S&P Capital IQ

CONTENTS

Selective Insurance Group, Inc. NasdaqGS:SIGI

FQ4 2014 Earnings Call Transcripts

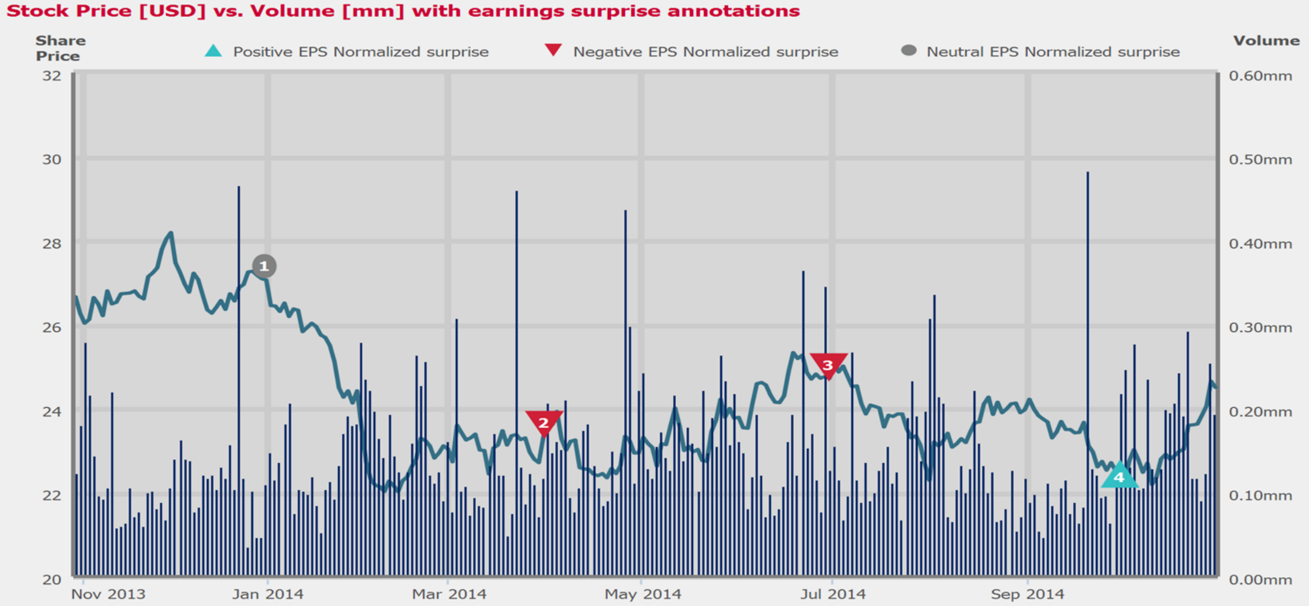
Friday, January 30, 2015 1:30 PM GMT

S&P Capital IQ Estimates

	-FQ4 2014-			-FQ1 2015-	-FY 2014-		
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	ACTUAL	
EPS Normalized	0.66	0.72	▲9.09	0.56	2.09	2.17	
Revenue (mm)	502.10	503.58	▲0.29	511.78	2033.38	2034.86	

Currency: USD
Consensus as of Jan-30-2015 1:09 AM GMT

Stock Price [USD] vs. Volume [mm] with earnings surprise annotations



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ4 2013	0.45	0.45	❶0.00 %
FQ1 2014	0.33	0.23	▼2 (30.30 %)
FQ2 2014	0.49	0.46	▼3 (6.12 %)
FQ3 2014	0.51	0.76	▲4 49.02 %

Call Participants

EXECUTIVES

Dale A. Thatcher
Former Chief Financial Officer, Executive Vice President and Treasurer

Gregory E. Murphy
Chairman and Chief Executive Officer

Jennifer W. DiBerardino
Former Senior Vice President of Investor Relations

John J. Marchioni
President and Chief Operating Officer

ANALYSTS

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

Presentation

Operator

Good day, everyone. Welcome to the Selective Insurance Group's Fourth Quarter 2014 Earnings Call.

At this time, for opening remarks 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 W. DiBerardino
Former Senior Vice President of Investor Relations

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 a 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 or 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 guarantees of future performance and are subject to risks and uncertainties. We refer you to Selective's Annual Report on Form 10-K and any subsequent Form 10-Qs filed with the U.S. Securities and Exchange Commission for a detailed discussion of these risks and uncertainties. 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 A. Thatcher
Former Chief Financial Officer, Executive Vice President and Treasurer

Thanks, Jen, and good morning. The fourth quarter marked the conclusion of an excellent year for Selective as we delivered on our very aggressive 3-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 10 years ago, which resulted in a net benefit from catastrophes. When compared with 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 PIK [ph] increases. The net impact of both is a favorable 1.3 points on the combined ratio or $0.07 per diluted share.

