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Earnings Call

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Call Participants

EXECUTIVES

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Senior VP of Investor Relations & Treasurer

John Joseph Marchioni
CEO, President & Chairman

Mark Wilcox

ANALYSTS

Francis John Matten
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Grace Helen Carter
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Jon Paul Newsome
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Presentation

Operator

Good day, everyone. Welcome to Selective Insurance Group's Second Quarter 2023 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, Brad Wilson.

Brad Bryant Wilson
Senior VP of Investor Relations & Treasurer

Thanks, and good morning. We are simulcasting this call on our website, selective.com, and a replay will be available until September 1st. We used 3 measures to discuss our results and business operations. First, we use GAAP financial measures reported in our annual, quarterly and current reports filed with the SEC. Second, we use non-GAAP operating measures, which we believe makes it easier for investors to evaluate our insurance business.

Non-GAAP operating income is net income available to common stockholders, excluding the after-tax impact of net realized gains or losses on investments and unrealized gains or losses on equity securities. Non-GAAP operating return on common equity is non-GAAP operating income divided by average common stockholders' equity. Adjusted book value per common share differs from book value per common share by the exclusion of total after-tax unrealized gains and losses on investments included in accumulated other comprehensive loss or income.

GAAP reconciliations to any referenced non-GAAP financial measures are in our supplemental investor package found on the Investors page of our website. Third, we make statements and projections about our future performance. These are forward-looking statements under the Private Securities Litigation Reform Act of 1995. They are not guarantees of future performance and are subject to risks and uncertainties. We discuss these risks and uncertainties in detail in our annual, quarterly and current reports filed with the SEC. We undertake no obligation to update or revise any forward-looking statement.

Now I'll turn the call over to John Marchioni, our Chairman of the Board, President and Chief Executive Officer, who will be followed by Mark Wilcox, our Executive Vice President, Chief Financial Officer.

John Joseph Marchioni
CEO, President & Chairman

Thank you, Brad. Good morning, and thank you for joining us. The second quarter property casualty industry results were impacted by elevated catastrophe losses. We were no exception, and these losses affected all 3 of our underwriting segments driven mainly by storms in our Midwest and East Coast footprint states. However, with our strong balance sheet, sophisticated underwriting capabilities and robust risk management, Selective is well positioned to navigate the industry's elevated and uncertain loss trends.

In the first half of the year, despite catastrophe losses being about 3 points above expected levels, our operating ROE was 12.2%, slightly above our 12% target. In the quarter, net premiums written growth was an excellent 17%. Our distribution relationships and unique field-based model allowed us to deliver strong new business production while effectively managing our renewal book.

Our consistent approach to underwriting and pricing throughout market cycles is one of the primary reasons our distribution partners make us their carrier of choice. Our strong written premium growth was attributable to new business premiums, which were up 33% and renewal premiums driven by an overall renewal pure price change of 6.4%, strong exposure growth and generally stable retentions.

In Commercial Lines, our flagship segment, new business was up 23%, renewal rate was 6.7% and exposure growth was 4.6%. Across new and renewal, Commercial Lines exposure counts were up a manageable 3%, highlighting the impact of rate and exposure. Personal Lines and E&S also turned in excellent growth of 32% and 20%, respectively. Our proven disciplined execution has positioned us well, and our underlying combined ratio was 90% in the quarter and 90.5% year-to-date. There are 3 main reasons for the improved underlying combined ratio. Lower non-catastrophe property losses year-to-date, continued benefit from the renewal pure rate and a lower expense ratio due to expense discipline and top line growth.

Most importantly, our strong investment income and underlying profitability allowed us to generate an operating ROE in line with our target for the first half of the year and maintain our full year combined ratio guidance despite increasing our catastrophe loss assumption to 6 points from 4.5 points. Weather is inherently volatile, but we have robust risk management, including a prudent reinsurance program, strong aggregation management and a predominant underwriting focus on low to medium hazard risks. Our long-term combined ratio target of 95% is embedded in our pricing plans. Consequently, we should be able to generate ROEs at or above our 12% target given elevated interest rates and a significant ROE contribution from investments, assuming catastrophe losses are at a normalized level.

