



Selective Insurance Group, Inc.

3rd Quarter Investor Presentation

Current as of July 31, 2014

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 are discussed in further detail in Selective’s public filings with the United States Securities and Exchange Commission. 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.

Forward Looking Statements



SELECTIVE®

Financial Overview

**44th largest
U.S. P&C
carrier***

**History of
financial
strength**

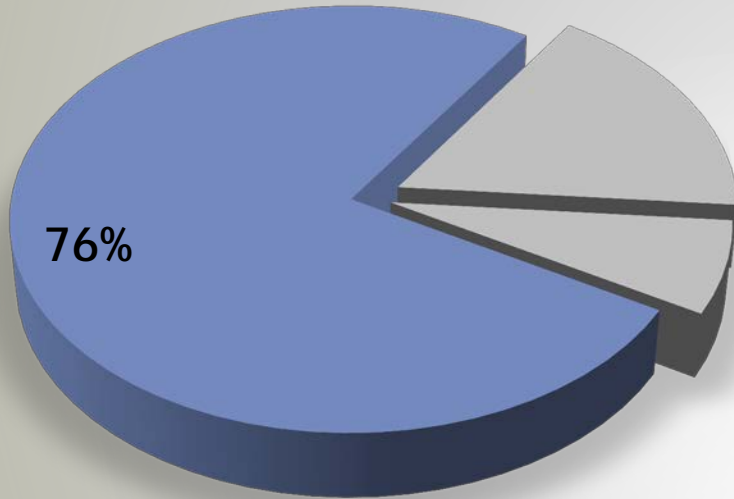
**Small
commercial,
E&S and
personal
lines
business**

**Field-based
operating
model**

*Source: A.M. Best, based on 2013 Net Premiums Written

History of Success as a Super-Regional

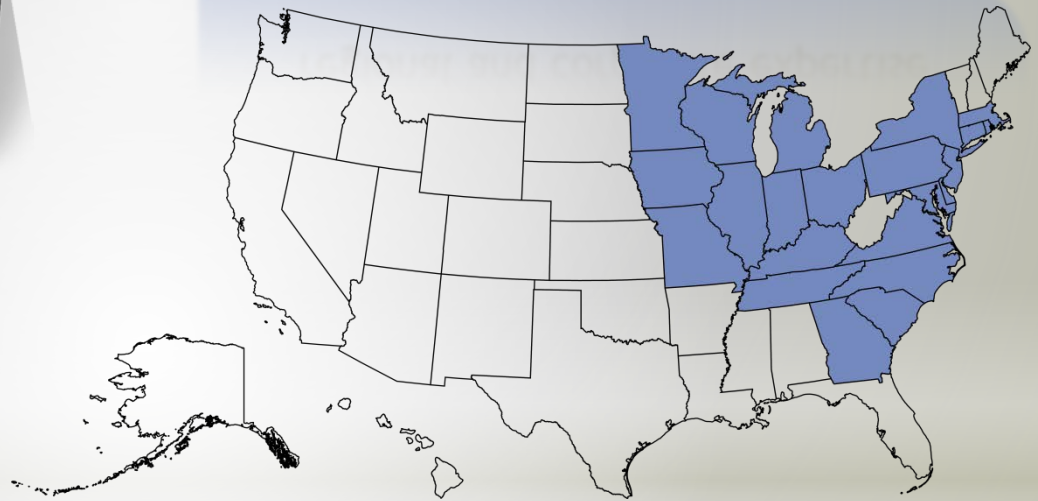
June 30, 2014
% Net Premiums Written



YTD Ex-CAT Statutory
Combined Ratio = 92.3%

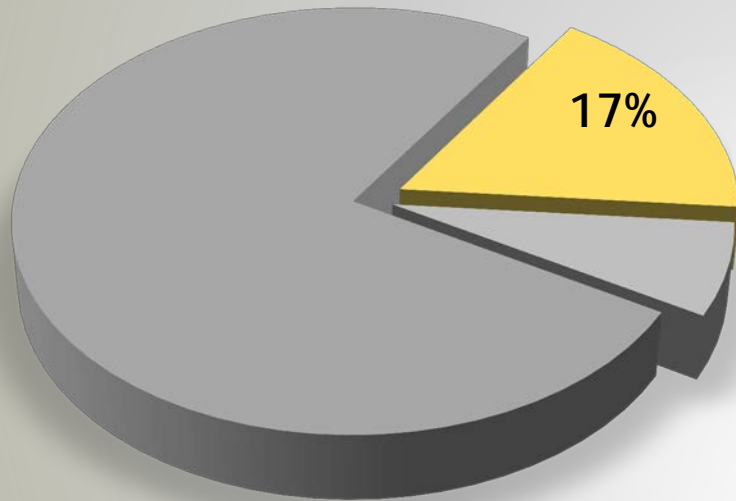
Standard Commercial Lines

- “Main street” account underwriter
- Average account size \$10,000
- ~1,100 agents
- Field underwriters supported by regional and corporate expertise



Standard Commercial Lines

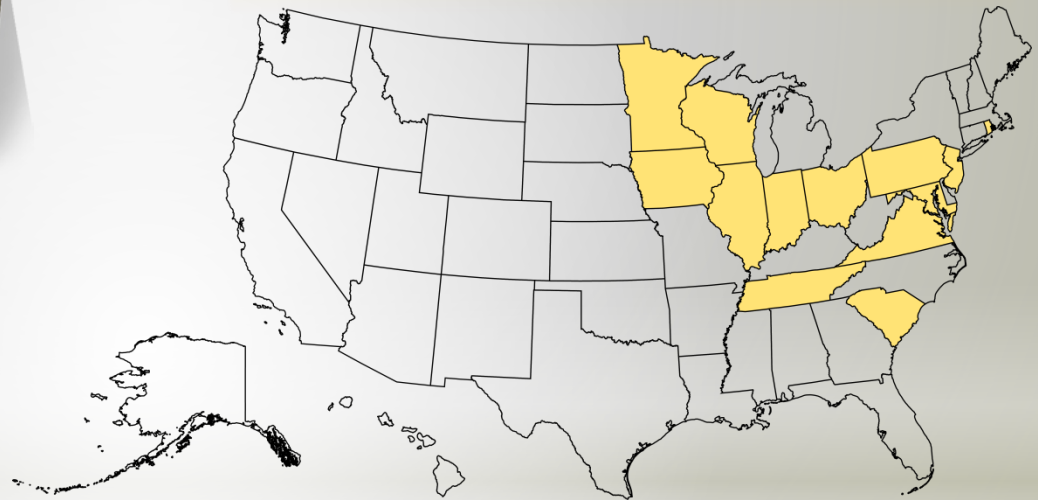
June 30, 2014
% Net Premiums Written



YTD Ex-CAT Statutory
Combined Ratio = 91.2%

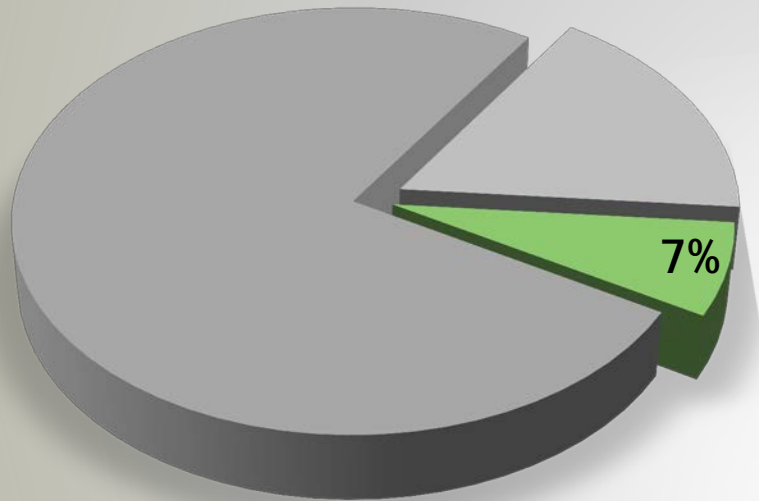
Personal Lines

- Focus on account customers
- ~690 agents in 13 states
- By-peril rating capabilities



Personal Lines

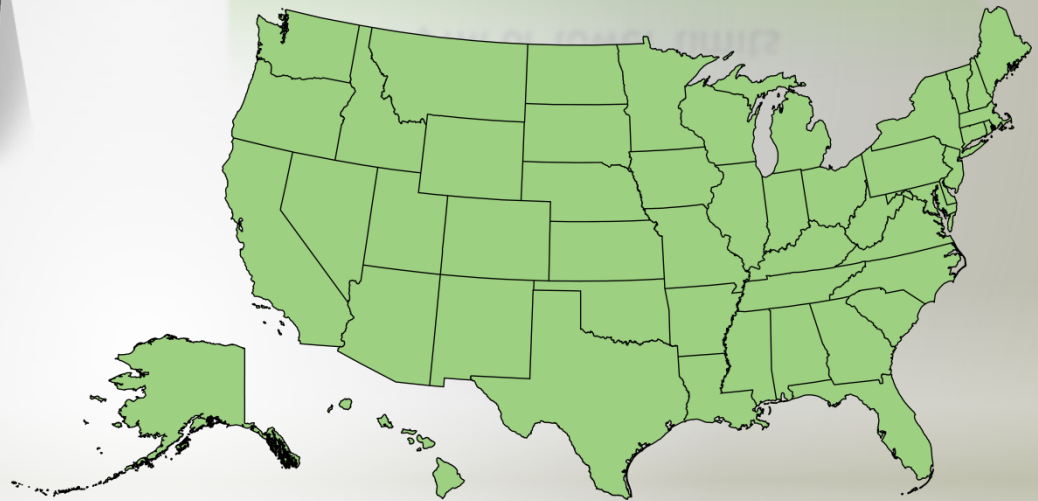
June 30, 2014
% Net Premiums Written



YTD Ex-CAT Statutory
Combined Ratio = 96.0%

Excess & Surplus Lines

- Tightly controlled binding authority, no claims authority
- ~85 wholesale general agencies
- Average policy size of \$2,700
- ~70% general liability
- 98% \$1M or lower limits



