S&P Global
Market Intelligence

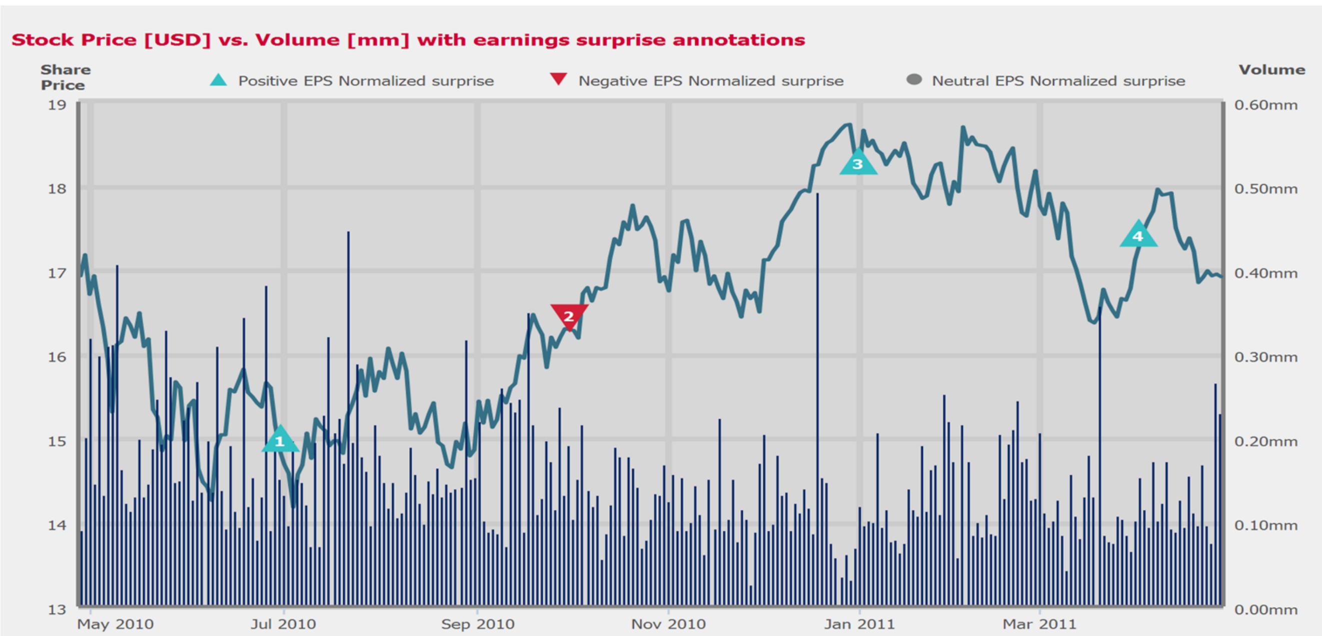
Selective Insurance Group, Inc. NasdaqGS:SIGI
FQ2 2011 Earnings Call Transcripts

Thursday, July 28, 2011 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ2 2011-			-FQ3 2011-	-FY 2011-	-FY 2012-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.02	0.01	(50.00 %)	0.36	1.11	1.59
Revenue (mm)	388.11	399.57	2.95	394.20	1575.53	1614.13

Currency: USD
Consensus as of Jul-28-2011 1:18 PM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ2 2010	0.38	0.41	7.89 %
FQ3 2010	0.38	0.35	(7.89 %)
FQ4 2010	0.38	0.48	26.32 %
FQ1 2011	0.29	0.32	10.34 %

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EXECUTIVES

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Greg Murphy

Jennifer DiBerardino

John Joseph Marchioni
President & COO

ANALYSTS

Alison Jacobowitz
Bank of America Merrill Lynch

Doug Mewhirter
RBC Capital Markets

Gregory Murphy

Neil Cybart
KBW

Rich Mortell
Piper Jaffray

Unidentified Company Speaker

Presentation

Operator

Good day everyone. Welcome to the Selective Insurance Group's Second Quarter 2011 Earnings Release Conference Call. At this time, for opening remarks and introduction, I'd like to turn the call over to Senior Vice President, Investor Relations and Treasurer, Ms. Jennifer DiBerardino. You may begin.

