



Supplemental Investor Package

Fourth Quarter and Full Year 2011

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SELECTIVE INSURANCE GROUP, INC.
FOURTH QUARTER AND FULL YEAR 2011 INVESTOR PACKAGE
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**Selective Insurance Group Reports
Fourth Quarter and Year-end 2011 Earnings**

Branchville, NJ – February 2, 2012 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the fourth quarter and year ended December 31, 2011. For the quarter, net income per diluted share was \$0.29 and operating income¹ was \$0.33. Net income for the year was \$0.36 per diluted share and operating income¹ was \$0.34 per diluted share.

"We produced a statutory combined ratio of 98.7%, reflecting a more normal level of catastrophe losses," said Chairman, President and Chief Executive Officer Gregory E. Murphy. "Most importantly, we achieved our 11th consecutive quarter of commercial lines renewal pure price increases with a strong 3.4% and retention increased 3 points to 82%. We are earning rate slightly above our loss cost trends as our pricing power continues to improve. Commercial Lines renewal price for the month of December was 3.7% and January 2012 was 4.5%. After several years of price competition, most of our commercial lines competitors now appear to be using more sound underwriting judgment and driving rates higher.

"We continue to focus our improvement in Personal Lines on rate increases with renewal price up 6.1% for the quarter. For the year, there were 46 rate increases in Personal Lines, adding \$18 million in available premium to our in-force book," continued Murphy. "This is our fourth consecutive year driving rate and in 2012, we fully expect to file and obtain overall Personal Lines rate increases of 8.3% with homeowners up about 11.5%.

"Delivering on our commitment to add new high margin products to our portfolio, we completed the acquisition of MUSIC, our new contract binding authority excess and surplus lines company, from Montpelier Re," said Murphy. "Our agents are excited about the new platform we have to write this business in all 50 states and DC. It gives them a broader opportunity to serve their clients through our expanded product offering."

In the quarter, overall net premiums written grew 17% due to the addition of the new excess and surplus operations that contributed 5.2 points, renewal premium pure price

increases in personal and commercial lines that contributed 3.4 points and audit and endorsement premium growth of 3.7 points. The underlying growth of Selective's core book was 4.4% for the quarter, driven mostly by the 3 point increase in our commercial lines retention.

"2011 was a year of extreme weather, market volatility, historically low interest rates and continuing US and European economic woes," continued Murphy. We ended the year with a statutory combined ratio of 106.7%, which included \$119 million, or 8.3 points, of catastrophe losses. Excluding catastrophes, our statutory combined ratio was 98.4%.

"Although it was an extremely challenging year, we managed the pricing cycle instead of the cycle managing us. We have been one of the only companies increasing commercial lines renewal price for the past three years. During this time, we also improved our commercial lines underwriting mix of business and we're executing significant personal lines rate and underwriting improvements. In addition, our claims initiatives are expected to deliver a 3-point improvement in loss and loss expense ratio by the end of 2013. We believe we are well-positioned to take advantage of a firming market," concluded Murphy.

2011 Fourth Quarter Highlights

- Net income of \$16.1 million, or \$0.29 per diluted share
- Operating income¹ was \$18.5 million, or \$0.33 per diluted share
- Combined ratio: GAAP: 98.7% compared to 100.1% in 2010; Statutory: 98.7% compared to 102.8% in 2010
- Favorable prior year statutory reserve development on our casualty lines totaled \$10 million compared to \$7 million in 2010
- Total net premiums written (NPW) were \$352.2 million
 - o Commercial lines NPW were \$284.8 million, including \$15.7 million from E&S lines
 - o Personal lines NPW were \$67.4 million
- Catastrophe losses were \$4.2 million, after tax
- Investment income, after tax, was \$22.6 million
- Total revenue was \$400.4 million compared to \$394.1 million

2011 Year-End Highlights

- Net income was \$19.9 million, or \$0.36 per diluted share
- Operating income¹ was \$19.1 million, or \$0.34 per diluted share
- Combined ratio: GAAP: 107.4% compared to 101.6% in 2010; Statutory: 106.7% compared to 101.6% in 2010
- Favorable prior year statutory reserve development on our casualty lines totaled \$29 million compared to \$41 million in 2010
- Total NPW were \$1.5 billion
 - o Commercial lines NPW were \$1.2 billion, including \$24.1 million from E&S lines
 - o Personal lines NPW were \$273.2 million
- Catastrophe losses were \$77.2 million, after tax
- Investment income, after tax, was \$111.1 million
- Net realized gains, after tax, totaled \$1.5 million for the year, which included \$8.6 million of non-cash, after-tax, other-than-temporary impairment write-downs
- Total revenue was \$1.6 billion in both 2011 and 2010

Balance Sheet and Guidance

At December 31, 2011, Selective's assets were \$5.7 billion, up 10% over prior year, including \$4.1 billion in the company's investment portfolio which increased 5% compared to December 31, 2010.

Stockholders' equity was up 4% for the year, to \$1.1 billion, and book value per share increased 2% to \$20.39. Statutory surplus, including MUSIC, was down 1% in 2011 to \$1.1 billion.

Selective's Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable March 1, 2012 to stockholders of record as of February 15, 2012.

Selective expects to generate a 2012 full year statutory combined ratio of 101.5% and a GAAP combined ratio of 102.5% which includes a catastrophe loss assumption of 2.5 points and no assumptions for reserve development, favorable or unfavorable. In addition, investment income will be approximately flat with 2011 levels.

Anticipated weighted average shares at year end 2012 of 55.6 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 February 3, 2012 at www.selective.com. The webcast will be available for rebroadcast until the close of business on March 3, 2012.

About Selective Insurance Group, Inc.

Selective Insurance Group, Inc. is a holding company for eight property and casualty insurance companies rated "A+" (Superior) 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 December 31:</u>	<u>2011</u>	<u>2010</u>
Net premiums written	\$ 352,179	301,812
Net premiums earned	373,427	353,497
Net investment income earned	28,839	41,471
Net realized losses	(3,621)	(3,812)
Total revenues	400,380	394,089
Operating income	18,487	26,284
Net realized losses, net of tax	(2,354)	(2,478)
Loss on disposal of discontinued operations, net of tax	-	(31)
Net income	\$ <u>16,133</u>	<u>23,775</u>
Statutory combined ratio	98.7%	102.8%
Statutory combined ratio, excluding catastrophe losses	97.0%	101.6%
GAAP combined ratio	98.7%	100.1%
Operating income per diluted share	\$ 0.33	0.48
Net income per diluted share	0.29	0.43
Weighted average diluted shares	55,437	54,894
Book value per share	\$ 20.39	19.95
<u>12 months ended December 31:</u>	<u>2011</u>	<u>2010</u>
Net premiums written	\$ 1,485,349	1,390,541
Net premiums earned	1,439,313	1,416,598
Net investment income earned	147,443	145,708
Net realized gains (losses)	2,240	(7,083)
Total revenues	1,597,475	1,564,621
Operating income	19,059	73,925
Net realized gains (losses), net of tax	1,456	(4,604)
Loss on disposal of discontinued operations, net of tax	(650)	(3,780)
Net income	\$ <u>19,865</u>	<u>65,541</u>
Statutory combined ratio	106.7%	101.6%
Statutory combined ratio, excluding catastrophe losses	98.4%	97.6%
GAAP combined ratio	107.4%	101.6%
Operating income per diluted share	\$ 0.34	1.35
Net income per diluted share	0.36	1.20
Weighted average diluted shares	55,221	54,504
Book value per share	\$ 20.39	19.95

