Selective Insurance Group, Inc.
NasdaqGS:SIGI
FQ1 2014 Earnings Call Transcripts

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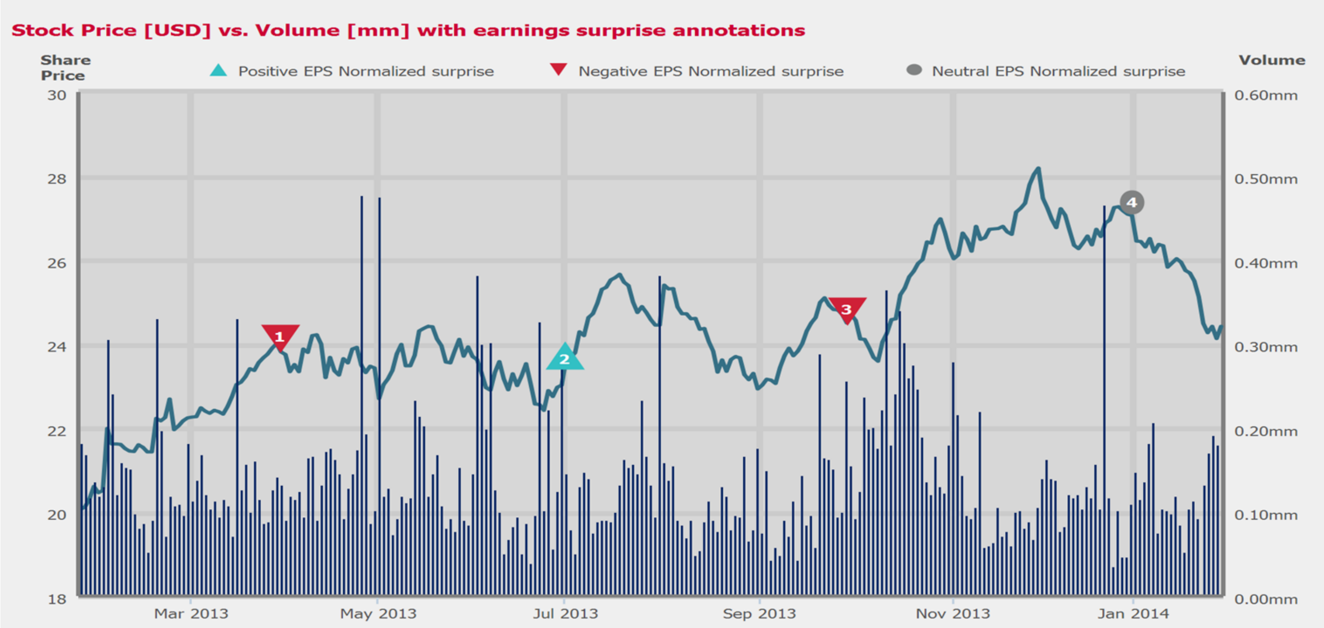
S&P Global Market Intelligence Estimates

	-FQ1 2014-			-FQ2 2014-	-FY 2014-	-FY 2015-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.33	0.23	(30.30 %)	0.50	1.94	2.25
Revenue (mm)	493.53	509.07	3.15	505.11	2016.72	2163.57

Currency: USD
Consensus as of Apr-24-2014 4:19 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2013	0.38	0.36	(5.26 %)
FQ2 2013	0.35	0.42	20.00 %
FQ3 2013	0.44	0.42	(4.55 %)
FQ4 2013	0.45	0.45	0.00 %

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Call Participants

EXECUTIVES

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Gregory Edward Murphy
Chairman & CEO

Jennifer Wilson DiBerardino
Former Sr. Vice President, Investor Relations & Treasurer

John Joseph Marchioni
President & COO

ANALYSTS

Bijan Moazami
Guggenheim Securities, LLC, Research Division

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 First Quarter 2014 Earnings Release Conference Call. At this time, for opening remarks and introductions, I would now like to turn the call over to Senior Vice President, Investor Relations and Treasurer, Ms. Jennifer DiBerardino.