Jennifer DiBerardino

Thank you. Good morning, and welcome to Selective Insurance Group's Second Quarter 2011 Conference Call. This call is being simulcast on our website and the replay will be available through August 26, 2011. A supplemental investor package, which includes GAAP reconciliations of non-GAAP financial measures referred to on this call is available on the Investor's page of our website at 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 US 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 statement.

Joining me today on the call are the following members of Selective's Executive Management Team: Greg Murphy, CEO; Dale Thatcher, CFO; John Marchioni, EVP of Insurance Operations; and Ron Zaleski, Chief Actuary.

Now, I'll turn the call over to Dale to review the quarter results.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Thanks, Jen. Good morning. The industry has faced unprecedented catastrophe from tornadoes, earthquakes and other weather events through the first six months of 2011 and Selective was not immune. Despite our second quarter catastrophe losses of $38 million our underlying results reflect some very positive trends in the market place. Commercial lines premium grew 6% in the quarter, the first positive growth in 13 quarters. New business in the quarter stabilized and is showing signs of becoming positive as well. While it is still too early to call it a hard market, we are seeing some early indications.

For the quarter, we reported operating incomer per diluted share of $0.01 compared to $0.41 a year ago. While earnings were reduced by catastrophes losses, positive offsets included higher than anticipated net investment income from alternative investments and ongoing favorable prior year casualty development.

The second quarter's statutory combined ratio was 109.5%, an increase of 8.5 points from a year ago. Catastrophe losses added 10.7 points but were partially offset by favorable prior year casualty reserve development of $5 million or 1.4 points. Total statutory net premiums written were up 6% in the quarter with commercial lines net premium written up to 5.7%. Much of the improvement in commercial lines was the result of a reversal in the negative audit and endorsement trends we have experienced since the beginning of the financial crisis. This is most visible in the worker's compensation and general liability lines. Audit and endorsement premium was a positive $3.2 million in the second quarter compared to over $15 million in return in the second quarter of 2010 and $4 million in return premium in the first quarter of this year.

The commercial lines renewal pure price was up 2.6% for the quarter and year-over-year retention improved 1 point to 80.3%. As we have seen in the past retention remained strongest for small business. As the economy has stabilized, we have also seen an improvement in the retention in our contractors book of business.

The commercial lines statutory combined ratio was 108.2% in the second quarter including 8.9 points of catastrophe losses and $4.7 million or 1.7 point increase in non-catastrophe property losses. Commercial property excluding catastrophe continued to perform well with an 86.6% combined ratio. Commercial Auto also had a good quarter reporting a statutory combined ratio of 92.5%. These results were positively impacted by 5.1 points of favorable development due to lower than anticipated severity primarily in accident years 2006 through 2009.

Workers compensation results showed some improvement in the quarter reporting a statutory combined ratio of 116.3% versus 127.4% in 2010. Results benefited from positive audit and endorsement premium of $2.5 million partially offset by $1 million of adverse prior year reserve development from the 2010 accident year.

In Personal Lines, net premium grew 7% in the quarter to $71 million and the statutory combined ratio was 115.3% including 18.9 points of catastrophe losses. Using a more normal cap load for personal lines of approximately 4 points the combined ratio would have been closer to break even reflecting our ongoing efforts to drive rates in personal lines both auto and homeowners.

We successfully completed placement of our July 1, 2011 excessive loss treaties. The property excessive loss treaty and the casualty excessive loss treaty were both renewed with substantially the same terms of expiring. The first layer of the casualty treaty now provides coverage for 100% of up to $3 million in excess of our $2 million retention, compared to the 85% coverage in the expiring treaty.

Turning to investments, second quarter after tax net investment income increased 5% to $29 million from a year ago. Pretax alternative investment income of $8 million drove the increase. First quarter market conditions allowed our general partners to harvest some investments that positively contributed to the results. As market condition softened in the second quarter we would not expect the same magnitude of alternative investment income in the second half of 2011. Reflecting the continued low interest rate environment the after-tax yield on fixed maturity securities was 2.7% for the quarter, down slightly from last quarter and the year ago period. Investment assets increased 3% from a year ago to $4 billion. Our overall fixed income portfolio has a very credit quality of AA and duration of 3.3 years including short term investments.

