



SELECTIVE[®]

Supplemental Investor Package

First Quarter 2013

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SELECTIVE INSURANCE GROUP, INC.
FIRST QUARTER 2013 INVESTOR PACKAGE
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Selective Insurance Group Reports
First Quarter 2013 Earnings

Branchville, NJ – April 24, 2013 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the first quarter ended March 31, 2013. Net income per diluted share was \$0.38 and operating income¹ per diluted share was \$0.36. Included in the results was a one-time, after-tax charge of \$2.2 million, or \$0.04 per diluted share, for the redemption of the Company's 7.5% junior subordinated notes.

"Market conditions improved in all areas of our insurance operations and I'm extremely confident about Selective's positioning in the marketplace," said Chairman, President and CEO Gregory E. Murphy. "Standard commercial lines represent 79% of all our premiums and renewal price increased 7.5% while maintaining solid retention at 83% -- another key measure of market stability.

"Overall net premiums written increased 7%. The statutory combined ratio improved 2.3 points to 96.8%, despite a pension curtailment charge of 1.3 points," continued Murphy. "We have been achieving rate increases for the past 16 quarters using sophisticated underwriting tools to balance price and retention. As low interest rates continue to pressure investment yields, the industry is being forced to improve underwriting margins, mainly through price increases. We continue to make progress on our three-year profit improvement plan, which includes renewal price increases between 5-8% per year. We exceeded our 2012 pricing target, and for 2013 expect to meet our 7.6% target and maintain solid retention.

"Personal Lines continues to successfully execute on their profit improvement strategies, driven primarily by renewal price increases of 8.5% and strong retention of 87%. The statutory combined ratio was 92.4% with only 0.7 points of catastrophe losses and including the pension curtailment charge of 1.3 points," said Murphy.

"We have maintained our conservative investment strategy. The quarter's after-tax investment income was \$25 million, flat compared to 2012, with higher alternative

investment returns that were offset by lower yields on our fixed maturity securities,” concluded Murphy.

In February, Selective issued \$185 million aggregate principal amount of 5.875% Senior Notes due 2043. The net proceeds from the offering were used to redeem the \$100 million aggregate principal amount of Selective’s 7.5% Junior Subordinated Notes due 2066. The remaining proceeds were used for general corporate purposes including a capital contribution of \$57 million to Selective’s insurance subsidiaries. As a result of the redemption of the 7.5% notes, as noted earlier, the Company was required to write-off the remaining capitalized debt issuance costs.

In addition, Selective amended the Company’s pension plan to curtail benefits effective March 31, 2016. As a result, the statutory combined ratio for the first quarter includes a \$5.8 million curtailment charge, or 1.3 points. The statutory expense ratio in the quarter reflects \$4.5 million, or 1.0 points, of the curtailment charge with the remaining \$1.3 million balance in allocated loss and loss adjustment expenses. The curtailment did not impact the GAAP combined ratio; however, it resulted in an after-tax increase to equity of \$29 million, or \$0.52 per share.

Selective’s first quarter 2013 highlights compared to first quarter 2012:

- Net income was \$21.3 million, or \$0.38 per diluted share, compared to \$18.1 million, or \$0.33 in 2012;
- Operating income¹ was \$20.1 million, or \$0.36 per diluted share, compared to operating income¹ of \$15.3 million, or \$0.28 in 2012;
- Long-term employee compensation expense increased \$2.1 million, after tax, or \$0.04 per diluted share, related to the increase in stock price;
- Combined ratio: GAAP: 97.1% compared to 100.4% in 2012; Statutory: 96.8% (including pension curtailment charge of 1.3 points) compared to 99.1% in 2012;
- Total net premiums written (NPW) were up 7% to \$450.1 million:
 - o Standard Commercial Lines NPW were \$353.2 million;
 - o Standard Personal Lines NPW were \$68.6 million;
 - o Excess and Surplus Lines NPW were \$28.4 million;
- Catastrophe losses were \$1.6 million, pre-tax; compared to \$6.9 million;
- Favorable prior year statutory reserve development on our casualty lines totaled \$2 million compared to \$3 million in 2012;
- Net investment income, after tax, remained flat at \$24.8 million; and
- Total revenue was \$459.9 million compared to \$419.3 million.

Balance Sheet and Guidance

At March 31, 2013, Selective’s assets were \$6.3 billion and the investment portfolio was \$4.4 billion. Statutory surplus was up 10% to \$1.2 billion compared to December 31, 2012. Stockholders’ equity was \$1.1 billion. Book value per share increased in the quarter to \$20.46 due to the aforementioned \$0.52 after-tax pension curtailment benefit and \$0.38 in net income.

Selective’s Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable June 3, 2013 to stockholders of record as of May 15, 2013.

Selective expects to generate a 2013 full year statutory combined ratio of 96%, excluding catastrophes and any additional prior year development either favorable or unfavorable. Selective currently estimates catastrophe losses will add three points to

that ratio. In addition, investment income will be approximately \$90-\$95 million after tax and weighted average shares at year end 2013 are anticipated to be approximately 56 million.

