



Selective Insurance Group, Inc.

2016 Bank of America Merrill Lynch Insurance Conference

February 2016



Forward Looking Statements

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.

Greg Murphy
Chairman and Chief Executive Officer

Strategic Overview

Best Super-Regional Company



- ▶ Super-regional P&C carrier with long history of financial strength, superior execution and disciplined growth in these lines of business:
 - Standard Commercial
 - Standard Personal
 - Excess & Surplus
- ▶ Sustainable Competitive Advantages:
 - **True franchise value** with network of quality distribution partners
 - **Unique field model** coupled with sophisticated underwriting and claims tools
 - **Superior customer experience**
- ▶ **Profitable growth** by increasing share of wallet with existing agents and adding agents in areas with strong new business opportunities to increase agency market share

2015
NPW

77%

Standard Commercial Lines

14%

Standard Personal Lines

9%

Excess &
Surplus Lines

True Franchise Value with Distribution Partners

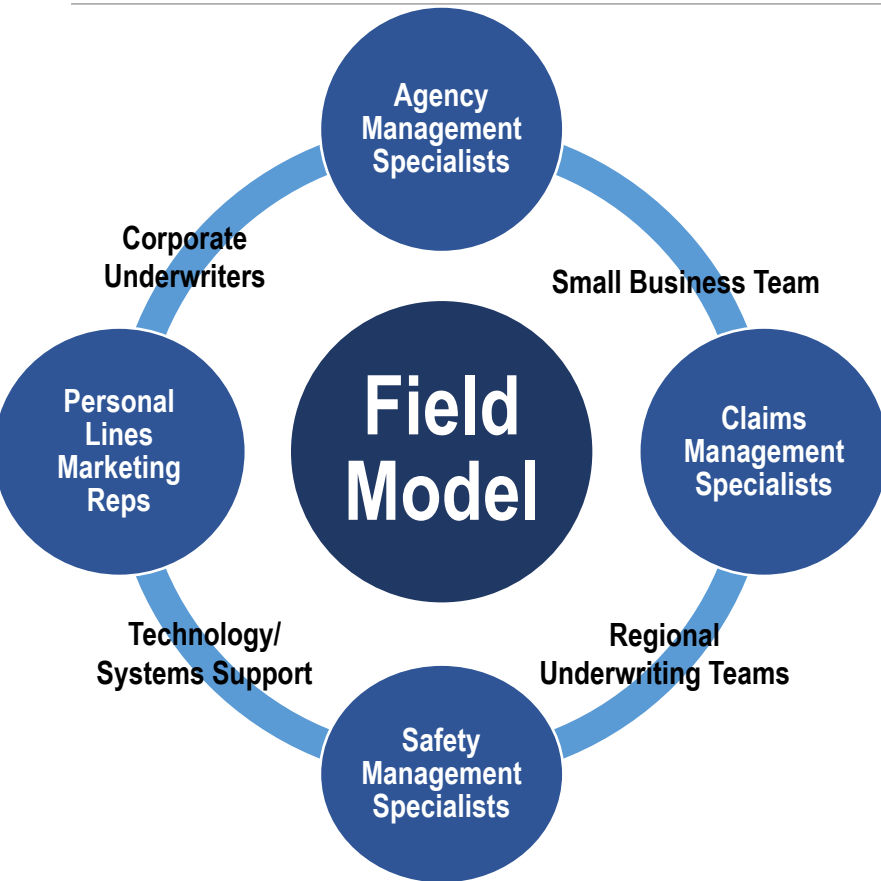


- ▶ High franchise value:
 - Standard Commercial: 1,100 agents in 22 states
 - Standard Personal: 700 agents in 13 states
 - Excess & Surplus: 80 wholesale brokers in 50 states
- ▶ Standard lines NPW per agent of \$1.7 million
- ▶ Agent relationships strong with all levels of Selective management
- ▶ Agent survey scores averaged 8.6 out of 10 for past three years
- ▶ We generate success through our unique field model

From Agent Survey:

“Selective is our ‘go to’ company. We constantly speak of how great a company Selective is to our customers.”

Field Model: Competitive Advantage

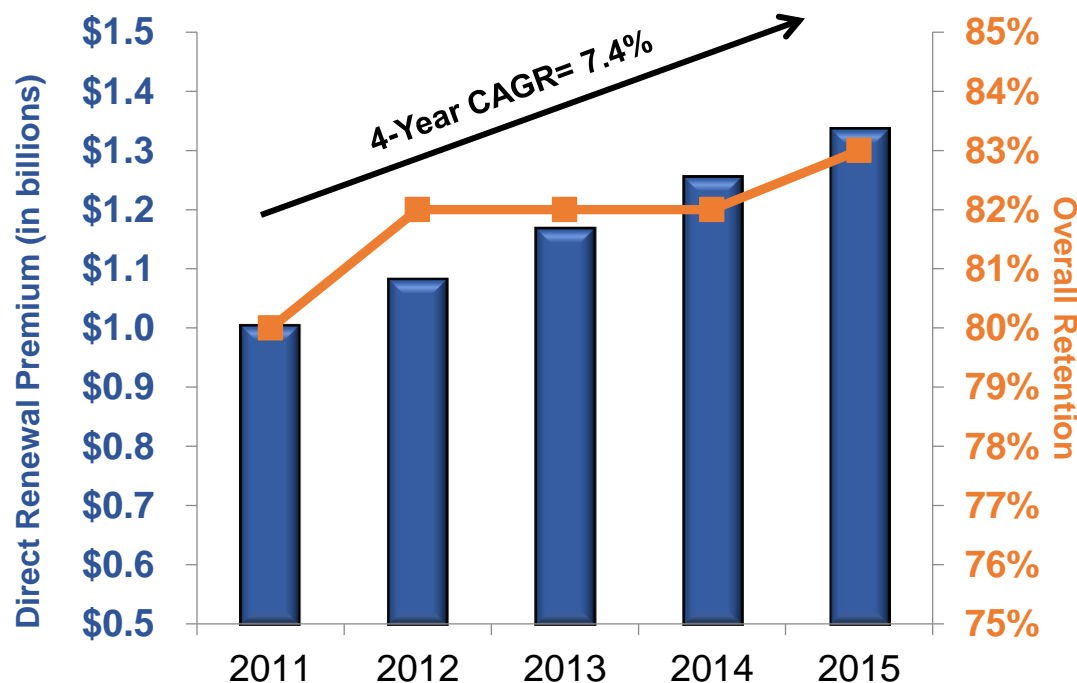


- ▶ Responsive, field-based model:
 - ~100 Agency Management Specialists
 - ~15 Personal Lines Marketing Specialists
 - ~100 Claims Management Specialists
 - ~80 Safety Management Specialists
- ▶ 2015 overall growth at 2.5x the industry average
- ▶ Focused on delivering best-in-class customer service
- ▶ Armed with sophisticated underwriting and claims tools

From Agent Survey:

“Great partnership, great company and staff. You are now our #1 commercial lines carrier”

Commercial Lines Renewal Premium



Commercial Renewal Pure Price	2.8%	6.2%	7.6%	5.6%	3.0%
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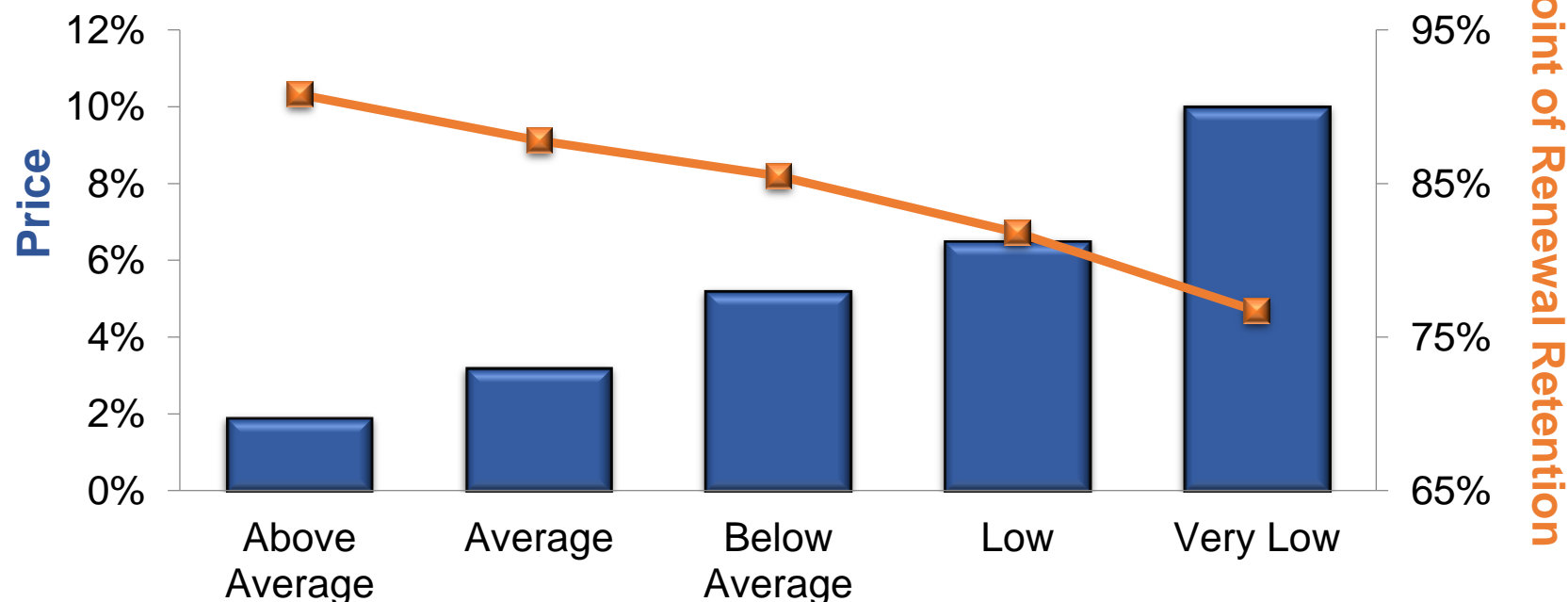
- ▶ Vertical integration allows for nimble execution
- ▶ Inside underwriters receive credit for non-renewal of lower performing accounts
- ▶ 3rd generation models deployed

