



SELECTIVE[®]

Supplemental Investor Package

First Quarter 2014

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Selective Insurance Group, Inc. & Consolidated Subsidiaries
First Quarter 2014 Investor Package
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Selective Insurance Group Reports
First Quarter 2014 Earnings

Branchville, NJ – April 23, 2014 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the first quarter ended March 31, 2014. Net income per diluted share was \$0.31, compared to \$0.38 in 2013, and operating income¹ per diluted share was \$0.23, compared to \$0.36 in 2013.

“We are pleased with our core operating performance for the first quarter,” said Gregory E. Murphy, Chairman and Chief Executive Officer. “Overall net premiums written grew 6%, with standard commercial lines up 7%. Growth continued to be driven by overall renewal pure price, which was up 6.4%. In addition, standard lines retention was a solid 83%. We continue to achieve rate in line with our guidance for the year of 6-7%.

“There were several factors that impacted results and the overall statutory combined ratio, which was 100.8%,” continued Murphy. “The winter brought extreme weather to our entire 22-state footprint and resulted in \$34 million, or 7.5 points, in catastrophe losses. Our statutory combined ratio, excluding catastrophes, was 93.3%. We remain confident that we will achieve our 2014 statutory combined ratio goal, excluding catastrophes, of 92%.

“In addition, we had unusually high non-catastrophe property losses that added 6 points to our overall statutory combined ratio when compared to the quarterly average over the past three years. Many of these losses were weather-related roof collapses, frozen pipes and fires. Favorable prior year casualty development in the quarter was \$14 million, or 3.1 points on the statutory combined ratio. Our results also included proceeds of \$8 million, or 1.7 points, for the sale of the renewal rights of our self-insured group book of pooled public entity business. This very small and specialized part of our business had significant production outside of our standard lines footprint, and proved difficult to grow. We retain a substantial individual risk public entity book of business and continue to look for opportunities to grow it,” said Murphy.

“Our standard commercial lines renewal pure price increased 6.4%, about 340 basis points above our loss trend,” continued Murphy. “The statutory combined ratio, excluding

catastrophe losses, was 92.9% and net premiums written grew 7% over first quarter 2013.

“Standard personal lines renewal pure price increased 6.8% in the quarter, which was slightly ahead of expectations. Net premiums written declined 2% due to our strategic non-renewal of dwelling fire business and the reduction of monoline homeowners,” said Murphy. “The statutory combined ratio, excluding catastrophe losses, was 93.4%.

“First quarter investment income increased 7% to \$26 million, due to higher income from alternatives and fixed income investments. Invested assets increased 5% over March 31, 2013, driven by strong operating cash flows, which were 19% of net premiums written over the fiscal year ending March 31, 2014,” concluded Murphy.

Selective's first quarter 2014 highlights compared to first quarter 2013:

- Net income was \$18.0 million, or \$0.31 per diluted share, compared to \$21.3 million, or \$0.38 per diluted share;
- Operating income¹ was \$13.3 million, or \$0.23 per diluted share, compared to \$20.1 million, or \$0.36 per diluted share;
- Combined ratio: GAAP: 101.1% compared to 97.1%; Statutory: 100.8% compared to 96.8%;
- Total net premiums written (NPW) were \$476.8 million compared to \$450.1 million:
 - o Standard commercial lines NPW were \$379.4 million compared to \$353.2 million;
 - o Standard personal lines NPW were \$67.3 million compared to \$68.6 million;
 - o Excess and surplus lines NPW were \$30.1 million compared to \$28.4 million;
- Catastrophe losses, pre-tax, were \$34.4 million, or 7.5 points on the statutory combined ratio, compared to \$1.6 million or 0.4 points;
- Non-catastrophe property losses, pre-tax, were \$91.5 million, or 20.0 points, compared to \$63.6 million or 15.1 points;
- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$14 million, or 3.1 points, compared to \$1.5 million, or 0.4 points;
- Income of \$8 million, pre-tax, generated from the sale of the renewal rights of our self-insured group book of pooled entity business, which reduced the statutory combined ratio by 1.7 points;
- Net investment income, after tax, was \$26.5 million compared to \$24.8 million; and
- Total revenue was \$509.1 million compared to \$459.9 million.

Balance Sheet and Guidance

At March 31, 2014, Selective's assets were \$6.4 billion and the investment portfolio was \$4.6 billion. Statutory surplus was \$1.3 billion, up 1% compared to December 31, 2013. Stockholders' equity was \$1.2 billion. Book value per share was \$21.09, up slightly from \$20.63 at year end 2013. This increase reflects \$0.32 in net income coupled with \$0.29 in unrealized investment gains on our investment portfolio, partially offset by \$0.13 in shareholders' dividends.

Selective's Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable June 2, 2014 to stockholders of record as of May 15, 2014.

