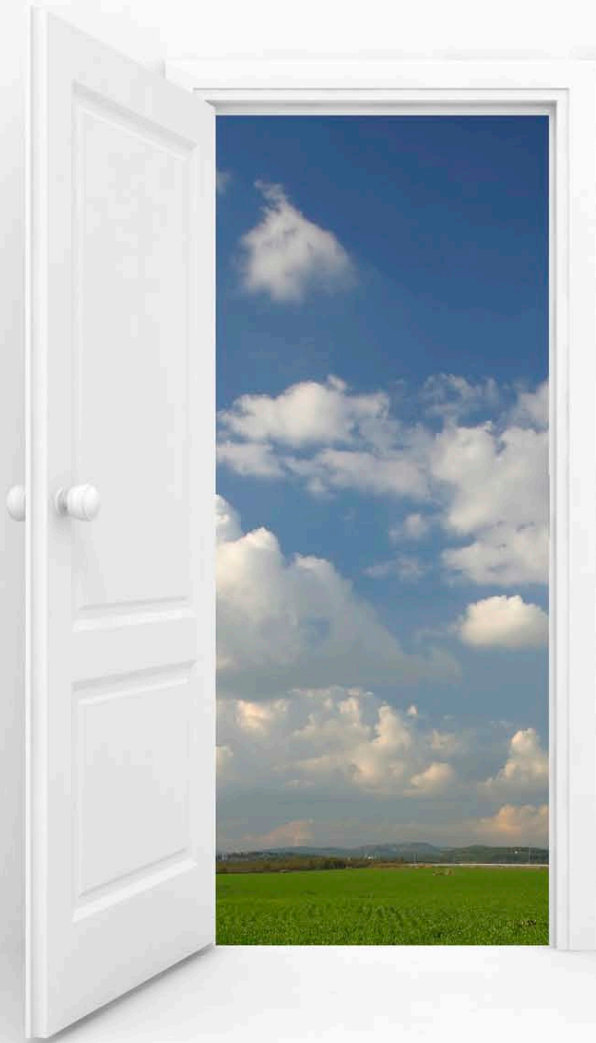


– SELECTIVE INSURANCE GROUP, INC. –



# **INVESTOR PRESENTATION**

## **NOVEMBER 2011**

# Forward Looking Statement

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.

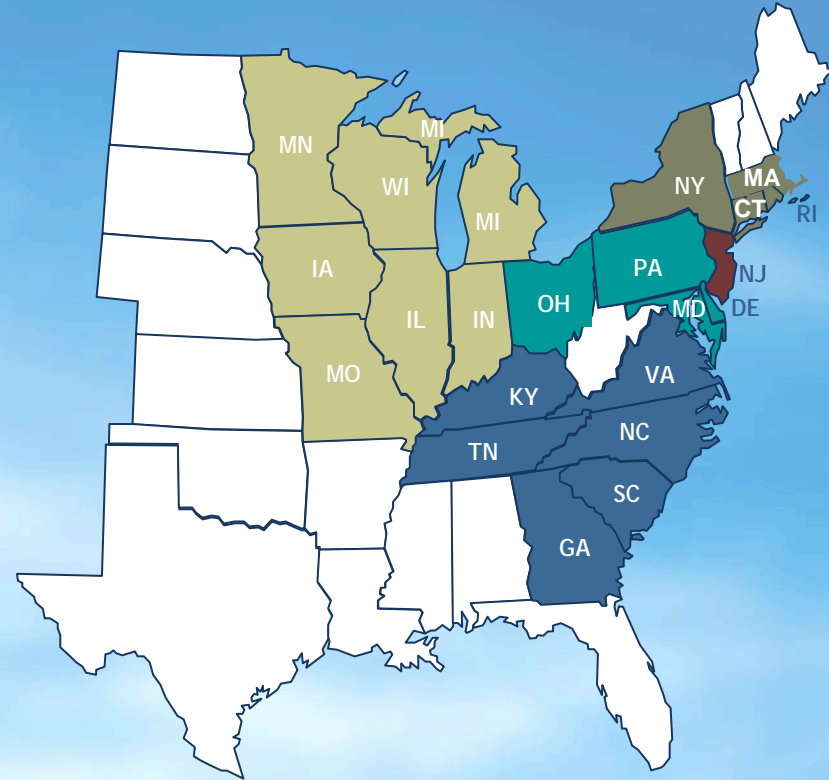
– SELECTIVE INSURANCE GROUP, INC. –



## **FINANCIAL STRENGTH**

# Who We Are

- 22-state super-regional
- 2010: \$1.4B NPW
  - 82% commercial lines
  - 18% personal lines
- High-tech, high-touch business model
- Partner of choice – 990 independent agents
- Sophisticated underwriting tools
- Rated A+ by A.M. Best for 50 years



# Focus on Enterprise Risk Management

- Business model generates more earnings stability
- Sophisticated underwriting and granular pricing
- Strong reserving practices
- Conservative reinsurance program
- Historically strong capital position
- Deep investment management talent