January 2016 Commercial Lines renewal pure price increase of 2.8%

Sophisticated Pricing Tools



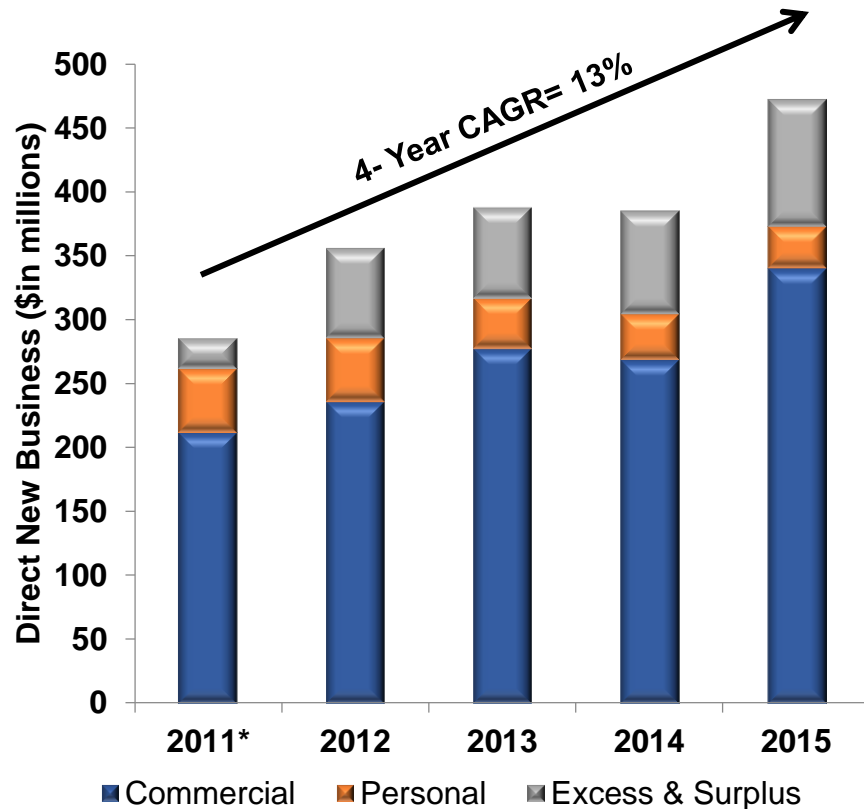
Commercial Lines Pricing by Retention Group



% of Premium	53.0%	26.0%	11.3%	6.3%	3.4%
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Selective's pricing tools allow the Company to analyze and price business on a very granular level—a key advantage—that has enabled outperformance

Profitable Growth



**New E&S premiums of \$24.1 million in 2011 were in association with our renewal rights purchase in August 2011*

Growth drivers:

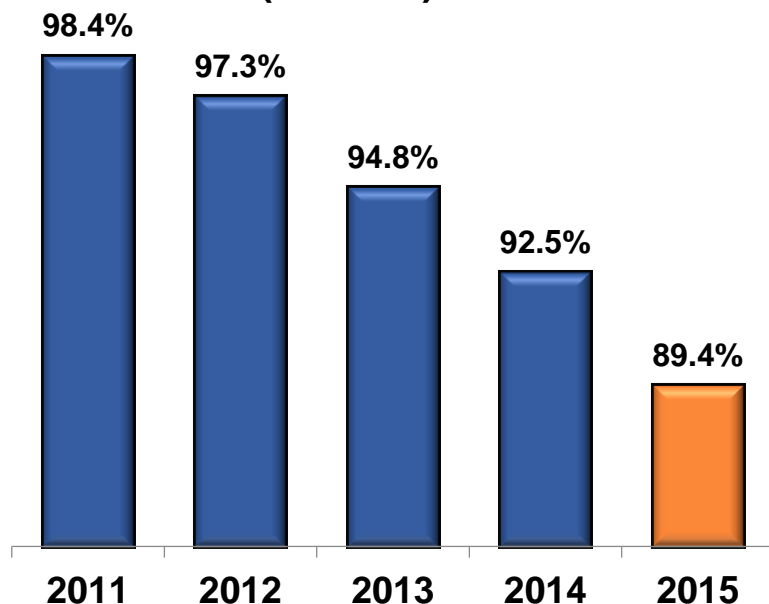
- ▶ Unique field model
- ▶ True franchise value
- ▶ Increased capacity through:
 - Small Business teams
 - Agency Management Specialists
 - Additional agents
- ▶ The Selective Edge® for Personal Lines
- ▶ Excess & Surplus Lines

Positioned to grow by increasing share of wallet within existing agency plant from 7% to 12%

2015: Selective's Most Profitable Year



Statutory Combined Ratio (Ex-CAT)



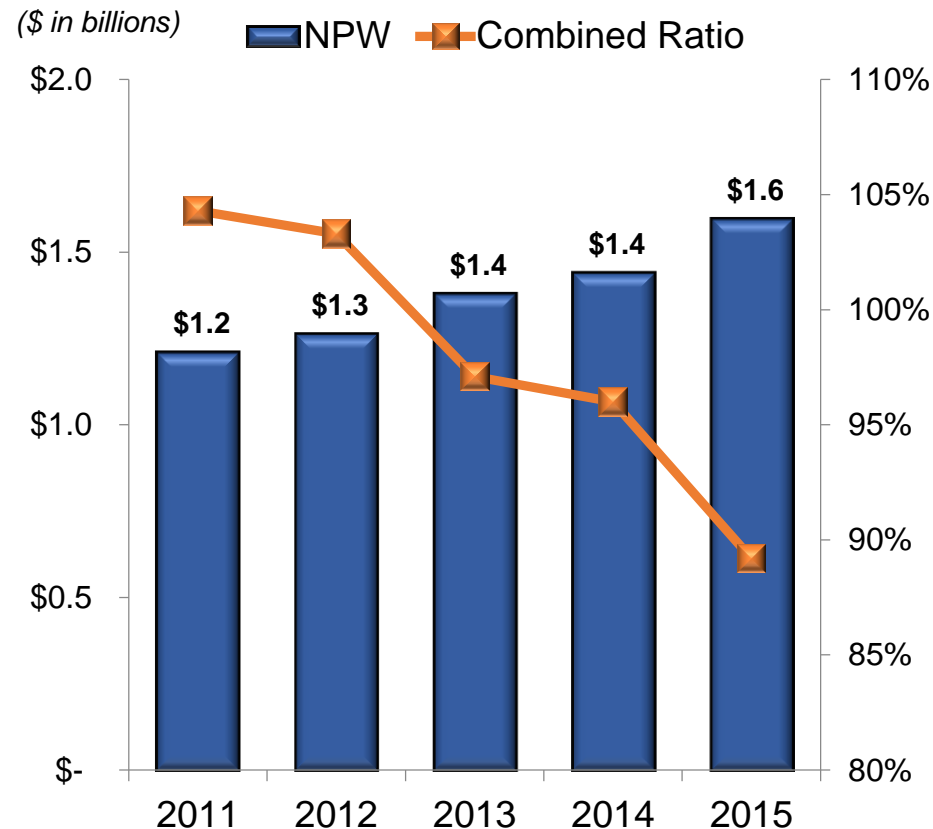
- ▶ Generated 89.4% combined ratio, excluding catastrophes
- ▶ Achieved operating ROE goal of 300 bps above WACC at 11.8%
- ▶ In 2016, expect to outpace claim inflation through the following actions:
 - Rate increases in all three insurance segments
 - Claims and underwriting improvements

Original Guidance	101.0% - 102.0%	101.5%	96.0%	92.0%	91.0%
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Overall Statutory Combined Ratio

2014	2015	Improvement
95.7%	92.4%	3.3 pts

Commercial Lines



- ▶ Commercial lines price increases met or exceeded claims inflation for 25 consecutive quarters
- ▶ Executing on our small business strategy through redefined Small Business teams rolled out in 2015
- ▶ New business production from the addition of Agency Management Specialists
- ▶ Adding agents in areas where there is strong new business opportunity