We continue to invest in high quality corporate bonds maintaining a laddered maturity schedule. Our exposure to municipal securities has decreased 3 percentage points to 33% from the end of 2010 to the bonds maturing and our decision not to reinvest in this sector currently. Equity exposure at June 30, 2011 was 3% of invested assets, up 1% from a year ago as we deployed our high dividend yield equity strategy. While equity market returns were muted in the second quarter this strategy outperformed the broad market. Our realized gain position improved to $102 million pretax at June 30, 2011 from $90 million a year ago. Also of note is the unrecognized gain position in the fixed income held maturity portfolio, which was $50 million pretax or $0.60 per share after tax.

Surplus remained strong at $1.1 billion at June 30 and stockholders equity increased 5% to $1.1 billion from June 30, 2010. Book value per share increased 3% to $20.33 from $19.65 at June 30, 2010.

I would like to spend a minute on an upcoming accounting change that will impact deferred acquisition cost or DAC. This change which becomes effective in January of 2010 requires that only costs that are incremental or directly related to the successful acquisition of insurance contracts be capitalized as DAC. Although we continue to evaluate the literature our initial expectations are that the accounting change will have an after-tax impact on our stockholders equity of approximately $55 million or about $1 of book value per share. Every PMC insurer will have this one-time impact to varying degrees and we do not expect that they have a material effect on our earnings.

We continue to be well capitalized our as our premium to surplus ratio decreased slightly to 1.3 to 1 from 1.4 to 1 a year ago, and flat with the last few quarters. The dividend yield is currently 3.2% while the stock trades at 81% of book value. We continue to monitor our capital levels and review options to maximize shareholder value. While relatively small our recently announced renewal rates transaction to enter the excess and surplus lines or E&S market is one example of how we may opportunistically deploy capital. According to A.M. Best since 1997 the E&S has performed on average 6 points better than the standard commercialized business. We anticipate benefiting from that out performance in our EMS book.

Now, I will turn the call over to John Marchioni, to review Insurance Operations.

John Joseph Marchioni
President & COO

Thanks Dale. Good morning. As the economy has shown some signs of stabilization pressure on the top line has started to ease. Commercial Lines net premium rate grew 6% in the quarter driven by positive order and endorsements activity and strong renewal retention. We also achieved our ninth consecutive quarter of positive commercial lines pricing. The result is a significant compounding effect on our top line, as we begin our third renewal cycle of positive price. Retention improved this quarter as our underwriters and agents continued to working together to deploy our granular pricing strategy to retain to our best accounts.

One benefit of our field model is frequent and open communication with our agency partners. We built strong relationships and gain a deeper understanding of their businesses through these interactions. We clearly see that most agents have much greater optimism about improving Commercial Lines market and we believe this sentiment is evidence in our premium growth this quarter.

New business in the quarter was flat compared to the second quarter of 2010, but middle market and large account new business grew 12% from a year ago driven by more rational middle market pricing and new product deployment. Our improving (inaudible) ratios in the middle market demonstrate increase discipline among the competitors, who used to make it much more difficult for us to write policies at reasonable prices. For the first six months however, new business was down 13% compared to 2010 and by segment was as follows: One-and-done automated new business was down 20% to $33 million and middle market in large account new business was down 9% to $70 million.

While we are struggling like the rest of the industry with workers compensation profitability, our workers compensation results improves slightly in the quarter. To facilitate better results we have been deploying numerous workers comps claims and under writing initiatives. While pricing still leads to move higher, we achieved a half point greater pure rate increase on this line in our overall book. As the industry combine ratio for workers comp is expected to approach 120% in 2011, we believe the regulators and the market are beginning to be more receptive as the price increases. In fact, our agents tell us that carriers are generally exercising the greatest amount of discipline in this line.

