



Supplemental Investor Package

Third Quarter 2013

Investor Contact:

Jennifer DiBerardino

Senior Vice President, Investor Relations and Treasurer

Tel: 973-948-1364

jennifer.diberardino@selective.com

SELECTIVE INSURANCE GROUP, INC.
THIRD QUARTER 2013 INVESTOR PACKAGE
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Selective Insurance Group, Inc.
40 Wantage Avenue
Branchville, New Jersey 07890
www.selective.com

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Investor Contact: Jennifer DiBerardino
973-948-1364, jennifer.diberardino@selective.com

Media Contact: Gail Petersen
973-948-1307, gail.petersen@selective.com

Selective Insurance Group Reports
Third Quarter 2013 Earnings

Branchville, NJ – October 30, 2013 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the third quarter ended September 30, 2013. Net income per diluted share was \$0.57 and operating income¹ per diluted share was \$0.42.

“We had a very strong quarter due to improvements in our underwriting operations, mainly from ongoing increases in overall renewal pure pricing. Contrary to industry rhetoric, we have not seen any indications that would substantiate industry-wide prices decreasing given loss trends and the low interest rate environment,” said Chairman and Chief Executive Officer Gregory E. Murphy. “Our overall statutory combined ratio was 96.3%, down 2.1 points from a year ago, which is a reflection of the successful execution of our underwriting and claims strategies,” continued Murphy.

“For the quarter, renewal pure price increases of 7.9% and stable retention of 83% were key to lowering our standard commercial lines statutory combined ratio, which was 95.6%, 3.2 points better than third quarter 2012. Our growth opportunities continue to improve with market conditions as standard commercial lines net premiums written grew 10% in the quarter,” said Murphy.

“Standard personal lines net premiums written grew 2%; the statutory combined ratio was a profitable 97.6%; renewal pure price exceeded our expectations at 7.5%; and retention levels remained strong at 86%,” said Murphy. “These achievements are partially due to our continued effort to drive profitability in our homeowners line as we raise rates and deductibles across the book.

“Our excess and surplus lines net premiums written were up 20% due to renewal pure price increases of 5.9% and a 23% increase in new business. The statutory combined ratio was down 21.1 points to 100.5%, driven by a reduction in acquisition and integration costs from 2012, as well as significant underwriting actions to improve profitability,” concluded Murphy.

Highlights for Third Quarter 2013 Compared to Third Quarter 2012:

- Net income was \$32.7 million, or \$0.57 per diluted share, compared to \$18.3 million, or \$0.33 per diluted share;
- Operating income¹ was \$23.9 million, or \$0.42 per diluted share, compared to \$19.0 million, or \$0.34 per diluted share;
- Combined ratio: GAAP: 97.7% compared to 99.8%; Statutory: 96.3% compared to 98.4%;
- Total net premiums written (NPW) were \$492.7 million compared to \$450.5 million:
 - o Standard Commercial Lines NPW were \$376.4 million compared to \$341.3 million;
 - o Standard Personal Lines NPW were \$80.8 million compared to \$79.4 million;
 - o Excess and Surplus Lines NPW were \$35.5 million compared to \$29.8 million;
- Catastrophe losses, pre-tax, were \$11.9 million, compared to \$9.6 million, or 2.7 points on the combined ratio compared to 2.4 points;
- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$3.5 million compared to \$7 million;
- Net investment income, after tax, was \$24.5 million compared to \$23.5 million; and
- Total revenue was \$486.8 million compared to \$436.9 million.

Highlights for Nine Months Ended September 30, 2013 Compared to Nine Months of 2012:

- Net income was \$81.1 million, or \$1.43 per diluted share, compared to net income of \$36.7 million, or \$0.66 per diluted share;
- Operating income¹ was \$67.8 million, or \$1.20 per diluted share, compared to operating income of \$34.4 million, or \$0.62 per diluted share;
- Combined ratio: GAAP: 97.9% compared to 102.3%; Statutory: 96.9% compared to 101.2%;
- Total NPW were \$1,405.0 million compared to \$1,296.3 million:
 - o Standard Commercial Lines NPW were \$1,080.2 million compared to \$990.6 million;
 - o Standard Personal Lines NPW were \$228.2 million, compared to \$221.8 million;
 - o Excess and Surplus Lines NPW were \$96.6 million, compared to \$83.9 million;
- Catastrophe losses, pre-tax, were \$33.1 million, compared to \$46.7 million, or 2.6 points on the combined ratio compared to 4.0 points;
- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$7 million compared to \$15 million;
- Net investment income, after tax, was \$75.0 million compared to \$74.0 million;
- The statutory combined ratio included a \$5.8 million charge, or 0.4 points, related to the first quarter 2013 amendments to the Company's pension plan to curtail benefits effective March 31, 2016; and
- Total revenue was \$1,415.7 million compared to \$1,285.1 million.

Balance Sheet and Guidance

At September 30, 2013, Selective's assets were \$6.3 billion and the investment portfolio was \$4.5 billion. Statutory surplus was up 14%, to \$1.2 billion, compared to December 31, 2012. Stockholders' equity was \$1.1 billion. Book value per share was \$20.16, up slightly compared to \$19.77 at year end 2012. This increase reflects \$1.45 in net income coupled with a \$0.55 benefit related to the first quarter pension revaluation and curtailment, partially offset by \$1.22 in unrealized losses on our investment portfolio and \$0.39 in dividends to our shareholders.

Selective's Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable December 2, 2013 to stockholders of record as of November 15, 2013.

Reflecting the improved results, Selective now expects to generate a 2013 full year statutory combined ratio of approximately 95.5%, excluding 2.5 points of catastrophe losses, a net improvement of one point from previously issued guidance. This assumes no prior year casualty reserve development in the fourth quarter. In addition, investment income will be approximately \$95 - \$100 million, after tax, and weighted average shares at year end 2013 are anticipated to be approximately 57 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 October 31, 2013 at www.selective.com. The webcast will be available for rebroadcast until the close of business on December 2, 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 September 30:</u>	<u>2013</u>	<u>2012</u>
Net premiums written	\$ 492,748	450,518
Net premiums earned	437,568	406,225
Net investment income earned	32,457	30,650
Net realized gains (losses)	13,431	(1,088)
Total revenues	486,813	436,872
Operating income	23,922	18,982
Capital gains (losses), net of tax	8,731	(708)
Net income	\$ <u>32,653</u>	<u>18,274</u>
Statutory combined ratio	96.3%	98.4%
Statutory combined ratio, excluding catastrophe losses	93.6%	96.0%
GAAP combined ratio	97.7%	99.8%
Operating income per diluted share	\$ 0.42	0.34
Net income per diluted share	0.57	0.33
Weighted average diluted shares	56,900	55,862
Book value per share	\$ 20.16	20.44
<u>9 months ended September 30:</u>	<u>2013</u>	<u>2012</u>
Net premiums written	\$ 1,405,049	1,296,253
Net premiums earned	1,284,760	1,177,266
Net investment income earned	99,330	97,284
Net realized gains	21,940	3,448
Total revenues	1,415,707	1,285,127
Operating income	67,819	34,414
Capital gains, net of tax	14,261	2,241
Loss on discontinued operations	(997)	-
Net income	\$ <u>81,083</u>	<u>36,655</u>
Statutory combined ratio	96.9%	101.2%
Statutory combined ratio, excluding catastrophe losses	94.3%	97.2%
GAAP combined ratio	97.9%	102.3%
Operating income per diluted share	\$ 1.20	0.62
Net income per diluted share	1.43	0.66
Weighted average diluted shares	56,719	55,717
Book value per share	\$ 20.16	20.44

