



**SELECTIVE<sup>®</sup>**

# **Supplemental Investor Package**

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## **Third Quarter 2014**

**Investor Contact:**

Jennifer DiBerardino

Senior Vice President, Investor Relations and Treasurer

Tel: 973-948-1364

[jennifer.diberardino@selective.com](mailto:jennifer.diberardino@selective.com)

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Third Quarter 2014 Investor Package**  
**Table of Contents**

Earnings Press Release.....	1
Selected Balance Sheet Data.....	7
Selected Income Statement Data.....	8
GAAP Insurance Operations Results.....	9
Quarterly GAAP Investment Income.....	10
Statutory Results by LOB Quarter.....	11
Statutory Results by LOB YTD September.....	12
Net Catastrophe Losses and Prior Year Casualty Reserve Development.....	13
Consolidated Balance Sheets.....	14
Consolidated Statements of Income.....	15
Consolidated Statements of Comprehensive Income.....	16
Consolidated Statements of Stockholders' Equity.....	17
Consolidated Statements of Cash Flow.....	18
Statutory Balance Sheets.....	19
Statutory Statements of Income.....	20
Investment Portfolio – Appendix	
Alternative Investments.....	21
Credit Quality of AFS Fixed Income Securities.....	22
Credit Quality of HTM Fixed Income Securities.....	23



Selective Insurance Group, Inc.  
40 Wantage Avenue  
Branchville, New Jersey 07890  
[www.selective.com](http://www.selective.com)

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Investor Contact: Jennifer DiBerardino  
973-948-1364, [jennifer.diberardino@selective.com](mailto:jennifer.diberardino@selective.com)

Media Contact: Gail Petersen  
973-948-1307, [gail.petersen@selective.com](mailto:gail.petersen@selective.com)

**Selective Insurance Group Reports**

**Third Quarter 2014 Earnings:**

*Net Income Increased 63%*

*Operating Income Increased 81%*

*Dividend Increased 8% to \$0.14 per Share*

Branchville, NJ – October 29, 2014 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the third quarter ended September 30, 2014. Net income per diluted share was up 63% to \$0.93 from \$0.57 in 2013, and operating income<sup>1</sup> per diluted share was up 81% to \$0.76 from \$0.42 in the third quarter 2013. Selective's Board of Directors approved an 8% increase in the quarterly cash dividend, to \$0.14 from \$0.13 per share, which will be payable December 1, 2014 to stockholders of record as of November 14, 2014.

"We posted excellent third quarter results," said Gregory E. Murphy, Chairman and Chief Executive Officer. "The overall statutory combined ratio of 91.5%, coupled with after-tax net investment income growth of 5%, generated strong operating income per diluted share growth of 81% to \$0.76. Three years ago, we established a plan to achieve a statutory combined ratio, excluding catastrophes, of 92% for 2014. With a nine-month statutory combined ratio, excluding catastrophes, of 91.8%, we are confident in our ability to reach our goal. As a result of our consistently improving profitability, the Board of Directors has approved an 8% quarterly dividend increase to \$0.14 per share.

"Overall net premiums written grew 0.5% due to renewal pure price increases of 5.4% and strong retention of 82%. Excluding the impact of our Self-Insured Group business, which was sold in the first quarter of 2014, net premiums written increased 6% in the third quarter. The overall statutory combined ratio, excluding catastrophes, was 90.3%," said Murphy.

"Standard Commercial Lines renewal pure price increased 5.3% in the quarter. For several years we have earned rate above loss inflation trends and at higher levels than the industry," said Murphy. "Retention remained strong at 83% and the statutory combined ratio, excluding catastrophes, was 89.9%, 5 points better than the third quarter last year.

“Our standard Personal Lines renewal pure price increased 6.8% and the statutory combined ratio, excluding catastrophes, was 86.7%. Net premiums written declined 2% due to our strategic non-renewal of dwelling fire business and reduction in monoline homeowners,” continued Murphy.

“Growth in our Excess and Surplus Lines was very strong again this quarter with net premiums written up 11% due to a 10% increase in new business,” said Murphy. “The statutory combined ratio was 102.9%, including \$4 million, or 11.1 points, of casualty reserve strengthening.

“After-tax investment income increased 5% to \$26 million. The overall annualized after-tax portfolio yield was 2.2%, flat compared to the third quarter last year. The after-tax yield on fixed income securities was 2.2% compared to 2.3% in the third quarter of 2013. Year to date, our fixed income purchases have been running at an average after-tax yield of 2.1%, while maturities, disposals and sales had an average after-tax yield of 2.3%,” concluded Murphy.

Highlights for third quarter 2014 compared to third quarter 2013:

- Net income was \$53.2 million, or \$0.93 per diluted share, compared to \$32.7 million, or \$0.57 per diluted share;
- Operating income<sup>1</sup> was \$43.3 million, or \$0.76 per diluted share, compared to \$23.9 million, or \$0.42 per diluted share;
- Combined ratio: GAAP: 92.6% compared to 97.7%; Statutory: 91.5% compared to 96.3%;
- Total net premiums written (NPW) were \$495.1 million compared to \$492.7 million:
  - o Standard Commercial Lines NPW were \$376.4 million compared to \$376.4 million;
  - o Standard Personal Lines NPW were \$79.1 million compared to \$80.8 million;
  - o Excess and Surplus Lines NPW were \$39.6 million compared to \$35.5 million;
- Catastrophe losses, pre-tax, were \$5.4 million, or 1.2 points on the statutory combined ratio, compared to \$11.9 million, or 2.7 points;
- Non-catastrophe property losses, pre-tax, were \$60.4 million, or 13.0 points, compared to \$57.5 million, or 13.1 points;
- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$8.0 million, or 1.7 points, compared to \$3.5 million, or 0.8 points;
- Net investment income, after tax, was \$25.8 million compared to \$24.5 million; and
- Total revenue was \$515.4 million compared to \$486.8 million.

Highlights for nine months ended September 30, 2014 compared to nine months ended September 30, 2013:

- Net income was \$100.5 million, or \$1.75 per diluted share, compared to \$81.1 million, or \$1.43 per diluted share;
- Operating income<sup>1</sup> was \$82.9 million, or \$1.44 per diluted share, compared to \$67.8 million, or \$1.20 per diluted share;
- Combined ratio: GAAP: 97.1% compared to 97.9%; Statutory: 96.6% compared to 96.9%;
- Total NPW were \$1,451.7 million compared to \$1,405.0 million:

- Standard Commercial Lines NPW were \$1,119.6 million compared to \$1,080.2 million;
- Standard Personal Lines NPW were \$224.6 million compared to \$228.2 million;
- Excess and Surplus Lines NPW were \$107.5 million compared to \$96.6 million;
- Catastrophe losses, pre-tax, were \$66.9 million, or 4.8 points on the statutory combined ratio, compared to \$33.1 million, or 2.6 points;
- Non-catastrophe property losses, pre-tax, were \$224.8 million, or 16.3 points, compared to \$173.3 million, or 13.5 points;
- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$39.5 million, or 2.9 points, compared to \$7.0 million, or 0.5 points;
- Income of \$8.0 million, pre-tax, was generated from the sale of the renewal rights of our Self-Insured Group book of pooled entity business in the first quarter of 2014, which reduced the statutory combined ratio by 0.6 points;
- Net investment income, after tax, was \$79.7 million compared to \$75.0 million; and
- Total revenue was \$1.5 billion compared to \$1.4 billion.