In 2014, Selective expects to generate a full-year statutory combined ratio of 92%, excluding catastrophes losses and no expectation of any additional prior year casualty reserve development. Selective estimates four points of catastrophe losses. After-tax investment income will be approximately \$100 million and weighted average shares at year end are anticipated to be approximately 57 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. Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET, on April 24, 2014 at www.selective.com. The webcast will be available for rebroadcast until the close of business on May 27, 2014.

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>2014</u>	<u>2013</u>
Net premiums written	\$	476,750	450,124
Net premiums earned		456,495	420,940
Net investment income earned		35,534	32,870
Net realized gains		7,218	3,355
Total revenues		509,071	459,949
Operating income		13,283	20,124
Capital gains, net of tax		4,691	2,181
Loss on discontinued operations		-	(997)
Net income	\$	<u>17,974</u>	<u>21,308</u>
Statutory combined ratio		100.8%	96.8%
Statutory combined ratio, excluding catastrophe losses		93.3%	96.4%
GAAP combined ratio		101.1%	97.1%
Operating income per diluted share	\$	0.23	0.36
Net income per diluted share		0.31	0.38
Weighted average diluted shares		57,172	56,455
Book value per share	\$	21.09	20.46

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

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

(\$ in thousands, except per share data)		March 31, 2014			March 31, 2013			December 31, 2013		
		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 ¹	\$	2,662,019	2,666,877	44,021	\$	2,388,239	2,396,950	100,025	\$	2,595,256
Government and Municipal bonds		1,535,890	1,552,512	46,657		1,585,513	1,612,584	89,801		2,601,556
Total bonds		4,197,909	4,219,389	90,678		3,973,752	4,009,534	189,826		27,812
Equities		197,687	197,687	35,317		174,745	174,745	31,181		38,106
Short-term investments		137,733	137,733	-		163,440	163,440	-		65,918
Other investments		106,720	106,720	-		109,855	109,855	-		37,420
Total invested assets		4,640,049	4,661,529	125,995		4,421,792	4,457,574	221,007		-
Invested assets per \$ of stockholders' equity		3.91				3.89				3.97
Total assets		6,370,236				6,344,027				6,270,170
Liabilities:										
Reserve for loss and loss expenses		3,432,432				3,474,392				3,349,770
Unearned premium reserve		1,078,012				1,005,475				1,059,155
Total liabilities		5,184,705				5,207,682				5,116,242
Stockholders' equity		1,185,531				1,136,345				1,153,928
Total debt to capitalization ratio		24.9%				25.7%				25.4%
Book value per share		21.09				20.46				20.63
Book value per share excluding unrealized gain or loss on bond portfolio		20.29				18.66				20.15
NPW per insurance segment employee		925				864				908
Statutory premiums to surplus ratio		1.5x				1.5x				1.4x
Statutory surplus		1,263,795				1,151,959				1,256,431

¹ Includes mortgage-backed and asset-backed securities.

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

		Quarter Ended March 31,			
(\$ in thousands, except per share amounts)		2014		2013	
		Per diluted share		Per diluted share	
Consolidated					
Revenue	\$	509,071		\$	459,949
Operating income		13,283	0.23	20,124	0.36
Net realized gains, after tax		4,691	0.08	2,181	0.04
Income from continuing operations		17,974	0.31	22,305	0.40
Loss on discontinued operations, after tax		-	-	(997)	(0.02)
Net income		17,974	0.31	21,308	0.38
Operating return on equity		4.5%		7.2%	
Total Insurance Operations					
Gross premiums written		565,741		537,298	
Net premiums written		476,750		450,124	
Net premiums earned		456,495		420,940	
Underwriting (loss) gain	- before tax	(5,015)		12,161	
	- after tax	(3,260)	(0.06)	7,905	0.14
GAAP combined ratio		101.1%		97.1%	
Total Standard lines					
Net premiums earned		424,259		390,881	
GAAP combined ratio		101.4%		96.9%	
Standard Commercial lines					
Net premiums earned		349,441		317,845	
GAAP combined ratio		101.0%		98.1%	
Standard Personal lines					
Net premiums earned		74,818		73,036	
GAAP combined ratio		103.2%		91.8%	
Excess and Surplus lines					
Net premiums earned		32,236		30,059	
GAAP combined ratio		97.0%		99.7%	
Investments					
Net investment income	- before tax	35,534		32,870	
	- after tax	26,486	0.46	24,839	0.44
Effective tax rate		25.5%		24.4%	
Annual after-tax yield on investment portfolio		2.3%		2.3%	
Annual after-tax, after-interest expense yield		2.0%		1.9%	
Invested assets per \$ of stockholders' equity		3.91		3.89	
Other expenses (net of other income)					
Interest expense	- before tax	(5,561)		(5,831)	
	- after tax	(3,615)	(0.06)	(3,790)	(0.07)
Other Expense - after tax	\$	(6,328)	(0.11)	\$ (8,830)	(0.15)
Diluted weighted avg shares outstanding		57,172		56,455	