Excess and Surplus Lines

Strong balance sheet provides a foundation for success

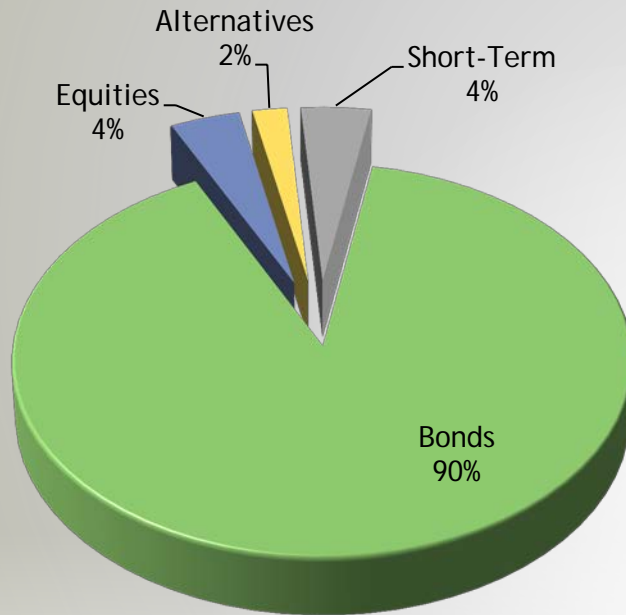
Lower volatility allows for greater operational leverage

Effective cycle management

Path to a 92% ex-catastrophes combined ratio in 2014

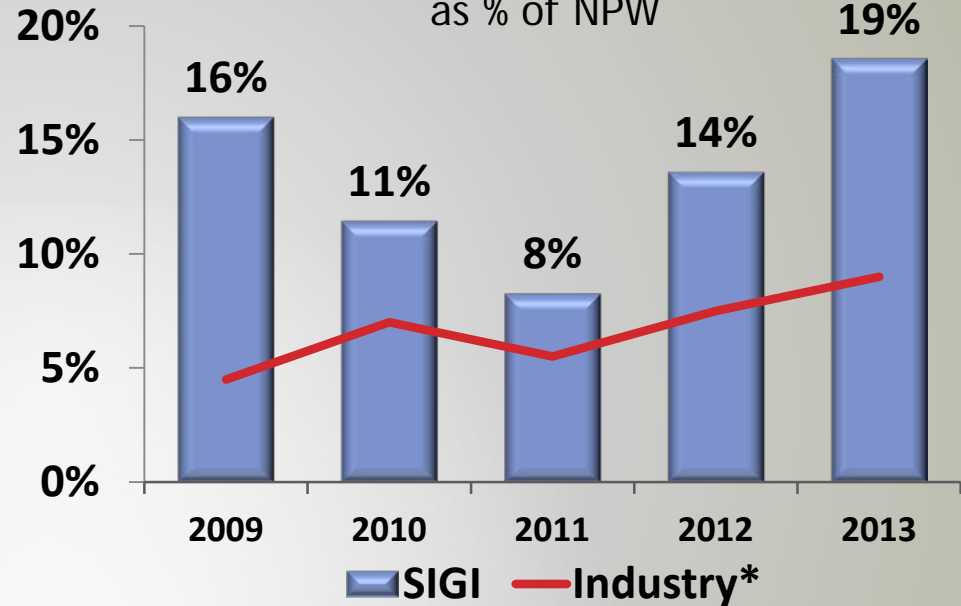
Key Takeaways

June 30, 2014
\$4.7B in Invested Assets



*Source: Conning, Inc. and A.M. Best

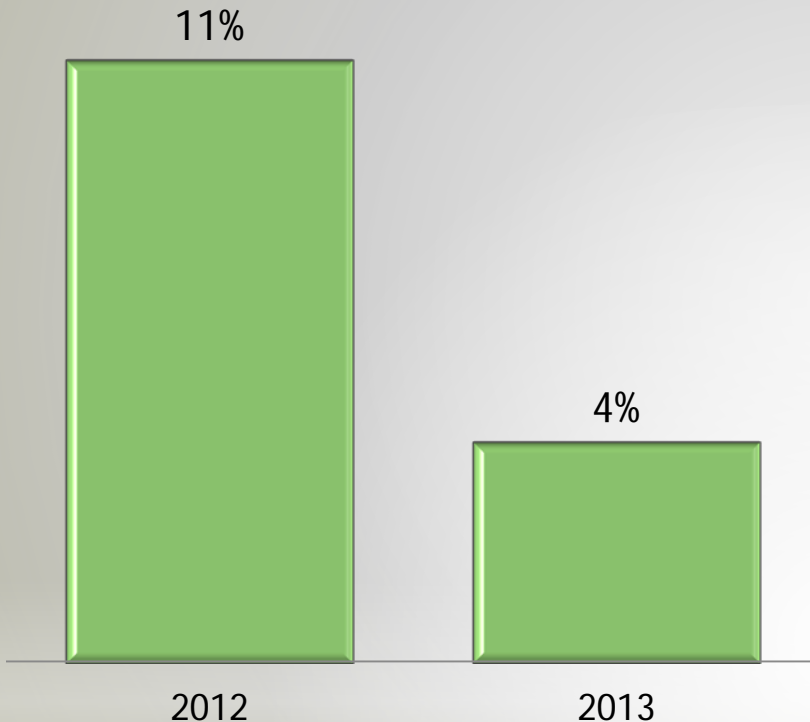
Net Operating Cash Flows
as % of NPW



- "AA-" average credit quality
- 3.7 year duration, excluding short-term
- Investment leverage of 3.8x

Conservative Investment Portfolio

% of Equity at Risk - 1 in 250 Event Blended Model Results (RMS & AIR)

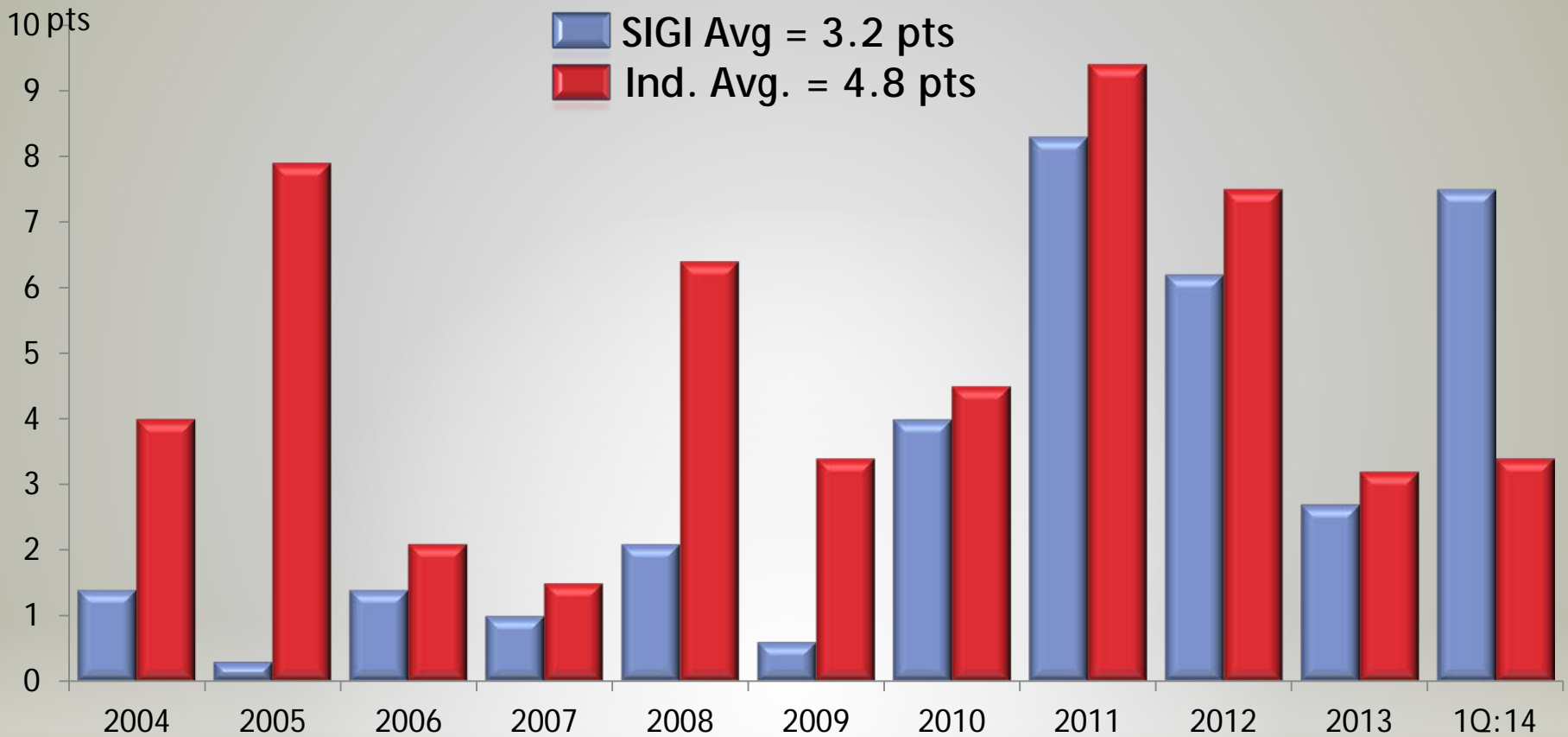


Losses are after tax and include applicable reinstatement premium.