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

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

		December 31,			December 31,		
		2011			2010		
		Balance	Market	Unrecognized/ Unrealized	Balance	Market	Unrecognized/ Unrealized
		Sheet	Value	Gain/(Loss)	Sheet	Value	Gain/(Loss)
Invested Assets:							
Corporate bonds ¹	\$	1,967,498	1,981,909	73,085	1,683,336	1,704,600	35,334
Gov't\ Municipal bonds		1,642,223	1,673,508	108,694	1,873,730	1,894,436	77,913
Total bonds		3,609,721	3,655,417	181,779	3,557,066	3,599,036	113,247
Equities		157,355	157,355	13,529	69,636	69,636	11,597
Short-term investments		217,044	217,044	-	161,155	161,155	-
Other investments		128,301	128,301	(4,520)	137,865	137,865	(4,982)
Total invested assets		4,112,421	4,158,117	190,788	3,925,722	3,967,692	119,862
Invested assets per \$ of stockholders' equity		3.71			3.67		
Total assets		5,736,369			5,231,772		
Liabilities:							
Reserve for losses and loss expenses		3,144,924			2,830,058		
Unearned premium reserve		906,991			823,596		
Total liabilities		4,627,141			4,160,663		
Stockholders' equity		1,109,228			1,071,109		
Total debt to capitalization ratio		21.7%			19.7%		
Adjusted total debt to capitalization ratio ²		15.3%			12.9%		
Book value per share		20.39			19.95		
Book value per share excluding unrealized gain or loss on bond portfolio		18.76			19.09		
NPW per insurance segment employee (excludes E&S)		791			761		
Statutory premiums to surplus ratio		1.4x			1.3x		
Statutory surplus ³		1,062,707			1,073,025		

¹ Includes mortgage-backed and asset-backed securities.

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

³ Statutory surplus for 2011 includes the December 31, 2011 acquisition of Montpelier U.S. Insurance Company.

Selective Insurance Group, Inc.
Selected Income Statement Data (unaudited)
December 2011
(\$ in thousands, except per share amounts)

December 2011		THREE MONTHS ENDED December 31,				TWELVE MONTHS ENDED December 31,			
(\$ in thousands, except per share amounts)		2011		2010		2011		2010	
		Per diluted share		Per diluted share		Per diluted share		Per diluted share	
Consolidated									
Revenue	\$	400,380		\$	394,089	\$	1,597,475	\$	1,564,621
Operating income		18,487	0.33		26,284		19,059		73,925
Net realized (losses) gains, after tax		(2,354)	(0.04)		(2,478)		1,456		(4,604)
Income from continuing operations		16,133	0.29		23,806		20,515		69,321
Loss on discontinued operations, after tax		-	-		(31)		(650)		(3,780)
Net income		16,133	0.29		23,775		19,865		65,541
Operating return on equity		6.7%			9.7%		1.7%		7.1%
Insurance Operations									
Gross premiums written		422,438			364,047		1,776,908		1,659,669
Net premiums written		352,179			301,812		1,485,349		1,390,541
Net premiums earned		373,427			353,497		1,439,313		1,416,598
Underwriting income (loss)	- before tax	4,971			(468)		(106,919)		(22,167)
	- after tax	3,231	0.06		(305)	(0.01)	(69,497)	(1.26)	(14,409)
GAAP combined ratio		98.7%			100.1%		107.4%		101.6%
Commercial lines									
Net premiums earned		305,440			290,148		1,174,861		1,174,282
GAAP combined ratio		97.7%			97.9%		105.1%		100.1%
Personal lines									
Net premiums earned		67,987			63,349		264,452		242,316
GAAP combined ratio		103.1%			110.2%		118.0%		108.5%
Investments									
Net investment income	- before tax	28,839			41,471		147,443		145,708
	- after tax	22,567	0.41		31,001	0.56	111,088	2.01	111,059
Effective tax rate		21.7%			25.2%		24.7%		23.8%
Annual after-tax yield on investment portfolio							2.8%		2.9%
Annual after-tax, after-interest expense yield							2.5%		2.6%
Invested assets per \$ of stockholders' equity							3.71		3.67
Other expenses (net of other income)									
Interest expense	- before tax	(4,584)			(4,560)		(18,259)		(18,616)
	- after tax	(2,980)	(0.05)		(2,964)	(0.05)	(11,868)	(0.21)	(12,100)
Other Expense - after tax	\$	(4,331)	(0.09)	\$	(1,448)	(0.02)	(10,664)	(0.20)	(10,625)
Diluted weighted avg shares outstanding		55,437			54,894		55,221		54,504

Selective Insurance Group, Inc.
Estimated Impact of Change in Deferred Policy Acquisition Costs and Restatements
December 31, 2011 (unaudited)
(\$ in thousands, except per share data)

	2011		2010		2009		2008	
	Reported	Restated	Reported	Restated	Reported	Restated	Reported	Restated
Balance Sheet Data:								
Deferred policy acquisition costs	214,069	135,761	209,627	127,984	218,601	134,765	212,319	128,756
Total assets	5,736,369	5,685,469	5,231,772	5,178,704	5,114,827	5,060,333	4,945,556	4,891,240
Stockholders' equity	1,109,228	1,058,328	1,071,109	1,018,041	1,002,375	947,881	890,493	836,177
Book value per share	20.39	19.45	19.95	18.97	18.83	17.80	16.84	15.81
Income Statement Data:								
Net income	19,865	22,033	65,541	66,966	36,398	36,220	43,758	43,658
Underwriting (loss) profit	(106,919)	(103,584)	(22,167)	(19,974)	2,385	2,111	132	(21)
Combined ratio	107.4%	107.2%	101.6%	101.4%	99.8%	99.9%	100.0%	100.0%
Net income per share:								
Basic	0.37	0.41	1.23	1.26	0.69	0.69	0.84	0.84
Diluted	0.36	0.40	1.20	1.23	0.68	0.68	0.82	0.82
Non-GAAP Measures*:								
Operating income	19,059	21,227	73,925	75,350	74,538	74,360	76,245	76,145
Operating income per diluted share	0.34	0.38	1.35	1.38	1.39	1.39	1.43	1.43
Reconciliation of Non-GAAP Measures to GAAP Measures:								
Operating income	19,059	21,227	73,925	75,350	74,538	74,360	76,245	76,145
Capital gains (losses), net of tax	1,456	1,456	(4,604)	(4,604)	(29,880)	(29,880)	(32,144)	(32,144)
Discontinued operations, net of tax	(650)	(650)	(3,780)	(3,780)	(8,260)	(8,260)	(343)	(343)
Net income	19,865	22,033	65,541	66,966	36,398	36,220	43,758	43,658

* Operating income is a non-GAAP measure that is comparable to net income with the exclusion of capital gains and losses and the results of discontinued operations. Operating income is used as an important financial measure by us, 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 realized investment gains and losses, as well as other-than-temporary impairment charges that are included in earnings, and the results of discontinued operations, could distort the analysis of trends.