The supplemental investor packet, 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. Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET, on April 25, 2013 at www.selective.com. The webcast will be available for rebroadcast until the close of business on May 25, 2013.

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 primary and alternative market insurance for commercial and personal risks, and flood insurance underwritten by the National Flood Insurance Program. Selective maintains a website at 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, particularly changes in New Jersey automobile insurance laws and regulations;
- 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 Investor Relations' section of Selective's website, www.selective.com, or through the SEC's EDGAR Database at www.sec.gov (Selective EDGAR CIK No. 0000230557).

¹Operating income differs from net income by the exclusion of realized gains or losses on investments and the results of discontinued operations. It is used as an important financial measure by management, analysts and investors, because the realization of investment gains and losses on sales in any given period is largely discretionary as to timing. In addition, these investment gains and losses, as well as other-than-temporary investment impairments that are charged to earnings and the results of discontinued operations, could distort the analysis of trends. 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 GAAP Highlights and Reconciliation of Non-GAAP Measures to Comparable GAAP Measures. Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and, therefore, is not reconciled to GAAP.

Selective Insurance Group, Inc. (Nasdaq: SIGI) *
**GAAP Highlights and Reconciliation of Non-GAAP Measures to Comparable
GAAP Measures**

(in thousands, except per share data)

<u>3 months ended March 31:</u>		<u>2013</u>	<u>2012</u>
Net premiums written	\$	450,124	420,172
Net premiums earned		420,940	378,829
Net investment income earned		32,870	32,628
Net realized gains		3,355	4,358
Total revenues		459,949	419,348
Operating income		20,124	15,260
Capital gains, net of tax		2,181	2,833
Loss on discontinued operations		(997)	-
Net income	\$	<u>21,308</u>	<u>18,093</u>
Statutory combined ratio		96.8%	99.1%
Statutory combined ratio, excluding catastrophe losses		96.4%	97.3%
GAAP combined ratio		97.1%	100.4%
Operating income per diluted share	\$	0.36	0.28
Net income per diluted share		0.38	0.33
Weighted average diluted shares		56,455	55,605
Book value per share	\$	20.46	19.76

**All amounts included in this release exclude intercompany transactions.*

Selective Insurance Group, Inc.
Selected Balance Sheet Data (unaudited)
(\$ in thousands, except per share amounts)

	March 31,			March 31,			December 31,		
	2013			2012			2012		
	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain/(Loss)	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain/(Loss)	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain/(Loss)
Invested Assets:									
Corporate bonds ¹	\$ 2,388,239	2,396,950	100,025	\$ 2,072,573	2,086,423	85,230	\$ 2,239,284	2,250,536	110,822
Government and Municipal bonds	1,585,513	1,612,584	89,801	1,629,130	1,659,819	101,166	1,610,798	1,640,138	99,026
Total bonds	3,973,752	4,009,534	189,826	3,701,703	3,746,242	186,396	3,850,082	3,890,674	209,848
Equities	174,745	174,745	31,181	152,986	152,986	22,773	151,382	151,382	18,941
Short-term investments	163,440	163,440	-	174,472	174,472	-	214,479	214,479	-
Other investments	109,855	109,855	(4,592)	125,140	125,140	(4,989)	114,076	114,076	(4,805)
Total invested assets	4,421,792	4,457,574	216,415	4,154,301	4,198,840	204,180	4,330,019	4,370,611	223,984
Invested assets per \$ of stockholders' equity	3.89			3.84			3.97		
Total assets	6,344,027			5,629,597			6,794,216		
Liabilities:									
Reserve for losses and loss expenses	3,474,392			3,035,773			4,068,941		
Unearned premium reserve	1,005,475			937,909			974,706		
Total liabilities	5,207,682			4,546,679			5,703,624		
Stockholders' equity	1,136,345			1,082,918			1,090,592		
Total debt to capitalization ratio	25.7%			22.1%			22.0%		
Adjusted total debt to capitalization ratio ²	N/A			15.6%			15.6%		
Book value per share	20.46			19.76			19.77		
Book value per share excluding unrealized gain or loss on bond portfolio	18.66			18.08			17.78		
NPW per insurance segment employee ³	864			N/M			842		
Statutory premiums to surplus ratio	1.5x			1.4x			1.6x		
Statutory surplus	1,151,959			1,083,174			1,050,107		

¹ Includes mortgage-backed and asset-backed securities.

² The adjusted debt to capitalization ratio reflects an estimated equity treatment of 90% applied to our \$100 million Junior Subordinated Notes issued September 25, 2006 as applied by A.M. Best. These notes were redeemed in March 2013.

³ Prior year amounts have been restated to include the impact of E&S.

Selective Insurance Group, Inc.