# More Earnings Stability

Combined Ratio – SIGI vs. Industry



Source: A.M. Best, III, ISO

\*June 30, 2011 YTD

Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

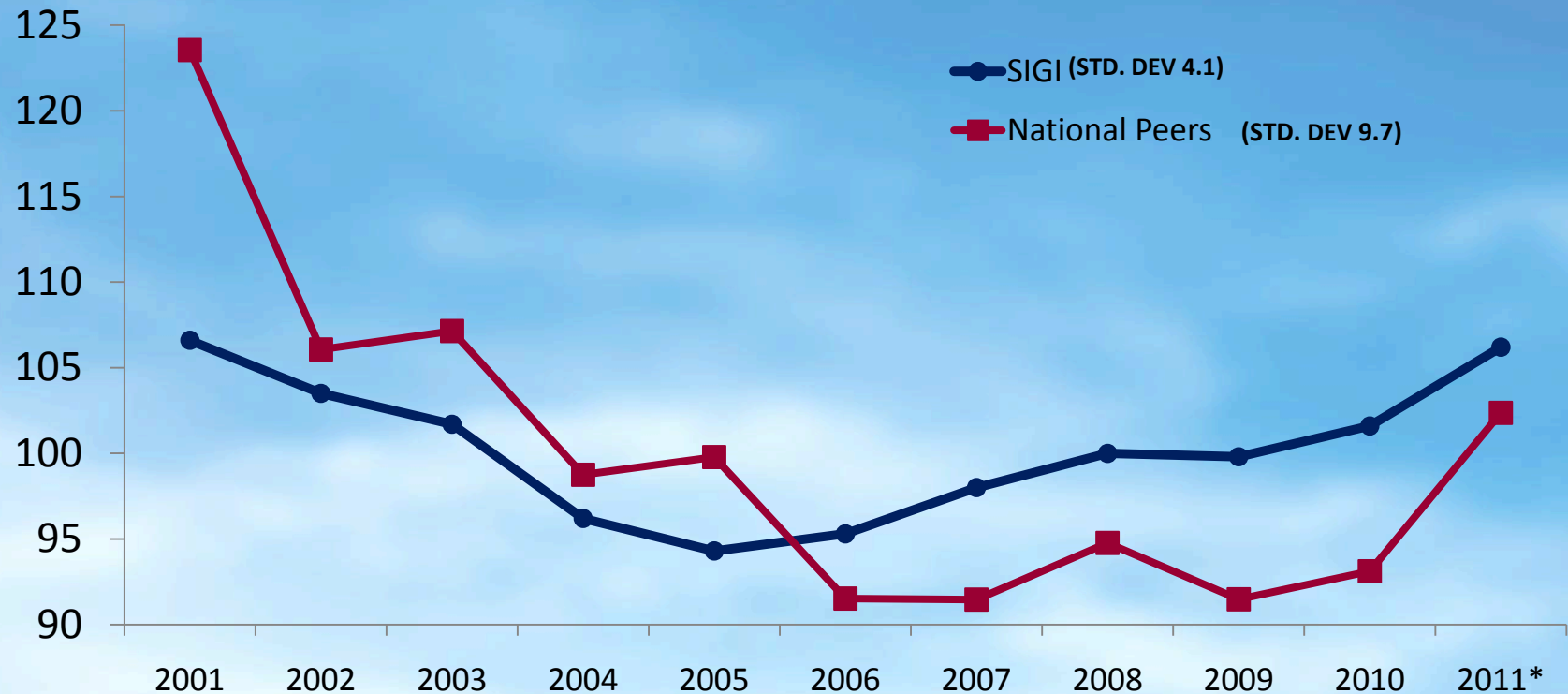
Pricing  
Success

Long-Term  
Value Creation



# More Earnings Stability

Combined Ratio – SIGI vs. National Peers



Source: SNL Financial

Note: National Peers include CNA, CB, HIG, TRV and WRB

\*June 30, 2011 YTD

Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

Pricing  
Success

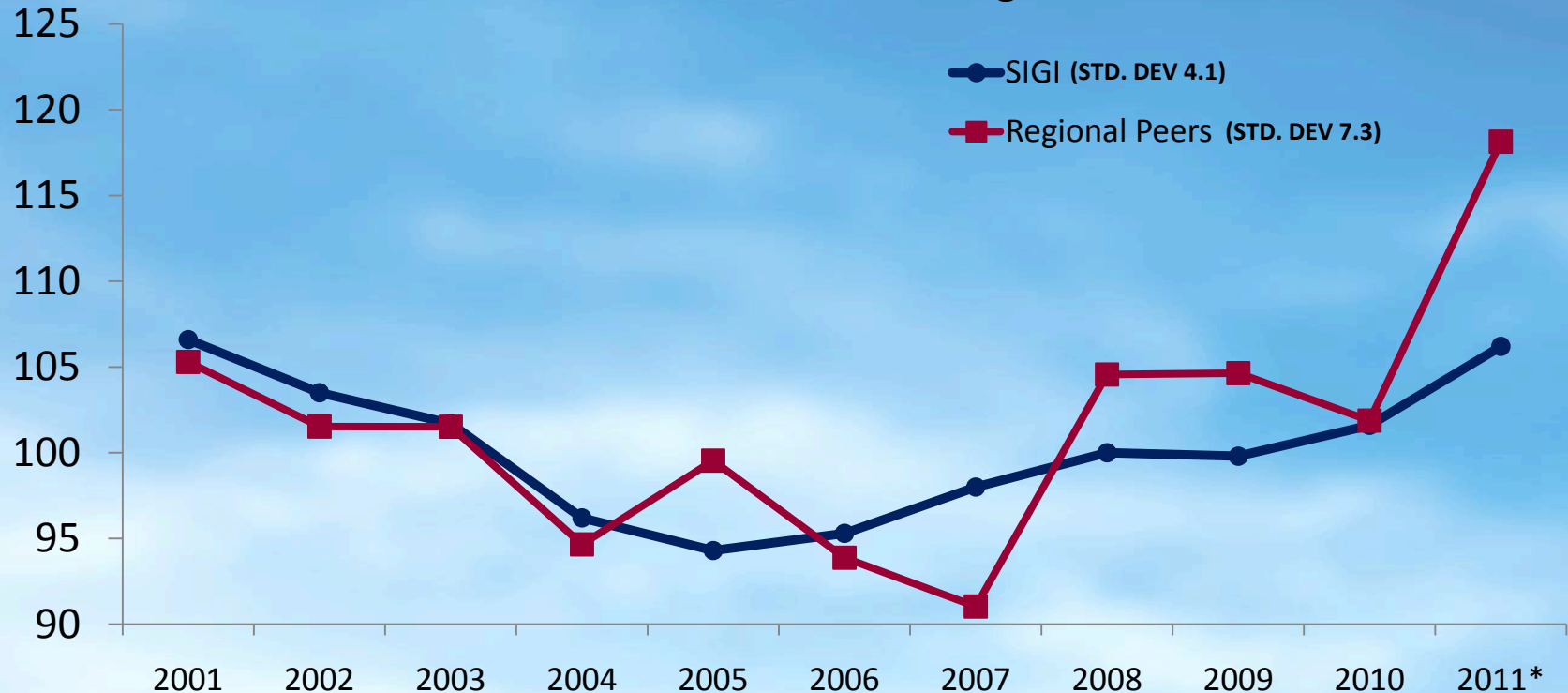
Long-Term  
Value Creation





# More Earnings Stability

Combined Ratio – SIGI vs. Regional Peers



Source: SNL Financial

Note: Regional Peers include CINF, THG, HGIC, STFC and UFCS

\*June 30, 2011 YTD

Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

Pricing  
Success

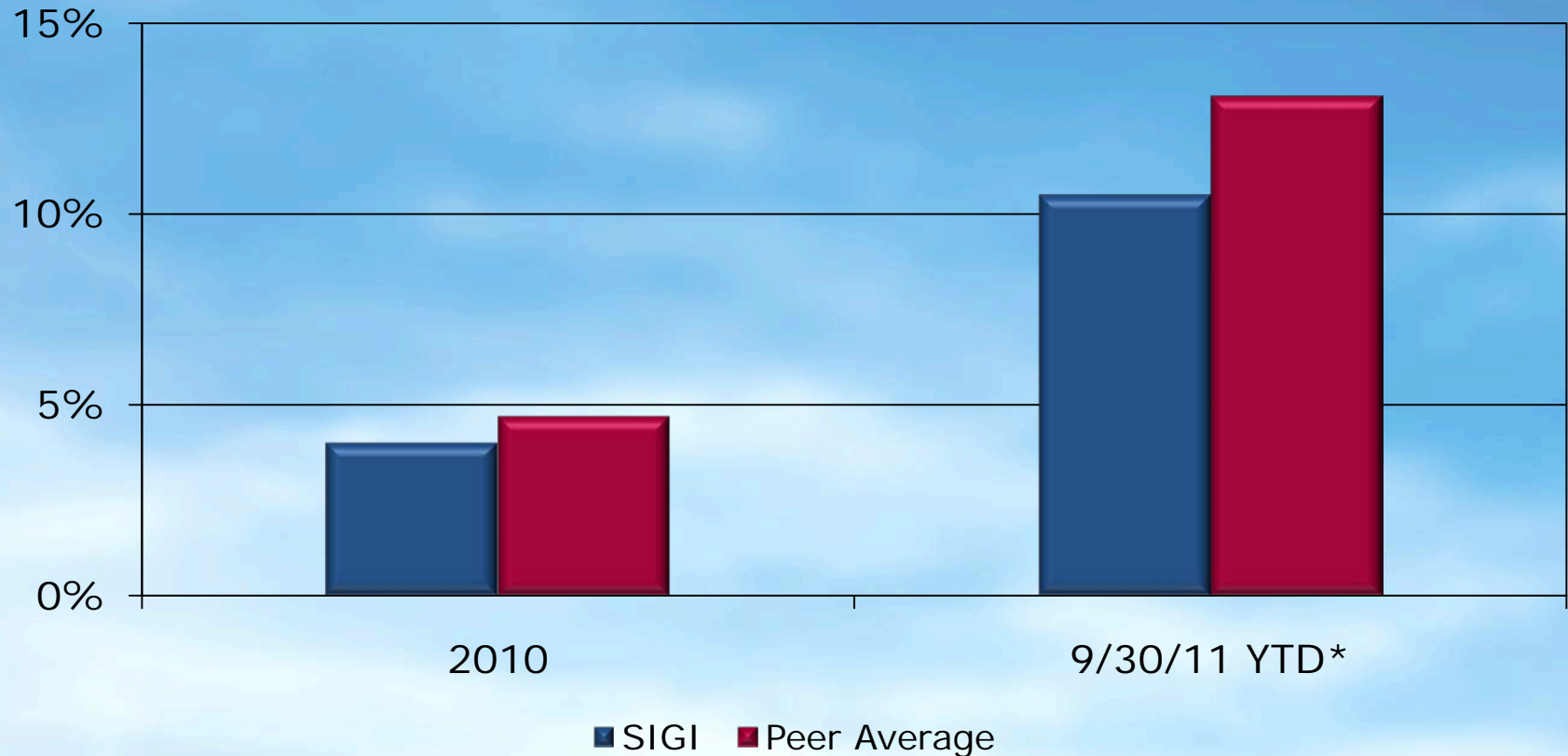
Long-Term  
Value Creation





# Catastrophe Losses

## Points on Combined Ratio



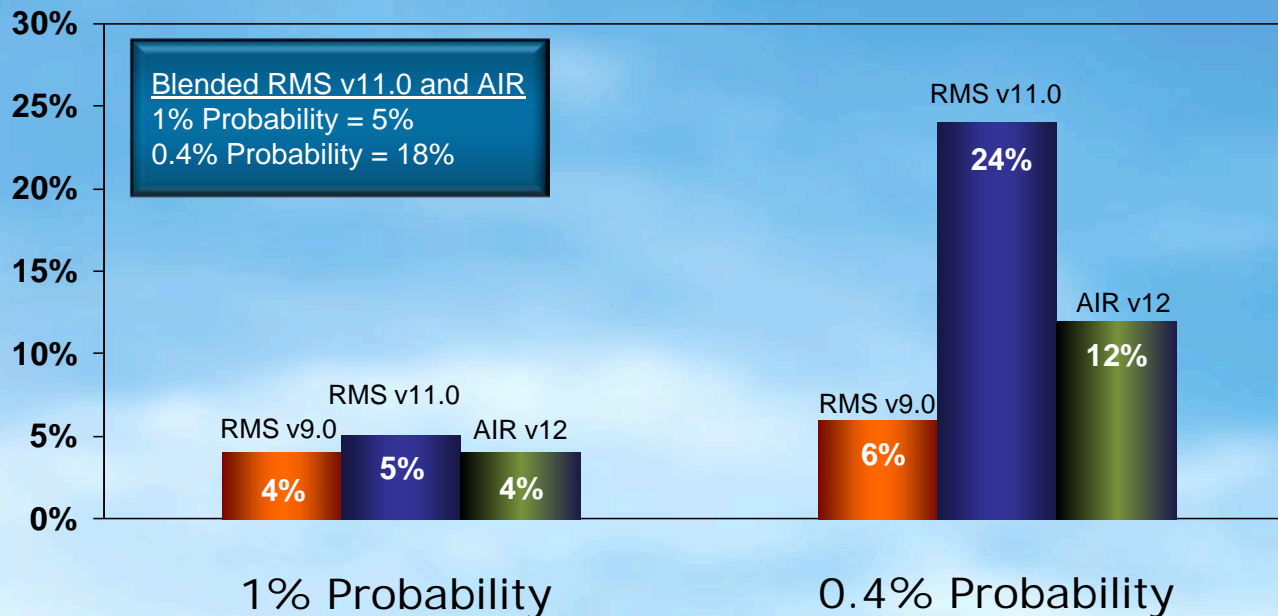
Source: SNL Financial, Company Reports

Note: Peers include CB, CINF, CNA, HIG, HGIC (not included in 2011 YTD), STFC, THG, TRV, WRB and UFCS

\*3<sup>rd</sup> Quarter Peer Average based on reported results or pre-announced losses

# Strong Natural Catastrophe Reinsurance Program

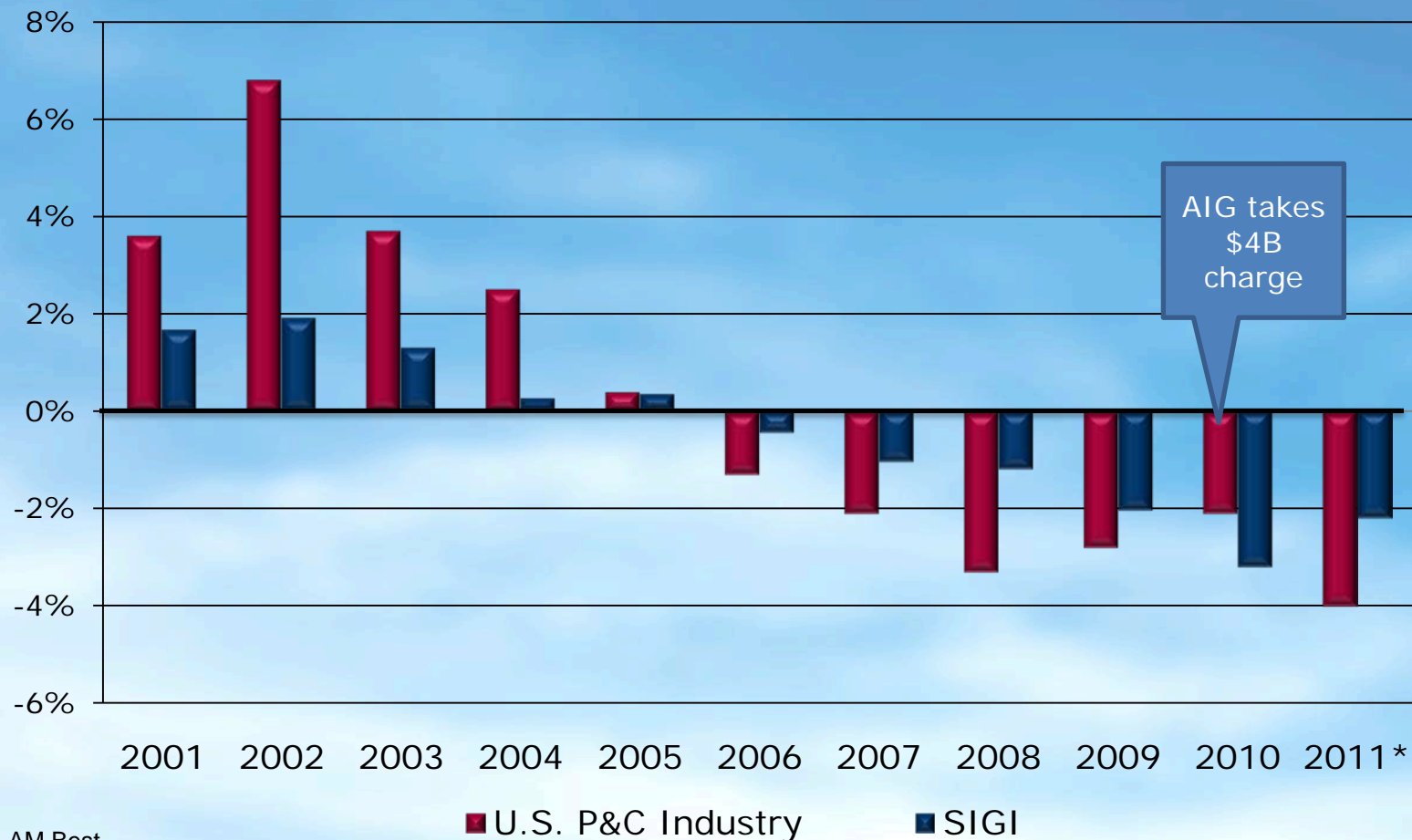
% of Equity at Risk (Near-term basis)