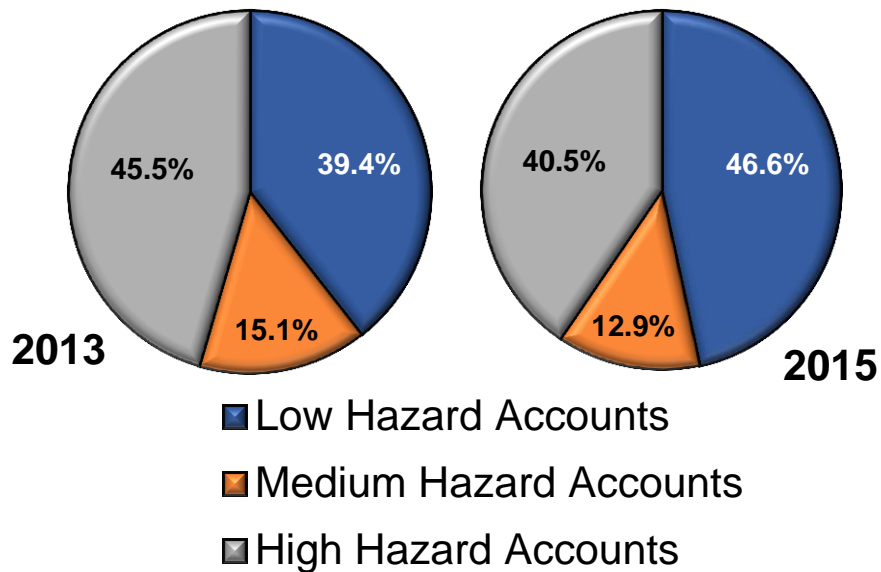
Selective has the right tools, technology and team in place to continue driving profitable growth in standard commercial lines

Claims Management:

Significant Improvements in Workers Compensation



Focus on Lower Hazard Mix Improvement



- ▶ Centralized handling of Workers Compensation claims
- ▶ Strategic case management and escalation model
- ▶ Fraud detection and recovery model

Workers Comp Combined Ratios

2013	2014	2015
120.6%	110.1%	88.2%

Opportunity for Profitable Growth



Personal Lines

- ▶ Goal to produce a Homeowners 90% combined ratio in a normal CAT year
- ▶ The Selective Edge® product targets the consultative buyer for home and auto
- ▶ Flood provides natural hedge against catastrophe exposure

Excess & Surplus Lines

- ▶ Robust new business growth of 23% in 2015
- ▶ Achieved overall 4.6% increase in rate adequacy in 2015 for our casualty lines
- ▶ Improving margins through a mix of business shift, claims improvements and targeted pricing increases



Investing in Omni-Channel Experience



- ▶ Game changer in an industry that has been slow to adopt change
- ▶ Providing customers with 24-by-7 access to transactional capabilities and information
- ▶ Drive increased customer loyalty and retention
- ▶ Our ability to drive agency adoption is the franchise value we have with distribution partners



Investment Proposition



- ▶ Long track record of financial strength, superior execution and disciplined growth
- ▶ Unique operating model combining local underwriting authority with true franchise value with quality distribution partners
- ▶ Investing in technology to deliver best in-class omni-channel customer experience
- ▶ Focused on continued profitable growth through agency expansion, strategic underwriting and claims initiatives
- ▶ Well-positioned for increased growth opportunities across all lines

Selective delivers high-tech, high-touch insurance solutions while deploying appropriate leverage to deliver long-term value for shareholders

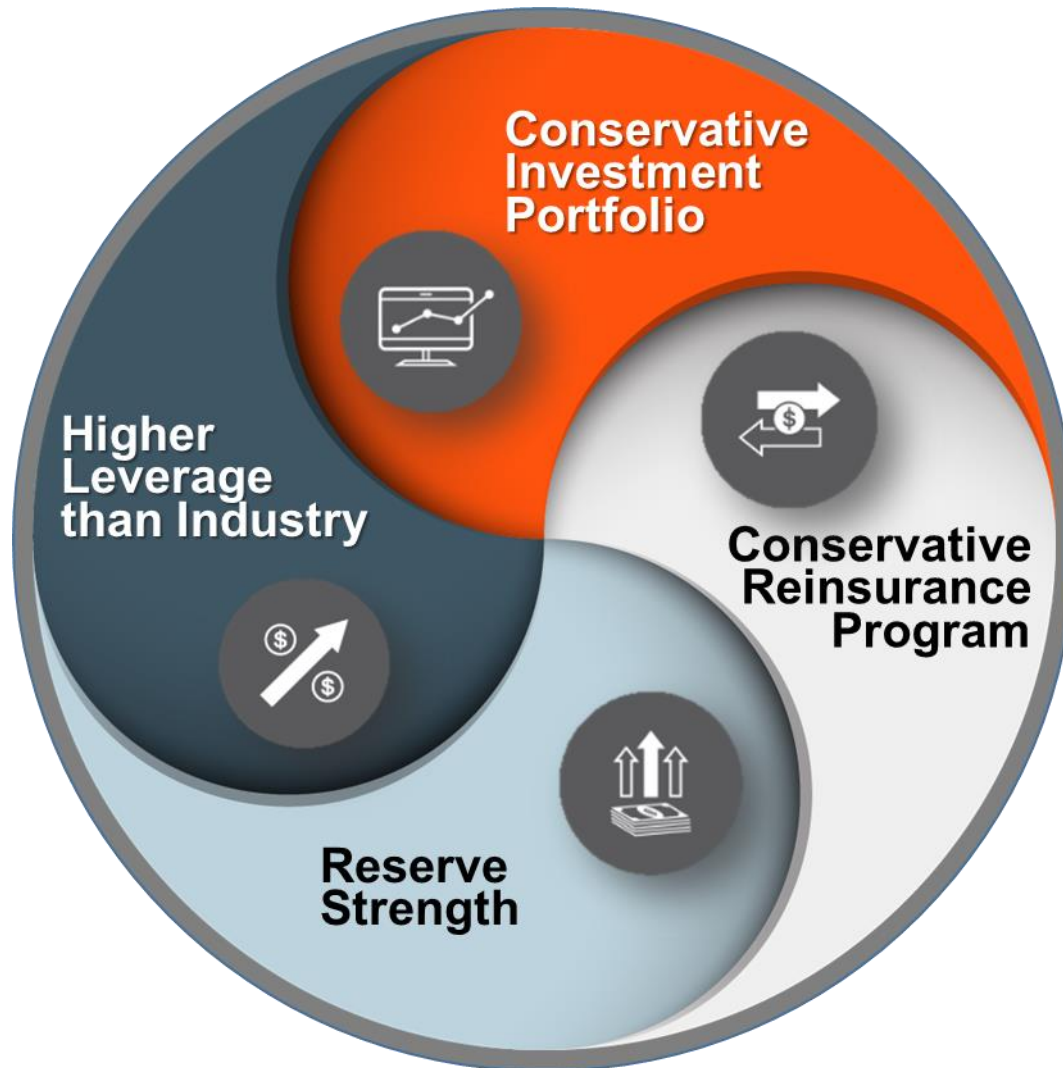
Dale Thatcher
EVP, Chief Financial Officer

Risk Profile and Financial Strength

Robust Risk and Return Strategy



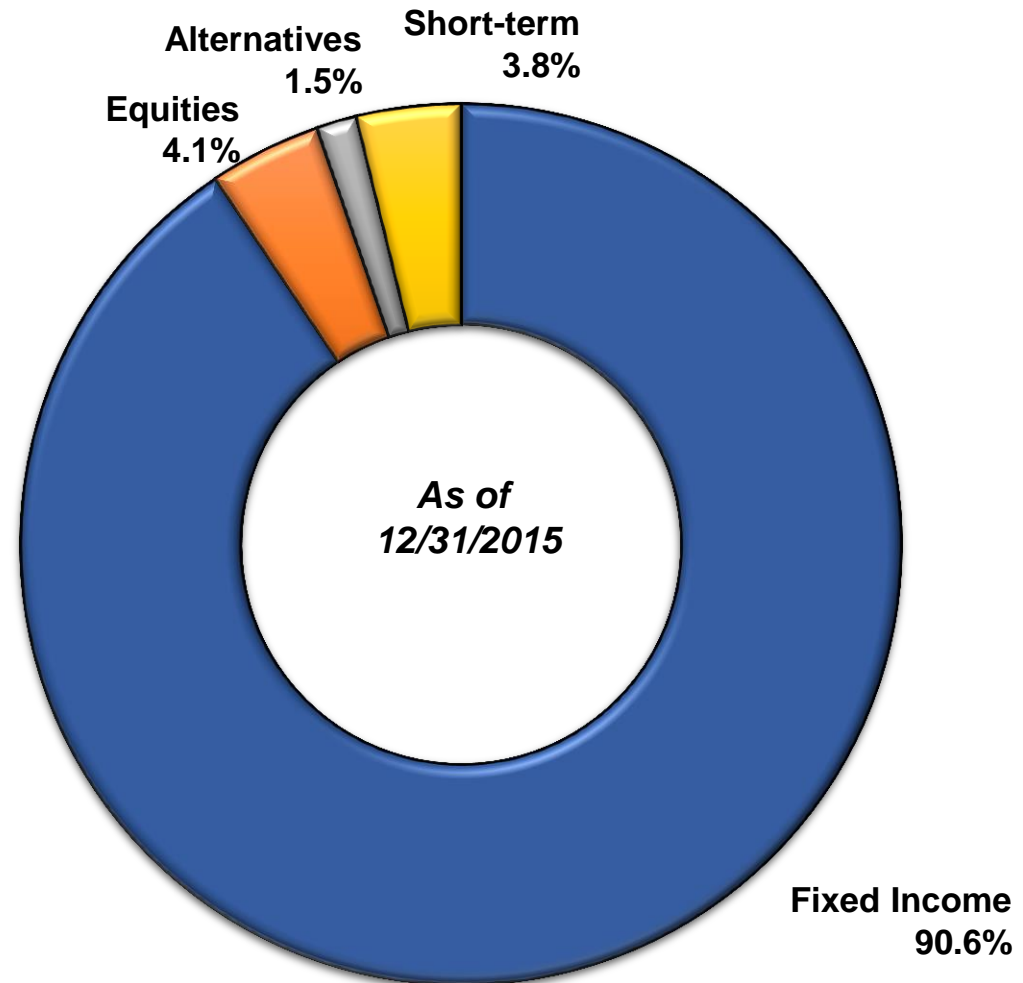
Low to Medium Hazard Writer



Conservative Investment Portfolio



- ▶ “AA-” average credit quality
- ▶ Investment ROE: yield of 2.0% x leverage of 3.64 = 7.3%
- ▶ 3.7 year duration (incl. short-term)
- ▶ 2016 expected after-tax new money rate of 1.78%
- ▶ 2016 expected after-tax net investment income of approximately \$100 million