Jennifer Wilson DiBerardino
Former Sr. Vice President, Investor Relations & Treasurer

Thank you. Good morning. And welcome to Selective Insurance Group's first quarter 2014 conference call. This call is being simulcast on our website and the replay will be available through May 27, 2014. A supplemental investor package, which contains 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 and 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-Q 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 today on the call 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 first quarter results.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Thanks, Jen, and good morning. We reported operating income per diluted share of $0.23 in the first quarter compared to $0.36 a year ago.

The first quarter statutory combined ratio of 100.8% was up from 96.8% last year. Extreme winter weather was a big driver of results, but there were a number of unusual items that impacted the first quarter both positively and negatively.

First catastrophe losses for the quarter totaled $34 million or 7.5 points compared to $1.6 million or 0.4 points in the first quarter of last year. The majority of these catastrophe losses were attributed to PCS defined CAT 31 and 32 in January, when the polar vortex event and snowstorms hit our 22-state standard lines footprint. Despite the catastrophe loss activity in the first quarter, we are still comfortable with our expectation for 4 points of CAT losses for 2014.

Second this quarter’s results included some of the highest levels of non-catastrophe property losses that was experienced in recent years. The impact varied by line, but overall non-CAT property losses for the first quarter were about six points a year than the non-CAT property loss quarterly average over the last 4 years.

These non-CAT property losses were primarily the result of roof collapses, frozen pipes and fires, which were often related to the extreme weather experienced throughout our footprint states. Third this quarter results included $8 million or 1.7 points in other income from the March 2014 sale of renewal rights to our book of pooled public entity business.

Although we did not solicit buyers we decided to sell this very small and specialized book of business when the opportunity presented itself because it had significant production outside of our standard lines footprint and proved difficult to grow. Having said that, we are maintaining our significant commitments to individual risk public entity business and will continue to look for opportunities to grow that.

Fourth, favorable prior year casualty development in the quarter was $14 million, or 3.1 points compared to favorable prior year casualty development of $2 million or 0.4 point in the first quarter of 2013. The higher net favorable development was driven by stable workers' compensation trends in the quarter with no development either favorable or unfavorable.

Net favorable development in the 2014 first quarter resulted from continuing improving claim trends with general liability for the 2009 to 2012 accident years, and this reflected the rigor and integrity of our reserving process. Netting out the catastrophe development and unusual items discussed results in an adjusted statutory combined ratio of 93.1% in the first quarter of 2014 compared to 96.8% a year ago. This improvement primarily reflects full year 2013 renewal pure price achieved of 7.6%, which is currently earning in at 7.3%. After substracting loss trends the pricing actions taken in 2013 are lowering the combined ratio by about 2.5 points.

Total statutory net premiums written were up 6% in the quarter, with standard commercial lines up 7%. Standard commercial lines growth continued to be largely driven by renewal pure price, which was up 6.4% in the quarter, and retention, which increased 1 point to 84%.

In ex-catastrophe standard commercial lines statutory combined ratio is 92.9% in the first quarter. This included a 2.1 point benefit to the statutory expense ratio as a result of the public entity self-insured group sale, as expected commercial property [Indiscernible] was negatively impacted by weather losses in the quarter. On an ex-CAT basis, these lines generated combined ratios of 99.9% and 97% respectively. Conversely, general liability and commercial auto reported strong results of 80.7% and 94.7% excluding catastrophes respectively.

Personal lines net premiums written declined 2% in the quarter reflecting our strategic nonrenewal of dwelling fire business and a reduction in mono-line homeowners.

The personal lines statutory combined ratio ex-catastrophes in the quarter was 93.4%. Pricing continued to be strong in personal lines led by homeowners, and we are seeing the benefits of our pricing success in the results.

Our E&S operations grew net premiums written by 6% in the quarter and generated a profitable statutory combined ratio of 97.3%, excluding 0.6 point in catastrophe losses compared to 97.2% a year ago. As we continue to improve the profitability of our newest segment, we believe this business will perform in line with our overall expectations for the full year.

Turning to investments. First quarter after-tax and net investment income was up 7% to $26 million. The increase was a result of higher income from alternatives and fixed-income investments.