With our strong capital position and underlying profitability, we continue to pursue attractive growth opportunities, including increasing agency market share and share of wallet in existing states, expansion of excess and surplus lines capabilities, transitioning to a mass affluent portfolio in personal lines and targeted geographic expansion. Geographic expansion is a lower risk way for us to deploy capital. We have a repeatable process and successful approach that is allowing us to accelerate this critical organic growth opportunity. Since 2017, we've added 8 states to our Standard Commercial Lines footprint. These states contributed 2 points of premium growth in the first half of '23. We plan to introduce 5 new states to our standard Commercial Lines footprint over the next 2 to 3 years.

West Virginia and Maine are on track for early 2024, followed by targeted state expansion in the western half of the country. Ultimately, we plan to write standard commercial lines in most of the contiguous United States. This expansion should continue to drive top line growth and further diversify our property book. Our ability to underwrite at a granular level enabled by sophisticated tools, best-in-class talent, strong distribution partner relationships and a customer experience focus differentiates Selective. Throughout pricing cycles over the past dozen years, we consistently achieved renewal pure rate equal to or exceeding expected loss trend.

At the same time, our renewal retention levels increased. We continue to strengthen our portfolio by achieving the necessary renewal pure price and exposure changes to our standard commercial lines property and auto books. During the quarter, property renewal pure rate was up 11.7% with increased exposure of 5.8%, resulting in total renewal premium increase of 18.2%. In commercial auto, renewal pure rate was 9.5%, with increased exposure of 4.3%, resulting in a total renewal premium increase of 14.3%. Excess and surplus lines continued to perform well with 20% premium growth in the quarter and an excellent underlying combined ratio.

E&S was negatively impacted by elevated catastrophe losses in the quarter, which we view as normal quarterly variability, resulting in breakeven underwriting results. However, our strong new and renewal rates and recent underwriting improvements position us well to take advantage of opportunities in the E&S market and continue our profitable growth strategy in this segment. It was a difficult personalized quarter with an elevated combined ratio driven by catastrophe losses and pressure on personal auto margins.

Personal Lines net crease written grew 32% off a small base. Profitability in this segment is not where it needs to be. We are executing a detailed plan as we reposition the book, taking the necessary steps to improve profitability. That said, it will take time to reach target levels of profitability. As we've discussed in recent quarters, we are transitioning to a mass affluent customer base. We see positive early signs that our product and service are hitting the mark as our distribution partners are giving us positive feedback and growing their book with us.

At home, our target customer base represents approximately half of our in-force premium. We believe that focusing on a less price-sensitive customer who values coverage and service better aligns our organizational capabilities with a market where we believe we can succeed over the long term. We are focused on increasing rate to address profitability challenges within this segment. New business rate, which is more responsive to file changes, increased 8% in the quarter compared to 5% in the first quarter.

Directionally, we expect a greater number of rate filings with more meaningful increases in the third and fourth quarters, further accelerating new and renewal pricing.

At the same time, we are taking underwriting actions to improve terms and conditions and restrict new business in areas outside our target market. Overall, Selective is operating from a position of strength. We have the capital to support growth, well-established and differentiated relationships with our distribution partners and the organizational capability to drive disciplined execution to enhance profitability. In a market disrupted by underwriting appetite changes and increased frequency and severity of weather-related and liability losses, we continue to be a stable carrier for our distribution partners.

In early July, we published our third sustainability report. As the industry experiences heightened frequency and severity trends, the report highlights our robust risk management processes that enhance our organization's sustainability. Our strategy includes bringing value to our employees, customers and distribution partners, which drives returns for our shareholders. Ultimately, our people and the relationships they foster are our most enduring competitive advantage and drive the superior financial performance we've generated in recent years. I am confident we have the strategy and execution-oriented culture and to continue delivering profitable growth.

