



# **Supplemental Investor Package**

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## **First Quarter 2016**

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**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**First Quarter 2016 Supplemental Investor Package**  
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## **Selective Reports First Quarter 2016 Net Income per Diluted Share of \$0.63 and Operating Income<sup>1</sup> per Diluted Share up 38% to \$0.66**

In the first quarter of 2016:

- Net premiums written grew 9%
- GAAP combined ratio was 92.2%
- Statutory combined ratio was 90.7%
- After-tax net investment income increased 11%
- Total return on equity was 10.3% and operating return on equity<sup>1</sup> was 10.8%

**Branchville, NJ – May 4, 2016** – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the first quarter ended March 31, 2016. Net income per diluted share was \$0.63 for the quarter, compared to \$0.69 in 2015 which included realized gains of \$0.21 driven by last year's strategic reallocation within our equity portfolio. Operating income<sup>1</sup> per diluted share grew 38% in the quarter to \$0.66, compared to \$0.48 in 2015. The increase in operating income was driven by improved underwriting results and net investment income. Book value per share increased by 11% from the first quarter of 2015, to \$25.61.

"We generated a profitable first quarter statutory combined ratio of 90.7%, or 87.9% excluding catastrophe losses," said Gregory E. Murphy, Chairman and Chief Executive Officer. "Our growth in the first three months of the year was strong. Overall net premiums written increased 9% driven by solid renewal pure price increases of 3.1% and increased retention in standard lines, and stable overall new business production."

Murphy added, "We continue to demonstrate our ability to outperform industry growth rates and drive sustainable profitability in a competitive market. This quarter's results are a clear indication of our competitive advantages. We have true franchise value with 'ivy-league' distribution partners, a unique field model coupled with sophisticated underwriting and claims capabilities, and a commitment to providing superior customer experience through our best-in-class employees."

<b>Consolidated Financial Results</b> <i>\$ in millions, except per share data</i>	<i>Quarter Ended March 31,</i>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Net premiums written	\$565.4	\$518.1	9%
Net premiums earned	\$522.5	\$476.1	10%
Net investment income earned	\$30.8	\$26.9	14%
Net realized (losses) gains, pre-tax	\$(2.7)	\$18.9	(114)%
Total revenues	\$551.5	\$523.9	5%
Operating income <sup>1</sup>	\$38.8	\$27.4	41%
Net realized (losses) gains, net of tax	\$(1.8)	\$12.3	(114)%
Net income	\$37.0	\$39.7	(7)%
Statutory combined ratio	90.7%	93.0%	(2.3) pts
Catastrophe losses	2.8 pts	5.3 pts	(2.5) pts
Non-catastrophe property losses	12.7 pts	14.9 pts	(2.2) pts
(Favorable) prior year statutory reserve development on casualty lines	(3.3) pts	(4.2) pts	0.9 pts
GAAP combined ratio	92.2%	94.5%	(2.3) pts
Operating income per diluted share <sup>1</sup>	\$0.66	\$0.48	38%
Net income per diluted share	\$0.63	\$0.69	(9)%
Weighted average diluted shares	58.5M	57.7M	1%
Book value per share	\$25.61	\$23.11	11%

<sup>1</sup>Operating income differs from net income by the exclusion of realized gains and losses on investments. Management, analysts, and investors use operating income as an important financial measure because of the largely discretionary timing of realized investment gains and losses on sales in any given period and the distorted analysis of trends created by the charges to earnings from these realized investment gains and losses and other-than-temporary investment impairments. Operating income is not intended as a substitute for net income prepared in accordance with U.S. generally accepted accounting principles (GAAP). A reconciliation of operating income to net income is provided in the Consolidated Financial Results table. Statutory data is prepared in accordance with statutory accounting rules defined by the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and, therefore, is not reconciled to GAAP.

Note: All amounts included in this release exclude intercompany transactions.

## Operating Highlights

### Standard Commercial Lines

Standard Commercial Lines premiums, which represent 80% of total net premiums written, were up 10% compared to first quarter last year, driven by excellent 85% retention, strong renewal pure price increases of 2.8%, and stable new business production. The quarter's statutory combined ratio of 89.7% was in-line with the prior year period and included favorable prior year casualty reserve development of 4.5 points, compared to 5.7 points a year ago. Catastrophe losses added 2.9 points to the combined ratio, down from 5.1 points in the first quarter of 2015.

<b>Standard Commercial Lines</b> <i>\$ in millions, statutory results</i>	<i>Quarter Ended March 31,</i>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Net premiums written	\$455.1	\$415.3	10%
Net premiums earned	\$402.9	\$365.5	10%
Statutory loss & loss expense ratio	55.2%	56.5%	(1.3) pts
Statutory underwriting expense ratio	34.1%	32.8%	1.3 pts
Statutory dividends to policyholders ratio	0.4%	0.4%	- pts
Statutory combined ratio	89.7%	89.7%	- pts
GAAP combined ratio	92.3%	91.8%	0.5 pts

### Standard Personal Lines

Standard Personal Lines premiums, which represent 11% of total net premiums written, decreased 5% compared to the first quarter of 2015. The decline was primarily driven by new business that was on par with a year ago but not sufficient to offset premium that was not retained. Retention of 82% remained consistent with the prior-year period and renewal pure price was strong at 5.1%.

