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Selective Insurance Group, Inc. (SIGI)

Q3 2026 Earnings Call

CORPORATE PARTICIPANTS

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Rowland Mayor

Analyst, RBC Capital Markets LLC

Mike Zaremski

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MANAGEMENT DISCUSSION SECTION

Operator: Good day, and thank you for standing by. Welcome to the Selective Insurance Group's Third Quarter 2026 Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded.

I would now like to hand the conference over to your speaker today, Brad Wilson, Senior Vice President. Please go ahead.

Brad Wilson

Senior Vice President-Investor Relations & Treasurer, Selective Insurance Group, Inc.

Good morning. Thank you for joining Selective's third quarter 2026 earnings conference call. Yesterday, we posted our earnings press release, financial supplement, and investor presentation on the Investors section of selective.com. A replay of today's webcast will be available there shortly after this call.

Joining me are John Marchioni, our Chairman, President, and Chief Executive Officer; and Patrick Brennan, Executive Vice President and Chief Financial Officer. They will discuss our results and take your questions.

During the call, we will reference non-GAAP measures used by insurance and investment professionals to evaluate financial and operating performance, including operating income, operating return on common equity, and adjusted book value per common share. Reconciliations to the most comparable GAAP measures are available in our press release and financial supplement on the Investors section of selective.com.

We will also make forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements and projections about future performance are subject to risks and uncertainties that we disclosed in our SEC filings. We undertake no obligation to update or revise any forward-looking statements.

Now I'll turn the call over to John.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

Thanks, Brad. We delivered a strong third quarter, highlighted by a 16.9% operating ROE, improved underwriting margins, and excellent net investment income, which increased 16% year-over-year. This was our ninth consecutive quarter of double-digit operating returns, bringing us to 14.3% year-to-date. Our combined ratio of 96.8% improved 1.8 points from a year ago, driven by improvement in Standard Commercial and Personal Lines, and E&S delivered an 86.5% combined ratio.

Overall, the quarter demonstrated the earnings strength of our underwriting and investment operations. We remain focused on generating profitable growth by applying greater pricing and underwriting granularity, improving retention on our best-performing business, and increasing new business production in areas that meet our profitability objectives. While executing on these actions to further improve underwriting profitability going forward, we are also laying the foundation for our next phase of growth.

In E&S, our retail access initiative has moved from build-out to execution. The structural investments are largely complete, agency appointments and our underwriting model are in place, and early indicators are encouraging. In addition, we are finding opportunities to thoughtfully expand our brokerage appetite to deepen our longstanding wholesale relationships. We believe this combination, strengthening our wholesale distribution while giving our retail partners access to our E&S capabilities, is a long-term growth lever and supports our diversification objectives across products, geographies, and segments.

In Personal Lines, profitability in our target mass affluent market continues to improve with our homeowners portfolio gaining traction. Average new business home values remain in excess of \$1.1 million for the first nine months of the year, and target market business now represents approximately 71% of our homeowners premium. We are focused on growth in our target market where we believe our rates are adequate.

Year-to-date, target market homeowners direct premiums written increased 8%, offset by a 12% decline in the more challenged auto line. Renewal pure price increased 8.1% in the quarter and 9.3% year-to-date with continued refinement of our segmentation strategy. As a result of these actions, the year-to-date underlying combined ratio in Personal Lines improved by 3.3 points. As we continue to validate our ability to effectively compete in the high net worth market, near-term geographic expansion presents a real opportunity for additional growth potential.

In Standard Commercial Lines, we continue to expand our geographic reach with early traction in Montana and Wyoming where agency engagement has been encouraging. Year-to-date, we appointed 120 new agency locations across our footprint and will continue to identify new agency partners to support diversifying growth. With roughly a 1.5% share of a highly fragmented commercial lines market, our long-term growth potential remains significant, and we remain fully committed to meaningfully expanding our market share when and where margins warrant it. In this environment, with headline rate increases softening, it is imperative to execute with precision.

In Standard Commercial Lines, our liability pricing is generally holding up well, even as property pricing tempers. Importantly, the granularity and pace of mix improvement in our renewal portfolio accelerated in the third quarter. Retention in our best performing cohorts remained strong at 90%, while retention in our lowest performing cohorts, which represented approximately 10% of premium, declined to 52%, down from 79% a year ago. In our lowest performing cohorts, renewal pure price increased 17.2%, up from 12.8% in the year ago period. Targeted retention actions in the cohorts expected to perform worse than average contributed 5 points of the 8% decline in net premiums written. The remaining decline was driven by lower new business.