Selected Income Statement Data (unaudited)

March 2013

(\$ in thousands, except per share amounts)

	THREE MONTHS ENDED March 31,			
	2013		2012	
	Per diluted share		Per diluted share	
Consolidated				
Revenue	\$ 459,949		\$ 419,348	
Operating income	20,124	0.36	15,260	0.28
Net realized gains, after tax	2,181	0.04	2,833	0.05
Income from continuing operations	22,305	0.40	18,093	0.33
Loss on discontinued operations, after tax	(997)	(0.02)	-	-
Net income	21,308	0.38	18,093	0.33
Operating return on equity	7.2%		5.7%	
Total Insurance Operations				
Gross premiums written	537,298		497,955	
Net premiums written	450,124		420,172	
Net premiums earned	420,940		378,829	
Underwriting income (loss)	- before tax		(1,363)	
	- after tax	0.14	(886)	(0.02)
GAAP combined ratio	97.1%		100.4%	
Total Standard lines				
Net premiums earned	390,881		369,106	
GAAP combined ratio	96.9%		99.0%	
Standard Commercial lines				
Net premiums earned	317,845		300,497	
GAAP combined ratio	98.1%		99.9%	
Standard Personal lines				
Net premiums earned	73,036		68,609	
GAAP combined ratio	91.8%		95.5%	
Excess and Surplus lines				
Net premiums earned	30,059		9,723	
GAAP combined ratio	99.7%		150.3%	
Investments				
Net investment income	- before tax		32,628	
	- after tax	0.44	24,775	0.45
Effective tax rate	24.4%		24.1%	
Annual after-tax yield on investment portfolio	2.3%		2.4%	
Annual after-tax, after-interest expense yield	1.9%		2.1%	
Invested assets per \$ of stockholders' equity	3.89		3.84	
Other expenses (net of other income)				
Interest expense	- before tax		(4,700)	
	- after tax	(0.07)	(3,055)	(0.05)
Other Expense - after tax ¹	\$ (8,830)	(0.15)	\$ (5,574)	(0.10)
Diluted weighted avg shares outstanding	56,455		55,605	

¹ The 2013 after-tax expense includes the write-off of \$2.2 million of our remaining capitalized debt issuance costs related to our 7.5% Junior Notes that we redeemed in March 2013, and a \$2.1 million increase in our long-term employee compensation expense related to the increase in our stock price.

Selective Insurance Group, Inc.
2013 Statutory Results by Line of Business
March YTD unaudited
(\$ in thousands)

	<u>Net Premiums Written</u>	<u>Percent Change</u>	<u>Net Premiums Earned</u>	<u>Percent Change</u>	<u>Loss Ratio</u>	<u>LAE Ratio</u>	<u>Underwriting Expense Ratio</u>	<u>Dividends to Policyholders Ratio</u>	<u>Combined Ratio 2013</u>	<u>Combined Ratio 2012</u>	<u>Underwriting Gain/(Loss)</u>
Standard Personal Lines:											
Homeowners	\$ 27,834	10.4%	\$ 31,135	11.4%	44.6%	9.3%	33.8%	0.0%	87.7%	91.9%	\$ 4,933
Auto	37,685	1.1%	38,393	2.5%	62.8%	12.7%	30.2%	0.0%	105.7%	109.8%	(1,964)
Other (including flood)	3,036	(0.9)%	3,508	9.8%	74.2%	(20.1)%	(73.2)%	0.0%	(19.1)%	8.1%	3,832
Total	\$ 68,555	4.6%	\$ 73,036	6.5%	55.6%	9.7%	27.1%	0.0%	92.4%	97.7%	\$ 6,801
Standard Commercial Lines:											
Commerical property	\$ 57,760	8.9%	\$ 53,415	8.2%	42.0%	5.6%	39.0%	0.0%	86.6%	83.9%	\$ 5,470
Workers compensation	75,405	3.0%	66,084	0.4%	75.6%	15.9%	25.6%	1.8%	118.9%	110.9%	(14,850)
General liability	109,405	8.7%	97,703	8.4%	44.9%	17.0%	34.0%	0.0%	95.9%	100.2%	27
Auto	81,872	8.0%	74,347	5.5%	57.9%	8.7%	31.5%	(0.1)%	98.0%	96.6%	(880)
Business owners policies	20,359	11.7%	18,540	10.0%	19.0%	15.4%	42.6%	0.0%	77.0%	99.4%	3,496
Bonds	4,954	6.7%	4,764	2.2%	13.7%	3.4%	60.9%	0.0%	78.0%	88.1%	934
Other	3,434	4.9%	2,991	(5.6)%	(0.7)%	0.8%	38.5%	0.0%	38.6%	37.0%	1,665
Total	\$ 353,189	7.4%	\$ 317,845	5.8%	51.4%	12.5%	33.4%	0.3%	97.6%	98.0%	\$ (4,139)
Total Standard Operations	\$ 421,744	6.9%	\$ 390,881	5.9%	52.2%	12.0%	32.3%	0.3%	96.8%	98.0%	\$ 2,662
E&S	28,380	10.0%	30,059	209.2%	47.9%	15.7%	34.6%	0.0%	98.2%	120.3%	1,134
Total Insurance Operations	\$ 450,124	7.1%	\$ 420,940	11.1%	51.9%	12.2%	32.4%	0.3%	96.8%	99.1%	\$ 3,796

Note: Some amounts may not foot due to rounding.