Selective Insurance Group, Inc. & Consolidated Subsidiaries
GAAP Insurance Operations Results

First Quarter

(\$ in thousands)

Quarter Ended March 31, 2014

Quarter Ended March 31, 2013

	Standard Commercial Lines	Standard Personal Lines	Total Standard Lines	Excess & Surplus Lines	Grand Total	Standard Commercial Lines	Standard Personal Lines	Total Standard Lines	Excess & Surplus Lines	Grand Total
Net Premiums Written	379,350	67,338	446,688	30,062	476,750	353,189	68,555	421,744	28,380	450,124
Net Premiums Earned	349,441	74,818	424,259	32,236	456,495	317,845	73,036	390,881	30,059	420,940
Loss and Loss Expenses Incurred	242,639	58,027	300,666	19,880	320,546	203,139	47,592	250,731	19,118	269,849
Net Underwriting Expenses Incurred	109,194	19,151	128,345	11,381	139,726	107,518	19,471	126,989	10,855	137,844
Dividends to Policyholders	1,238	-	1,238	-	1,238	1,086	-	1,086	-	1,086
GAAP Underwriting (Loss) Gain	(3,630)	(2,360)	(5,990)	975	(5,015)	6,102	5,973	12,075	86	12,161
GAAP Ratios										
Loss and Loss Expense Ratio	69.4%	77.6%	70.9%	61.7%	70.2%	63.9%	65.2%	64.1%	63.6%	64.1%
Underwriting Expense Ratio	31.2%	25.6%	30.2%	35.3%	30.6%	33.9%	26.6%	32.5%	36.1%	32.7%
Dividends to Policyholders Ratio	0.4%	0.0%	0.3%	0.0%	0.3%	0.3%	0.0%	0.3%	0.0%	0.3%
Combined Ratio	101.0%	103.2%	101.4%	97.0%	101.1%	98.1%	91.8%	96.9%	99.7%	97.1%

Selective Insurance Group, Inc. and Consolidated Subsidiaries
GAAP Investment Income
March 2014 (unaudited)

(\$ in thousands, except per share data)	Quarter Ended March 2014	March 2013	% Increase (Decrease)
Investment Income:			
Interest:			
Fixed Income Securities	\$ 31,028	30,089	3
Short-term	19	52	(64)
Other Investments:			
Alternative Investments	5,218	4,240	23
Other	-	(638)	N/M
Dividends	1,449	1,207	20
	<u>37,714</u>	<u>34,950</u>	<u>8</u>
Investment Expense	<u>2,180</u>	<u>2,080</u>	<u>5</u>
Net Investment Income Before Tax	35,534	32,870	8
Tax	9,048	8,031	13
Net Investment Income After Tax	\$ 26,486	24,839	7
Net Investment Income per Share	\$ 0.46	0.44	5
Effective Tax Rate	25.5%	24.4%	
Average Yields :			
Fixed Income Securities:			
Pre Tax	2.99%	3.08%	
After Tax	2.24%	2.33%	
Portfolio:			
Pre Tax	3.08%	3.00%	
After Tax	2.30%	2.27%	
	Year to date:		
Net Realized Gains (Losses)	March 2014	March 2013	
Fixed Income Securities	<u>35</u>	<u>651</u>	
Equity Securities	7,183	5,287	
Other Investments	<u>-</u>	<u>(2,583)</u>	
Total	7,218	3,355	
Net of Tax	4,691	2,181	

As of March 31, 2014 year-to-date new money rates for fixed income securities were 2.6% on a pre-tax basis and 1.9% on an after tax-basis.

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2014 Statutory Results by Line of Business
Quarter Ended March 2014 (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 2014	Combined Ratio 2013	Underwriting Gain/(Loss)
Standard Personal Lines:											
Homeowners	\$ 28,700	3.1%	\$ 33,298	6.9%	79.9%	8.0%	33.8%	0.0%	121.7%	87.7%	\$ (5,668)
Auto	36,817	(2.3)%	38,227	(0.4)%	59.9%	11.1%	29.9%	0.0%	100.9%	105.7%	60
Other (including flood)	1,821	(40.0)%	3,294	(6.1)%	50.9%	4.8%	(149.1)%	0.0%	(93.4)%	(19.1)%	4,264
Total	\$ 67,338	(1.8)%	\$ 74,818	2.4%	68.4%	9.2%	26.9%	0.0%	104.5%	92.4%	\$ (1,344)
Standard Commercial Lines:											
Commerical property	\$ 64,096	11.0%	\$ 60,186	12.7%	92.0%	5.0%	34.3%	0.1%	131.4%	86.6%	\$ (20,220)
Workers compensation	75,971	0.8%	69,413	5.0%	64.7%	15.4%	24.3%	1.5%	105.9%	118.9%	(5,686)
General liability	119,504	9.2%	108,818	11.4%	32.8%	16.7%	31.2%	0.0%	80.7%	95.9%	17,713
Auto	89,122	8.9%	82,216	10.6%	58.1%	7.5%	29.2%	0.1%	94.9%	98.0%	2,153
Business owners policies	22,124	8.7%	20,869	12.6%	83.7%	10.3%	35.8%	0.0%	129.8%	77.0%	(6,666)
Bonds	4,866	(1.8)%	4,756	(0.2)%	16.4%	8.6%	51.9%	0.0%	76.9%	78.0%	1,040
Other	3,665	6.7%	3,183	6.5%	(0.4)%	0.1%	43.0%	0.0%	42.7%	38.6%	1,617
Total	\$ 379,350	7.4%	\$ 349,441	9.9%	57.8%	11.6%	30.5%	0.4%	100.3%	97.6%	\$ (10,049)
Total Standard Operations	\$ 446,688	5.9%	\$ 424,259	8.5%	59.7%	11.2%	29.9%	0.3%	101.1%	96.8%	\$ (11,393)
E&S	\$ 30,062	5.9%	\$ 32,236	7.2%	46.8%	14.9%	36.2%	0.0%	97.9%	98.2%	\$ 1,479
Total Insurance Operations	\$ 476,750	5.9%	\$ 456,495	8.4%	58.8%	11.4%	30.3%	0.3%	100.8%	96.8%	\$ (9,914)