Investment assets increased 1% over December 31, 2013. At 1.9%, after-tax new money rates on fixed-income securities in the quarter were below our 2014 estimate of 2.25%, and the overall portfolio's after-tax yield of 2.3% remained flat from both the year ago and year-end 2013.

The overall portfolio unrealized gain position increased from $79 million pre-tax at year-end 2013 to $105 million. Also the quarter end unrecognized gain position and the fixed income held-to-maturity portfolio was $21 million pre-tax or $0.25 per share after-tax. Our fixed income portfolio maintains a high credit quality of AA- and a duration of 3.5 years, including short-term investments.

Surplus and stockholders' equity ended the quarter at $1.3 billion and $1.2 billion respectively, and book value per share was $21.90, up 2% from year-end 2013. Our premium surplus ratio was up slightly from year-end at 1.5 to 1. Annualized operating ROE for the quarter was 4.5% and total ROE was 6.1%. This compares to our weighted average cost of capital of 8.6%.

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

John Joseph Marchioni
President & COO

Thanks Dale, and good morning. The initiatives that we continue to execute across the organization are positioning as well to achieve our stated profitability targets. We cannot control the weather, so remain focused on the areas within our control and remain confident in our ability to meet our 2014 profitability goal.

Our relationships with an elite group of independent agents are a competitive advantage for Selective. This is affirmed by the strong feedback that we have with our agents. In addition to performing independent surveys, regular interactions with agents provide opportunities to communicate our strategy while also receiving specific and actionable feedback.

Currently we have approximately 1100 independent agency relationships, which represent about 1900 storefronts. For commercial lines, Selective holds one of the top 3 spots and approximately 60% of our agencies represented us for 5 years or more. Holding the top 3 position in an agent’s office provides us with a more consistent first and often last look at business opportunity.

The strength of our relationships is also evidenced by our successful balancing of rate of retention over the last 5 years. In the first quarter we achieved standard commercial lines renewal pure price of 6.4% and retention improved 1 point from a year ago to 84%. Our ability to granularly price business resulted in a pure rate of 5% and point of renewal retention of 89% on our highest quality accounts, which represent 57% of our standard commercial renewal book.

In our lowest quality accounts, we achieved a pure rate of 12% and point of renewal retention of 78%. These accounts represent 8% of our standard commercial renewal book. From a new business perspective we experienced greater competitive pressure in the quarter, which was evidenced by a decline in submission in quote activity compared to last year. As a result, new business production within standard commercial lines was down slightly at $69 million. Despite a recent heightening of competitive pressure, we are excited about the opportunities to grow our business in a disciplined and thoughtful manner in 3 main areas.

First our E&S business, which we entered in 2012 through 2 acquisitions provides both product and geographic diversification. The business is written across all 50 states and we have an opportunity to capitalize on retail agency relationships within our standard operating footprint to drive business through our E&S wholesale partners.

Second, we continue to build out our product portfolio by improving existing coverages and rolling out new products, while staying within markets and product lines where we already have established expertise. And third, we believe there are geographic areas within our standard lines footprint, where we can add agency storefronts to increase market share without compromising our franchise value model.

We look at this opportunity from 2 perspectives, maximizing both the amount of the overall market that our agents control and the share of wallet that we write within each of our agents offices. As a general rule of thumb, if our agents control 20% of the market and we’re able to garner a 15% share of wallet the result is a 3% market share. As we currently stand at 1% or less share in 17 states out of our 22 state footprint this represents a significant growth opportunity.

Within excess and surplus lines profitability improved over 2013 levels. In the first quarter statutory combined ratio was up 97.9% and total premium was up 6%. While growth in this quarter was tempered, with our conversion to a single underwriting guide for all of our wholesale agency partners we remain confident in our ability to accelerate growth going forward.

E&S renewal pure price was up 4.1% in the first quarter and we continued to take aggressive underwriting actions on the poorest performing segments. Our expectations for the E&S renewal pricing in 2014 is in the 6% to 7% range. In 2014 we will be implementing new policy administration technology within the E&S business in an effort to automate workflows and improve efficiency. Initial wholesaler feedback regarding this system has been very positive and we expect our ambition is to help drive growth in this business moving forward.