	<u>2013</u>	<u>2012</u>
Losses Paid	\$ 187,285	\$ 206,893
LAE Paid	44,989	43,536
Total Paid	\$ 232,274	\$ 250,429

SELECTIVE INSURANCE GROUP, INC. UNAUDITED CONSOLIDATED STATEMENTS OF INCOME	Quarter ended March 31,	
	2013	2012
(\$ in thousands, except per share amounts)		
Revenues:		
Net premiums earned	\$ 420,940	378,829
Net investment income earned	32,870	32,628
Net realized gains:		
Net realized investment gains	5,304	4,779
Other-than-temporary impairments	(1,919)	(257)
Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income	(30)	(164)
Total net realized gains	3,355	4,358
Other income	2,784	3,533
Total revenues	459,949	419,348
Expenses:		
Loss and loss expense incurred	269,849	252,906
Policy acquisition costs	139,528	127,958
Interest expense	5,831	4,700
Other expenses	15,873	10,593
Total expenses	431,081	396,157
Income from continuing operations, before federal income tax	28,868	23,191
Federal income tax expense (benefit):		
Current	7,453	7,178
Deferred	(890)	(2,080)
Total federal income tax expense	6,563	5,098
Net income from continuing operations	22,305	18,093
Loss on disposal of discontinued operations, net of tax of \$(538)	(997)	—
Net income	\$ 21,308	18,093
Earnings per share:		
Basic net income from continuing operations	\$ 0.40	0.33
Basic net loss from discontinued operations	(0.02)	—
Basic net income	\$ 0.38	0.33
Diluted net income from continuing operations	\$ 0.40	0.33
Diluted net loss from discontinued operations	(0.02)	—
Diluted net income	\$ 0.38	0.33
Dividends to stockholders	\$ 0.13	0.13

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

Quarter ended March 31,

(\$ in thousands)

2013

2012

Common stock:

Beginning of year	\$ 196,388	194,494
Dividend reinvestment plan (shares: 17,314 – 2013; 22,916 – 2012)	35	46
Stock purchase and compensation plans (shares: 496,647 – 2013; 540,322 – 2012)	993	1,080
End of period	<u>197,416</u>	<u>195,620</u>

Additional paid-in capital:

Beginning of year	270,654	257,370
Dividend reinvestment plan	349	358
Stock purchase and compensation plans	5,714	4,608
End of period	<u>276,717</u>	<u>262,336</u>

Retained earnings:

Beginning of year	1,125,154	1,116,319
Net income	21,308	18,093
Dividends to stockholders (\$0.13 per share – 2013 and 2012)	(7,351)	(7,270)
End of period	<u>1,139,111</u>	<u>1,127,142</u>

Accumulated other comprehensive income:

Beginning of year	54,040	42,294
Other comprehensive income	27,881	10,690
End of period	<u>81,921</u>	<u>52,984</u>

Treasury stock:

Beginning of year	(555,644)	(552,149)
Acquisition of treasury stock (shares: 146,436 – 2013; 168,614 – 2012)	(3,176)	(3,015)
End of period	<u>(558,820)</u>	<u>(555,164)</u>
Total stockholders' equity	<u>\$ 1,136,345</u>	<u>1,082,918</u>

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW

(\$ in thousands)

Quarter ended March 31,

2013

2012

Operating Activities

Net income \$ 21,308 18,093

Adjustments to reconcile net income to net cash provided by operating activities:

Depreciation and amortization 13,148 9,748

Loss on disposal of discontinued operations 997 —

Stock-based compensation expense 3,692 3,329

Undistributed losses of equity method investments 426 764

Net realized gains (3,355) (4,358)

Retirement income plan curtailment expense 16 —

Changes in assets and liabilities:

Increase in reserves for loss and loss expense, net of reinsurance recoverables 38,556 6,311

Increase in unearned premiums, net of prepaid reinsurance and advance premiums 30,106 41,769

Decrease in net federal income taxes 5,290 4,227

Increase in premiums receivable (36,202) (25,107)

Increase in deferred policy acquisition costs (2,963) (8,570)

Decrease in interest and dividends due or accrued 384 1,108

Decrease in accrued salaries and benefits (4,528) (5,356)

Decrease in accrued insurance expenses (12,378) (13,476)

Other-net (26,357) 7,373

Net adjustments 6,832 17,762

Net cash provided by operating activities 28,140 35,855

Investing Activities

Purchase of fixed maturity securities, available-for-sale (308,289) (226,525)

Purchase of equity securities, available-for-sale (2) (39,724)

Purchase of other investments (2,329) (2,990)

Purchase of short-term investments (644,274) (368,210)

Purchase of subsidiary — 255

Sale of subsidiary 225 287

Sale of fixed maturity securities, available-for-sale 6,851 14,308

Sale of short-term investments 695,313 410,780

Redemption and maturities of fixed maturity securities, held-to-maturity 28,644 38,879

Redemption and maturities of fixed maturity securities, available-for-sale 124,975 84,124