The statutory combined ratio in the first quarter for Standard Personal Lines was 90.6%, which included 3.2 points of catastrophe losses and compared favorably to last year's 105.1%, which included 8.7 points of catastrophe losses. Non-catastrophe property losses were 10.1 points lower in the first quarter of 2016 than in the first quarter of 2015.

<b>Standard Personal Lines</b> <i>\$ in millions, statutory results</i>	<i>Quarter Ended March 31,</i>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Net premiums written	\$62.0	\$65.0	(5)%
Net premiums earned	\$70.2	\$72.5	(3)%
Statutory loss & loss expense ratio	56.5%	73.5%	(17.0) pts
Statutory underwriting expense ratio	34.1%	31.6%	2.5 pts
Statutory combined ratio	90.6%	105.1%	(14.5) pts
GAAP combined ratio	87.7%	103.4%	(15.7) pts

## Excess and Surplus Lines

Our Excess and Surplus lines business, which represents 9% of net premiums written, reported a 28% increase in net premiums written in the quarter driven by a 3.3% price increase for this segment of business coupled with higher audit premium. The statutory combined ratio in the first quarter improved by 3.7 points to 98.4%.

<b>Excess &amp; Surplus Lines</b> <i>\$ in millions, statutory results</i>	<i>Quarter Ended March 31,</i>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Net premiums written	\$48.3	\$37.8	28%
Net premiums earned	\$49.4	\$38.1	30%
Statutory loss & loss expense ratio	68.9%	67.7%	1.2 pts
Statutory underwriting expense ratio	29.5%	34.4%	(4.9) pts
Statutory combined ratio	98.4%	102.1%	(3.7) pts
GAAP combined ratio	97.1%	104.1%	(7.0) pts

## Investment Income

After-tax investment income in the first quarter was \$24 million, up 11% compared to a year ago. Results for fixed income, equities, and alternative investments improved compared to the first quarter of 2015 and the after-tax portfolio yield increased to 1.8%, from 1.7%. Fixed income investment income benefited from a higher invested asset base and new money rates that modestly exceeded our expectation.

<b>Investments</b> <i>\$ in millions, except per share data</i>	<i>Quarter Ended March 31,</i>		<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Invested assets per dollar of stockholders' equity	\$3.50	\$3.72	(6)%
Net investment income earned, after-tax	\$23.6	\$21.2	11%
Net investment income per share	\$0.40	\$0.37	8%
Effective tax rate	23.4%	21.2%	2.2 pts
Average yields:			
Fixed Income Securities:			
Pre-tax	2.7%	2.8%	(0.1) pts
After-tax	2.0%	2.1%	(0.1) pts
Portfolio:			
Pre-tax	2.4%	2.2%	0.2 pts
After-tax	1.8%	1.7%	0.1 pts

## Balance Sheet

<b>Balance Sheet</b> <i>\$ in millions, except per share data</i>	<i>March 31,</i>	<i>December 31,</i>	<b>Change</b>
	<b>2016</b>	<b>2015</b>	
Total assets	\$7,022.5	\$6,904.4	2%
Investment portfolio	\$5,163.9	\$5,089.3	1%
Debt	\$388.3	\$388.2	-
Statutory surplus	\$1,461.3	\$1,426.3	2%
Stockholders' equity	\$1,476.0	\$1,398.0	6%
Book value per share	\$25.61	\$24.37	5%

The increase in book value per share reflects net income of \$0.63 and a \$0.77 increase in unrealized investment gains, partially offset by \$0.15 in shareholders' dividends.

Selective's Board of Directors declared a \$0.15 per share quarterly cash dividend on common stock payable June 1, 2016, to stockholders of record as of May 16, 2016.

## Guidance

After one quarter of better-than-expected results, we are maintaining our full year expectations as follows:

- A statutory combined ratio excluding catastrophes of approximately 91%, which assumes no additional prior year casualty reserve development;
- Catastrophe losses of 3.5 points;
- After-tax investment income of approximately \$100 million; and
- Weighted average shares of approximately 58.5 million.

The supplemental investor package, including financial information that is not part of this press release, is available on the Investor Relations' page of Selective's public website at [www.selective.com](http://www.selective.com). Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET on Thursday, May 5, 2016 at [www.selective.com](http://www.selective.com). The webcast will be available for rebroadcast until the close of business on Monday, June 6, 2016.

## About Selective Insurance Group, Inc.

Selective Insurance Group, Inc. is a holding company for ten property and casualty insurance companies rated "A" (Excellent) by A.M. Best. Through independent agents, the insurance companies offer standard and specialty insurance for commercial and personal risks, and flood insurance underwritten by the National Flood Insurance Program. Selective maintains a website at [www.selective.com](http://www.selective.com).

## **Forward-Looking Statements**

In this press release, Selective and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations and projections regarding Selective's future operations and performance.