Personal lines profitability continues to improve after normalizing the impact of CAT and non-CAT property losses. Net premiums written were down 2% as new business declined 19% to $8 million mainly due to reduction in monoline homeowners. Additionally retention declined from 87% to 82% in the first quarter of 2013 in part due to our strategic nonrenewal of dwelling fire policies as well as targeted nonrenewal action on underperforming auto and all.

Personal lines renewal pure price increased 6.8% in the quarter, which was slightly ahead of our expectations for the quarter, but in line with our 2014 expectations, we achieved 6% to 7% renewal rate in personal lines. In homeowners, our statutory combined ratio was 121.7 including 23.6 points of catastrophe losses as we achieved renewal pure price increases of 10.9%.

Non-CAT property losses in the quarter were 52 points, an increase of 9 points from the year ago largely due to the extreme weather. We continue to target a homeowners combined ratio of approximately 90% in a normal capacity year and will drive the necessary rate and underwriting action to achieve this goal.

Personal auto produced 100.9 combined ratio in the quarter. The results are benefited by $2 million or 5.2 points of favorable prior year development. This reflects the continuation of recent reserving trends we have experienced within personal auto liability. Renewal pure price increases in the quarter were 3.6% and we expect improvement in this line as a result of continued rate and increase in the agent book.

Now I will turn the call over to Greg.

Gregory Edward Murphy
Chairman & CEO

Thank you, John, and good morning. First quarter had some items that impacted our results in both directions, but overall we continue to have confidence in our ability to achieve our 2014 ex CAT statutory combined ratio goal of 92, and generating an ROE about 200 basis points higher than our cost of capital.

Our ex-CAT statutory combined ratio for the quarter was 93.3, about 90 basis points above our first quarter budget. In addition, we had unusually high non-catastrophe property losses that added 6 points to our overall statutory combined ratio when compared with the quarterly average over the past 3 year period. These losses were mostly offset by 3.1 points of favorable prior year casualty reserve development and 1.7 points from the sale of our SIG business.

In our experience, the early months of the year tend to be more competitive as carriers try to start off the year with strong premium production. We have heard from our regional managers that the first quarter was very competitive. What remains to be seen if this is the usual first quarter competition or market shift. Our ability to increase standard commercial lines pure price by 6.4% in the quarter is due to the hard work of our employees and agency clients.

Despite the increased competition, we are pleased with our ability to achieve rates in line with our 2014 guidance of 6% to 7% renewal pure price increases. For 2014 our overall earned renewal pure price increase is 7.3%, about 430 basis points above our expected loss trend. This allowed the impact of reducing our combined ratio by approximately 2.5 points this year. Pricing in combination with our underwriting and claims improvements will help us achieve our 2014 goal.

In 2014, A.M. Best is forecasting a commercial lines combined ratio of 99.9 and a personal lines combined ratio of 99.2. Their primary assumption of the forecast are for less favorable development and a more normal level of catastrophe losses. Including some level of normal GDP growth, they also forecast industry net premium written to increase only 4%, which indicates to us that rate is barely keeping pace with loss trend. A.M. Best is also forecasting industry 2014 return on surplus to be in the 6% to 8% range.

If these levels would return in fact during the ongoing low interest rate environment publicly traded carriers could find their stock prices under pressure. The gap between rate and trend is the leading indicator for future performance. Given current industry pricing trends and the A.M. Best combined ratio forecast the industry could struggle to meet its cost of capital in 2014.

Additionally the rate and underwriting improvements that the industry achieves in 2014 sets the table for 2015 performance. Based on the first quarter results and what we currently see in the market, our 2014 guidance is as follows, an ex-catastrophe statutory combined ratio of 92, which includes no prior year additional casualty development, 4 points of catastrophe losses for the year, after-tax investment income of approximately $100 million, weighted average shares of 57.4 million.
Now I will turn the call over to the operator for your questions.

