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SIGI - Q4 2014 Selective Insurance Group Inc Earnings Call

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PRESENTATION

Operator

Good day, everyone. Welcome to the Selective Insurance Group's fourth quarter 2014 earnings call. At this time for opening remark and introductions, I would like to turn the call over to Senior Vice President Investor Relations and Treasurer, Ms Jennifer DiBerardino. You may begin.

Jennifer DiBerardino - *Selective Insurance Group Inc - SVP of IR and Treasurer*

Thank you very much. Good morning and welcome to Selective Insurance Group's fourth quarter 2014 conference call. This call is being simulcast on our website, and the replay will be available through March 2, 2015.

A supplemental investor package, which includes GAAP reconciliations of non-GAAP financial measures referred to on this call is available on the investors page of our website, www.selective.com. Selective uses operating income, a non-GAAP measure, to analyze trends in operations. Operating income is net income excluding the after tax impact of net realized investment gains and losses, as well as the after-tax results of discontinued operations. We believe that providing this non-GAAP measure makes it easier for investors to evaluate our insurance business.

As a reminder, some of the statements and projections that will be made during this call are forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. Forward-looking statements are not guaranteed to future performance and are subject to risks and uncertainties. We refer you to Selective's annual report on form 10K and any subsequent forms 10Q filed with the US Securities and Exchange Commission for a detailed discussion of these risks and uncertainties. We please note that Selective undertakes no obligation to update or revise any forward looking statements.

Joining me on the call today are the following members of Selective's executive management team, Greg Murphy, CEO; John Marchioni, President and Chief Operating Officer; Dale Thatcher, CFO; and Ron Zaleski, Chief Actuary. Now I'll turn the call over to Dale to review fourth quarter and 2014 results.

Dale Thatcher - *Selective Insurance Group Inc - EVP and CFO*

Thanks, Jen and good morning. The fourth quarter marked the conclusion of an excellent year for Selective as we delivered on our very aggressive three-year plan that we established in 2012.



We ended the year at a 92.5% statutory combined ratio excluding catastrophe losses, in line with our 92% expectation. Catastrophe losses added 3.2 points to the combined ratio compared to our original budget of 4 points. After tax, net investment income finished the year at \$104 million, 4% above our original guidance.

For the quarter, operating income per diluted share was \$0.72, up 60% from \$0.45 per share a year ago. There were a few items in the quarter that impacted results in both directions as follows. Catastrophe losses in the quarter were actually negative as they included an unexpected \$8 million reinsurance recoverable from over ten years ago, which resulted in a net benefit from catastrophes. When compared to the fourth quarter of 2013, catastrophes were favorable by \$0.24 per diluted share.

Non cat property losses were elevated when compared to the fourth quarter of 2013, resulting in an unfavorable impact of \$0.10 per diluted share. The remaining favorable variance over the fourth quarter of last year was largely driven by our insurance operations where we continue to benefit from earned rate in excess of expected claims inflation and the success of our underwriting and claims initiatives. These operational improvements were partially offset by \$5.5 million in current year casualty reserve [pick] increases.

The net impact of both is a favorable 1.3 points on the combined ratio or \$0.07 per diluted share. Fourth quarter statutory combined ratio was 93.2% compared to 99.6% a year ago, and our underlying combined ratio, excluding catastrophes and prior year casualty development, improved by 1.5 points to 96.6%. The catastrophe loss benefit in the quarter was 1.5 points due to the aforementioned reinsurance recoverable, compared to 3.2 point of losses in the prior year period.

Favorable prior year casualty reserve development in the quarter was \$9 million or 1.9 points compared to \$7.5 million or 1.7 points a year ago. For the quarter, overall statutory net premiums written were up 7%, driven by growth of 7% in standard commercial lines and 28% in excess and surplus lines. In standard commercial lines, we achieved quarterly renewal pure price increases of 4.7% while retention improved to 84%.