Selective Insurance Group, Inc. and Consolidated Subsidiaries

GAAP Investment Income

(unaudited)

(\$ in thousands)

	For the three months ended December 2011	December 2010	% Increase (Decrease)	Year to Date December 2011	December 2010	% Increase (Decrease)
Investment Income:						
Interest:						
Fixed Maturity Securities	\$ 31,875	33,076	(4)	\$ 129,710	130,990	(1)
Short-term	37	70	(47)	160	437	(63)
Other Investments:						
Alternative Investments	(3,316)	9,191	(136)	20,678	20,313	2
Other	(139)	-	N/A	(139)	-	N/A
Dividends	2,236	959	133	4,535	2,238	103
Miscellaneous	45	45	-	133	139	(4)
	<u>30,738</u>	<u>43,341</u>	<u>(29)</u>	<u>155,077</u>	<u>154,117</u>	<u>1</u>
Investment Expense	<u>1,899</u>	<u>1,870</u>	<u>2</u>	<u>7,634</u>	<u>8,409</u>	<u>(9)</u>
Net Investment Income Before Tax	28,839	41,471	(30)	147,443	145,708	1
Tax	6,272	10,470	(40)	36,355	34,649	5
Net Investment Income After Tax	\$ 22,567	31,001	(27)	\$ 111,088	111,059	-
Net Investment Income per Share	\$ 0.41	0.56	(27)	\$ 2.01	2.04	(1)
Effective Tax Rate	21.7%	25.2%		24.7%	23.8%	
Average Yields :						
Fixed Maturity Securities:						
Pre Tax				3.62%	3.80%	
After Tax				2.75%	2.93%	
Portfolio:						
Pre Tax				3.67%	3.78%	
After Tax				2.76%	2.88%	

	For the three months ended December 2011	December 2010	Year to date December 2011	December 2010
Net Realized Gains(Losses)				
Fixed Maturities	5,436	(92)	6,933	(14,898)
Equity Securities	(9,057)	1,464	(4,693)	12,999
Other Investments	-	(5,184)	-	(5,184)
Total	(3,621)	(3,812)	2,240	(7,083)
Net of Tax	(2,354)	(2,478)	1,456	(4,604)

As of December 31, 2011 new money rates for taxable fixed maturity securities were 2.68% on a pre-tax basis and 1.74% on an after-tax basis.

Selective Insurance Group, Inc.
2011 Statutory Results by Line of Business
4th Qtr 2011 (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 2011	Combined Ratio 2010	Underwriting Gain/(Loss)
Personal Lines:											
Homeowners	\$ 28,040	11.6%	\$ 27,226	14.9%	55.2%	10.4%	29.8%	0.0%	95.4%	104.6%	\$ 1,007
Auto	35,744	1.5%	37,302	2.3%	73.6%	11.0%	30.9%	0.0%	115.5%	117.4%	(5,291)
Other (including flood)	3,593	6.4%	3,459	8.8%	61.7%	(9.1)%	(49.2)%	0.0%	3.4%	29.7%	3,409
Total	\$ 67,376	5.7%	\$ 67,987	7.3%	65.6%	9.7%	26.2%	0.0%	101.5%	108.1%	\$ (876)
Commercial Lines:											
Commerical property	\$ 42,821	4.5%	\$ 48,869	(0.4)%	29.8%	6.0%	39.1%	0.1%	75.0%	86.3%	\$ 14,572
Workers compensation	62,605	25.5%	69,476	11.0%	69.9%	15.6%	24.6%	1.8%	111.9%	123.8%	(6,582)
General liability	77,139	16.7%	88,965	5.9%	51.2%	17.4%	35.4%	0.1%	104.1%	101.0%	557
Auto	62,325	8.0%	70,568	0.0%	55.2%	8.3%	32.7%	0.1%	96.3%	99.2%	5,318
Business owners policies	17,922	4.3%	16,670	1.5%	29.8%	13.4%	37.5%	0.0%	80.7%	99.5%	2,753
Bonds	3,998	(0.2)%	4,691	(4.8)%	19.2%	7.7%	66.9%	0.0%	93.8%	74.0%	753
Other	17,991	694.8%	6,201	141.6%	36.5%	6.4%	46.3%	0.0%	89.2%	45.5%	(4,772)
Total	\$ 284,802	19.6%	\$ 305,440	5.3%	51.0%	12.5%	34.2%	0.5%	98.2%	101.9%	\$ 12,599
Grand Total	\$ 352,179	16.7%	\$ 373,427	5.6%	53.7%	12.0%	32.6%	0.4%	98.7%	102.8%	\$ 11,723

Note: Some amounts may not foot due to rounding.

	<u>2011</u>	<u>2010</u>
Losses Paid	\$ 245,778	\$ 195,666
LAE Paid	39,804	39,958
Total Paid	<u>\$ 285,582</u>	<u>\$ 235,624</u>

Selective Insurance Group, Inc.
2011 Statutory Results by Line of Business
December 2011 YTD (unaudited)
(\$ in thousands)