Question and Answer

Operator

[Operator instructions] Our first question comes from Vincent DeAugustino from KBW. Your line is open.

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

Just to start off, Greg, to your point about the competitive pressures early in the year, I think based on what you guys had disclosed on pricing through February that maybe the pace picked up just ever so slightly in March, and perhaps I'm just splitting hairs here, but if that is the case does that speak to your commentary that might be kind of implying that pricing could pick up here as some of this early competitiveness in the year wanes as we work a little bit deeper into the year?

Gregory Edward Murphy
Chairman & CEO

Yes, Vince, I don't know if I would put that much credibility on month-to-month movements with the numbers. I think, you know, our commentary around what you see in the industry I think is based on some of the results we see in our competitors at least in terms of their pure price and I would say what we really put a fair amount of confidence in is the [Indiscernible], their price indications. I think we are curiously awaiting that to come out for the first quarter, but we are not backing off our 6% to 7% commercial lines trend.

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

Okay, good, good. So, one other bigger picture question, we have been hearing more about how growing use of pricing analytics is helping drive more intelligent pricing and therefore that is kind of shrinking the amplitude of the pricing cycle and so to -- to kind of run with that I am just curious from what you have seen if the greater use of analytics has also shrunk, the standard deviation around the mean on prices insurers compete for a piece of the business, and the reason I ask is, kind of just looking at that I am wondering if that kind of dynamic would also lead to just less as far as insured is actually looking at a "less reliance on just price alone and whether some of these service attributes that is selective is really based on." If that ends up helping you guys winning more business through this involvement, so I'm just kind of curious if you are seeing that play out or if you would potentially expect that to kind of emerge as we see more analytics usage?

John Joseph Marchioni
President & COO

Vince, this is John, let me take a crack on a couple of questions you had in there. With regard to customer focus and reliance on service rather than price, if you see convergence around pricing because everybody gets more sophisticated, I would say there is no question buyer habits vary from customer to customer, and I think there have always been customers who are going to put some sort of a value on service and that will incent them to stay with a company or to go to a company not necessarily with the lowest price. And I would say that if you look at our retention and also our ability to maintain a top spot in a lot of our agents' offices, it is because we bring that to the table and they don't just compete on price with our product. Now that said there are always going to be other segments of the customer base that are going to look at price first. There are producers that are going to sell on price, so that dynamic will always be there. With regard to the marketplace generally, there has been I would say an increase in how companies build and deploy modeling capabilities to get more granular and matching price to risk. What I would say is we are still saying a very wide variance from company to company even though as they use modeling as to what their model output would indicate account by account. So I don't think that is going to drive convergence, and I would say you also still see companies that are deploying their pricing strategies pretty much across the board, which I would say for the last couple of years has provided us new business opportunities for quality accounts that may have been a little bit overpriced if they fail to recognize. So, you know, in a perfect world you would see that convergence. I don't think that is where we live at this point in commercial lines arena.

Gregory Edward Murphy
Chairman & CEO

And this is Greg. And I would add to that the information, if you guys looked at it in the world you live and the information ratio in commercial lines is all over the price relative to account, segment and to really fix that industry-wide you are going to need more of holitisc movement in rates, a much higher rate structure, so it will allow the flexibility to increase rates on the segmentations where you need while also decrease rates more along the information ratio. As John said, that is like a scatter [indiscernible] right now across every one of the sectors in [Indiscernible] business and we constantly try and move closer and closer to that, but the industry is all over the place and I think unlike the previous market cycles this could be a cycle where, not everybody benefits from the increased price because there is adverse selection out there that we could get weaker and not know it, because like John mentioned they could losing some of the better accounts as they socialize rate across their book, lose some of their better accounts and then underwrite more of the worst accounts in the market that other companies are putting into the marketplace. So it is an interesting dynamic because this is the first I will call it many cycles that we have gone through where there is varying degree of sophistication on commercial lines. So, you better understand that you are not playing with competition at the same level of sophistication. It is all over the place, which then makes market pricing more difficult. And that is kind of a long answer, but that is how the transition of the commercial lines marketplace is today.