With that, I will turn the call over to Mark to review our financial performance in more detail.

Mark Wilcox

Thank you, John, and good morning. I will focus my comments on providing some more detail on our underwriting and investment performance, capital position and our full year guidance. Before doing so, I'd like to reiterate John's opening point. Despite elevated catastrophe losses in the first half of 2023, we have delivered a 12.2% non-GAAP operating ROE, and we are on track to exceed a 12% ROE target this year.

While the second quarter underwriting result was not where we wanted to be, a strong premium growth, underlying underwriting profitability and higher net investment income position us well to achieve our full year targets as we move into the second half of the year. As preannounced on July 24, we reported $0.92 of fully diluted EPS in the second quarter and $0.99 of non-GAAP operating EPS and year-to-date, fully diluted EPS was $2.41, up 61% compared to the prior year period, and non-GAAP operating EPS was $2.44, down 5%.

Our performance this quarter was driven by significant growth in after-tax net investment income. We have been actively managing our fixed income portfolio in this higher interest rate environment, putting cash flow to work at higher new money rates, meaningfully increasing the pretax book yield of our fixed income portfolio and as expected, that stable core investment income is benefiting our results.

Despite essentially breakeven underwriting results this quarter, we delivered a 9.8% operating ROE. For the quarter, our consolidated combined ratio was 100.2% due to an active catastrophe loss quarter. There were 19 individual PCS events impacting our footprint, primarily in the Midwest and East Coast, contributing to $100 million of net catastrophe losses or 10.6 points on our combined ratio. This was almost double our expectations. No single storm was large enough to attach to our catastrophe reinsurance treaty, which has a $60 million retention.

The largest events in the quarter resulted in $13 million of ultimate net losses. So clearly, it was a frequency-driven GAAP quarter, at least for us. Net favorable prior year casualty reserve development was $3.5 million or 0.4 points on the combined ratio. The favorable reserve development included $7.5 million in favorable claims emersions and workers' compensation, partially offset by $4 million of adverse development in personal auto. Amid elevated inflation in the economy and higher loss cost for the industry, we continue our practice of full reserve reviews each quarter to stay on top of emerging friends. As a reminder, from our February call, we have assumed loss cost of 6.5% for 2023, which includes approximately 7% in property and approximately 6% in casualty.

The underlying combined ratio was a profitable 90% for the quarter and was 1.4 points lower than the prior year period. 1 point of this improvement came from the expense ratio, which is benefiting from a strong premium growth as well as our continued expense discipline. Over the medium and longer term, we remain focused on lowering our expense ratio while ensuring we invest appropriately to support our strategic objectives. The remaining improvement in the underlying combined ratio came from the current accident year loss ratio included within net and non-GAAP property losses of 16.7 points in line with 16.6 points in the second quarter of 2022.

Year-to-date, the underlying combined ratio was a solid 90.5%, 1.7 points lower than we reported in the first half of 2022. 0.3 points of the improvement came from the expense ratio, which was 32% year-to-date compared to 32.3% in the same period last year. The remaining 1.4 points is from an improved underlying loss ratio, driven in part by non-GAAP property losses, which decreased 0.9 points. Underlying casualty loss ratios remain on plan for the year with the exception of postal auto, which we have increased. We expect the personal auto loss ratio to remain elevated for the remainder of the year.

Our updated ex cat combined ratio guidance of 90.5% for the year implies that an underlying combined ratio of approximately 91% for 2023 compared to our original expectations of 92%. This improved outlook is primarily due to lower-than-expected non-GAAP property losses and the better-than-expected expense ratio we have delivered for the first half of the year. As it relates to our Insurance segment, I'd like to highlight the solid underwriting performance in standing Commercial Lines, with a 97.1% combined ratio despite 8.2 points of cat losses and an underlying combined ratio of 89.9%, 1.7 points improved from the prior year period.