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

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

	September 30,				September 30,				December 31,			
	2013				2012				2012			
	Balance	Market	Unrecognized/ Unrealized		Balance	Market	Unrecognized/ Unrealized		Balance	Market	Unrecognized/ Unrealized	
	Sheet	Value	Gain		Sheet	Value	Gain		Sheet	Value	Gain	
Invested Assets:												
Corporate bonds ¹	\$	2,533,612	2,540,760	41,013	\$	2,223,077	2,234,897	119,877	\$	2,239,284	2,250,536	110,822
Government and Municipal bonds		1,521,782	1,541,201	47,265		1,647,599	1,681,098	108,778		1,610,798	1,640,138	99,026
Total bonds		4,055,394	4,081,961	88,278		3,870,676	3,915,995	228,655		3,850,082	3,890,674	209,848
Equities		180,506	180,506	22,183		155,577	155,577	27,710		151,382	151,382	18,941
Short-term investments		172,087	172,087	-		184,878	184,878	-		214,479	214,479	-
Other investments		108,073	108,073	-		122,081	122,081	-		114,076	114,076	-
Total invested assets		4,516,060	4,542,627	110,461		4,333,212	4,378,531	256,365		4,330,019	4,370,611	228,789
Invested assets per \$ of stockholders' equity		4.02				3.85				3.97		
Total assets		6,266,345				5,879,941				6,794,216		
Liabilities:												
Reserve for losses and loss expenses		3,316,291				3,103,111				4,068,941		
Unearned premium reserve		1,111,539				1,017,076				974,706		
Total liabilities		5,142,136				4,755,563				5,703,624		
Stockholders' equity		1,124,209				1,124,378				1,090,592		
Total debt to capitalization ratio		25.9%				21.5%				22.0%		
Adjusted total debt to capitalization ratio ²		25.9%				15.2%				15.6%		
Book value per share		20.16				20.44				19.77		
Book value per share excluding unrealized gain or loss on bond portfolio		19.44				18.28				17.78		
NPW per insurance segment employee ³		895				832				842		
Statutory premiums to surplus ratio		1.5x				1.5x				1.6x		
Statutory surplus		1,194,797				1,088,494				1,050,107		

¹ Includes mortgage-backed and asset-backed securities.

² For September 30 and December 31 of 2012, 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 of 2013, eliminating their effect on equity.

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

Selective Insurance Group, Inc.
Selected Income Statement Data (unaudited)
September 2013
(\$ in thousands, except per share amounts)

September 2013		THREE MONTHS ENDED September 30,				NINE MONTHS ENDED September 30,			
(\$ in thousands, except per share amounts)		2013		2012		2013		2012	
		Per diluted share		Per diluted share		Per diluted share		Per diluted share	
Consolidated									
Revenue	\$	486,813		\$	436,872	1,415,707		\$	1,285,127
Operating income		23,922	0.42		18,982	67,819	1.20		34,414
Net realized gains (losses), after tax		8,731	0.15		(708)	14,261	0.25		2,241
Income from continuing operations		32,653	0.57		18,274	82,080	1.45		36,655
Loss on discontinued operations, after tax		-	-		-	(997)	(0.02)		-
Net income		32,653	0.57		18,274	81,083	1.43		36,655
Operating return on equity		8.6%			6.9%	8.2%			4.2%
Total Insurance Operations									
Gross premiums written		592,902			538,919	1,685,768			1,549,141
Net premiums written		492,748			450,518	1,405,049			1,296,253
Net premiums earned		437,568			406,225	1,284,760			1,177,266
Underwriting gain (loss)	- before tax	10,151			861	26,795			(27,464)
	- after tax	6,598	0.12		559	17,417	0.31		(17,852)
GAAP combined ratio		97.7%			99.8%	97.9%			102.3%
Total Standard lines									
Net premiums earned		405,676			381,498	1,192,762			1,126,849
GAAP combined ratio		97.5%			98.3%	97.6%			101.0%
Standard Commercial lines									
Net premiums earned		330,962			309,693	971,464			916,479
GAAP combined ratio		97.3%			100.2%	97.5%			101.6%
Standard Personal lines									
Net premiums earned		74,714			71,805	221,298			210,370
GAAP combined ratio		98.2%			89.9%	98.0%			98.6%
Excess and Surplus lines									
Net premiums earned		31,892			24,727	91,998			50,417
GAAP combined ratio		100.0%			123.1%	102.4%			131.1%
Investments									
Net investment income	- before tax	32,457			30,650	99,330			97,284
	- after tax	24,510	0.43		23,494	75,049	1.32		73,979
Effective tax rate		24.5%			23.3%	24.4%			24.0%
Annual after-tax yield on investment portfolio						2.3%			2.3%
Annual after-tax, after-interest expense yield						1.9%			2.0%
Invested assets per \$ of stockholders' equity						4.02			3.85
Other expenses (net of other income)									
Interest expense	- before tax	(5,570)			(4,725)	(16,971)			(14,148)
	- after tax	(3,620)	(0.06)		(3,071)	(11,031)	(0.19)		(9,196)
Other Expense - after tax	\$	(3,566)	(0.07)	\$	(2,000)	(13,616)	(0.24)	\$	(12,517)
Diluted weighted avg shares outstanding		56,900			55,862	56,719			55,717

Selective Insurance Group, Inc. and Consolidated Subsidiaries

GAAP Investment Income

(unaudited)

(\$ in thousands)

