

SELECTIVE INSURANCE GROUP INC
Form 10-Q
October 28, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: September 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

to

Commission File Number: 001-33067

SELECTIVE INSURANCE GROUP, INC.
(Exact name of registrant as specified in its charter)

New Jersey
(State or Other Jurisdiction of Incorporation or
Organization)

22-2168890
(I.R.S. Employer Identification No.)

40 Wantage Avenue
Branchville, New Jersey
(Address of Principal Executive Offices)

07890
(Zip Code)

(973) 948-3000
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of September 30, 2010, there were 53,512,025 shares of common stock, par value \$2.00 per share, outstanding.

SELECTIVE INSURANCE GROUP, INC.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
SELECTIVE INSURANCE GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(\$ in thousands, except share amounts)

	Unaudited September 30, 2010	December 31, 2009
ASSETS		
Investments:		
Fixed maturity securities, held-to-maturity – at carry value (fair value: \$1,440,143 – 2010; \$1,740,211 – 2009)	\$ 1,372,698	1,710,403
Fixed maturity securities, available-for-sale – at fair value (amortized cost: \$2,006,685 – 2010; \$1,616,456 – 2009)	2,115,049	1,635,869
Equity securities, available-for-sale – at fair value (cost of: \$55,051 – 2010; \$64,390 – 2009)	63,116	80,264
Short-term investments (at cost which approximates fair value)	265,043	213,848
Other investments	154,728	140,667
Total investments	3,970,634	3,781,051
Cash	422	811
Interest and dividends due or accrued	36,283	34,651
Premiums receivable, net of allowance for uncollectible accounts of: \$4,856 – 2010; \$5,880 – 2009	460,394	446,577
Reinsurance recoverables, net	307,105	276,018
Prepaid reinsurance premiums	115,745	105,522
Current federal income tax	24,760	17,662
Deferred federal income tax	79,799	111,038
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$149,255 – 2010; \$141,251 – 2009	41,832	46,287
Deferred policy acquisition costs	218,590	218,601
Goodwill	7,849	7,849
Other assets	71,108	68,760
Total assets	\$ 5,334,521	5,114,827
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for losses and loss expenses	\$ 2,809,797	2,745,799
Unearned premiums	880,698	844,847
Notes payable	262,326	274,606
Accrued salaries and benefits	101,464	103,802
Other liabilities	187,920	143,398
Total liabilities	\$ 4,242,205	4,112,452
Stockholders' Equity:		
Preferred stock of \$0 par value per share:		
Authorized shares 5,000,000; no shares issued or outstanding	\$ -	-
Common stock of \$2 par value per share		
Authorized shares 360,000,000		
Issued: 96,189,223 – 2010; 95,822,959 – 2009	192,378	191,646
Additional paid-in capital	241,472	231,933
Retained earnings	1,159,496	1,138,978

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Accumulated other comprehensive income (loss)	48,220	(12,460)
Treasury stock – at cost (shares: 42,677,198 – 2010; 42,578,779 – 2009)	(549,250)	(547,722)
Total stockholders' equity	1,092,316	1,002,375
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 5,334,521	5,114,827

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SELECTIVE INSURANCE GROUP, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(\$ in thousands, except per share amounts)	Quarter ended		Nine Months ended	
	September 30, 2010	September 30, 2009	September 30, 2010	September 30, 2009
Revenues:				
Net premiums earned	\$ 354,709	355,906	1,063,101	1,078,090
Net investment income earned	32,986	36,585	104,237	78,670
Net realized gains (losses):				
Net realized investment gains (losses)	2,864	(741)	13,960	3,515
Other-than-temporary impairments	(4,091)	(5,833)	(16,326)	(45,467)
Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income	1,284	1,591	(905)	1,650
Total net realized gains (losses)	57	(4,983)	(3,271)	(40,302)
Other income	1,950	2,667	6,465	7,758
Total revenues	389,702	390,175	1,170,532	1,124,216
Expenses:				
Losses and loss expenses incurred	245,019	242,032	739,142	733,275
Policy acquisition costs	114,042	114,520	346,143	342,148
Interest expense	4,559	4,751	14,056	14,618
Other expenses	4,022	7,045	18,636	21,083
Total expenses	367,642	368,348	1,117,977	1,111,124
Income from continuing operations, before federal income tax	22,060	21,827	52,555	13,092
Federal income tax expense (benefit):				
Current	(1,691)	(426)	8,475	3,818
Deferred	4,920	1,647	(1,435)	(13,740)
Total federal income tax expense (benefit)	3,229	1,221	7,040	(9,922)
Net income from continuing operations	18,831	20,606	45,515	23,014
Loss from discontinued operations, net of tax of \$(4,147) for Third Quarter 2009 and \$(4,106) for Nine Months 2009				
	-	(7,599)	-	(7,196)
Loss on disposal of discontinued operations, net of tax of \$(880) for Third Quarter 2010 and \$(2,019) for Nine Months 2010				
	(1,634)	-	(3,749)	-
Total discontinued operations, net of tax	(1,634)	(7,599)	(3,749)	(7,196)
Net income	\$ 17,197	13,007	41,766	15,818
Earnings per share:				
Basic net income from continuing operations	0.35	0.39	0.85	0.44
Basic net loss from disposal of discontinued operations	(0.03)	(0.14)	(0.07)	(0.14)
Basic net income	\$ 0.32	0.25	0.78	0.30
Diluted net income from continuing operations	0.35	0.38	0.84	0.43

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Diluted net loss from disposal of discontinued operations	(0.03)	(0.14)	(0.07)	(0.13)
Diluted net income	\$ 0.32	0.24	0.77	0.30
Dividends to stockholders	\$ 0.13	0.13	0.39	0.39

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY

(\$ in thousands, except per share amounts)	Nine Months ended September 30,	
	2010	2009
Common stock:		
Beginning of year		