The standard commercial lines statutory combined ratio for the quarter was 96% compared to 100.2% a year ago. On an ex-cat basis, results were essentially flat. Ongoing rate versus trend improvement in commercial lines continued. However, non-cat property losses were approximately 4 points higher than the prior year period.

Workers' compensation generated a combined ratio of 112.1% in the quarter, a 15.2 point improvement over the same period of last year, reflecting our efforts to improve the profitability of this challenging line. We are pleased with our early successes in improving results, which are reflected in the fact that over the course of 2014, there was no prior-year casualty development in the workers' compensation line, either favorable or unfavorable.

In commercial auto our statutory combined ratio in the quarter was 104.4%. This reflects a higher accident year liability expectation for 2014, which added 5.9 points to the combined ratio. Despite this action, which is reflective of what is being seen in the broader industry for this line of business, the full-year commercial auto combined ratio improved slightly to 96.2%, compared to the 96.4% reported in 2013.

All other standard commercial lines of business generated profitable combined ratios in the quarter. Personal lines net premiums written declined 5% in the quarter as we continued the strategic non-renewal of dwelling fire business and reduced monoline homeowners. As a result of these initiatives, retention declined to 80% from 85% in the fourth quarter of 2013. The statutory combined ratio of 78.2%, included a catastrophe benefit of 4.6 points compared to the fourth quarter of 2013 when the statutory combined ratio was 94.9%, including 3.6 points of catastrophe losses.

Homeowners have an exceptional quarter with a statutory combined ratio of 55.3% including 9.2 points of catastrophe benefit and strong renewal pure pricing of 9.4%. For the year, homeowners recorded a statutory combined ratio of 96.9% while achieving renewal pure price of 9.4%.

In personal auto, the statutory combined ratio for the quarter was 104.8%, an improvement from the prior year period of 115.1%. In the quarter personal auto achieved renewal pure price of 4% and had \$2 million of favorable prior year casualty reserve development, reflecting a continuation of positive reserving trends.

We expect personal auto to continue its improvement through a combination of rate increases and aging of the book. Excess and surplus lines, net premiums written grew 28% in the quarter to \$45 million with a statutory combined ratio of 96.6%, including 1.1 points of catastrophe losses.

Adverse prior year casualty reserve development of \$2 million added 5.4 points to the E&S combined ratio in the quarter. The unfavorable development is related to updated actuarial assumptions as the book matures and we gather more of our own experience.

We successfully renewed our 2015 property catastrophe treaty with the program remaining at \$685 million in excess of a \$40 million retention. Like last year, the top \$250 million layer is 77% collateralized as we look for ways to minimize the credit risk inherent in reinsurance transactions, particularly for long-tail events. Pricing on the program decreased similarly to the pricing reported broadly in the market for January 1 renewals.

We also placed a new treaty in January that specifically covers catastrophic events outside of our 22-state standard lines footprint. This \$35 million in excess of \$5 million per occurrence treaty reduces potential volatility from catastrophe events that would be specific to the excess and surplus lines book.

Turning to our investment portfolio, after tax investment income in the quarter declined 7% from a year ago to \$25 million. The decline was driven by lower returns in the alternative investment portfolio when compared with strong fourth quarter of 2013. The year to date after tax yield in the portfolio declined by six basis points to 2.2% while invested assets increased 5% from yearend to \$4.8 billion.

Reflecting the continued decline in rates in the fourth quarter, after-tax new-money yields were 1.67% in the quarter and 1.97% for the year, both below our full-year budget of 2.25%. The overall pretax portfolio unrealized gain position increased from \$79 million at yearend, 2013, to \$124 million at the end of 2014.

Also the pretax unrecognized gain position in the fixed-income held to maturity portfolio was \$16 million or \$0.18 per share on an after-tax basis. Our fixed income portfolio continues to be highly rated with a credit quality of AA minus and a duration of 3.7 years, including short term.