Sale of equity securities, available-for-sale — 57,513

Distributions from other investments 3,447 5,299

Purchase of property and equipment (3,673) (2,263)

Net cash used in investing activities (99,112) (28,267)

Financing Activities

Dividends to stockholders (6,824) (6,713)

Acquisition of treasury stock (3,176) (3,015)

Net proceeds from stock purchase and compensation plans 1,164 769

Proceeds from issuance of notes payable, net of debt issuance costs 178,623 —

Repayment of notes payable (100,000) —

Excess tax benefits from share-based payment arrangements 1,271 870

Net cash provided by (used in) financing activities 71,058 (8,089)

Net increase (decrease) in cash 86 (501)

Cash, beginning of year 210 762

Cash, end of period \$ 296 261

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
Unaudited Statutory Balance Sheets
(\$ in thousands)

	<u>Mar-31</u> <u>2013</u>	<u>Mar-31</u> <u>2012</u>	<u>Dec-31</u> <u>2012</u>
ASSETS			
Bonds	\$ 3,762,737	3,534,562	3,617,371
Common stocks	174,745	152,986	151,382
Affiliated mortgage loan	37,266	37,962	37,443
Other investments	175,873	191,227	180,110
Short-term investments	131,767	137,871	208,845
Total investments	<u>4,282,388</u>	<u>4,054,608</u>	<u>4,195,151</u>
Cash on hand and in banks	8,784	(33,319)	(76,957)
Interest and dividends due and accrued	35,235	35,381	35,979
Premiums receivable	519,114	490,119	482,227
Reinsurance recoverable on paid losses and expenses	10,369	8,565	11,354
Deferred tax recoverable	151,114	143,453	147,495
EDP equipment	1,188	1,711	1,372
Equities and deposits in pools and associations	7,838	6,520	12,734
Receivable for sold securities	35,930	21	257
Other assets	22,175	28,006	28,541
Total assets	<u>\$ 5,074,135</u>	<u>4,735,065</u>	<u>4,838,153</u>
LIABILITIES			
Reserve for losses	\$ 2,258,016	2,170,597	2,226,858
Reinsurance payable on paid loss and loss expense	1,813	1,260	2,298
Reserve for loss expenses	434,045	423,330	427,560
Unearned premiums	871,253	800,647	842,068
Reserve for commissions payable	41,304	34,182	52,304
Ceded balances payable	51,565	15,569	271
Federal income tax payable	21,281	21,770	5,346
Premium and other taxes payable	23,226	20,419	24,604
Borrowed money	58,044	58,044	58,044
Reserve for dividends to policyholders	2,348	3,486	2,665
Reserves for unauthorized reinsurance	7,498	1,785	7,498
Payable for securities	46,296	-	7,682
Funds withheld on account of others	7,217	5,927	11,231
Accrued salaries and benefits	78,592	75,336	102,070
Other liabilities	19,678	19,539	17,547
Total liabilities	<u>3,922,176</u>	<u>3,651,891</u>	<u>3,788,046</u>
POLICYHOLDERS' SURPLUS			
Capital	42,725	32,325	42,725
Paid in surplus	492,869	307,022	435,744
Unassigned surplus	616,365	743,827	571,638
Total policyholders' surplus	<u>1,151,959</u>	<u>1,083,174</u>	<u>1,050,107</u>
Total liabilities and policyholders' surplus	<u>\$ 5,074,135</u>	<u>4,735,065</u>	<u>4,838,153</u>

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
Unaudited Statutory Statements Of Income
(\$ in thousands)

	Three Months Ended March		
<u>UNDERWRITING</u>	2013	2012	
Net premiums written	\$ 450,124	420,172	
Net premiums earned	420,940	378,829	
Net losses paid	187,285	206,893	
Change in reserve for losses	31,158	(2,430)	
Net losses incurred	218,443	204,463	54.0%
Net loss expenses paid	44,989	43,536	
Change in reserve for loss expenses	6,484	4,788	
Net loss expenses incurred	51,473	48,324	12.7%
Net underwriting expenses incurred	148,340	136,519	32.6%
Total deductions	418,256	389,306	
Statutory underwriting gain / (loss)	2,684	(10,477)	
Net loss from premium balances charged off	(734)	(1,241)	
Finance charges and other income	2,932	2,961	
Total other income	2,198	1,720	-0.4%
Policyholders' dividends incurred	(1,086)	(914)	0.2%
Total underwriting gain / (loss)	3,796	(9,671)	99.1%
<u>INVESTMENT</u>			
Net investment income earned	33,330	33,479	
Net realized gain	1,212	4,358	
Total income before income tax	38,338	28,166	
Federal income tax expense	15,935	9,593	
Net income	\$ 22,403	18,573	
Policyholders' Surplus			
Surplus, beginning of period	\$ 1,050,107	1,062,707	
Net income	22,403	18,573	
Change in deferred taxes	254	2,086	
Change in unrealized gains	9,436	4,958	
Dividends to stockholders	(12,120)	(15,765)	
Change in cum. effect of acctg principle	-	44,296	
Paid in surplus	57,125	-	
Change in non-admitted assets	16,719	10,559	
Change in additional admitted deferred taxes	-	(44,296)	
Change in Overfunded Contra Asset	(8,723)	-	
Qualified pension transitional liability	(35,725)	-	
SERP plan transitional liability	(595)	-	
PRL plan transitional liability	(1,218)	-	
Change in minimum pension liability	54,755	-	
Surplus adjustments	(459)	56	
Net change in surplus for period	101,852	20,467	
Surplus, end of period	\$ 1,151,959	1,083,174	
Statutory underwriting gain / (loss)	\$ 3,796	(9,671)	
<i>Adjustments under GAAP:</i>			
Deferred policy acquisition costs	2,962	8,570	
Pension costs	5,925	70	
Other, net	(522)	(332)	
GAAP underwriting gain / (loss)	\$ 12,161	(1,363)	