Certain statements in this report, including information incorporated by reference, are "forward-looking statements" as that term is defined in the Private Securities Litigation Reform Act of 1995 ("PSLRA"). The PSLRA provides a safe harbor under the Securities Act of 1933 and the Securities Exchange Act of 1934 for forward-looking statements. These statements relate to our intentions, beliefs, projections, estimations or forecasts of future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, or performance to be materially different from those expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by use of words such as "may," "will," "could," "would," "should," "expect," "plan," "anticipate," "target," "project," "intend," "believe," "estimate," "predict," "potential," "pro forma," "seek," "likely" or "continue" or other comparable terminology. These statements are only predictions, and we can give no assurance that such expectations will prove to be correct. We undertake no obligation, other than as may be required under the federal securities laws, to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors that could cause our actual results to differ materially from those projected, forecasted or estimated by us in forward-looking statements, include, but are not limited to:

- difficult conditions in global capital markets and the economy;
- deterioration in the public debt and equity markets and private investment marketplace that could lead to investment losses and fluctuations in interest rates;
- ratings downgrades could affect investment values and, therefore, statutory surplus;
- the adequacy of our loss reserves and loss expense reserves;
- the frequency and severity of natural and man-made catastrophic events, including, but not limited to, hurricanes, tornadoes, windstorms, earthquakes, hail, terrorism, explosions, severe winter weather, floods and fires;
- adverse market, governmental, regulatory, legal or judicial conditions or actions;
- the concentration of our business in the Eastern Region;
- the cost and availability of reinsurance;
- our ability to collect on reinsurance and the solvency of our reinsurers;
- uncertainties related to insurance premium rate increases and business retention;
- changes in insurance regulations that impact our ability to write and/or cease writing insurance policies in one or more states;
- recent federal financial regulatory reform provisions that could pose certain risks to our operations;
- our ability to maintain favorable ratings from rating agencies, including A.M. Best, Standard & Poor's, Moody's and Fitch;
- our entry into new markets and businesses; and
- other risks and uncertainties we identify in filings with the United States Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K and other periodic reports.

These risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time-to-time. We can neither predict such new risk factors nor can we assess the impact, if any, of such new risk factors on our businesses or the extent to which any factor or combination of factors may cause actual results to differ materially from those expressed or implied in any forward-looking statements in this report. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this report might not occur.

Selective's SEC filings can be accessed through the Investors section of Selective's website, [www.selective.com](http://www.selective.com), or through the SEC's EDGAR Database at [www.sec.gov](http://www.sec.gov) (Selective EDGAR CIK No. 0000230557).

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**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Selected Balance Sheet Data**  
**(unaudited)**

(\$ in thousands, except per share data)	March 31,			March 31,			December 31,		
	2016			2015			2015		
	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain
Invested Assets:									
Corporate bonds <sup>1</sup>	\$ 3,073,489	3,076,144	53,348	\$ 2,757,212	2,761,191	69,590	\$ 2,955,001	2,957,427	8,276
Government and Municipal bonds	1,690,552	1,695,583	70,315	1,713,587	1,724,144	60,852	1,654,556	1,660,320	55,901
Total fixed income securities	4,764,041	4,771,727	123,663	4,470,799	4,485,335	130,442	4,609,557	4,617,747	64,177
Equities	215,789	215,789	21,611	211,571	211,571	11,954	207,051	207,051	13,235
Short-term investments	103,132	103,132	-	124,376	124,376	-	194,819	194,819	-
Other investments	80,916	80,916	-	95,020	95,020	-	77,842	77,842	-
Total invested assets	\$ 5,163,878	5,171,564	145,274	\$ 4,901,766	4,916,302	142,396	\$ 5,089,269	5,097,459	77,412
Invested assets per \$ of stockholders' equity	3.50			3.72			3.64		
Total assets	7,022,492			6,694,662			6,904,433		
Liabilities:									
Reserve for loss and loss expenses	3,575,496			3,516,268			3,517,728		
Unearned premium reserve	1,209,377			1,132,733			1,169,710		
Total liabilities	5,546,527			5,378,724			5,506,392		
Stockholders' equity	1,475,965			1,315,938			1,398,041		
Total debt to capitalization ratio	20.8%			22.8%			21.7%		
Book value per share	25.61			23.11			24.37		
Book value per share excluding unrealized gain or loss on fixed income portfolio	24.30			21.78			23.74		
NPW per insurance segment employee	999			926			979		
Statutory premiums to surplus ratio	1.4x			1.5x			1.5x		
Statutory surplus	1,461,326			1,322,422			1,426,320		

<sup>1</sup> Includes mortgage-backed and asset-backed securities.



**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Selected Income Statement Data**  
**(unaudited)**

(\$ in thousands, except per share amounts)		Quarter Ended March 31,			
		2016		2015	
		Per diluted share		Per diluted share	
<b>Consolidated</b>					
Revenue	\$	551,474		\$ 523,892	
Operating income		38,790	0.66	27,434	0.48
Net realized (losses) gains, after tax		(1,758)	(0.03)	12,274	0.21
Net income		37,032	0.63	39,708	0.69
<b>Operating return on equity</b>		<b>10.8%</b>		<b>8.5%</b>	
<b>Total Insurance Operations</b>					
Gross premiums written		652,598		604,864	
Net premiums written		565,359		518,088	
Net premiums earned		522,458		476,123	
Underwriting gain	- before tax	40,955		26,021	
	- after tax	26,621	0.46	16,914	0.29
<b>GAAP combined ratio</b>		<b>92.2%</b>		<b>94.5%</b>	
<b>Standard Commercial Lines</b>					
Net premiums earned		402,889		365,533	
<b>GAAP combined ratio</b>		<b>92.3%</b>		<b>91.8%</b>	
<b>Standard Personal Lines</b>					
Net premiums earned		70,205		72,479	
<b>GAAP combined ratio</b>		<b>87.7%</b>		<b>103.4%</b>	
<b>Excess and Surplus Lines</b>					
Net premiums earned		49,364		38,111	
<b>GAAP combined ratio</b>		<b>97.1%</b>		<b>104.1%</b>	
<b>Investments</b>					
Net investment income	- before tax	30,769		26,917	
	- after tax	23,560	0.40	21,208	0.37
Effective tax rate		23.4%		21.2%	
<b>Annualized after-tax yield on investment portfolio</b>		<b>1.8%</b>		<b>1.7%</b>	
<b>Annualized after-tax, after-interest expense yield</b>		<b>1.6%</b>		<b>1.5%</b>	
<b>Invested assets per \$ of stockholders' equity</b>		<b>3.50</b>		<b>3.72</b>	
<b>Other expenses (net of other income)</b>					
Interest expense	- before tax	(5,606)		(5,604)	
	- after tax	(3,644)	(0.06)	(3,642)	(0.06)
Other expense - after tax	\$	(7,747)	(0.14)	\$ (7,046)	(0.12)
Diluted weighted avg shares outstanding		58,507		57,720	