### **Balance Sheet and Guidance**

At September 30, 2014, Selective's assets were \$6.6 billion and the investment portfolio was \$4.8 billion. Statutory surplus was \$1.3 billion, up 5% compared to December 31, 2013. Stockholders' equity was \$1.3 billion, up 10% from year end 2013. Book value per share was \$22.45, up from \$20.63 at year end 2013. This increase reflects \$1.78 in net income coupled with \$0.42 in unrealized investment gains on our investment portfolio, partially offset by \$0.40 in shareholders' dividends.

Selective expects to generate a full-year statutory combined ratio of 92%, excluding catastrophes and any additional prior year casualty reserve development. Selective currently estimates 4 to 4.5 points of catastrophe losses for the year and overall renewal pure price increases of 5.5%. After-tax investment income will be approximately \$105 million and weighted average shares at year end are anticipated to be approximately 57.4 million.

The supplemental investor package, including financial information that is not part of this press release, is available on the Investor Relations' page of Selective's public website at [www.selective.com](http://www.selective.com). Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET, on October 30, 2014 at [www.selective.com](http://www.selective.com). The webcast will be available for rebroadcast until the close of business on December 1, 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](http://www.selective.com).

### **Forward-Looking Statements**

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

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

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

- difficult conditions in global capital markets and the economy;
- deterioration in the public debt and equity markets and private investment marketplace that could lead to investment losses and fluctuations in interest rates;
- ratings downgrades could affect investment values and therefore statutory surplus;
- the adequacy of our loss reserves and loss expense reserves;
- the frequency and severity of natural and man-made catastrophic events, including, but not limited to, hurricanes, tornadoes, windstorms, earthquakes, hail, terrorism, explosions, severe winter weather, floods and fires;
- adverse market, governmental, regulatory, legal or judicial conditions or actions;
- the concentration of our business in the Eastern Region;
- the cost and availability of reinsurance;
- our ability to collect on reinsurance and the solvency of our reinsurers;
- uncertainties related to insurance premium rate increases and business retention;
- changes in insurance regulations that impact our ability to write and/or cease writing insurance policies in one or more states, 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](http://www.selective.com), or through the SEC's EDGAR Database at [www.sec.gov](http://www.sec.gov) (Selective EDGAR CIK No. 0000230557).

<sup>1</sup>Operating 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)*

<b><u>3 months ended September 30:</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Net premiums written	\$ 495,121	492,748
Net premiums earned	462,639	437,568
Net investment income earned	34,292	32,457
Net realized gains	15,231	13,431
Total revenues	515,358	486,813
Operating income	43,262	23,922
Net realized gains, net of tax	9,900	8,731
Net income	\$ <u>53,162</u>	<u>32,653</u>
Statutory combined ratio	91.5%	96.3%
Statutory combined ratio, excluding catastrophe losses	90.3%	93.6%
GAAP combined ratio	92.6%	97.7%
Operating income per diluted share	\$ 0.76	0.42
Net income per diluted share	0.93	0.57
Weighted average diluted shares	57,406	56,900
Book value per share	\$ 22.45	20.16
<b><u>9 months ended September 30:</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Net premiums written	\$ 1,451,694	1,405,049
Net premiums earned	1,382,759	1,284,760
Net investment income earned	106,600	99,330
Net realized gains	26,988	21,940
Total revenues	1,531,278	1,415,707
Operating income	82,935	67,819
Net realized gains, net of tax	17,542	14,261
Loss on discontinued operations	—	(997)
Net income	\$ <u>100,477</u>	<u>81,083</u>
Statutory combined ratio	96.6%	96.9%
Statutory combined ratio, excluding catastrophe losses	91.8%	94.3%
GAAP combined ratio	97.1%	97.9%
Operating income per diluted share	\$ 1.44	1.20
Net income per diluted share	1.75	1.43
Weighted average diluted shares	57,286	56,719
Book value per share	\$ 22.45	20.16

*\*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)	September 30,			September 30,			December 31,		
	2014			2013			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 <sup>1</sup>	\$ 2,585,882	2,590,023	44,665	\$ 2,533,612	2,540,760	41,013	\$ 2,595,256	2,601,556	27,812
Government and Municipal bonds	1,717,838	1,731,805	58,036	1,521,782	1,541,201	47,265	1,513,159	1,530,961	38,106
Total fixed income securities	4,303,720	4,321,828	102,701	4,055,394	4,081,961	88,278	4,108,415	4,132,517	65,918
Equities	211,266	211,266	30,847	180,506	180,506	22,183	192,771	192,771	37,420
Short-term investments	181,593	181,593	-	172,087	172,087	-	174,251	174,251	-
Other investments	106,548	106,548	-	108,073	108,073	-	107,875	107,875	-
Total invested assets	\$ 4,803,127	4,821,235	133,548	\$ 4,516,060	4,542,627	110,461	\$ 4,583,312	4,607,414	103,338
Invested assets per \$ of stockholders' equity	3.79			4.02			3.97		
Total assets	6,577,419			6,266,345			6,270,170		
Liabilities:									
Reserve for loss and loss expenses	3,445,706			3,316,291			3,349,770		
Unearned premium reserve	1,143,979			1,111,539			1,059,155		
Total liabilities	5,310,494			5,142,136			5,116,242		
Stockholders' equity	1,266,925			1,124,209			1,153,928		
Total debt to capitalization ratio	23.6%			25.9%			25.4%		
Book value per share	22.45			20.16			20.63		
Book value per share excluding unrealized gain or loss on bond portfolio	21.48			19.44			20.15		
NPW per insurance segment employee	896			895			908		
Statutory premiums to surplus ratio	1.4x			1.5x			1.4x		
Statutory surplus	1,323,097			1,194,797			1,256,431		