	For the three months ended September 2013	September 2012	% Increase (Decrease)	Year to Date September 2013	September 2012	% Increase (Decrease)
Investment Income:						
Interest:						
Fixed Maturity Securities	30,569	30,839	(0.9)	90,956	93,948	(3.2)
Short-term	21	36	(41.7)	102	103	(1.0)
Other Investments:						
Alternative Investments	2,639	935	182.2	10,748	6,396	68.0
Other	-	(438)	(100.0)	(638)	(936)	31.8
Dividends	1,341	1,268	5.8	4,422	3,785	16.8
Miscellaneous	-	41	(100.0)	-	105	(100.0)
	<u>34,570</u>	<u>32,681</u>	<u>5.8</u>	<u>105,590</u>	<u>103,401</u>	<u>2.1</u>
Investment Expense	<u>2,113</u>	<u>2,031</u>	<u>4.0</u>	<u>6,260</u>	<u>6,117</u>	<u>2.3</u>
Net Investment Income Before Tax	32,457	30,650	5.9	99,330	97,284	2.1
Tax	7,947	7,156	11.1	24,281	23,305	4.2
Net Investment Income After Tax	\$ 24,510	23,494	4.3	\$ 75,049	73,979	1.4
Net Investment Income per Share	\$ 0.43	0.42	2.4	\$ 1.32	1.33	(0.8)

Effective Tax Rate	24.5%	23.3%	24.4%	24.0%
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Average Yields :

Fixed Maturity Securities:

Pre Tax	3.07%	3.35%
After Tax	2.32%	2.53%

Portfolio:

Pre Tax	2.99%	3.07%
After Tax	2.26%	2.34%

	For the three months ended: September 2013	September 2012	Year to date: September 2013	September 2012
Net Realized Gains (Losses)				
Total Fixed Maturities	626	1,302	2,188	1,663
Total Equity Securities	12,885	(2,390)	22,539	1,786
Total Short Term	-	-	-	(2)
Total Other Investments	<u>(80)</u>	<u>-</u>	<u>(2,787)</u>	<u>1</u>
Total	13,431	(1,088)	21,940	3,448
Net of Tax	8,731	(708)	14,261	2,241

As of September 30, 2013 year-to-date new money rates for fixed maturity securities were 1.87% on a pre-tax basis and 1.35% on an after tax-basis.

Selective Insurance Group, Inc.
2013 Statutory Results by Line of Business
3rd Quarter 2013 (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 2013	Combined Ratio 2012	Underwriting Gain/(Loss)
Standard Personal Lines:											
Homeowners	\$ 37,224	4.7%	\$ 32,373	8.2%	58.1%	9.3%	32.2%	0.0%	99.6%	70.5%	\$ (1,423)
Auto	39,664	(0.5)%	38,514	0.6%	64.9%	11.7%	30.7%	0.0%	107.4%	112.8%	(3,203)
Other (including flood)	3,912	(2.7)%	3,827	6.6%	43.9%	9.8%	(77.4)%	0.0%	(23.6)%	(14.8)%	4,785
Total	\$ 80,800	1.7%	\$ 74,714	4.1%	61.0%	9.9%	26.7%	0.0%	97.6%	88.8%	\$ 159
Standard Commercial Lines:											
Commercial property	\$ 69,578	11.8%	\$ 57,004	9.2%	27.5%	5.8%	33.8%	(0.1)%	67.0%	81.3%	\$ 14,565
Workers compensation	70,461	6.2%	66,510	1.4%	73.4%	15.3%	27.1%	2.3%	118.2%	115.9%	(13,178)
General liability	115,865	9.3%	100,925	7.6%	44.6%	19.4%	32.1%	0.0%	96.2%	100.4%	(977)
Auto	91,715	13.6%	79,137	8.8%	59.0%	8.1%	30.1%	(0.1)%	97.1%	95.7%	(1,462)
Business owners policies	20,320	11.7%	19,629	10.6%	58.4%	6.1%	37.6%	0.0%	102.1%	101.2%	(680)
Bonds	5,198	12.4%	4,705	(0.2)%	13.6%	5.9%	60.6%	0.0%	80.1%	88.0%	636
Other	3,234	2.1%	3,052	4.5%	0.0%	0.1%	53.1%	0.0%	53.2%	52.9%	1,332
Total	\$ 376,373	10.3%	\$ 330,962	6.9%	50.9%	12.4%	31.9%	0.4%	95.6%	98.8%	\$ 235
Total Standard Operations	\$ 457,173	8.7%	\$ 405,676	6.3%	52.8%	11.9%	31.0%	0.3%	96.0%	96.9%	\$ 394
E&S	35,575	19.5%	31,892	29.0%	47.1%	17.6%	35.8%	0.0%	100.5%	121.6%	(1,475)
Total Insurance Operations	\$ 492,748	9.4%	\$ 437,568	7.7%	52.3%	12.4%	31.3%	0.3%	96.3%	98.4%	\$ (1,081)

Note: Some amounts may not foot due to rounding.

	<u>2013</u>	<u>2012</u>
Losses Paid	\$ 194,340	\$ 211,941
LAE Paid	44,939	43,322
Total Paid	<u>\$ 239,279</u>	<u>\$ 255,263</u>

Selective Insurance Group, Inc.
2013 Statutory Results by Line of Business
September 2013 YTD (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 2013	Combined Ratio 2012	Underwriting Gain/(Loss)
Standard Personal Lines:											
Homeowners	\$ 100,126	6.8%	\$ 95,211	9.8%	56.3%	9.7%	32.4%	0.0%	98.4%	93.6%	\$ (78)
Auto	117,540	0.2%	115,432	1.6%	66.2%	12.2%	30.2%	0.0%	108.6%	111.0%	(10,552)
Other (including flood)	10,549	(2.0)%	10,655	6.1%	57.1%	8.7%	(99.4)%	0.0%	(33.6)%	(1.4)%	14,158
Total	\$ 228,215	2.9%	\$ 221,298	5.2%	61.5%	9.9%	26.2%	0.0%	97.6%	98.4%	\$ 3,528
Standard Commercial Lines:											
Commerical property	\$ 186,531	10.7%	\$ 165,356	8.8%	35.8%	5.7%	36.3%	0.0%	77.8%	93.7%	\$ 28,963
Workers compensation	214,455	4.0%	197,449	(0.3)%	74.4%	15.7%	26.5%	1.8%	118.4%	113.1%	(40,900)
General liability	335,503	9.7%	298,394	7.9%	45.4%	17.3%	33.1%	0.0%	95.7%	101.0%	654
Auto	257,841	11.4%	230,191	7.2%	57.6%	8.3%	31.0%	(0.1)%	96.8%	96.1%	(1,062)
Business owners policies	60,623	11.5%	56,794	9.5%	35.7%	10.1%	39.6%	0.0%	85.4%	101.3%	6,779
Bonds	15,563	5.1%	14,244	1.2%	13.6%	4.7%	60.8%	0.0%	79.2%	86.6%	2,168
Other	9,698	4.5%	9,037	(1.8)%	(0.2)%	0.5%	46.5%	0.0%	46.7%	45.3%	4,507
Total	\$ 1,080,213	9.0%	\$ 971,464	6.0%	51.1%	12.1%	32.7%	0.3%	96.2%	100.5%	\$ 1,109
Total Standard Operations	\$ 1,308,428	7.9%	\$ 1,192,762	5.8%	53.0%	11.7%	31.6%	0.3%	96.6%	100.1%	\$ 4,637
E&S	96,621	15.2%	91,998	82.5%	50.3%	15.9%	35.7%	0.0%	101.9%	120.3%	\$ (3,356)
Total Insurance Operations	\$ 1,405,049	8.4%	\$ 1,284,760	9.1%	52.8%	12.0%	31.8%	0.3%	96.9%	101.2%	\$ 1,282

