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Selective Insurance Group, Inc. NasdaqGS:SIGI

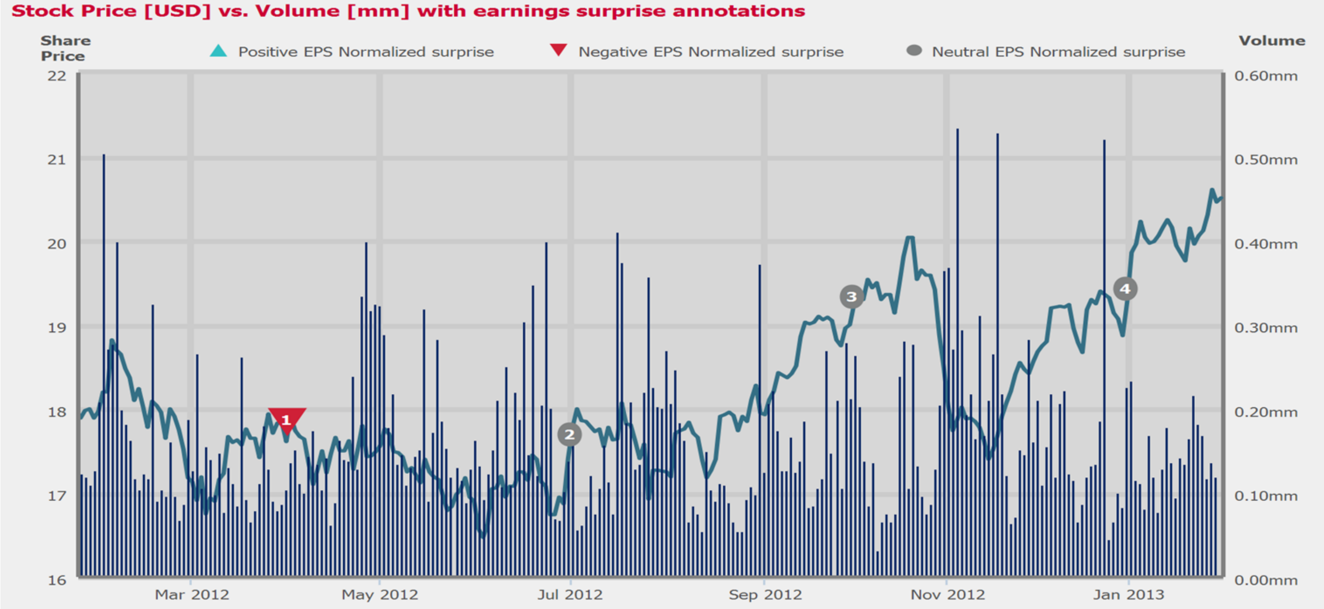
FQ1 2013 Earnings Call Transcripts

Thursday, April 25, 2013 12:30 PM GMT

S&P Global Market Intelligence Estimates

	-FQ1 2013-			-FQ2 2013-	-FY 2013-	-FY 2014-
	CONSENSUS	ACTUAL	SURPRISE	CONSENSUS	CONSENSUS	CONSENSUS
EPS Normalized	0.38	0.36	▲(5.26 %)	0.35	1.51	1.92
Revenue (mm)	454.65	459.95	▲1.17	462.39	1847.17	1991.95

Currency: USD
Consensus as of Apr-25-2013 10:12 AM GMT



- EPS NORMALIZED -

	CONSENSUS	ACTUAL	SURPRISE
FQ1 2012	0.37	0.28	▼(24.32 %)
FQ2 2012	0.01	0.01	0.00 %
FQ3 2012	0.34	0.34	0.00 %
FQ4 2012	(0.17)	(0.04)	NM

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Call Participants

EXECUTIVES

Dale Allen Thatcher
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Gregory Edward Murphy
Chairman & CEO

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

John Joseph Marchioni
President & COO

ANALYSTS

Christopher J. Maimone
Macquarie Research

Ronald David Bobman
Capital Returns Management, LLC

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Vincent M. DeAugustino
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Presentation

Operator

Good day, everyone. Welcome to the Selective Insurance Group's First Quarter 2013 Earnings Release Conference Call. At this time, for opening remarks and introductions, I would like to turn the call over to Senior Vice President, Investor Relations and Treasurer, Jennifer DiBerardino. Thank you, you may begin.