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

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

(\$ in thousands, except per share amounts)		Quarter Ended September 30,				Nine Months Ended September 30,			
		2014		2013		2014		2013	
		Per diluted share		Per diluted share		Per diluted share		Per diluted share	
<b>Consolidated</b>									
Revenue	\$	515,358		\$	486,813	\$	1,531,278	\$	1,415,707
Operating income		43,262	0.76		23,922		82,935		67,819
Net realized gains, after tax		9,900	0.17		8,731		17,542		14,261
Income from continuing operations		53,162	0.93		32,653		100,477		82,080
Loss on discontinued operations, after tax		-	-		-		-		(997)
Net income		53,162	0.93		32,653		100,477		81,083
Operating return on equity		13.8%			8.6%		9.1%		8.2%
<b>Total Insurance Operations</b>									
Gross premiums written		598,638			592,902		1,742,530		1,685,768
Net premiums written		495,121			492,748		1,451,694		1,405,049
Net premiums earned		462,639			437,568		1,382,759		1,284,760
Underwriting gain	- before tax	34,437			10,151		39,506		26,795
	- after tax	22,384	0.39		6,598	0.12	25,679	0.45	17,417
GAAP combined ratio		92.6%			97.7%		97.1%		97.9%
<b>Total Standard lines</b>									
Net premiums earned		426,520			405,676		1,279,830		1,192,762
GAAP combined ratio		91.6%			97.5%		96.9%		97.6%
<b>Standard Commercial lines</b>									
Net premiums earned		352,143			330,962		1,056,091		971,464
GAAP combined ratio		92.1%			97.3%		96.2%		97.5%
<b>Standard Personal lines</b>									
Net premiums earned		74,377			74,714		223,739		221,298
GAAP combined ratio		89.2%			98.2%		100.0%		98.0%
<b>Excess and Surplus lines</b>									
Net premiums earned		36,119			31,892		102,929		91,998
GAAP combined ratio		103.8%			100.0%		100.4%		102.4%
<b>Investments</b>									
Net investment income	- before tax	34,292			32,457		106,600		99,330
	- after tax	25,765	0.45		24,510	0.43	79,672	1.39	75,049
Effective tax rate		24.9%			24.5%		25.3%		24.4%
Annualized after-tax yield on investment portfolio							2.3%		2.3%
Annualized after-tax, after-interest expense yield							2.0%		1.9%
Invested assets per \$ of stockholders' equity							3.79		4.02
<b>Other expenses (net of other income)</b>									
Interest expense	- before tax	(5,558)			(5,570)		(16,544)		(16,971)
	- after tax	(3,613)	(0.06)		(3,620)	(0.06)	(10,754)	(0.19)	(11,031)
Other Expense - after tax	\$	(1,274)	(0.02)	\$	(3,566)	(0.07)	(11,662)	(0.21)	(13,616)
Diluted weighted avg shares outstanding		57,406			56,900		57,286		56,719

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

**Third Quarter**

(\$ in thousands)

**Quarter Ended September 30, 2014**

**Quarter Ended September 30, 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	376,438	79,048	455,486	39,635	495,121	376,373	80,800	457,173	35,575	492,748
Net Premiums Earned	352,143	74,377	426,520	36,119	462,639	330,962	74,714	405,676	31,892	437,568
Loss and Loss Expense Incurred	201,352	45,137	246,489	24,443	270,932	209,771	52,926	262,697	20,620	283,317
Net Underwriting Expenses Incurred	121,864	21,203	143,067	13,047	156,114	111,089	20,426	131,515	11,259	142,774
Dividends to Policyholders	1,156	-	1,156	-	1,156	1,326	-	1,326	-	1,326
<b>GAAP Underwriting Gain (Loss)</b>	<b>27,771</b>	<b>8,037</b>	<b>35,808</b>	<b>(1,371)</b>	<b>34,437</b>	<b>8,776</b>	<b>1,362</b>	<b>10,138</b>	<b>13</b>	<b>10,151</b>
<b>GAAP Ratios</b>										
Loss and Loss Expense Ratio	57.2%	60.7%	57.8%	67.7%	58.6%	63.4%	70.8%	64.8%	64.7%	64.7%
Underwriting Expense Ratio	34.6%	28.5%	33.5%	36.1%	33.8%	33.5%	27.4%	32.4%	35.3%	32.7%
Dividends to Policyholders Ratio	0.3%	0.0%	0.3%	0.0%	0.2%	0.4%	0.0%	0.3%	0.0%	0.3%
<b>Combined Ratio</b>	<b>92.1%</b>	<b>89.2%</b>	<b>91.6%</b>	<b>103.8%</b>	<b>92.6%</b>	<b>97.3%</b>	<b>98.2%</b>	<b>97.5%</b>	<b>100.0%</b>	<b>97.7%</b>

**Year to Date**

(\$ in thousands)

**Year to Date September 30, 2014**

**Year to Date September 30, 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	1,119,648	224,567	1,344,215	107,479	1,451,694	1,080,213	228,215	1,308,428	96,621	1,405,049
Net Premiums Earned	1,056,091	223,739	1,279,830	102,929	1,382,759	971,464	221,298	1,192,762	91,998	1,284,760
Loss and Loss Expense Incurred	660,523	162,027	822,550	66,723	889,273	614,226	157,722	771,948	60,812	832,760
Net Underwriting Expenses Incurred	351,781	61,617	413,398	36,639	450,037	329,224	59,216	388,440	33,372	421,812
Dividends to Policyholders	3,943	-	3,943	-	3,943	3,393	-	3,393	-	3,393
<b>GAAP Underwriting Gain (Loss)</b>	<b>39,844</b>	<b>95</b>	<b>39,939</b>	<b>(433)</b>	<b>39,506</b>	<b>24,621</b>	<b>4,360</b>	<b>28,981</b>	<b>(2,186)</b>	<b>26,795</b>
<b>GAAP Ratios</b>										
Loss and Loss Expense Ratio	62.5%	72.4%	64.3%	64.8%	64.3%	63.2%	71.3%	64.7%	66.1%	64.8%
Underwriting Expense Ratio	33.3%	27.6%	32.3%	35.6%	32.5%	34.0%	26.7%	32.6%	36.3%	32.8%
Dividends to Policyholders Ratio	0.4%	0.0%	0.3%	0.0%	0.3%	0.3%	0.0%	0.3%	0.0%	0.3%
<b>Combined Ratio</b>	<b>96.2%</b>	<b>100.0%</b>	<b>96.9%</b>	<b>100.4%</b>	<b>97.1%</b>	<b>97.5%</b>	<b>98.0%</b>	<b>97.6%</b>	<b>102.4%</b>	<b>97.9%</b>

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

(\$ in thousands, except per share data)	Quarter Ended		%	Year to Date		%
	September 2014	September 2013	Increase (Decrease)	September 2014	September 2013	Increase (Decrease)
Investment Income:						
Interest:						
Fixed Income Securities	\$ 30,706	30,569	0	\$ 95,515	90,956	5
Short-term	15	21	(29)	48	102	(53)
Other Investments:						
Alternative Investments	3,906	2,639	48	12,677	10,748	18
Other	-	-	N/M	-	(638)	N/M
Dividends	1,909	1,341	42	5,094	4,422	15
	<u>36,536</u>	<u>34,570</u>	<u>6</u>	<u>113,334</u>	<u>105,590</u>	<u>7</u>
Investment Expense	<u>2,244</u>	<u>2,113</u>	<u>6</u>	<u>6,734</u>	<u>6,260</u>	<u>8</u>
Net Investment Income Before Tax	34,292	32,457	6	106,600	99,330	7
Tax	8,527	7,947	7	26,928	24,281	11
<b>Net Investment Income After Tax</b>	<b>\$ 25,765</b>	<b>24,510</b>	<b>5</b>	<b>\$ 79,672</b>	<b>75,049</b>	<b>6</b>
<b>Net Investment Income per Share</b>	<b>\$ 0.45</b>	<b>0.43</b>	<b>5</b>	<b>\$ 1.39</b>	<b>1.32</b>	<b>5</b>
Effective Tax Rate	24.9%	24.5%		25.3%	24.4%	
Average Yields :						
Fixed Income Securities:						
Pre Tax				3.03%	3.07%	
After Tax				2.27%	2.32%	
Portfolio:						
Pre Tax				3.03%	2.99%	
After Tax				2.26%	2.26%	
	Quarter Ended:			Year to date:		
	September 2014	September 2013		September 2014	September 2013	
Net Realized Gains (Losses)						
Fixed Income Securities	<u>662</u>	<u>626</u>		<u>1,446</u>	<u>2,188</u>	
Equity Securities	14,568	12,885		25,541	22,539	
Other Investments	<u>1</u>	<u>(80)</u>		<u>1</u>	<u>(2,787)</u>	
Total	15,231	13,431		26,988	21,940	
Net of Tax	9,900	8,731		17,542	14,261	

As of September 30, 2014 year-to-date new money rates for fixed income securities were 2.6% on a pre-tax basis and 2.1% on an after tax-basis.