2014 Property Catastrophe Treaty

- \$685M in excess of \$40M retention
- Increased top layer by \$100M
- Flat premium despite additional limit
- Exhausts at approximately 1-in-250 year event
- Average reinsurer rating "A+"

Conservative Catastrophe Reinsurance

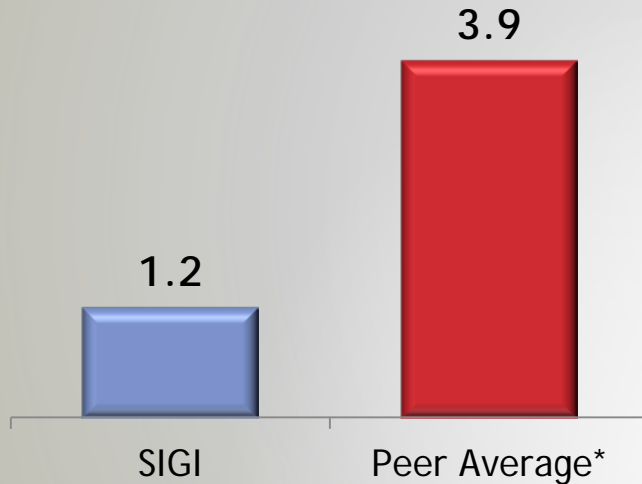


Industry Source: A.M. Best

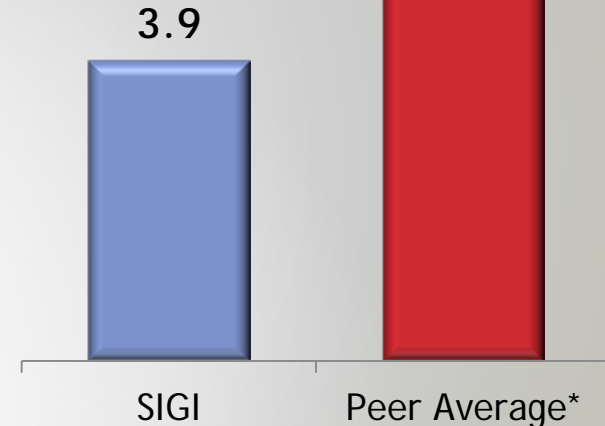
Impact of CATs on Combined Ratio

Standard Deviation (2004-2013)

Reserve Development
(Points on Combined Ratio)



Combined Ratio
6.4

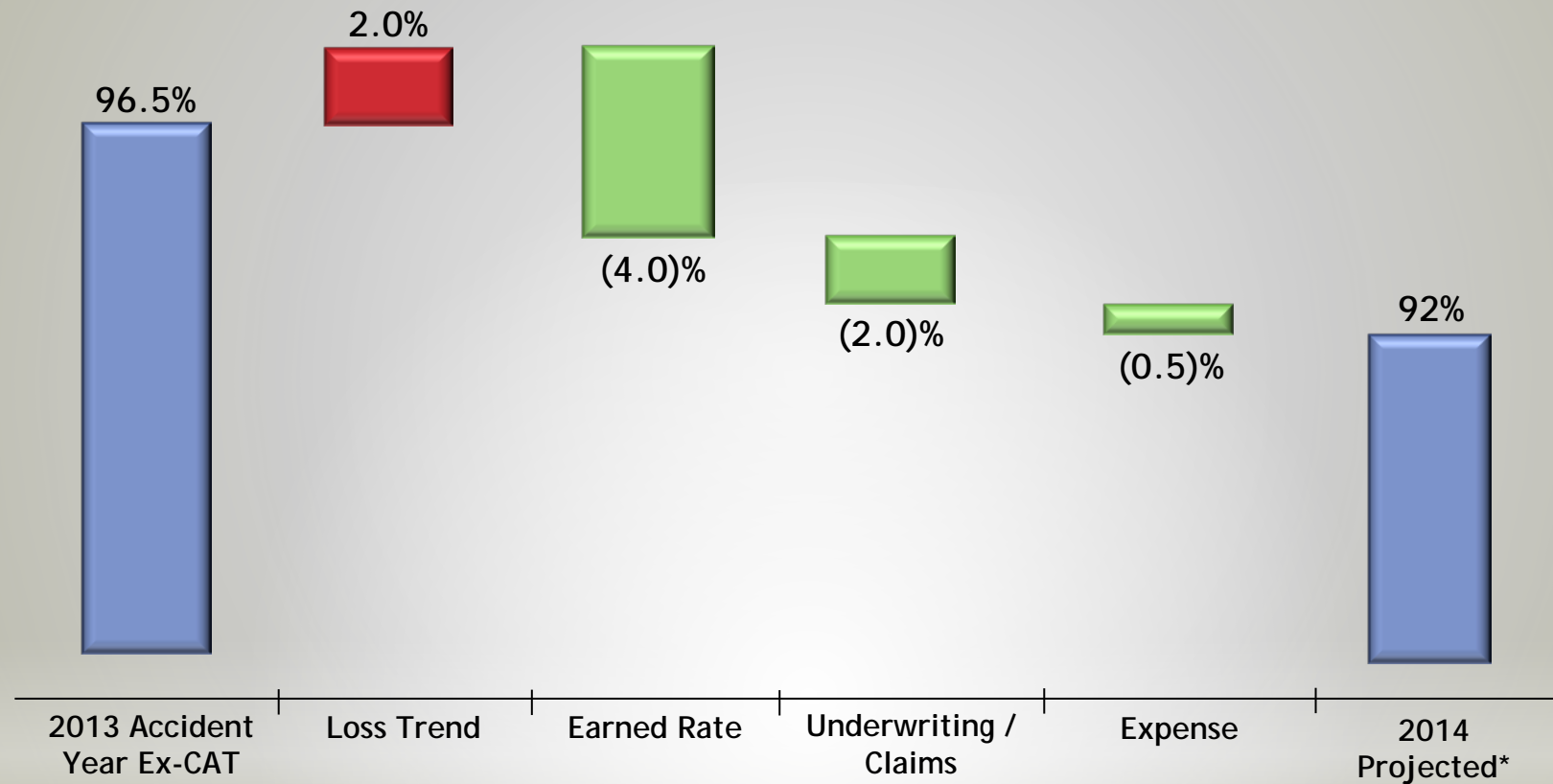


“Ground-up” quarterly reserve review and focus on “main street” accounts

*Source: SNL Financial, Statutory Data
Peers include CINF, THG, STFC, UFCS, CNA, HIG, TRV, and WRB

Lower Volatility of Results

2014 Ex-CAT Statutory Combined Ratio Plan



*Excluding CATS and additional reserve development
May not foot due to rounding

Expectation for 5 points of CAT losses in 2014

Combined Ratio Improvement Plan

Underwriting Leverage
(Premiums-to-Surplus)

Investment Leverage
(Invested Assets/
Stockholders' Equity)

ROE Generated at a 97%
Combined Ratio

1.4x



0.7x



SIGI

Industry

4.0x



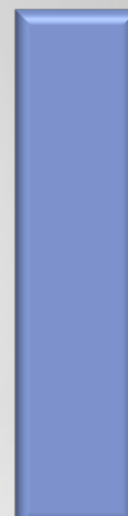
2.3x



SIGI

Industry

9.5%



7.5%



SIGI

Industry

Industry Source: A.M. Best 2013E

Impact of Leverage

(as of December 31, 2013)



SELECTIVE[®]