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

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
as of March 31, 2013
(unaudited)

Fund	Inception Year	Original Commitment	Remaining Commitment	Current Market Value	YTD Income	DPI⁽¹⁾ Ratio	TVPI⁽²⁾ Ratio
Real Estate							
Silverpeak RE II	2005	20,000,000	2,287,839	9,369,730	525,206	0.53	0.98
Silverpeak RE III	2008	15,000,000	8,003,844	2,844,709	(61,909)	0.03	0.44
Total - Real Estate		35,000,000	10,291,683	12,214,439	463,297	0.40	0.84
Mezzanine Financing							
Neovara Euro Mezz	2004	9,000,000	-	579,578	118,830	0.98	1.02
GS Mezz V	2007	25,000,000	14,768,207	8,305,059	277,721	0.71	1.30
New Canaan V	2012	7,000,000	4,491,872	2,421,191	35,983	0.01	0.97
Centerfield Capital	2012	3,000,000	2,077,118	873,128	24,174	0.01	0.95
Total - Mezz. Financing		44,000,000	21,337,197	12,178,956	456,709	1.71	1.15
Distressed Debt							
Varde VIII	2006	10,000,000	-	4,657,980	450,683	0.76	1.22
GS Distressed Opp III	2007	15,000,000	2,921,655	7,747,946	661,096	0.51	1.09
Total - Distressed Debt		25,000,000	2,921,655	12,405,926	1,111,779	0.61	1.14
Private Equity							
Prospector	1997	5,000,000	-	410,216	-	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,415,949	1,943,240	15,597	1.57	1.78
NB Co-Invest	2006	15,000,000	1,648,664	7,802,611	(1,065)	0.78	1.32
Trilantic Capital Partners IV	2007	11,098,351	1,632,471	7,575,504	564,823	0.79	1.51
Total - Private Equity		41,098,351	4,697,085	17,731,570	579,355	1.23	1.68
Private Equity, Secondary Market							
NB SOF	2005	12,000,000	899,494	5,609,856	118,251	0.79	1.29
GS Vintage IV	2007	20,000,000	4,078,567	14,011,227	829,363	0.56	1.29
NB SOF II	2008	12,000,000	2,487,473	8,159,194	223,509	0.61	1.38
Total - Pvt. Eq. Sec. Mkt.		44,000,000	7,465,535	27,780,278	1,171,123	0.64	1.31
Energy/Power Generation							
ArcLight I	2002	15,000,000	-	94,768	(4,335)	1.80	1.81
ArcLight II	2003	15,000,000	2,295,492	1,444,221	(244,988)	1.38	1.46
ArcLight III	2006	15,000,000	2,037,794	7,345,438	185,582	0.77	1.23
Quintana Energy	2006	10,000,000	1,204,351	6,345,705	347,630	0.56	1.28
ArcLight IV	2007	10,000,000	2,287,578	2,988,219	117,583	0.98	1.28
Total - Energy/Power Generation		65,000,000	7,825,215	18,218,351	401,472	1.18	1.44
Venture Capital							
Venture V	2001	9,600,000	400,000	7,369,479	56,708	0.40	1.20
Total - Venture Capital		9,600,000	400,000	7,369,479	56,708	0.40	1.20
TOTAL - ALTERNATIVE INVESTMENTS		\$ 263,698,351	54,938,368	107,898,999	4,240,443	0.87	1.31