Surplus and stock shareholders' equity each ended the year \$1.3 billion and book value per share grew 9% from year-end 2013 to \$22.54. Our premium to surplus ratio remained at 1.4 to 1.

Invested assets per dollar of stockholders' equity declined to \$3.77 compared to \$3.97 at the end of 2013. The investment leverage decline was the result of the strong profitability in 2014, which increased stockholders' equity at a greater rate than the growth in invested assets. Benefiting from this profitability, our operating ROE for the year was 10.3%, and total ROE was 11.7%, both in excess of our weighted average cost of capital of 8.9%.

Now I'll turn the call over to John Marchioni to review insurance operations.

John Marchioni - *Selective Insurance Group Inc - President and COO*

Thanks, Dale. We accomplished a great deal in operations over the last three years, and with all three insurance segments generating combined ratios under 100% in 2014, we have set the stage for continued improvement in 2015. The 2014 standard commercial lines representing 76% of our net premium generated a 95.5% statutory combined ratio. Personal lines at 16% of our net premium performed at a 94.5% statutory combined ratio. Excess and surplus lines, which represents 8% of our net premiums, generated 99.2% statutory combined ratio for the year.

These results reflect our efforts to balance rate and retention, implement claims and underwriting improvements across the organization and maintain strong relationships with our distribution partners. For over 20 years, our empowered field model and deep relationship with our agency partners have been important points of differentiation for Selective in the marketplace.

Over time, we have made adjustments in our structure to best position our organization for growth, profitability, and efficiency. Our agency management specialists or AMSs continue to be a central focus of the field model with responsibility for managing the growth and profitability of their territory and underwriting new commercial accounts. In an effort to increase the capacity of our current AMSs and improve our responsiveness to agents, we will be broadening the scope of our small-business teams to include more accounts that fall outside of our automated underwriting platform.

We expect the expanded scope for the small-business teams will improve our underwriting efficiency while allowing AMSs to increase their focus on middle-market opportunities and broader agency management and strategic items. With the addition of more than a dozen AMS territories and the change to the small-business team, we expect AMS productivity to improve significantly and translate to increased share of wallet with our agency partners.

We conducted our annual agency road shows in November, making stops in 16 different states and seeing over 2500 agency principles and producers. This is a great opportunity for us to lay out our plans for the future and get feedback from agents. Overall, they give us high marks for how we have managed the pricing environment over the past few years, and they also continue to view us as one of their top new business markets.

As the commercial lines market remains competitive, we remain focused on achieving pure rate increases, exceeding expected claim inflation. With the overall renewal pure price increase of 5.6% in 2014, we anticipate margin improvement in 2015 as our earned rate outpaces expected claim inflation trends while we continue to execute on claims and underwriting improvements.

For 2014 on our highest-quality standard commercial lines accounts, we achieved renewal pure rate of 4% and point of renewal retention of 89%. These accounts comprise 54% of our standard commercial lines renewal book. On our lower-quality accounts, we achieved pure rate of 11% and point of renewal retention of 74%. These accounts represent 9% of our standard commercial lines renewal book.

In addition to the benefits of commercial lines pricing, we have seen profitability improvement in our book as a result of focused claims and underwriting initiatives. Efforts to improve our hazard mix in workers' compensation, targeting specific classes of business for re-underwriting, and managing rate and retention levels through our dynamic portfolio manager have contributed to improvements in our underwriting results.

We have also seen significant improvements in claim outcomes as a result of our recently-formed strategic case management unit, workers' compensation escalation model, and fraud detection and recovery models. While there's still more work to do, the improvement in our workers' compensation combined ratio and the stability of our loss reserves with no prior-year casualty development in this line from 2014, are evidence of the progress being achieved.

The underwriting initiatives to move our book to lower hazard workers' compensation risks, along with claims initiatives, are expected to provide five points of improvement in this line in 2015. When combined with the effects of earned rate and other expense initiatives, we expect our workers' compensation line combined ratio below 103 for 2015. Excess and surplus lines statutory net premiums rate improved 16% for the year to \$152 million and achieved renewal pure price increases of 3.4%.