Strategic Overview

**Superior
Agency
Relationships**

**Field Model
Based On
Empowered
Decision
Makers**

**Sophisticated
Underwriting/
Claims Tools**

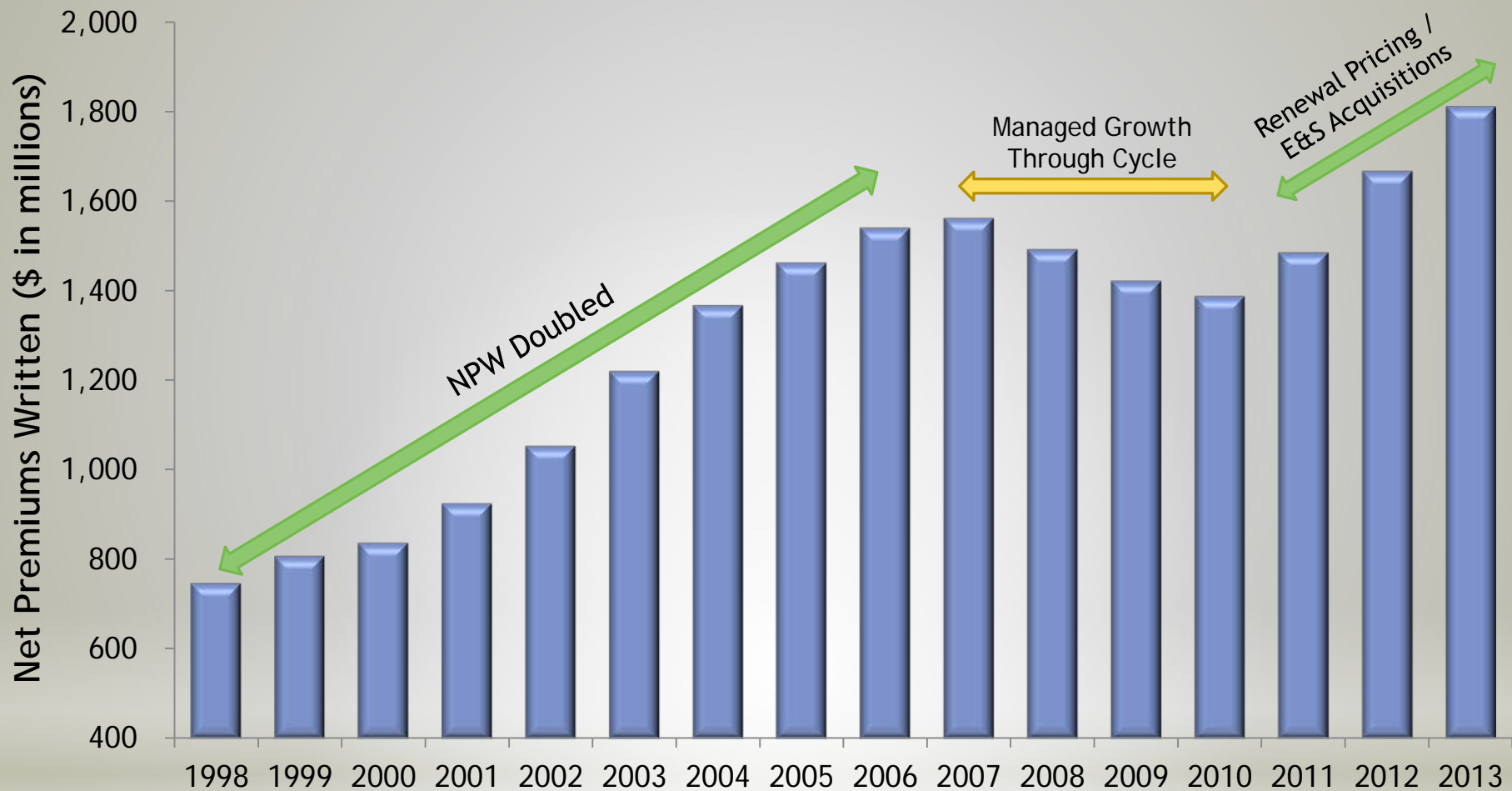
**Focus On
Customer
Experience**

**Broad Appetite
and Strong
Product
Portfolio**

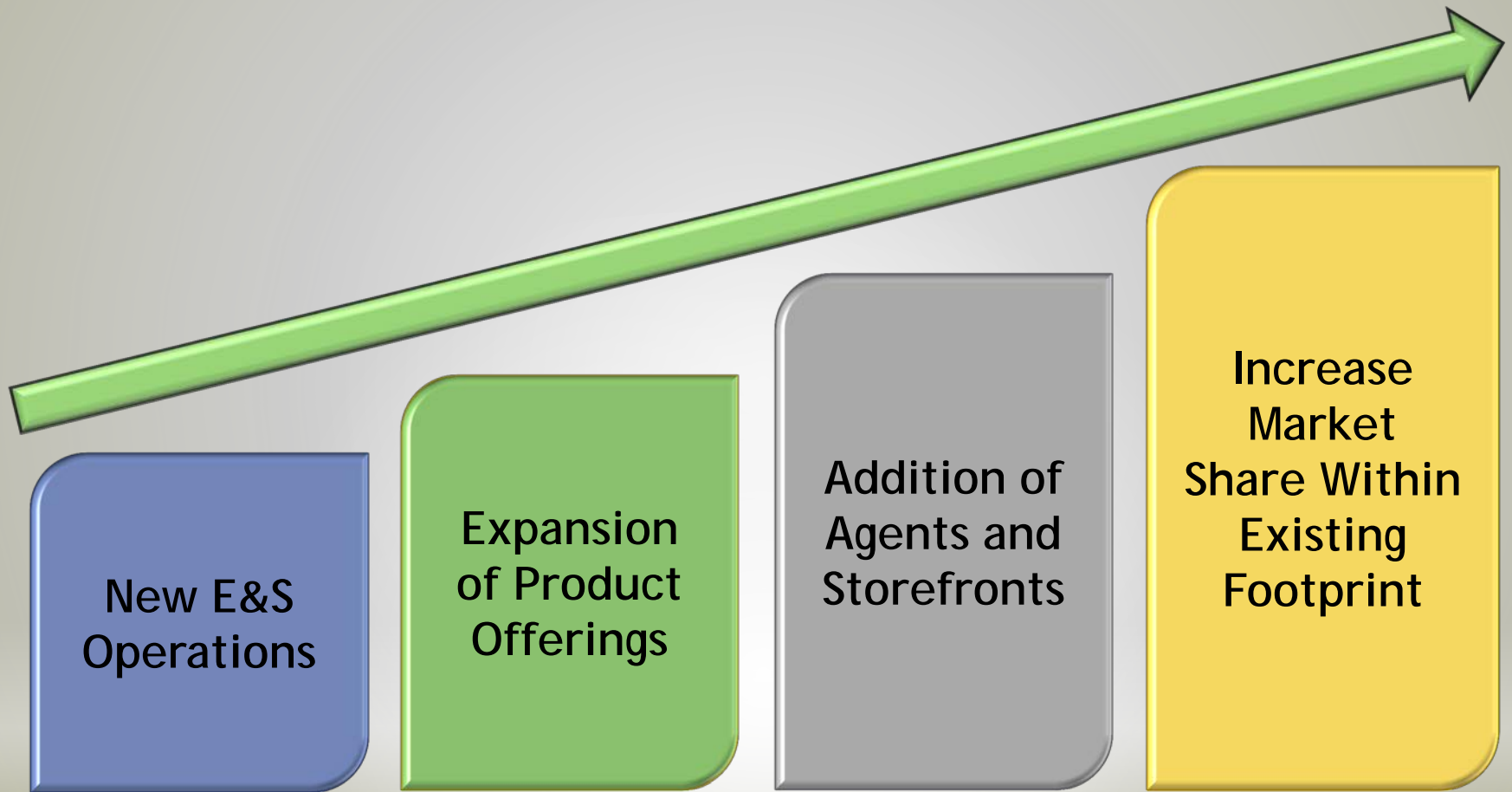
**Effective
Manager of
Leverage**

Capabilities of a National...Relationships of a Regional

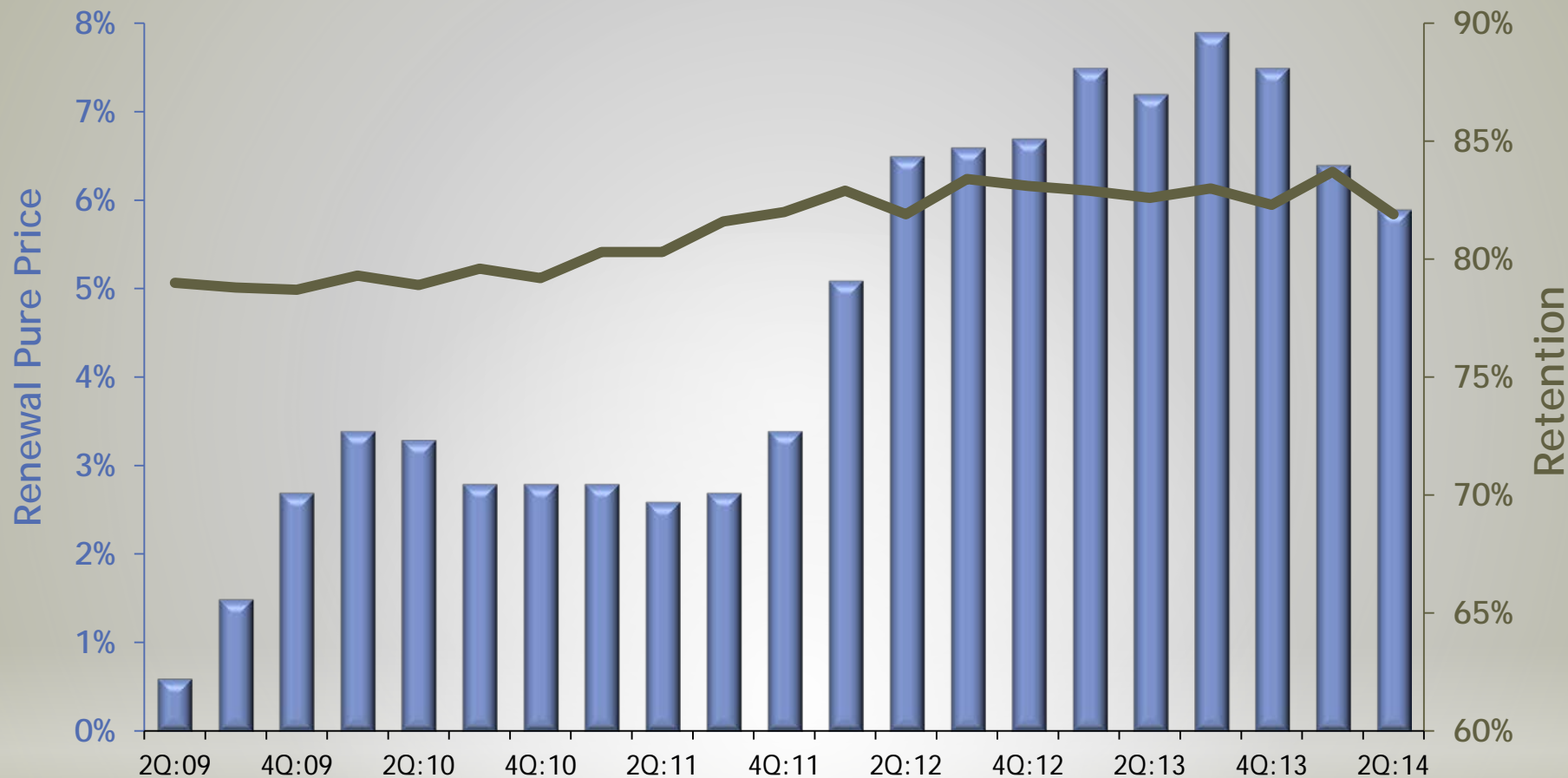
Competitive Advantages



Effective Cycle Management



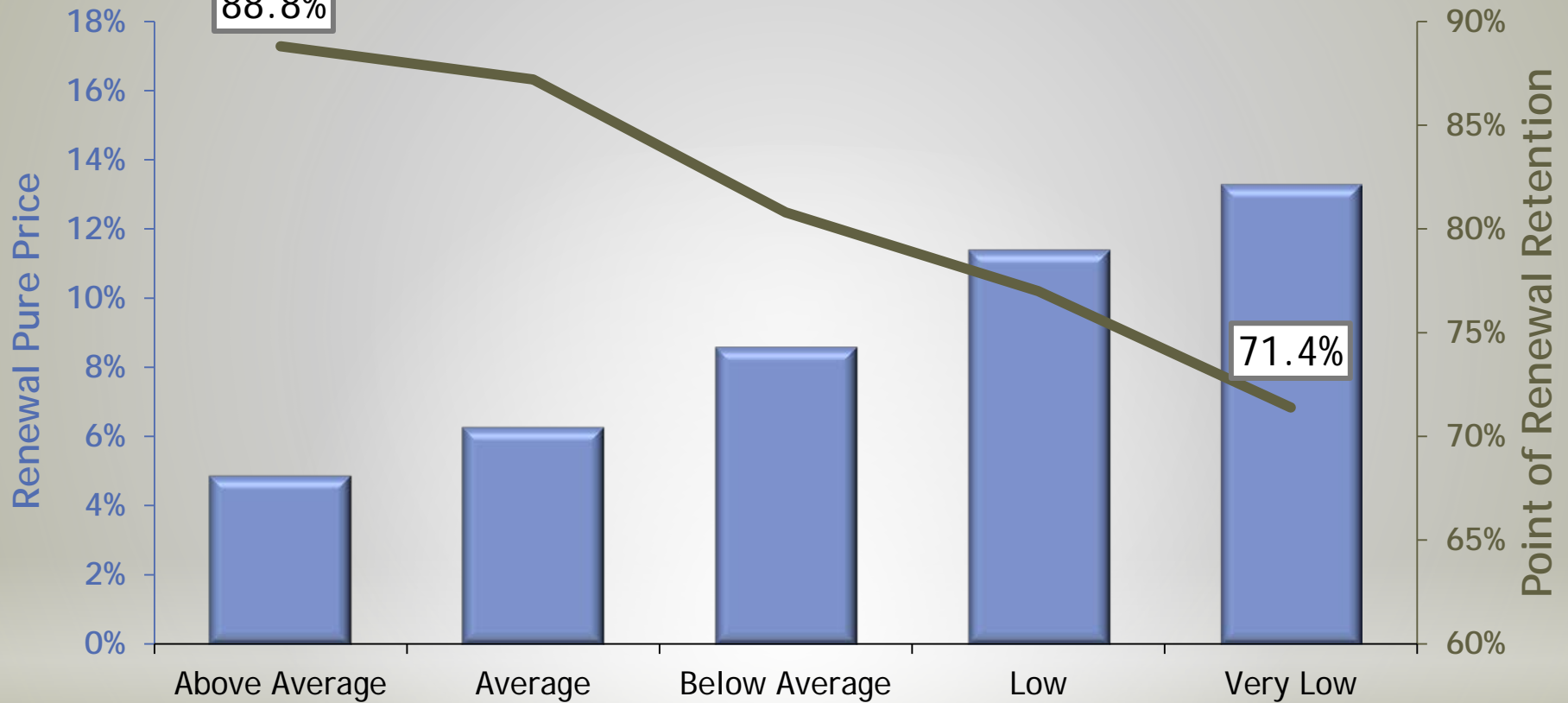
Growth Opportunities



- 21 consecutive quarters of renewal pure price increases
- In 2014, anticipate overall renewal pure price increases of 6%*