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

Thank you. Good morning, and welcome to Selective Insurance Group's First Quarter 2013 Conference Call. This call is being simulcast on our website and replay will be available through May 25, 2013. 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, 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-Qs filed with the U.S. Securities and Exchange Commission for a detailed discussion of these risks and uncertainties. Please note that Selective undertakes no obligation to update or revise any forward-looking statements.

Joining me 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 first quarter results.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Thanks, Jen. Good morning. First quarter results exceeded our expectations with continued improving commercial and personal lines pricing and light capacity losses resulting in an overall statutory combined ratio of 96.8%. Standard commercial personal and E&S lines all have statutory combined ratios under 100.

For the quarter, we reported operating income per diluted share of $0.36 compared to $0.28 a year ago. Lower capacity losses drove the results offset by three items; one, a onetime holding company expense of $0.04 per share related to a charge off for the capitalized issuance cost of our junior subordinated note that we redeemed in the first quarter.

An additional $0.02 of interest expense and an increase in our long-term employee compensation expense of $0.04 per share compared to first quarter of 2012, driven by the rise in stock price. The first quarter statutory combined ratio 96.8% was a 2.3 point improvement from a year ago quarter.

Catastrophe losses in the quarter were only $1.6 million pre-tax, or 0.4 points, well below our annual expected budget of 3 points. Our Hurricane Sandy catastrophe losses have remained within our estimates and we have had no further development from that storm. We had favorable prior year casualty development of $2 million or 0.4 points.

As announced earlier this month, we are freezing our pension plan effective March 31, 2016 due to differences in pension accounting for GAAP and statutory. We have a statutory curtailment charge that affects the statutory combined ratio, but it has no impact on GAAP earnings or the GAAP combined ratio.

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As a result, the statutory combined ratio this quarter includes a $5.8 million charge, or a 1.3 points from the curtailment of the plan. $4.5 million or 1.0 points of the curtailment charge is reflected in the statutory expense ratio in the quarter, with the balance in allocated loss and loss adjustment expenses.

Total statutory net premiums written were up 7% in the quarter with standard commercial lines net premiums up 7% and E&S up 10%. Standard commercial lines renewal peer price was up 7.5% for the quarter and retention remained flat at 83% from a year ago. The standard commercial line statutory combined ratio was a strong 97.6% in the first quarter, including a 1.4 point pension charge. All standard commercial lines of business were under a 100% combined ratio in the quarter with the exception of Workers' Compensation.

The statutory combined ratio for every line of business includes a charge of between 1.3 to 1.7 points related to the curtailment of the pension plan. Results range from a 77% statutory combined in BOP to a 98% in commercial auto. BOP results included 16.2 points of favorable development. Commercial property had a good quarter at 86.6%, despite a $2.1 million increase in non-CAT property losses, or 1.1 points.

Workers' Compensation results of 118.9% statutory combined ratio were driven by adverse development of $7 million or 11.1 points on the combined. More than half of the adverse development is the result of a single claim dating back to the 1980s that increased by $4 million, with the balance driven by development in the 2012 accident year.

Personal Lines net premium written grew 5% in the quarter to $69 million and the statutory combined ratio was a profitable 92.4%, including the pension curtailment of 1.3 points.

For personal lines, CAT losses were only 0.7 points in the quarter compared to 4.4 points in 2012. Pricing continues to be strong in personal lines with renewal rate up 8.5% in the quarter and we are seeing the benefits of our pricing success in the results.

Net premium written for our E&S operations grew to $28 million in the first quarter, up 10% from a year ago. The statutory combined ratio improved substantially to 98.2% from 120.3% a year ago, driven by earned premiums that now reflect the full operations of this business and the decrease in start-up cost that we had in the first quarter of 2012.

Also, included in the E&S results this quarter is a 3.8 point benefit related to a one-time reduction for the anticipated supplemental commission payments. Given the size of the E&S operations, the combined ratio could have some volatility in the short term.

