

Welcome —2012 Investor Day

Jennifer DiBerardino

SVP, Investor Relations & Treasurer



SUCCESS THROUGH DIFFERENTIATION



Agenda

• Welcome	Jennifer DiBerardino
• Strategic Overview	Greg Murphy
• Financial Overview: Foundation for Success	Dale Thatcher
• Insurance Operations: What Drives Our Success	John Marchioni
• Personal Lines: Sustainable Profitability	Allen Anderson
• Commercial Lines: Key Success Factors	Dennis Barger
• Break	
• Field Model: Great People Empowered to Make Decisions	Brenda Hall
• Claims: Managing Information to Achieve Better Outcomes	Doug Holbrook
• Customer Experience and Branding	John Marchioni
• Agent Panel Discussion, <ul style="list-style-type: none"> — Mike Gautreaux, AI Agency — Jay Taylor, Kinghorn Agency — John Willenborg, Selective Territory Manager — Jayson Bass, Allied Agency — Jerry Niewiek, Berends-Hendricks Stuit Insurance 	
• Summary/Q&A	Greg Murphy
• Reception	

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.



Strategic Overview

Greg Murphy

Chairman, President & CEO



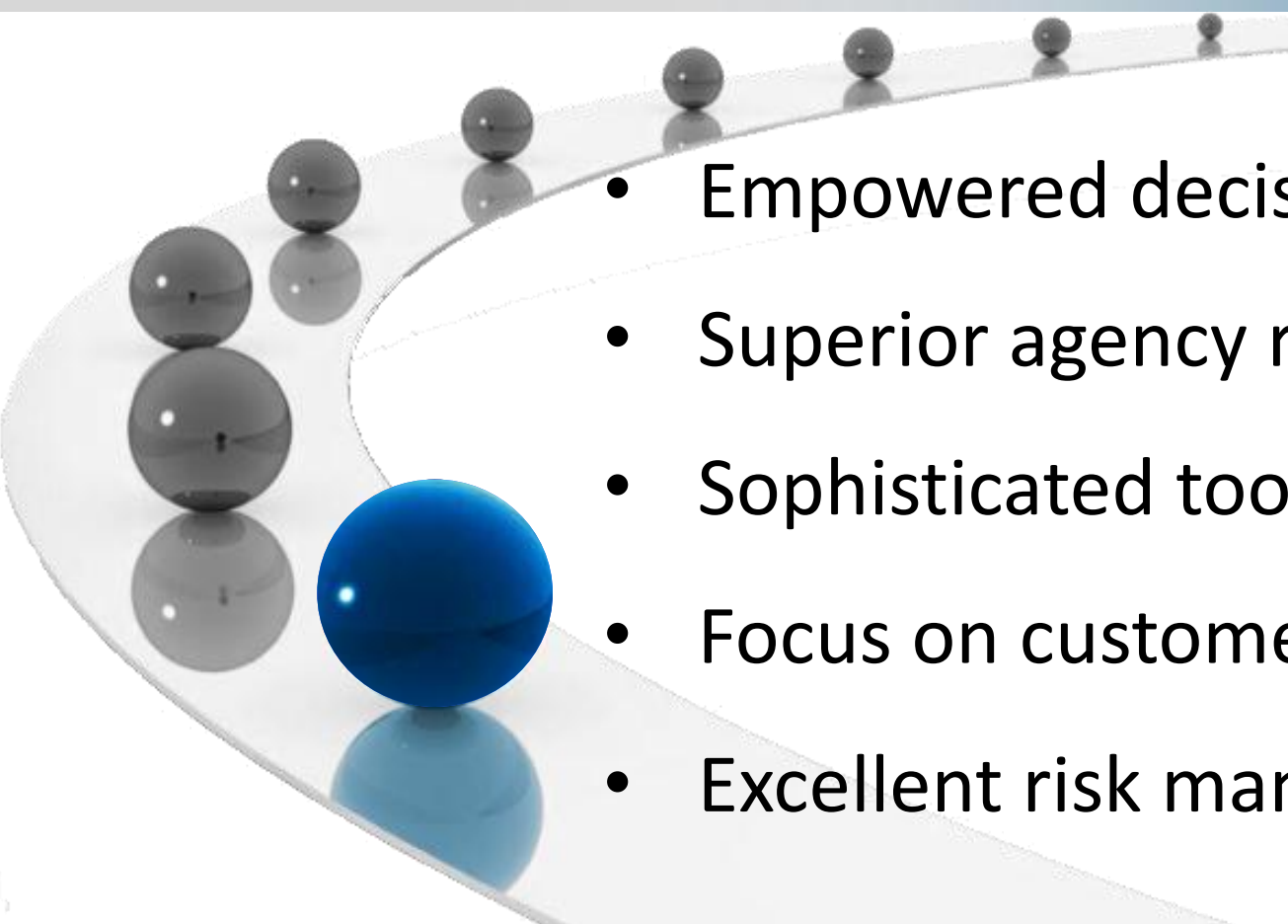
SUCCESS THROUGH DIFFERENTIATION

Selective: Super-Regional Carrier Positioned for Success



- Unique super-regional
- History of financial strength
- Focused on delivering shareholder value

