S&P Global
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Selective Insurance Group, Inc. NasdaqGS:SIGI

Earnings Call

Thursday, May 2, 2024 1:00 PM GMT

Call Participants

EXECUTIVES

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John Joseph Marchioni
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Matthew John Carletti
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Presentation

Operator

Hello, and thank you for standing by. My name is Regina, and I will be your conference operator today. At this time, I would like to welcome everyone to the Selective Insurance Group First Quarter 2024 Earnings Conference Call. [Operator Instructions] I would now like to turn the conference over to Brad Wilson, Senior Vice President, Investor Relations and Treasurer. Please go ahead.

Brad Bryant Wilson
Senior VP of Investor Relations & Treasurer

Good morning, and thank you for joining Selective's First Quarter 2024 Earnings Conference Call. Yesterday, we posted our earnings press release and financial supplement on the Investors section of our website, selective.com. A replay of this webcast will be posted there shortly after this call.

Today, we will discuss our financial performance, market conditions and expectations for the next 3 quarters of 2024. John Marchioni, our Chairman of the Board, President and Chief Executive Officer; and Tony Harnett, our Senior Vice President, Chief Accounting Officer, and Interim Chief Financial Officer, will make remarks before we move to our question-and-answer session.

Our commentary today references non-GAAP measures, which we believe make it easier for investors to evaluate our insurance business. These non-GAAP measures include operating income, operating return on common equity and adjusted book value per common share. We include GAAP reconciliations to any referenced non-GAAP financial measures in the financial supplements posted on our website.

We will also make statements and projections about our future performance. These are forward-looking statements under the Private Securities Litigation Reform Act of 1995, and not guarantees of future performance. They are subject to risks and uncertainties that we disclosed in our annual, quarterly and current reports filed with the SEC. We undertake no obligation to update or revise any forward-looking statements.

With those introductory remarks, I'll now turn the call to John.

John Joseph Marchioni
CEO, President & Chairman

Thanks, Brad, and good morning, everyone. In the first quarter, we generated an operating ROE of 11.7% and grew net premiums written 16%. Our growth was driven by strong pricing, continued exposure increases and stable retention. The combined ratio was elevated at 98.2% and well above our 95% target due to the reserving actions we took in the quarter.

We pride ourselves on maintaining a consistent and disciplined posture relative to planning, underwriting, pricing and reserving. When we see adverse trends emerge, we respond.

We reported $35 million of net unfavorable prior year casualty reserve development during the quarter. The main driver was $50 million of unfavorable Standard Commercial Lines' general liability development, partially offset by $15 million of favorable workers' compensation development. The net adverse development added 3.3 points to our overall combined ratio and 4.2 points to the Standard Commercial Lines' combined ratio in the quarter. Consequently, our insurance segments produced a 2.2 points of operating ROE in the quarter, below our expectations.

We previously discussed how we increased our expected casualty loss trend in recent years. Entering this year, our 2024 combined ratio guidance reflected an overall expected loss trend of approximately 7%, consisting of 4% for property and 8% for casualty. Excluding workers' compensation, expected casualty loss trend was closer to 9% for 2024.

For context, our forward casualty loss trend assumptions, excluding workers' compensation, were approximately 5% for 2021, 6.5% for 2022 and 7% for 2023. The ex-workers' compensation number is approximately 0.5 point to 1 point higher than the expected loss trend we typically discuss for all casualty lines.

Despite these higher underlying assumptions, we've strengthened our reserves in general liability for the years 2020 through 2023 in response to further emergence of average paid severities. We also increased our general liability loss ratio picked for the 2024 accident year by about 1 point. Our trend assumptions for the commercial auto and workers' compensation lines held up well.

Every quarter, we undertake an in-depth reserve review and book our best estimate. Our portfolio has remained relatively stable in terms of hazard mix, limits profile and industry segment, and pricing of our book relative to indicated levels has remained stable. Therefore, we believe the increased severities relate to elevated social inflation, which we consider widespread and evidenced by a higher propensity for claimants to retain attorneys and litigate, longer settlement times and higher settlement values.