Note: Some amounts may not foot due to rounding.

	<u>2013</u>	<u>2012</u>
Losses Paid	\$ 588,648	\$ 650,956
LAE Paid	133,548	127,889
Total Paid	<u>\$ 722,196</u>	<u>\$ 778,845</u>

SELECTIVE INSURANCE GROUP, INC.
CONSOLIDATED BALANCE SHEETS

	Unaudited September 30, 2013	December 31, 2012
(\$ in thousands, except share amounts)		
ASSETS		
Investments:		
Fixed maturity securities, held-to-maturity – at carrying value (fair value: \$448,529 – 2013; \$594,661 – 2012)	\$ 421,962	554,069
Fixed maturity securities, available-for-sale – at fair value (amortized cost: \$3,573,751 – 2013; \$3,130,683 – 2012)	3,633,432	3,296,013
Equity securities, available-for-sale – at fair value (cost: \$158,323 – 2013; \$132,441 – 2012)	180,506	151,382
Short-term investments (at cost which approximates fair value)	172,087	214,479
Other investments	108,073	114,076
Total investments	4,516,060	4,330,019
Cash	177	210
Interest and dividends due or accrued	36,044	35,984
Premiums receivable, net of allowance for uncollectible accounts of: \$4,513 – 2013; \$3,906 – 2012	569,214	484,388
Reinsurance recoverables, net	555,579	1,421,109
Prepaid reinsurance premiums	149,182	132,637
Current federal income tax	1,551	2,569
Deferred federal income tax	131,603	119,136
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$176,718 – 2013; \$169,428 – 2012	50,020	47,131
Deferred policy acquisition costs	177,211	155,523
Goodwill	7,849	7,849
Other assets	71,855	57,661
Total assets	\$ 6,266,345	6,794,216
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for loss and loss expenses	\$ 3,316,291	4,068,941
Unearned premiums	1,111,539	974,706
Notes payable	392,407	307,387
Accrued salaries and benefits	116,682	152,396
Other liabilities	205,217	200,194
Total liabilities	\$ 5,142,136	5,703,624
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: 98,957,182 – 2013; 98,194,224 – 2012	197,914	196,388
Additional paid-in capital	284,067	270,654
Retained earnings	1,184,084	1,125,154
Accumulated other comprehensive income	17,083	54,040
Treasury stock – at cost (shares: 43,182,331 – 2013; 43,030,776 – 2012)	(558,939)	(555,644)
Total stockholders' equity	1,124,209	1,090,592
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 6,266,345	6,794,216

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	Quarter ended September 30,		Nine Months ended September 30,	
	2013	2012	2013	2012
(\$ in thousands, except per share amounts)				
Revenues:				
Net premiums earned	\$ 437,568	406,225	1,284,760	1,177,266
Net investment income earned	32,457	30,650	99,330	97,284
Net realized gains (losses):				
Net realized investment gains	14,111	1,856	25,124	6,907
Other-than-temporary impairments	(680)	(921)	(3,107)	(1,218)
Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income	—	(2,023)	(77)	(2,241)
Total net realized gains (losses)	13,431	(1,088)	21,940	3,448
Other income	3,357	1,085	9,677	7,129
Total revenues	486,813	436,872	1,415,707	1,285,127
Expenses:				
Loss and loss expense incurred	283,317	272,251	832,760	813,060
Policy acquisition costs	145,314	131,849	428,570	391,026
Interest expense	5,570	4,725	16,971	14,148
Other expenses	8,127	7,733	27,852	24,080
Total expenses	442,328	416,558	1,306,153	1,242,314
Income from continuing operations, before federal income tax	44,485	20,314	109,554	42,813
Federal income tax expense (benefit):				
Current	6,367	(5,088)	20,041	1,590
Deferred	5,465	7,128	7,433	4,568
Total federal income tax expense	11,832	2,040	27,474	6,158
Net income from continuing operations	32,653	18,274	82,080	36,655
Loss on disposal of discontinued operations, net of tax of \$(538)	—	—	(997)	—
Net income	\$ 32,653	18,274	81,083	36,655
Earnings per share:				
Basic net income from continuing operations	\$ 0.59	0.33	1.48	0.67
Basic net loss from discontinued operations	—	—	(0.02)	—
Basic net income	\$ 0.59	0.33	1.46	0.67
Diluted net income from continuing operations	\$ 0.57	0.33	1.45	0.66
Diluted net loss from discontinued operations	—	—	(0.02)	—
Diluted net income	\$ 0.57	0.33	1.43	0.66
Dividends to stockholders	\$ 0.13	0.13	0.39	0.39

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(\$ in thousands)	Quarter ended September 30,		Nine Months ended September 30,	
	2013	2012	2013	2012
Net income	\$ 32,653	18,274	81,083	36,655
Other comprehensive income, net of tax:				
<i>Unrealized gains (losses) on investment securities:</i>				
Unrealized holding gains (losses) arising during period	6,383	23,803	(50,576)	41,777
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income	—	1,315	50	1,457
Amount reclassified into net income:				
Held-to-maturity securities	(307)	(219)	(1,172)	(1,236)
Non-credit other-than-temporary impairment	1	6	9	177
Realized (gains) losses on available for sale securities	(8,785)	674	(16,107)	(2,243)
Total unrealized (losses) gains on investment securities	(2,708)	25,579	(67,796)	39,932
<i>Defined benefit pension and post-retirement plans:</i>				
Net actuarial gain	—	—	28,600	—
Amounts reclassified into net income:				
Net actuarial loss	513	904	2,222	2,712
Prior service cost	—	24	6	73
Curtailment expense	—	—	11	—
Total defined benefit pension and post-retirement plans	513	928	30,839	2,785
Other comprehensive (loss) income	(2,195)	26,507	(36,957)	42,717
Comprehensive income	\$ 30,458	44,781	44,126	79,372