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**GAAP Insurance Operations Results**  
(unaudited)

**Year-to-Date**

(\$ in thousands)

Year-to-Date March 31, 2016

Year-to-Date March 31, 2015

	Standard Commercial Lines	Standard Personal Lines	Excess & Surplus Lines	Grand Total	Standard Commercial Lines	Standard Personal Lines	Excess & Surplus Lines	Grand Total
Net Premiums Written	455,063	61,969	48,327	565,359	415,258	65,024	37,806	518,088
Net Premiums Earned	402,889	70,205	49,364	522,458	365,533	72,479	38,111	476,123
Loss and Loss Expense Incurred	223,350	39,695	34,099	297,144	206,148	52,969	25,882	284,999
Net Underwriting Expenses Incurred	146,954	21,905	13,847	182,706	127,824	21,976	13,778	163,578
Dividends to Policyholders	1,653	-	-	1,653	1,525	-	-	1,525
<b>GAAP Underwriting Gain (Loss)</b>	<b>30,932</b>	<b>8,605</b>	<b>1,418</b>	<b>40,955</b>	<b>30,036</b>	<b>(2,466)</b>	<b>(1,549)</b>	<b>26,021</b>
<b>GAAP Ratios</b>								
Loss and Loss Expense Ratio	55.4%	56.5%	69.1%	56.9%	56.4%	73.1%	67.9%	59.9%
Underwriting Expense Ratio	36.5%	31.2%	28.0%	35.0%	35.0%	30.3%	36.2%	34.3%
Dividends to Policyholders Ratio	0.4%	0.0%	0.0%	0.3%	0.4%	0.0%	0.0%	0.3%
<b>Combined Ratio</b>	<b>92.3%</b>	<b>87.7%</b>	<b>97.1%</b>	<b>92.2%</b>	<b>91.8%</b>	<b>103.4%</b>	<b>104.1%</b>	<b>94.5%</b>

**Selective Insurance Group, Inc. and Consolidated Subsidiaries**  
**GAAP Investment Income**  
**March 2016 (unaudited)**

(\$ in thousands, except per share data)	Quarter Ended		%
	March	March	Increase
	2016	2015	(Decrease)
Investment Income:			
Interest:			
Fixed Income Securities	\$ 31,644	30,967	2
Short-term	159	25	536
Other Investments	(1,066)	(3,540)	70
Dividends	2,230	1,792	24
	<u>32,967</u>	<u>29,244</u>	<u>13</u>
Investment Expense	<u>2,198</u>	<u>2,327</u>	<u>(6)</u>
Net Investment Income Before Tax	30,769	26,917	14
Tax	7,209	5,709	26
<b>Net Investment Income After Tax</b>	<b>\$ 23,560</b>	<b>21,208</b>	<b>11</b>
<b>Net Investment Income per Share</b>	<b>\$ 0.40</b>	<b>0.37</b>	<b>8</b>
Effective Tax Rate	23.4%	21.2%	
Average Yields :			
Fixed Income Securities:			
Pre Tax	2.70%	2.80%	
After Tax	2.02%	2.12%	
Portfolio:			
Pre Tax	2.40%	2.22%	
After Tax	1.84%	1.75%	

	Quarter Ended	
	March	March
	2016	2015
Net Realized Gains (Losses)		
Fixed Income Securities	(390)	379
Equity Securities	(2,310)	19,158
Other Investments	(4)	(654)
Total	(2,704)	18,883
Net of Tax	(1,758)	12,274

As of March 31, 2016 year-to-date new money rates for fixed income securities were 2.7% on a pre-tax basis and 1.9% on an after-tax basis.

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2016 Statutory Results by Line of Business**  
**Year-to-date March 2016 (unaudited)**