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2014 Statutory Results by Line of Business**  
**Quarter Ended September 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)
<b>Standard Personal Lines:</b>											
Homeowners	\$ 38,402	3.2%	\$ 33,957	4.9%	46.3%	7.1%	33.4%	0.0%	86.8%	99.6%	\$ 3,018
Auto	38,926	(1.9)%	37,695	(2.1)%	58.6%	8.8%	32.9%	0.0%	100.3%	107.4%	(537)
Other (including flood)	1,719	(56.1)%	2,725	(28.8)%	61.3%	(2.8)%	(193.8)%	0.0%	(135.3)%	(23.6)%	4,463
<b>Total</b>	<b>\$ 79,048</b>	<b>(2.2)%</b>	<b>\$ 74,377</b>	<b>(0.5)%</b>	<b>53.1%</b>	<b>7.6%</b>	<b>28.2%</b>	<b>0.0%</b>	<b>88.9%</b>	<b>97.6%</b>	<b>\$ 6,944</b>
<b>Standard Commercial Lines:</b>											
Commerical property	\$ 71,463	2.7%	\$ 61,304	7.5%	38.4%	6.2%	35.4%	(0.1)%	79.9%	67.0%	\$ 8,762
Workers compensation	65,740	(6.7)%	66,732	0.3%	65.0%	16.1%	28.3%	1.8%	111.2%	118.2%	(7,186)
General liability	117,731	1.6%	110,894	9.9%	32.2%	17.8%	34.2%	0.0%	84.2%	96.2%	15,204
Auto	90,600	(1.2)%	83,536	5.6%	53.0%	8.1%	31.7%	0.0%	92.8%	97.1%	3,765
Business owners policies	21,916	7.9%	21,649	10.3%	42.1%	10.6%	37.6%	0.0%	90.3%	102.1%	1,994
Bonds	5,362	3.1%	4,791	1.8%	16.2%	6.4%	63.7%	0.0%	86.3%	80.1%	291
Other	3,628	12.2%	3,237	6.0%	0.7%	0.5%	54.6%	0.0%	55.8%	53.2%	1,218
<b>Total</b>	<b>\$ 376,438</b>	<b>0.0%</b>	<b>\$ 352,143</b>	<b>6.4%</b>	<b>44.5%</b>	<b>12.4%</b>	<b>33.7%</b>	<b>0.3%</b>	<b>90.9%</b>	<b>95.6%</b>	<b>\$ 24,049</b>
<b>Total Standard Operations</b>	<b>\$ 455,486</b>	<b>(0.4)%</b>	<b>\$ 426,520</b>	<b>5.1%</b>	<b>46.0%</b>	<b>11.6%</b>	<b>32.6%</b>	<b>0.3%</b>	<b>90.5%</b>	<b>96.0%</b>	<b>\$ 30,992</b>
E&S	\$ 39,635	11.4%	\$ 36,119	13.3%	51.7%	15.9%	35.3%	0.0%	102.9%	100.5%	\$ (2,304)
<b>Total Insurance Operations</b>	<b>\$ 495,121</b>	<b>0.5%</b>	<b>\$ 462,639</b>	<b>5.7%</b>	<b>46.5%</b>	<b>11.9%</b>	<b>32.9%</b>	<b>0.2%</b>	<b>91.5%</b>	<b>96.3%</b>	<b>\$ 28,688</b>

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 227,149	\$ 194,340
LAE Paid	50,339	44,939
Total Paid	<u>\$ 277,488</u>	<u>\$ 239,279</u>

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2014 Statutory Results by Line of Business**  
**Year-to-date September 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)
<b>Standard Personal Lines:</b>											
Homeowners	\$ 104,038	3.9%	\$ 100,831	5.9%	69.9%	7.9%	33.0%	0.0%	110.8%	98.4%	\$ (11,952)
Auto	114,895	(2.3)%	113,943	(1.3)%	59.8%	9.4%	31.3%	0.0%	100.5%	108.6%	(902)
Other (including flood)	5,634	(46.6)%	8,965	(15.9)%	56.1%	(2.7)%	(155.6)%	0.0%	(102.2)%	(33.6)%	12,950
<b>Total</b>	<b>\$ 224,567</b>	<b>(1.6)%</b>	<b>\$ 223,739</b>	<b>1.1%</b>	<b>64.2%</b>	<b>8.2%</b>	<b>27.5%</b>	<b>0.0%</b>	<b>99.9%</b>	<b>97.6%</b>	<b>\$ 96</b>
<b>Standard Commercial Lines:</b>											
Commerical property	\$ 198,189	6.2%	\$ 182,716	10.5%	63.0%	5.4%	35.6%	0.1%	104.1%	77.8%	\$ (12,995)
Workers compensation	206,921	(3.5)%	205,137	3.9%	64.8%	15.7%	27.3%	1.8%	109.6%	118.4%	(20,126)
General liability	355,411	5.9%	331,303	11.0%	31.8%	17.0%	33.0%	0.0%	81.8%	95.7%	52,233
Auto	267,134	3.6%	249,224	8.3%	55.0%	7.8%	30.9%	0.0%	93.7%	96.8%	10,111
Business owners policies	66,004	8.9%	63,797	12.3%	65.1%	10.4%	36.9%	0.0%	112.4%	85.4%	(8,700)
Bonds	15,541	(0.1)%	14,281	0.3%	16.3%	6.2%	60.2%	0.0%	82.7%	79.2%	1,712
Other	10,448	7.7%	9,633	6.6%	(0.3)%	0.3%	49.7%	0.0%	49.7%	46.7%	4,441
<b>Total</b>	<b>\$ 1,119,648</b>	<b>3.7%</b>	<b>\$ 1,056,091</b>	<b>8.7%</b>	<b>50.6%</b>	<b>11.9%</b>	<b>32.6%</b>	<b>0.4%</b>	<b>95.5%</b>	<b>96.2%</b>	<b>\$ 26,676</b>
<b>Total Standard Operations</b>	<b>\$ 1,344,215</b>	<b>2.7%</b>	<b>\$ 1,279,830</b>	<b>7.3%</b>	<b>53.0%</b>	<b>11.2%</b>	<b>31.8%</b>	<b>0.3%</b>	<b>96.3%</b>	<b>96.6%</b>	<b>\$ 26,773</b>
E&S	\$ 107,479	11.2%	\$ 102,929	11.9%	50.0%	14.9%	35.4%	0.0%	100.3%	101.9%	\$ (1,898)
<b>Total Insurance Operations</b>	<b>\$ 1,451,694</b>	<b>3.3%</b>	<b>\$ 1,382,759</b>	<b>7.6%</b>	<b>52.7%</b>	<b>11.5%</b>	<b>32.1%</b>	<b>0.3%</b>	<b>96.6%</b>	<b>96.9%</b>	<b>\$ 24,875</b>