Taken together, we feel good about the combination of rate increases and mix improvement at Standard Commercial Lines and where they stand relative to our view of expected loss trend. We believe these are the right actions to create long-term value. They have reduced near-term premium growth, but we are prioritizing improved underwriting returns over volume. Growth in our industry should be viewed over a longer term horizon, especially in casualty-driven portfolios. Our commitment to underwriting and pricing discipline throughout the cycle underlies our long-term track record of growth and profitability. With commercial casualty margins across the industry under pressure and market pricing generally below elevated severity trends, we are at a point in the cycle where underwriting and pricing discipline are paramount. Our efforts in the current environment are positioning us to generate strong growth and profitability moving forward.

Technology, including artificial intelligence, is an important enabler of both margin improvement and long-term growth. We are moving beyond individual tools towards integrating analytics and decision support directly into underwriting and claims workflows. Our objective is to improve the consistency and quality of decisions while increasing the capacity of our professionals. We are introducing these capabilities in stages, measuring their effectiveness and maintaining appropriate human oversight through our AI and model governance framework. We are also evaluating and deploying AI-assisted software development tools where they can improve productivity and the return on our technology investments.

Before turning the call over to Patrick, I'll reinforce the priorities guiding us across the company. First, relentlessly improving the fundamentals across risk selection, individual policy pricing, and claim outcomes. Second, diversifying revenue and income within and across our three insurance segments. And finally, further leveraging data analytics and technology, including artificial intelligence, to drive operational efficiency and improved underwriting and claim outcomes.

The actions we are taking today strengthen the earning power of our portfolio and position us to deliver long-term value for our policyholders, distribution partners, employees, and shareholders.

Now I'll turn the call over to Patrick.

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

Thanks, John, and good morning. For the quarter, we reported fully diluted EPS of \$2.11 and non-GAAP operating EPS of \$2.37, resulting in a 15.1% ROE and a 16.9% operating ROE. Our GAAP combined ratio was 96.8%, including 5.4 points of catastrophe losses. Year-to-date, strong after-tax net investment income and a GAAP combined ratio of 97.7% delivered 13.8% ROE and 14.3% operating ROE.

As in the first half of the year, we recorded no prior year casualty reserve development at the segment or line of business level this quarter. Reserves in our underlying general liability line have now been stable for seven consecutive quarters. That follows the actions we took in 2024 to respond to elevated severities and increase our go-forward loss cost assumptions. Overall, loss trends have generally remained in line with our expectations.

Turning to pricing, for the quarter, Standard Commercial Lines renewal pure price increased 5.7% or 6.4%, excluding workers compensation. Property renewal premium increased 7%, including 3.5 points of exposure growth. General liability pricing increased 7.9% and commercial auto pricing increased 7.6%. Commercial auto liability pricing was even stronger at 11.6%, reflecting our focus on delivering rate where it is most needed.

Year-to-date, our underlying loss ratio improved 50 basis points compared to full-year 2025. This reflects strong property results, which were partially offset by casualty lines. As we discussed last quarter, the underlying casualty loss ratio includes elevated severity trends we embedded in the current accident year as a part of our planning process.

In commercial auto, it includes the actions we began booking in the second quarter to further strengthen the current accident year. Commercial auto and general liability are not yet at our target level of profitability. We continue to push meaningful liability rate and sharpen risk selection and recognize that further improvement is needed.

Our 32.1% expense ratio was elevated in the quarter, reflecting in part lower premium volume. We are carefully managing expenses in the context of our overall margin objectives. This includes balancing the need to maintain a competitive expense ratio with strategic investments to support future growth and operational efficiency. We remain committed to these investments because we believe they will increase our team's capacity and improve decision quality. We continue to expect our full year underwriting expense ratio to be approximately 31.5%. This implies a fourth quarter expense ratio of approximately 32%, in line with this quarter.

Turning to capital management, our capital management priorities remain unchanged. First, we invest in profitable organic growth, which we believe is the best source of sustainable long-term shareholder value. Second, we target returning 20% to 25% of earnings through our regular dividends. Finally, when capital exceeds our expected needs and the valuation is attractive, we may repurchase shares after taking into account liquidity, regulatory requirements, ratings considerations, and other strategic opportunities. During the quarter, we returned approximately 63% of after-tax net income to shareholders through our regular dividend and \$55 million of opportunistic share repurchases.