	Net Premiums <u>Written</u>	Percent <u>Change</u>	Net Premiums <u>Earned</u>	Percent <u>Change</u>	Loss <u>Ratio</u>	LAE <u>Ratio</u>	Underwriting Expense <u>Ratio</u>	Dividends to Policyholders <u>Ratio</u>	Combined Ratio <u>2011</u>	Combined Ratio <u>2010</u>	Underwriting <u>Gain/(Loss)</u>
Personal Lines:											
Homeowners	\$ 110,002	13.6%	\$ 102,764	17.0%	95.3%	9.2%	30.7%	0.0%	135.2%	108.6%	\$ (38,356)
Auto	149,767	1.5%	148,824	4.8%	74.8%	10.9%	30.7%	0.0%	116.4%	113.6%	(24,730)
Other (including flood)	<u>13,442</u>	8.6%	<u>12,864</u>	3.0%	81.0%	(46.8)%	(47.6)%	0.0%	(13.4)%	5.2%	<u>14,865</u>
Total	<u>\$ 273,211</u>	6.4%	<u>\$ 264,452</u>	9.1%	83.1%	7.4%	26.8%	0.0%	117.3%	106.4%	<u>\$ (48,221)</u>
Commercial Lines:											
Commerical property	\$ 195,927	0.8%	\$ 192,989	(3.1)%	67.0%	5.8%	37.0%	0.1%	109.9%	93.7%	\$ (20,112)
Workers compensation	261,348	10.1%	259,354	3.6%	73.3%	15.9%	25.2%	1.8%	116.2%	124.2%	(42,473)
General liability	351,561	8.7%	344,682	2.4%	49.7%	17.7%	33.3%	0.0%	100.7%	96.4%	(4,726)
Auto	282,825	0.5%	279,610	(4.1)%	55.7%	7.3%	31.1%	0.1%	94.2%	90.2%	15,330
Business owners policies	67,580	2.3%	66,225	1.5%	57.9%	13.3%	38.6%	0.0%	109.8%	116.0%	(6,984)
Bonds	18,653	(2.6)%	18,910	(1.7)%	16.0%	8.0%	61.7%	0.0%	85.7%	79.1%	2,864
Other	<u>34,245</u>	234.6%	<u>13,091</u>	29.4%	20.4%	4.4%	49.2%	0.0%	74.0%	46.6%	<u>(6,987)</u>
Total	<u>\$ 1,212,137</u>	7.1%	<u>\$ 1,174,861</u>	0.2%	58.8%	12.3%	32.8%	0.4%	104.3%	100.8%	<u>\$ (63,088)</u>
Grand Total	<u>\$ 1,485,349</u>	7.0%	<u>\$ 1,439,313</u>	1.7%	63.2%	11.4%	31.7%	0.4%	106.7%	101.6%	<u>\$ (111,309)</u>

Note: Some amounts may not foot due to rounding.

	<u>2011</u>	<u>2010</u>
Losses Paid	\$ 857,844	\$ 784,641
LAE Paid	<u>152,955</u>	<u>154,661</u>
Total Paid	<u>\$ 1,010,799</u>	<u>\$ 939,302</u>

Consolidated Balance Sheets		
December 31, (\$ in thousands, except share amounts)	Unaudited 2011	2010
ASSETS		
Investments:		
Fixed maturity securities, held-to-maturity – at carrying value (fair value: \$758,043 – 2011; \$1,256,294 – 2010)	\$ 712,348	1,214,324
Fixed maturity securities, available-for-sale – at fair value (amortized cost: \$2,766,856 – 2011; \$2,285,988 – 2010)	2,897,373	2,342,742
Equity securities, available-for-sale – at fair value (cost of: \$143,826 – 2011; \$58,039 – 2010)	157,355	69,636
Short-term investments (at cost which approximates fair value)	217,044	161,155
Other investments	128,301	137,865
Total investments	4,112,421	3,925,722
Cash	762	645
Interest and dividends due or accrued	35,842	37,007
Premiums receivable, net of allowance for uncollectible accounts of: \$3,768 – 2011; \$4,691 – 2010	466,294	414,105
Reinsurance recoverable, net	561,855	318,752
Prepaid reinsurance premiums	147,686	110,327
Current federal income tax	731	11,200
Deferred federal income tax	92,686	93,234
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$160,294 – 2011; \$151,704 – 2010	43,947	41,775
Deferred policy acquisition costs	214,069	209,627
Goodwill	7,849	7,849
Other assets	52,227	61,529
Total assets	\$ 5,736,369	5,231,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for losses and loss expenses	\$ 3,144,924	2,830,058
Unearned premiums	906,991	823,596
Notes payable	307,360	262,333
Accrued salaries and benefits	119,297	100,933
Other liabilities	148,569	143,743
Total liabilities	\$ 4,627,141	4,160,663
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: 97,246,711 – 2011; 96,362,667 – 2010	194,494	192,725
Additional paid-in capital	257,370	244,613
Retained earnings	1,167,219	1,176,155
Accumulated other comprehensive income	42,294	7,024
Treasury stock – at cost (shares: 42,836,201 – 2011; 42,686,204 – 2010)	(552,149)	(549,408)
Total stockholders' equity	1,109,228	1,071,109
Commitments and contingencies		
Total liabilities and stockholders' equity	\$ 5,736,369	5,231,772

SELECTIVE INSURANCE GROUP, INC.
CONSOLIDATED STATEMENTS OF INCOME

	Unaudited Quarter ended December 31,		Year ended December 31,	
(\$ in thousands, except per share amounts)	2011	2010	Unaudited 2011	2010
Revenues:				
Net premiums earned	\$ 373,427	353,497	1,439,313	1,416,598
Net investment income earned	28,839	41,471	147,443	145,708
Net realized gains (losses):				
Net realized investment gains (losses)	6,223	(3,385)	15,426	10,575
Other-than-temporary impairments	(8,936)	101	(11,998)	(16,225)
Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income	(908)	(528)	(1,188)	(1,433)
Total net realized (losses) gains	(3,621)	(3,812)	2,240	(7,083)
Other income	1,735	2,933	8,479	9,398
Total revenues	400,380	394,089	1,597,475	1,564,621
Expenses:				
Losses and loss expenses incurred	245,268	242,976	1,074,987	982,118
Policy acquisition costs	123,010	111,902	469,739	458,045
Interest expense	4,584	4,560	18,259	18,616
Other expenses	7,618	5,250	26,425	23,886
Total expenses	380,480	364,688	1,589,410	1,482,665
Income from continuing operations, before federal income tax	19,900	29,401	8,065	81,956
Federal income tax expense (benefit):				
Current	12,386	(3,152)	(228)	5,323
Deferred	(8,619)	8,747	(12,222)	7,312
Total federal income tax expense (benefit)	3,767	5,595	(12,450)	12,635
Net income from continuing operations	16,133	23,806	20,515	69,321
Loss on disposal of discontinued operations, net of tax of \$(16) for Fourth Quarter 2010 and \$(350) and \$(2,035) for Twelve Months 2011 and 2010	-	(31)	(650)	(3,780)
Net income	\$ 16,133	23,775	19,865	65,541
Earnings per share:				
Basic net income from continuing operations	\$ 0.30	0.44	0.38	1.30
Basic net loss from discontinued operations	-	-	(0.01)	(0.07)
Basic net income	0.30	0.44	0.37	1.23
Diluted net income from continuing operations	0.29	0.43	0.37	1.27
Diluted net loss from discontinued operations	-	-	(0.01)	(0.07)
Diluted net income	\$ 0.29	0.43	0.36	1.20
Dividends to stockholders	\$ 0.13	0.13	0.52	0.52