Certain jurisdictions pose heightened challenges, evidenced by expanded liability theories and higher, sometimes extraordinarily higher, damage awards. We are closely monitoring these jurisdictions and the broader trends across our book. We think the social inflation and elevated loss trends we are seeing are industry-wide and will lead to an acceleration of rate increases in general liability. During the quarter, general liability and umbrella renewal pure price was 6.5%, up from 5.7% last quarter and 5.4% for full year 2023. We expect our general liability pricing will accelerate further in the coming months.

To understand the quality and pricing of our book, we regularly monitor our mix of business by industry classification, hazard grade, limits profile, jurisdiction and other individual risk attributes. Our sophisticated tools and highly talented employees allow us to identify the areas of our book most in need of action.

With our unique operating model and strong distribution partner relationships, we have a proven track record of executing rate and underwriting actions in a disciplined and targeted manner. We remain comfortable with our ability to continue doing so in this dynamic environment.

Consistently achieving our 95% combined ratio target across our 3 insurance segments remains our primary goal. We continue to prioritize achieving renewal pure price that matches or exceeds our expected future loss trends. Overall renewal pure price was 8.1% in the quarter, up from 7.4% in fourth quarter 2023 and 6.8% for full year 2023. Renewal pure price for Standard Commercial Lines increased to 7.6%, accelerating each month within the quarter. Excluding workers' compensation, commercial lines pricing increased 8.8%.

Exposure growth added 4.2 points, contributing to total renewal premium change of 12.3%. At the line level, property renewal pure rate was up 13.3% with exposure increasing 4% and total renewal premium up 17.8%.

In commercial auto, renewal pure rate was up 10.4%, with exposure increasing 5.1% and total renewal premium up 16%. Even with accelerating pricing, retention remains stable as our regional teams manage our renewal book in a targeted and granular fashion.

Excess and Surplus lines continued its excellent performance with 24% net premiums written growth and an 87.6% combined ratio. Despite strong underwriting results and prior year reserve stability, we increased our current year loss pick by approximately 1 point, based on the severity dynamics impacting recent prior accident years and Standard Lines' general liability. The E&S market continues to present profitable growth opportunities and we expect to continue to grow this book.

We are beginning to see signs of improved performance in Personal Lines as we continue our transition to the mass affluent market and execute profit improvement plans. The combined ratio in the quarter was 105.1%, a 10.9 point improvement from the first quarter 2023. The underlying combined ratio improved in the quarter by 2 points to 93.7%.

Personalized net premiums written increased 17% in the quarter due to strong rate increases and larger average policy size. Renewal pure pricing in the quarter was 14.3%. We continue to expect full year 2024 personalized renewal pure pricing to be in excess of 20%. As expected, retention decreased from these strategic profit improvement actions and was 83% at the end of the first quarter, approximately 4 points below last year's run rate.

Retention is higher for target business. New business premiums in Personal Lines declined 19% with new policy counts down 37% as we took deliberate steps to curtail production of non-target business. For the quarter, nearly 90% of new home business had Coverage A values of $500,000 or greater.

On the strategic front, we often speak of our competitive advantage of a unique field model that places empowered underwriting staff near our distribution partners and customers. We just wrapped up our annual agency council meetings. We continue to receive feedback that our operating model is a meaningful differentiator. Staying close to the market and having strong relationships with our distribution partners serves us well. Our customers and distribution partners value consistency, clarity and transparency in our communication as we navigate the challenging environment.

Our methodical geographic expansion continues to represent an attractive long-term growth opportunity and further diversifies our portfolio. We have a repeatable process and successful approach that has allowed us to accelerate this important strategic initiative in recent years.

In April, we added Maine and West Virginia to our Standard Commercial Lines footprint, now covering 32 states. We expect to launch Oregon, Washington and Nevada later in 2024; and Kansas, Montana and Wyoming in 2025. Our revised guidance, which Tony will discuss in more detail, implies an ROE exceeding our 12% target for the full year.

With that, I'll turn the call over to Tony.

Anthony David Harnett
Senior VP & Chief Accounting Officer and Interim CFO

Thank you, John, and good morning, everyone. We've reported $1.31 of fully diluted EPS in the first quarter, down 11% from a year ago. Non-GAAP operating EPS was $1.33, down 8%. This translated to a return on equity of 11.5% and an operating return on equity of 11.7%. Our GAAP combined ratio was 98.2% in the quarter, up 2.5 points from a year ago.