Against that backdrop, our capital position remains strong and supports our commitment to delivering long-term value. We ended the quarter with \$3.4 billion of GAAP equity and \$3.7 billion of statutory surplus. Reflecting the strength of our capital position and operating performance, we are pleased to announce a 12% increase in our quarterly dividend. This marks our 13th consecutive annual increase. And given the increased level of share repurchases so far this year, our board authorized a new \$200 million share repurchase program. Our existing authorization had a remaining capacity of \$53 million as of September 30, bringing our total available repurchase capacity to approximately \$253 million.

Turning to investments, our after-tax net investment income was \$127 million in the quarter, up 16% year-over-year. This generated 15.2 points of ROE. The increase in net investment income was driven by higher portfolio book yields and strong alternative investment returns. The portfolio remains conservatively positioned with an average credit quality of A+. Duration increased modestly to 4.5 years as we continue to lock in higher yields for longer.

The benefits of our recurring investment income should be considered alongside changes in the market value of our fixed income portfolio. Market movements increased after-tax net unrealized losses in the quarter, which was the primary driver of the 5% decline in book value per common share to \$55.02 Adjusted book value per common

share, which excludes unrealized investment gains and losses, increased 2% to \$62. Our portfolio decisions continued to reflect credit quality, liquidity, asset liability considerations, and risk-adjusted returns.

Finally, let me update our full year guidance. We continue to expect a GAAP combined ratio between 96.5% and 97.5%, assuming 5.5 points of catastrophe losses, which is down from 6 points a quarter ago. Our assumption for the underlying loss ratio is unchanged from last quarter.

With respect to Hurricane Isaias, it is too early to provide specific estimate. However, based on its path, our exposure, and very early claims reporting, we expect our losses from the event will be immaterial to our results. We've also increased our expected after-tax net investment income to \$490 million, up from \$480 million. Our guidance assumes an effective tax rate of 21.5% and a fully diluted weighted average share count of 59.9 million, reflecting year-to-date repurchases.

With that, operator, please start our question-and-answer session.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Our first question comes from the line of Michael Phillip (sic) [Phillips] (00:15:37) with Oppenheimer. Your line is now open.

Michael Phillips

Analyst, Oppenheimer & Co., Inc.

Q

Thank you, and good morning. John, in your opening comments, I think you kind of answered the first part of the question. You said commercial auto was down 5 from the remediation. That's 5 of 8, if I heard that right. I guess I went through the same thing on the margin side where your commercial accident year loss ratio improved around a little bit more than 4 points. Can you say how much of that was from your remediation efforts versus kind of this – the normal quarterly variation? And then, just remind us then maybe what ending of the remediation you're in and how much more of those improvements from remediation might be expected.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

Yeah. Good morning, Mike. Thank you. I just want to make sure I clarify the first question and the first point. We attributed, of the 8-point decline in net premiums written in commercial lines, about 5 points of that was from lower retentions in our underperforming cohorts, which represent about 10% of the portfolio. That's across all commercial lines, not just auto. So, I just wanted to...

Michael Phillips

Analyst, Oppenheimer & Co., Inc.

Q

Yeah. Thank you.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

...clarify – wanted to clarify that specific point. And then, I'm sorry, I just want to also make sure I understand the second part of the question on – with regard to year-over-year loss ratio movement, was that a commercial auto-specific question or all lines?

Michael Phillips

Analyst, Oppenheimer & Co., Inc.

Q

Yeah. No. Commercial lines in general. Commercial was – accident loss ratio, a little more than 4 points. So, obviously, this is the first quarter we've seen nice improvement in that for GL and commercial auto. So, clearly, a good focus there. But the question is really, how much of that improvement was from your efforts in the cohort remediation versus just normal book? And then, just where are we with the remediation, and how much more could come from those efforts?

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

Yeah. I guess, as I've noted before, let me just focus on the remediation point first, and I'll go back to the points I tried to highlight in the prepared comments. We're at a point in the cycle from a market perspective with GL and commercial auto in particular. When you look at where industry margins are, they're generally negative. Loss trends are elevated, albeit what we've seen is some more stability, and pricing is declining.

So, when you look at that, all else equal, that points to loss ratio deterioration on a market-wide basis. Our results are different from that because we're generating more overall rate level on the casualty lines, and we're also focused on mix improvement in order to get loss ratio improvement on a go-forward basis.

