudited condensed consolidated financial statements included in this prospectus. In the opinion of our management, the unaudited condensed consolidated financial data presented in the table below reflects all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of our consolidated financial position and results of operations as of the dates and for the periods indicated.

The selected historical consolidated financial and other data set forth below as of and for the years ended December 31, 2004 and December 31, 2003, as of December 31, 2002 and for the period from September 25, 2002 (inception) through December 31, 2002 are derived from our consolidated financial statements audited by Ernst & Young LLP, Independent Registered Public Accounting Firm.

These historical results are not necessarily indicative of results to be expected from any future period. You should read the information provided below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	Three Months Ended March 31,		Year Ended December 31,		
	2005	2004	2004	2003	Period from September 25, 2002 (Inception)

					Through December 31, 2002
	(Unaudited)				
Operating Data:		($ in thousands, except for share data)			
Direct written premiums (1)	$ 47,020	$ 23,938	$ 142,539	$ 36,764	$ —
Net written premiums (2)	30,990	17,714	120,178	27,425	—
Net earned premiums	24,832	9,255	75,763	5,087	—
Net investment income	1,745	588	3,626	407	2
Net realized investment losses	(25)	—	(71)	—	—
Total revenues	26,597	9,872	79,462	5,550	2
Losses and loss adjustment expenses	13,394	5,853	47,588	3,372	—
Other operating expenses	5,693	3,438	20,690	6,842	280
Interest expense	588	—	793	—	—
Compensation expense on common stock warrant issuance	—	—	—	524	—
Total expenses	19,675	9,291	69,071	10,738	280
Income (loss) before tax	6,922	581	10,391	(5,188)	(278)
Income taxes					