⁽¹⁾ Distributed to paid in ratio

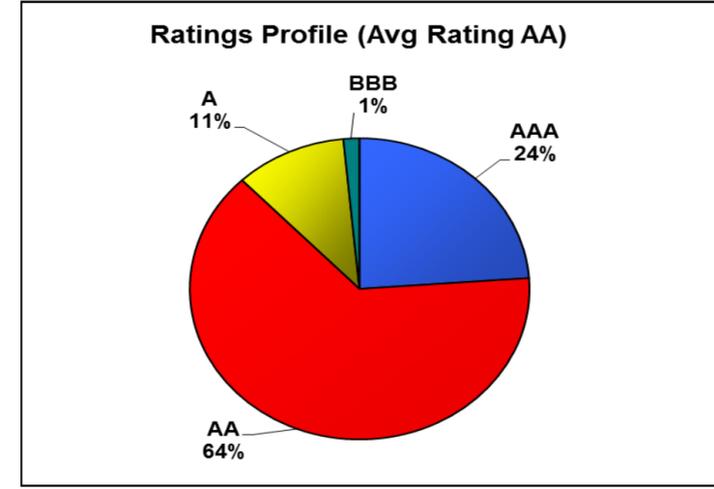
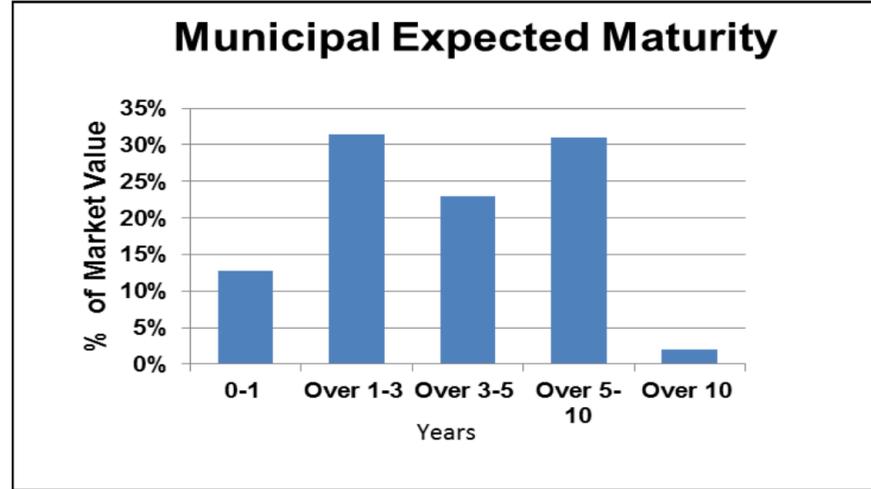
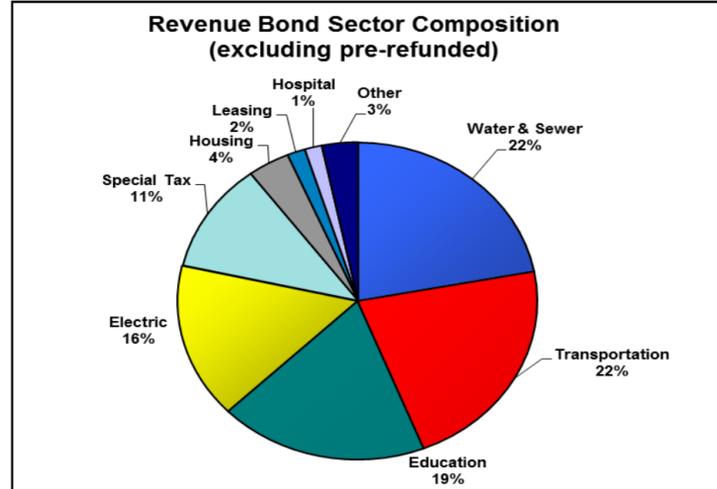
⁽²⁾ Total value to paid in ratio

Exhibit may not foot due to rounding

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Municipal Bond Portfolio
State and Repayment Source Composition
March 31, 2013

(\$ in thousands)
(unaudited)

Exposure = 36% Held-to-Maturity; 64% Available-for-Sale



Repayment Source Composition by State
Market Values

State	Revenue	% of State	General Obligation (GO)-Local		General Obligation (GO)-State		TX - Permanent School Fund (PSF)		Total	% of Total
			Local	% of State	State	% of State	PSF	% of State		
TX	43,245	49%	44,709	50%	1,113	1%	-	0%	89,067	7%
TX-PSF	-	0%	-	0%	-	0%	25,922	100%	25,922	2%
WA	51,270	50%	43,178	43%	7,114	7%	-	0%	101,562	8%
NY	71,276	91%	7,281	9%	-	0%	-	0%	78,557	6%
AZ	58,799	88%	8,320	12%	-	0%	-	0%	67,119	5%
FL	52,441	84%	-	0%	9,885	16%	-	0%	62,326	5%
CO	21,680	40%	33,168	60%	-	0%	-	0%	54,848	4%
OH	20,459	43%	13,050	28%	13,893	29%	-	0%	47,402	3%
NC	24,015	55%	13,651	31%	6,166	14%	-	0%	43,832	3%
CA	34,528	91%	3,445	9%	-	0%	-	0%	37,973	3%
MO	20,233	55%	16,725	45%	-	0%	-	0%	36,958	3%
Pre-refunded	54,158	50%	43,468	40%	7,816	7%	3,528	3%	108,970	8%
Other	335,551	58%	122,776	21%	118,220	21%	-	0%	576,547	43%
Grand Total	787,655	59%	349,771	26%	164,207	13%	29,450	2%	1,331,083	100%

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Credit Quality of Available-for-Sale Fixed Maturity Securities

March 31, 2013

(\$ in millions)