CAT cover: \$435M in excess of \$40M

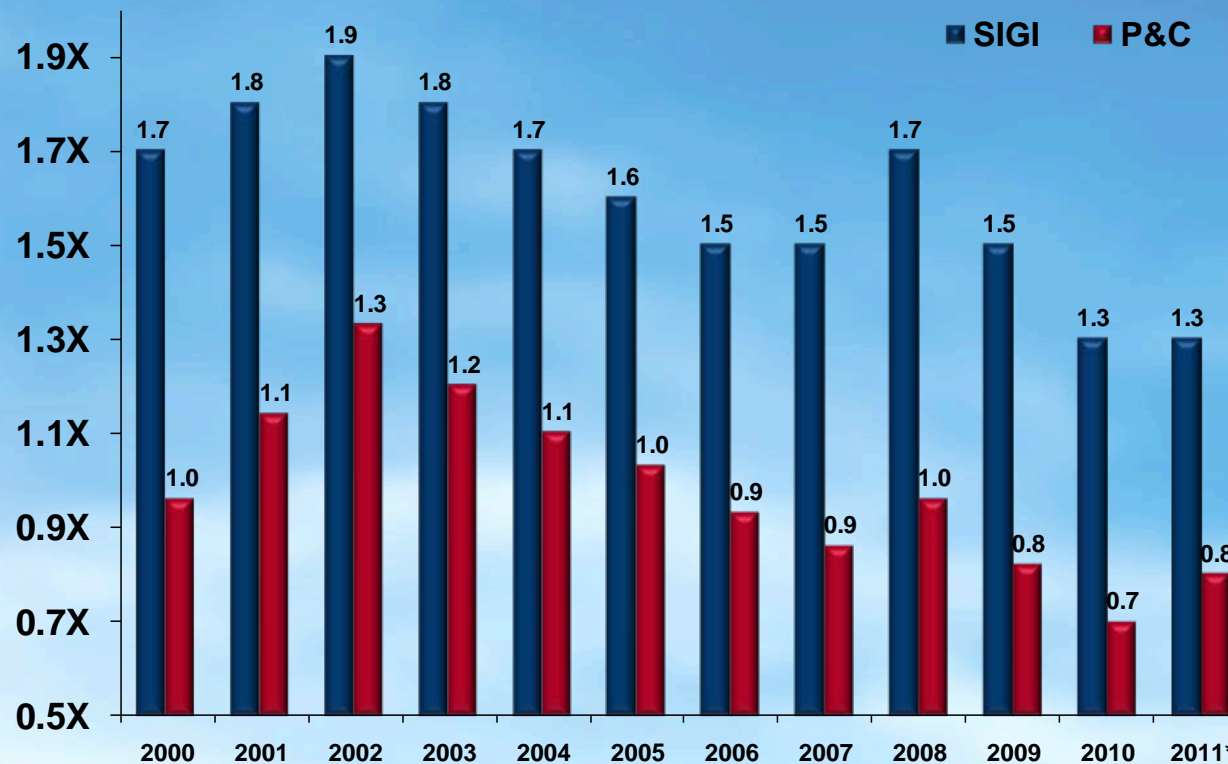
Percentages are net of tax, reinsurance and reinstatement premium.  
Data as of 7/10; Equity data as of 9/30/11.

# Adverse/ (Favorable) Points of Calendar Year Development



Source: AM Best  
\*June 30, 2011 YTD

# Premium-to-Surplus



1 point of Combined Ratio = 1 point of ROE

Sources: ISO, AM Best, III

\*6/30/11 YTD

**Financial  
Strength**

**Prepared for  
Tomorrow**

**Growth  
Opportunity**

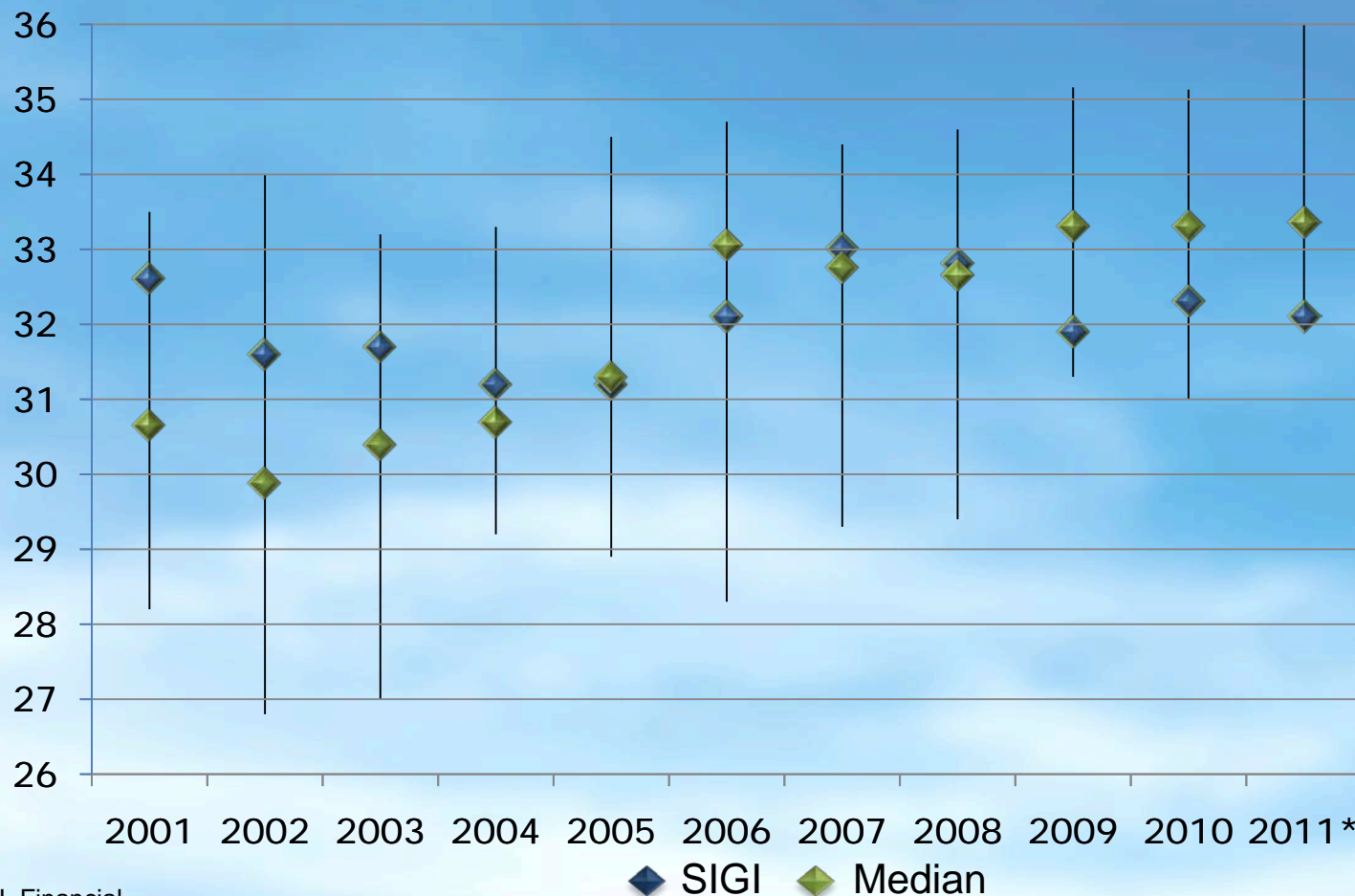
**Pricing  
Success**

**Long-Term  
Value Creation**



# Focus on Expense Management

## Regional Peers



Source: SNL Financial

Note: GAAP Expense Ratio including Dividends for regional peers (CINF, THG, HGIC, STFC and UFCS)