So, that's always been part of our philosophy. I think what we've highlighted the last couple of quarters, and you saw it start in earnest in the beginning of this year, is to really put more emphasis on mix improvement driven by that worst 10% of our renewal inventory. So, we're effectively three quarters through a full renewal cycle. And when you think about what that might look like in terms of overall pressure on retention, I would think about it in those terms.

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

A

Mike, I would just add as well, I think the comparison point, if you're just looking at Q3 of 2025, that was high because we had made some adjustments in that particular quarter. The more appropriate, I think, benchmark would be to compare the full-year 2025 to the year-to-date 2026 to get a sense of how that's trending.

Michael Phillips

Analyst, Oppenheimer & Co., Inc.

Q

Okay. Yeah. Makes sense. Thanks, Patrick. Maybe a second question would be, Patrick, on your comments on the expense ratio and some pressures there, and you said still committed to some investments you're making. So, the commercial expense ratio was up a bit. And, obviously, there is some pressure from de-leveraging on the top line, but also your investment. So, maybe just, as you weigh the timing of those expenditures against near-term top line pressures, can you talk about that? And any flexibility that might moderate that pace of expense ratio pressures?

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

A

Yeah. Good question. Thanks for the comments. Overall, I would say, we view having a competitive expense ratio as an important part of our approach to market. As you probably have seen over time, we reduced our expense ratio from 2020 to 2025 by 300 basis points. We did, as you mentioned, acknowledge an increase in the expected – excuse me, expense ratio for 2026 due to those investments. We intend to continue to invest in the business, but we also recognize that it's important for us to maintain cost discipline.

One thing I would point out in the quarter that affected the commercial lines expense ratio was an enhancement that we had operationally related to our premium audit process. That enhancement led to some additional premium collection that doesn't bring with it any additional loss exposure. But as we transition our customers to that enhanced audit process, we did have higher premium write-offs during the quarter. And regardless of that, we still expect the full year to come in at a 31.5% or thereabouts.

So, there's a couple different pieces in there. But I think it's important to note, we did have a little bit of pressure beyond just the gross dynamic in this particular quarter.

Michael Phillips

Analyst, Oppenheimer & Co., Inc.

Okay. Thank you, Patrick. And all the best. Appreciate it.

Operator: Thank you. Our next question comes from the line of Rowland Mayor with RBC Capital Markets. Your line is now open.

Rowland Mayor

Analyst, RBC Capital Markets LLC

Hi. Good morning. I was wondering if you're able to give the profitability difference between the best and worst performing cohorts in GL and commercial auto.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

We're not going to go into that level of specificity. I will say that the relative combined ratio differences from the excellent cohort to the low and very low cohorts that we put there are meaningful. And the impact of that distributional mix shift is meaningful.

Rowland Mayor

Analyst, RBC Capital Markets LLC

All right. Thank you. And then, I guess, as a second one, you mentioned the buybacks were opportunistic in the quarter. Was that opportunity from the stock price? Or was it from increased use of excess capital, given the growth dynamics?

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

I think it's – there are dynamics that we consider. As we've talked about previously, the way that we think about deploying capital takes into account a host of different considerations, including our go-forward view of growth and as well as that our ability to deploy capital at stock price that we think is attractive. And so that combination was manifest in the quarter that was. I would say just as it relates to our stock buyback, we think that the \$200 million additional authorization that we just received from the board gives us additional flexibility to deploy capital opportunistically. But we also recognize that in this business, capital, you go through cycles of capital consumption and capital production. And when you need capital because you're expecting to grow, you want to have it on hand.

And so, we're always trying to make those evaluations and balance that out as we look forward. And so, we will continue to follow that same framework in the quarters ahead.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

And I think just to reinforce the point, Rowland, I agree absolutely with how Patrick answered the question, but it sort of ties back to the earlier discussions around thinking about growth prospects over a longer term horizon. Yes, opportunistic in terms of our current view, but we also feel really good about how we're positioned to restore the growth profile that you're used to with us on a go-forward basis. We want to make sure we have the capital to support that going forward.

Rowland Mayor

Analyst, RBC Capital Markets LLC

Q

Thank you. And then, if I could just sneak in one more. Patrick, I think you gave the pieces, but the GAAP combined ratio, do we now expect it to be back in the midpoint, given the cat expectation change?

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

A

Yeah. If you essentially put all the pieces together, it would suggest we expect to be closer to the middle of the range.

Rowland Mayor

Analyst, RBC Capital Markets LLC

Q

Thank you.

Operator: Thank you. Our next question comes from the line of Michael Zaremski with BMO. Your line is now open.