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

That's really helpful and just one quick numbers question, on the renewal right sale, will there be potentially any other impact to lines like workers comp where we might be seeing premiums come out or is that just all within the other line?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Yes, basically the sales price is all within the other income, but obviously other income then gets allocated to the various lines of commercial lines of business. So there is a small impact in every single line, commercial line of business.

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

Okay. Some – if not for by line because you are clearly doing that reconciliation probably doesn't make sense in this venue, but would you be able to say what the aggregate premium production was from that business?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

It was approximately $38 million.

Operator

Thank you. Our next question comes from Bijan Moazami from Guggenheim. Your line is open.

Bijan Moazami
Guggenheim Securities, LLC, Research Division

I have a couple of questions for John and Greg and then a follow up with Dale, the first question is a follow up really to a previous question on rate increases, one of your competitors, Travellers, got about 6% or 7% rate increase and they were saying the slowdown is not because there is more competition or they have more of an appetite to gain market share, but it is just because of so few accounts that meet double-digit rate hikes. So the point is that I really see a little bit of a dichotomy between John's comment about a decline in submission in quotes versus what Travellers was saying in their conference call. I just wanted to reconcile those points?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

So, Bijan, I will take a crack at it and then Greg can follow on, what I would suggest is, Greg indicated what the recent pricing surveys and recent disclosures from competitors around a drop off in rate level that we are actually experiencing. If you believe that rate is starting to come down a little bit market-wide, you could follow that through and say that as a result of rates coming down there is less pressure on agents to shop their renewals because the customer is getting smaller increases are not necessarily pushing them to market their renewal, and that would result in less submission activity and less new business opportunities and I think that is how you would try to piece that together.

Gregory Edward Murphy
Chairman & CEO

And I would say, Bijan, relative to the overall rate where you see it, it is different for every company depending on where they are today relative to their level of profitability and whether they are on target. So I think it is tough to make company to company comparisons without understanding where their underlying fundamentals are, where their goals are but I would say that, as you settle back, you need to think about, rate equaling trend as you start to get to a more stable environment then if that's your interpretation of their conference call that is very plausible.

Bijan Moazami
Guggenheim Securities, LLC, Research Division

Okay, and then as far as the loss cost trend of 300 basis points goes, where is that coming from and is it accelerating or decelerating? So effectively is the margin expanding or decreasing between the 2 numbers?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

The loss trends have been pretty stable over the last 4 to 5 years at roughly 3%. I mean it does fluctuated a bit between 2.8% and 3.1% or whatever so it's -- but it has been relatively stable. So we are really not seeing a lot of movement in that on a overall basis. So really the only movement that we do see an overall loss trends quite frankly is our own internal efforts to reduce losses both on the claim side and on the underwriting side.

Bijan Moazami
Guggenheim Securities, LLC, Research Division

So no direct correlation between that loss trend and potentially that 3.1 points of reserve releases that you had during the quarter.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

No, there is no change in loss trends that has led to that release in reserves. Basically, it's just -- our analysis of it. And really the biggest driver quite frankly in having a larger number this quarter is the fact that we have no development on workers' comp and we have been seeing adverse development on workers' comp. So once you remove that out of the equation, the net number allows all the positives that we have seen in all the other lines to truly show through.

Bijan Moazami
Guggenheim Securities, LLC, Research Division

And one last question before I re-queue, I was wondering if you could clarify a little bit between CAT losses and non-CAT property losses. In particular if you have the winter freeze and you have a sprinkler freezing would that go into property non-CAT loss and is there any kind of seasonality in that item throughout the year because you are pointing out that 6 point above historical average. I am just trying to figure out what the seasonality of that is throughout the year?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Sure. So basically what transpires is if a particular loss can be attributed within the date range that PCS assigns to an individual catastrophe then it falls into the catastrophe loss category. If however, it is a loss that develops over a little bit longer period of time, often times a freezing pipe or ice damming on a roof or even sometimes the roof collapses, there can't be necessarily attributed to a precise day of loss that we would put it under the PCS range would make it a non-CAT property loss even though we would know that it was weather related. Those occur obviously ever single quarter has non-CAT property losses in it. There is some volatility to that number that is not necessarily seasonal. I mean you will see it with thunderstorms in the spring time, you will see it occasionally with actually thunderstorms in the summer time also and early winter freezes in the fourth quarter, all those things can lead to higher non-CAT property losses in any given quarter but every single quarter has non-CAT property losses.