The 2014 statutory combined ratio for excess and surplus lines was 99.2% and included 4.3 points of unfavorable casualty reserve development. In spite of this development, the reported combined ratio in E&S improved by 3.7 points compared to 2013. We expect the improvement to continue into 2015. Having converted our excess and surplus lines operation onto a single underwriting platform and investing in our technology infrastructure, we believe we are well positioned for continued growth and profitability in this line of business.

Two areas of opportunity are writing a greater share of our retail agency E&S business and aggressively growing the business through our wholesale agents across our 50-state footprint. In 2014, we continued to see profitability improvement in personal lines with both a statutory combined ratio including and excluding catastrophes improving by more than 2 points when compared to 2013.

Premiums declined year-over-year as a result of our strategic non-renewal of dwelling fire policies and targeted non-renewal actions on underperforming auto and home business. Going forward, we should see less premium impact from these actions and anticipate growth from our new Selective Edge product.

Personal lines renewal pure price increased 6.5% for the year with retention of 81%. Excluding the impact of the underwriting actions we took over the course of 2014, retention would have been 84% for personal lines. We have successfully launched the Selective Edge in 10 of our 13 personal lines states with the remaining 3 to be completed in the first quarter. Also, during our agency road shows, we received very positive feedback from agents on the product changes we have already implemented in personal lines and those we still have in the pipeline.

In conjunction with the changes to our small business teams, we have redeployed some members of those teams to focus solely on personal lines marketing. Overall, we believe we are well-positioned for growth and continued profitability improvement in personal lines. Now, I'll turn the call over to Greg Murphy.

Gregory Murphy - *Selective Insurance Group Inc - Chairman and CEO*

Thank you, John. The hard-working employees of Selective are very proud to have delivered on the profitability goals we established three years ago. Very aggressive renewal pure pricing goals as well as claims and underwriting initiatives were successfully executed and ultimately produced a 92.5 combined ratio, excluding catastrophes, for 2014 compared to our 92 target.

Three years ago, the lynchpin of our plan was overall renewal pure price increases of between 5% and 8% for each year. We successfully achieved renewal pure price growth of 6.3% in 2012, 7.6% in 2013, and 5.6% in 2014 for a compounded growth rate of 21%.

The competitive market environment is expected to continue. However, the hard work accomplished by our organization establishes a strong foundation for further improvement in underlying profitability in 2015 through, one, overall renewal pure price increases of 4%; two, earning pure price increases about 160 basis points higher than expected claim inflation; three, ongoing recognition of the benefits from our claims initiatives that will be reflected in the results; and, four, continued mix of business underwriting improvements.

We are focused on profitable growth. In 2014, our overall growth rate was 4%. However, excluding the strategic sale of our self insured group business in the first quarter, our growth rate would have been up 6% for the year.

In 2015, our new business growth opportunities will come from a number of areas. As John described, our small-business teams have been restructured and will add more than a dozen agency management specialists throughout our footprint to focus on middle-market account opportunities. Our plan is to also increase the number of agents in each state of operation over the next several years so that the agency plant represents approximately 25% of the commercial lines state market share.

We believe these actions will significantly improve productivity and generate growth. The long-term growth is -- the long-term goal, excuse me, is to increase our commercial line share of wallet with retail agents from 7% to approximately 12%. We are also very focused on increasing share of wallet with our wholesale agents by leveraging the momentum gained in 2014 to write more E&S business.

We are very well-positioned in the marketplace for the following reasons, A deep bench of talent in the organization and our talent management program, our demonstrated ability to execute on our strategies, the strongest agency partners in the industry working alongside us to achieve our profitable goals and a very strong reserve position reflecting the discipline we've always maintained in our reserving practices.