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

Nine Months ended September 30,

(\$ in thousands)

2013

2012

Common stock:

Beginning of year	\$ 196,388	194,494
Dividend reinvestment plan (shares: 49,964 – 2013; 68,640 – 2012)	100	137
Stock purchase and compensation plans (shares: 712,994 – 2013; 698,723 – 2012)	1,426	1,397
End of period	<u>197,914</u>	<u>196,028</u>

Additional paid-in capital:

Beginning of year	270,654	257,370
Dividend reinvestment plan	1,052	1,064
Stock purchase and compensation plans	12,361	9,093
End of period	<u>284,067</u>	<u>267,527</u>

Retained earnings:

Beginning of year	1,125,154	1,116,319
Net income	81,083	36,655
Dividends to stockholders (\$0.39 per share – 2013 and 2012)	(22,153)	(21,859)
End of period	<u>1,184,084</u>	<u>1,131,115</u>

Accumulated other comprehensive income:

Beginning of year	54,040	42,294
Other comprehensive (loss) income	(36,957)	42,717
End of period	<u>17,083</u>	<u>85,011</u>

Treasury stock:

Beginning of year	(555,644)	(552,149)
Acquisition of treasury stock (shares: 151,555 – 2013; 176,513 – 2012)	(3,295)	(3,154)
End of period	<u>(558,939)</u>	<u>(555,303)</u>
Total stockholders' equity	<u>\$ 1,124,209</u>	<u>1,124,378</u>

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

Nine Months ended September 30,

(\$ in thousands)	2013	2012
Operating Activities		
Net income	\$ 81,083	36,655
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	32,861	29,386
Loss on disposal of discontinued operations	997	—
Stock-based compensation expense	7,428	6,263
Undistributed losses of equity method investments	248	1,090
Net realized gains	(21,940)	(3,448)
Retirement income plan curtailment expense	16	—
<i>Changes in assets and liabilities:</i>		
Increase in reserve for losses and loss expenses, net of reinsurance recoverables	112,876	37,463
Increase in unearned premiums, net of prepaid reinsurance and advance premiums	120,667	119,269
Decrease (increase) in net federal income taxes	8,990	(1,050)
Increase in premiums receivable	(84,826)	(53,659)
Increase in deferred policy acquisition costs	(21,688)	(25,744)
(Decrease) increase in interest and dividends due or accrued	(45)	721
Increase in accrued salaries and benefits	8,286	5,365
Increase in accrued insurance expenses	6,895	299
Other-net	(13,859)	15,144
Net adjustments	156,906	131,099
Net cash provided by operating activities	237,989	167,754
Investing Activities		
Purchase of fixed maturity securities, available-for-sale	(838,634)	(676,408)
Purchase of equity securities, available-for-sale	(112,742)	(41,004)
Purchase of other investments	(7,864)	(9,050)
Purchase of short-term investments	(1,619,948)	(1,231,519)
Purchase of subsidiary	—	255
Sale of subsidiary	1,225	600
Sale of fixed maturity securities, available-for-sale	6,851	92,170
Sale of short-term investments	1,662,340	1,263,684
Redemption and maturities of fixed maturity securities, held-to-maturity	87,952	91,665
Redemption and maturities of fixed maturity securities, available-for-sale	413,722	297,980
Sale of equity securities, available-for-sale	109,399	58,749
Distributions from other investments	10,546	13,910
Sale of other investments	—	1
Purchase of property and equipment	(10,493)	(9,382)
Net cash used in investing activities	(297,646)	(148,349)
Financing Activities		
Dividends to stockholders	(20,532)	(20,188)
Acquisition of treasury stock	(3,295)	(3,154)
Net proceeds from stock purchase and compensation plans	4,305	2,586
Proceeds from issuance of notes payable, net of debt issuance costs	178,435	—
Repayment of notes payable	(100,000)	—
Excess tax benefits from share-based payment arrangements	1,479	904
Repayments of capital lease obligations	(768)	—
Net cash provided by (used in) financing activities	59,624	(19,852)
Net decrease in cash	(33)	(447)
Cash, beginning of year	210	762
Cash, end of period	\$ 177	315

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

	Sep-30 2013	Sep-30 2012	Dec-31 2012
ASSETS			
Bonds	\$ 3,936,304	3,606,161	3,617,371
Common stocks	180,506	155,577	151,382
Affiliated mortgage loan	36,905	37,618	37,443
Other investments	174,064	188,131	180,110
Short-term investments	149,227	198,334	208,845
Total investments	4,477,006	4,185,821	4,195,151
Cash on hand and in banks	(32,507)	(42,644)	(76,957)
Interest and dividends due and accrued	35,915	35,496	35,979
Premiums receivable	567,753	518,142	482,227
Reinsurance recoverable on paid losses and expenses	9,036	9,200	11,354
Deferred tax recoverable	161,229	150,194	147,495
EDP equipment	890	1,332	1,372
Equities and deposits in pools and associations	9,623	7,491	12,734
Receivable for sold securities	441	337	257
Other assets	31,821	31,489	28,541
Total assets	\$ 5,261,207	4,896,858	4,838,153
LIABILITIES			
Reserve for losses	\$ 2,316,960	2,191,838	2,226,858
Reinsurance payable on paid loss and loss expense	2,067	2,191	2,298
Reserve for loss expenses	447,838	433,502	427,560
Unearned premiums	962,357	878,291	842,068
Reserve for commissions payable	55,601	47,032	52,304
Ceded balances payable	33,087	17,711	271
Federal income tax payable	26,976	8,671	5,346
Premium and other taxes payable	28,201	21,344	24,604
Borrowed money	58,042	58,042	58,044
Reserve for dividends to policyholders	2,242	3,370	2,665
Reserves for unauthorized reinsurance	7,498	1,785	7,498
Payable for securities	9,429	36,944	7,682
Funds withheld on account of others	7,261	6,164	11,231
Accrued salaries and benefits	57,388	85,308	102,070
Other liabilities	51,463	16,171	17,547
Total liabilities	4,066,410	3,808,364	3,788,046
POLICYHOLDERS' SURPLUS			
Capital	42,725	42,625	42,725
Paid in surplus	492,869	435,844	435,744
Unassigned surplus	659,203	610,025	571,638
Total policyholders' surplus	1,194,797	1,088,494	1,050,107
Total liabilities and policyholders' surplus	\$ 5,261,207	4,896,858	4,838,153