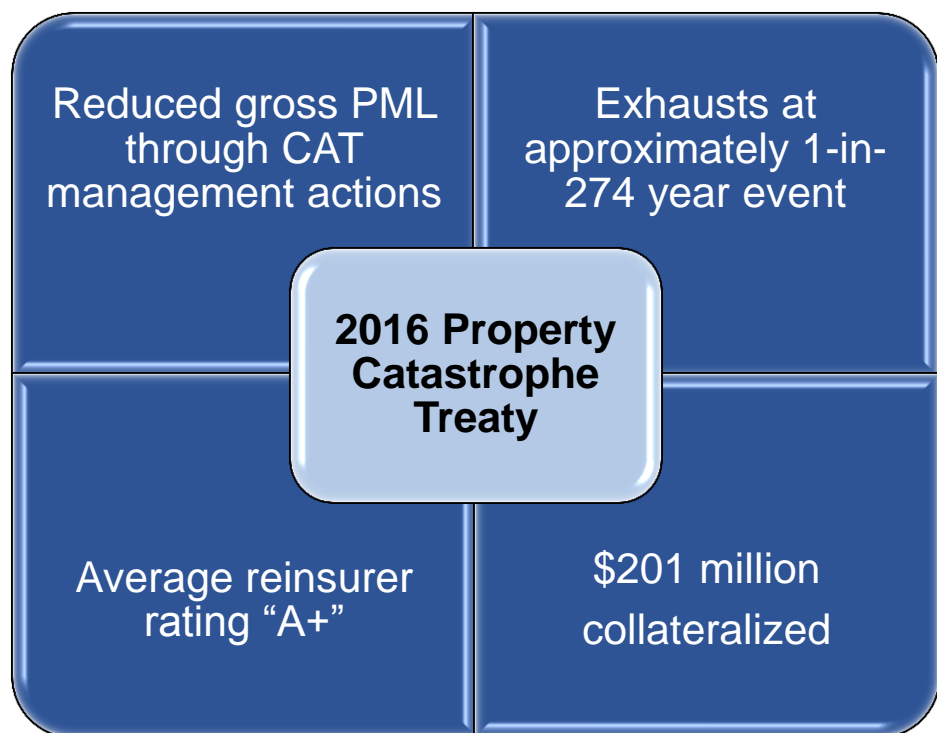


Guidance as of February 4, 2016

Conservative Reinsurance Program



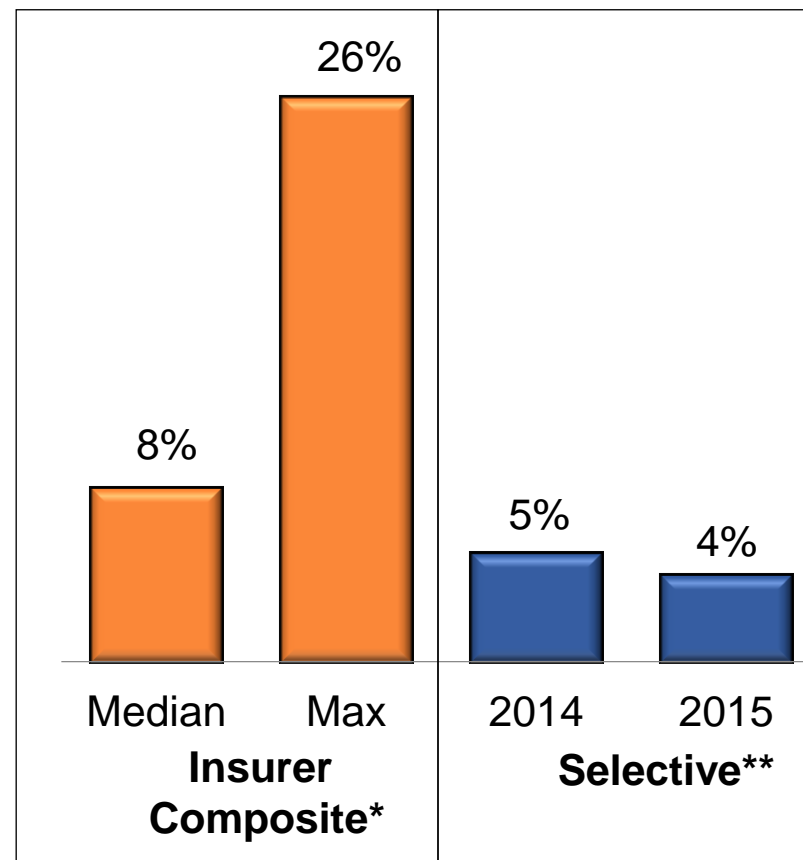
Renewed January 1, 2016
\$685M in excess of \$40M retention



**Source: Aon Benfield*

***Blended model results (RMS & AIR)*

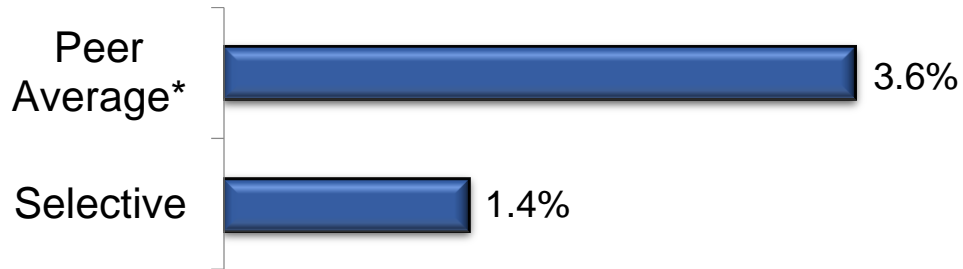
**% of Equity at Risk
1 in 250 Year Event**



Reserve Strength



Standard Deviation (2005 – 2014) of Reserve Development Points on the Combined Ratio