The 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 points 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 x 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 continued 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 nonrenewal 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 had 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 a 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 1 year ago to $25 million. The decline was driven by lower returns in the alternative investment portfolio when compared to a strong fourth quarter of 2013. The year-to-date after-tax yield on the portfolio declined by 6 basis points to 2.2% while invested assets increased 5% from year end 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 year end 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- and a duration of 3.7 years, including short term.

Surplus and stockholders' equity each ended the year at $1.3 billion, and book value per share grew 9% from year end 2013 to $22.54. Our premium-to-surplus ratio remained at 1.4:1. 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 of 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 J. Marchioni
President and Chief Operating Officer

Thanks, Dale. We accomplished a great deal on operations over the past 3 years. And with all 3 insurance segments generating combined ratios under 100% in 2014, we have set the stage for continued improvement in 2015. The 2014 standard Commercial Lines represented 76% of our net premium, generating 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 a 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 power field model and deep relationships 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 a 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 roadshows in November, making stops in 16 different states and seeing over 2,500 agency principals 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 comp escalation model and fraud detection and recovery models. While there's still more work to do, the improvement in our workers comp combined ratio and the stability of our loss reserves with no prior year casualty development in this line for 2014 are evidence of the progress being achieved. The underwriting initiatives to move our book to lower-hazard workers comp risk, along with claims initiatives, are expected to provide 5 points of improvement in this line in 2015. When combined with the effects of earned rate and other expense initiatives, we expect our workers comp line [indiscernible] a combined ratio below 103% for 2015.

Excess and Surplus Lines statutory net premiums written grew 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 agents' 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 the 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 nonrenewal of dwelling fire policies and targeted nonrenewal 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 roadshows, 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 E. Murphy
Chairman and Chief Executive Officer

Thank you, John. The hard-working employees of Selective are very proud to have delivered on the profitability goals we established 3 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 we'll 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 -- long-term goal, excuse me, is to increase our Commercial Lines' share of wallet with retail agents from 7% to approximately 12%.

We're 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 are assuming a continuation of the current low interest rate environment, and we have reset our forecasted -- 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% x catastrophe combined ratio, and this will be our ongoing focus.

For 2015, we are providing the following guidance: an x 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.

Question and Answer

Operator

[Operator Instructions] Our first question today comes from Vincent DeAugustino from KBW.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

I guess the first thing in order is just a congrats on making the long-dated call on the 92% and getting there. So the non-cat weather headwinds certainly didn't make it any easier, so good to see the guidance moving in the right direction beyond that. So I guess, on that topic, to start with, John, if I heard the numbers right on the assumed 5-point improvement on workers comp, if I think about that as far as moving the aggregate combined ratio, it should be about 70 basis points. And then comparing that to the 92% guide for '14 and then some normalization of that higher elevated non-cat weather, that kind of leaves about 30 basis points left for just rate and other non-rate underwriting actions in other lines. So just thinking about those 2 buckets, it just seems like the 1-point guide-to-guide x 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 then just any color you guys may have on thoughts there.

Dale A. Thatcher
Former Chief Financial Officer, Executive Vice President and Treasurer

Your math is right, but there are a lot more moving parts than just those that you have articulated. So 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.

Gregory E. Murphy
Chairman and Chief Executive Officer

Vince, this is Greg. And the other thing I just want to -- there -- in 2015, there's also an elevated -- 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're making some infrastructure investments in our IT area that have added a little bit 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 -- when I say this year, that started in 2014. There's a lot of re-architecture that happened, both on our Commercial Lines underwriting system and the Personal Lines underwriting system. And so there's a lot that we have that just started to impact. The other side on the expense ratio is we will be hitting our -- at full stride on some of our profitability targets. So our profit base compensation has gone up. And then the other squirrelly thing, even though we've truncated our pension plan, 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 like Dale mentioned, there's a lot of moving parts. I mean, I just want to make sure I get the comp straight. So you mentioned our comp's been running at about $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 $1.30. So it's 7 full points down. And like you say, you got the math right. It represents approximately 20% of our premium. So you do have that right.

Vincent M. DeAugustino
Keefe, Bruyette, & Woods, Inc., Research Division

Okay, good color there. And then just one quick follow-up. So Dale, on the reinsurance renewal, any notable changes on terms and conditions? I mean, anything either from a cat window standpoint or included, excluded coverages or anything of that type? And then secondly, on the sort of the new cat coverage, I guess in the last few years, how often would you have tapped kind of that coverage if it had existed prior?