Catastrophe losses of 5.3 points were 0.8 points better than the first quarter of 2023, and we continue to see a lower expense ratio. Underlying performance, which I will return to later, continues to be strong. However, net adverse prior year casualty reserve development of $35 million or $0.45 per share impacted our results. This reduced our annualized operating ROE by 4 points and added 3.3 points to the combined ratio.

$50 million of general liability adverse development was partially offset by a $15 million of favorable development in workers' compensation. As John described, preserving, strengthening in general liability was severity driven as we experienced increased paid loss emergence in the quarter. We attribute this mainly to the continued elevated impacts of social inflation.

Frequencies continue to remain in line with, or somewhat better than expectations. In fourth quarter 2023, we strengthened general liability reserves by $55 million attributed to the 2015 through 2020 accident years. This quarter's $50 million increase was spread mainly across accident years 2020 through 2023, with 80% attributed to accident years 2021 and forward.

The reserve adjustment is 3% of our net reserves for general liability and represented approximately 1.5 points to 2 points on the combined ratio across each of the impacted accident years. Workers' compensation produced $15 million of favorable prior year reserve development in the quarter. This was primarily due to lower loss severities in accident years 2021 and prior.

In Personal Lines, $5 million of adverse prior year auto reserve development offset $5 million of favorable prior year homeowners development. For the current accident year, we took action in General Liability and Excess and Surplus lines, impacting each line's combined ratio by approximately 1 point. Severity dynamics in standard lines impacting recent prior accident years drove the adjustments.

As a reminder, we have various reinsurance treaties in place to manage our net exposure to individual large losses and catastrophic events. In the context of social inflation and its impact on severity, our casualty excess of loss treaty, which renewed on July 1, 2023, covers 100% of $88 million in excess of our $2 million retention. The treaty covers our Standard market and E&S business.

The overall underlying combined ratio was a strong 89.6% for the quarter, 1.4 points better than the first quarter of 2023 and slightly better than approximately 90% run rate in recent quarters. Our expense ratio was better than our expectation and improved 1.7 points compared to the prior year period, benefiting from our disciplined expense management and an elevated top line growth.

Additionally, non-catastrophe property losses were better than our expectation and 0.1 points lower than the first quarter of 2023 as we earned substantial rate increases in the property and commercial auto lines.

After-tax net investment income was $86 million in the first quarter, up 17% from last year and contributing 12.3 points of ROE. Alternative investments, which report on a 1 quarter lag, generated $5.4 million of after-tax income in the quarter, down slightly from $6.1 million a year ago.

We invested $581 million of new money at an average pre-tax yield of 5.8% in the first quarter. The fixed-income portfolio's overall pre-tax book yield increased modestly in the quarter, ending at approximately 4.8%. The meaningfully higher book yield embedded in our portfolio provides a durable source of income as we move forward.

The portfolio remains conservatively positioned. The higher interest-rate environment allows us to deploy capital in investment-grade securities at attractive levels, raising the bar for investing in risk assets. Fixed-income and short-term investments represented 92% of the portfolio at March 31, with an average credit quality of A+ and a duration of 4 years.

Our capital position remained strong with GAAP equity exceeding $3 billion and statutory surplus of $2.8 billion. Book value and adjusted book value per share increased 2% from year-end, and our premium-to-surplus ratio ended the quarter at 1.55x. This is at the top end of our internal operating target of 1.35x to 1.55x, although we are comfortable moving above that range if attractive growth opportunities persist.

Debt-to-capital was 14.3% at the end of the quarter, well below our internal threshold of 25%. This ratio, together with our operating cash flows, provides us the financial flexibility to support organic growth and execute our strategic initiatives. We did not repurchase any shares during the quarter and had $84.2 million remaining under our share repurchase authorization. We expect to take an opportunistic approach to share repurchases and view organic growth within our insurance operations as the most attractive opportunity to deploy capital.

For 2024, we now expect our GAAP combined ratio to be 96.5%, up from our original guidance of 95.5%. The 1 point increase reflects the full year 80 basis point impact of the first quarter adverse prior year development. Current accident year bookings in general liability and E&S casualty in the first quarter drove the remainder of the increase. We assume no additional prior accident year reserve development.

While our planning and monitoring process allow us to respond quickly to trends, we acknowledge the elevated uncertainty of the loss trend environment in which we are operating. Other key estimates remain unchanged, with 5 points of catastrophes and after-tax net investment income of $316 million, including $32 million from alternative investments.