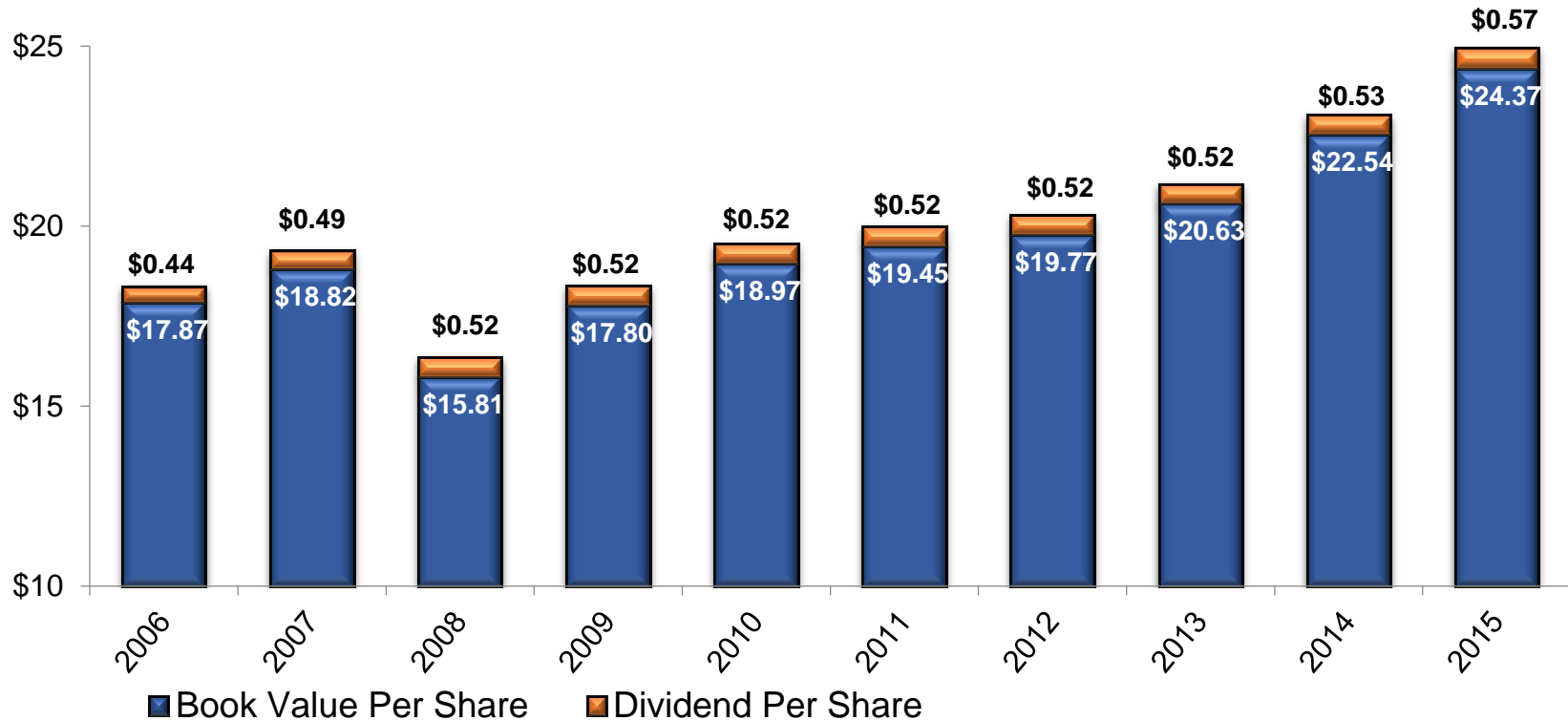


**Source: SNL Financial, Statutory Filings
Peers include CINF, THG, STFC, UFCS, CNA, HIG, TRV, and WRB*

- ▶ Disciplined reserving practices
- ▶ Quarterly actuarial reserve reviews
- ▶ 10 Consecutive years of favorable development
- ▶ 2 reviews per year by independent actuary
- ▶ 2015 favorable casualty development of \$67 million, or 3.4 point benefit on the combined ratio
- ▶ Reserve position is 12 points above the mid-point of the range

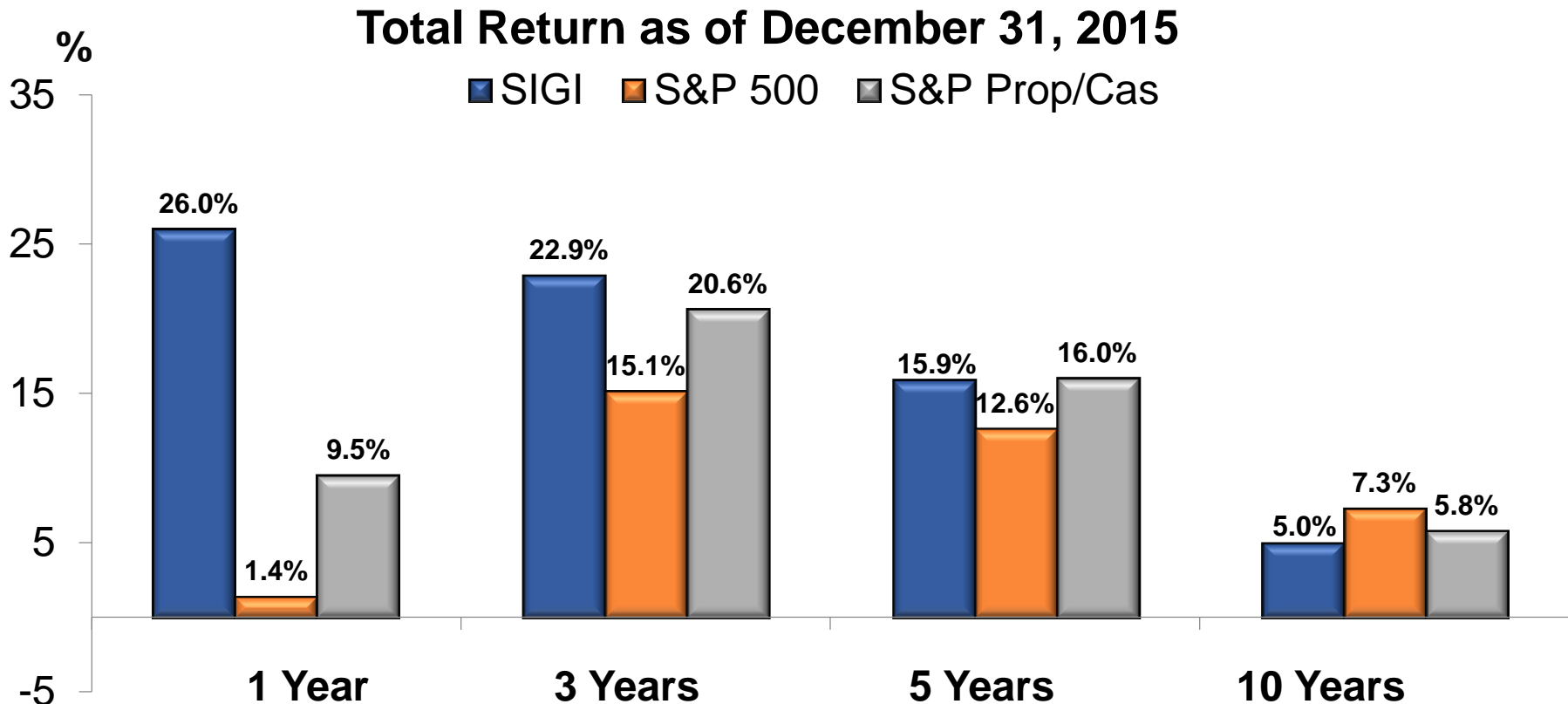
Significantly stronger reserve position and premium to surplus ratio, with much less volatility, compared to peers

Generating Long-Term Shareholder Value



Selective has a long track-record of creating shareholder value

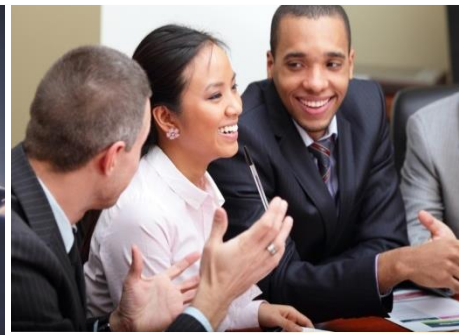
Total Shareholder Returns



Selective's success in 2015 reflects its continued ability to drive sustainable and profitable growth while delivering shareholder value

- ▶ **True franchise value** with network of quality distribution partners
- ▶ **Unique field model** coupled with sophisticated underwriting and claims tools
- ▶ **Superior customer experience**

Driving long-term success



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Financial Highlights 2011 - 2015