Consolidated Statements of Stockholders' Equity

December 31, (\$ in thousands, except share amounts)	Unaudited 2011	2010	2009		
Common stock:					
Beginning of year	\$ 192,725	191,646	190,527		
Dividend reinvestment plan (shares: 100,383 – 2011; 106,437 – 2010; 123,880 – 2009)	201	213	248		
Stock purchase and compensation plans (shares: 783,661 – 2011; 433,271 – 2010; 435,571 – 2009)	1,568	866	871		
End of year	<u>194,494</u>	<u>192,725</u>	<u>191,646</u>		
Additional paid-in capital:					
Beginning of year	244,613	231,933	217,195		
Dividend reinvestment plan	1,417	1,465	1,514		
Stock purchase and compensation plans	11,340	11,215	13,224		
End of year	<u>257,370</u>	<u>244,613</u>	<u>231,933</u>		
Retained earnings:					
Beginning of year	1,176,155	1,138,978	1,128,149		
Cumulative-effect adjustment due to adoption of other- than-temporary impairment guidance under ASC 320, net of deferred income tax	-	-	2,380		
Net income	19,865	19,865	36,398	36,398	
Cash dividends to stockholders (\$0.52 per share – 2011, 2010, and 2009)	(28,801)	(28,364)	(27,949)		
End of year	<u>1,167,219</u>	<u>1,176,155</u>	<u>1,138,978</u>		
Accumulated other comprehensive income (loss):					
Beginning of year	7,024	(12,460)	(100,666)		
Cumulative-effect adjustment due to adoption of other- than-temporary impairment guidance under ASC 320, net of deferred income tax	-	-	(2,380)		
Other comprehensive income (loss), increase (decrease) in:					
Unrealized gains (losses) on investment securities:					
Non-credit portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred income tax	1,093	3,416	(5,629)		
Other net unrealized gains on investment securities, net of deferred income tax	42,287	21,113	92,183		
Total unrealized gains on investment securities	43,380	24,529	86,554	86,554	
Defined benefit pension plans, net of deferred income tax	(8,110)	(5,045)	4,032	4,032	
End of year	<u>42,294</u>	<u>7,024</u>	<u>(12,460)</u>		
Comprehensive income	<u>55,135</u>	<u>85,025</u>	<u>126,984</u>		
Treasury stock:					
Beginning of year	(549,408)	(547,722)	(544,712)		
Acquisition of treasury stock (shares: 149,997 – 2011; 107,425 – 2010; 191,858 – 2009)	(2,741)	(1,686)	(3,010)		
End of year	<u>(552,149)</u>	<u>(549,408)</u>	<u>(547,722)</u>		
Total stockholders' equity	\$ <u>1,109,228</u>	<u>1,071,109</u>	<u>1,002,375</u>		

Consolidated Statements of Cash Flows			
December 31, (\$ in thousands, except share amounts)	Unaudited 2011	2010	2009
Operating Activities			
Net Income	\$ 19,865	65,541	36,398
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortization	34,645	31,770	28,593
Loss on disposal of discontinued operations	650	3,780	1,174
Stock-based compensation expense	7,422	8,017	11,256
Undistributed (income) loss of equity method investments	(323)	(8,712)	21,726
Net realized (gains) losses	(2,240)	7,083	45,970
Postretirement life curtailment benefit	-	-	(4,217)
Unrealized gain on trading securities	-	-	(262)
Goodwill impairment on discontinued operations	-	-	12,214
<i>Changes in assets and liabilities:</i>			
Increase in reserves for losses and loss expenses, net of reinsurance recoverables	56,905	41,526	60,619
Increase (decrease) in unearned premiums, net of prepaid reinsurance and advance premiums	46,334	(26,661)	(8,028)
(Increase) decrease in net federal income taxes	(1,403)	15,809	(3,718)
(Increase) decrease in premiums receivable	(45,116)	32,472	34,317
(Increase) decrease in deferred policy acquisition costs	(4,442)	8,974	(6,282)
Decrease (increase) in interest and dividends due or accrued	633	(2,361)	1,918
Increase (decrease) in accrued salaries and benefits	1,521	(14,913)	(15,240)
(Decrease) increase in accrued insurance expenses	(636)	(4,470)	2,240
Sale of trading securities	-	-	2,831
Other-net	9,142	1,330	6,050
Net adjustments	103,092	93,644	191,161
Net cash provided by operating activities	122,957	159,185	227,559
Investing Activities			
Purchase of fixed maturity securities, held-to-maturity	-	-	(158,827)
Purchase of fixed maturity securities, available-for-sale	(487,813)	(1,007,679)	(1,041,277)
Purchase of equity securities, available-for-sale	(150,551)	(71,192)	(79,455)
Purchase of other investments	(16,033)	(20,673)	(16,298)
Purchase of short-term investments	(1,448,782)	(1,741,738)	(1,956,164)
Purchase of subsidiary, net of cash acquired	(51,728)	-	-
Sale of subsidiary	1,152	978	(12,538)
Sale of fixed maturity securities, held-to-maturity	-	-	5,820
Sale of fixed maturity securities, available-for-sale	146,435	190,438	538,769
Sale of short-term investments	1,433,441	1,794,434	1,940,427
Redemption and maturities of fixed maturity securities, held-to-maturity	177,350	319,835	282,310
Redemption and maturities of fixed maturity securities, available-for-sale	162,796	298,171	122,403
Sale of equity securities, available-for-sale	60,071	98,015	137,244
Distributions from other investments	25,622	22,406	25,596
Sale of other investments	16,357	-	-
Purchase of property, equipment, and other assets	(11,824)	(6,522)	(8,207)
Net cash used in investing activities	(143,507)	(123,527)	(220,197)
Financing Activities			
Dividends to stockholders	(26,513)	(26,056)	(26,296)
Acquisition of treasury stock	(2,741)	(1,686)	(3,010)
Principal payment of notes payable	-	(12,300)	(12,300)
Proceeds from borrowings	45,000	-	13,000
Net proceeds from stock purchase and compensation plans	5,011	4,962	4,612
Excess tax benefits from share-based payment arrangements	(90)	(744)	(1,200)
Net cash provided by (used in) financing activities	20,667	(35,824)	(25,194)
Net increase (decrease) in cash and cash equivalents	117	(166)	(17,832)
Net decrease in cash and cash equivalents from discontinued operations	-	-	(15,037)
Net increase (decrease) in cash from continuing operations	117	(166)	(2,795)
Cash from continuing operations, beginning of year	645	811	3,606
Cash from continuing operations, end of year	\$ 762	645	811