Standard Commercial Lines Pricing

*June 2014 YTD Pricing by Retention Group
Standard Commercial Lines*



Dynamic Portfolio Manager allows underwriters to drive mix improvement

Underwriting



Renewal Pure Price
of 7.5% in 2013;
5.3% June YTD
Compared to 4%
Loss Trend



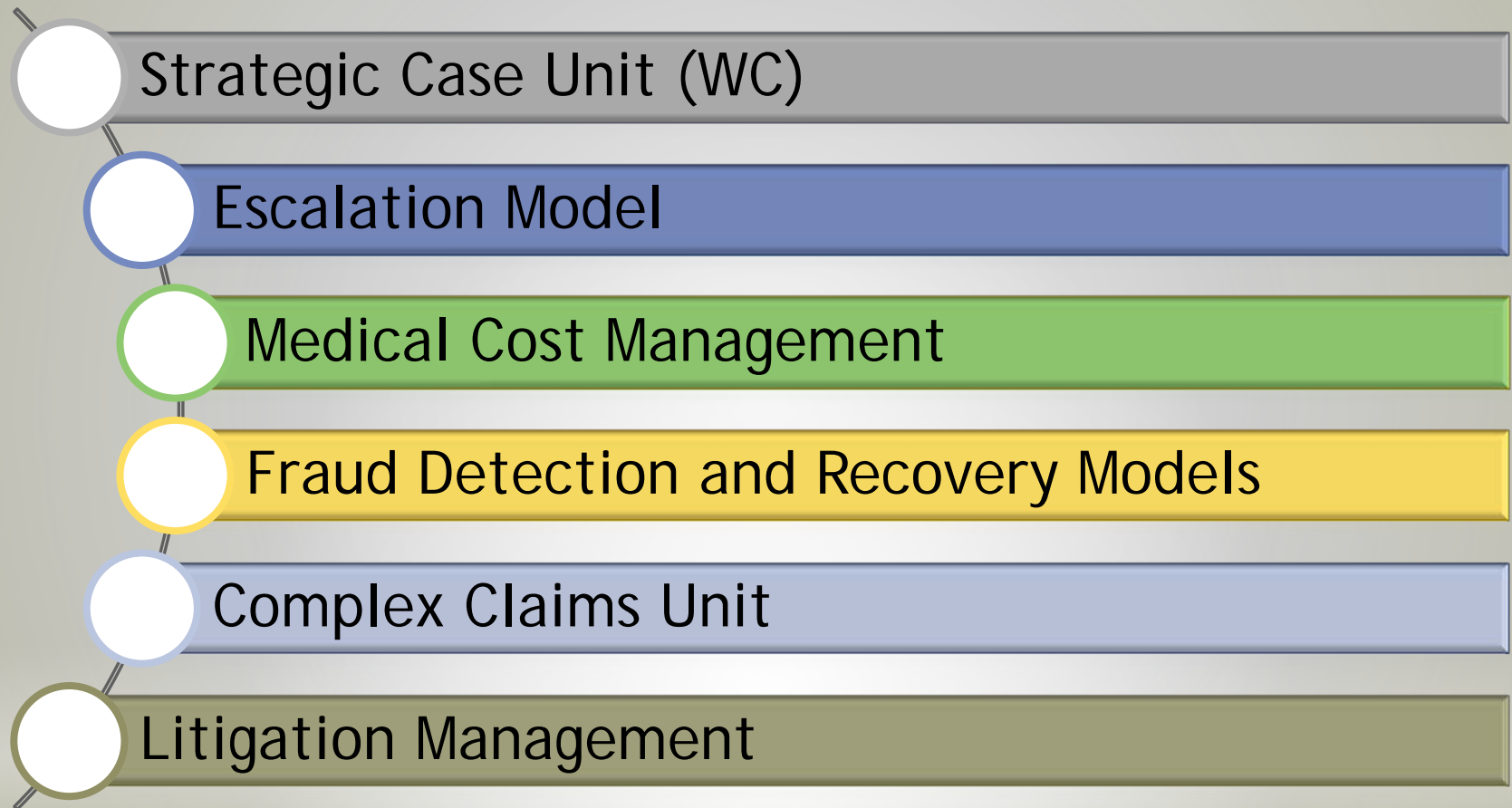
Balance
Underwriting
Initiatives with
Overall Account
Profitability



Claims Initiatives

3 Year Average Statutory Combined Ratio = 117.1%

Workers Compensation Plan



Claims Initiatives

Strong balance sheet provides a foundation for success

Lower volatility allows for greater operational leverage

Effective cycle management

Path to a 92% ex-catastrophes combined ratio in 2014

Why Invest in Selective?

Additional Information

Financial Highlights 2010 – Q2 2014

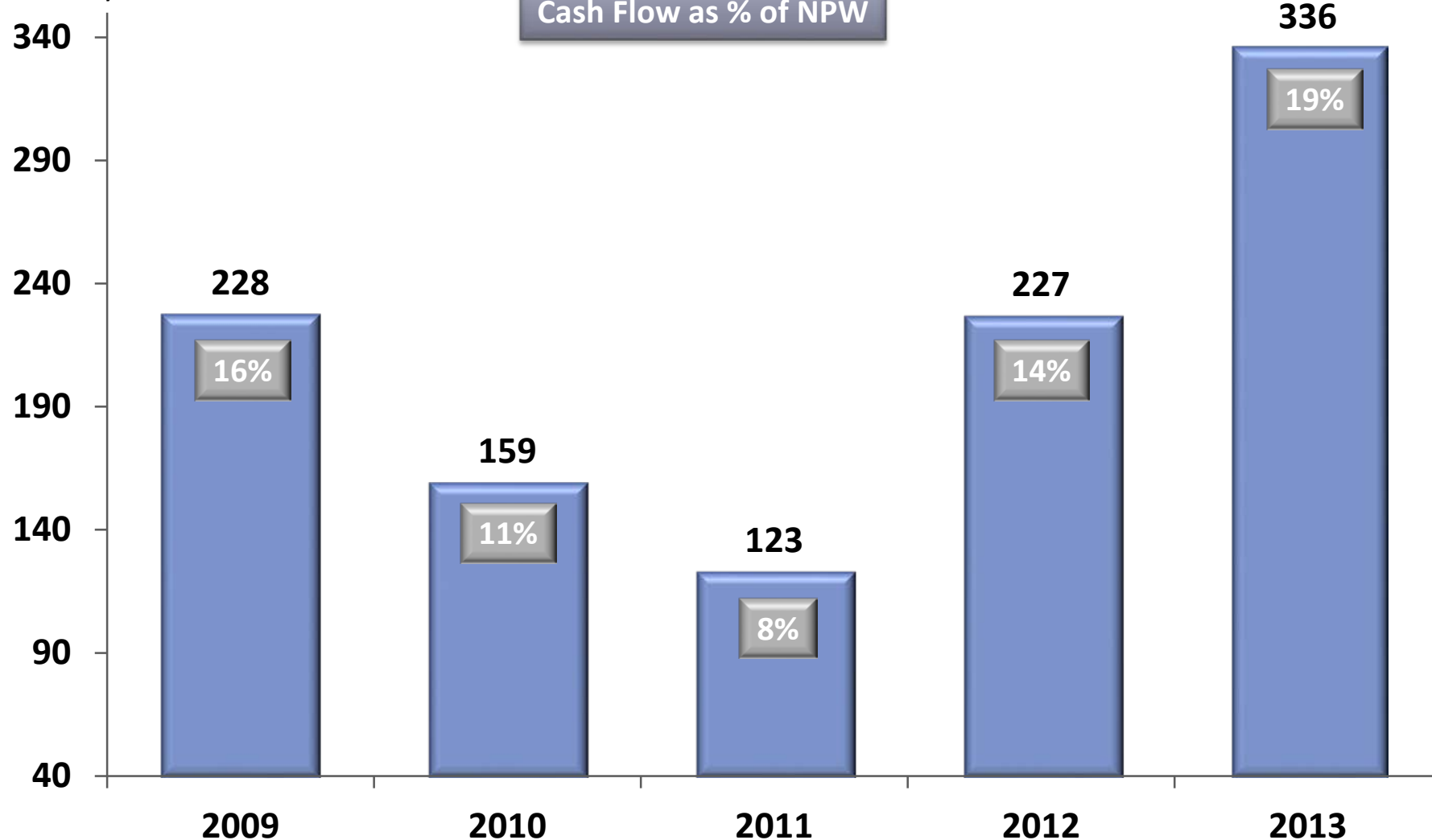
	2010	2011	2012	2013	Q1 2014	Q2 2014
Statutory NPW Growth	(2.4)%	7.0%	12.2%	8.7%	5.9%	3.8%
Operating EPS*	\$1.38	\$0.38	\$0.58	\$1.65	\$0.23	\$0.46
Net Income per Share*	\$1.23	\$0.40	\$0.68	\$1.87	\$0.31	\$0.51
Dividend per Share	\$0.52	\$0.52	\$0.52	\$0.52	\$0.13	\$0.13
Book Value per Share*	\$18.97	\$19.45	\$19.77	\$20.63	\$21.09	\$21.96
Return on Average Equity*	6.8%	2.1%	3.5%	9.5%	6.1%	9.7%
Operating Return on Average Equity*	7.7%	2.0%	3.0%	8.4%	4.5%	8.7%
Statutory Combined Ratio - Total	101.6%	106.7%	103.5%	97.5%	100.8%	97.5%
- Standard Commercial Lines	100.8%	103.9%	103.0%	97.1%	100.3%	95.5%
- Standard Personal Lines	106.4%	117.3%	100.7%	96.9%	104.5%	106.1%
- Excess and Surplus Lines	NA	131.3%	118.8%	102.9%	97.9%	99.9%
GAAP Combined Ratio - Total*	101.4%	107.2%	104.0%	97.8%	101.1%	97.8%
- Standard Commercial Lines*	100.0%	104.3%	103.3%	97.4%	101.0%	95.6%
- Standard Personal Lines*	108.3%	117.8%	101.3%	97.1%	103.2%	107.5%
- Excess and Surplus Lines*	NA	270.2%	124.7%	103.0%	97.0%	100.1%