\*June 30, 2011 YTD

**Financial  
Strength**

**Prepared for  
Tomorrow**

**Growth  
Opportunity**

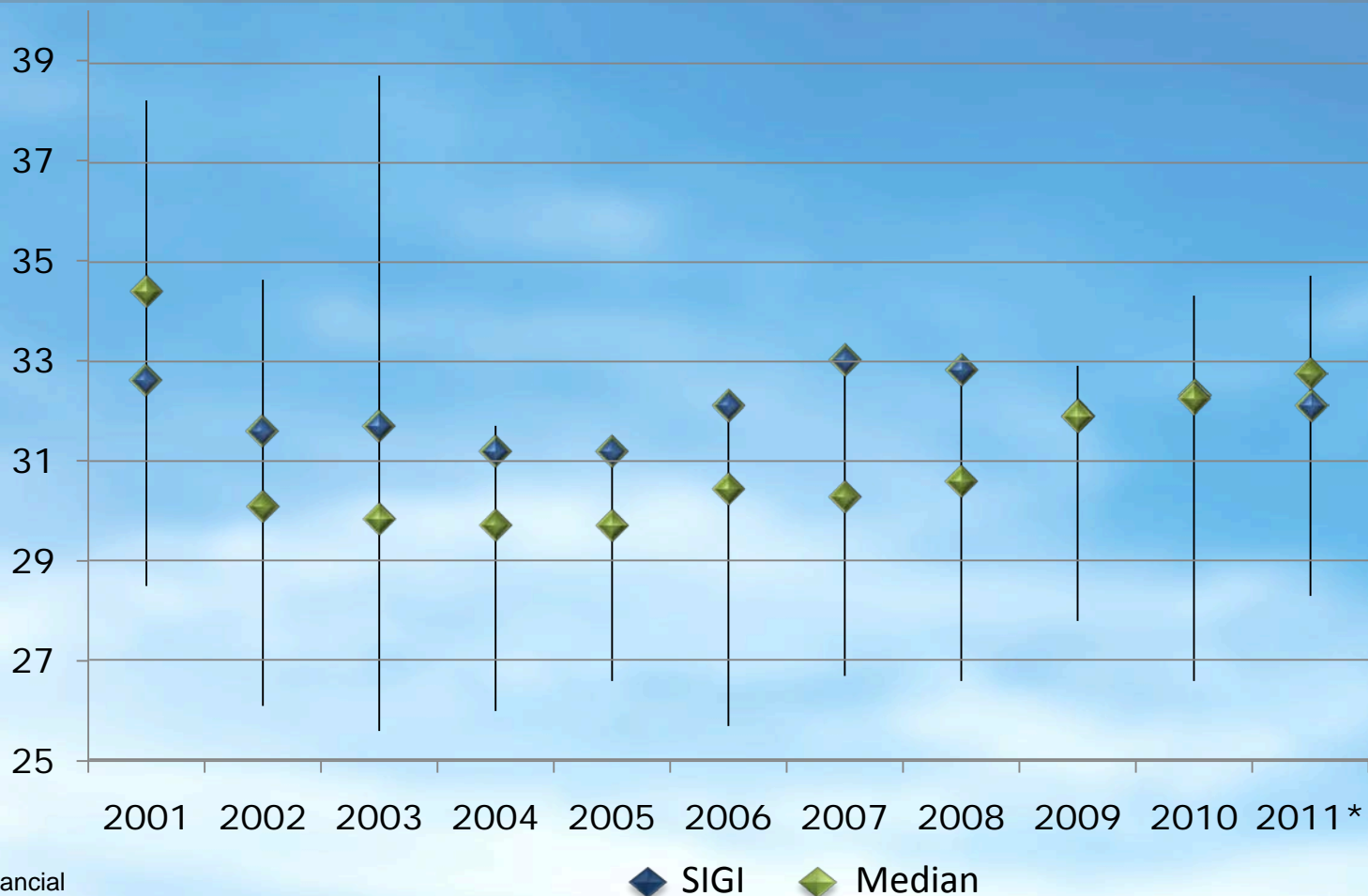
**Pricing  
Success**

**Long-Term  
Value Creation**



# Focus on Expense Management

## National Peers



Source: SNL Financial

Note: Expense Ratio including Dividends; National Peers include CNA, CB, HIG, TRV and WRB

\* June 30, 2011 YTD

**Financial  
Strength**

**Prepared for  
Tomorrow**

**Growth  
Opportunity**

**Pricing  
Success**

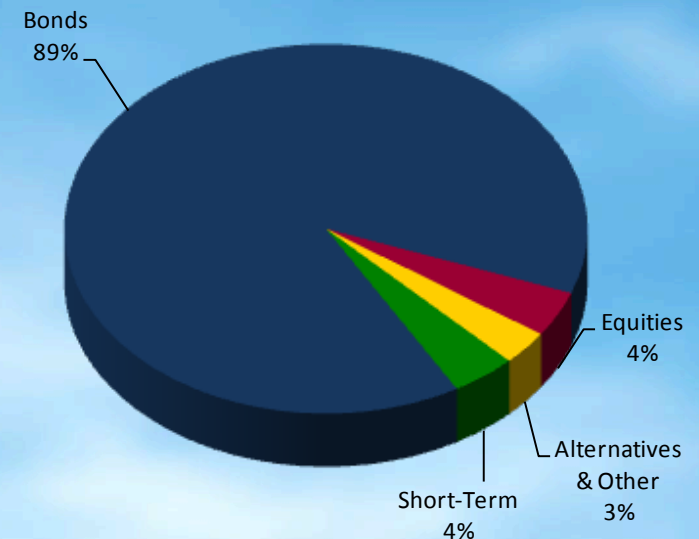
**Long-Term  
Value Creation**



# High Quality Investment Portfolio

- Average "AA-" bond quality
- Approximately 3.2 year average duration, including short-term
- Laddered maturity schedule
  - 41% matures within 3 years
  - 74% matures within 5 years
- Outsourcing provides access to broader market expertise

\$4.1B Invested Assets  
September 30, 2011



30 bps of Yield = 1 point of ROE

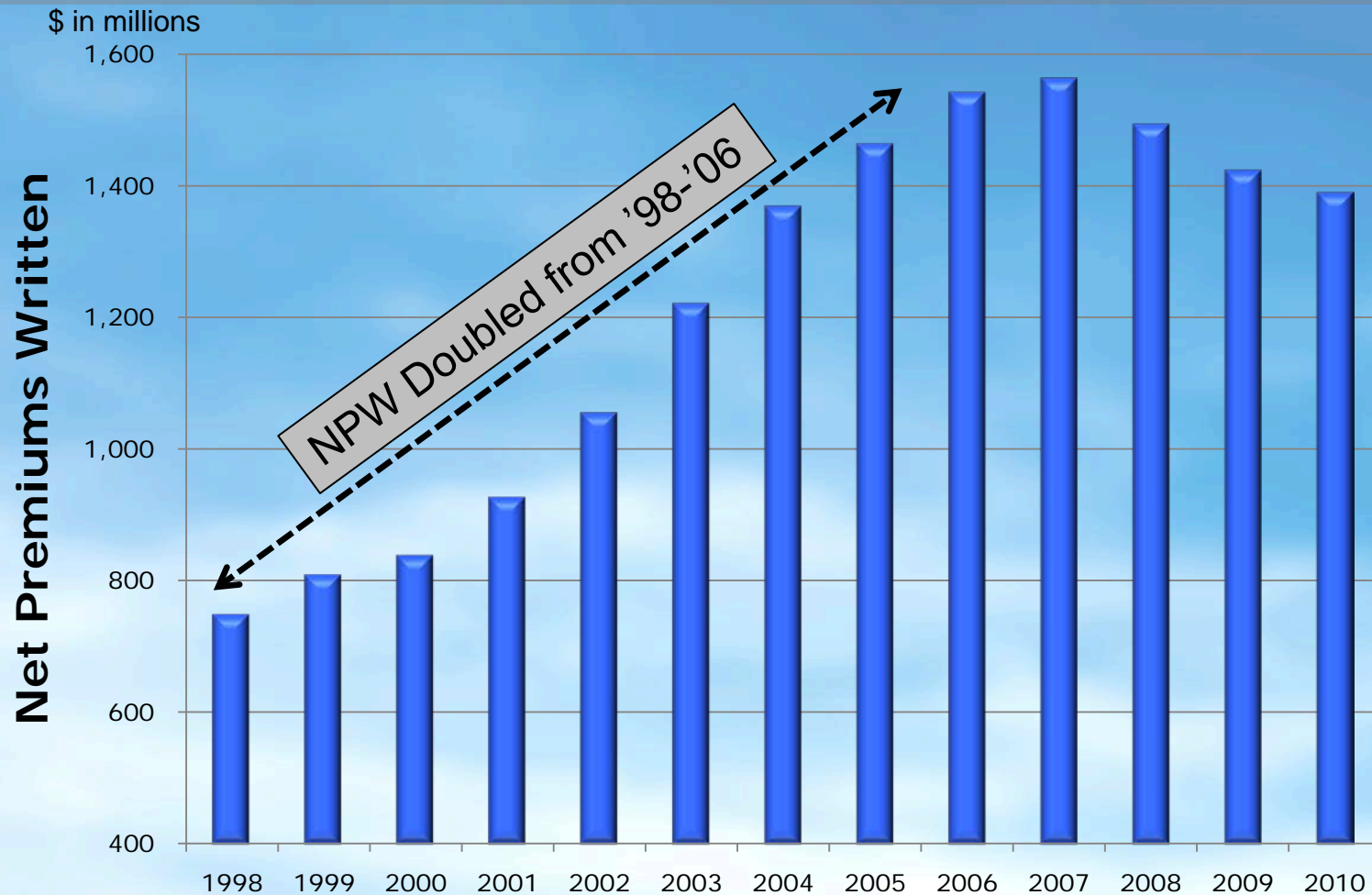


– SELECTIVE INSURANCE GROUP, INC. –



**PREPARED FOR TOMORROW**

# A Growth Company When the Time is Right



Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

Pricing  
Success

Long-Term  
Value Creation

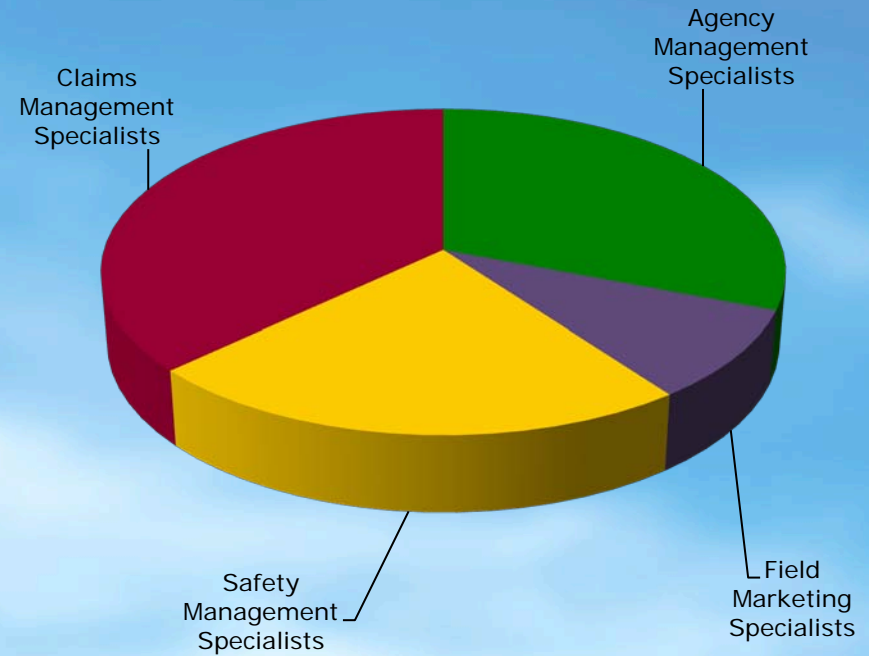


# Selective's Growth Opportunity

- Growth within current agency plant
  - Current share of wallet at 6.6%
  - 12.5% share of wallet would achieve \$3B in premium
- Commercial Lines product expansion
  - 33 products over past 2 ½ years
- Small Business and Personal Lines strategy
  - New Field Marketing Specialist role
  - Strategic additions to our agency plant focused on driving production and building scale
- Higher margin growth strategies
  - E&S contract binding authority transactions
  - Evaluating professional liability and other opportunities

# Field Model Supports Agents

- Local knowledge of insureds
- Full claims/underwriting authority
- Supported by sophisticated underwriting tools
- Safety management services lower frequency and increase retention
- Field Market Specialists
  - Drive Small Business & Personal Lines production
- 990 agents– franchise value



**Over 300 Field Personnel**

# Middle Market Dynamics

- Agency relationships are key
- Agents act as risk manager for insureds
- Field underwriting and claims model
- Predictive modeling used as a tool