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

	<u>Dec-31 *</u> <u>2011</u>	<u>Dec-31</u> <u>2010</u>
ASSETS		
Bonds	\$ 3,452,204	3,482,204
Common stocks	157,355	69,636
Affiliated mortgage loan	38,131	38,785
Other investments	197,409	174,067
Short-term investments	183,070	111,021
Total investments	<u>4,028,169</u>	<u>3,875,713</u>
Cash on hand and in banks	(20,701)	(30,343)
Interest and dividends due and accrued	35,880	37,172
Premiums receivable	461,482	410,809
Reinsurance recoverable on paid losses and expenses	12,365	5,013
Deferred tax recoverable	137,659	133,100
EDP equipment	1,804	1,409
Equities and deposits in pools and associations	4,837	6,681
Receivable for sold securities	644	16,738
Other assets	27,964	30,164
Total assets	<u>\$ 4,690,103</u>	<u>4,486,456</u>
LIABILITIES		
Reserve for losses	\$ 2,173,028	2,111,557
Reinsurance payable on paid loss and loss expense	1,285	1,030
Reserve for loss expenses	418,542	401,508
Unearned premiums	759,304	713,268
Reserve for commissions payable	44,488	43,590
Ceded balances payable	21,871	12,835
Federal income tax payable	12,176	1,645
Premium and other taxes payable	23,588	23,466
Borrowed money	58,043	13,018
Reserve for dividends to policyholders	3,470	2,390
Reserves for unauthorized reinsurance	1,785	1,811
Payable for securities	-	5,028
Funds withheld on account of others	6,523	7,015
Accrued salaries and benefits	80,601	61,353
Other liabilities	22,692	13,917
Total liabilities	<u>3,627,396</u>	<u>3,413,431</u>
POLICYHOLDERS' SURPLUS		
Capital	32,325	28,325
Aggregate write-ins for special surplus funds	44,296	40,521
Paid in surplus	307,022	255,792
Unassigned surplus	679,064	748,387
Total policyholders' surplus	<u>1,062,707</u>	<u>1,073,025</u>
Total liabilities and policyholders' surplus	<u>\$ 4,690,103</u>	<u>4,486,456</u>

* Includes the December 31, 2011 acquisition of Montpelier U.S. Insurance Company. Combined statutory filings for 2011 will not reflect the acquisition as this Company will not be included in our intercompany pooling until January 1, 2012

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

	Three Months Ended December		Twelve Months Ended December	
<u>UNDERWRITING</u>	2011	2010	2011	2010
Net premiums written	\$ 352,179	301,812	1,485,349	1,388,556
Net premiums earned	373,427	353,497	1,439,313	1,414,612
Net losses paid	245,778	195,666	857,844	784,641
Change in reserve for losses	(45,368)	10,910	52,252	39,181
Net losses incurred	200,410	206,576	910,096	823,822
Net loss expenses paid	39,804	39,958	152,955	154,661
Change in reserve for loss expenses	4,879	(3,230)	11,395	2,051
Net loss expenses incurred	44,683	36,728	164,350	156,712
Net underwriting expenses incurred	115,692	103,578	474,139	449,620
Total deductions	360,785	346,882	1,548,585	1,430,154
Statutory underwriting (loss) / gain	12,642	6,615	(109,272)	(15,542)
Net loss from premium balances charged off	(1,210)	(1,057)	(5,213)	(5,142)
Finance charges and other income	1,772	2,907	8,460	9,590
Total other income	562	1,850	3,247	4,448
Policyholders' dividends incurred	(1,481)	(1,011)	(5,284)	(3,878)
Total underwriting (loss) / gain	11,723	7,454	(111,309)	(14,972)
INVESTMENT				
Net investment income earned	30,459	39,362	148,005	138,021
Net realized gain / (loss)	(3,621)	(15,909)	2,195	(19,282)
Total income before income tax	38,561	30,907	38,891	103,767
Federal income tax expense / (income)	14,674	(456)	12,433	16,848
Net income	\$ 23,887	31,363	26,458	86,919
Policyholders' Surplus				
Surplus, beginning of period	\$ 1,010,144	1,034,321	1,073,025	981,955
Net income	23,887	31,363	26,458	86,919
Change in deferred taxes	11,749	2,941	17,220	2,169
Change in unrealized gains	15,801	12,506	2,355	26,198
Dividends to stockholders	(17,007)	(12,002)	(63,025)	(48,010)
Paid in surplus *	51,230	-	51,230	-
Paid in common stock *	4,000	-	4,000	-
Change in reserve for unauthorized	26	(798)	26	(798)
Change in non-admitted assets	(12,666)	(4,263)	(21,378)	14,851
Change in additional admitted deferred taxes	5,241	5,550	3,775	6,570
Change in minimum pension liability	(15,090)	3,407	(15,090)	3,407
Surplus adjustments *	(14,608)	-	(15,889)	(236)
Net change in surplus for period	52,563	38,704	(10,318)	91,070
Surplus, end of period	\$ 1,062,707	1,073,025	1,062,707	1,073,025
Statutory underwriting (loss) / gain	\$ 11,723	7,454	(111,309)	(14,972)
<i>Adjustments under GAAP:</i>				
Deferred policy acquisition costs	(5,975)	(8,963)	4,442	(8,974)
Pension costs	(1,618)	755	250	2,045
Other, net	841	286	(302)	(266)
GAAP underwriting (loss) / gain	\$ 4,971	(468)	(106,919)	(22,167)

* Includes the December 31, 2011 acquisition of Montpelier U.S. Insurance Company. Combined statutory filings for 2011 will not reflect the acquisition as this Company will not be included in our intercompany pooling until January 1, 2012

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
as of December 31, 2011
(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	2,473,976	10,390,153	1,276,202	0.45	0.96
Silverpeak RE III	2008	15,000,000	8,095,585	3,377,382	(56,701)	0.02	0.51
Total - Real Estate		35,000,000	10,569,561	13,767,535	1,219,501	0.34	0.84
<u>Mezzanine Financing</u>							
Neovara Euro Mezz	2004	9,000,000	-	1,072,293	(836,617)	0.95	1.03
GS Mezz V	2007	25,000,000	15,255,707	7,744,362	728,712	0.60	1.17
Total - Mezz. Financing		34,000,000	15,255,707	8,816,655	(107,905)	0.77	1.10
<u>Distressed Debt</u>							
Varde VIII	2006	10,000,000	-	7,372,134	(322,617)	0.38	1.12
GS Distressed Opp III	2007	15,000,000	3,135,660	9,580,421	934,885	0.24	0.99
Total - Distressed Debt		25,000,000	3,135,660	16,952,555	612,268	0.30	1.05
<u>Private Equity</u>							
Prospector	1997	5,000,000	-	411,121	(323)	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,219,343	4,022,140	1,446,577	1.27	1.70
NB Co-Invest	2006	15,000,000	1,847,495	9,730,334	1,729,882	0.53	1.22
Trilantic Capital Partners IV	2007	11,098,351	2,301,528	7,572,404	1,651,122	0.41	1.24
Total - Private Equity		41,098,351	5,368,366	21,735,999	4,827,258	0.99	1.56
<u>Private Equity, Secondary Market</u>							
NB SOF	2005	12,000,000	899,494	6,601,877	1,059,842	0.64	1.24
GS Vintage IV	2007	20,000,000	5,280,941	15,101,646	3,464,691	0.37	1.21
NB SOF II	2008	12,000,000	3,326,196	8,410,797	1,605,660	0.36	1.31
Total - Pvt. Eq. Sec. Mkt.		44,000,000	9,506,631	30,114,320	6,130,193	0.45	1.24
<u>Energy/Power Generation</u>							
ArcLight I	2002	15,000,000	1,655,505	234,045	1,061,616	1.80	1.81
ArcLight II	2003	15,000,000	2,295,492	2,972,783	1,721,227	1.23	1.39
ArcLight III	2006	15,000,000	2,037,794	10,235,790	1,709,439	0.60	1.25
Quintana Energy	2006	10,000,000	1,902,067	8,006,160	713,808	0.09	1.07
ArcLight IV	2007	10,000,000	2,717,373	4,464,089	1,751,975	0.86	1.31
Total - Energy/Power Generation		65,000,000	10,608,231	25,912,867	6,958,065	1.03	1.41
<u>Venture Capital</u>							
Venture V	2001	10,000,000	900,000	7,248,497	1,038,166	0.30	1.10
Total - Venture Capital		10,000,000	900,000	7,248,497	1,038,166	0.30	1.10
TOTAL - ALTERNATIVE INVESTMENTS		\$ 254,098,351	55,344,156	124,548,428	20,677,546	0.72	1.25