*Historical values (2010-2011) have been restated to reflect impact of deferred policy acquisition cost accounting change

Net Operating Cash Flow

(\$ in millions)

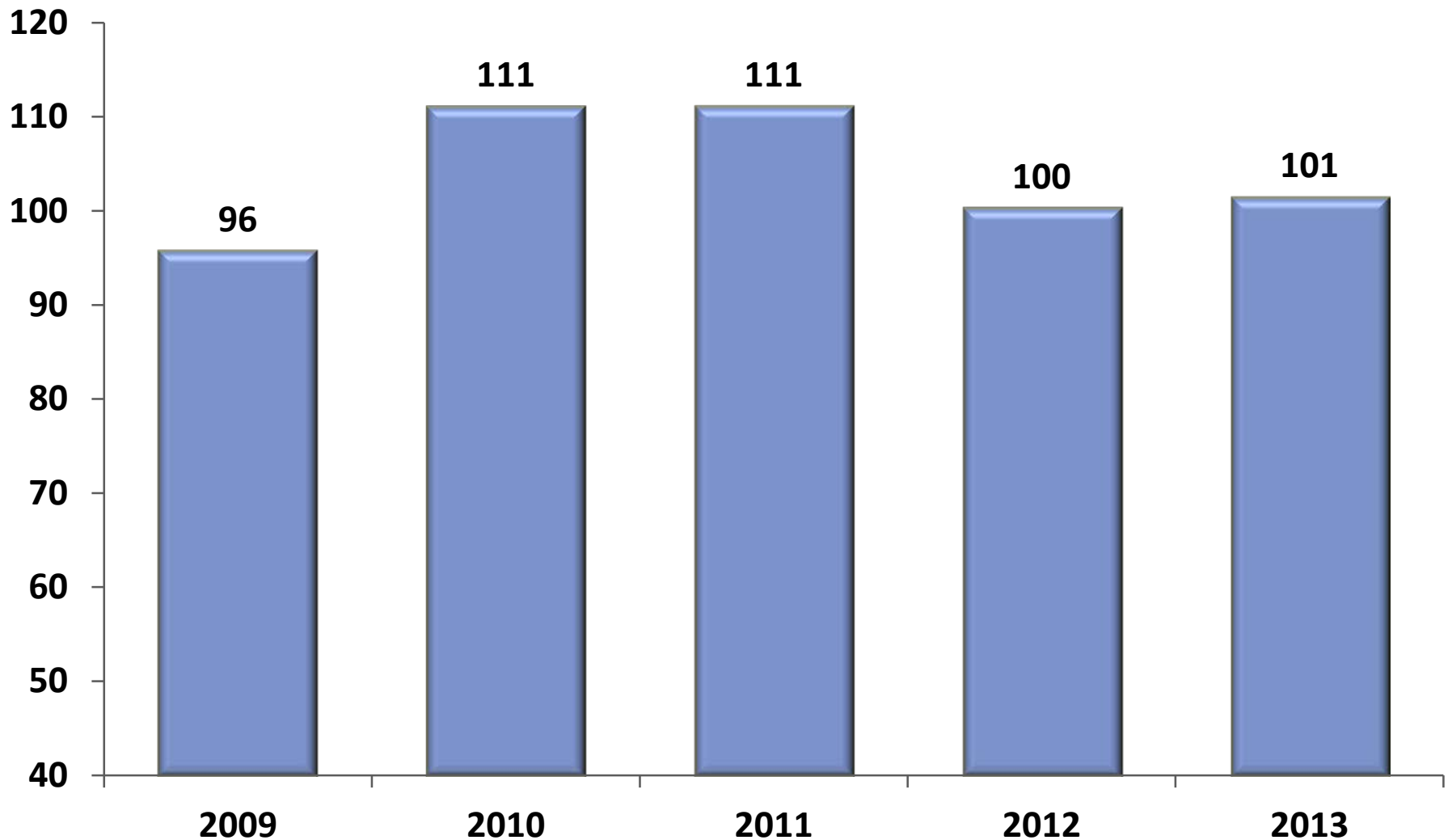
Cash Flow as % of NPW



YTD June 2014: \$73M

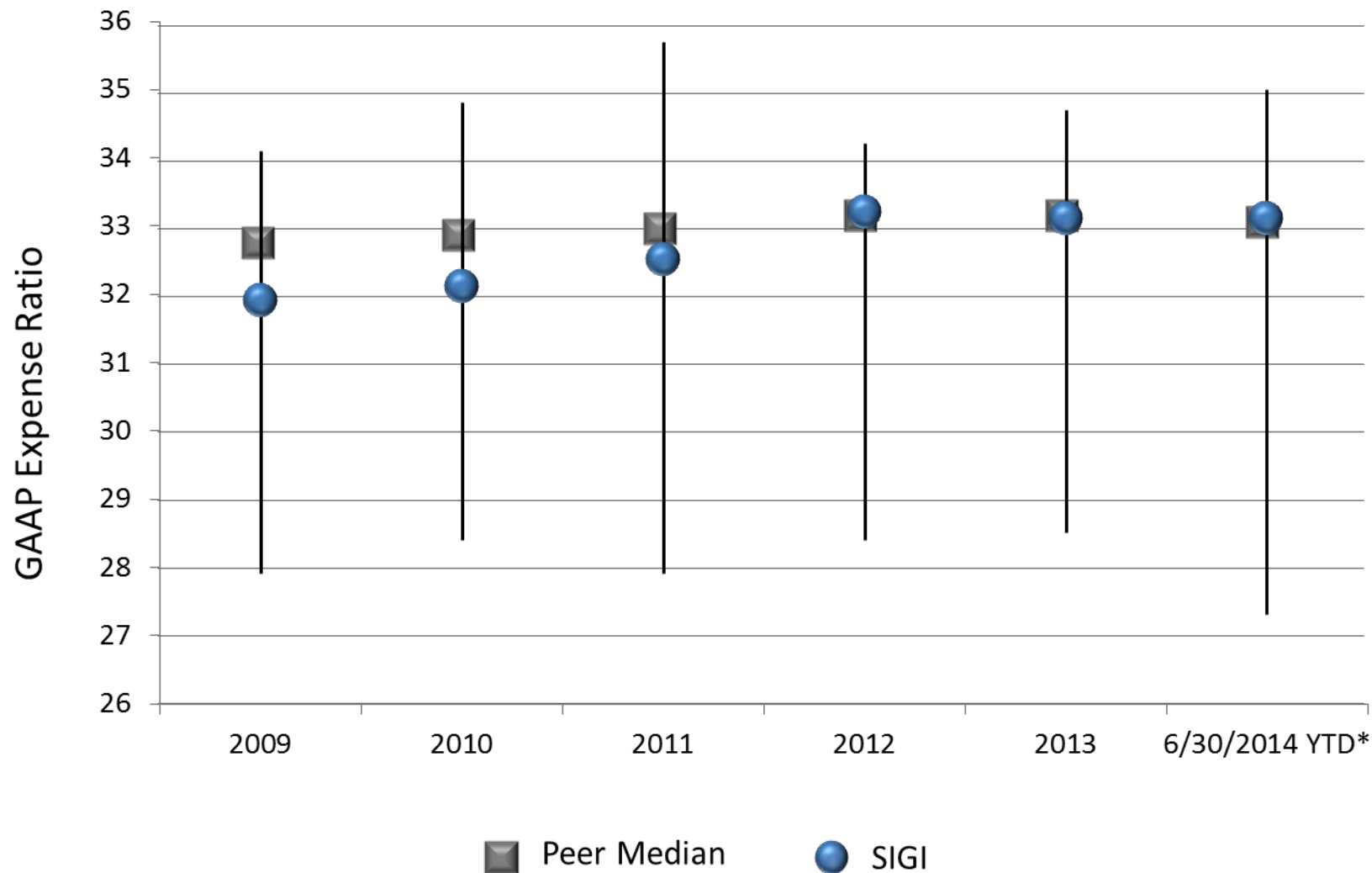
Investment Income – After-tax

(\$ in millions)