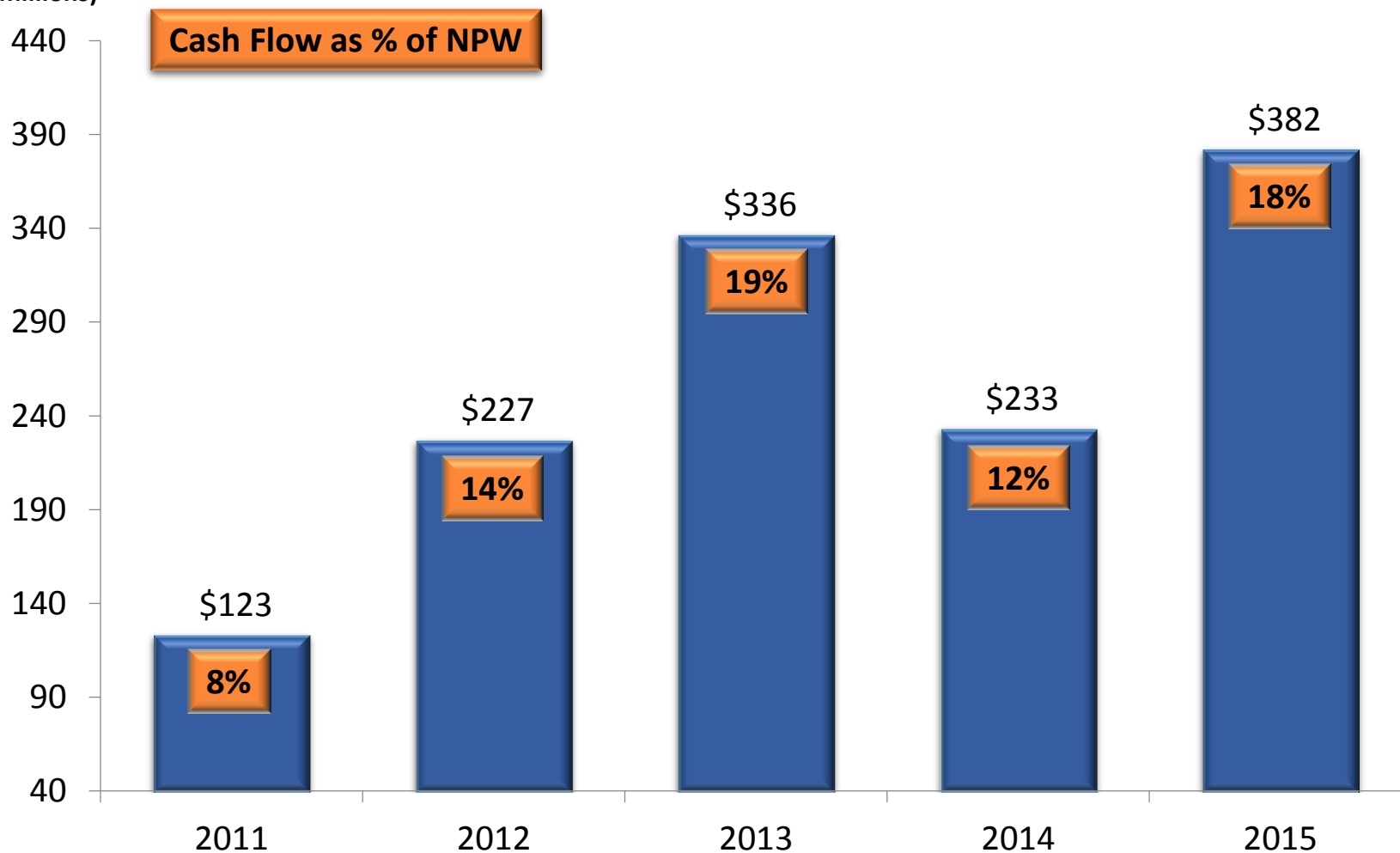


	2011	2012	2013	2014	2015
Statutory NPW Growth	7.0%	12.2%	8.7%	4.1%	9.8%
Operating EPS*	\$0.38	\$0.58	\$1.65	\$2.17	\$2.70
Net Income per Share*	\$0.40	\$0.68	\$1.87	\$2.47	\$2.85
Dividend per Share	\$0.52	\$0.52	\$0.52	\$0.53	\$0.57
Book Value per Share*	\$19.45	\$19.77	\$20.63	\$22.54	\$24.37
Statutory Premiums to Surplus	1.4x	1.6x	1.4x	1.4x	1.5x
Invested Assets/Stockholder's Equity*	3.89	3.97	3.97	3.77	3.64
Return on Average Equity*	2.1%	3.5%	9.5%	11.7%	12.4%
Operating Return on Average Equity*	2.0%	3.0%	8.4%	10.3%	11.8%
Statutory Combined Ratio - Total	106.7%	103.5%	97.5%	95.7%	92.4%
- Standard Commercial Lines	103.9%	103.0%	97.1%	95.5%	89.2%
- Standard Personal Lines	117.3%	100.7%	96.9%	94.5%	99.9%
- Excess and Surplus Lines	131.3%	118.8%	102.9%	99.2%	108.4%
GAAP Combined Ratio - Total*	107.2%	104.0%	97.8%	95.8%	92.5%
- Standard Commercial Lines*	104.3%	103.3%	97.4%	95.7%	89.2%
- Standard Personal Lines*	117.8%	101.3%	97.1%	94.4%	99.5%
- Excess and Surplus Lines*	270.2%	124.7%	103.0%	99.7%	109.8%

Net Operating Cash Flow



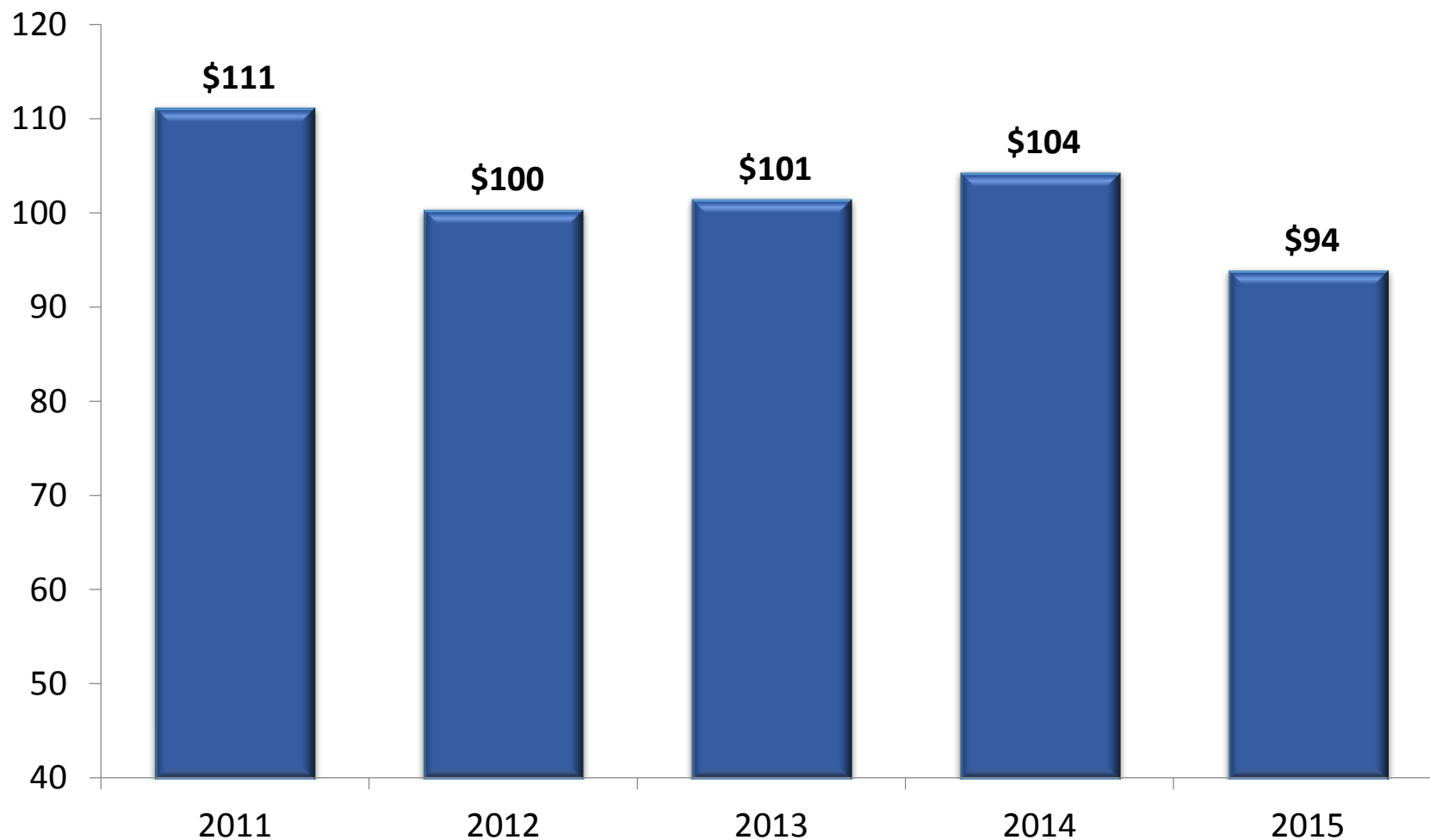
(\$ in millions)



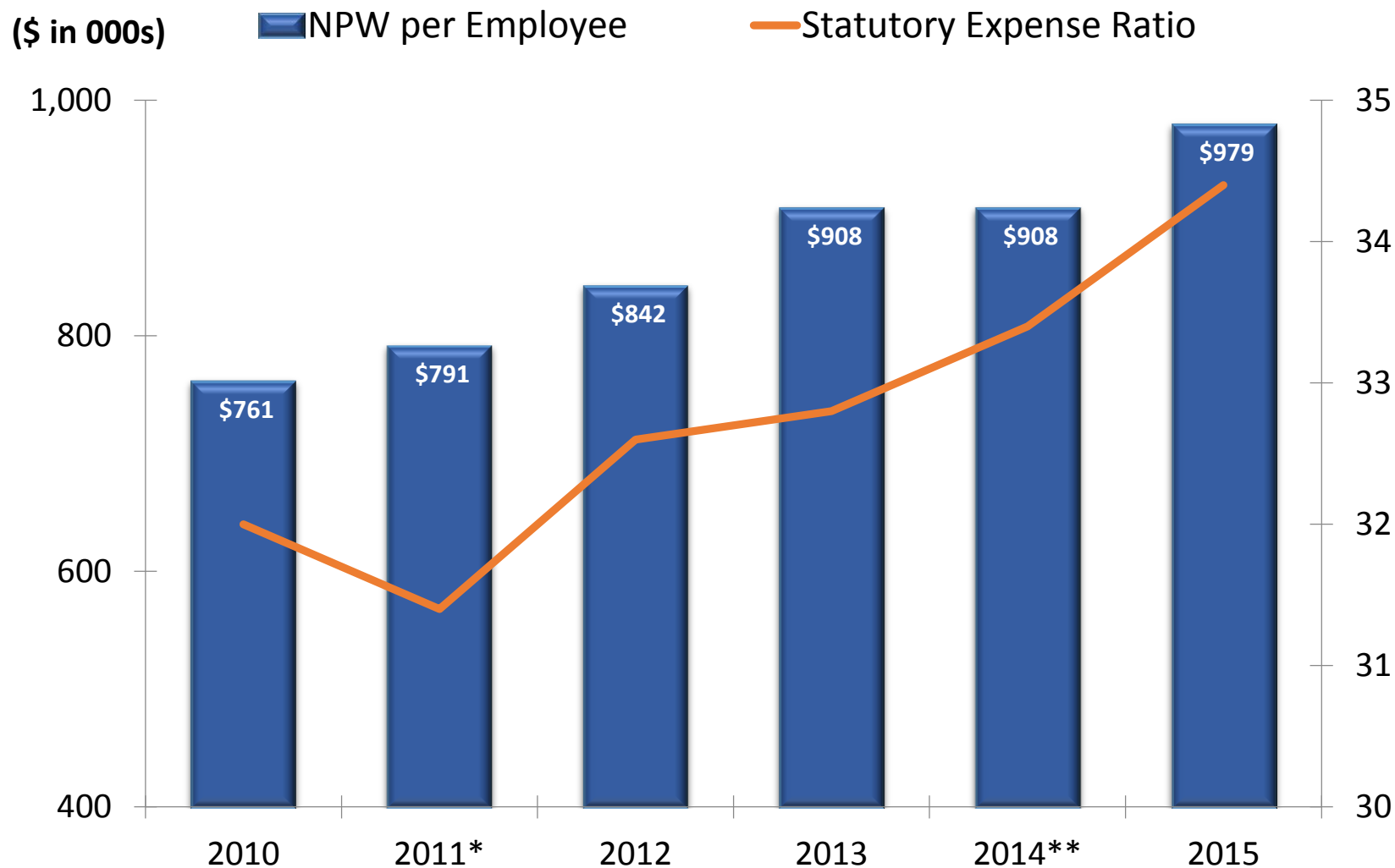
Investment Income – After-tax



(\$ in millions)