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

	Three Months Ended September		Nine Months Ended September	
<u>UNDERWRITING</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Net premiums written	492,748	450,518	1,405,049	1,296,253
Net premiums earned	437,568	406,225	1,284,760	1,177,266
Net losses paid	194,340	211,941	588,648	650,956
Change in reserve for losses	34,582	14,399	90,103	18,810
Net losses incurred	228,922	226,340	678,751	669,766
Net loss expenses paid	44,939	43,322	133,548	127,889
Change in reserve for loss expenses	9,105	2,230	20,278	14,960
Net loss expenses incurred	54,044	45,552	153,826	142,849
Net underwriting expenses incurred	157,251	143,322	455,731	419,086
Total deductions	440,217	415,214	1,288,308	1,231,701
Statutory underwriting loss	(2,649)	(8,989)	(3,548)	(54,435)
Net loss from premium balances charged off	(671)	(566)	(2,021)	(2,671)
Finance charges and other income	3,566	2,658	10,244	7,553
Total other income	2,895	2,092	8,223	4,882
Policyholders' dividends incurred	(1,326)	(685)	(3,393)	(2,829)
Total underwriting (loss) gain	(1,080)	(7,582)	1,282	(52,382)
 <u>INVESTMENT</u>				
Net investment income earned	32,278	31,282	99,620	98,554
Net realized gain (loss)	13,431	(1,224)	19,793	3,309
Total income before federal income tax	44,629	22,476	120,695	49,481
Federal income tax expense	10,250	2,108	42,937	13,230
 Net income	34,379	20,368	77,758	36,251
 Policyholders' Surplus				
Surplus, beginning of period	1,170,612	1,067,881	1,050,107	1,062,707
Net income	34,379	20,368	77,758	36,251
Change in deferred taxes	(1,865)	(2,940)	6,204	4,724
Change in unrealized gains	(4,877)	6,578	3,675	8,619
Dividends to stockholders	(6,662)	(151,239)	(25,444)	(179,713)
Change in cumulative effect of acctg principle	-	-	-	44,296
Paid in common stock	-	8,400	-	10,300
Paid in surplus	-	130,722	57,125	130,722
Surplus - transferred to capital	-	-	-	(1,900)
Change in non-admitted assets	2,271	8,723	15,700	16,758
Change in additional admitted deferred taxes	-	-	-	(44,296)
Change in Overfunded Contra Asset	(1,184)	-	(11,091)	-
Qualified Pension Transitional Liability	1,847	-	(32,032)	-
Excess Plan Transitional Liability	16	-	(562)	-
PRL Plan Transitional Liability	10	-	(1,189)	-
Change in minimum pension liability	-	-	54,755	-
Surplus adjustments	250	1	(209)	26
 Net change in surplus for period	24,185	20,613	144,690	25,787
 Surplus, end of period	1,194,797	1,088,494	1,194,797	1,088,494
Statutory underwriting (loss) gain	(1,080)	(7,582)	1,282	(52,382)
<u>Adjustments under GAAP:</u>				
Deferred policy acquisition costs	12,132	9,106	21,687	25,744
Pension costs	(101)	70	5,723	210
Other, net	(800)	(733)	(1,897)	(1,036)
GAAP underwriting gain (loss)	10,151	861	26,795	(27,464)

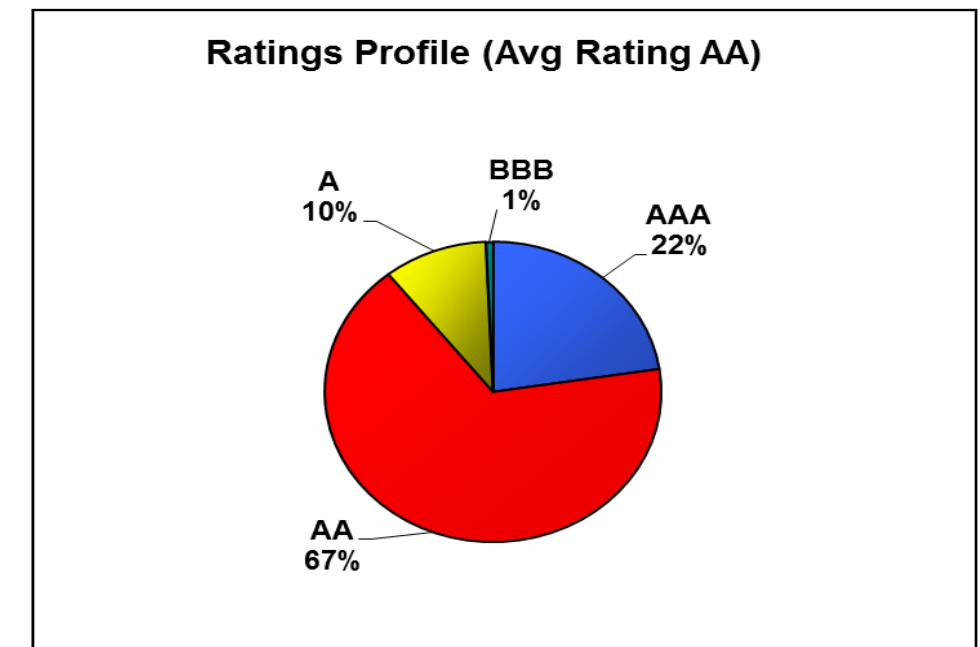
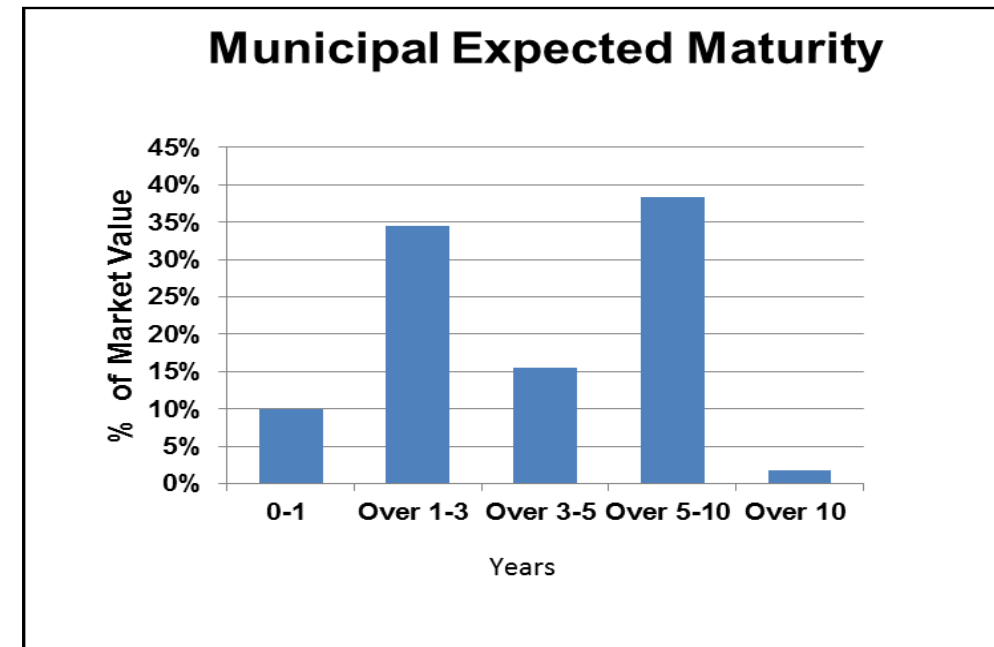
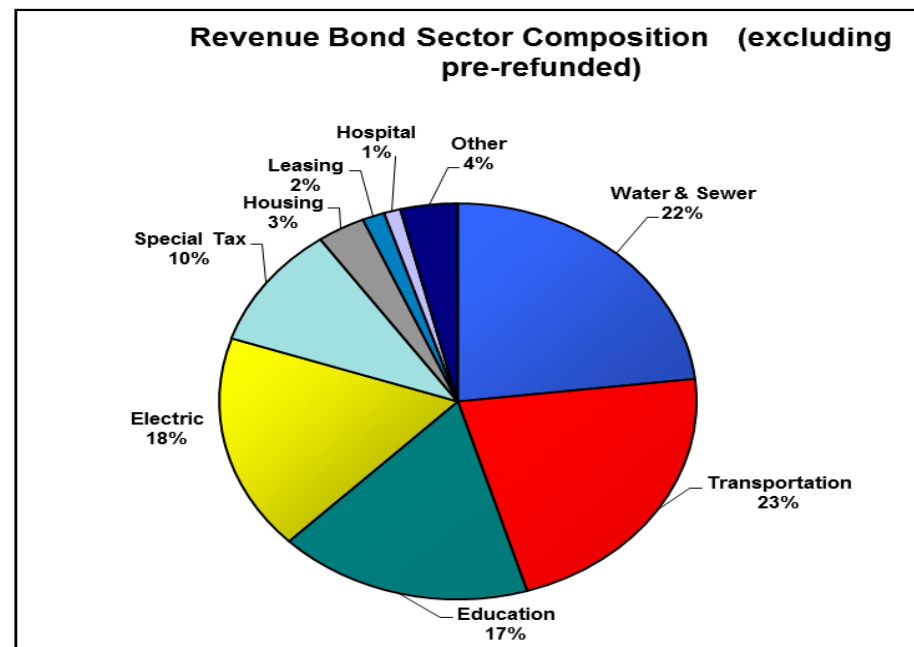
Note: Some amounts or ratios may not foot due to rounding