YTD June 2014: \$54M

Focus on Expense Management



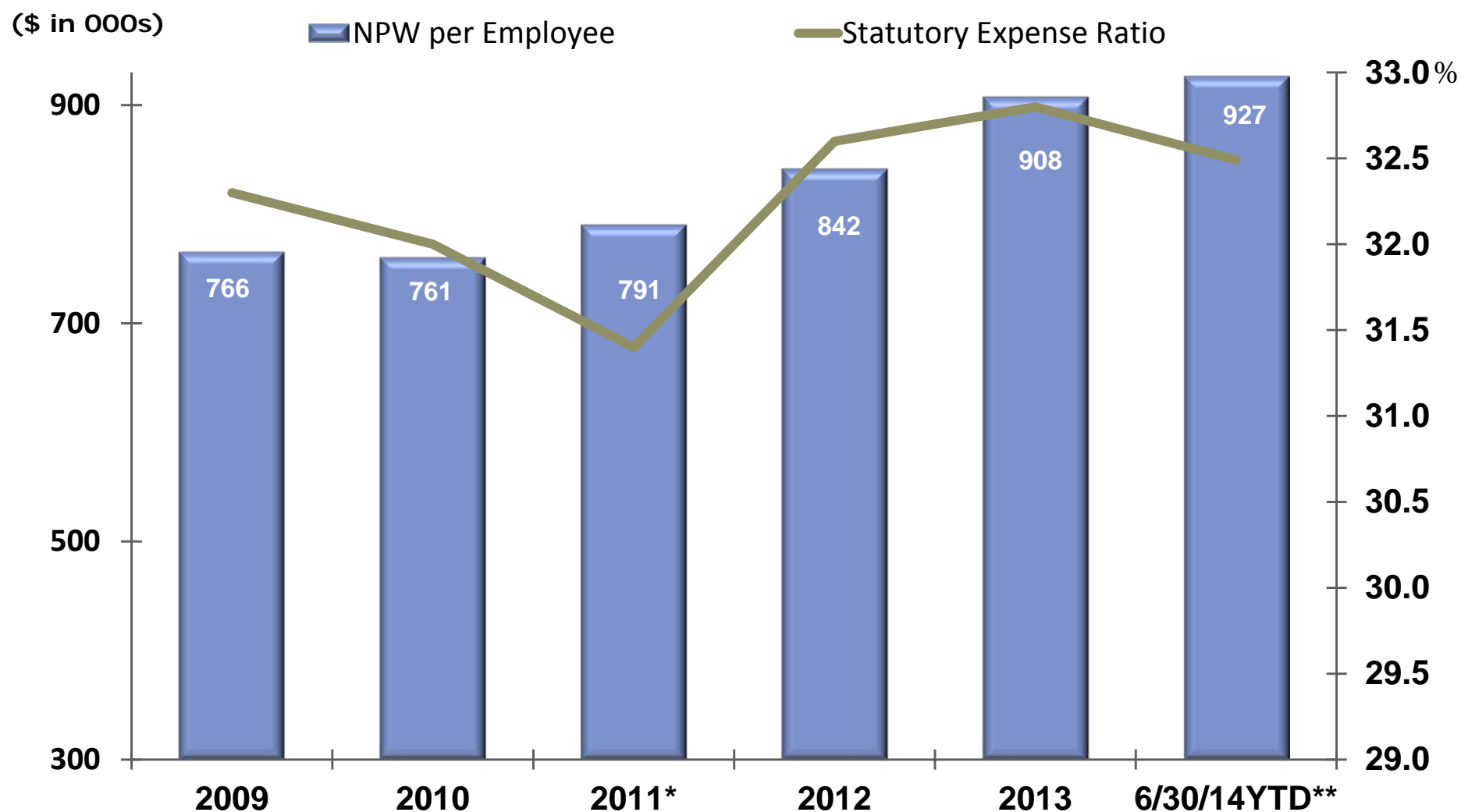
Source: SNL Financial

Note: Expense Ratio including Dividends

Peers include CINF, CNA, HIG, STFC, THG, TRV, UFCS, and WRB

*Excludes self-insured group sale

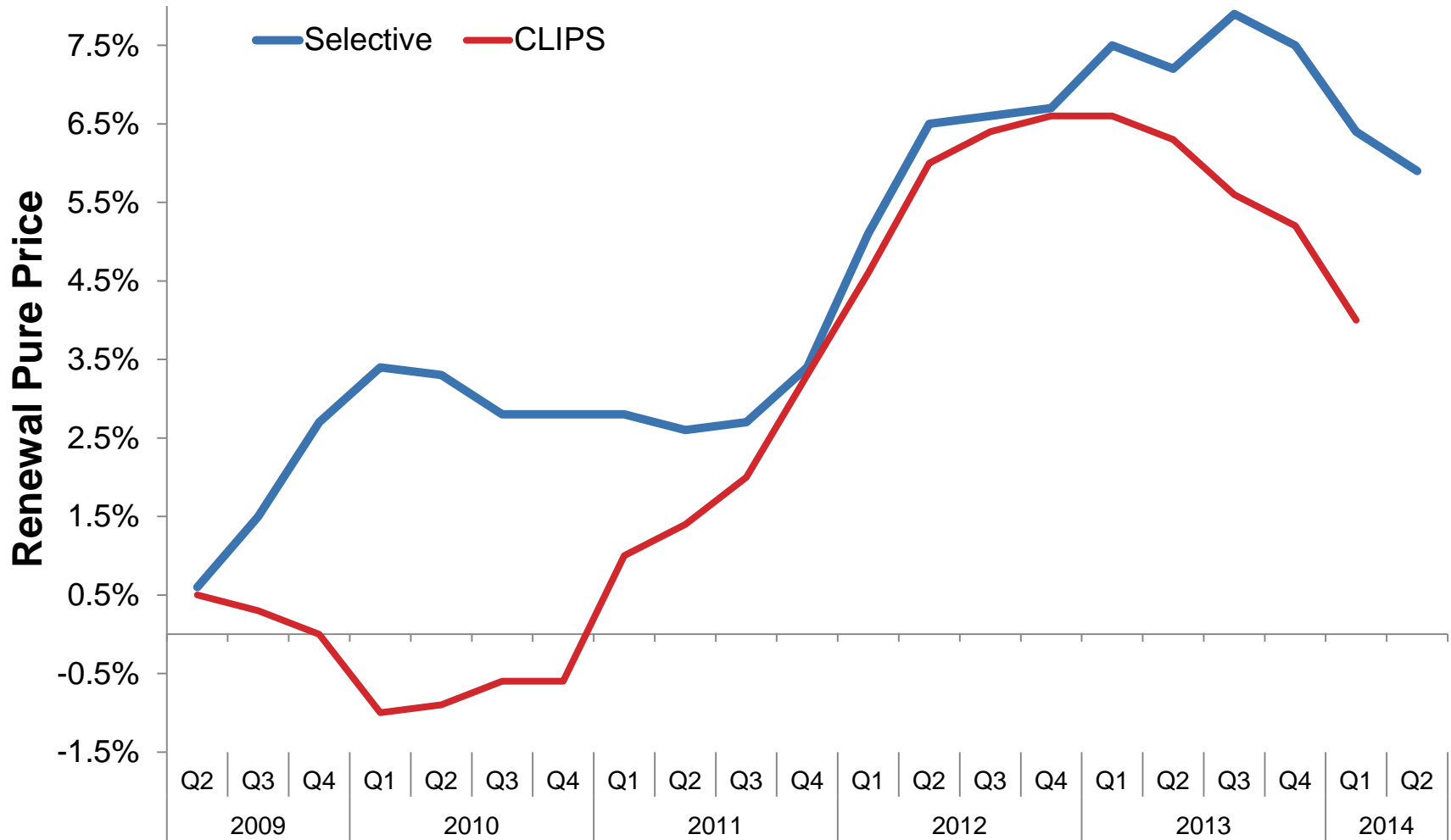
Insurance Operations Productivity



**Excludes Excess & Surplus Lines*

***Expense ratio excludes 0.8 point benefit from self-insured group sale*

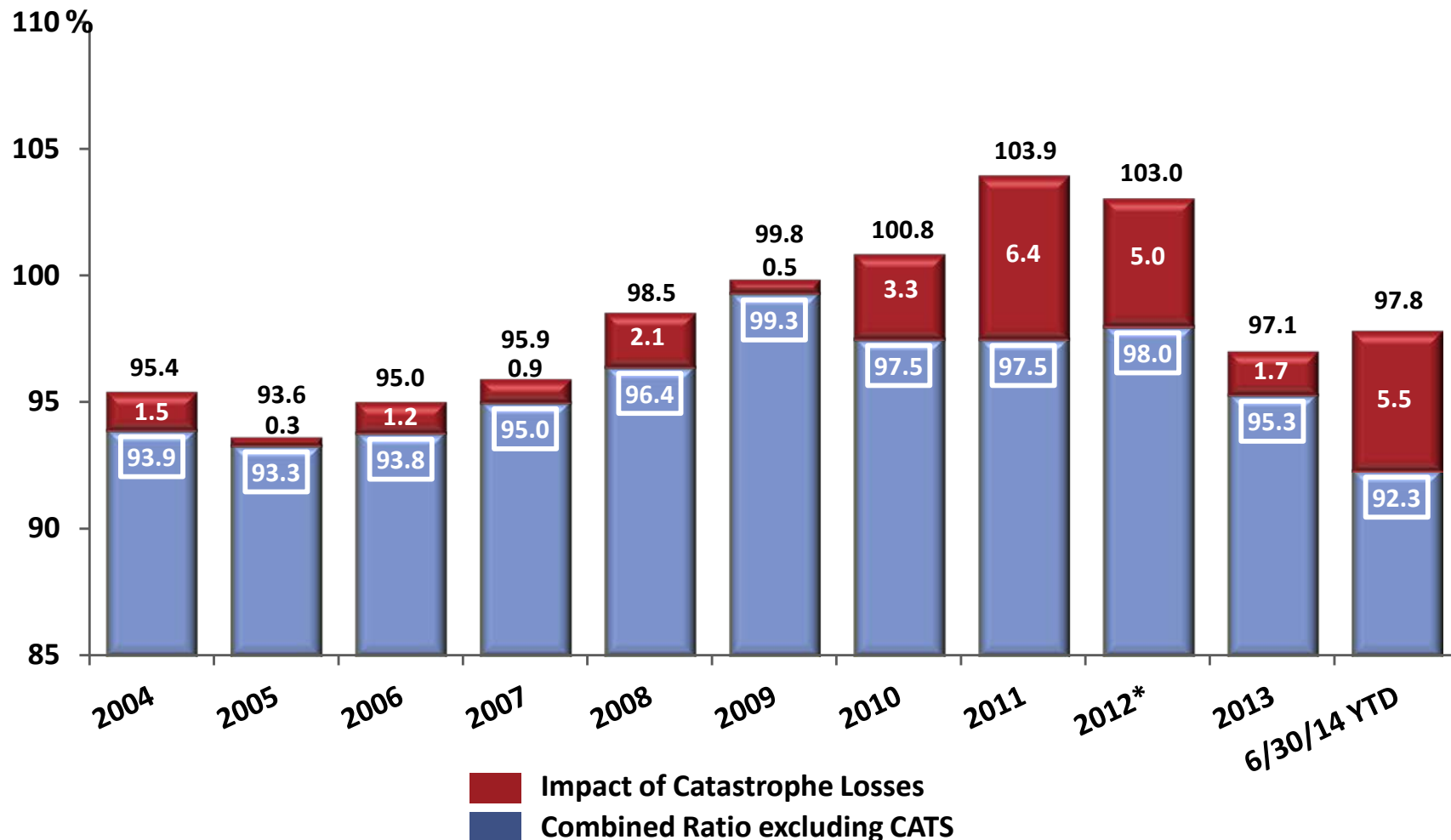
Standard Commercial Lines Pricing



Industry Source: Towers Watson Commercial Lines Insurance Pricing Survey

Standard Commercial Lines Profitability