While our E&S segment experienced a 100.7% combined ratio due to 17.6 points of cat losses, the underlying combined ratio of 83.1% was strong and almost 10 full percentage points better than the prior year period. It was clearly a disappointing quarter in personal lines from an underwriting profitability perspective with a 126.5 combined ratio driven by 24.3 points of cat losses, non-GAAP property losses running 6.2 points higher than last year, 4.6 points of prior year reserve development and continued pressure on the current accident year in first auto. Returning to investments. Our portfolio remains very well positioned.

As of June 30, 93% of the portfolio was in fixed income and short-term investments with an average credit rating of AA- and an effective duration of 4 years. Risk assets were approximately 9.8% of our portfolio as of June 30, in line with the last quarter. We have taken advantage of high yields and finding opportunities to improve the credit quality and liquidity of the portfolio for remaining underweight risk assets. We've also been decreasing our allocation to floating rate securities, which now represent approximately 8.2% of our fixed income portfolio, down up from 10% at year-end and 17% at the peak.

As we have pared back floaters, we have locked in higher new money rates for longer while managing our overall duration and credit quality targets. This will provide more stability in our forward investment ROE contribution over the next few years. We put $537 million of new money to work in the quarter at an average pretax yield of 5.9%, improving our book yield by 13 basis points to 4.46%. This adds to the approximately 20 basis point increase in the first quarter and 115 basis points last year. At this point, unless we see a move higher in interest rates or a widening of credit spreads, we expect the quarterly increases in book yield we've enjoyed over the last 6 quarters to start tapering off a bit, although at a strong level relative to recent years.

After-tax net investment income for the quarter was $77.8 million, up 37% from a year ago, driven by core fixed income. Alternative investments, which are reported on a 1-quarter lag, generated $9 million of after-tax income, up from $7.3 million from a year ago. The after-tax yield on the total portfolio was 3.9% for the second quarter, translating to a healthy 12.6 points of investment ROE contribution. Our capital position remains extremely strong with $2.7 billion of GAAP equity and $2.5 billion of statutory capital and surplus as of quarter end. Book value per share is up 5.8% this year or 7.4% adjusted for dividends. Operating cash flow remained strong through June 30, improving 21% to $294 million compared to the first 6 months of 2022.

Our parent company's cash and investment position totaled $480 million at June 30, above our long-term target of $180 million. Net premiums written to surplus increased to 1.52x due to our strong premium growth. Debt to capital was stable at 15.9%. We have significant financial flexibility to support our strong growth and execute on our strategic initiatives. We did not repurchase any shares during the quarter, and we have $84.2 million of remaining capacity under our share repurchase authorization. We expect to take an opportunistic approach to share repurchases, given our strong growth and attractive options to deploy capital towards additional organic growth within our core insurance operations.

We successfully completed the renewals of our July 1, 2023, access to loss treaties, which covered standard commercial lines, Standard Personal Lines and E&S. Our casualty access a loss treaty was substantially the same end substantially the same structure as expiring treaty providing $88 million of protection above a $2 million retention for all of our casualty business, deposit premium increased $28.3 million or 33%, reflecting the strong growth in our business, driven by pure renewal rate increases, exposure growth and new business, coupled with a very modest reinsurance rate increase on subject premium and additional reinstatement premium coverage in the first 3 layers.

For our property access to loss treaty, we increased the retention on the first layer from $3 million to $5 million due to strong growth in our property portfolio and the cost of keeping the retention the same. Our modeling of the portfolio resulted in a strong expected economic benefit from increasing the retention, although it will result in marginally more quarterly volatility in our property results. The attachment points and limits for the subsequent layers remain the same with $65 million of coverage. Overall deposit premium on maturity decreased $5.6 million or 11%, reflecting the increased foster retention, partially offset by a risk-adjusted rate increase and growing exposure.