(\$ in thousands)	Net Premiums Written	Percent Change	Net Premiums Earned	Percent Change	Loss Ratio	LAE Ratio	Underwriting Expense Ratio	Dividends to Policyholders Ratio	Combined Ratio 2016	Combined Ratio 2015	Underwriting Gain (Loss)
<b>Standard Personal Lines:</b>											
Homeowners	\$ 26,573	(5.4)%	\$ 32,900	(2.4)%	36.9%	8.1%	41.5%	0.0%	86.5%	113.7%	\$ 7,072
Auto	34,024	(4.4)%	35,780	(3.3)%	57.7%	11.1%	36.1%	0.0%	104.9%	106.7%	(1,121)
Other (including flood)	<u>1,372</u>	0.4%	<u>1,525</u>	(12.8)%	60.4%	(39.7)%	(162.7)%	0.0%	(142.0)%	(118.4)%	<u>3,443</u>
<b>Total</b>	<b>\$ 61,969</b>	<b>(4.7)%</b>	<b>\$ 70,205</b>	<b>(3.1)%</b>	<b>48.0%</b>	<b>8.5%</b>	<b>34.1%</b>	<b>0.0%</b>	<b>90.6%</b>	<b>105.1%</b>	<b>\$ 9,394</b>
<b>Standard Commercial Lines:</b>											
Commercial property	\$ 75,644	6.7%	\$ 70,178	8.7%	47.6%	4.7%	39.1%	0.4%	91.8%	98.5%	\$ 3,600
Workers compensation	91,312	9.0%	76,000	11.0%	40.0%	14.0%	26.2%	0.9%	81.1%	90.7%	10,364
General liability	144,706	10.9%	128,085	11.4%	36.7%	11.4%	35.1%	0.2%	83.4%	73.0%	15,410
Auto	108,208	12.0%	95,419	10.5%	63.4%	8.8%	32.3%	0.4%	104.9%	99.4%	(8,829)
Businessowners' policies	24,794	2.2%	23,904	5.3%	43.2%	11.5%	40.3%	0.0%	95.0%	118.8%	847
Bonds	5,925	13.7%	5,464	9.3%	12.8%	7.5%	61.3%	0.0%	81.6%	84.6%	726
Other	<u>4,474</u>	11.2%	<u>3,839</u>	10.7%	(1.2)%	0.2%	54.8%	0.0%	53.8%	52.4%	<u>1,425</u>
<b>Total</b>	<b>\$ 455,063</b>	<b>9.6%</b>	<b>\$ 402,889</b>	<b>10.2%</b>	<b>45.3%</b>	<b>9.9%</b>	<b>34.1%</b>	<b>0.4%</b>	<b>89.7%</b>	<b>89.7%</b>	<b>\$ 23,543</b>
<b>E&amp;S</b>	<b>\$ 48,327</b>	<b>27.8%</b>	<b>\$ 49,364</b>	<b>29.5%</b>	<b>49.4%</b>	<b>19.5%</b>	<b>29.5%</b>	<b>0.0%</b>	<b>98.4%</b>	<b>102.1%</b>	<b>\$ 1,095</b>
<b>Total Insurance Operations</b>	<b>\$ 565,359</b>	<b>9.1%</b>	<b>\$ 522,458</b>	<b>9.7%</b>	<b>46.0%</b>	<b>10.7%</b>	<b>33.7%</b>	<b>0.3%</b>	<b>90.7%</b>	<b>93.0%</b>	<b>\$ 34,032</b>

Note: Some amounts may not foot due to rounding.

	2016	2015
Losses Paid	\$ 210,673	\$ 194,366
LAE Paid	<u>46,124</u>	<u>44,994</u>
Total Paid	<u>\$ 256,797</u>	<u>\$ 239,360</u>

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2016 Net Catastrophe Losses and Prior Year Casualty Reserve Development**  
**Statutory Results by Line of Business**  
**(unaudited)**

<b><u>Net Catastrophe Losses Incurred</u></b> (\$ in thousands)	<b>Year-to-Date</b>			
	<b>March 31, 2016</b>		<b>March 31, 2015</b>	
	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
Standard Personal Lines	\$ 2,225	3.2%	\$ 6,318	8.7%
Standard Commercial Lines	\$ 11,649	2.9%	\$ 18,650	5.1%
E&S	\$ 495	1.0%	\$ 352	0.9%
<b>Total Insurance Operations</b>	<b>\$ 14,369</b>	<b>2.8%</b>	<b>\$ 25,320</b>	<b>5.3%</b>

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<b><u>Prior Year Casualty Reserve Development</u></b> <b>(Favorable) / Unfavorable</b> (\$ in thousands)	<b>Year-to-Date</b>			
	<b>March 31, 2016</b>		<b>March 31, 2015</b>	
	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
Standard Personal Lines	\$ -	0.0%	\$ -	0.0%
Standard Commercial Lines	\$ (18,000)	(4.5)%	\$ (21,000)	(5.7)%
E&S	\$ 1,000	2.0%	\$ 1,000	2.6%
<b>Total Insurance Operations</b>	<b>\$ (17,000)</b>	<b>(3.3)%</b>	<b>\$ (20,000)</b>	<b>(4.2)%</b>

Note: Some amounts may not foot due to rounding.

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Consolidated Balance Sheets**