Our guidance includes an overall effective tax rate of 21%, with a 20.5% effective tax rate on investments and 21% on all other items. Fully diluted weighted-average shares are estimated to be 61.5 million. This does not reflect any assumptions for share repurchases we may make under our existing authorization. I'll now ask the operator to open our question-and-answer session.

Question and Answer

Operator

[Operator Instructions] Our first question will come from the line of Mike Zaremski with BMO Capital Markets.

Michael David Zaremski
BMO Capital Markets Equity Research

Thanks for moving the call up till 8:00 a.m. First question, and thanks for all the color you guys gave on kind of how you changed all the accident years on the reserves and whatnot and loss trend. But I'm trying to just -- this is something we've seen in a lot of other carriers, and this isn't a Selective thing I'm asking about. But if we look at the underlying inter-commercial loss ratio, it didn't change much year-over-year despite all the commentary you've given us about kind of expecting a higher loss trend and what happened with reserves. So maybe I'm just focusing too much on the underlying loss ratio. But why would that be kind of stable-ish given what transpired over the course of the year-to-date?

John Joseph Marchioni
CEO, President & Chairman

Yes, Mike, thank you for the question. I'll try to break it down into the pieces for you, and we're focused on the current year and the current year underlying. So the first thing we want to do is separate out property and casualty. So, property and specifically non-cat property came in better than expected in Q1. So, I think let's put that off to the side. So, that drives some of the underlying stability.

With regard to casualty and general liability in particular, and in Tony's prepared comments, he talked about the impact on guidance. We did make an adjustment to the current year by -- which, on an annualized basis, raises the current year for -- on an all-in basis by 80 basis points. So you've got a couple of offsetting factors there, and I think that's the primary driver.

But now let me just take it one step further, because I think if you look at that and tie it back to the loss trend commentary, so we've been giving you casualty loss trend assumptions or expected casualty loss trend assumptions very consistently year-over-year. And if you look at what we gave you for the '24 year, we had an assumption of 8% casualty trend. And as we've disclosed in our prepared comments, if you exclude workers' comp from that, which gets you to focus more on GL and auto liability, it was closer to 9%.

Now, while we don't update our current year loss trend assumptions quarterly, we do that on an annual basis, the effective impact of that 1 point -- roughly 1 point loss ratio move is about the equivalent of having moved your trend assumption by about 2 points. So I think that's -- you've got the minus or the increase on the loss ratio underlying from the casualty adjustment we made, and you've got an offsetting impact from your non-cat property going in the other direction.

Anthony David Harnett
Senior VP & Chief Accounting Officer and Interim CFO

And Mike, just to clarify one point, the impact that we made change to the current accident year was 20 basis points within our guidance, the 80 basis points was the prior year development.

Michael David Zaremski
BMO Capital Markets Equity Research

Okay. Okay, that's great context. My follow-up, I'll be mindful of other people in the queue, it's just, now that you've, I guess, just time has gone on and you've been upping your loss trend for a little while. Is it emanating out of, you think any certain classes of -- like other than just business line, right, GL, and you said Umbrella, is it coming out of any, do you think, certain types of business?

I know Selective has a very strong niche in construction. Or is there kind of any macro portfolio trends you guys have been able to hone in on that you think this could be emanating from? And I guess lastly, you also break-out and talked about Umbrella a lot. What percentage of your reserves, if you're able to tell us, is Umbrella, because I don't think we can see that on a stat basis.

John Joseph Marchioni
CEO, President & Chairman

Okay. So I'll handle the first part of the question, and then I will come back to you with regard to the Umbrella question. But just with regard to where this might be emanating from, I would say, at the highest-level, we continue to view this as kind of a market-wide shift in average severities. Now I'll go a little deeper on that because there's no question, and I think this has always been the case, and I think this is also an industry dynamic.

There are certain jurisdictions that have and have always had or at least in more recent memory, have had more tough legal environments. So think states like Georgia and South Carolina, New York, New Jersey, Pennsylvania, Illinois. And I think when you have social inflationary trends like we're seeing, if you have more challenging legal environments and cases where you have either case law or statute that has expanded theories of liability, I think you do see a more outsized impact as these social inflationary factors hit.