Personal Lines net premium increased 7% of the quarter, while new business was down 21%. We believe these results reflect our focus on profitably growing the Personal Lines book. While we are achieving positive rate we are also refining our under rating approach to improve profitability. As a result, we have been walking away from new business opportunities. We have implemented 21 rate increases this year and our on track for the implement of another 25 rate increases in 2011. In total these rate increases could generate an additional $17 million on our in-force book. In the quarter our renewal peer rate increased 7.3% for personal load out and 5.9% for home orders. Our personal lines book continues to show strong retention at 86.4% up 1.7 points from the second quarter of 2010.

In the second quarter there were 10 separate catastrophe events that added almost 19 points to the Personal Lines combined ratio. In spite of this, we are encouraged by underlying results that are moving the right direction. We are committed to Personal Lines and will continue to take the appropriate measures to improve the long term profitability of the book. We remain focused on our strategy to introduce and expanded products to our agents and customers. In the recently announced renewal rates transaction with all (inaudible) up for their commercial lines contract binding authority or CBA E&S business has an another product offering that its quite well with our Commercial Line small business book, particularly with its $2500 average account size. This business is doing in accordance with the well defined underwriting guidelines that clearly delineate risk eligibility rates and coverages.

The book is approximately 75% cash with the lines, mainly general liabilities with no workers comp and 25% property. Our 990 independent agency partners access the E&S market through whole sale general agents and we believe this transaction is an excellent opportunity to further deepen relationships with all groups of key partners. The $77 million renewal book provides an excellent head start for the growth opportunity that lies in the approximately $300 million to $400 million of contract binding authority E&S coverage that are agents are currently placing through this channel. This transaction provides us not only a targeted entrance into the E&S market but also expands our geographic footprint as the book is produced in 48 states.

I am pleased to welcome Joe Mossbrook and his team in Hersh, Pennsylvania and our new wholesale general agency partners to Selective. The expertise they bring in the excess and surplus market will provide us with a competitive advantage as we expand our product offering in this new space.

Now, I will turn the call over to Greg.

Greg Murphy

Thank you, John, and good morning. The story for the first half of 2011 has been catastrophe losses and they have been severe. Industry estimates put year-to-date US catastrophe losses at around $19 billion. We had our share but they were manageable and below levels others in the industry have experienced. Our excellent field claims operation has been very busy helping families and businesses recover from the devastating tornados and storms across our footprint.

Industry results are deteriorating largely due to elevated catastrophe losses, but also due to reserve release is slowing and several years of soft commercial lines pricing. However, commercial lines market place is showing some very positive signs of firming. New business remains very competitive and unpredictable, but in the second quarter we saw more underwriting and pricing integrity as well as the flow of some larger accounts. It appears that national companies are starting to take a tougher stand on new business compared to what we see from other regional companies.

For renewal business, in the last 90 days, our agents are starting to see competitors increase pure price rates on challenging segments and non-renewing if necessary. We expect this trend to continue to develop into a market of better matching of risk and exposure to indicate a pricing level. Our granular pricing capabilities allow us to execute our underwriting strategy more effectively.

I believe that companies that try to socialize rate will not be successful and will loose market share. Therefore, any company that takes across the board pricing strategy will create the best opportunities for us. We see our pricing granularity as a competitive advantage, this capability with a major monetary investment as well as major change management projects. Over the past nine quarters we have refined our renewal process in order to accommodate different agency structures and we have modified or developed new underwriting practices and capabilities. We currently have the capability to build action plans by regions, state, agents and segment and most importantly by account. We flag accounts by many factors, to name a few, time and score, frequency, loss ratio, higher grade or segment and pricing discounts. We will continue to test market conditions as we push rates higher on more of our policy inventory.

For the second quarter accounts less than $20,000 in premiums had a point of renewal retention of 88 and a pure price increase of 3.1%. Accounts greater than $20,000 in premium had a point of renewal retention of 85 and a pure price increase of 2.2%.

Selective is a growth organization. However, for the commercial lines industry, the past three years have been extremely undisciplined and created a high risk situation for growth. For the quarter commercial lines net premium written was up 6% for several factors. First audit premium that was a significant headwind turned to a retuned premium -- due to returned premium it has now turned positive and may provide some tailwind. Second, new business is still below expectations but improving particularly on larger accounts that have been the most competitive throughout the soft cycle; and three, better than expected retention at point of renewal.