What Makes Us Unique

- 
- Empowered decision makers
 - Superior agency relationships
 - Sophisticated tools
 - Focus on customer experience
 - Excellent risk management

Culture of Continuous Improvement

A Regional with National Capabilities

Capabilities of a National

- Sophisticated pricing
- Fraud and recovery models
- Advanced data and technology

Nimbleness of a Regional

- Relationships
- Local decision making

**Selective:
A Unique
Super-Regional**

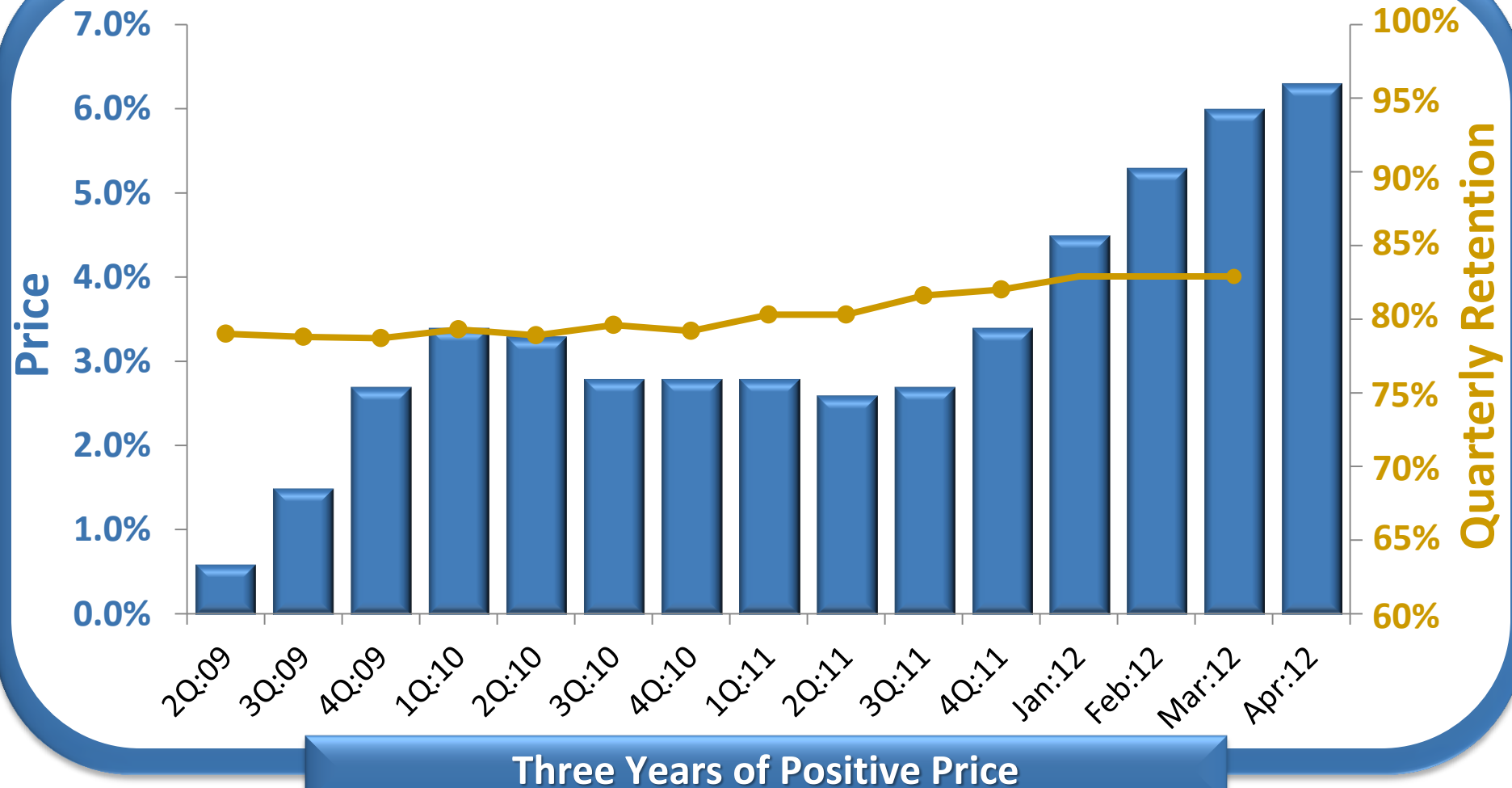
Selective: Regional with National Capabilities