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 662,435	\$ 588,648
LAE Paid	139,178	133,548
Total Paid	<u>\$ 801,613</u>	<u>\$ 722,196</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)**

<b>Net Catastrophe Losses Incurred</b>	<b>Quarter Ended</b>				<b>Nine Months Ended</b>			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
(\$ in thousands)	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
Standard Personal Lines	\$ 1,605	2.2%	\$ 8,735	11.7%	\$ 22,618	10.1%	\$ 17,138	7.7%
Standard Commercial Lines	\$ 3,259	0.9%	\$ 2,196	0.7%	\$ 41,946	4.0%	\$ 12,129	1.2%
<b>Total Standard Operations</b>	<b>\$ 4,864</b>	<b>1.1%</b>	<b>\$ 10,932</b>	<b>2.7%</b>	<b>\$ 64,564</b>	<b>5.0%</b>	<b>\$ 29,267</b>	<b>2.5%</b>
E&S	\$ 511	1.4%	\$ 983	3.1%	\$ 2,386	2.3%	\$ 3,843	4.2%
<b>Total Insurance Operations</b>	<b>\$ 5,375</b>	<b>1.2%</b>	<b>\$ 11,914</b>	<b>2.7%</b>	<b>\$ 66,949</b>	<b>4.8%</b>	<b>\$ 33,110</b>	<b>2.6%</b>

<b>Prior Year Casualty Reserve Development (Favorable) / Unfavorable</b>	<b>Quarter Ended</b>				<b>Nine Months Ended</b>			
	September 30, 2014		September 30, 2013		September 30, 2014		September 30, 2013	
(\$ in thousands)	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
Standard Personal Lines	\$ (2,000)	(2.7)%	\$ (2,000)	(2.7)%	\$ (6,000)	(2.7)%	\$ (3,500)	(1.6)%
Standard Commercial Lines	\$ (10,000)	(2.8)%	\$ (1,500)	(0.5)%	\$ (37,500)	(3.6)%	\$ (6,000)	(0.6)%
<b>Total Standard Operations</b>	<b>\$ (12,000)</b>	<b>(2.8)%</b>	<b>\$ (3,500)</b>	<b>(0.9)%</b>	<b>\$ (43,500)</b>	<b>(3.4)%</b>	<b>\$ (9,500)</b>	<b>(0.8)%</b>
E&S	\$ 4,000	11.1%	\$ -	0.0%	\$ 4,000	3.9%	\$ 2,500	2.7%
<b>Total Insurance Operations</b>	<b>\$ (8,000)</b>	<b>(1.7)%</b>	<b>\$ (3,500)</b>	<b>(0.8)%</b>	<b>\$ (39,500)</b>	<b>(2.9)%</b>	<b>\$ (7,000)</b>	<b>(0.5)%</b>

Note: Some amounts may not foot due to rounding.

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

	(unaudited) September 30, 2014	December 31, 2013
(\$ in thousands, except share amounts)		
<b>ASSETS</b>		
<b>Investments:</b>		
Fixed income securities, held-to-maturity – at carrying value (fair value: \$354,190 – 2014; \$416,981 – 2013)	\$ 336,082	392,879
Fixed income securities, available-for-sale – at fair value (amortized cost: \$3,884,252 – 2014; \$3,675,977 – 2013)	3,967,638	3,715,536
Equity securities, available-for-sale – at fair value (cost: \$180,419 – 2014; \$155,350 – 2013)	211,266	192,771
Short-term investments (at cost which approximates fair value)	181,593	174,251
Other investments	106,548	107,875
Total investments	4,803,127	4,583,312
Cash	2,501	193
Interest and dividends due or accrued	37,563	37,382
Premiums receivable, net of allowance for uncollectible accounts of: \$3,860 – 2014; \$4,442 – 2013	591,686	524,870
Reinsurance recoverable, net	559,946	550,897
Prepaid reinsurance premiums	158,889	143,000
Current federal income tax	—	512
Deferred federal income tax	92,780	122,613
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$188,175 – 2014; \$179,192 – 2013	55,532	50,834
Deferred policy acquisition costs	189,681	172,981
Goodwill	7,849	7,849
Other assets	77,865	75,727
Total assets	<u>\$ 6,577,419</u>	<u>6,270,170</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Reserve for loss and loss expenses	\$ 3,445,706	3,349,770
Unearned premiums	1,143,979	1,059,155
Notes payable	392,294	392,414
Current federal income tax	16,322	—
Accrued salaries and benefits	97,469	111,427
Other liabilities	214,724	203,476
Total liabilities	<u>\$ 5,310,494</u>	<u>5,116,242</u>
<b>Stockholders' Equity:</b>		
Preferred stock of \$0 par value per share:		
Authorized shares 5,000,000; no shares issued or outstanding	\$ —	—
Common stock of \$2 par value per share:		
Authorized shares: 360,000,000		
Issued: 99,753,415 – 2014; 99,120,235 – 2013	199,507	198,240
Additional paid-in capital	300,425	288,182
Retained earnings	1,280,148	1,202,015
Accumulated other comprehensive income	49,125	24,851
Treasury stock – at cost (shares: 43,329,195– 2014; 43,198,622 – 2013)	(562,280)	(559,360)
Total stockholders' equity	<u>1,266,925</u>	<u>1,153,928</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 6,577,419</u>	<u>6,270,170</u>



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

	Quarter ended September 30,		Nine Months ended September 30,	
(\$ in thousands, except per share amounts)	2014	2013	2014	2013
<b>Revenues:</b>				
Net premiums earned	\$ 462,639	437,568	1,382,759	1,284,760
Net investment income earned	34,292	32,457	106,600	99,330
Net realized gains:				
Net realized investment gains	15,231	14,111	28,370	25,124
Other-than-temporary impairments	—	(680)	(1,382)	(3,107)
Other-than-temporary impairments on fixed income securities recognized in other comprehensive income	—	—	—	(77)
Total net realized gains	15,231	13,431	26,988	21,940
Other income	3,196	3,357	14,931	9,677
Total revenues	515,358	486,813	1,531,278	1,415,707
<b>Expenses:</b>				
Loss and loss expenses incurred	270,932	283,317	889,273	832,760
Policy acquisition costs	158,101	145,314	462,540	428,570
Interest expense	5,558	5,570	16,544	16,971
Other expenses	5,441	8,127	22,990	27,852
Total expenses	440,032	442,328	1,391,347	1,306,153
Income from continuing operations, before federal income tax	75,326	44,485	139,931	109,554
<b>Federal income tax expense:</b>				
Current	7,373	6,367	22,692	20,041
Deferred	14,791	5,465	16,762	7,433
Total federal income tax expense	22,164	11,832	39,454	27,474
Net income from continuing operations	53,162	32,653	100,477	82,080
Loss on disposal of discontinued operations, net of tax of \$(538) - 2013	—	—	—	(997)
Net income	\$ 53,162	32,653	100,477	81,083
<b>Earnings per share:</b>				
Basic net income from continuing operations	\$ 0.94	0.59	1.79	1.48
Basic net loss from discontinued operations	—	—	—	(0.02)
Basic net income	\$ 0.94	0.59	1.79	1.46
Diluted net income from continuing operations	\$ 0.93	0.57	1.75	1.45
Diluted net loss from discontinued operations	—	—	—	(0.02)
Diluted net income	\$ 0.93	0.57	1.75	1.43
Dividends to stockholders	\$ 0.13	0.13	0.39	0.39