I'll conclude with an update on our guidance. For 2023, we increased our expectations for net catastrophe losses while maintaining other full year expectations as follows: a GAAP combined ratio of 96.5% including 6 points of catastrophe losses, up from 4.5 points previously. This assumes no additional prior accident year reserve development. After tax net investment income of $300 million, including $30 million in after-tax gains from alternative investments, an overall effective tax rate of approximately 21%, which includes an effective tax rate of 20% for net investment income and 21% for all other items, and weighted average shares of $61 million on a diluted basis, which does not reflect any share repurchases we may make under our authorization.
With that, I'll ask the operator to open the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from the line of Paul Newsome from Piper Sandler.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Just maybe a little bit more thoughts on the property underlying do as well as it is. It seems to be going in a little bit different direction than other folks of late. I would have thought there would be a fairly significant claim cost inflation on an underlying basis in those kind of businesses. So maybe there's a business mix difference from others or something along those lines that you've done something different to give you those good results?

John Joseph Marchioni
CEO, President & Chairman

Yes. This is John. I'll start and Mark can certainly add some additional commentary. So I think if we're focused on non-cat property and the contribution to better-than-expected underlying results, I think that's -- you're picking it up correctly. And it's really commercial property, standard commercial property and E&S property that we're seeing run better than expected on both the frequency and a severity basis, whereas with regard to auto physical damage, commercials, I would call it generally in line with expected, whereas personal auto [indiscernible] and home are running a little above expected or in the case of home more than a little bit above expected.

Now remember, last year, when we responded to what we saw as higher-than-expected non-cap property losses. We had essentially incorporated that '22 run rate into our expectation for 2023, number one. Number two is that was the point at which, especially with regards to the commercial property lines and the auto physical damage line, we really started to move rate meaningfully higher. So if you look at what we've been achieving in terms of commercial property and E&S property rates over the last several quarters, plus the exposure increases.

So just -- and I think this is in the prepared commentary, in commercial property -- last year, all-in rate and exposure was about 12% for the full year. This year, it was 17.5% in Q1, 18.2% in Q2. So I think it's a combination of planning based on the run rate we saw in 2022 and then that combination of rate plus exposure. And I would say the settling out of some of the economic inflationary pressures, all combining to produce a better-than-expected result, but it's primarily driven by the property lines in commercial and E&S property.

Jon Paul Newsome
Piper Sandler & Co., Research Division

Great. And I guess the other piece would be the expense ratio continuing to be managed well. Any thoughts on sort of directionally? Is it just holding it where it is today? Or are there other pieces that are changing there that we can think about?

Mark Wilcox

Yes. Well, so I think, clearly, part of the expense ratio improvement that you're seeing is a combination of discipline on managing fixed expenses, but really seeing really strong top line growth. And to the extent we continue to see strong opportunities for growth, especially in our profitable segments of Standard Commercial and E&S, that continues to give us the potential for some additional gains of economies of scale moving forward. Now that said, we continue to make investments, not just in technology but also in ongoing geographic expansion that we think will give us future growth potential. So we're not just going to squeeze expenses that would not benefit us long term, but that -- the benefit of growth that we're seeing with a more controlled approach to fixed expenses is a big part of the driver.

Operator

Our next question comes from the line of Jing Li from KBW.

Jing Li

Just wondering if you can provide any details or data agents turning to Selective for the property coverage as small competitors pull back. So directionally, it seems like a great opportunity to enhance distribution relationships and add-on premium growth. Is there any way to quantify that?

Mark Wilcox

Yes. So I think from our perspective, and this is a long part of our history. We value ourselves as a -- and our agents value us as a consistent partner, consistent underwriting partner. We write business on a package basis. And that includes a certain portion of that being property. And when we think about growing, we're not just looking to chase dislocated markets.

We're looking to maximize growth in segments of the market that we have a lot of experience and a proven track record in. We continue to see opportunities to acquire high-quality accounts and it's driving our new business. But from a mix perspective, that mix by line and that mix by industry classification continues to be relatively consistent. But what you are seeing is you're seeing a little bit more growth in the property line because that same exposure change and price change that we're showing you on the renewal portfolio is also impacting the average property line size on the new business that we're writing.