But the states I just took you through are pretty large states and pretty consistently in most companies' portfolio. So I think that's point number one. There are certainly some geographic differences in the magnitude of the impacts. But I think that what we're talking about in terms of social inflationary trends are pretty evident across the board.

I think the other important point to highlight is, and I think this is where we gain confidence in viewing this as a social inflationary trend. In addition to the fact that it's hit pretty consistently across all accident years, all open accident years over the last several years, if you look at our mix of business over the last decade and including the more recent years, the limit profile of our book has been very consistent over that time frame, in addition to the underlying limits profile, our reinsurance attachment point on casualty has remained at $2 million. So, you've got stability there.

From an industry classification perspective, percent contractors versus percent manufacturing and wholesaling or mercantile and service has also remained quite consistent. Our hazard grade distribution; low, medium, high hazard has remained very consistent. So there's no shifts in the underlying portfolio. And the one shift, and honestly, it hasn't been all that dramatic is, as we've expanded geographically, we've seen a little bit of a shift in our geographic footprint. But based on the states I just took you through that tend to be the hotter spots from a litigation environment perspective, you would generally view that geo expansion as a diversifier from that vantage point.

So I think when you put all those pieces together, that kind of gives us the confidence to make the statements around the overall dynamics at play here. And Tony, why don't you just touch on the second question?

Anthony David Harnett
Senior VP & Chief Accounting Officer and Interim CFO

Yes, we can follow back up after the call. We don't have the split right in front of us on the Umbrella versus GL. But as a total, I would just sit there and say our general liability reserves represent about 40% to 50% of our reserve position.

John Joseph Marchioni
CEO, President & Chairman

And as I mentioned, that $2 million retention means that our umbrella exposure and as we review that quarterly in our reserve adjustment, is really that 1x or one layer.

Michael David Zaremski
BMO Capital Markets Equity Research

Appreciate the color.

Operator

Your next question will come from the line of Michael Phillips with Oppenheimer.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

John, the question relates to kind of timing of reserve reviews. I think this kind of comes up every now and then, but maybe a refresher here. What you give us for general liability reserve changes, obviously, that's kind of a total of what you do because of all the granular data that you have inside the house that we don't have, right?

So, I don't know how many segments [are that] feed into your general liability when you do independent reviews at each one of those individual pieces. But whatever that number is, it rolls up to your general liability that we see. So when you give us a charge like today or favorable -- whatever it is on a quarterly basis, does that mean you've -- each quarter, you've looked at all those individual pieces or is there some done one quarter, some done another? So what's that like?

And I ask John, because 2-parts really. What did you see this quarter for the current accident years that maybe you didn't see last quarter when you took the older accident year charge? Is it because there was just some timing changes that you didn't see or you didn't review? And then, obviously, the second part of that would be, what does that mean going forward? Are there other pieces that you haven't looked at yet that might impact future quarters?

John Joseph Marchioni
CEO, President & Chairman

Yes. No, appreciate the question. So we do a reserve evaluation at a somewhat segmented level within GL. So excess and then products and non-product GL exposure, and that's done consistently every quarter. So it's not that there's something that happens in Q1 that's different from Q4. There are a couple of things we do. We mentioned the workers' comp tail study that's done annually in Q4. But generally speaking, and the emergence we saw this quarter comes through what is a quarterly exercise.

So I think that's the key point to the first part of your question. With regard to the second part of your question, with regard to -- in Q1, what we saw, and you saw this in the prepared comments, is we were reacting to emergence with regard to paid severities. And I think this is an important point because when you think about the immaturity of these accident years and think about the fact that the percent paid at this point in the maturity of those years relative to the ultimate expected percent paid is quite low.

So for the -- and I'll give you approximate numbers, not exact numbers, but for the '23 accident year, the expected paid -- or the paid percentage relative to expected is probably in the upper-single-digits to 10% at the most. And when you go all the way back to '21, your percent paid at this point is probably somewhere in the 30% to 40% range. So we're reacting to paid data, and then you look at your historical development factors based on what you know relative to paid and you respond accordingly.

So I just -- that's an important point. When we say we're reacting quickly, that's what we're talking about. It's a relatively small portion of the paid percentage relative to the ultimate that you expect. But I also want to reinforce the point that the actuaries provide us with various methods. They're looking at paid on an unadjusted and adjusted level and are looking on incurred losses, which include paid and case reserves on an unadjusted and adjusted level.