# Middle Market Product Expansion

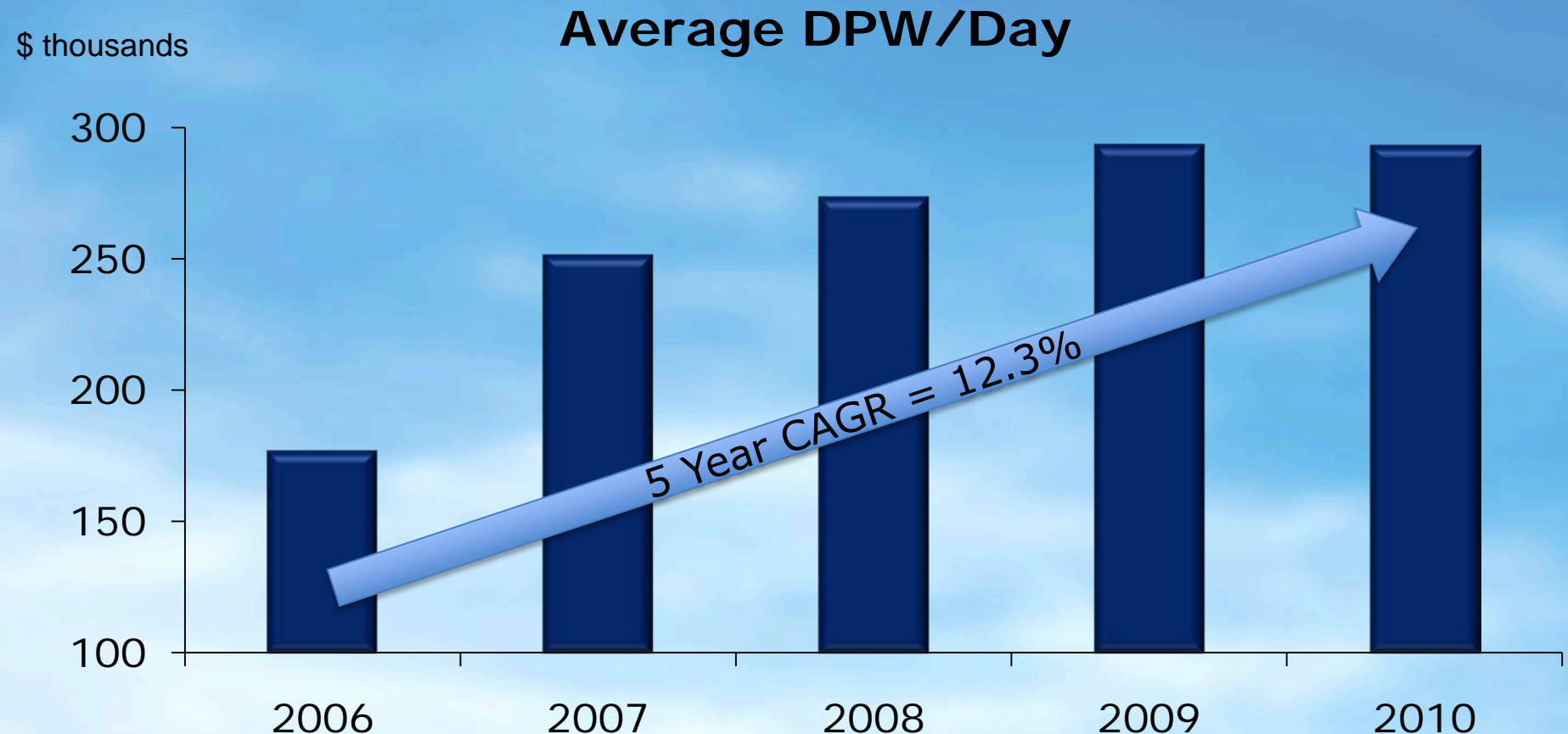
- Added 20 new and enhanced products in 2009
- Introduced another 13 in past 18 months
- New products
  - Aging Services, Identity Theft, Cyber Security, Technology
- Enhanced products
  - Resort Endorsement, Contractors GL, Property Coverage for Municipalities

# Small Business and Personal Lines Opportunity

- Build scale through expanded capabilities and strategic additions to our agency plant
- Predictive modeling is rule based
- Small business teams and Field Marketing Specialists improve ease of doing business
- Results in greater revenue diversification and improved results through market cycles



# Small Business Growth



Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

Pricing  
Success

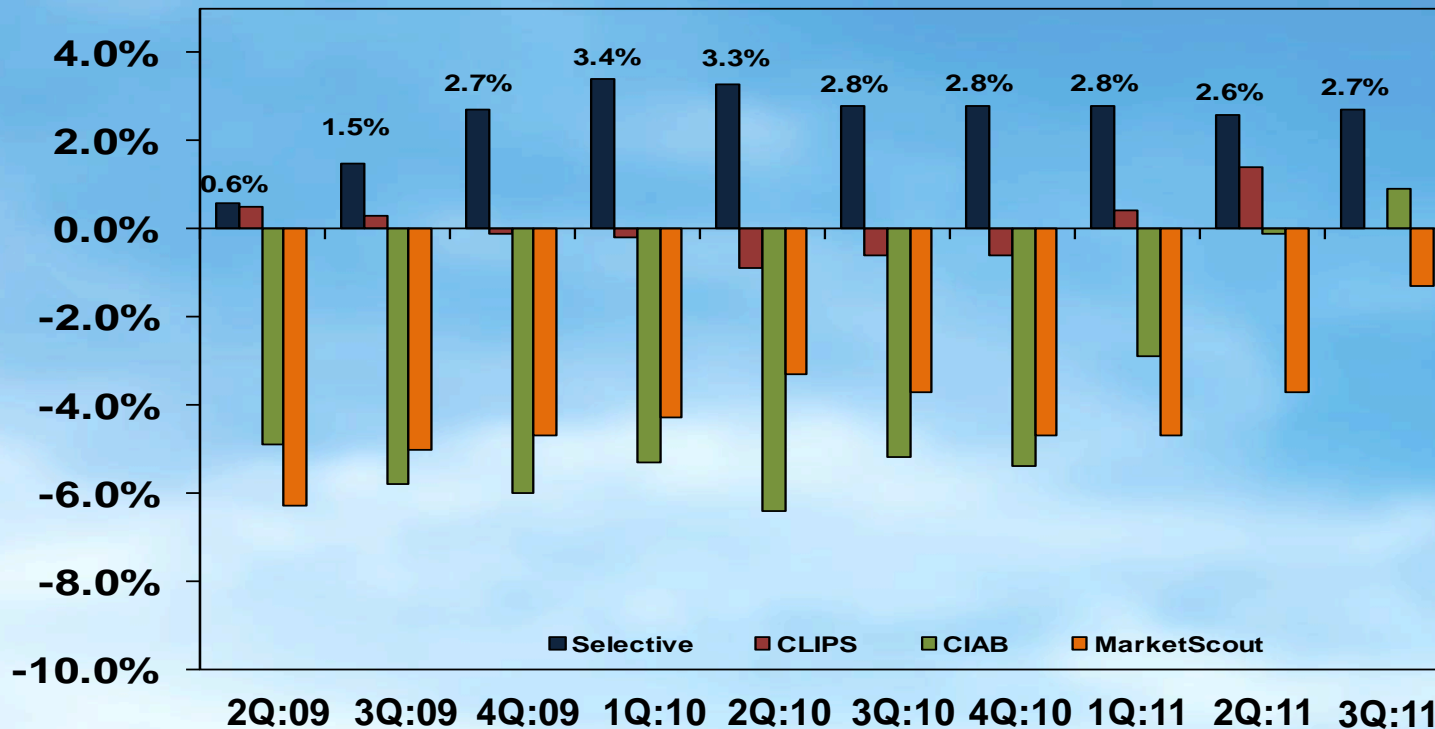
Long-Term  
Value Creation



# E&S Contract Binding Authority Product Expansion

- Renewal rights transaction with Alterra closed August 1<sup>st</sup>
  - Contributed \$8.4M of net premiums written in the 3<sup>rd</sup> quarter
- MUSIC acquisition provides 50 state licensed E&S company
  - Expected to close in the 4<sup>th</sup> quarter of 2011
- Both books approximately 75% casualty lines and 25% property
  - Primarily general liability, no workers compensation
- 55 MUSIC wholesale agents virtually no overlap with 40 Alterra wholesale agents
- Estimated \$300-400 million of CBA E&S business currently written through Selective agents