	Unaudited March 31, 2016	December 31, 2015
(\$ in thousands, except share amounts)		
<b>ASSETS</b>		
<b>Investments:</b>		
Fixed income securities, held-to-maturity – at carrying value (fair value: \$171,259 – 2016; \$209,544 – 2015)	\$ 163,573	201,354
Fixed income securities, available-for-sale – at fair value (amortized cost: \$4,484,719 – 2016; \$4,352,514 – 2015)	4,600,468	4,408,203
Equity securities, available-for-sale – at fair value (cost: \$194,178 – 2016; \$193,816 – 2015)	215,789	207,051
Short-term investments (at cost which approximates fair value)	103,132	194,819
Other investments	80,916	77,842
Total investments	5,163,878	5,089,269
Cash	683	898
Interest and dividends due or accrued	37,959	38,501
Premiums receivable, net of allowance for uncollectible accounts of: \$4,063 – 2016; \$4,422 – 2015	654,344	615,164
Reinsurance recoverables, net of allowance for uncollectible accounts of: \$6,000 – 2016; \$5,700 – 2015	577,346	561,968
Prepaid reinsurance premiums	137,655	140,889
Deferred federal income tax	67,479	92,696
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$192,675 – 2016; \$188,548 – 2015	65,164	65,701
Deferred policy acquisition costs	220,948	213,159
Goodwill	7,849	7,849
Other assets	89,187	78,339
Total assets	\$ 7,022,492	6,904,433
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Reserve for loss and loss expenses	\$ 3,575,496	3,517,728
Unearned premiums	1,209,377	1,169,710
Short-term debt	60,000	60,000
Long-term debt	328,313	328,192
Current federal income tax	11,979	7,442
Accrued salaries and benefits	140,221	167,336
Other liabilities	221,141	255,984
Total liabilities	\$ 5,546,527	5,506,392
<b>Stockholders' Equity:</b>		
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: 101,258,870 – 2016; 100,861,372 – 2015	202,518	201,723
Additional paid-in capital	333,965	326,656
Retained earnings	1,474,435	1,446,192
Accumulated other comprehensive income (loss)	35,997	(9,425)
Treasury stock – at cost (shares: 43,622,892 – 2016; 43,500,642 – 2015)	(570,950)	(567,105)
Total stockholders' equity	\$ 1,475,965	1,398,041
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 7,022,492	6,904,433

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Unaudited Consolidated Statements of Income**

(\$ in thousands, except per share amounts)	Quarter Ended March 31,	
	2016	2015
<b>Revenues:</b>		
Net premiums earned	\$ 522,458	476,123
Net investment income earned	30,769	26,917
Net realized (losses) gains:		
Net realized investment gains	889	20,977
Other-than-temporary impairments	(3,593)	(2,094)
Total net realized (losses) gains	(2,704)	18,883
Other income	951	1,969
Total revenues	551,474	523,892
<b>Expenses:</b>		
Loss and loss expense incurred	297,144	284,999
Policy acquisition costs	183,227	164,723
Interest expense	5,606	5,604
Other expenses	13,622	12,276
Total expenses	499,599	467,602
Income before federal income tax	51,875	56,290
<b>Federal income tax expense:</b>		
Current	14,084	12,254
Deferred	759	4,328
Total federal income tax expense	14,843	16,582
Net income	\$ 37,032	39,708
<b>Earnings per share:</b>		
Basic net income	\$ 0.64	0.70
Diluted net income	\$ 0.63	0.69
Dividends to stockholders	\$ 0.15	0.14

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Unaudited Consolidated Statements of Comprehensive Income**

(\$ in thousands)	Quarter Ended March 31,	
	2016	2015
Net income	\$ 37,032	39,708
<b>Other comprehensive income, net of tax:</b>		
<i>Unrealized gains on investment securities:</i>		
Unrealized holding gains arising during period	42,729	15,586
Amount reclassified into net income:		
Held-to-maturity securities	(47)	(170)
Non-credit other-than-temporary impairments	—	232
Realized losses (gains) on available-for-sale securities	1,754	(12,932)
Total unrealized gains on investment securities	44,436	2,716
<i>Defined benefit pension and post-retirement plans:</i>		
Amounts reclassified into net income:		
Net actuarial loss	986	1,111
Total defined benefit pension and post-retirement plans	986	1,111
Other comprehensive income	45,422	3,827
Comprehensive income	\$ 82,454	43,535



**Selective Insurance Group, Inc. & Consolidated Subsidiaries**
**Unaudited Consolidated Statements of Stockholders' Equity**

(\$ in thousands)	Quarter Ended March 31,	
	2016	2015
<b>Common stock:</b>		
Beginning of year	\$ 201,723	199,896
Dividend reinvestment plan (shares: 10,931 – 2016; 13,533 – 2015)	22	27
Stock purchase and compensation plans (shares: 386,567 – 2016; 469,014 – 2015)	773	938
End of period	<u>202,518</u>	<u>200,861</u>
<b>Additional paid-in capital:</b>		
Beginning of year	326,656	305,385
Dividend reinvestment plan	351	346
Stock purchase and compensation plans	6,958	7,199
End of period	<u>333,965</u>	<u>312,930</u>
<b>Retained earnings:</b>		
Beginning of year	1,446,192	1,313,440
Net income	37,032	39,708
Dividends to stockholders (\$0.15 per share – 2016; \$0.14 per share – 2015)	(8,789)	(8,113)
End of period	<u>1,474,435</u>	<u>1,345,035</u>
<b>Accumulated other comprehensive income:</b>		
Beginning of year	(9,425)	19,788
Other comprehensive income	45,422	3,827
End of period	<u>35,997</u>	<u>23,615</u>
<b>Treasury stock:</b>		
Beginning of year	(567,105)	(562,923)
Acquisition of treasury stock (shares: 122,250 – 2016; 129,257 – 2015)	(3,845)	(3,580)
End of period	<u>(570,950)</u>	<u>(566,503)</u>
Total stockholders' equity	<u>\$ 1,475,965</u>	<u>1,315,938</u>

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Unaudited Consolidated Statements of Cash Flow**