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 213,297	\$ 187,285
LAE Paid	44,764	44,989
Total Paid	<u>\$ 258,061</u>	<u>\$ 232,274</u>

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2014 Net Catastrophe Losses and Prior Year Casualty Reserve Development
Statutory Results by Line of Business
(unaudited)

<u>Net Catastrophe Losses Incurred</u>	Quarter Ended			
	March 31, 2014		March 31, 2013	
	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
(\$ in thousands)				
Standard Personal Lines	\$ 8,280	11.1%	\$ 535	0.7%
Standard Commercial Lines	\$ 25,906	7.4%	\$ 738	0.2%
Total Standard Operations	\$ 34,186	8.1%	\$ 1,273	0.3%
E&S	\$ 186	0.6%	\$ 303	1.0%
Total Insurance Operations	\$ 34,372	7.5%	\$ 1,576	0.4%

<u>Prior Year Casualty Reserve Development (Favorable) / Unfavorable</u>	Quarter Ended			
	March 31, 2014		March 31, 2013	
	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
(\$ in thousands)				
Standard Personal Lines	\$ (2,000)	(2.7)%	\$ (2,500)	(3.4)%
Standard Commercial Lines	\$ (12,000)	(3.4)%	\$ 500	0.1%
Total Standard Operations	\$ (14,000)	(3.3)%	\$ (2,000)	(0.5)%
E&S	\$ -	0.0%	\$ 500	1.7%
Total Insurance Operations	\$ (14,000)	(3.1)%	\$ (1,500)	(0.4)%

Note: Some amounts may not foot due to rounding.

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

(\$ in thousands)	(Unaudited) March 31, 2014	December 31, 2013
ASSETS		
Investments:		
Fixed income securities, held-to-maturity – at carrying value (fair value: \$403,536 – 2014; \$416,981 – 2013)	\$ 382,056	392,879
Fixed income securities, available-for-sale – at fair value (amortized cost: \$3,748,456 – 2014; \$3,675,977 – 2013)	3,815,853	3,715,536
Equity securities, available-for-sale – at fair value (cost: \$162,370 – 2014; \$155,350 – 2013)	197,687	192,771
Short-term investments (at cost which approximates fair value)	137,733	174,251
Other investments	106,720	107,875
Total investments	4,640,049	4,583,312
Cash	245	193
Interest and dividends due or accrued	36,967	37,382
Premiums receivable, net of allowance for uncollectible accounts of: \$3,771 – 2014; \$4,442 – 2013	553,912	524,870
Reinsurance recoverable, net	574,621	550,897
Prepaid reinsurance premiums	141,603	143,000
Current federal income tax	—	512
Deferred federal income tax	113,061	122,613
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$181,959 – 2014; \$179,192 – 2013	53,725	50,834
Deferred policy acquisition costs	177,678	172,981
Goodwill	7,849	7,849
Other assets	70,526	75,727
Total assets	\$ 6,370,236	6,270,170
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for loss and loss expenses	\$ 3,432,432	3,349,770
Unearned premiums	1,078,012	1,059,155
Notes payable	392,420	392,414
Current federal income tax	3,249	—
Accrued salaries and benefits	89,558	111,427
Other liabilities	189,034	203,476
Total liabilities	\$ 5,184,705	5,116,242
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: 99,536,697 – 2014; 99,120,235 – 2013	199,073	198,240
Additional paid-in capital	294,365	288,182
Retained earnings	1,212,577	1,202,015
Accumulated other comprehensive income	41,529	24,851
Treasury stock – at cost (shares: 43,317,498 – 2014; 43,198,622 – 2013)	(562,013)	(559,360)
Total stockholders' equity	1,185,531	1,153,928
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 6,370,236	6,270,170