Statutory Combined Ratios

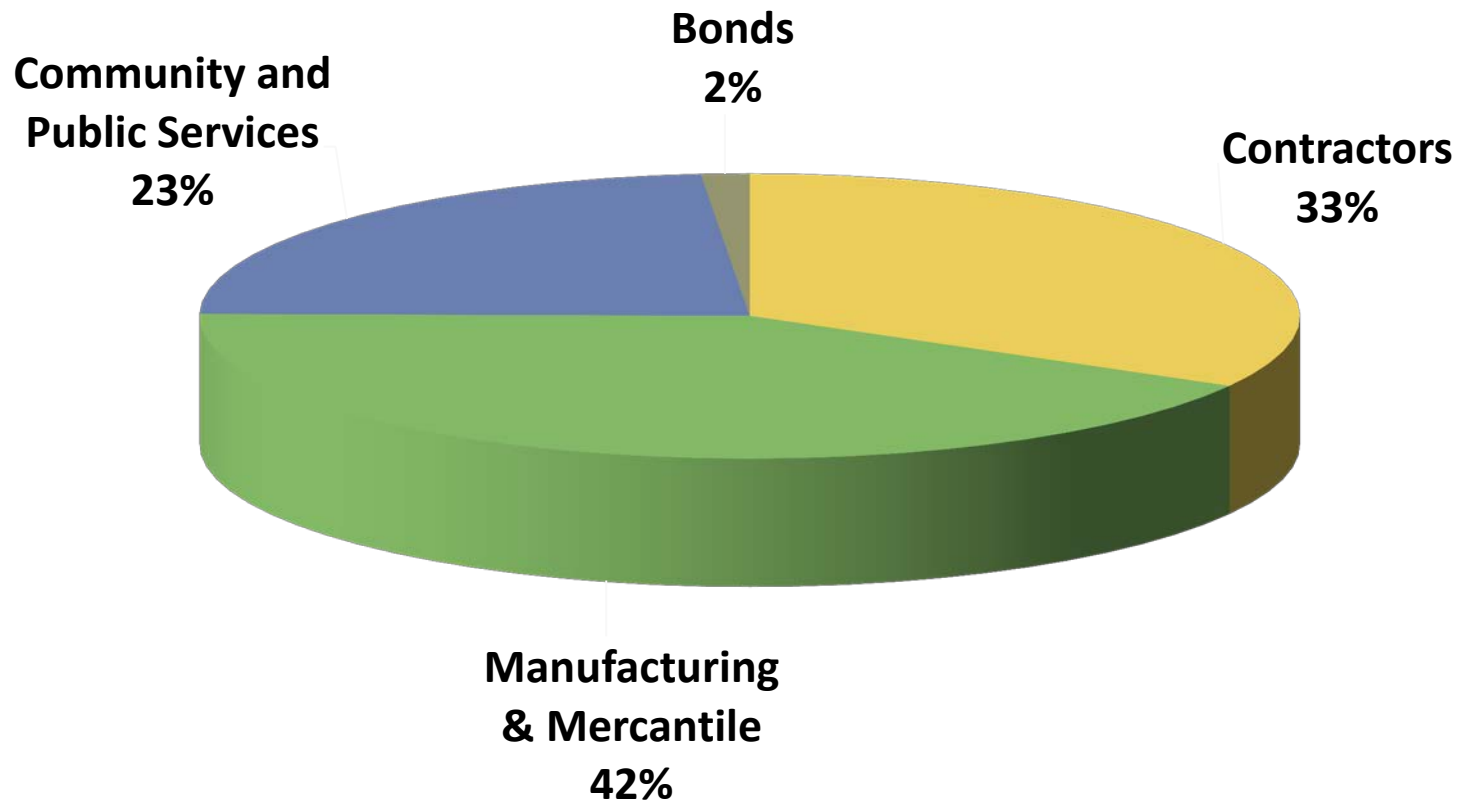


**Includes impact of reinstatement premium on catastrophe reinsurance program as a result of Hurricane Sandy
Some amounts may not foot due to rounding*

Premium by Strategic Business Unit

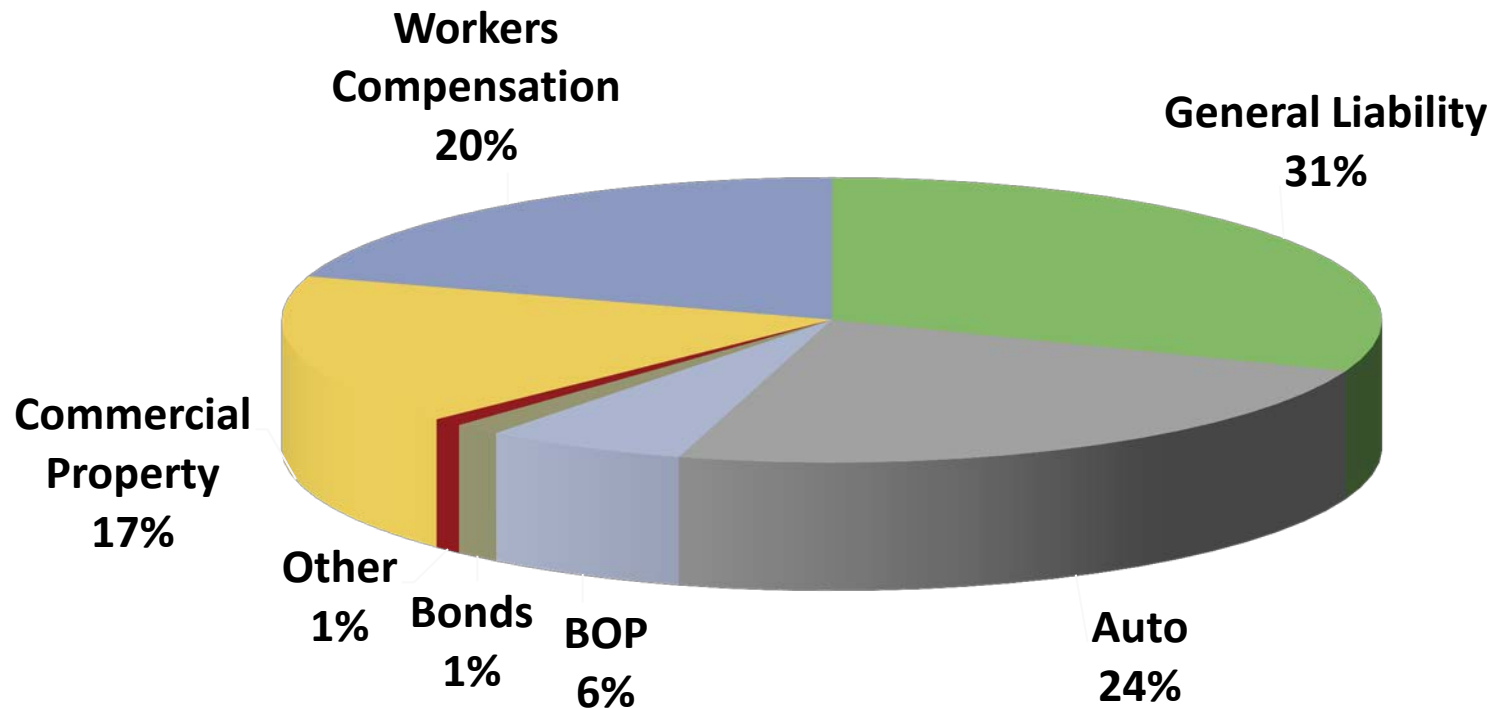
2013 Standard Commercial Lines

Direct Premium Written

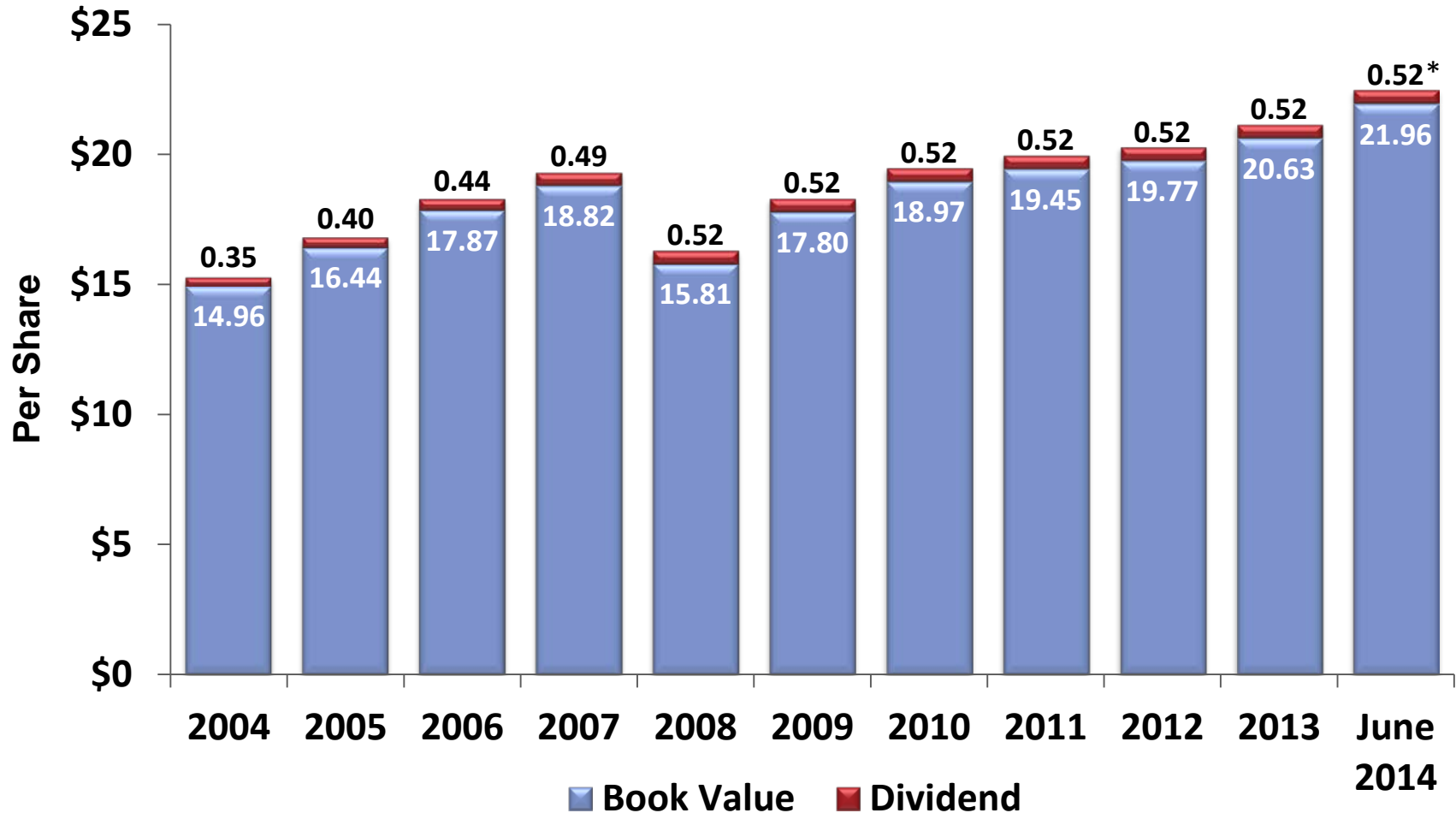


Premium by Line of Business

2013 Standard Commercial Lines Net Premium Written



Long-Term Shareholder Value Creation



*Annualized indicated dividend

Note: Book value restated for change in deferred policy acquisition costs (2004-2006 Estimated)