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

	Quarter ended September 30,		Nine Months ended September 30,	
(\$ in thousands)	2014	2013	2014	2013
Net income	\$ 53,162	32,653	100,477	81,083
<b>Other comprehensive income (loss), net of tax:</b>				
<i>Unrealized (losses) gains on investment securities:</i>				
Unrealized holding (losses) gains arising during period	(8,988)	6,383	41,767	(50,576)
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income	—	—	—	50
<i>Amount reclassified into net income:</i>				
Held-to-maturity securities	(243)	(307)	(683)	(1,172)
Non-credit other-than-temporary impairments	780	1	1,085	9
Realized gains on available for sale securities	(10,683)	(8,785)	(18,637)	(16,107)
Total unrealized (losses) gains on investment securities	(19,134)	(2,708)	23,532	(67,796)
<i>Defined benefit pension and post-retirement plans:</i>				
Net actuarial gain	—	—	—	28,600
<i>Amounts reclassified into net income:</i>				
Net actuarial loss	247	513	742	2,222
Prior service cost	—	—	—	6
Curtailment expense	—	—	—	11
Total defined benefit pension and post-retirement plans	247	513	742	30,839
Other comprehensive (loss) income	(18,887)	(2,195)	24,274	(36,957)
Comprehensive income	\$ 34,275	30,458	124,751	44,126

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

	<b>Nine Months ended September 30,</b>	
(\$ in thousands)	<b>2014</b>	<b>2013</b>
<b>Common stock:</b>		
Beginning of year	<b>\$ 198,240</b>	196,388
Dividend reinvestment plan (shares: 44,322 – 2014; 49,964 – 2013)	<b>89</b>	100
Stock purchase and compensation plans (shares: 588,858 – 2014; 712,994 – 2013)	<b>1,178</b>	1,426
End of period	<b>199,507</b>	197,914
<b>Additional paid-in capital:</b>		
Beginning of year	<b>288,182</b>	270,654
Dividend reinvestment plan	<b>957</b>	1,052
Stock purchase and compensation plans	<b>11,286</b>	12,361
End of period	<b>300,425</b>	284,067
<b>Retained earnings:</b>		
Beginning of year	<b>1,202,015</b>	1,125,154
Net income	<b>100,477</b>	81,083
Dividends to stockholders (\$0.39 per share – 2014 and 2013)	<b>(22,344)</b>	(22,153)
End of period	<b>1,280,148</b>	1,184,084
<b>Accumulated other comprehensive income:</b>		
Beginning of year	<b>24,851</b>	54,040
Other comprehensive income (loss)	<b>24,274</b>	(36,957)
End of period	<b>49,125</b>	17,083
<b>Treasury stock:</b>		
Beginning of year	<b>(559,360)</b>	(555,644)
Acquisition of treasury stock (shares: 130,573 – 2014; 151,555 – 2013)	<b>(2,920)</b>	(3,295)
End of period	<b>(562,280)</b>	(558,939)
Total stockholders' equity	<b>\$ 1,266,925</b>	1,124,209

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

	Nine Months ended September 30,	
(\$ in thousands)	2014	2013
<b>Operating Activities:</b>		
Net Income	\$ 100,477	81,083
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	31,059	32,861
Sale of renewal rights	(8,000)	—
Loss on disposal of discontinued operations	—	997
Stock-based compensation expense	7,421	7,428
Undistributed (gains) losses of equity method investments	(131)	248
Net realized gains	(26,988)	(21,940)
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	86,887	112,876
Increase in unearned premiums, net of prepaid reinsurance	68,935	120,288
Decrease in net federal income taxes	33,596	8,990
Increase in premiums receivable	(66,816)	(84,826)
Increase in deferred policy acquisition costs	(16,700)	(21,688)
Increase in interest and dividends due or accrued	(82)	(45)
(Decrease) increase in accrued salaries and benefits	(13,958)	8,286
(Decrease) increase in accrued insurance expenses	(12,545)	6,895
Other-net	(25,036)	(13,480)
Net adjustments	57,642	156,906
Net cash provided by operating activities	158,119	237,989
<b>Investing Activities:</b>		
Purchase of fixed income securities, available-for-sale	(560,493)	(838,634)
Purchase of equity securities, available-for-sale	(185,529)	(112,742)
Purchase of other investments	(8,498)	(7,864)
Purchase of short-term investments	(1,082,192)	(1,619,948)
Sale of subsidiary	—	1,225
Sale of fixed income securities, available-for-sale	35,499	6,851
Sale of short-term investments	1,074,850	1,662,340
Redemption and maturities of fixed income securities, held-to-maturity	56,375	87,952
Redemption and maturities of fixed income securities, available-for-sale	336,939	413,722
Sale of equity securities, available-for-sale	186,001	109,399
Distributions from other investments	13,514	10,546
Purchase of property and equipment	(9,178)	(10,493)
Sale of renewal rights	8,000	—
Net cash used in investing activities	(134,712)	(297,646)
<b>Financing Activities:</b>		
Dividends to stockholders	(20,899)	(20,532)
Acquisition of treasury stock	(2,920)	(3,295)
Net proceeds from stock purchase and compensation plans	3,554	4,305
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	1,024	1,479
Repayment of capital lease obligations	(1,858)	(768)
Net cash (used in) provided by financing activities	(21,099)	59,624
Net increase (decrease) in cash	2,308	(33)
Cash, beginning of year	193	210
Cash, end of period	\$ 2,501	177

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

(\$ in thousands)	September 30, 2014	September 30, 2013	December 31, 2013
<b>ASSETS</b>			
Bonds	\$ 4,166,759	3,936,304	4,010,464
Common stocks	211,265	180,506	192,771
Affiliated mortgage loan	36,155	36,905	36,721
Other investments	172,505	174,064	173,856
Short-term investments	139,193	149,227	158,827
Total investments	<u>4,725,877</u>	<u>4,477,006</u>	<u>4,572,639</u>
Cash on hand and in banks	232	(32,507)	(31,186)
Interest and dividends due and accrued	37,460	35,915	37,267
Premiums receivable	588,789	567,753	522,907
Reinsurance recoverable on paid losses and expenses	10,558	9,036	10,059
Deferred tax recoverable	153,305	161,229	154,320
EDP equipment	567	890	913
Equities and deposits in pools and associations	9,966	9,623	9,555
Receivable for sold securities	723	441	7
Other assets	27,008	31,821	30,671
Total assets	<u>\$ 5,554,485</u>	<u>5,261,207</u>	<u>5,307,152</u>
<b>LIABILITIES</b>			
Reserve for losses	\$ 2,408,287	2,316,960	2,341,476
Reinsurance payable on paid loss and loss expense	2,680	2,067	2,557
Reserve for loss expenses	475,933	447,838	455,983
Unearned premiums	985,089	962,357	916,155
Reserve for commissions payable	60,739	55,601	63,482
Ceded balances payable	30,036	33,087	33,721
Federal income tax payable	26,750	26,976	27,749
Premium and other taxes payable	18,068	28,201	27,870
Borrowed money	58,042	58,042	58,044
Reserve for dividends to policyholders	2,606	2,242	2,070
Reserves for unauthorized reinsurance	2,735	7,498	2,735
Payable for securities	44,712	9,429	-
Funds withheld on account of others	7,933	7,261	6,623
Accrued salaries and benefits	61,074	57,388	65,053
Other liabilities	46,704	51,463	47,203
Total liabilities	<u>4,231,388</u>	<u>4,066,410</u>	<u>4,050,721</u>
<b>POLICYHOLDERS' SURPLUS</b>			
Capital	42,725	42,725	42,725
Paid in surplus	492,869	492,869	492,869
Unassigned surplus	787,503	659,203	720,837
Total policyholders' surplus	<u>1,323,097</u>	<u>1,194,797</u>	<u>1,256,431</u>
Total liabilities and policyholders' surplus	<u>\$ 5,554,485</u>	<u>5,261,207</u>	<u>5,307,152</u>