Bijan Moazami
Guggenheim Securities, LLC, Research Division

Great and one very last quick question, on the public entity renewal right sale, is there any further benefit coming through that expense ratio going forward so is there any further payments on top of that $8 million?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

No, it's all recognized here in the first quarter. There is no ongoing commitment.

Operator

Thank you. [Operator instructions] Our next question or comment comes from Scott Heleniak from RBC. Your line is open.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Just wanted you to talk about the new business environment, I know you touched a little bit in your comments but was there any particular class of business in the first quarter coming in that you maybe thought you were going to be able to grow your new business and it is a little more competitive, anything at all that stands out there?

John Joseph Marchioni
President & COO

This is John. I would say the pressures we saw are the slight reduction in submission activity was fairly consistent across class and region. There is nothing really that stands out and part of it is we are a balanced rider on the commercial lines side and our mix of business across the segments that we compete in is fairly balanced. We have talked over time about the contractors, non-contractors mix but even within that the contractors segment is a fairly balanced mix. So I would say there is nothing there that drives our performance that we would look at and say because that became more competitive that impacted overall new business that we are in.

Bijan Moazami
Guggenheim Securities, LLC, Research Division

Would you say those comments are similar for the E&S unit as well as the commercial lines?

John Joseph Marchioni
President & COO

Yes, I would say E&S is a little bit of a different story. Just in that we continue to work through integration. We continue to convert to a single set of underwriting guidelines and product and pricing structure as we -- as we integrated together our 2 operations and I do think that causes a little bit of internal distraction as we go through that, and I would say that probably impacted our new business production in the first quarter, but I would say that being through that combined with what is soon to be a roll out of a new technology platform which will improve ease of doing business will create those opportunities going forward. So I would say that may be as much about some of our internal integration work as it was about any market change in E&S.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay, that is helpful and then first of all you guys talked about nonrenewing some of the monoline homeowners accounts and some fire accounts and I know you guys have been doing that since the past year so -- and I am just wondering how far along you are in this process, is that something we should continue to expect to see throughout 2014?

John Joseph Marchioni
President & COO

Yes, so on dwelling fire, dwelling property line, that renewal -- non-renewal of that book entirely started in January of this year and actually in New Jersey, which is probably the biggest part of our growing fire book, that's due to the start in July of this year. So that's -- you will continue to see that put pressure on retention levels but again that’s not a -- that was not a major line of business for us. So the impact is not going to increase on a go forward basis. With regard to there was a couple of targeted books of business on the homeowner side that weren’t too heavily balanced towards monoline homeowner that we continue to take action on and you will continue to see that at a similar pace over the balance of the year.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay. And then the follow-up question is the no development on workers comp after you had seen it past few quarters and was there anything in particular, any accident year or anything in particular you saw the trends that you may feel better that looked a little better why that didn’t happen, why that was essentially neutral?

John Joseph Marchioni
President & COO

It's just -- I would say that all of the accident years performed in a much narrower range this past quarter. So we did still have some accident years with very slight negatives and other accident years with very slight positives and net-net they all evened each other out. So it was fairly well behaved across the board and for me that's a very good sign also, not just that the overall netted out to a zero but all the accident years were fairly well behaved in a narrow band.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Yes, absolutely.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Based on the historical developments in the line [Indiscernible] obviously that has increased our more recent picks over time that I think gives us a little bit more confidence in our selections today.

Operator

Thank you. [Operator instructions] And I am currently showing no further questions or comments at this time.

Gregory Edward Murphy
Chairman & CEO

Well thank you very much for your participation in the call this morning. If you have any follow-up up questions please contact Jennifer or Dale. Thank you very much.

Operator
That concludes today's conference call. Thank you for your participation. You may disconnect at this time.