We continue to looks for growth opportunities. Over the past 18 months we have rolled out 13 new commercial lines products and are beginning to see traction. We had the greatest success in the specialized products for technology, para-transit and religious institutions. Our announcement entered the E&S contract binding authority business is another avenue to grow profitably, not only in our 22 state footprint, but also throughout the 48 states covered by our new wholesale agency partners.

Our claims initiatives were on track to generate $8 million in savings in 2011. The targeted areas are specialized handling of complex liability and workers compensation claim, proactive medical management, staff council expansion, subrogation process redesign, fraud analytics and the streamline of the management of the claim files. We are well on our way to achieve. We are well on our way to achieving our overall goal of three points in loss cost saving over three years.

Given the elevated catastrophe losses we have experienced a day, we have revised our overall 2011 guidance to achieve a statutory and GAAP combined ratio of between 104% and 105%. Our guidance includes 4 points of catastrophe loss assumption for the year. It does not include any expectations for additional favorable or unfavorable reserve development. Weighted average shares at the end of the year expected to be approximately $55 million.
Now, I turn the call back to the operator for your questions.

Question and Answer

Operator

(Operator Instructions). Mr. Doug Mewhirter, RBC Capital Markets, your line is open.

Doug Mewhirter
RBC Capital Markets

I had two questions. First, regarding workers comp there is quite a bit of growth in the quarter and even if you back out the positive audit premiums I mean, still double digit growth. Looking at the combined ratio that you are earning it seems kind conflicting that you are growing so much for such a high combined ratio and I realized that a lot of that's earned out that a year ago or nine months ago. So I was kind of wondering what you are looking at the business that you are writing, three months ago or two months ago and how much of an improvement do you think it is versus what you are earning out that that showing up in the financial statements now?

Greg Murphy

Yes, I would say that first of all when you look at the growth don't be fooled by the return audit and the premium that has had an impact on that segment. So I know you are probably just backing up the $1.5 million that we talked about in total for the second quarter of this year. However, in that line if you separate it by line that had $6 million of return premium ended in the second quarter that lowered the base in that year. So you are seeing some of the impact of that audit premium that has you know, so that actually is coming out from the prior year. So you kind of got to go through that that kind of double adjustment that truly get the size of the growth in the line.

The other thing is you heard in the prepared remarks, we are also getting a little bit of higher rate in that segment than we were previously, and understand that we are not a monoline comp writer. We write comp as part of the account and it is difficult to write business as a result of not writing comp. We are not doing anything different fundamentally on our business and john, I will let you (inaudible) anything else on that.

John Joseph Marchioni
President & COO

Right I think it hit all the key points. I mean new business is actually flat year-to-year from a comp perspective and we have actually become a lot more disciplined in our new business underwriting to improve mix towards more fallout exposure away from contractors exposure. So I would say that's a line that we've really clamped down on over the last couple of years and that's you are seeing that in the quarter. Like Greg said, that growth and premium is driven in many cases are most part by the audit premium return.

Doug Mewhirter
RBC Capital Markets

Okay, yeah that makes that that's a good point about favorable comparisons with last year.

Greg Murphy

That $57 million base you are looking at you know, just for the quarter that's been you know (inaudible). Yeah, so I mean that's what kind of I think is throwing you off a little bit on that analysis.

Doug Mewhirter
RBC Capital Markets

Thanks. My second question is about your new E&S business. You said about $2500 average account size. How does that compared with your core commercial line account size. Is it more like your small business segment or is more in the middle market?

John Joseph Marchioni
President & COO

This is John. It's very comparable to our small business segment both in the manner in which its underwrited, which is through pamphlets and agents have the ability to bind the business with a certain set of guidelines and pricing restrictions, and an average policy size of $2500 it is also comparable to that area. Our overall account size if you include in a market on the standard market side it's higher than that, it's in the $8,000 to $10,000 range, but it's very comfortable to our small business.