Selective Insurance Group, Inc. and Consolidated Subsidiaries Alternative Investments as of September 30, 2013 (unaudited)							
Fund	Inception Year	Original Commitment	Remaining Commitment	Current Market Value	YTD Income	DPI⁽¹⁾ Ratio	TVPI⁽²⁾ Ratio
<u>Real Estate</u>							
Silverpeak RE II	2005	20,000,000	2,230,449	9,604,139	759,615	0.53	0.99
Silverpeak RE III	2008	15,000,000	7,974,598	2,780,185	(126,433)	0.04	0.43
Total - Real Estate		35,000,000	10,205,047	12,384,324	633,182	0.40	0.85
<u>Mezzanine Financing</u>							
Neovara Euro Mezz	2004	9,000,000	-	579,578	118,830	0.98	1.02
GS Mezz V	2007	25,000,000	12,373,976	8,998,702	861,076	0.75	1.29
New Canaan V	2012	7,000,000	4,344,571	2,589,099	154,038	0.04	1.02
Centerfield Capital	2012	3,000,000	2,077,118	753,836	(38,307)	0.07	0.89
Total - Mezz. Financing		44,000,000	18,795,665	12,921,215	1,095,638	0.76	1.15
<u>Distressed Debt</u>							
Varde VIII	2006	10,000,000	-	4,135,663	908,815	0.85	1.27
Distressed Managers III	2007	15,000,000	2,964,514	7,775,048	1,360,633	0.56	1.14
Total - Distressed Debt		25,000,000	2,964,514	11,910,711	2,269,448	0.68	1.19
<u>Private Equity</u>							
Prospector	1997	5,000,000	-	410,216	-	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,443,707	1,773,098	208,472	1.61	1.80
NB Co-Invest	2006	15,000,000	1,606,799	7,483,266	320,798	0.82	1.34
Trilantic Capital Partners IV	2007	11,098,351	1,353,709	8,381,980	1,251,845	0.78	1.56
Trilantic Capital Partners V	2012	7,000,000	6,097,572	902,428	-	-	1.00
Total - Private Equity		48,098,351	10,501,787	18,950,988	1,781,115	1.22	1.69
<u>Private Equity, Secondary Market</u>							
NB SOF	2005	12,000,000	899,494	5,393,868	339,030	0.83	1.31
Vintage IV	2007	20,000,000	4,098,660	12,754,258	1,038,197	0.64	1.30
NB SOF II	2008	12,000,000	2,704,427	7,806,012	943,576	0.71	1.44
Total - Pvt. Eq. Sec. Mkt.		44,000,000	7,702,582	25,954,139	2,320,803	0.71	1.34
<u>Energy/Power Generation</u>							
ArcLight I	2002	15,000,000	-	86,393	(12,710)	1.80	1.81
ArcLight II	2003	15,000,000	2,295,492	1,263,967	(425,242)	1.38	1.45
ArcLight III	2006	15,000,000	2,037,794	6,231,613	1,738,423	0.94	1.33
Quintana Energy	2006	10,000,000	455,080	7,014,622	446,703	0.54	1.27
ArcLight IV	2007	10,000,000	2,287,578	2,452,690	258,653	1.05	1.29
Total - Energy/Power Generation		65,000,000	7,075,944	17,049,285	2,005,827	1.22	1.46
<u>Venture Capital</u>							
Venture V	2001	9,600,000	400,000	7,018,382	641,897	0.50	1.27
Total - Venture Capital		9,600,000	400,000	7,018,382	641,897	0.50	1.27
TOTAL - ALTERNATIVE INVESTMENTS		\$270,698,351	57,645,538	106,189,044	10,747,910	0.90	1.33
<i>(1) Distributed to paid in ratio</i>							
<i>(2) Total value to paid in ratio</i>							
<i>Exhibit may not foot due to rounding</i>							