# Selective's Commercial Lines Renewal Pricing Success



10 consecutive quarters of positive price

Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

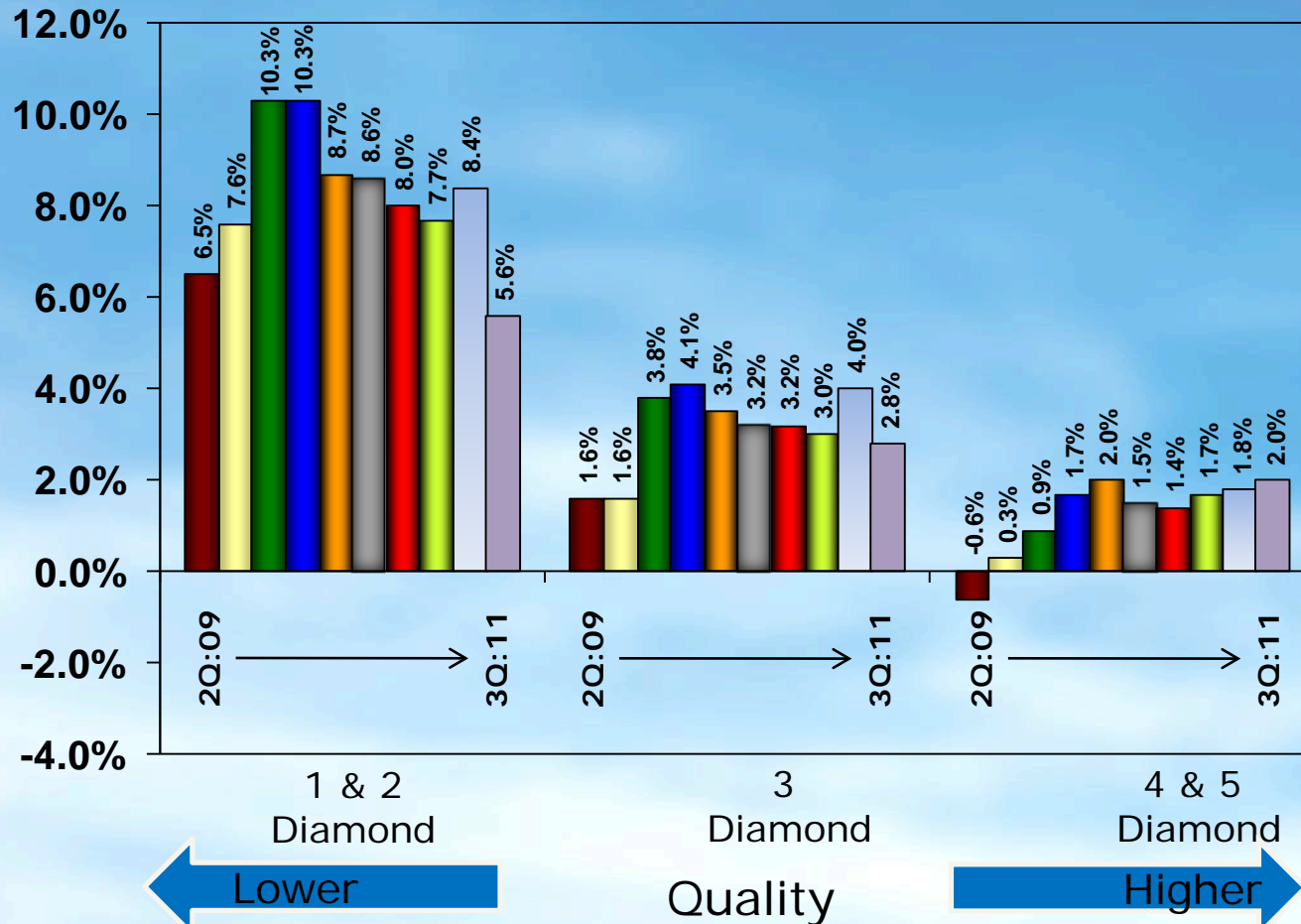
Pricing  
Success

Long-Term  
Value Creation



# Granular Pricing Capabilities

## Quarterly Pricing by Diamond



Financial  
Strength

Prepared for  
Tomorrow

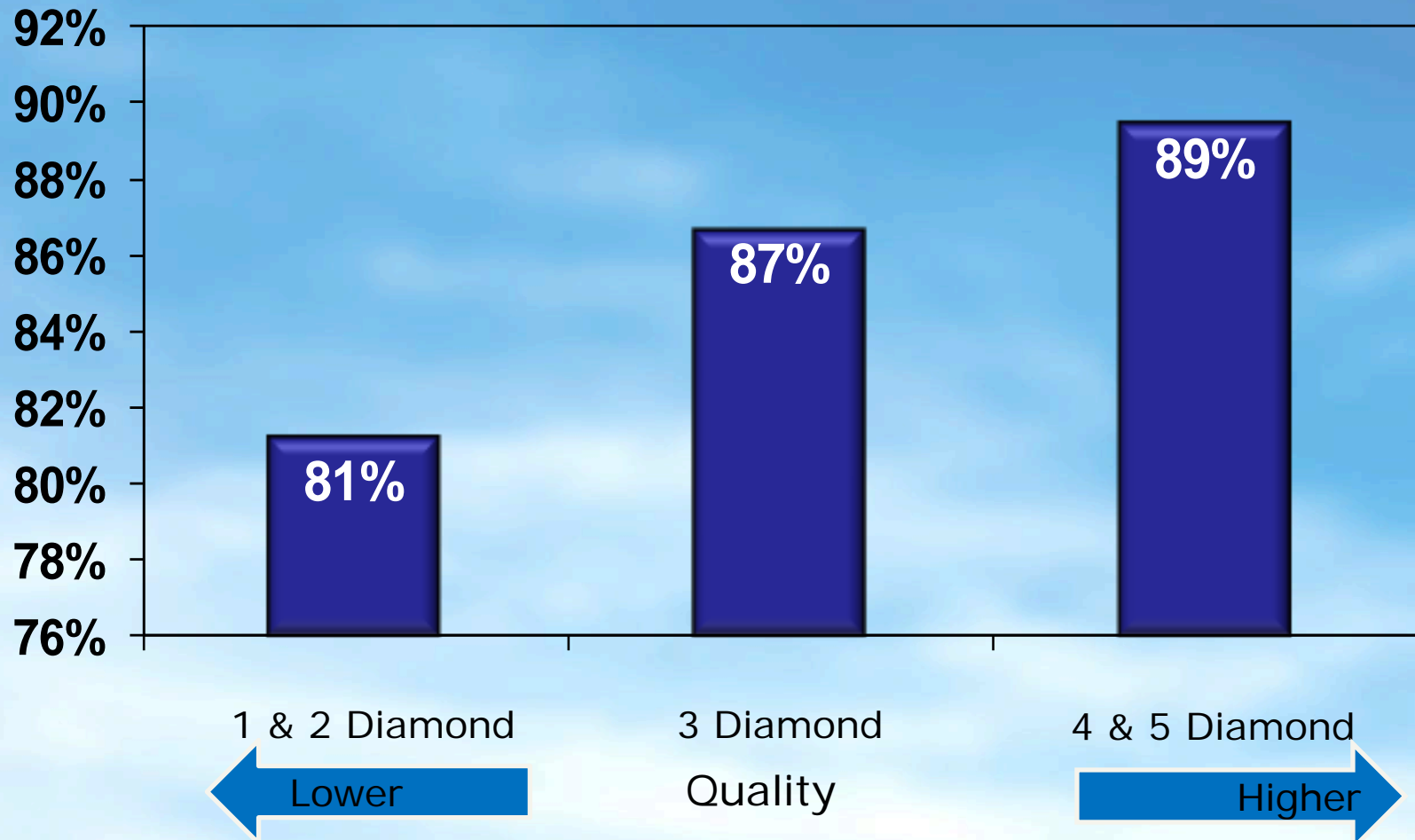
Growth  
Opportunity

Pricing  
Success

Long-Term  
Value Creation



# Retaining our Best Commercial Business



Retention at point of renewal as of September 30, 2011

Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

Pricing  
Success

Long-Term  
Value Creation



SELECTIVE®

# Personal Lines Rate Success

**Blended In-force Rate**



New Business DPW	\$39	\$43	\$55	\$62
---------------------	------	------	------	------

**Financial  
Strength**

**Prepared for  
Tomorrow**

**Growth  
Opportunity**

**Pricing  
Success**

**Long-Term  
Value Creation**



# Driving Down Cost of Goods Sold

- 3 point reduction in loss costs expected over 3 years
  - Specialized claims handling model
  - Proactive medical management
  - Staff counsel expansion
  - Streamlined management of claims files
  - Fraud analytics
  - Subrogation process redesign

Already achieved \$8M savings from 2011 initiatives



# Long-Term Shareholder Value Creation



Current Dividend Yield: 3.4%

\*Annualized Indicated Dividend

Financial  
Strength

Prepared for  
Tomorrow

Growth  
Opportunity

Pricing  
Success

Long-Term  
Value Creation

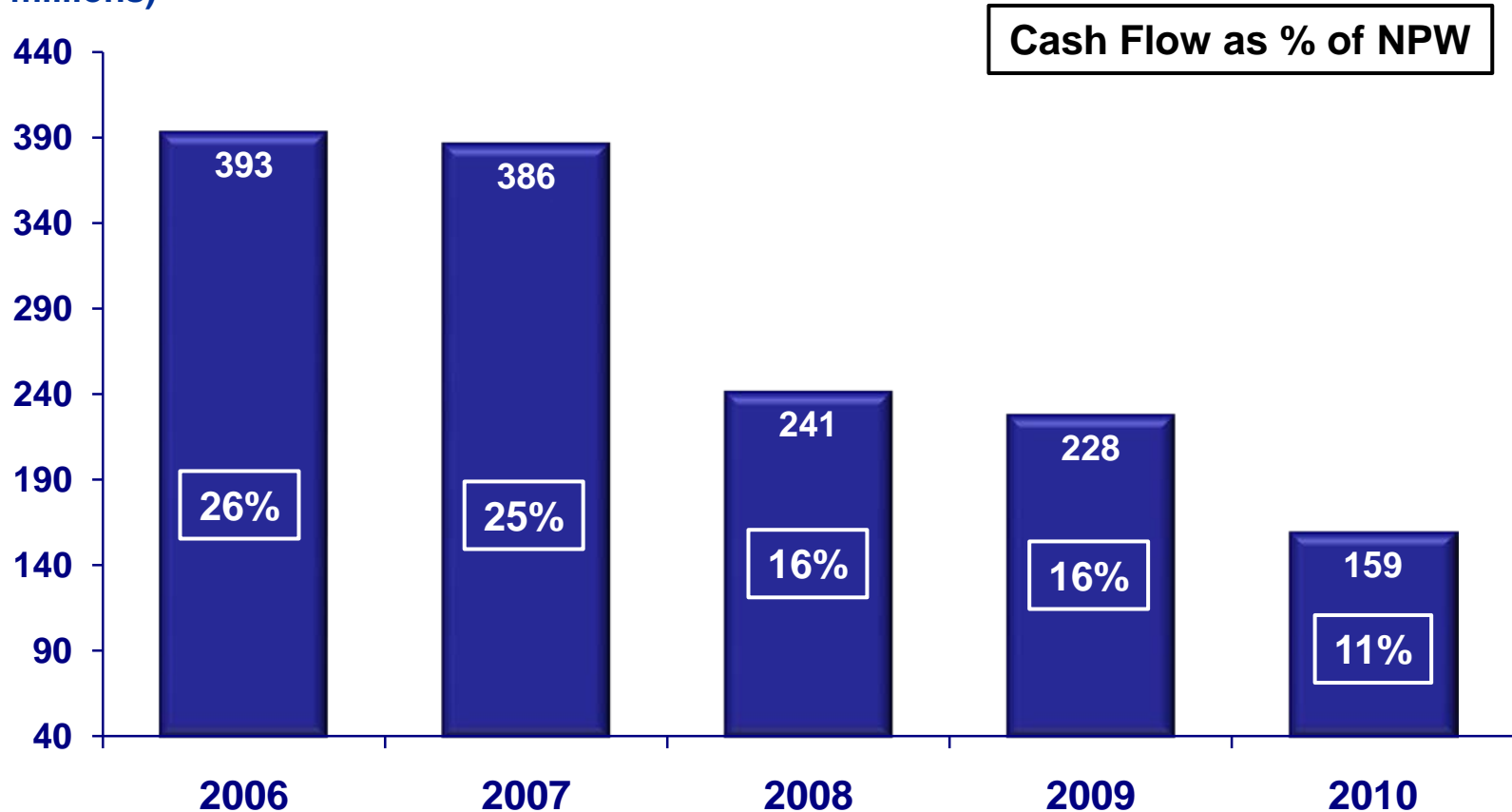
 SELECTIVE®

# Financial Highlights 2006 – Q3 2011

	Q3:2011	Q2:2011	Q1:2011	2010	2009	2008	2007	2006
<b>NPW Growth</b>	8.1%	5.9%	(1.7)%	(2.3)%	(4.7)%	(4.5)%	1.4%	5.3%
<b>Operating EPS</b>	\$(0.34)	\$0.01	\$0.32	\$1.35	\$1.39	\$1.43	\$2.16	\$2.23
<b>Net Income per Share</b>	\$(0.37)	\$0.04	\$0.39	\$1.20	\$0.68	\$0.82	\$2.59	\$2.65
<b>Dividend per Share</b>	\$0.13	\$0.13	\$0.13	\$0.52	\$0.52	\$0.52	\$0.49	\$0.44
<b>Book Value</b>	\$20.04	\$20.33	\$20.06	\$19.95	\$18.83	\$16.84	\$19.81	\$18.81
<b>Return on Equity</b>	(7.4)%	0.9%	8.0%	6.3%	3.8%	4.5%	13.6%	15.9%
<b>Operating Return on Equity</b>	(6.6)%	0.3%	6.6%	7.1%	7.9%	7.8%	11.3%	13.3%
<b>Statutory Combined Ratio - Total</b>	116.4%	109.5%	102.6%	101.6%	100.5%	99.2%	97.5%	95.4%
<b>- Commercial Lines</b>	110.7%	108.2%	100.6%	100.8%	99.8%	98.5%	95.9%	95.0%
<b>- Personal Lines</b>	141.4%	115.3%	111.5%	106.4%	104.4%	103.7%	107.9%	98.2%
<b>GAAP Combined Ratio - Total</b>	119.0%	109.2%	103.2%	101.6%	99.8%	100.0%	98.0%	95.3%
<b>- Commercial Lines</b>	113.5%	107.7%	101.7%	100.1%	98.8%	99.2%	96.5%	94.9%
<b>- Personal Lines</b>	143.2%	115.9%	109.7%	108.5%	105.6%	105.1%	107.7%	97.8%