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

Quarter Ended
March 31,

(\$ in thousands, except per share amounts)

	2014	2013
Revenues:		
Net premiums earned	\$ 456,495	420,940
Net investment income earned	35,534	32,870
Net realized gains:		
Net realized investment gains	8,181	5,304
Other-than-temporary impairments	(963)	(1,919)
Other-than-temporary impairments on fixed income securities recognized in other comprehensive income	—	(30)
Total net realized gains	7,218	3,355
Other income	9,824	2,784
Total revenues	509,071	459,949
Expenses:		
Loss and loss expenses incurred	320,546	269,849
Policy acquisition costs	149,266	139,528
Interest expense	5,561	5,831
Other expenses	8,614	15,873
Total expenses	483,987	431,081
Income from continuing operations, before federal income tax	25,084	28,868
Federal income tax expense (benefit):		
Current	6,538	7,453
Deferred	572	(890)
Total federal income tax expense	7,110	6,563
Net income from continuing operations	17,974	22,305
Loss on disposal of discontinued operations, net of tax of \$(538) - 2013	—	(997)
Net income	\$ 17,974	21,308
Earnings per share:		
Basic net income from continuing operations	\$ 0.32	0.40
Basic net loss from discontinued operations	—	(0.02)
Basic net income	\$ 0.32	0.38
Diluted net income from continuing operations	\$ 0.31	0.40
Diluted net loss from discontinued operations	—	(0.02)
Diluted net income	\$ 0.31	0.38
Dividends to stockholders	\$ 0.13	0.13

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

Quarter Ended
March 31,

(\$ in thousands)

	2014	2013
Net income	\$ 17,974	21,308
Other comprehensive income, net of tax:		
<i>Unrealized gains (losses) on investment securities:</i>		
Unrealized holding gains arising during period	21,426	2,394
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income	—	20
Amount reclassified into net income:		
Held-to-maturity securities	(296)	(466)
Non-credit other-than-temporary impairment	—	4
Realized gains on available for sale securities	(4,699)	(3,884)
Total unrealized gains (losses) on investment securities	16,431	(1,932)
<i>Defined benefit pension and post-retirement plans:</i>		
Net actuarial gain	—	28,600
Amounts reclassified into net income:		
Net actuarial loss	247	1,196
Prior service cost	—	6
Curtailment expense	—	11
Total defined benefit pension and post-retirement plans	247	29,813
Other comprehensive income	16,678	27,881
Comprehensive income	\$ 34,652	49,189

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

	Quarter Ended March 31,	
(\$ in thousands)	2014	2013
Common stock:		
Beginning of year	\$ 198,240	196,388
Dividend reinvestment plan (shares: 15,283 – 2014; 17,314 – 2013)	31	35
Stock purchase and compensation plans (shares: 401,179 – 2014; 496,647 – 2013)	802	993
End of period	<u>199,073</u>	<u>197,416</u>
Additional paid-in capital:		
Beginning of year	288,182	270,654
Dividend reinvestment plan	320	349
Stock purchase and compensation plans	5,863	5,714
End of period	<u>294,365</u>	<u>276,717</u>
Retained earnings:		
Beginning of year	1,202,015	1,125,154
Net income	17,974	21,308
Dividends to stockholders (\$0.13 per share – 2014 and 2013)	(7,412)	(7,351)
End of period	<u>1,212,577</u>	<u>1,139,111</u>
Accumulated other comprehensive income:		
Beginning of year	24,851	54,040
Other comprehensive income	16,678	27,881
End of period	<u>41,529</u>	<u>81,921</u>
Treasury stock:		
Beginning of year	(559,360)	(555,644)
Acquisition of treasury stock (shares: 118,876 – 2014; 146,436 – 2013)	(2,653)	(3,176)
End of period	<u>(562,013)</u>	<u>(558,820)</u>
Total stockholders' equity	<u>\$ 1,185,531</u>	<u>1,136,345</u>