Turning to investments, first quarter after-tax net investment income was essentially flat at $25 million compared to a year ago. The overriding factor affecting investment income is the pressure of sustained low interest rates on portfolio yield. Obviously, this dynamic is not unique to Selective and we have resisted taking on more risk in the form of lower credit quality or extended duration.

Year-over-year fixed maturity income declined 4% while alternative investment income increased 85%, reflecting the strong M&A activity in the second half of 2012.

While the majority of our alternative investments report on a one quarter lag, equity market performance is not entirely predictive of the performance of our alternative portfolio. This is largely due to the mix and vintage of our investments, which include energy, mezzanine debt, real estate and private equity.

The after-tax yield on fixed maturity securities was 2.3% for the quarter, down about 26 basis points from the year ago period, reflecting the continued low interest rate environment.

Fixed income new money rates average 1% after-tax in the quarter, reflecting a high average credit quality of AA- and modest duration of new purchases.

As we have stated, for every 25 basis point drop in portfolio yield, we lose one point of ROE, which subsequently requires a one point improvement in the combined ratio to offset this decline.

Invested assets increased 6% from a year ago to $4.4 billion, driven by increased operating cash flows in the net additional funds as a result of the $185 million senior note offering and subsequent redemption

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of the $100 million junior subordinated notes. Our overall fixed income portfolio maintains a high credit quality of AA-, in duration of 3.4 years, including short-term investments.

Compared to a year ago, the portfolio unrealized gain position improved from $165 million to $185 million pre-tax at March 31, 2013. Also, noteworthy is the quarter end unrecognized gain position in the fixed income held-to-maturity portfolio of $36 million pre-tax or $0.41 per share after tax.

Surplus and stockholders' equity remained strong at March 31, at $1.2 billion and $1.1 billion respectively. Book value per share increased to $20.46 from $19.77 at December 2012 due to net income and an after tax increase to equity as a result of the pension curtailment announced earlier this quarter. The curtailment created an after tax increase to equity of approximately $29 million or $0.52 per share. Our premium to surplus ratio declined slightly from last quarter to 1.5:1 from 1.6:1 mainly due to the $57 million an addition surplus we downstreamed to the insurance operations after the senior note issuance in February.

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

John Joseph Marchioni
President & COO

Thanks, Dale. Good morning. We are very pleased with our first quarter results. I believe they are reflective of our underwriting and pricing efforts to successfully maneuver our hardening but not traditionally hard market. We have invested in many tools for our underwriters and claim specialists over the past few years throughout the soft market cycle and their effectiveness is beginning to manifest itself as expected in improving underlying profitability.

We provide our underwriters with specific policy-level guidance, allowing at the target the highest rate increases on the worst performing accounts, while protecting retention on our best accounts.

In the first quarter, for standard commercial lines, we obtained 14% pure rate on our lowest quality accounts and held point-of-renewal retention at 75%. We obtained a 6% pure rate increase on our highest quality accounts, while they were retained at 90%. The achievement of 7.5% standard commercial renewal pricing in the quarter while retention remains strong is a testament to our capabilities and our agency relationships.

New business continues to be challenging. Standard commercial lines new business was essentially flat in the quarter from a year ago at $69 million. We carefully monitor the mix of new business by a number of different risk and pricing characteristics. As such we remain confident in the quality of our new business overall.

While we do see quality accounts being pushed into the market by some unsophisticated competitors, the level of quality new business accounts continues to lag, putting pressure on new business for the quarter. The excess in surplus lines contract binding authority business is tracking in line with our expectations to achieve between a 100% and 102% combined ratio for 2013. As we apply our selective underwriting tools and discipline to their still relatively new book of business, we expect to see continued improvement to the 95% combined ratio range in 2014.

Pricing in the E&S market improved in the first quarter and we achieved 8.5% renewal price increases. Personal lines results in the quarter were strong, not only reflecting the lack of catastrophe losses, but also our targeted profitability initiatives for both homeowners and auto. We achieved an overall 8.5% renewal price increase for personal lines in the quarter while retention remained high at 87%. Growth was within our expectations in personal lines as we carefully push rate and work to improve our mix of business. We continue to drive profitability in our homeowners' line as we increased rates across the book and make underwriting changes including raising deductibles to increase cost sharing.