And then those adjusted methods respond to things like changes in reporting patterns, changes in disposal rates, case strength -- [case story] reserve strengthening or weakening. And then you apply different weights to those outcomes based on what you know about the environment. But it was really the change in the paid methods, recognizing they're immature and it's a small percentage of paid activity where we felt appropriate, it was appropriate to respond to them at this point.

Anthony David Harnett

Senior VP & Chief Accounting Officer and Interim CFO

Yes. And Mike, maybe I would just add that in the current year, there's nothing specific we observe. It's a really immature accident year at this point. However, if you look at the years that we did make adjustments to, it's those years that are informing our position on the current accident year and the adjustment we made.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Yes. Okay. Good. Second question, different tone is your growth in commercial lines at around 15%. Well, obviously, lot of it is driven by 2 parts that you're getting pretty strong pricing, and pretty strong exposure growth. I don't know how much underneath that is pure new customer count -- you talked about new business growth, but I assume it's also because of exposure.

How much are you really pushing, let's get more customers in the door in commercial lines, at a time when there's so much uncertainty, couple that with you are expanding in new states, which you kind of always do, which is great. But I guess the question really is, how much new customers are you really trying to push through right now? And is that a focus or is it maybe more of a time to kind of take a pause and let's get this law strengthening our belt?

John Joseph Marchioni
CEO, President & Chairman

Yes. No, appreciate the question, Mike. And listen, I think we're not a growth-on, growth-off company. The way we think about it is, we have pricing expectations for new business, and where those pricing expectations are relative to where the market might be, will drive our hit ratio and ultimately drive our new business production. If you look at the pieces underneath that growth, and I think we had this in the prepared comments, but just to reiterate it, the total renewal premium change for commercial lines was 12.3%.

Retentions were strong and stable. Generally speaking, policy count is up in the low-single-digits. And remember, we continue to add agents in our existing footprint. We've continued to open up new states that will create some organic growth opportunities, but we're not sitting there saying, put the pedal down on growth. And when I look at our new business pricing diagnostics, so we don't disclose these because they're not as specific because you've got a different basket of policies relative to your renewal book.

Our new business pricing metrics show that pricing has continued to be strong on new business. So what that tells you is, we're writing business new at the price point we want to be writing it at and the growth is really driven by how that's currently perceived in the marketplace. But it's really driven by rate and exposure and strong retention on an overall basis.

Michael Wayne Phillips
Oppenheimer & Co. Inc., Research Division

Okay. Thank you, John. That makes a lot of sense.

Operator

Your next question comes from the line of Dean Criscitiello with KBW.

Dean Criscitiello

Hi, you guys talked about looking for rate increases within the general liability line. And I was wondering if there are maybe any states that are likely to either like oppose or slow approval of such rate increases?

John Joseph Marchioni
CEO, President & Chairman

No, that issue is more of an issue for Personal Lines. Generally speaking, with regard to commercial lines, you have a number of other pricing tools that you evaluate on an individual risk basis through scheduled debits and credits, and you've got multiple companies filed in any individual state that gives you a lot of pricing flexibility. And our pricing expectations in commercial lines are well within the ability of us to use those tools to achieve that.

Dean Criscitiello

Okay. And my next question was on sort of the profit improvement plan in Personal Lines. And obviously this quarter, both new business and retention ticked down a bit. Were there fundamental changes happen in this quarter that didn't happen in the last quarter? And I'm sort of asking in the context of slowing growth within personal auto, like how should we think about growth going forward? And like, how long do you think these corrective actions are going to persist within the Personal Lines book?

John Joseph Marchioni
CEO, President & Chairman

Yes. I think similar to the answer that I gave on the Commercial Lines growth question that Mike asked, I think it's a similar story in Personal Lines. If you look at our renewal pricing has continued to move higher. It was about 9% in Q4. It's about a little over 14%, 14.3% in Q1, and new business pricing where you don't have the lag between the effective date of the filing and the impact on premium. New business pricing has been about 18.4% in the quarter.

I think that's driving hit ratios, that's driving overall growth. It's driving, to a certain extent, retention. And as we've talked about, we expected that to continue to build over the course of the year, and I think we reiterated in the prepared comments that we expect to have full-year pricing in excess of 20%. So I think that pressure will continue with regard to the top line. But we -- as we expect to earn that rate and start to approach our target combined ratio for that segment, I think you'll see that settle into a more normal growth rate into next year.