So I guess a long way of saying we're a consistent underwriter. We underwrite and our growth is coming from segments of the market that we're comfortable and have a long history in and that will continue to be our philosophy. And with the growth we're seeing in our existing footprint with our existing agency partners and the ongoing benefit of geographic expansion, which will continue over the next several years, there are really strong growth opportunities ahead for us, and we're going to stick to our knitting from an underwriting perspective.

Jing Li

Got it. My second question is on workers' compensation. So the reported loss ratio for workers' comp has rose by around 40 basis points is any of that true-up of the Q1 results? Or can you provide any more details on the drivers behind that?

John Joseph Marchioni
CEO, President & Chairman

On an underlying basis for workers' comp, the quarter-over-quarter is pretty flat. You had a little bit more favorable emergence in the first quarter and on a full year basis than you had in Q2. But if you think about that on a -- I'll call it, an accident year basis, just strip out the favorable development, it's running in the mid-94% kind of range -- and as we've talked about, the pricing in that line has been relatively flattish, slightly down. It's actually down about 1% through the first 6 months of the year, but we continue to see reasonably favorable loss trends.

I would say, frequencies have been -- have kind of leveled out now, but medical inflation, when you look at the component parts of the CPI that impact workers' comp continue to be in the mid-3% range. And again, it's hospital services, physician services are the 2 primary drivers of workers' comp, medical costs and then a little bit of pharmaceutical. But if you blend those together, that medical inflationary rate is still running below wage inflation, which is driving the year-over-year premium change from an exposure basis.

Operator

Our next question comes from the line of Grace Carter from Bank of America.

Grace Helen Carter
BofA Securities, Research Division

I guess looking at the pure renewal rate in standard commercial, it decelerated just a little bit quarter-over-quarter. We had seen across the industry. Some peers had reported some pretty sharp acceleration. So I was just curious if that's a matter of getting ahead of the rate environment -- sorry, the loss cost environment ahead of peers or if that's more of a mix impact, given maybe a higher skew towards casualty versus property lines? And just if we should expect that to accelerate for the rest of the year.

John Joseph Marchioni
CEO, President & Chairman

So I would say -- and you point out, it's -- I'll call it relatively flattish. I wouldn't necessarily call it decelerating in any way. But I would suggest that we saw the acceleration from Q4 2022 to Q1 from going from the mid-5% to 7% on a pure renewal rate basis. And I think that's really the point we would make and that sort of corresponds with our updated view of loss trends, which we took to 6.5% embedded in our '23 loss ratios.

So that's -- it's been a consistent story. If I were to look line by line from Q1 to Q2, there's no meaningful movement in either direction. It's tens of a point here and there that get us to that 67%. We think, overall, looking forward, the pricing environment in standard commercial remains constructive. And I know a lot of companies like to report the rate, excluding workers' comp. So I'll do it. It was 7.9% on a year-to-date basis, 7.7% 25%, and that compares to our loss trends on casualty, excluding comp of about $6.8 million. So there's a favorable gap there.

We continue to monitor loss trends like we always do from both an economic and a social inflationary perspective, both frequency and severity and react accordingly and adjust our pricing plan accordingly. But I would say, overall, the market remains constructive. Our rate remains consistently strong, and our retentions continue to hold up very well.

Grace Helen Carter
BofA Securities, Research Division

And I guess looking at rate and pricing and standard personal lines, I think you had previously mentioned that switching to the mass affluent market last year maybe cause getting a little bit behind relative to the industry on pricing and maybe requiring some catch up this year. I was just curious, I mean, obviously, the entire industry is going to need significantly more pricing than expected as of the end of last year. But do you feel like you've caught up to where the industry is on pricing for personal lines? Or is there still maybe a little bit more of the catch-up to go there for the rest of the year?