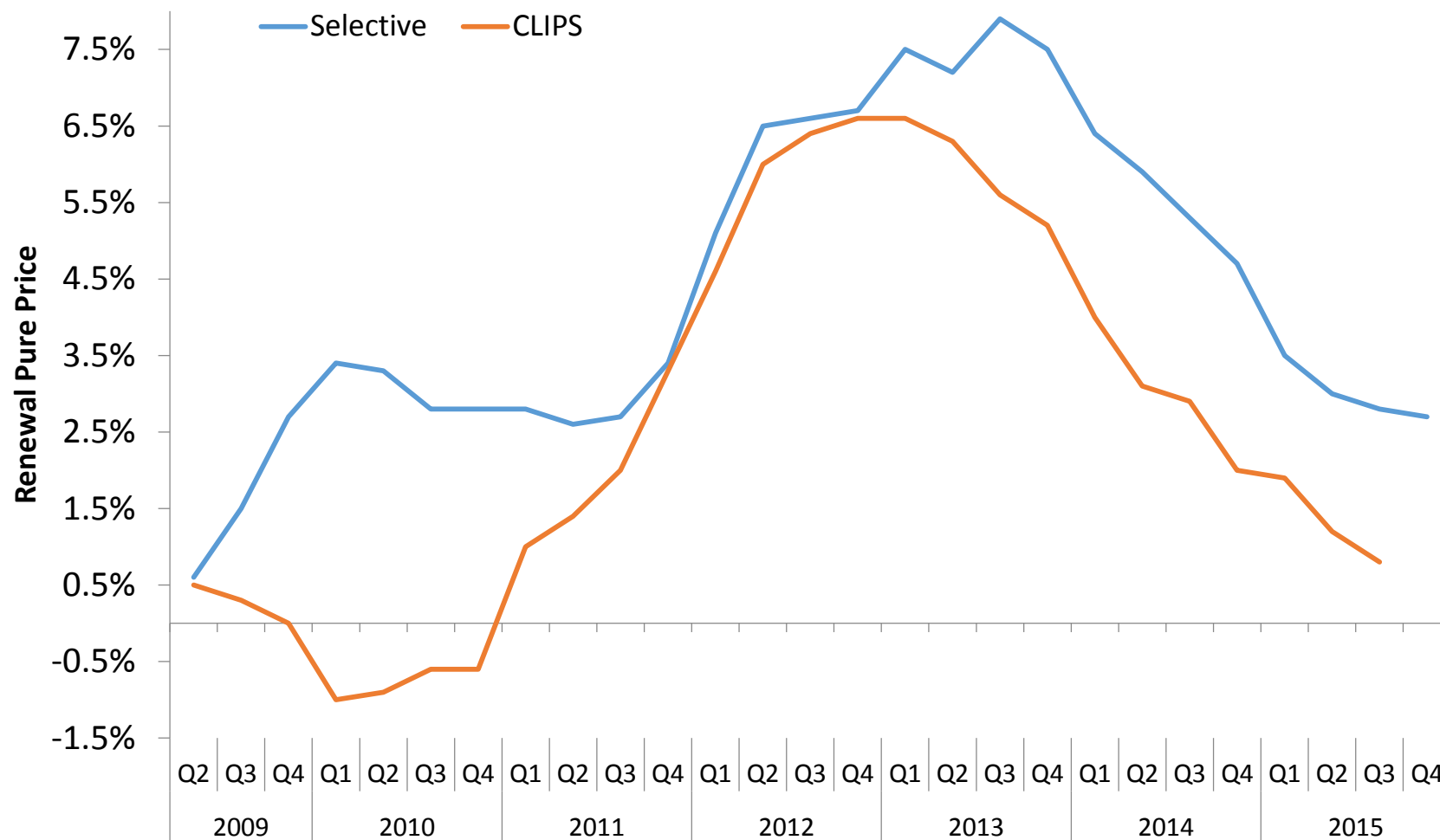
Insurance Operations Productivity



*Excludes Excess & Surplus Lines

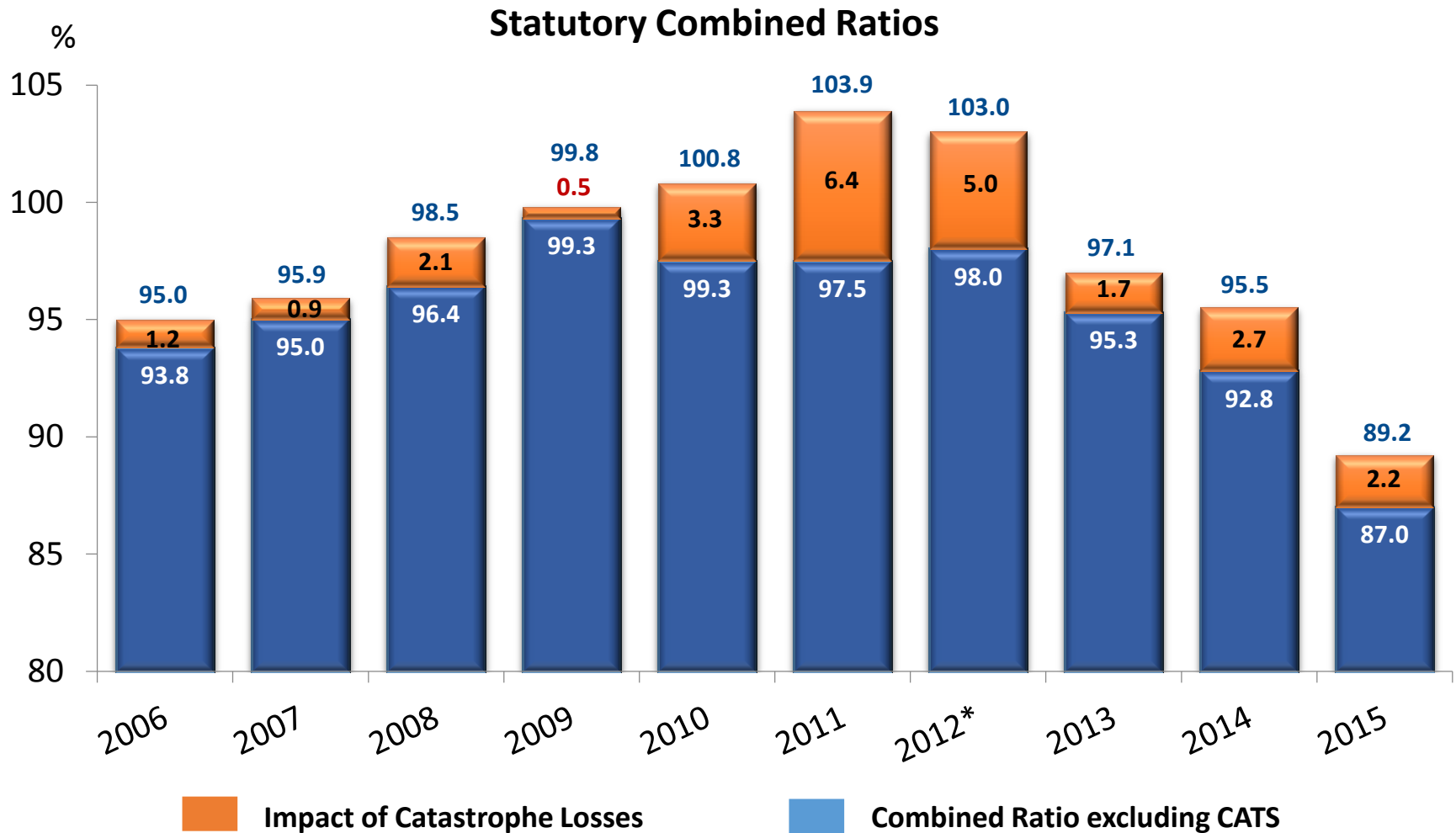
**Expense ratio excludes 0.4 point benefit from self-insured group sale

Standard Commercial Lines Pricing



Industry Source: Towers Watson Commercial Lines Insurance Pricing Survey

Standard Commercial Lines Profitability



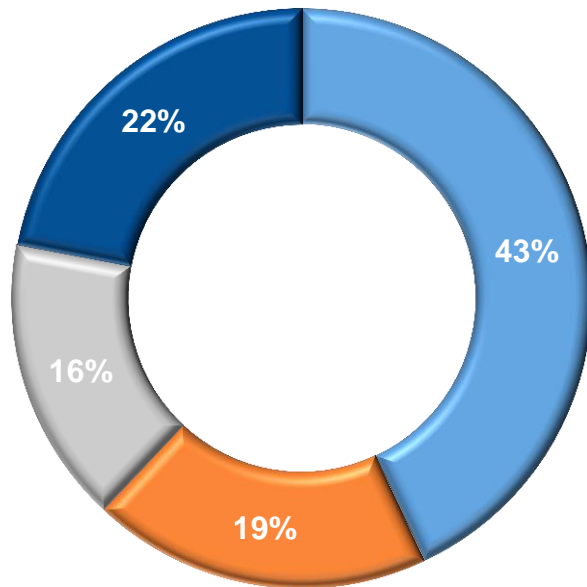
**Includes impact of reinstatement premium on catastrophe reinsurance program as a result of Hurricane Sandy
Some amounts may not foot due to rounding*