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

	Quarter Ended March 31,	
(\$ in thousands)	2014	2013
Operating Activities:		
Net Income	\$ 17,974	21,308
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	10,578	13,148
Sale of renewal rights	(8,000)	—
Loss on disposal of discontinued operations	—	997
Stock-based compensation expense	4,176	3,692
Undistributed (gains) losses of equity method investments	(33)	426
Net realized gains	(7,218)	(3,355)
Retirement income plan curtailment expense	—	16
<i>Changes in assets and liabilities:</i>		
Increase in reserve for loss and loss expenses, net of reinsurance recoverables	58,938	38,556
Increase in unearned premiums, net of prepaid reinsurance and advance premiums	19,875	30,106
Decrease in net federal income taxes	4,332	5,290
Increase in premiums receivable	(29,042)	(36,202)
Increase in deferred policy acquisition costs	(4,697)	(2,963)
Decrease in interest and dividends due or accrued	414	384
Decrease in accrued salaries and benefits	(21,869)	(4,528)
Decrease in accrued insurance expenses	(26,957)	(12,378)
Other-net	17,293	(26,357)
Net adjustments	17,790	6,832
Net cash provided by operating activities	35,764	28,140
Investing Activities:		
Purchase of fixed income securities, available-for-sale	(182,809)	(308,289)
Purchase of equity securities, available-for-sale	(61,360)	(2)
Purchase of other investments	(4,615)	(2,329)
Purchase of short-term investments	(398,348)	(644,274)
Sale of subsidiary	—	225
Sale of fixed income securities, available-for-sale	1,302	6,851
Sale of short-term investments	434,865	695,313
Redemption and maturities of fixed income securities, held-to-maturity	9,396	28,644
Redemption and maturities of fixed income securities, available-for-sale	104,358	124,975
Sale of equity securities, available-for-sale	61,523	—
Distributions from other investments	5,704	3,447
Purchase of property and equipment	(5,699)	(3,673)
Sale of renewal rights	8,000	—
Net cash used in investing activities	(27,683)	(99,112)
Financing Activities:		
Dividends to stockholders	(6,948)	(6,824)
Acquisition of treasury stock	(2,653)	(3,176)
Net proceeds from stock purchase and compensation plans	1,261	1,164
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	770	1,271
Repayment of capital lease obligations	(459)	—
Net cash (used in) provided by financing activities	(8,029)	71,058
Net increase in cash	52	86
Cash, beginning of year	193	210
Cash, end of year	\$ 245	296

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

(\$ in thousands)	March 31, 2014	March 31, 2013	December 31, 2013
ASSETS			
Bonds	\$ 4,072,964	3,762,737	4,010,464
Common stocks	197,688	174,745	192,771
Affiliated mortgage loan	36,534	37,266	36,721
Other investments	172,691	175,873	173,856
Short-term investments	122,118	131,767	158,827
Total investments	<u>4,601,995</u>	<u>4,282,388</u>	<u>4,572,639</u>
Cash on hand and in banks	(40,405)	8,784	(31,186)
Interest and dividends due and accrued	36,862	35,235	37,267
Premiums receivable	551,784	519,114	522,907
Reinsurance recoverable on paid losses and expenses	13,068	10,369	10,059
Deferred tax recoverable	154,620	151,114	154,320
EDP equipment	834	1,188	913
Equities and deposits in pools and associations	8,557	7,838	9,555
Receivable for sold securities	8	35,930	7
Other assets	26,535	22,175	30,671
Total assets	<u>\$ 5,353,858</u>	<u>5,074,135</u>	<u>5,307,152</u>
LIABILITIES			
Reserve for losses	\$ 2,396,417	2,258,016	2,341,476
Reinsurance payable on paid loss and loss expense	2,098	1,813	2,557
Reserve for loss expenses	463,527	434,045	455,983
Unearned premiums	936,409	871,253	916,155
Reserve for commissions payable	41,455	41,304	63,482
Ceded balances payable	29,728	51,565	33,721
Federal income tax payable	31,587	21,281	27,749
Premium and other taxes payable	22,940	23,226	27,870
Borrowed money	58,044	58,044	58,044
Reserve for dividends to policyholders	2,019	2,348	2,070
Reserves for unauthorized reinsurance	2,735	7,498	2,735
Payable for securities	1,773	46,296	-
Funds withheld on account of others	7,724	7,217	6,623
Accrued salaries and benefits	46,499	78,592	65,053
Other liabilities	47,108	19,678	47,203
Total liabilities	<u>4,090,063</u>	<u>3,922,176</u>	<u>4,050,721</u>
POLICYHOLDERS' SURPLUS			
Capital	42,725	42,725	42,725
Paid in surplus	492,869	492,869	492,869
Unassigned surplus	728,201	616,365	720,837
Total policyholders' surplus	<u>1,263,795</u>	<u>1,151,959</u>	<u>1,256,431</u>
Total liabilities and policyholders' surplus	<u>\$ 5,353,858</u>	<u>5,074,135</u>	<u>5,307,152</u>