(\$ in thousands)	Quarter Ended March 31,	
	2016	2015
<b>Operating Activities</b>		
Net income	\$ 37,032	39,708
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	14,627	14,041
Stock-based compensation expense	4,377	3,681
Undistributed losses of equity method investments	1,066	3,541
Net realized gains	2,704	(18,883)
<i>Changes in assets and liabilities:</i>		
Increase in reserve for loss and loss expenses, net of reinsurance recoverables	42,390	44,964
Increase in unearned premiums, net of prepaid reinsurance	42,901	41,966
Decrease in net federal income taxes	5,296	11,034
Increase in premiums receivable	(39,180)	(38,110)
Increase in deferred policy acquisition costs	(7,789)	(6,348)
Decrease in interest and dividends due or accrued	528	510
Decrease in accrued salaries and benefits	(27,115)	(16,290)
Increase in other assets	(10,128)	(5,578)
Decrease in other liabilities	(52,902)	(13,662)
Net adjustments	(23,225)	20,866
Net cash provided by operating activities	13,807	60,574
<b>Investing Activities</b>		
Purchase of fixed income securities, available-for-sale	(264,828)	(238,000)
Purchase of equity securities, available-for-sale	(7,574)	(150,500)
Purchase of other investments	(12,723)	(1,724)
Purchase of short-term investments	(303,228)	(333,550)
Sale of fixed income securities, available-for-sale	12,905	9,305
Sale of short-term investments	394,915	341,146
Redemption and maturities of fixed income securities, held-to-maturity	37,400	20,720
Redemption and maturities of fixed income securities, available-for-sale	130,641	145,661
Sale of equity securities, available-for-sale	4,285	129,052
Distributions from other investments	7,994	5,845
Purchase of property and equipment	(3,439)	(4,064)
Net cash used in investing activities	(3,652)	(76,109)
<b>Financing Activities</b>		
Dividends to stockholders	(8,270)	(7,591)
Acquisition of treasury stock	(3,845)	(3,580)
Net proceeds from stock purchase and compensation plans	1,478	2,271
Proceeds from borrowings	25,000	15,000
Repayments of borrowings	(25,000)	—
Excess tax benefits from share-based payment arrangements	1,361	1,398
Repayments of capital lease obligations	(1,094)	(1,118)
Net cash (used in) provided by financing activities	(10,370)	6,380
Net decrease in cash	(215)	(9,155)
Cash, beginning of year	898	23,959
Cash, end of period	\$ 683	14,804

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**Statutory Balance Sheets**  
**(unaudited)**

(\$ in thousands)	March 31, 2016	March 31, 2015	December 31, 2015
<b>ASSETS</b>			
Bonds	\$ 4,583,540	4,299,029	4,491,136
Common stocks	202,619	190,937	194,789
Preferred stocks	12,807	20,521	11,856
Affiliated mortgage loan	34,957	35,765	35,163
Other investments	130,365	147,468	128,788
Short-term investments	81,011	113,117	165,678
<b>Total investments</b>	<b>5,045,299</b>	<b>4,806,837</b>	<b>5,027,410</b>
Cash on hand and in banks	(12,429)	1,538	(34,378)
Interest and dividends due and accrued	37,891	38,376	38,466
Premiums receivable	649,660	593,248	609,146
Reinsurance recoverable on paid losses and expenses	9,025	10,919	10,949
Deferred tax recoverable	144,761	143,060	142,066
EDP equipment	397	460	390
Equities and deposits in pools and associations	10,864	10,373	10,920
Receivable for sold securities	647	8	17
Other assets	28,245	27,206	28,300
<b>Total assets</b>	<b>\$ 5,914,360</b>	<b>5,632,025</b>	<b>5,833,286</b>
<b>LIABILITIES</b>			
Reserve for losses	\$ 2,456,286	2,432,544	2,426,583
Reinsurance payable on paid loss and loss expense	3,057	3,297	2,841
Reserve for loss expenses	534,949	505,752	525,322
Unearned premiums	1,071,722	990,791	1,028,820
Reserve for commissions payable	50,382	46,691	89,740
Ceded balances payable	41,112	29,303	37,222
Federal income tax payable	34,247	23,786	25,644
Premium and other taxes payable	19,411	19,450	23,998
Borrowed money	60,031	60,031	60,031
Reserve for dividends to policyholders	6,439	4,486	5,805
Reserves for unauthorized reinsurance	2,030	7,661	2,030
Payable for securities	25,563	31,790	6,204
Funds withheld on account of others	7,928	7,485	6,806
Accrued salaries and benefits	52,230	48,287	77,933
Other liabilities	87,647	98,249	87,987
<b>Total liabilities</b>	<b>4,453,034</b>	<b>4,309,603</b>	<b>4,406,966</b>
<b>POLICYHOLDERS' SURPLUS</b>			
Capital	42,725	42,725	42,725
Paid in surplus	492,869	492,869	492,869
Unassigned surplus	925,732	786,828	890,726
Total policyholders' surplus	1,461,326	1,322,422	1,426,320
<b>Total liabilities and policyholders' surplus</b>	<b>\$ 5,914,360</b>	<b>5,632,025</b>	<b>5,833,286</b>