# Net Operating Cash Flow

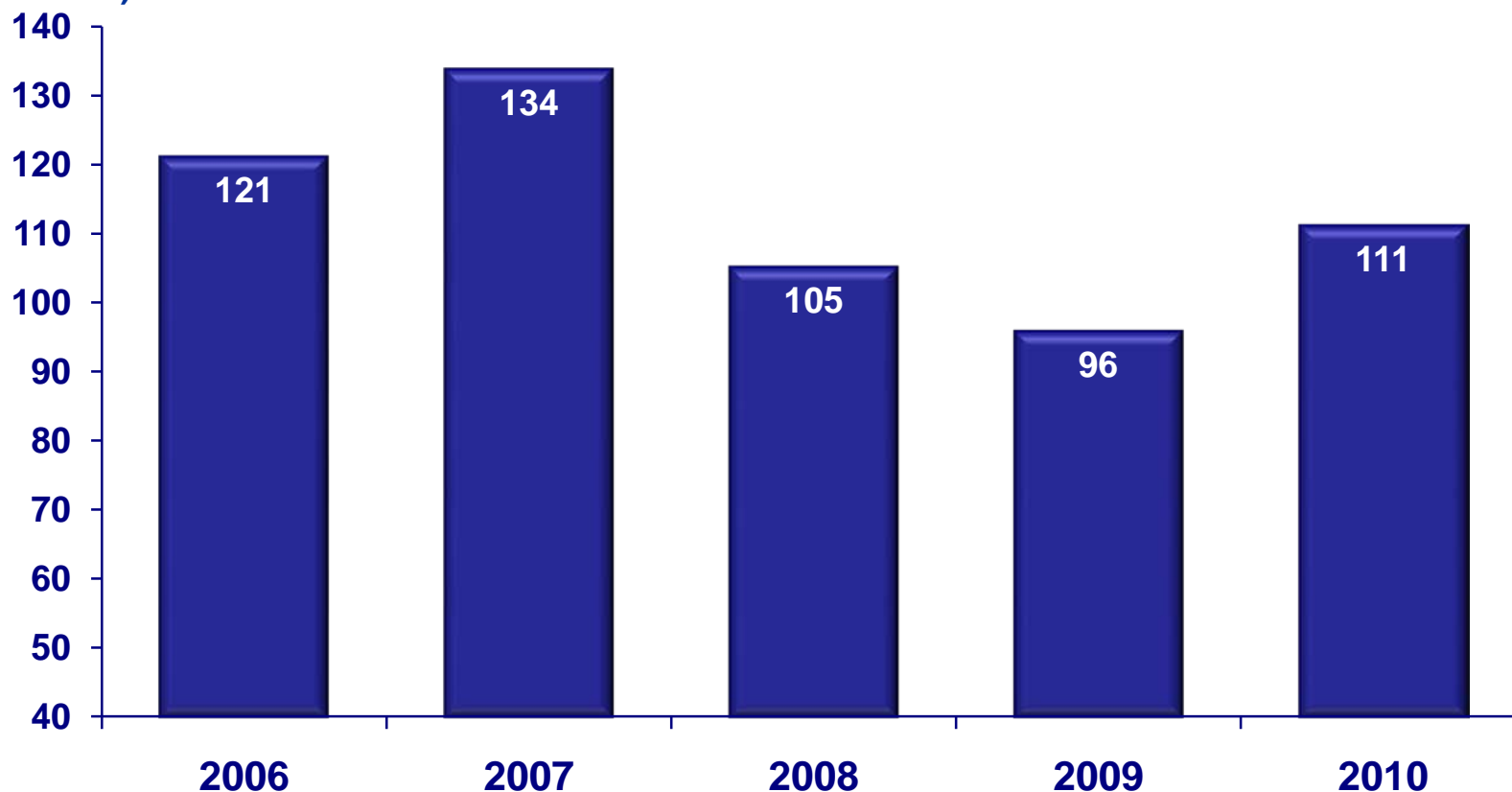
(\$ in millions)



YTD September 2011: \$127M

# Investment Income – After-tax

(\$ in millions)

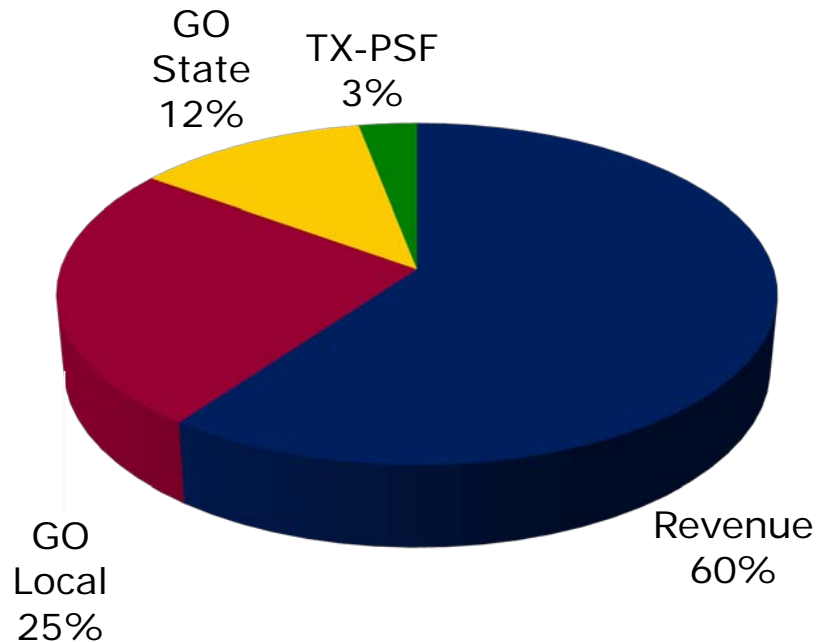


YTD September 2011: \$89M

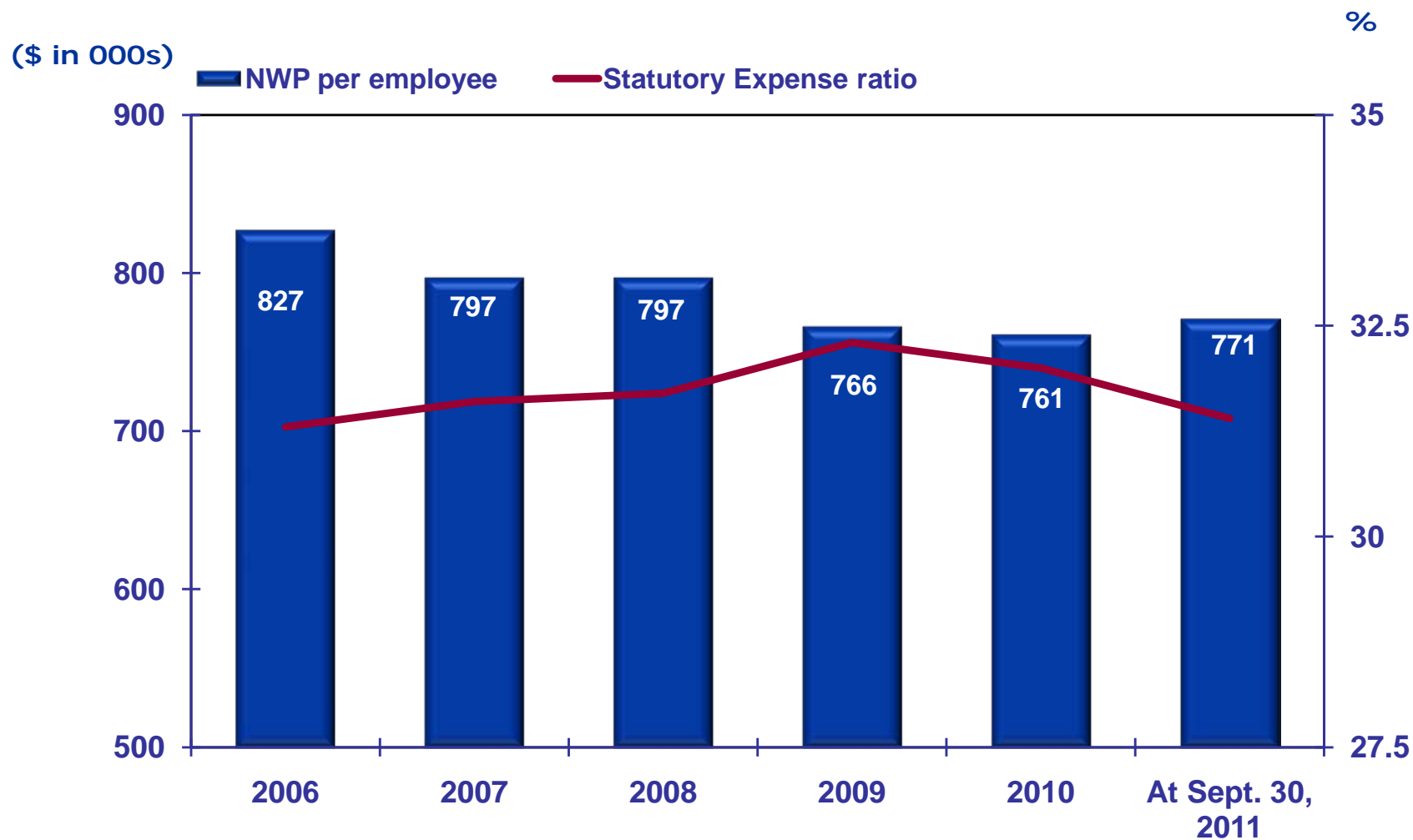
# Diversified Municipal Portfolio

- \$1.3 billion portfolio
- Average “AA” rated
- 39% of portfolio matures within 3 years
- Diversified among 273 issuers
- NY, CA, NJ, IL represent \$35M or 2.6% of portfolio