Additionally in 2013, we have significantly tightened our underwriting appetite for mono-line homeowners. Our bi-parallel rating platform allows us to allocate reinsurance cost into our pricing structure in a very targeted fashion. We are targeting a combined ratio in the high 80s in a normalized catastrophe year. For

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the first quarter, our homeowners' line produced a combined ratio of 87.7%, including a pension charge of 1.1 points while achieving renewal price increases of 11.4%.

For personal auto we have been consistently getting price above loss cost trend, achieving 6.4% in the first quarter. We are increasing the geographic diversification of our auto book and have made progress on increasing the age of the book from 3 to 3.2 years outside of New Jersey.

We believe that the continued rate action and ongoing improvement in the underwriting mix of business and maturity of the auto book we will continue to drive improvement in this line for long-term success. We feel very good about our progress in underwriting and claims and are on target to achieve our 2014 goals as we previously disclosed.

Now I will turn the call over to Greg.

Gregory Edward Murphy
Chairman & CEO

Thank you John, and good morning. Market conditions improved in all areas of our insurance operations, led by 8.5% renewal price increases in both personal lines and E&S, while commercial lines renewal price reached 7.5%. Retention, another key indicator of market stability, was solid. Due to the current state of the economy, I believe the low interest rate environment will continue through 2014 and will lower after tax yields most likely through 2016.

Clearly, this calls for significant ongoing price increases. I have been in the insurance business for 33 years, and in thinking about this low interest rate environment, one has to go all the way back to 1950 to find interest rates at comparable levels. The ongoing ratcheting down of investment yield is forcing companies to significantly improve their underwriting margins, which can only be achieved through substantial industry-wide renewal price increases.

As an organization, Selective had successfully balanced prices increases with retention for the last 16 quarters. Clearly, companies that try to socialize rate in this environment will only hurt their renewal business and play into the competitive advantage that we've created with our pricing and underwriting sophistication.

We have a long history of being an underwriting company and we have the best agents in the business. Our underwriting and claims personnel are using tools such as the dynamic portfolio manager and fraud analytics, but most importantly, our agents understand and support their deployment. We recently met with a 120 presidents club agents and they overwhelmingly applaud our renewal pricing strategy and they're working with us to find quality new business opportunities.

At the end of 2011, we deployed a three-year profit improvement plans to achieve a 92 combined ratio, excluding catastrophe losses by year end 2014. The biggest driver of the plan is to achieve renewal price increases of between 5% and 8%. For 2012, our renewal price target was 5.8% versus our actual achievement of 6.3%.

For 2013, we believe we'll meet our 7.6% commercial and 7% personal lines pricing targets. We're in a solid position to exceed our three-year pricing portion of our profit improvement plan. Our loss trend is estimated to remain stable and our plan includes claims initiatives designed to lower the combined ratio.

The most significant initiatives include medical cost containment through extensive network renegotiations, enhance nurse case management, sophisticated fraud and recovery predictive models, panel legal fee claim management as well as a complex claim unit. We expect these initiatives will have the greatest impact on our workers' compensation and general liability lines of business. Given the current rate environment, we're not stretching per yield through excess risk in our investment portfolio. With so much liquidities competing for yield, we feel markets do not adequately compensate investors for extending duration or reaching down in credit quality.
As a result, new bonds issues are heavily oversubscribed and end up aggressively priced, therefore we retain our investment discipline and focus on the high-quality fixed income opportunities while maintaining our duration at around 3.5 years. After one quarter, our expectations for the full year 2013 remain, a

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statutory combined ratio of 96 excluding sick catastrophe losses and no prior, additional prior favorable or unfavorable development, a three point estimate for catastrophe losses, after tax investment income of approximately $90 million to $95 million and weighted average shares of approximately 56 million. Now I'll turn the call over to the operator for your questions.