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Municipal Bond Portfolio
State and Repayment Source Composition
September 30, 2013

(\$ in thousands)
(unaudited)

Exposure = 30% Held-to-Maturity; 70% Available-for-Sale



Repayment Source Composition by State
Market Values

State	Revenue	% of State	General Obligation (GO)-Local	% of State	General Obligation (GO)-State	% of State	TX - Permanent School Fund (PSF)	% of State	Total	% of Total
TX	41,701	47%	45,993	52%	1,079	1%	-	0%	88,773	7%
TX-PSF	-	0%	-	0%	-	0%	23,308	100%	23,308	2%
WA	51,569	56%	34,877	37%	6,717	7%	-	0%	93,163	7%
NY	68,579	88%	9,735	12%	-	0%	-	0%	78,314	6%
FL	52,909	78%	-	0%	15,139	22%	-	0%	68,048	5%
AZ	53,279	87%	7,923	13%	-	0%	-	0%	61,202	5%
CO	16,741	34%	31,824	66%	-	0%	-	0%	48,565	4%
MO	18,846	42%	16,349	36%	10,065	22%	-	0%	45,260	3%
CA	41,168	93%	3,299	7%	-	0%	-	0%	44,467	3%
NC	23,328	55%	13,133	31%	5,924	14%	-	0%	42,385	3%
OH	19,831	51%	9,436	25%	9,440	24%	-	0%	38,707	3%
Pre-refunded	51,397	48%	45,893	43%	4,250	4%	5,314	5%	106,854	8%
Other	308,656	53%	153,772	26%	123,668	21%	-	0%	586,096	44%
Grand Total	748,004	57%	372,234	28%	176,282	13%	28,622	2%	1,325,142	100%

Selective Insurance Group, Inc. and Consolidated Subsidiaries

Credit Quality of Available-for-Sale Fixed Maturity Securities

September 30, 2013

(\$ in millions)
(Unaudited)

	Fair Value	Unrealized Gain (Loss)	Weighted Average Credit Quality
AFS Fixed Maturity Portfolio:			
U.S. government obligations	\$ 180.8	11.6	AA+
Foreign government obligations	29.7	0.9	AA-
State and municipal obligations	929.5	11.1	AA
Corporate securities	1,663.1	33.5	A
Mortgage-backed securities ("MBS")	679.5	2.0	AA+
Asset-backed securities ("ABS")	150.8	0.6	AAA
Total AFS fixed maturity portfolio	<u>\$ 3,633.4</u>	<u>59.7</u>	<u>AA-</u>
State and Municipal Obligations:			
General obligations	\$ 438.6	5.8	AA+
Special revenue obligations	490.9	5.3	AA
Total state and municipal obligations	<u>\$ 929.5</u>	<u>11.1</u>	<u>AA</u>
Corporate Securities:			
Financial	\$ 522.7	13.0	A
Industrials	112.2	4.1	A-
Utilities	143.5	1.0	A-
Consumer discretionary	189.4	3.6	A-
Consumer staples	164.2	4.3	A
Healthcare	170.8	4.0	A
Materials	94.9	1.4	BBB+
Energy	88.0	1.2	A-
Information technology	105.6	(0.2)	A+
Telecommunications services	64.3	0.6	BBB+
Other	7.5	0.5	AA+
Total corporate securities	<u>\$ 1,663.1</u>	<u>33.5</u>	<u>A</u>
MBS:			
Government guaranteed agency commercial mortgage-backed securities ("CMBS")	\$ 35.5	1.0	AA+
Other agency CMBS	9.1	(0.3)	AA+
Non-agency CMBS	107.4	(1.2)	AA
Government guaranteed agency residential MBS ("RMBS")	61.4	1.8	AA+
Other agency RMBS	418.9	0.1	AA+
Non-agency RMBS	42.0	0.5	A-
Alternative-A ("Alt-A") RMBS	5.2	0.1	A+
Total MBS	<u>\$ 679.5</u>	<u>2.0</u>	<u>AA+</u>
ABS:			
ABS	\$ 150.0	0.5	AAA
Sub-prime ABS ^{1,2}	0.8	0.1	CCC
Total ABS	<u>\$ 150.8</u>	<u>0.6</u>	<u>AAA</u>

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

²Subprime ABS consists 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
September 30, 2013

(\$ in millions)
(Unaudited)

	Fair Value	Carry Value	Unrecognized Holding Gain	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized/Unrecognized Gain	Weighted Average Credit Quality
HTM Fixed Maturity Portfolio:						
Foreign government obligations	\$ 5.6	5.5	0.1	0.2	0.3	AA+
State and municipal obligations	395.6	376.3	19.3	4.1	23.4	AA
Corporate securities	31.8	28.8	3.0	(0.5)	2.5	A
MBS	9.6	6.3	3.3	(1.0)	2.3	AA
ABS	5.9	5.1	0.8	(0.8)	—	A+
Total HTM portfolio	<u>\$ 448.5</u>	<u>422.0</u>	<u>26.5</u>	<u>2.0</u>	<u>28.5</u>	<u>AA</u>
State and Municipal Obligations:						
General obligations	\$ 124.2	118.7	5.5	2.3	7.8	AA
Special revenue obligations	271.4	257.6	13.8	1.8	15.6	AA
Total state and municipal obligations	<u>\$ 395.6</u>	<u>376.3</u>	<u>19.3</u>	<u>4.1</u>	<u>23.4</u>	<u>AA</u>
Corporate Securities:						
Financial	\$ 7.4	6.8	0.6	(0.2)	0.4	BBB+
Industrials	7.9	6.8	1.1	(0.2)	0.9	A
Utilities	14.6	13.3	1.3	(0.1)	1.2	A+
Consumer discretionary	1.9	1.9	—	—	—	AA
Total corporate securities	<u>\$ 31.8</u>	<u>28.8</u>	<u>3.0</u>	<u>(0.5)</u>	<u>2.5</u>	<u>A</u>
MBS:						
Non-agency CMBS	\$ 9.6	6.3	3.3	(1.0)	2.3	AA
Total MBS	<u>\$ 9.6</u>	<u>6.3</u>	<u>3.3</u>	<u>(1.0)</u>	<u>2.3</u>	<u>AA</u>
ABS:						
ABS	\$ 3.4	3.3	0.1	(0.1)	—	BBB+
Alt-A ABS	2.5	1.8	0.7	(0.7)	—	AAA
Total ABS	<u>\$ 5.9</u>	<u>5.1</u>	<u>0.8</u>	<u>(0.8)</u>	<u>—</u>	<u>A+</u>