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

(\$ in thousands)	2014	Quarter Ended March	2013	
UNDERWRITING				
Net premiums written	\$ 476,750		450,124	
Net premiums earned	456,495		420,940	
Net losses paid	213,297		187,285	
Change in reserve for losses	54,941		31,158	
Net losses incurred	268,238	58.8%	218,443	51.9%
Net loss expenses paid	44,764		44,989	
Change in reserve for loss expenses	7,544		6,484	
Net loss expenses incurred	52,308	11.4%	51,473	12.2%
Net underwriting expenses incurred	153,790	32.2%	148,340	32.9%
Total deductions	474,336		418,256	
Statutory underwriting (loss) / gain	(17,840)		2,684	
Net loss from premium balances charged off	(874)		(734)	
Finance charges and other income	10,038		2,932	
Total other income	9,164	-1.9%	2,198	-0.5%
Policyholders' dividends incurred	(1,238)	0.3%	(1,086)	0.3%
Total underwriting (loss) / gain	(9,914)	100.8%	3,796	96.8%
INVESTMENT				
Net investment income earned	35,495		33,330	
Net realized gain	7,215		1,212	
Total income before income tax	32,796		38,338	
Federal income tax expense	5,845		15,935	
Net income	\$ 26,951		22,403	
Policyholders' Surplus				
Surplus, beginning of period	\$ 1,256,431		1,050,107	
Net income	26,951		22,403	
Change in deferred taxes	(1,282)		254	
Change in unrealized gains	(1,312)		9,436	
Dividends to stockholders	(14,376)		(12,120)	
Paid in surplus	-		57,125	
Change in non-admitted assets	(2,900)		16,719	
Change in Overfunded Contra Asset	(1,547)		(8,723)	
Qual Pen Transitional Liability	1,816		(35,725)	
Excess Plan Transitional Liability	8		(595)	
PRL Plan Transitional Liability	6		(1,218)	
Change in minimum pension liability	-		54,755	
Surplus adjustments	-		(459)	
Net change in surplus for period	7,364		101,852	
Surplus, end of period	\$ 1,263,795		1,151,959	
Statutory underwriting (loss) / gain	\$ (9,914)		3,796	
Adjustments under GAAP:				
Deferred policy acquisition costs	4,697		2,962	
Pension costs	(98)		5,925	
Other, net	300		(522)	
GAAP underwriting (loss) / gain	\$ (5,015)		12,161	

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

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
as of March 31, 2014
(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	2,231,312	7,892,834	789,773	0.66	1.04
Silverpeak RE III	2008	15,000,000	7,946,585	2,834,766	48,647	0.04	0.44
Total - Real Estate		35,000,000	10,177,897	10,727,600	838,420	0.51	0.89
Mezzanine Financing							
Neovara Euro Mezz	2004	9,000,000	-	579,578	-	0.98	1.02
GS Mezz V	2007	25,000,000	10,223,976	8,954,028	171,717	0.80	1.28
New Canaan V	2012	7,000,000	2,737,318	3,513,687	-	0.21	1.03
Centerfield Capital	2012	3,000,000	2,077,118	784,151	-	0.08	0.93
Total - Mezz. Financing		44,000,000	15,038,413	13,831,444	171,717	0.78	1.15
Distressed Debt							
Varde VIII	2006	10,000,000	-	3,733,284	161,223	0.94	1.31
Distressed Managers III	2007	15,000,000	2,971,201	7,149,079	438,134	0.68	1.21
Total - Distressed Debt		25,000,000	2,971,201	10,882,363	599,357	0.79	1.25
Private Equity							
Prospector	1997	5,000,000	-	410,408	-	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,407,833	2,819,472	379,308	1.61	1.91
NB Co-Invest	2006	15,000,000	1,509,887	6,546,602	(25,892)	0.90	1.35
Trilantic Capital Partners IV	2007	11,098,351	1,315,089	10,316,670	1,002,260	0.83	1.78
Trilantic Capital Partners V	2012	7,000,000	5,726,392	1,023,974	(15,419)	-	0.81
Total - Private Equity		48,098,351	9,959,201	21,117,126	1,340,256	1.25	1.76
Private Equity, Secondary Market							
NB SOF	2005	12,000,000	899,494	3,483,546	104,523	1.02	1.33
Vintage IV	2007	20,000,000	4,118,809	12,188,457	196,584	0.70	1.32
NB SOF II	2008	12,000,000	1,460,427	7,922,678	365,615	0.80	1.46
Total - Pvt. Eq. Sec. Mkt.		44,000,000	6,478,731	23,594,681	666,723	0.81	1.36
Energy/Power Generation							
ArcLight I	2002	15,000,000	-	93,901	(36,913)	1.80	1.81
ArcLight II	2003	15,000,000	2,295,492	1,083,383	74,826	1.38	1.44
ArcLight III	2006	15,000,000	2,037,794	5,926,740	173,388	1.00	1.37
Quintana Energy	2006	10,000,000	362,821	8,122,471	854,933	0.55	1.39
ArcLight IV	2007	10,000,000	2,287,578	2,751,298	534,805	1.05	1.32
Total - Energy/Power Generation		65,000,000	6,983,685	17,977,793	1,601,039	1.23	1.49
Venture Capital							
Venture V	2001	9,600,000	350,000	7,019,233	-	0.54	1.30
Total - Venture Capital		9,600,000	350,000	7,019,233	-	0.54	1.30
TOTAL - ALTERNATIVE INVESTMENTS							
		\$ 270,698,351	51,959,127	105,150,241	5,217,511	0.95	1.37

⁽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
Credit Quality of Available-for-Sale Fixed Income Securities
March 31, 2014
(Unaudited)