Dale A. Thatcher
Former Chief Financial Officer, Executive Vice President and Treasurer

Well, on the new cat, we would not have tapped that at all. And in fact, in the history of the enterprises that we purchased, they 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 probability point 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're 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.

Operator

[Operator Instructions] Our next question comes from Scott Heleniak from RBC.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

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 and if -- is there any specific geographies that you're targeting as you're going through that? I would assume it'd be agencies that carry commercial and personal lines, but anything you can share on the new agency plans?

John J. Marchioni
President and Chief Operating Officer

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 2 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 of those 2 metrics and where we currently stand. We do have some of our states, and they tend to be the states we've been in for a longer time, where our agents already control close to that market share, and our real focus is just on driving share of wallet higher. But in a lot of our other states, we do, in fact, have agency groups that control a lot less than that number. So for us, this is a reaffirmation of our franchise value model. So we -- that maintains or remains the core of our philosophy. But we think with that, there's a lot of headroom to add agents to get them to that sort of -- to get our overall agency plant to that 25 kind of target over the next several years. This is not the sort of thing that happens in a year or 2. You build into this and make sure you've got the staffing in place to support it. And then at the same time, you drive the share of wallet higher. But 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 excluded from the opportunity when we think about what we're -- how we're currently positioned.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. And then I was just curious. I know on the Brown & Brown call they were pretty upbeat about their kind of core small middle-market customer, recovering -- seeing -- just seeing better trends, benefiting from the economy. Just wondering if you guys are seeing the same sort of positive trends. What are you hearing from customers? And do you feel like you're getting a bigger benefit from the economy in the past few quarters compared to what it was maybe 1 year or 2 ago?

John J. Marchioni
President and Chief Operating Officer

So I think -- Scott, this is John again. One of the key measures to look at what's happening with the economy and with our customers is what's happening with audit premium. And I -- we could see 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's happening in the economy and how we would expect to see that impact on our premium on a go-forward basis.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

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

Gregory E. Murphy
Chairman and Chief Executive Officer

Yes, it was -- audit premium in total for the quarter was $5 million. That's up over -- it was 0 in the fourth quarter of 2013.

John J. Marchioni
President and Chief Operating Officer

And then, Scott, just to add to that, the other item to look at and we certainly measure very closely is endorsement premium as well. So both the Personal and the Commercial Lines side, you see endorsement activity where vehicles and properties are being added to schedules. And I think that's also a notable trend for us over the last couple of years.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. And then anything you can share on some of the early claim counts that you're seeing from the winter storm last week? I know they hit, obviously, New England and some of your states in New York and New Jersey, but if there's any detail that you had on that early on.

John J. Marchioni
President and Chief Operating Officer

Yes.

Dale A. Thatcher
Former Chief Financial Officer, Executive Vice President and Treasurer

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

Gregory E. Murphy
Chairman and Chief Executive Officer

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

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

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

Gregory E. Murphy
Chairman and Chief Executive Officer

Yes.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

And then the other thing I just...

Gregory E. Murphy

Chairman and Chief Executive Officer

And another thing [indiscernible] remember, too, that we don't write personal lines in Massachusetts.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Right. Yes, okay. And then just last question on Personal Lines. I think you guys talked about just how the -- over the past few years, the fire and monoline homeowners, you've kind of been reducing that. That's been reduced a little bit just because of the -- you're sort of non-renewing those. I'm just wondering how -- I guess it sounds 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? And what kind of early reception are you seeing there?

John J. Marchioni
President and Chief Operating Officer

Scott, this is John again. So on the targeted nonrenewal or strategic nonrenewal or exit from the dwelling fire line, that is largely complete at this point. So we don't anticipate a significant impact. New Jersey is the one state that'll 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 at some of the targeted monoline home nonrenewals in particular that really impacted '14. 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 10 of our states, and the remaining 3 states have been approved and are -- they're finishing up the programming and they'll launch in the first quarter. That's really designed to provide some coverage enhancements, as an additional charge, but coverage enhancements for the consumer that's going to package up and buy both the auto and the home from us. We've gotten very positive feedback on it. I think the early reactions have 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.

Operator

And at this time, I am showing no further questions. [Operator Instructions]

Gregory E. Murphy
Chairman and Chief Executive Officer

Nothing else?

Operator

I'm showing no further questions.

Gregory E. Murphy
Chairman and Chief Executive Officer

Okay, great, I just want to make sure that no one punched in later. All right, 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.