John Joseph Marchioni
CEO, President & Chairman

Yes. No, I appreciate the question. And we don't really think about it in terms of catching up to where the industry is. We really think about catching up to where we think rate needs to be, and that continues to be our focus. We have -- we were a little bit slower to react, as you point out, and it was largely driven by the middle of the transition and transformation we were going through to focus on the affluent market. We highlight new business rate because that's extremely responsive to the impact of filed and approved rates, and that was at 8% in the quarter. We expect to see that continue to go higher through the balance of the year.

And as we look at the pricing that we have either filed or in-flight or insight, I would expect our new and renewal rate as we go through all of 2024 to be in the mid-teens. And I think the big open question is what happens with loss trends. And that will determine whether that is an adequate rate level for all of 24 or whether it needs to go higher. But again, this is all based on how we think about achieving our targets. I think there's a lot of parallels in where we are right now with personal lines as to where we were with E&S a couple of years ago. And I think we've got a proven ability to address profitability in the pockets where they exist, and that's our approach with regard to personal lines.

Operator

Our next question comes from the line of Mike Zaremski from BMO Capital Markets.

Francis John Matten
BMO Capital Markets Equity Research

This is Jack on for Mike. With one question. So payable reserve development within Commercial Lines has been declining for many insurers, including Selective. Does that data point correlate with rising rates of social inflation on longer-tail lines? Any commentary on loss cost trends or reserve development details would be helpful.

John Joseph Marchioni
CEO, President & Chairman

Let me start on loss trends, and then I'll have Mark add some commentary relative to development. If you look back for us over the last couple of years, we've continued to move higher with regard to our expected loss trend. And as Mark included in his prepared comments, it was at 6.5% for 2023, 6% for casualty, 7% for property. And that casualty expected loss trend that we cite as it is in every prior year, is fully embedded into our loss picks. And I think the big question is how do companies feel about their current year loss picks and do they feel like they've effectively built in their view of loss trends into those casualty loss picks.

And I would say we can say confidently that yes, we continue to feel good about that and we monitor that very closely. The other point that we made when we laid out our loss trend expectations is that for casualty, in particular, was largely severity driven. And that's where you incorporate your views of social inflationary trends. So I would say that we have seen social inflationary trends impacting severity in our historic -- more recent accident year historical loss trends and naturally what drove us to continue to move higher with our forward loss trend assumptions, and we will continue to evaluate those as we go forward as we always do.

Mark Wilcox

And perhaps the only thing I'd add is from a reserve development perspective, of course, each quarter, we book our best estimate of the ultimate cost to settle the claims. We have had 17 consecutive years of favorable reserve development going on 18 years now. Over the last couple of years, workers' compensation has been less of a growth line of business compared to some of the other lines.

So it's starting to represent a smaller proportion of our reserve inventory. And I think when you look at the level of reserve development, which again was favorable in the quarter, the big shift that we've seen from the last couple of years is personal auto becoming a little bit of a drag. We increased the prior year reserves by $2 million in the first quarter and $4 million this quarter, if you back that out. The trends are pretty consistent, albeit workers comp has shown a little less favorable emergence than we've seen in the last couple of years, but it's still trending favorably.

John Joseph Marchioni
CEO, President & Chairman

And general liability has been a fairly stable line from a development perspective for the better part of the last 1.5 years or so. And I think the other important point is social inflation, while it could impact frequencies as much more of an impact on severities, -- and I think that's why we've always taken an approach to allow severities to age a little bit, especially in the more recent accident years to make sure that what we've incorporated for social inflationary considerations has time to show itself, and we don't react too quickly to what might appear to be better-than-expected emergence.

Operator

[Operator Instructions] At this time, speakers, we show no further questions in queue. I will now hand the call over back to you, John. Thank you.

John Joseph Marchioni
CEO, President & Chairman

Well, thank you all for joining us. We appreciate your participation. And as always, feel free to reach out to Brad with any additional questions. That concludes today's conference.

Operator
Thank you all for participating. You may now disconnect.