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Question and Answer

Operator

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

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

I just wanted to focus most of my questions on workers' comp. I guess we've heard from a number of insurers that they're focusing more on smaller worker comp accounts and I'm just curious if that sort of broad shift in account size appetite in the market has changed your return expectations for small cap business or even if you're seeing more competition in that space or as of right now if it’s just rhetoric.

John Joseph Marchioni
President & COO

This is John. We've certainly and we've talked about this in the past, over the last year or so we've really changed our focus from a new business perspective and even from a renewal perspective that focuses well on lower hazard, smaller comp classes of business. I would say clearly when you look at the competition for that segment of the comp market, there definitely is more competition, you still see some higher commission rates for that sort of business and you definitely see more price competition for that sort of business. So I think that’s where the margins have been. When you look at the overall performance of the line being poor, certainly that part of the market has performed a little better over time, which is why companies are pursuing it and now it's just a matter of making sure that you don’t get so aggressive to pursue that business and change your mix of business that you’re going to hurt the profitability on that side of book.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

And overwhelming I would say, we’re an account underwriter, we’re not running after model lines, after model line comp, we make sure that the comp that we do we’re very discipline in the underwriting side in terms of how we create states, how we look at different classes of business. So I think we try to make sure we pick the right opportunities to do that but when we go into an account, we’re writing the whole account, so that’s how we look at the profitability of the business overall.

And I know that the focus has a tendency to be on workers’ comp, we understand that workers’ compensation is running above where we would like to see it. There is a little bit of unusual activity in the quarter that’s kind of pumped those numbers up a bit but we feel that a lot of our claim initiatives are directed at the comp line to bring the cost of goods sold down, but also that there is an opportunity to write good comp in the marketplace as part of an account profile.

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

That’s really helpful and to your point understanding the volatility and the workers’ comp is a pretty long-tailed line. But I’m a little curious if you’re seeing any near-term changes in frequency or severity in recent quarters, any early indicators that we may be seeing some favorable or adverse trends at some of the data we’re looking at may be pointing to slightly improving frequency trends.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Yes, we see that ongoing frequency drop, we see a little bit of severity spike but quarter-to-quarter it’s just too -- if you’re going to look at these trends on a more stable basis, it is something that we are very closely monitoring, including the rate at which we dispose claims. I mean, there are a lot of things that we look at comp holistically to manage that inventory.

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

Perfect and then one last one if I could sneak it in, just John with your comments about new business growth and you guys have clearly done a great job at leading the industry both in the timing of rate increases and the magnitude and understanding the net investment income pressure and the multiyear drain on ROE that's going to drive even understanding that at some point just because of your rate trajectory above the industry, at some point should we expect you to take your foot off gas and see new business growth accelerate in maybe 2014 or just any thoughts that you might have there?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

It's a great question and while we feel good about our renewal pricing strategy and our ability to maintain strong retention levels, new business continues to be a little bit of a wildcard. We pride ourselves on being disciplined new business underwriters and if you look over the last several years as the market cycle started to change, you saw our new business performance kind of move directionally based on the quality of accounts in the marketplace. I think as companies are now getting into their second renewal cycle, we do expect there to be more quality accounts getting pushed down to the marketplace that we could identify with our tools and price accordingly and start to acquire. So yes, we do think new business presents a growing opportunity for us as we move deeper into this market cycle.

Operator

Our next question comes from Scott Heleniak, RBC Capital Markets.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Just a couple of quick questions, first on E&S. Just wondering if you could give us an update on kind of what your expectations are for growth this year. You grew 10%, and just wondering if you might be able to see kind of double-digits here for 2013. And then the other question just on E&S was just related to the margin. You mentioned a benefit of [indiscernible] commissions, just wondering if there is anything else at play where you were able to get the margin improvement so quickly relative to last year.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

On the growth front, we don't provide specific projections for growth for any of our segments. Obviously we are pleased with the 10% growth that we were able to achieve in the first quarter. And we do recognize that there is substantial opportunity in the E&S space strictly with our wholesalers in general, but also with the idea of getting our retail agents to drive business through our new wholesale partners. So all that we think provides plenty of opportunity, but we don't have any specific projections on that.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay, then anything on the margins, any other comment?