Greg Murphy

The one difference that I would throw in there is difference in our small business on the primary side is this doesn't include any workers comp coverage.

Doug Mewhirter
RBC Capital Markets

On distribution of that, I was just kind of curious; how you plan to deal with the distribution. I realize that they go through a core set of wholesales and MGAs. Do you plan on having any direct distribution or you are going to stick with -- or you going to offered as a service directly to your agents to promote I guess your relationship, or are you going to offer your those existing wholesalers as a service to your agents knowing that its (inaudible) going through you.

John Joseph Marchioni
President & COO

It's a great question, this is John again. So the business model of the operation of renewal rates that we acquired is very much like ours in terms of franchise value approach. They have got a limited number of wholesalers that they develop people relationships with and we tend to honor that and build on that.

Now that being said, as you are heard in the prepared comments, our 990 retail partners have a significant amount of this business and we want to sure we take advantage of. So we are in the process of working through the best way to do that, but also respecting the relationship of the wholesalers. So we would certainly look to the extent that they don't already exist to build stronger relationship between our retailers and also those wholesalers to make sure that we capitalize on that opportunity. But as we move down the path here in the near term our expectation is that we are going to continue to build those wholesale relationships and look to drive as much as our retailer business through those wholesale as is possible.

Doug Mewhirter
RBC Capital Markets

Okay and then just a last quick question about the E&S business. Dale, I don't know, you figured this out here. I assume its going to be considered commercial line, but in your reporting are you going to breakout as a separate segment or you are going to put the GL part of that business in the year regular GL and your property is per your commercial property (inaudible) how you reported?

Greg Murphy

Yes, obviously this will be pretty small since the renewal rights deal so it will take some time for to ramp up. Once it gets to a full year or we got a full level of premium my expectation is that we put in our level with, we breakout personal lines, commercial lines and we breakout E&S because I think it is relevant for people want to follow that number standout performing, so that's how we currently contemplate showing that.

Operator

Your next question is from Ms. Alison Jacobowitz Bank of America Merrill Lynch, your line is open.

Alison Jacobowitz
Bank of America Merrill Lynch

Thanks. Actually a couple of questions. First, I was wondering if you could just let us know what happen to the price of your reinsurance contract with the change? And then the second was, if you can talk a little bit more about the frequency of claims in workers comp, we have been hearing a little bit about frequency its rising with the economy?

Greg Murphy

On the reinsurance front, basically we renewed our July 1st property and casualty excess loss treaties at substantially similar returns as we had expiring, little bit of price movement, but substantially similar.

Unidentified Company Speaker

And on the comp side, frequency actually is still down for us on the comp side. So we have been, we have always talked you about how we do our picks and we don't really in-change any frequency expectations year-on-year what really changes in our loss picks year-on-year is more or less the medical and other inflation impact that we put on similarity. So there is bit similar (inaudible) slight decrease in the frequency numbers.

Alison Jacobowitz
Bank of America Merrill Lynch

Thanks. And if I can just get one follow-up, I don't know if you have it easily I will get it from you offline if you don't have it now, but what the audit premium affect was in the second half of the last year just fill for our modeling, we know what we are looking at for the next couple of quarters.

Greg Murphy

In the second?

Alison Jacobowitz
Bank of America Merrill Lynch

Yeah. Like the third quarter and the fourth quarters of '10, you have to have it there.

Greg Murphy

Fourth quarter of '10, is that all lines or do you want just workers comp or.

Alison Jacobowitz
Bank of America Merrill Lynch

If you have both, we will take both.

Greg Murphy

Okay. So the all lines was a $9.2 million return premium in the third quarter and a $6.2 million return premium in the fourth quarter. The workers comp component within that was $3.9 million in the third quarter and $2.7 million in the fourth quarter.

Operator

Our next question is from Rich Mortell, Piper Jaffray.

Rich Mortell
Piper Jaffray

Can you talk a little bit about your emphasis for more M&A and my second question will be on capital management?