We were assuming a continuation of the current low-interest rate environment, and we have reset our forecast catastrophe estimate to 4 points to reflect catastrophe losses above historical averages. As a result, in order to achieve our longer-term 12% ROE, we need to deliver a 90% ex-catastrophe combined ratio, and this will be our on going focus.

For 2015, we are providing the following guidance, an ex-catastrophe statutory combined ratio of 91%, which includes no prior-year casualty development; 4 points of catastrophe losses for the year; after-tax investment income of approximately \$105 million and weighted average shares of 58 million. Now, I'll turn the call over to the operator for your questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Our first question today comes from Vincent DeAugustino from KBW. Your line is open.

Vincent DeAugustino - *Keefe, Bruyette & Woods, Inc. - Analyst*

Hi, good morning, everyone.

Greg Murphy - *Selective Insurance Group Inc - Chairman and CEO*

Good morning.

Vincent DeAugustino - *Keefe, Bruyette & Woods, Inc. - Analyst*

The first thing in order is just, congratulations on making a long-dated call on the 92% and getting there. The non-cat weather headwinds didn't make it any easier, so good to see the guidance moving in the right direction beyond that.

On that topic, just to start with John. If I heard the numbers right, on the assumed five-point improvement on workers' comp, if I think about that as far as moving the aggregate combined ratio, it should be about 70 basis point and then, comparing that to the 92 guide, for 2014, and then some, normalization of that higher elevated non-cat weather, that leaves 30 basis points left for rate and other non-rate under writing actions in other lines. So just thinking about those two buckets, it seems the one point guide-to-guide ex-cat margin kind of movement there might seem to be some level of conservatism baked in there. So I just want to see if my math is right and any color you might have there.

Dale Thatcher - *Selective Insurance Group Inc - EVP and CFO*

Your math is right, but there are lot more moving parts than just those that you have articulated. Obviously, as you pointed out in your initial lead-in, we did have some higher non-cat property losses this year.

You have to make some allowance for expectations around that. So basically, it's just an overall view of what we believe to be a realistic estimate of what we're going to be able to achieve. We may be a little bit better. We may be a little bit worse at the end of the day.

Greg Murphy - *Selective Insurance Group Inc - Chairman and CEO*

Vince, this is Greg. The other thing I just want to -- in 2015, there's also an -- there's a little bit of a high elevated expense ratio. We've got a lot of very big initiatives as an organization going. You know the Company very well.

You know everything that we do in terms of modeling, and there isn't a lot that the larger organizations do that we aren't doing as a Company. And we are making some infrastructure investments in our IT area that have added a little more to our expense ratio that are planned that will start to round out all of our major systems.

As you know, we're doing a new billing system this year. I say this year -- it started in 2014. There's a lot of rearchitecture that happened both on our commercial lines underwriting system and the personal lines underwriting system. There's a lot that we have that's started to impact.

The other side on the expense ratio is we will be hitting at full stride on some of our profitability targets, so our profit based compensation has gone up. And then other squirrely thing, even though we have truncated our pension plan and not adding any more years of service or age effective in April of 2016, based on the very low interest rate environment, there is a much larger pension charge in the 2015 number versus 2014. So as Dale mentioned there's a lot of moving parts.

I just want to make sure I get the comps straight. You mentioned -- our comp has been rutting at \$1.10 and like John said there's 500 basis points attached with one part of it, but overall, we expect comp to be at or below \$1.03. It's 7 full points down, and like you say, you've got the math right. It represents approximately 20% of our premium. You do have that right.

Vincent DeAugustino - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, good color there. Thank you. And then one quick follow up.

Dale, on the reinsurance renewal, any notable changes on terms and conditions? Anything either from a cat window standpoint, or included or exclude coverage or anything of that type? And secondly on the new cat coverage, I guess in the last few year, how often would you have tapped that coverage if it had existed prior?