Gregory Edward Murphy
Chairman & CEO

When we disclosed the results in the prior quarter, clearly we weren't satisfied with the profitability of the book, instead we were taking some pretty aggressive actions and you are seeing that now starting to come through the book when you look at their performance in the first quarter from a profitability perspective. Certainly in the short term, that does put pressure on the top-line growth, but to be able to see that kind of loss ratio improvement and also grow the book in the quarter by 10%, we are very happy with that. And just to reinforce what Dale said, while not providing specific guidance on top-line growth, you have got three dynamics at work there. You have got business starting to migrate from the standard market which is a real opportunity for us. You've got us building out our wholesale agency

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partners plan across the footprint over the next year to two, and then we think there is a real opportunity. We are starting to see some real traction from the business flowing from our retail partners. So those three factors we think really position us well especially now that we have got into the profitability of that book on a path to where we want it to be.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

I would only add to that, I mean, obviously part of this strategy was to get into the market and this was to garner a good shelf space opportunity inside our retail agents as well as expand out the overall portfolio. So, we feel that long term, this business as we indicated to you will not be a huge percentage of our overall inventory, but will be a sizable enough percentage that it will help provide some better buoyancy to our long-term performance which is another reason why we’ve entered this market at this opportunity.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay and then just on workers’ comp, just wondered if you can touch on the one claim you mentioned, the older claim that dates back to 80s. Is that -- so is that fully dealt with, you feel right now?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Yes, it is. We can't provide any specifics to that particular claim but every once in a while you’ll have something pop, or some circumstances change in an older claim and that was the case with that.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Okay so nothing else really unusual in getting comp.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

No.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

No? Okay and then the other question I had was just on the loss reserves were down pretty significantly versus the quarter, just wondering if you could talk about what drove that big decline there.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Basically, the biggest thing is the flood, National Flood Program. Remember we had about $900 million worth of reserves sitting in the books at the end of the year, for Sandy that's all 100% reinsured by the Federal Government, but under GAAP rules, you have to gross up your balance sheet to show both the flood reserve and the reinsurance recoverable. So, that's the big drop.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Got it. Okay, the flood then. And then the only other question I had was the -- you guys mentioned, I know you have mentioned this before to, the increase in the deductibles on the homeowners book. Just wondering what is the average deductible now and where was that a couple of years ago? How much have you increased that? I am assuming it’s pretty much across the board.

John Joseph Marchioni
President & COO

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Yes, this is John. So, we increased the deductibles to a $1,000 or $1,500 depending on roof age and generally speaking, the book prior to that was at a 500 deductible on average, you probably still had some others, may have pushed it up or down depending on the state but we are still in the process of working through our renewal inventory with the new deductible structure so it’s moving up generally from $500 on average to $1,000.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

And if I can come back to your last question for a second, too, I think GAAP on the reserve change, I think if you'd look at the statutory reserves, you get the benefit of washing that all out and the reserve ratio was a very healthy 9% this quarter. So that's a ratio that we focus on which is the change in reserves over earned premium so…

Gregory Edward Murphy
Chairman & CEO

And I will add a little bit more, too, is the other way to look at that is if you look again back at the GAAP, you will see the exact same drop on the reinsurance recovery line.

Scott Gregory Heleniak
RBC Capital Markets, LLC, Research Division

Yes, it was just the flood part of it that I was I guess missing there so, okay.

Operator

Our next question comes from Ray Iardella, Macquarie.

Christopher J. Maimone
Macquarie Research

This is actually Chris calling in for Ray. Thanks for taking the question. I was just curious the increase in other expenses year-over-year is about $5 million, is that where the debt retirement charge flowed through the income statement?

John Joseph Marchioni
President & COO

Right, you’ve got that flowing through there, you also have the fact that in the first quarter the increase in the stock price also impacted that because the long-term rewards are mark to market so they are long term awards of stock or restrictive stock units. So that flows through there also.