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

	Quarter Ended September				Nine Months Ended September			
(\$ in thousands)	2014		2013		2014		2013	
<b>UNDERWRITING</b>								
<b>Net premiums written</b>	\$ 495,121		492,748		1,451,694		1,405,049	
<b>Net premiums earned</b>	462,639		437,568		1,382,759		1,284,760	
Net losses paid	227,149		194,340		662,435		588,648	
Change in reserve for losses	(12,187)		34,582		66,811		90,103	
<b>Net losses incurred</b>	214,962	46.5%	228,922	52.3%	729,246	52.7%	678,751	52.8%
Net loss expenses paid	50,339		44,939		139,178		133,548	
Change in reserve for loss expenses	4,730		9,105		19,949		20,278	
<b>Net loss expenses incurred</b>	55,069	11.9%	54,044	12.4%	159,127	11.5%	153,826	12.0%
<b>Net underwriting expenses incurred</b>	165,184	33.4%	157,251	31.9%	478,387	33.0%	455,731	32.4%
Total deductions	435,215		440,217		1,366,760		1,288,308	
<b>Statutory underwriting gain / (loss)</b>	<u>27,424</u>		<u>(2,649)</u>		<u>15,999</u>		<u>(3,548)</u>	
Net loss from premium balances charged off	(999)		(671)		(2,768)		(2,021)	
Finance charges and other income	3,419		3,566		15,587		10,244	
<b>Total other income</b>	2,420	-0.5%	2,895	-0.6%	12,819	-0.9%	8,223	-0.6%
Policyholders' dividends incurred	(1,156)	0.2%	(1,326)	0.3%	(3,943)	0.3%	(3,393)	0.3%
<b>Total underwriting gain / (loss)</b>	<u>28,688</u>	91.5%	<u>(1,080)</u>	96.3%	<u>24,875</u>	96.6%	<u>1,282</u>	96.9%
<b>INVESTMENT</b>								
Net investment income earned	33,778		32,278		105,925		99,620	
Net realized gain	15,231		13,431		26,983		19,793	
<b>Total income before income tax</b>	<u>77,697</u>		<u>44,629</u>		<u>157,783</u>		<u>120,695</u>	
Federal income tax expense	19,099		10,250		32,052		42,937	
<b>Net income</b>	<u>\$ 58,598</u>		<u>34,379</u>		<u>125,731</u>		<u>77,758</u>	
<b>Policyholders' Surplus</b>								
Surplus, beginning of period	\$ 1,292,961		1,170,612		1,256,431		1,050,107	
Net income	58,598		34,379		125,731		77,758	
Change in deferred taxes	(3,477)		(1,865)		(10,162)		6,204	
Change in net unrealized capital gains / (losses)	(9,553)		(4,877)		(4,414)		3,675	
Dividends to stockholders	(14,379)		(6,662)		(43,133)		(25,444)	
Paid in surplus	-		-		-		57,125	
Change in non-admitted assets	(1,336)		2,271		(2,203)		15,700	
Change in Overfunded Contra Asset	(1,547)		(1,184)		(4,640)		(11,091)	
Qual Pen Trans Liab	1,815		1,847		5,446		(32,032)	
Excess Plan Trans Liab	8		16		23		(562)	
PRL Plan Trans Liab	7		10		18		(1,189)	
Change in minimum pension liability	-		-		-		54,755	
Surplus adjustments	-		250		-		(209)	
<b>Net change in surplus for period</b>	<u>30,136</u>		<u>24,185</u>		<u>66,666</u>		<u>144,690</u>	
<b>Surplus, end of period</b>	<u>\$ 1,323,097</u>		<u>1,194,797</u>		<u>1,323,097</u>		<u>1,194,797</u>	
Statutory underwriting gain / (loss)	\$ 28,688		(1,080)		24,875		1,282	
<b>Adjustments under GAAP:</b>								
Deferred policy acquisition costs	7,595		12,132		16,700		21,687	
Pension costs	(98)		(101)		(293)		5,723	
Other, net	(1,748)		(800)		(1,776)		(1,897)	
<b>GAAP underwriting gain</b>	<u>\$ 34,437</u>		<u>10,151</u>		<u>39,506</u>		<u>26,795</u>	

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

**Selective Insurance Group, Inc. and Consolidated Subsidiaries**  
**Alternative Investments**  
**as of September 30, 2014**  
**(unaudited)**