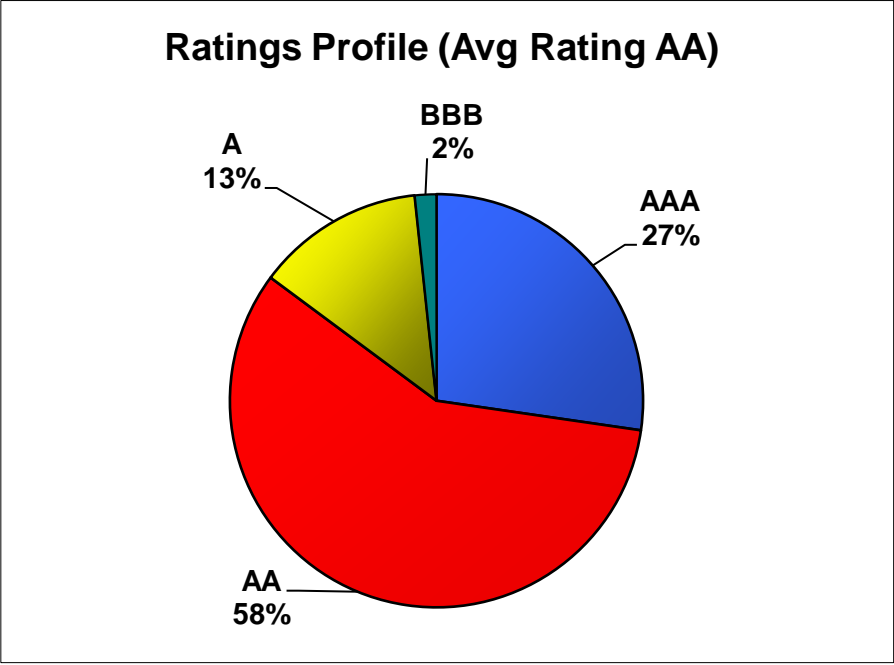
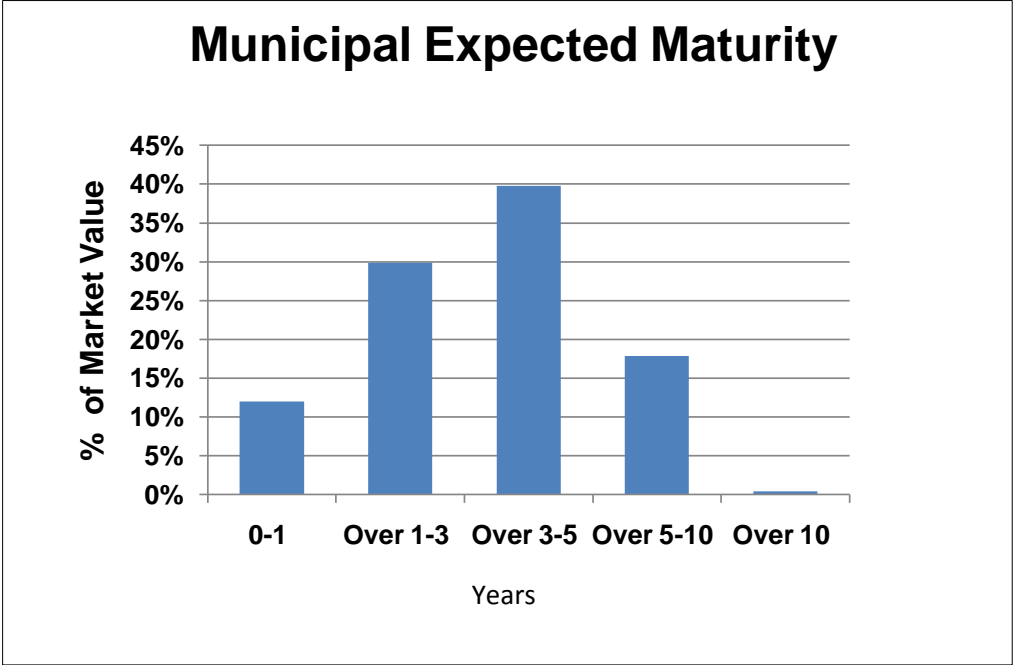
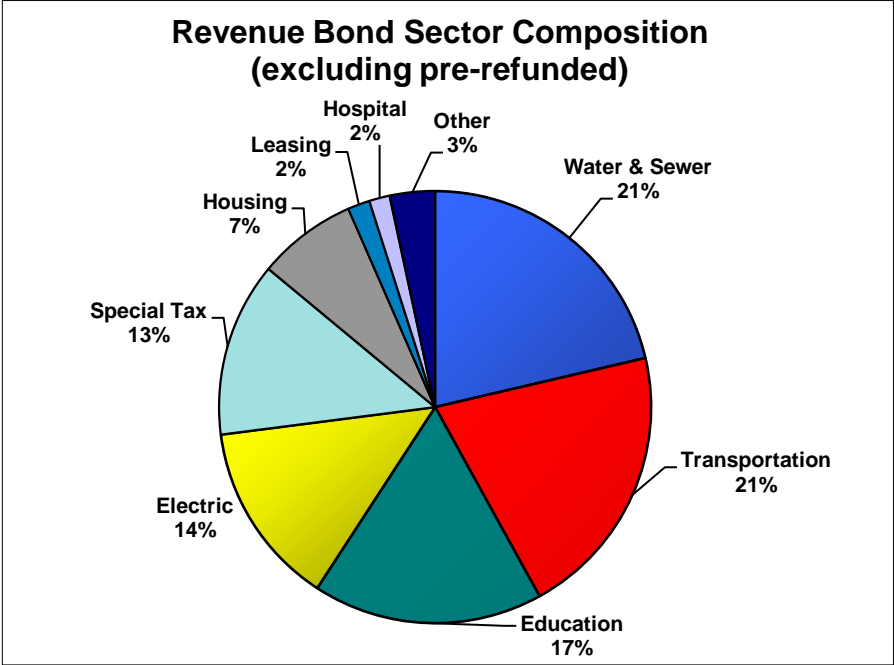
⁽¹⁾ Distributed to paid in ratio

⁽²⁾ Total value to paid in ratio

Note: Some amounts may not foot due to rounding

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Municipal Bond Portfolio
State and Repayment Source Composition
December 31, 2011
(\$ in thousands)
(unaudited)