Dale Thatcher - *Selective Insurance Group Inc - EVP and CFO*

Well, on the new cat, we would not have tapped that at all. In fact, in the history of the enterprises that we purchased, we wouldn't have tapped that, but I will say that the attachment point of \$5 million for the cat -- or for the E&S business attaches at the same profitability point of as our \$40 million attachment point for our standard lines program. So it's roughly a similar style of event for the E&S, and it is, as we said, for those events that hit outside of our 22-state footprint.

As far as the cat renewal, it came in as we said similar to what you are seeing in the marketplace where rates were down a little bit, and we were able to extend our hours clause from 96 to 120 hours.

Vincent DeAugustino - *Keefe, Bruyette & Woods, Inc. - Analyst*

Okay, thank you very much. Talk soon.

Operator

Thank you.

(Operator Instructions)

Our next question comes from Scott Heleniak from RBC. Your line is open.

Scott Heleniak - *RBC Capital Markets - Analyst*

Hi, good morning.

Dale Thatcher - *Selective Insurance Group Inc - EVP and CFO*

Good morning, Scott.



Scott Heleniak - RBC Capital Markets - Analyst

Just a couple of quick ones here. First you touched on your comments about adding new agencies over the next few years, and I was wondering if you could kind of expand on that a little bit. Is there any specific geographies that you're targeting as you're going through that? I would assume it would be agencies that carry commercial and personal lines, but anything you can share on the new agency plans?

John Marchioni - Selective Insurance Group Inc - President and COO

Yes, sure, Scott this is John. I think Greg laid out the key drivers that we think about in terms of maximizing our market share in each of our 22 primary operating states, the two levers being the share of the overall market controlled by our agents and then our share of wallet of that agency premium.

So we look at those two metric and where we currently stand, we do have some of our states, and they tend to be the states we have been in for a longer time where our agents already control close to that market share and our real focus is on driving share of wallet hire. But in a lot of other states, we do, in fact, have agency groups that control a lot less of that number.

So for us, this is a reaffirmation of our franchise value franchise model, so that maintains -- or remains at core of our philosophy. But we think with that, there is a lot of head room to add agents to get them to that sort of -- to get our overall agency plan to that 25 target over the next several years.

This is not the sort of thing that happens in a year or two. You build into this and make sure you have got the staffing in place to support it and then at the same time you drive the share wallet higher. We think this is opportunity we're well positioned for. It doesn't take a lot of additional investment, and it allows us to really better capitalize on the capacity -- the new business production capacity we think we already have. But there are I would say few states exclude from the opportunity when we think about what we're -- how we're currently positioned.

Scott Heleniak - RBC Capital Markets - Analyst

Okay. And then I was just curious -- I know on the Brown and Brown call they were upbeat about their core, small, middle-market customer recovering, just seeing better trends, benefiting from the economy. Just wondering if you guys are seeing same sort of positive trends? What are you hearing from customers? Do you feel you will get a bigger benefit from the economy in the past few quarters compared to what it was maybe a year or two ago?

John Marchioni - Selective Insurance Group Inc - President and COO

I think -- Scott, this is John again. One of the key measures to look at what is happening with the economy and with our customers is what's happening with audit premium. And we have seen a pretty consistent trend of positive audit premium, which is a big change from just a couple of years ago. So I think that's the best indication of what is happening in the economy and how we would expect to see that impact our premium on a go-forward basis.

Scott Heleniak - RBC Capital Markets - Analyst

Okay. Do you have that number, by chance, for the quarter? If not if I can get it later. It's not a big deal.

Dale Thatcher - Selective Insurance Group Inc - EVP and CFO

Audit premium in total for the quarter was \$5 million.



Scott Heleniak - *RBC Capital Markets - Analyst*

\$5 million. Okay.

Dale Thatcher - *Selective Insurance Group Inc - EVP and CFO*

Up over -- it was zero in the fourth quarter of 2013. Scott, just to add to that the other item to look at that we certainly measure very closely is endorsement premium, as well.