Operator

Your next question will come from the line of Matt Carletti with Citizens JMP.

Matthew John Carletti
JMP Securities LLC, Research Division

Going back to the reserve charges in general liability, as you kind of look at the last couple of quarters in total, can you help us with -- I'm just trying to get a feel for kind of how much more maybe management conservatism has been put into the view of those reserves. So, can you help us with a little bit of maybe how much of that is kind of actuals versus reported? Or I guess, maybe one way to think of it is, maybe where you sit today versus, say, actual midpoint or some metric like that versus maybe where you sat 6 months ago before you took these charges?

John Joseph Marchioni
CEO, President & Chairman

Yes. I guess what I would say is, we continue to have a consistent approach and philosophy with regard to the reserve decisions that we make. And I realize this might not be satisfying, but based on the different methods we evaluate and you have to weight those different methods, we're reacting to early paid emergence in the last few accident years. And I think that's about as much as I could tell you. We had a trend assumption for each of the last few accident years. You now start to get more insight into what's actually happening with average severity change. That's what we're responding to, and that's what we've been responding to by increasing our forward trend assumptions over each of the last 5 years.

And I think it was even a bigger move into 2024 when we raised that casualty trend assumption embedded in our loss [fixed at] 8%, and above that for ex-comp. I think that's how you want to think about it from our perspective is, very consistent underwriting portfolio, as I mentioned earlier, from a limits industry classification perspective, very consistent approach to evaluating and booking reserves and at a very consistent approach relative to establishing and updating our trend assumptions, and all of that goes into the process, and I think that process has remained fairly consistent.

And how we think about reserve booking decisions is always in the context of what we think about in terms of the risk factors to reserves that are out there that we need to make sure we're contemplating. And the risk factors we've been highlighting over the last couple of years is not just elevated loss trends, but more uncertain loss trends driven by social inflation and driven by what still is the pandemic effect in your experience period, in the '20 and '21 years in particular.

Matthew John Carletti
JMP Securities LLC, Research Division

Okay. That's helpful. And then just a quick numbers question, if I could. Could you break-out the cat losses within Standard Commercial just by the sublines that -- I mean, commercial auto, commercial property and BOP?

Anthony David Harnett
Senior VP & Chief Accounting Officer and Interim CFO

Sure. Within Standard Commercial, we had the $38.5 million of cat losses. Commercial property was $32.9 million. Our BOP line of business was $4.2 million, and commercial auto was $1.4 million.

Operator

Our next question will come from the line of Grace Carter with Bank of America.

Grace Helen Carter
BofA Securities, Research Division

I wanted to dig into the updated guidance for the combined ratio a little bit. Just kind of considering the 58.4% core loss ratio this quarter, if I assume flat expenses year-over-year or a flat expense ratio year-over-year, like I get roughly 59% implied core loss ratio for the year. I know you all had mentioned some favorable non-cat property losses this quarter, but I just kind of wanted to make sure that my assumptions on that are correct, just kind of as we think about sort of the computing impacts of the higher liability loss cost trends that you all are thinking about versus potential tailwinds from improvement in the Personal Lines book and just kind of where that deterioration might come from?

Anthony David Harnett
Senior VP & Chief Accounting Officer and Interim CFO

Yes. Grace, this is Tony. In terms of the non-cat that you mentioned, I just wanted to point out that, in our ongoing assumption the favorable -- or the favorable variance we saw in the non-cat in the first quarter relative to our expectation, we neutralized that in our assumptions over the course of the remainder of the year. So we don't assume that benefit will carry through over the course of the year due to the natural volatility of property.

John Joseph Marchioni
CEO, President & Chairman

And that's the primary difference.

Grace Helen Carter
BofA Securities, Research Division

Okay. And you also mentioned your casualty reinsurance. I was just curious at the upcoming renewals. We've heard some commentary suggesting that reinsurers are getting a bit more cautious on casualty lines. I was just wondering how you all are thinking about that renewal and just in light of the social inflation environment, if there's any tweaks that you all would like to implement? And just kind of how you're thinking about that versus a potential tightening in the -- from the reinsurers.