<b>Fund</b>	<b>Inception Year</b>	<b>Original Commitment</b>	<b>Remaining Commitment</b>	<b>Current Market Value</b>	<b>YTD Income</b>	<b>DPI<sup>(1)</sup> Ratio</b>	<b>TVPI<sup>(2)</sup> Ratio</b>
<b>Real Estate</b>							
Silverpeak RE II	2005	20,000,000	2,142,141	8,559,952	1,456,890	0.67	1.08
Silverpeak RE III	2008	15,000,000	7,919,066	2,652,115	42,619	0.07	0.44
<b>Total - Real Estate</b>		<b>35,000,000</b>	<b>10,061,207</b>	<b>11,212,067</b>	<b>1,499,509</b>	<b>0.51</b>	<b>0.91</b>
<b>Mezzanine Financing</b>							
Neovara Euro Mezz	2004	9,000,000	-	579,578	-	0.98	1.02
GS Mezz V	2007	25,000,000	10,223,976	6,348,783	644,313	0.96	1.30
New Canaan V	2012	7,000,000	1,473,310	3,592,037	371,054	0.44	1.09
Centerfield Capital	2012	3,000,000	2,077,118	753,031	30,459	0.15	0.97
<b>Total - Mezz. Financing</b>		<b>44,000,000</b>	<b>13,774,405</b>	<b>11,273,429</b>	<b>1,045,826</b>	<b>0.87</b>	<b>1.17</b>
<b>Distressed Debt</b>							
Varde VIII	2006	10,000,000	-	2,651,398	453,318	1.08	1.34
Distressed Managers III	2007	15,000,000	2,980,677	6,553,113	482,282	0.73	1.21
<b>Total - Distressed Debt</b>		<b>25,000,000</b>	<b>2,980,677</b>	<b>9,204,511</b>	<b>935,600</b>	<b>0.88</b>	<b>1.27</b>
<b>Private Equity</b>							
Prospector	1997	5,000,000	-	413,381	2,973	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,455,947	2,685,586	451,688	1.63	1.91
NB Co-Invest	2006	15,000,000	1,476,418	7,231,016	1,046,329	0.93	1.43
Trilantic Capital Partners IV	2007	11,098,351	1,343,210	9,326,111	1,593,501	0.98	1.83
Trilantic Capital Partners V	2012	7,000,000	4,905,098	1,913,275	55,304	-	0.92
<b>Total - Private Equity</b>		<b>48,098,351</b>	<b>9,180,673</b>	<b>21,569,369</b>	<b>3,149,794</b>	<b>1.27</b>	<b>1.79</b>
<b>Private Equity, Secondary Market</b>							
NB SOF	2005	12,000,000	899,494	3,568,070	189,047	1.02	1.34
Vintage IV	2007	20,000,000	4,120,521	12,285,725	647,761	0.72	1.35
NB SOF II	2008	12,000,000	1,957,874	7,210,638	947,791	0.91	1.49
<b>Total - Pvt. Eq. Sec. Mkt.</b>		<b>44,000,000</b>	<b>6,977,889</b>	<b>23,064,433</b>	<b>1,784,600</b>	<b>0.85</b>	<b>1.39</b>
<b>Energy/Power Generation</b>							
ArcLight I	2002	15,000,000	-	14,357	(22,177)	1.81	1.81
ArcLight II	2003	15,000,000	2,295,492	549,845	(458,712)	1.38	1.41
ArcLight III	2006	15,000,000	2,037,794	5,069,447	794,945	1.09	1.41
Quintana Energy	2006	10,000,000	362,821	8,639,595	1,372,057	0.55	1.44
ArcLight IV	2007	10,000,000	2,287,578	2,385,608	1,689,951	1.20	1.43
<b>Total - Energy/Power Generation</b>		<b>65,000,000</b>	<b>6,983,685</b>	<b>16,658,852</b>	<b>3,376,064</b>	<b>1.28</b>	<b>1.51</b>
<b>Venture Capital</b>							
Venture V	2001	9,600,000	350,000	7,114,700	884,943	0.63	1.39
<b>Total - Venture Capital</b>		<b>9,600,000</b>	<b>350,000</b>	<b>7,114,700</b>	<b>884,943</b>	<b>0.63</b>	<b>1.39</b>
<b>TOTAL - ALTERNATIVE INVESTMENTS</b>		<b>\$ 270,698,351</b>	<b>50,308,535</b>	<b>100,097,361</b>	<b>12,676,336</b>	<b>1.00</b>	<b>1.39</b>

<sup>(1)</sup> Distributed to paid in ratio

<sup>(2)</sup> 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**  
**September 30, 2014**  
(unaudited)

(\$ in millions)	Fair Value	Unrealized Gain (Loss)	Weighted Average Credit Quality
<b>AFS Fixed Income Portfolio:</b>			
U.S. government obligations	\$ 151.7	7.9	AA+
Foreign government obligations	27.9	0.8	AA-
State and municipal obligations	1,229.2	32.8	AA
Corporate securities	1,763.1	38.0	A-
Asset-backed securities ("ABS")	147.0	0.4	AAA
Mortgage-backed securities ("MBS")	648.7	3.5	AA+
Total AFS fixed income portfolio	<u>\$ 3,967.6</u>	<u>83.4</u>	<u>AA-</u>
<b>State and Municipal Obligations:</b>			
General obligations	\$ 564.5	14.6	AA+
Special revenue obligations	664.7	18.2	AA
Total state and municipal obligations	<u>\$ 1,229.2</u>	<u>32.8</u>	<u>AA</u>
<b>Corporate Securities:</b>			
Financial	\$ 541.7	11.5	A
Industrials	141.1	4.3	A-
Utilities	150.2	2.4	BBB+
Consumer discretionary	204.1	5.4	A-
Consumer staples	176.9	3.6	A-
Healthcare	169.5	4.3	A
Materials	109.8	2.4	BBB+
Energy	105.9	1.5	A-
Information technology	111.9	1.2	A+
Telecommunications services	49.2	1.1	BBB+
Other	2.8	0.3	AA
Total corporate securities	<u>\$ 1,763.1</u>	<u>38.0</u>	<u>A-</u>
<b>ABS:</b>			
ABS	\$ 146.6	0.3	AAA
Sub-prime ABS <sup>1</sup>	0.4	0.1	D
Total ABS	<u>\$ 147.0</u>	<u>0.4</u>	<u>AAA</u>
<b>MBS:</b>			
Government guaranteed agency commercial MBS ("CMBS")	\$ 17.6	0.3	AA+
Other agency CMBS	10.6	(0.2)	AA+
Non-agency CMBS	137.3	0.4	AA+
Government guaranteed agency residential MBS ("RMBS")	35.9	1.0	AA+
Other agency RMBS	406.3	1.3	AA+
Non-agency RMBS	37.1	0.6	A-
Alternative-A ("Alt-A") RMBS	3.9	0.1	A
Total MBS	<u>\$ 648.7</u>	<u>3.5</u>	<u>AA+</u>

<sup>1</sup>Subprime 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**  
**September 30, 2014**  
(unaudited)

(\$ in millions)	Fair Value	Carry Value	Unrecognized Holding Gain	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized/Unrecognized Gain	Weighted Average Credit Quality
<b>HTM Fixed Income Portfolio:</b>						
Foreign government obligations	\$ 5.4	5.4	—	0.1	0.1	AA+
State and municipal obligations	317.6	303.6	14.0	2.4	16.4	AA
Corporate securities	22.8	20.0	2.8	(0.3)	2.5	A+
ABS	3.1	2.6	0.5	(0.5)	—	AAA
MBS	5.3	4.5	0.8	(0.5)	0.3	AAA
Total HTM fixed income portfolio	<u>\$ 354.2</u>	<u>336.1</u>	<u>18.1</u>	<u>1.2</u>	<u>19.3</u>	<u>AA</u>
<b>State and Municipal Obligations:</b>						
General obligations	\$ 107.0	103.0	4.0	1.2	5.2	AA
Special revenue obligations	210.6	200.6	10.0	1.2	11.2	AA
Total state and municipal obligations	<u>\$ 317.6</u>	<u>303.6</u>	<u>14.0</u>	<u>2.4</u>	<u>16.4</u>	<u>AA</u>
<b>Corporate Securities:</b>						
Financial	\$ 2.3	1.9	0.4	(0.1)	0.3	A-
Industrials	6.7	5.7	1.0	(0.1)	0.9	A+
Utilities	13.5	12.1	1.4	(0.1)	1.3	A+
Consumer staples	0.3	0.3	—	—	—	AA
Total corporate securities	<u>\$ 22.8</u>	<u>20.0</u>	<u>2.8</u>	<u>(0.3)</u>	<u>2.5</u>	<u>A+</u>
<b>ABS:</b>						
ABS	\$ 0.7	0.7	—	—	—	AA
Alt-A ABS	2.4	1.9	0.5	(0.5)	—	AAA
Total ABS	<u>\$ 3.1</u>	<u>2.6</u>	<u>0.5</u>	<u>(0.5)</u>	<u>—</u>	<u>AAA</u>
<b>MBS:</b>						
Non-agency CMBS	\$ 5.3	4.5	0.8	(0.5)	0.3	AAA
Total MBS	<u>\$ 5.3</u>	<u>4.5</u>	<u>0.8</u>	<u>(0.5)</u>	<u>0.3</u>	<u>AAA</u>