Greg Murphy

Sure. I will talk about the M&A and let Dale talk about the capital management aspect. I mean, we look for opportunities that we feel can add into (inaudible). For us the best opportunity is the new product segment that we can push through existing agency plan. That's where we already feel we have done a lot of foundational for the past 80 plus years, and so obviously that's the easiest one to kind of look through and assimilate. So, I would say that that's probably the highest priority. And then for us maybe another opportunity might be some geo expansion but I would say that higher margin opportunities that we can sell through agency plan are probably at the top of the list. We did this acquisition I think because it meets that criterion.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

As far as capital management, basically, we are in a good spot. We've got appropriate capital. One of things if you look at the company from 1998 to 2006 we double in size. So, we took full advantage of a hardening marketplace. We want to make sure that we have the capital available to take advantage of the next hardening market in addition to whatever other opportunities present themselves. At the end of day, we weigh everything with the prism of how do we best generate shareholder value and that's how we make our decisions.

Greg Murphy

Rich, I would add to that. We worked for many years now to build our capability for granular pricing and this will be the first hard cycle that we are seeing in commercial lines that you haven't seen granular capability. So, I think you are going to see some big shifts in market share. I think the companies that don't have the capability are going to really lose share as I said before in my prepared remarks. But this is our opportunity to be actually more aggressive in finding good opportunities to grow as carriers are trying to struggle with how they socialize rate and how do they increase price on their inventory. As the real saying goes, if they only have a hammer everything is a nail. So, if they don't have the tools to do that, and our tools are pretty sophisticated and we spent a lot -- nine quarters struggling with rate increases and were the only company out there that could sit there and say that. So, I see some of the comments about where our rate level is. Our rate level is reflective of the market conditions we are in today. As that market condition changes which it is month to month our opportunity to execute our strategy at a very refined level is there. So, we feel that we got the greatest opportunity to do that on our renewal book but more importantly this is an opportunity for growth. And we feel that we will have opportunities in front of us to grow and take share and we plan on taking advantage of that.

Rich Mortell
Piper Jaffray

Okay, that's helpful. My last question is on commercial auto. Can you shed some color on what you are saying maybe any uptick in frequency in general what you are seeing in those lines?

Greg Murphy

Sure. Nothing, I'm just pulling the numbers out. so, frequency was up a little bit in liability area and up a little bit more in terms of the physical damage, I think some of that is kind of weather related in terms of all the storm activity and the vehicles on the road and with all the snow and ice that occurred. Our auto book is very solid. We feel good about it. Are we trying to raise rates on the physical damage side of the commercial business? Yes. Are there issues around snow removal? Yes. There are things that we are doing to improve the performance of our book constantly but I would say that that's the area that we feel really strong about that on our book.

Operator

Our next question is from Mr. Neil Cybart of KBW. Your line is open.

Neil Cybart
KBW

Did you report any reserve development in the personal lines segment?

Gregory Murphy

Yes, it was modest. What was it a million?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Personal line overall is about $0.5 million.

Gregory Murphy

$0.5 million, immaterial.

Neil Cybart
KBW

Did you have any more details on the commercial lines, a favorable development maybe line of business or (inaudible)?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Sure. For the commercial lines of business, as we indicated earlier, the overall favorable development is $5 million. Where that came from in the quarter you had general liability with a million dollars favorable, (inaudible) was $2 million favorable, you have the commercial auto was $3.5 million favorable, and then as indicated the Personal Lines was a net $0.5 million unfavorable. And then you also have workers comp in $1 million unfavorable.

The one thing related to Rich's question, may be one of the things that he was looking at if you look at the commercial auto favorable development this year was $3.5 million in the second quarter of 2010 favorable development almost $10 million that might relate to the some of the stuff that he was looking at as he analyzed that line.

Neil Cybart
KBW

Okay. Thank you. Another question I had, you continue to be slightly ahead of the curves with the pricing did you see any negative pricing still in any commercial lines of business?

Greg Murphy

I want to say, no we were positive across all lines.

Operator

(Operator Instructions). Currently, no questions are queuing up.

Greg Murphy
Okay great. Well, if you have any follow up items please contact Jennifer and Dale, and thank you very much for your participation this morning. Thank you.