Mike Zaremski

Analyst, BMO Capital Markets Corp.

Q

Great. Thanks. Good morning. Back to the capital management question on the word opportunistic, so should we just be teasing out kind of the valuation range on an ex-AOCI basis that was repurchased in this past quarter in 3Q to kind of get a sense for whether you'll be rebuying in 4Q? Like, I guess I'm assuming today the stock will do very well. So, just trying to kind of understand some of those opportunistic constraints.

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

A

Yeah. I mean, look, we're – every quarter, we're reevaluating that based on the facts and circumstances and the new information that we've acquired over the prior 90 days. So, I'm not going to forecast where and what we're going to do. I would simply say that as and when we have – we think there's an opportunity to buy back our stock in – at a valuation that we think is attractive relative to our long-term prospects, and taking into consideration the comments that John just made about growth, well, that's – those – that's the framework through which we're going to evaluate that decision.

Mike Zaremski

Analyst, BMO Capital Markets Corp.

Q

Understood. And a follow-up on the growth comments. Exciting initiatives, but just in the very near term, as – I know that exposure is always increasing. You're getting price, though. And it looks like PIF, like policy in force count because of the corrective actions are declining. So, is it fair to say that there's much less growth capital need now than in "normal" times?

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

Well, I guess I'm not quite sure I fully appreciate or understand the question. But as I said earlier, we have to be thinking about growth over a longer term horizon. And while the actions we've taken on the renewal portfolio in a very targeted way have put some downward pressure on growth in the near term, the other driver is new business conversion rates.

And our view on casualty loss trends, which, based on everything I read and hear, is pretty consistent with everybody else's view on casualty loss trends. The conviction we have around pricing casualty lines is also what we apply to our new business underwriting and pricing philosophy, and that will continue to put some pressure on conversion rates.

But that said, we're also opening up new distribution points. We've expanded our footprint that even if hit ratios are suppressed, there are high-quality opportunities out there to be had, and there are other actions and initiatives we have in place to do a better job of finding and winning accounts that we think are adequately priced. And they do exist, even in a more challenging environment.

So, I think it's – when we think about growth prospects on a go-forward basis, I think what we're dealing with right now will be short-lived because the market will have to come to grips with casualty loss ratios, which are currently being heavily subsidized by property and other specialty lines. And those margins on that side are deteriorating, and we think we're ahead of the curve in terms of addressing these challenged lines, which are challenged on an industry-wide basis and for the majority of our peers on an individual basis.

Mike Zaremski

Analyst, BMO Capital Markets Corp.

Q

That's helpful. And maybe just lastly, I guess thinking about the comments you just made, John, if we were to think kind of longer term, is there – is there a North Star on – I know you think about it as – probably as a package product, including investment income, too. But if we're all to focus on commercial auto and general liability, year-to-date, the combined ratio of those two businesses pushed together is low hundreds, very low hundreds improved meaningfully year-over-year, is that good enough? Or is the long-term intention to try to get the combined ratios in those businesses to kind of levels you haven't seen in many, many years?

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

Yeah. It's a great question. And I will say, actually, if you look back over time and look back over the last decade, especially in GL, even for the mature accident years where there was some upward pressure on those as they matured, we have seen profitable results in our general liability line, which is a big line. You have to go back further on auto to get there. But this is a more recent phenomenon as we've all been dealing with higher severity trends driven by social inflation.

But I think your broader question is an important one. As we look to continue to diversify within and across our three business segments, and I focus just on Commercial Lines, there's segment diversification and there's line of

business diversification, and there's geographic diversification, all of which we've been laying the foundation for. But our ultimate objective is to ensure that every one of our lines of business is either at or approaching its risk-adjusted combined ratio target because as you well know, what you need to achieve based on the length of the tail and inherent volatility in a line varies by line. And we want to make sure that, to the extent there's any subsidies across lines in our portfolio, that we minimize those to the greatest extent possible.

So, that'll continue to be our philosophy. Although certainly when you're operating as a package underwriter, you do have to take into consideration the overall performance of a portfolio. But ultimately, we want to get those lines to the risk-adjusted target.

I would say from our perspective, even in the current interest rate environment, which is clearly beneficial, our auto and GL lines are running above our risk-adjusted combined ratio targets, and we intend to continue to bring those down and we'll remain focused on that.

Mike Zaremski

Analyst, BMO Capital Markets Corp.

Q

Very helpful. Thank you.

Operator: Thank you. [Operator Instructions] Our next question comes from the line of Paul Newsome with Piper Sandler. Your line is now open.