Scott Heleniak - *RBC Capital Markets - Analyst*

Right.

Dale Thatcher - *Selective Insurance Group Inc - EVP and CFO*

Both the commercial and personal line side you see endorsement activity where vehicles and properties are being added to schedules. And I think that's also been a nice favorable trend for us over the last couple of years.

Scott Heleniak - *RBC Capital Markets - Analyst*

Okay, and then anything you can share on some of the early claim counts that you're seeing from the winter storm so we can know -- obviously new England and some of your states in New York and New Jersey. If there's any detail that you had on that early on.

Greg Murphy - *Selective Insurance Group Inc - Chairman and CEO*

No detail at this point. Obviously it's pretty early in the process.

John Marchioni - *Selective Insurance Group Inc - President and COO*

One thing I would point out on that, though, is having, at least in New Jersey and New York, the states of emergency that were declared, certainly maintain the roads were clear. In terms of auto accidents and other things, there weren't a lot of people out on the roads. That was a major benefit in terms of reducing auto frequency.

Scott Heleniak - *RBC Capital Markets - Analyst*

Yes, well, also the storm could have been a lot worse in a lot of places, too.

Greg Murphy - *Selective Insurance Group Inc - Chairman and CEO*

Yes.

Scott Heleniak - *RBC Capital Markets - Analyst*

And then -- the other thing I just --

John Marchioni - *Selective Insurance Group Inc - President and COO*

Remember, too, we don't write personal lines in Massachusetts.

Scott Heleniak - *RBC Capital Markets - Analyst*

Yes, okay. And then just last question on personal lines. I think you talked about just how the -- over the past few years the fire and monoline homeowners, you have been reducing that. That's been reduced a little bit just because of your non-renewing those. Just wondering how -- it sound like you're pretty much done with that, and then if you could touch on that and then just the Selective Edge product, what kind of -- when exactly was that launched? What early reception are you seeing there?

John Marchioni - *Selective Insurance Group Inc - President and COO*

Scott, this is John again. On the targeted non-renewal, strategic non-renewal, our exit from the dwelling fire line, that is largely complete at this point.

Scott Heleniak - *RBC Capital Markets - Analyst*

Okay.

John Marchioni - *Selective Insurance Group Inc - President and COO*

So don't anticipate a significant impact. New Jersey is the one state that will continue a little bit into 2015. But we see a much more normalized retention, because the impact there will continue to be diminished, and I would say the same thing applies to some of the targeted monoline home non-renewals in particular that impacted 2014. But we don't anticipate a significant impact going forward. So that's the retention side of your question.

With regard to the Selective Edge, that was, in fact, launched on January 1 in ten of our states, and the remaining three states have been approved and are -- they're finishing up the programming. And they will launch in the first quarter. That's really designed to provide some coverage enhancements at additional charge, but coverage enhancements for the consumer that's going to package up and buy the auto and home from us.

We have gotten positive feedback on it. I think the early reaction has been very good by our agency partners, and we think that's going to really help us target the customer that we really believe is a great fit for us from a value proposition perspective, and the customer who doesn't necessarily view the personal lines product as a commodity. And we think those opportunities are up and down the wealth scale.

This is not just a high net-income target. We think there are folks in that consultative fire category up and down the wealth spectrum.

Scott Heleniak - *RBC Capital Markets - Analyst*

All right. Appreciate the answers. Thanks.

Operator

Thank you. At this time, I am showing no further questions.



(Operator Instructions)

Greg Murphy - *Selective Insurance Group Inc - Chairman and CEO*

Nothing else?

Operator

I am showing no further questions.

Greg Murphy - *Selective Insurance Group Inc - Chairman and CEO*

Okay, just want to make sure no one punched in later. So thank you very much for your participation, and if you have any follow up questions, please contact Dale or Jennifer. Thank you very much.

Operator

Thank you. That does conclude today's conference. You may all disconnect at this time.

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