## Repayment Source September 30, 2011

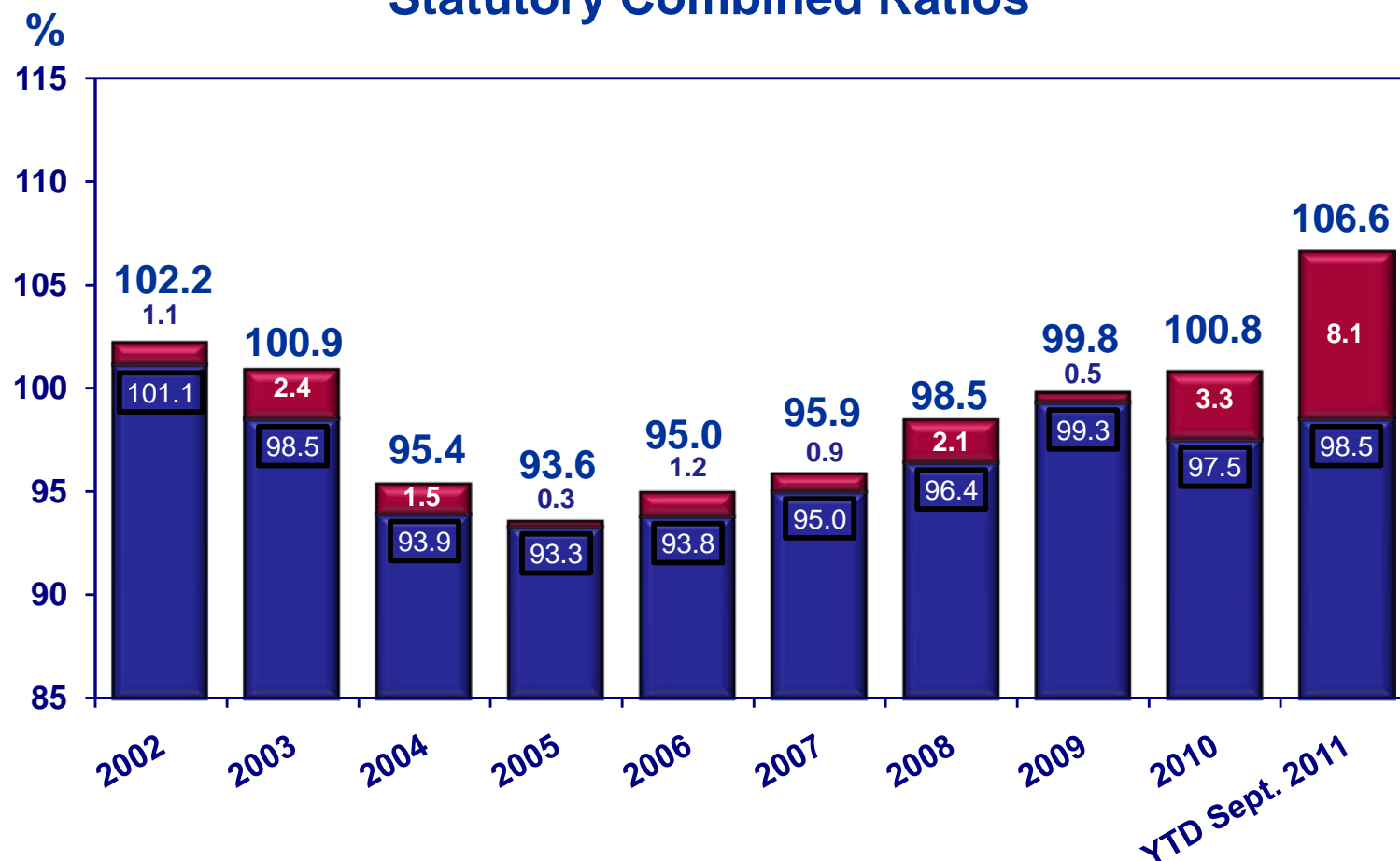


# Insurance Operations Productivity



# Commercial Lines Profitability

## Statutory Combined Ratios



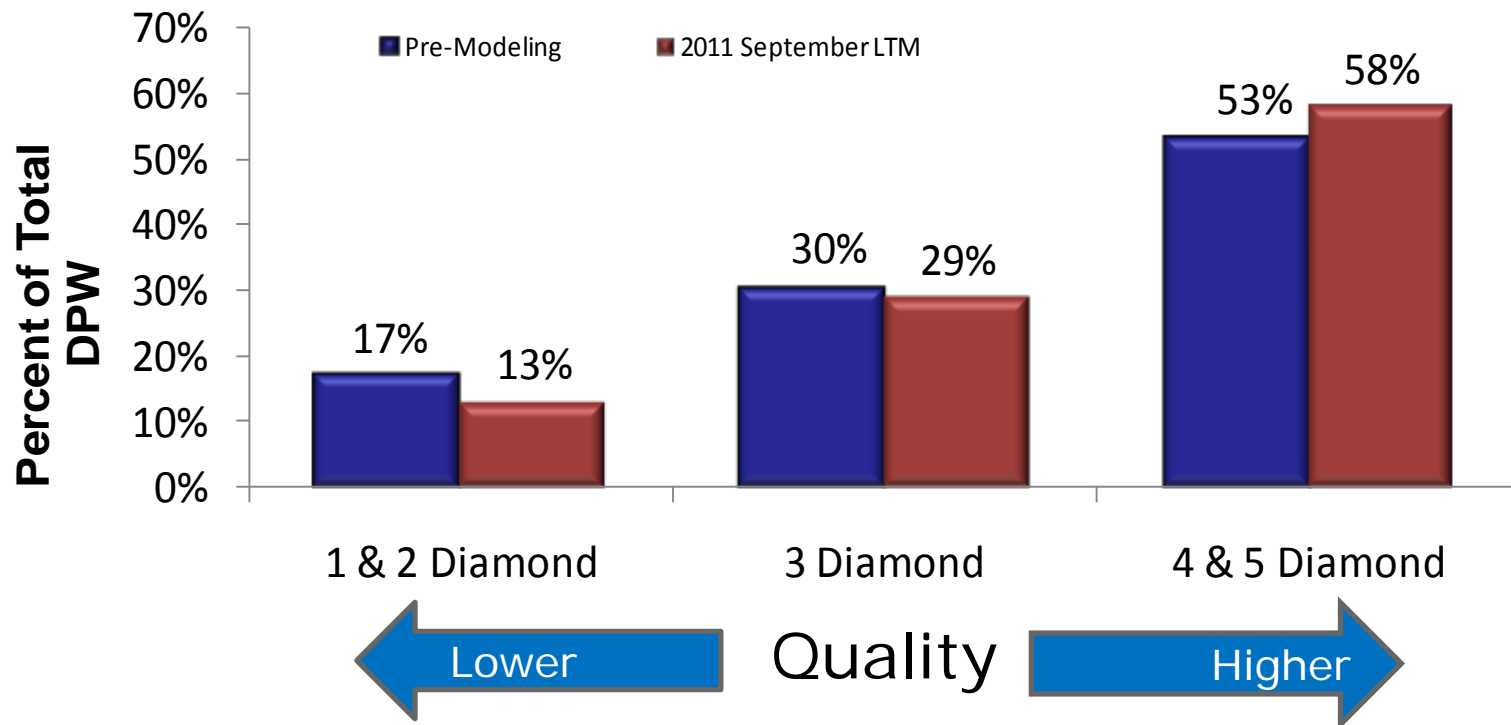
 Impact of Catastrophe  
 Combined Ratio excluding CATS



# Commercial Lines New Business Quality Improvement

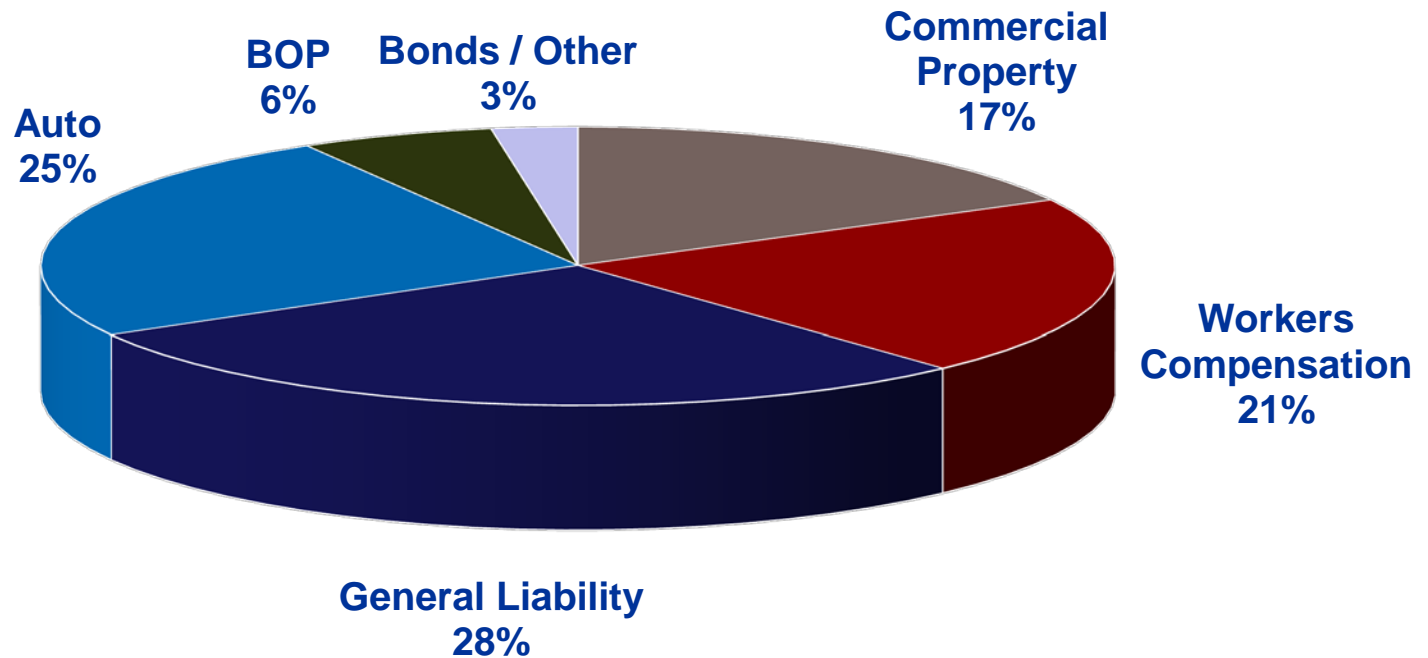
Percent of Total New Premium Diamond Distribution

WC, BOP, CPP, CA



# Commercial Lines Premium by Line of Business

## 2010 Statutory Net Premium Written



# Premium by Strategic Business Unit

## 2010 Direct Premium Written