Christopher J. Maimone
Macquarie Research

Okay, so is it possible to quantify the breakdown in those two components or it's just…

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

The amortization of the debt expense was $2.2 million after tax compared to basically nothing the year before. So, that’s about where the $0.04 comes in and then the long-term compensation was about $5.7 million after tax in the first quarter of ’13 compared to $3.5 million in the first quarter of ’12.

Christopher J. Maimone
Macquarie Research

Next question was on personal auto, noticed that the loss ratio improved nicely year over year, was there anything driving that besides pricing?

Dale Allen Thatcher

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Former Executive VP, Treasurer & CFO

Pretty much the combination of pricing and underwriting efforts, the small, small amount of favorable development in there but I mean that's not what's pushing that. I think you are seeing the ongoing benefits of all the efforts that we have been working on that we have been talking to you guys year after year about. The fact that the home story was more of a [indiscernible] story over time, and that the home would be a much more of an aggressive story relative to what we are doing in deductibles, pricing and other initiatives. So I think you are just starting to see some of the benefits of that.

Christopher J. Maimone
Macquarie Research

And then one last one, can you guys quantify or give us an update relative to, maybe the previous estimates you would had regarding the amount of revenues in your flood claims adjusting revenues from Sandy for the quarter?

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

We have not updated that, no. Basically all of our Sandy estimates are holding pretty strong.

Christopher J. Maimone
Macquarie Research

Okay and so you are not able to quantify what the contribution is Sandy-related flood claims adjusting revenues is though?

Gregory Edward Murphy
Chairman & CEO

Well Sandy last year contributed $16 million for the 2012 year.

Operator

[Operator Instructions] Our next question comes from Ron Bobman, Capital.

Ronald David Bobman
Capital Returns Management, LLC

Nice to see the continued progress and improvement in a variety of fronts. I just had a couple of questions, I haven't really talked much about Sandy but I would be curious just to hear your thoughts, sort of a variety of subjects surrounding Sandy, whether it would be sort of claims handling, sort of rates of claims being closed, late submissions of claims, put in sort of just generally what you are experiencing and maybe relative to what you thought in early days? And then I had specific questions, a little bit Sandy related. I would imagine that your E&S opportunities could sort of mushroom in size by virtue of Sandy. Is that, is my sort of intuitive thought right on that?

Ronald David Bobman
Capital Returns Management, LLC

My last one was when you do close a Sandy claim, I am wondering how often you actually get a release from the claimant? Is that typical minority, majority of the cases? And that's it from me.

John Joseph Marchioni
President & COO

This is John I will try to take some of this and then Dale could certainly follow on. To me, when you talk about the Sandy experience, the headline is what Dale already said, which is the estimates that we put our there at the end of the fourth quarter continue to hold strong, which I think is a positive. I think it also would indicate that we have continued to work through the inventory of claims on both the flood and the P&C side in a very positive way and are comfortable with our disposal rates on those claims. Then honestly I think we have gotten very positive feedback from our agency partners in terms of the service standards

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we have been able to maintain despite the significant nature of that event breaking our footprint. In terms of the opportunity for E&S, I would say no and primarily why I say no is our E&S operations are not really a heavy property market and certainly not a property market for wind-exposed properties. So we wouldn't view that as a real opportunity for us on the E&S side.

Ronald David Bobman
Capital Returns Management, LLC

Okay and how about the release question?

John Joseph Marchioni
President & COO

We don't see a lot of reopen activity, if that is the question. As we close claims out on the CAT side, we'd certainly monitor reopens but I don't think there is anything outstanding to report relative to reopening of claims after they're closed out.

Ronald David Bobman
Capital Returns Management, LLC

And what percentage are you through the, are you 75% closed, 25% closed, can you give me a ballpark, on P&C side, not the flood.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

I mean, basically we estimate there we're above 90% on both sides of that. Actually, there is always a possibility for something to get reopened as something gets determined, but we're well on our way.

Operator

[Operator Instructions] I'm showing no further questions from the phone lines at this time.

Dale Allen Thatcher
Former Executive VP, Treasurer & CFO

Well, thank you very much for participating in this morning's call. If you have any follow-up matters please contact Jennifer or Dale. So, thank you very much.

Operator
That does conclude today's conference. Thank you for participating. You may disconnect at this time.

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