(\$ in millions)	Fair Value	Unrealized Gain (Loss)	Average Credit Quality
AFS Fixed Income Portfolio:			
U.S. government obligations	\$ 171.1	9.6	AA+
Foreign government obligations	32.4	0.9	AA-
State and municipal obligations	979.2	15.9	AA+
Corporate securities	1,815.7	38.5	A
Asset-backed securities ("ABS")	131.9	0.5	AAA
Mortgage-backed securities ("MBS")	685.6	1.9	AA+
Total AFS fixed income portfolio	<u>\$ 3,815.9</u>	<u>67.3</u>	<u>AA-</u>
State and Municipal Obligations:			
General obligations	\$ 478.6	7.2	AA+
Special revenue obligations	500.6	8.7	AA
Total state and municipal obligations	<u>\$ 979.2</u>	<u>15.9</u>	<u>AA+</u>
Corporate Securities:			
Financial	\$ 568.5	13.2	A
Industrials	135.9	4.4	A-
Utilities	155.1	1.7	A-
Consumer discretionary	213.9	5.1	A-
Consumer staples	176.4	3.7	A
Healthcare	174.7	4.2	A
Materials	104.1	2.3	A-
Energy	104.2	1.7	A-
Information technology	125.5	0.7	A+
Telecommunications services	50.0	1.1	BBB+
Other	7.4	0.4	AA+
Total corporate securities	<u>\$ 1,815.7</u>	<u>38.5</u>	<u>A</u>
ABS:			
ABS	\$ 131.5	0.5	AAA
Sub-prime ABS ¹	0.4	—	D
Total ABS	<u>\$ 131.9</u>	<u>0.5</u>	<u>AAA</u>
MBS:			
Government guaranteed agency commercial MBS ("CMBS")	\$ 24.5	0.5	AA+
Other agency CMBS	10.6	(0.2)	AA+
Non-agency CMBS	139.7	2.1	AA+
Government guaranteed agency residential MBS ("RMBS")	48.3	1.3	AA+
Other agency RMBS	417.6	(2.3)	AA+
Non-agency RMBS	40.5	0.4	A-
Alternative-A ("Alt-A") RMBS	4.4	0.1	A
Total MBS	<u>\$ 685.6</u>	<u>1.9</u>	<u>AA+</u>

¹Subprime ABS consists of one security whose issuer is currently expected by rating agencies to default on its obligations. We define sub-prime exposure as exposure to direct and indirect investments in non-agency residential mortgages with average FICO® scores below 650.

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Credit Quality of Held-to-Maturity Fixed Income Securities
March 31, 2014
(Unaudited)

(\$ in millions)	Fair Value	Carry Value	Unrecognized Holding Gain	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized/Unrecognized Gain	Average Credit Quality
HTM Fixed Income Portfolio:						
Foreign government obligations	\$ 5.6	5.4	0.2	0.1	0.3	AA+
State and municipal obligations	364.3	347.9	16.4	3.4	19.8	AA
Corporate securities	24.5	21.6	2.9	(0.3)	2.6	A+
ABS	3.3	2.7	0.6	(0.6)	—	AA+
MBS	5.8	4.5	1.3	(0.8)	0.5	AAA
Total HTM fixed income portfolio	<u>\$ 403.5</u>	<u>382.1</u>	<u>21.4</u>	<u>1.8</u>	<u>23.2</u>	<u>AA</u>
State and Municipal Obligations:						
General obligations	\$ 117.5	112.6	4.9	1.7	6.6	AA
Special revenue obligations	246.8	235.3	11.5	1.7	13.2	AA
Total state and municipal obligations	<u>\$ 364.3</u>	<u>347.9</u>	<u>16.4</u>	<u>3.4</u>	<u>19.8</u>	<u>AA</u>
Corporate Securities:						
Financial	\$ 2.3	1.9	0.4	(0.1)	0.3	A-
Industrials	7.1	6.0	1.1	(0.2)	0.9	A+
Utilities	13.6	12.2	1.4	—	1.4	A+
Consumer discretionary	1.5	1.5	—	—	—	AA
Total corporate securities	<u>\$ 24.5</u>	<u>21.6</u>	<u>2.9</u>	<u>(0.3)</u>	<u>2.6</u>	<u>A+</u>
ABS:						
ABS	\$ 0.8	0.8	—	—	—	AA
Alt-A ABS	2.5	1.9	0.6	(0.6)	—	AAA
Total ABS	<u>\$ 3.3</u>	<u>2.7</u>	<u>0.6</u>	<u>(0.6)</u>	<u>—</u>	<u>AA+</u>
MBS:						
Non-agency CMBS	\$ 5.8	4.5	1.3	(0.8)	0.5	AAA
Total MBS	<u>\$ 5.8</u>	<u>4.5</u>	<u>1.3</u>	<u>(0.8)</u>	<u>0.5</u>	<u>AAA</u>