(unaudited)

	Fair Value	Unrealized Gain (Loss)	Weighted Average Credit Quality
AFS Fixed Maturity Portfolio:			
U.S. government obligations	\$ 245.7	15.9	AA+
Foreign government obligations	30.2	1.4	AA-
State and municipal obligations	849.9	39.6	AA
Corporate securities	1,532.8	76.4	A
Mortgage-backed securities ("MBS")	635.5	15.8	AA
Asset-backed securities ("ABS")	171.9	1.9	AAA
Total AFS fixed maturity portfolio	<u>\$ 3,466.0</u>	<u>151.0</u>	<u>AA-</u>
State and Municipal Obligations:			
Government obligations	\$ 380.9	18.3	AA+
Special revenue obligations	469.0	21.3	AA
Total state and municipal obligations	<u>\$ 849.9</u>	<u>39.6</u>	<u>AA</u>
Corporate Securities:			
Financial	\$ 422.3	21.1	A
Industrials	125.5	8.0	A-
Utilities	134.2	6.6	A-
Consumer discretionary	173.6	8.1	A-
Consumer staples	168.1	8.0	A
Healthcare	182.5	10.0	A+
Materials	87.1	4.8	A-
Energy	80.5	3.6	A-
Information technology	94.9	3.1	A
Telecommunications services	56.1	2.3	BBB+
Other	8.0	0.8	AA+
Total corporate securities	<u>\$ 1,532.8</u>	<u>76.4</u>	<u>A</u>
MBS:			
Government guaranteed agency commercial MBS ("CMBS")	\$ 42.3	1.8	AA+
Other-agency CMBS	9.5	-	AA+
Non-agency CMBS	94.8	0.6	AA
Government guaranteed agency residential MBS ("RMBS")	85.0	2.9	AA+
Non-agency RMBS	44.9	0.9	A-
Other Agency RMBS	353.1	9.4	AA+
Alternative-A ("Alt-A") RMBS	5.9	0.2	A+
Total MBS	<u>\$ 635.5</u>	<u>15.8</u>	<u>AA</u>
ABS:			
ABS	\$ 170.6	1.7	AAA
Alt-A ABS ²	0.8	0.1	D
Sub-prime ABS ^{1,2}	0.5	0.1	D
Total ABS	<u>\$ 171.9</u>	<u>1.9</u>	<u>AAA</u>

¹ We define sub-prime exposure as exposure to direct and indirect investments in non-agency residential mortgages with average FICO[®] scores below 650.

² Alt-A ABS and sub-prime ABS each consist of one security whose issuer is currently expected by rating agencies to default on its obligations.

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Credit Quality of Held-to-Maturity Securities
March 31, 2013

(\$ in millions)
(unaudited)

	Fair Value	Carry Value	Unrecognized Holding Gain	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized/ Unrecognized Gain (Loss)	Weighted Average Credit Quality
HTM Fixed Maturity Portfolio:						
Foreign government obligations	\$ 5.7	5.5	0.2	0.2	0.4	AA+
State and municipal obligations	481.2	454.3	26.9	5.6	32.5	AA
Corporate securities	39.6	35.3	4.3	(0.7)	3.6	A
MBS	10.2	6.9	3.3	(1.1)	2.2	AA
ABS	6.9	5.8	1.1	(1.0)	0.1	A
Total HTM portfolio	<u>\$ 543.6</u>	<u>507.8</u>	<u>35.8</u>	<u>3.0</u>	<u>38.8</u>	<u>AA</u>
State and Municipal Obligations:						
Government obligations	\$ 160.1	152.1	8.0	3.1	11.1	AA
Special revenue obligations	321.1	302.2	18.9	2.5	21.4	AA
Total state and municipal obligations	<u>\$ 481.2</u>	<u>454.3</u>	<u>26.9</u>	<u>5.6</u>	<u>32.5</u>	<u>AA</u>
Corporate Securities:						
Financial	\$ 9.6	8.5	1.1	(0.5)	0.6	BBB+
Industrials	11.8	10.3	1.5	(0.2)	1.3	A+
Utilities	15.1	13.4	1.7	(0.1)	1.6	A+
Consumer discretionary	3.1	3.1	-	0.1	0.1	AA
Total corporate securities	<u>\$ 39.6</u>	<u>35.3</u>	<u>4.3</u>	<u>(0.7)</u>	<u>3.6</u>	<u>A</u>
MBS:						
Non-agency CMBS	\$ 10.2	6.9	3.3	(1.1)	2.2	AA
Total MBS	<u>\$ 10.2</u>	<u>6.9</u>	<u>3.3</u>	<u>(1.1)</u>	<u>2.2</u>	<u>AA</u>
ABS:						
ABS	\$ 4.4	4.0	0.4	(0.2)	0.2	BBB+
Alt-A ABS	2.5	1.8	0.7	(0.8)	(0.1)	AAA
Total ABS	<u>\$ 6.9</u>	<u>5.8</u>	<u>1.1</u>	<u>(1.0)</u>	<u>0.1</u>	<u>A</u>