Standard Commercial Lines Premiums



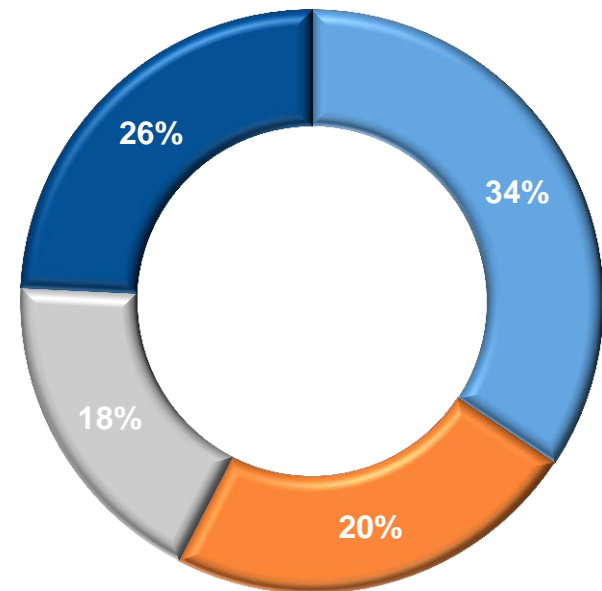
Strategic Business Unit Diversification

2008



- Contractors
- Community & Public Services
- Manufacturing
- Mercantile Service

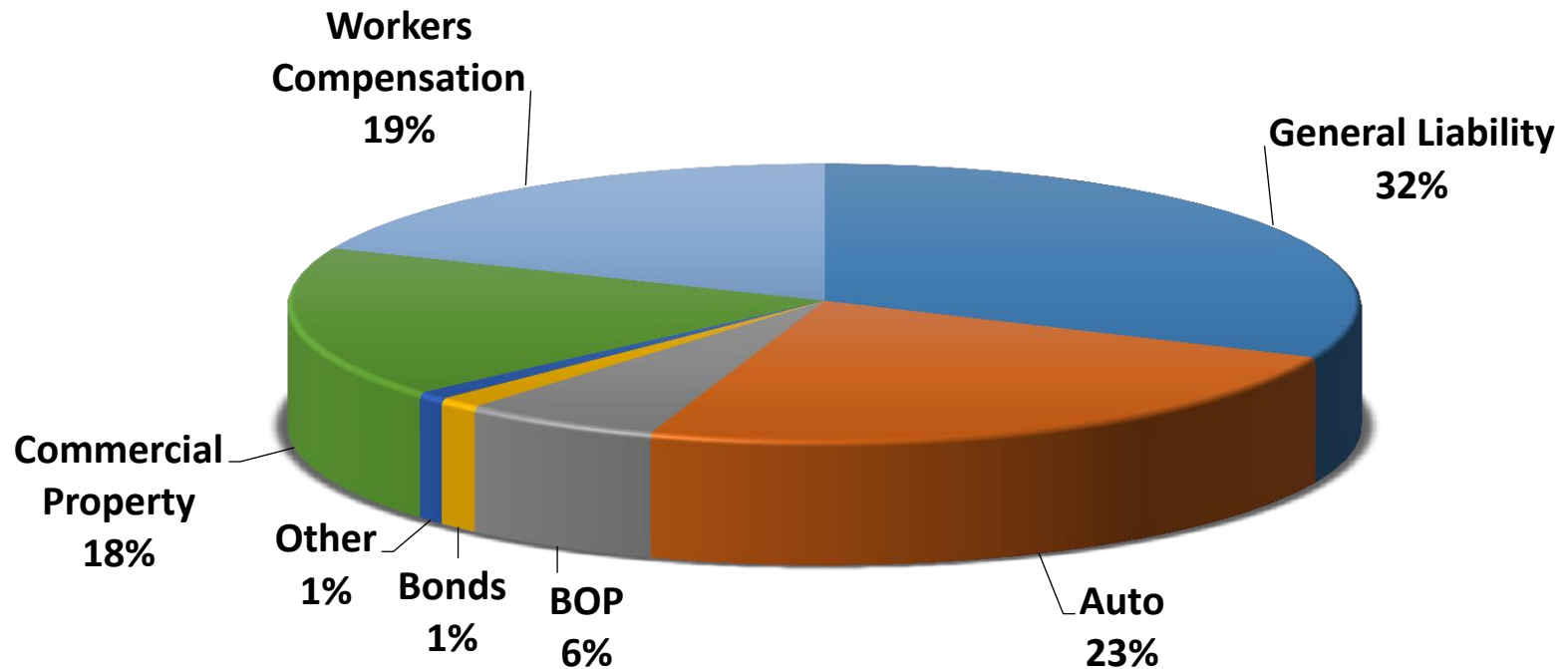
2015



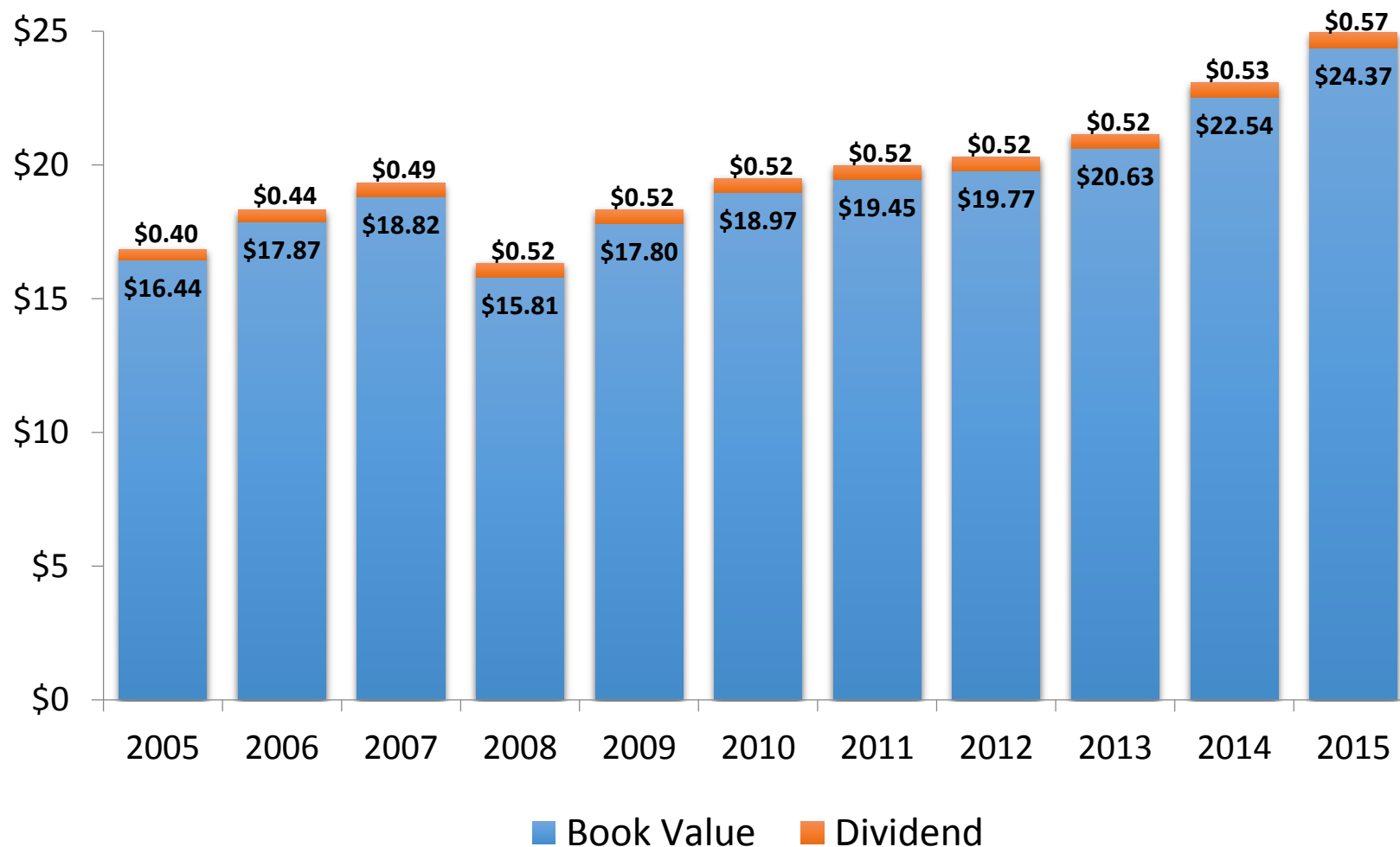
Industry Source: Towers Watson Commercial Lines Insurance Pricing Survey

Premium by Line of Business

2015 Standard Commercial Lines Net Premium Written



Long-Term Shareholder Value Creation



Note: Book value restated for change in deferred policy acquisition costs (2005-2006 Estimated)