John Joseph Marchioni
CEO, President & Chairman

Yes, Grace, I think -- and obviously, we're early in the process. Our program renews on July 1. But clearly, we've started to have some early conversations. And I think like we do with all of our reinsurance programs, we're going to ultimately evaluate our view of where pricing actually comes in on our proposed program terms and make a decision around whether or not it makes sense for us to make any structural changes. That's always been our process, that $2 million retention has been there for a very long time. I think back into the late '90s, and we'll evaluate that based on pricing.

It's sort of the same philosophy we took when the property market started to move. You're ultimately evaluating the indicated rates online relative to the expected ceded losses -- so ceded premiums relative to ceded losses and make a decision based on the economics of that, and then, also how we think about managing the volatility profile in our combined ratio results. So it's early in the process. We're obviously having those early conversations and we'll be fluid as we go through that process and ultimately make a decision.

Operator

[Operator Instructions] You next question will come from the line of Bob Farnam with Janney.

Robert Edward Farnam
Janney Montgomery Scott LLC, Research Division

So not to pile on with the general liabilities, the reserves. But I'm just trying to get a feel for, do you sense litigation funding is backing some of the claims that are coming through your book of business? I wasn't quite sure if it's the size of claims that -- for you versus maybe some of your peers. Just kind of curious if you'd get a sense that litigation funding is behind things?

John Joseph Marchioni
CEO, President & Chairman

Yes, I think litigation funding is an impact across the board. I'm not going to suggest that it's the primary driver, but I will say litigation funding is not just about the real high exposure cases on the product side. I think there's no question that litigation funding is a little bit more broad than that. And I will say, when you look at our litigation rates, we've only seen a very modest increase in actual litigation rates, and that comment applies to both general liability and auto liability. But I think there's no question.

And in certain states, I think you see a much more active plaintiff bar and especially in states where you have a more challenging litigation environment where you see things like phantom damages are allowed, expanded premises liability exposures, expansion of liability theories that are statutory in nature. I think that's where you tend to see the litigation financing focus their investments. So I think it does impact accounts of all sizes and books of all sizes. But I think it's all -- there's no question that they all are focused on larger limits, and our limits profile is a little bit below average.

Robert Edward Farnam
Janney Montgomery Scott LLC, Research Division

Yes. That's what I was kind of getting at. I didn't know if having your $2 million under limits is as attractive as maybe some of the larger limit companies. Do you get a sense that going-forward you're probably going to get even more maturity involvement with claims? Is that just seems to be like a trend that's going to keep going up as long as the plaintiff bar is successful in this endeavor? You think that you're going to be -- basically be facing more litigation going forward?

John Joseph Marchioni
CEO, President & Chairman

I think and that's -- one of the reasons we talk about the uncertainty going forward is because of our challenge as an industry to get behind what long-term social inflationary trends look like. Now this is nothing more than a data point. If you look at commercial auto, I think the severity impact from social inflation hit more quickly because it's a little shorter tail. And we are seeing a little bit more moderation or leveling out of severity trends in commercial auto, but the pricing environment in commercial auto has also been stronger than it's been in general liability. But that might be an early indication that these severities do find their level and settle out.

But I also say that the trial bar is not going to stop. The trial bar is going to continue to look for fertile grounds. And ultimately, you need 1 or 2 things to happen. You need legislative change, statutory change, whether that's to unwind bad statute or to address bad case law or you need precedent-setting case law that unwinds bad case law that exists in that state.

From a public policy perspective, I think the industry is going to be fighting an uphill battle on that front until such time as this becomes a consumer-driven issue. And I think that's the most important point is, in the near-term, this winds up impacting underwriting companies results. But in the relatively near-term going forward, it ultimately makes its way into the cost of goods sold and it's borne by consumers, both personal and business consumers. And I think once that connection is made more strongly and consumers start to drive this conversation, I think it changes the landscape relative to our reform on a state-by-state level.

Robert Edward Farnam
Janney Montgomery Scott LLC, Research Division

Great, that's very good color.

Operator

And we have no further questions at this time. I'll turn the call back over to John for any closing remarks.

John Joseph Marchioni
CEO, President & Chairman

Well, thank you all very much for your participation. And as always, please feel free to reach out to Brad for any follow-ups. Thank you.

Operator
Ladies and gentlemen, that will conclude today's call. We thank you all for joining, and you may now disconnect.