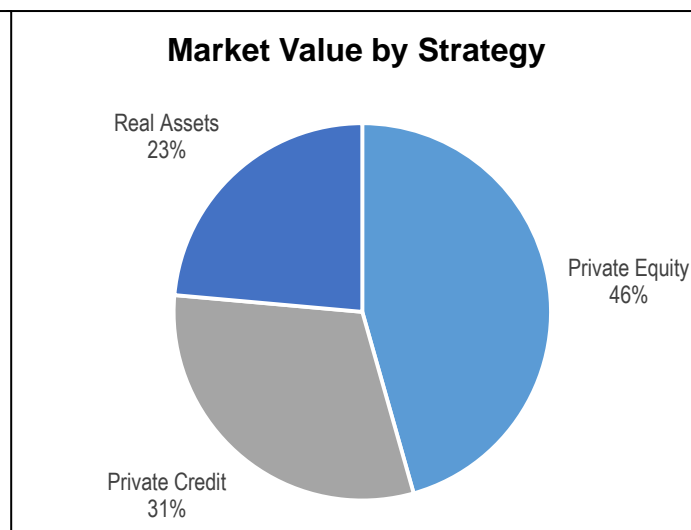
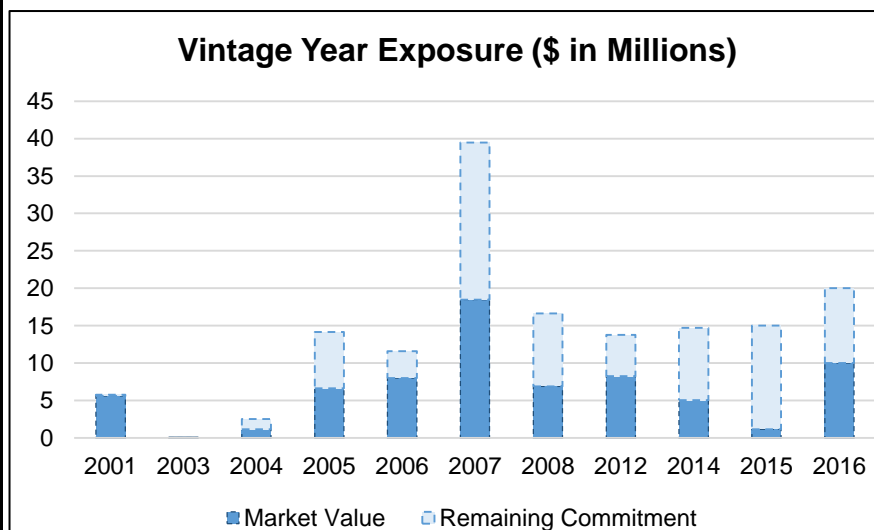
Selective Insurance Group, Inc.  
Combined Insurance Company Subsidiaries  
Statutory Statements Of Income  
(unaudited)

(\$ in thousands)		Quarter Ended		March	
		2016		2015	
<b>UNDERWRITING</b>					
Net premiums written	\$	565,359		518,088	
Net premiums earned		522,458		476,123	
Net losses paid		210,673		194,366	
Change in reserve for losses		29,703		34,014	
Net losses incurred		240,376	46.0%	228,380	48.0%
Net loss expenses paid		46,124		44,994	
Change in reserve for loss expenses		9,627		12,243	
Net loss expenses incurred		55,751	10.7%	57,237	12.0%
Net underwriting expenses incurred		190,917	33.7%	170,938	33.0%
Total deductions		487,044		456,555	
Statutory underwriting gain / (loss)		35,414		19,568	
Net loss from premium balances charged off		(691)		(610)	
Finance charges and other income		962		1,994	
Total other income		271	0.0%	1,384	-0.3%
Policyholders' dividends incurred		(1,653)	0.3%	(1,525)	0.3%
Total underwriting gain / (loss)		34,032	90.7%	19,427	93.0%
<b>INVESTMENT</b>					
Net investment income earned		30,623		27,127	
Net realized gain		(2,704)		18,883	
Total income before income tax		61,951		65,437	
Federal income tax expense		16,603		7,261	
Net income	\$	45,348		58,176	
Policyholders' Surplus					
Surplus, beginning of period	\$	1,426,320		1,307,842	
Net income		45,348		58,176	
Change in deferred taxes		352		(10,194)	
Change in net unrealized capital (losses)		5,311		(12,910)	
Dividends to stockholders		(15,254)		(14,438)	
Change in non-admitted assets		(2,182)		(7,669)	
Change in Overfunded Contra Asset		(1,047)		(281)	
Qual Pen Trans Liab		2,456		1,846	
Excess Plan Trans Liab		19		43	
PRL Plan Trans Liab		3		7	
Net change in surplus for period		35,006		14,580	
Surplus, end of period	\$	1,461,326		1,322,422	
Statutory underwriting gain	\$	34,032		19,427	
<b>Adjustments under GAAP:</b>					
Deferred policy acquisition costs		7,789		6,348	
Other, net		(866)		246	
GAAP underwriting gain	\$	40,955		26,021	

Note: Some amounts or ratios may not foot due to rounding

**Selective Insurance Group, Inc. and Consolidated Subsidiaries**  
**Alternative Investments**  
**March 31, 2016**  
**(unaudited)**

<b>Strategy</b>	<b>Number of Funds</b>	<b>Original Commitment</b>	<b>Remaining Commitment</b>	<b>Current Market Value</b>
Private Equity	9	111,498,351	28,750,146	32,478,105
Private Credit	7	80,000,000	25,129,467	21,938,463
Real Assets	7	100,000,000	28,558,441	16,792,100
<b>TOTAL - ALTERNATIVE INVESTMENTS</b>	<b>23</b>	<b>291,498,351</b>	<b>82,438,054</b>	<b>71,208,668</b>



*Exhibit may not foot due to rounding*