Exposure = 51% Held-to-Maturity; 49% Available-for-Sale



Repayment Source Composition by State										
Market Values										
							TX -			
			General		General		Permanent			
State	Revenue	% of State	Obligation	% of State	Obligation	% of State	School Fund	% of State	Total	% of
			(GO)-Local		(GO)-State		(PSF)			Total
TX	55,930	55%	44,289	44%	1,101	1%	-	0%	101,320	8%
TX-PSF	-	0%	-	0%	-	0%	41,190	100%	41,190	3%
WA	38,133	45%	46,238	55%	-	0%	-	0%	84,371	7%
AZ	60,795	90%	7,083	10%	-	0%	-	0%	67,878	5%
NY	66,291	100%	-	0%	-	0%	-	0%	66,291	5%
FL	53,587	100%	-	0%	-	0%	-	0%	53,587	4%
OH	30,408	59%	13,611	27%	7,255	14%	-	0%	51,274	4%
IL	28,386	58%	20,356	42%	-	0%	-	0%	48,742	4%
CO	17,241	36%	29,319	60%	1,812	4%	-	0%	48,372	4%
MN	6,390	13%	5,038	11%	36,926	76%	-	0%	48,354	4%
NC	24,169	58%	14,032	33%	3,775	9%	-	0%	41,976	3%
Pre-refunded	41,319	50%	25,517	31%	12,405	15%	3,658	4%	82,899	7%
Other	360,074	66%	115,455	21%	68,261	13%	-	0%	543,790	42%
Grand Total	782,723	61%	320,938	25%	131,535	10%	44,848	4%	1,280,044	100%

Selective Insurance Group, Inc. and Consolidated Subsidiaries

Credit Quality of Available-for-Sale Fixed Maturity Securities

December 31, 2011

(\$ in millions)
(unaudited)

	Fair Value	Unrealized Gain (Loss)	Average Credit Quality
AFS Fixed Maturity Portfolio:			
U.S. government obligations ¹	\$ 353.8	20.3	AA+
Foreign government obligations	34.2	0.5	AA
State and municipal obligations	622.7	44.4	AA
Corporate securities	1,213.3	44.9	A
Mortgage-backed securities ("MBS")	594.5	19.2	AA
Asset-backed securities ("ABS")	78.9	1.2	AAA
Total AFS fixed maturity portfolio	<u>\$ 2,897.4</u>	<u>130.5</u>	<u>AA-</u>
State and Municipal Obligations:			
Government obligations	\$ 282.6	22.1	AA+
Special revenue obligations	340.1	22.3	AA
Total state and municipal obligations	<u>\$ 622.7</u>	<u>44.4</u>	<u>AA</u>
Corporate Securities:			
Financial	\$ 379.0	3.7	A
Industrials	86.9	6.1	A-
Utilities	75.6	3.5	BBB+
Consumer discretion	104.3	4.9	BBB+
Consumer staples	137.3	6.9	A
Healthcare	145.0	8.3	AA-
Materials	66.5	2.5	A-
Energy	77.9	3.3	A-
Information technology	74.3	2.6	A
Telecommunications services	50.9	1.5	BBB+
Other	15.6	1.6	AA+
Total corporate securities	<u>\$ 1,213.3</u>	<u>44.9</u>	<u>A</u>
MBS:			
Government Guaranteed Agency commercial mortgage-backed securities ("CMBS")	\$ 72.9	5.0	AA+
Non-agency CMBS	39.7	(0.3)	A-
Government Guaranteed Agency residential mortgage-backed securities ("RMBS")	98.2	4.7	AA+
Other Agency RMBS	339.1	10.8	AA+
Non-agency RMBS	37.1	(1.0)	BBB
Alternative-A ("Alt-A") RMBS	7.5	-	AA+
Total MBS	<u>\$ 594.5</u>	<u>19.2</u>	<u>AA</u>
ABS:			
ABS	\$ 77.5	1.3	AAA
Alt-A ABS ³	0.7	-	D
Sub-prime ABS ^{2,3}	0.7	(0.1)	D
Total ABS	<u>\$ 78.9</u>	<u>1.2</u>	<u>AAA</u>

¹ U.S. Government includes corporate securities fully guaranteed by the FDIC.

² We define sub-prime exposure as exposure to direct and indirect investments in non-agency residential mortgages with average FICO[®] scores below 650.

³ Alt-A ABS and sub-prime ABS each consist of one security that 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
December 31, 2011

(\$ in millions)
(unaudited)

	Fair Value	Carry Value	Unrecognized Holding Gain (Loss)	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized Unrecognized Gain (Loss)	Average Credit Quality
HTM Fixed Maturity Portfolio:						
Foreign government obligations	\$ 5.5	5.6	(0.1)	0.3	0.2	AA+
State and municipal obligations	657.4	626.0	31.4	11.9	43.3	AA
Corporate securities	69.5	62.6	6.9	(2.2)	4.7	A
Mortgage-backed securities	17.7	11.5	6.2	(3.0)	3.2	AA-
Asset-backed securities	7.9	6.6	1.3	(1.4)	(0.1)	A
Total HTM fixed maturity portfolio	<u>\$ 758.0</u>	<u>712.3</u>	<u>45.7</u>	<u>5.6</u>	<u>51.3</u>	<u>AA</u>
State and Municipal Obligations:						
Government obligations	\$ 214.8	205.3	9.5	6.3	15.8	AA
Special revenue obligations	442.6	420.7	21.9	5.6	27.5	AA
Total state and municipal obligations	<u>\$ 657.4</u>	<u>626.0</u>	<u>31.4</u>	<u>11.9</u>	<u>43.3</u>	<u>AA</u>
Corporate Securities:						
Financial	\$ 20.7	18.5	2.2	(1.5)	0.7	A-
Industrials	20.3	17.8	2.5	(0.7)	1.8	A
Utilities	15.4	13.7	1.7	(0.1)	1.6	A+
Consumer discretion	5.9	5.6	0.3	0.1	0.4	AA-
Consumer staples	5.1	5.0	0.1	-	0.1	A
Materials	2.1	2.0	0.1	-	0.1	BBB
Total corporate securities	<u>\$ 69.5</u>	<u>62.6</u>	<u>6.9</u>	<u>(2.2)</u>	<u>4.7</u>	<u>A</u>
MBS:						
Non-agency CMBS	17.7	11.5	6.2	(3.0)	3.2	AA-
Total MBS	<u>\$ 17.7</u>	<u>11.5</u>	<u>6.2</u>	<u>(3.0)</u>	<u>3.2</u>	<u>AA-</u>
ABS:						
ABS	\$ 5.6	5.0	0.6	(0.5)	0.1	BBB+
Alt-A ABS	2.3	1.6	0.7	(0.9)	(0.2)	AAA
Total ABS	<u>\$ 7.9</u>	<u>6.6</u>	<u>1.3</u>	<u>(1.4)</u>	<u>(0.1)</u>	<u>A</u>