Paul Newsome

Analyst, Piper Sandler & Co.

Q

Good morning. Congrats on the quarter. I was intrigued by some of the comments you made about the excess and surplus lines business and the efforts to build that business out. Maybe some further thoughts on how you might be able to sort of bob and weave through the current soft market there. Obviously, E&S is a huge business with all different parts, and I'm just curious if there's – if we take another layer under there, is there specific strategy that allows you to kind of figure out where you might find some of the good stuff, given an overall market that's pretty darn competitive right now?

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

Yeah. Thanks, Paul. A couple of comments. And I think in many ways, it parallels some of the things we've talked about in Standard Commercial Lines, which is despite sort of industry dynamics around pricing and loss trends and run rate profitability, your ability as a company to find accounts that can be written at your profit target levels from a pricing and underwriting perspective is where the opportunity is here. And I think that's where our focus is on Commercial, Standard Commercial. It's also what our focus is from an E&S perspective.

So, while conversion rates will remain pressured relative to recent history because of overall pricing dynamics, it's about opening up new opportunities to create more submission activity so that your lower conversion rates could be offset by higher submissions. So, for instance, our expansion into retail, our retail partnerships with some of our non-admitted products is a way to increase submission counts and offset some of that declining conversion rate as we exert more discipline from an underwriting and pricing perspective. That – we think that gives us the ability to manage through this market.

But I don't want to lose sight of the other comments I pointed to in the prepared comments around our wholesale distribution partners, which have been key to us building this E&S portfolio. We have some opportunities to

expand what we do from an underwriting and appetite perspective. And these are not far afield from what we know how to do, but there are places that we write on admitted paper that we've built up experience in. For instance, inland marine, which is a big part of our Standard Commercial portfolio that we can start to make available to our wholesale partners on a non-admitted basis. And that allows us to open up new submission activity even if it comes at lower conversion rates. And I think that's what will give us the ability to, to use your phrase, bob and weave through kind of a challenging competitive environment in E&S.

Operator: Thank you. Our next question comes from the line of Meyer Shields with Keefe, Bruyette & Woods. Your line is now open.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thanks so much, and good morning. A couple of quick modeling questions. First, it looks like the headwind from the underwriting actions was bigger in the third quarter than the second. Is that just because it was a full quarter, or are these steps actually accelerating?

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

A

Yeah. I would say, there's a small acceleration there when you look at what happened with regard to retention on the low and very low buckets, and that's the primary difference.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. No. That's helpful. Second question, if we look at the pricing that you reported for commercial auto and the premium change, it seems like, I don't know, exposures are down, something like 20%. And I was wondering whether it's reasonable for us to assume that's disproportionately New Jersey.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

A

Yeah. I guess, just to make sure I understand the point of the question, our overall renewal premium change in commercial auto is around – like, just under 11%. So – and we didn't get into that on the – in the prepared commentary. But exposure is actually continuing to be up, in addition to the rate level. And I know Patrick quoted the rate level for both total auto and auto liability. But there's no question the – we're seeing a decline in the auto line that's – well, so in the quarter, premiums in commercial auto were down about 11%. Year-to-date, down about 7%. That is certainly, to a certain extent, lower exposure counts, lower auto counts, and certainly some distributional shifts where you might see average premiums lower in certain geographies than you do in some of our more mature geographies.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Okay. Perfect. That's helpful. And then just final question, I was a little surprised that general corporate expenses were so low, given how strong the underwriting results were. Am I wrong in connecting those two? And is there any maybe guidance for what that run rate should be?

Patrick S. Brennan

Executive Vice President & Chief Financial Officer, Selective Insurance Group, Inc.

A

I'm not sure about guidance for run rate because in that particular instance, it's really driven by changes in our long-term incentive plan compensation expense. So – and that's driven by various changes in our stock price for tranches of awards over time.

Meyer Shields

Analyst, Keefe, Bruyette & Woods, Inc.

Oh, okay. Perfect. Thanks so much.

John J. Marchioni

Chairman, President & Chief Executive Officer, Selective Insurance Group, Inc.

Thank you.

Operator: Thank you. And I'm currently showing no further questions at this time. I'd now like to turn the call back over to John Marchioni for closing remarks.

Well, great. Thank you, all, for joining us. We appreciate the interest and the questions. And as always, please feel free to follow up with Brad if you have anything in addition. Thank you.

Operator: This concludes today's conference. Thank you for your participation. You may now disconnect.

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