Selective: Super-Regional Carrier Positioned for Success

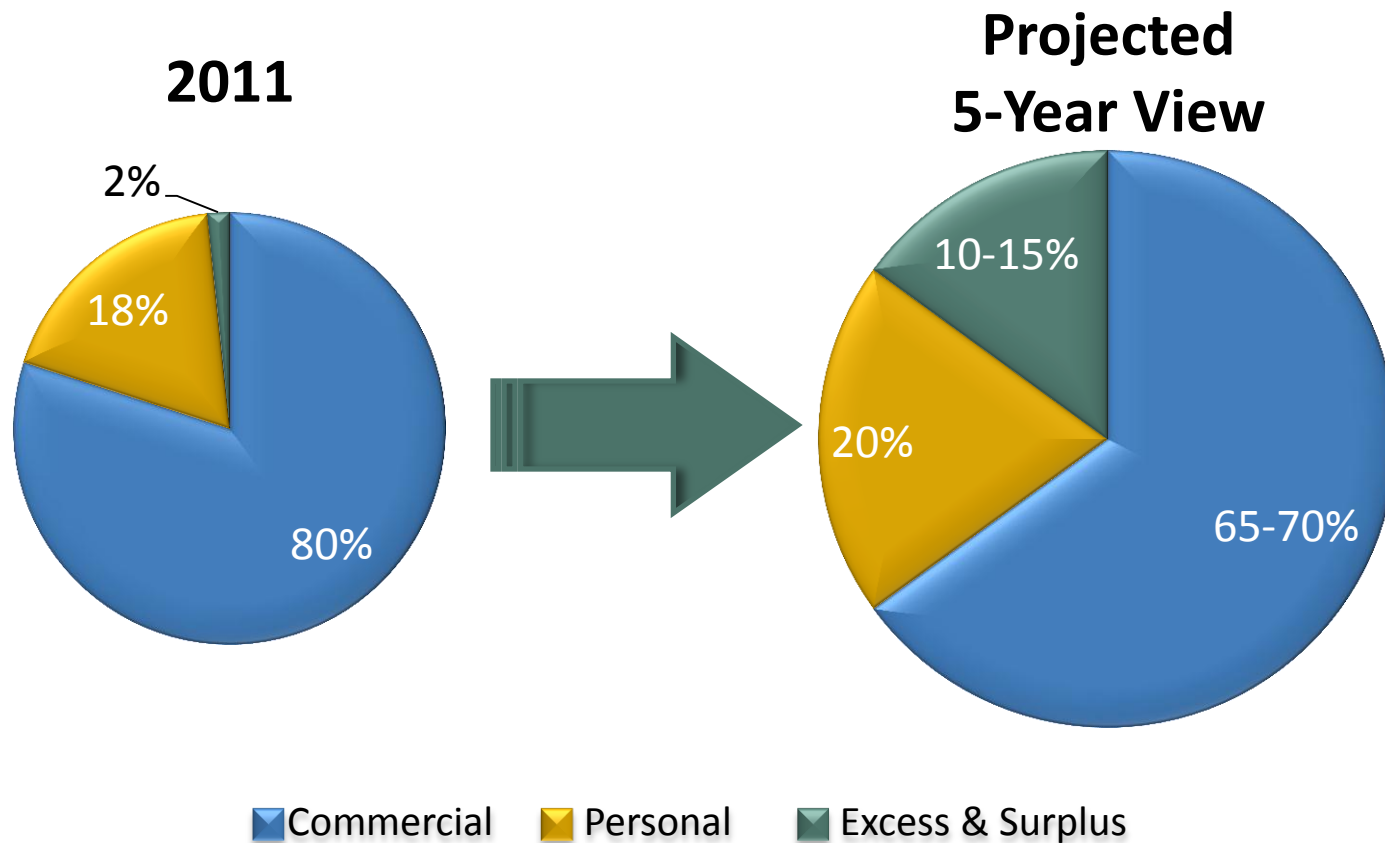
**Our strong relationships and
nimbleness drive success in the
marketplace**

Relationships Drive Pricing Through the Cycle

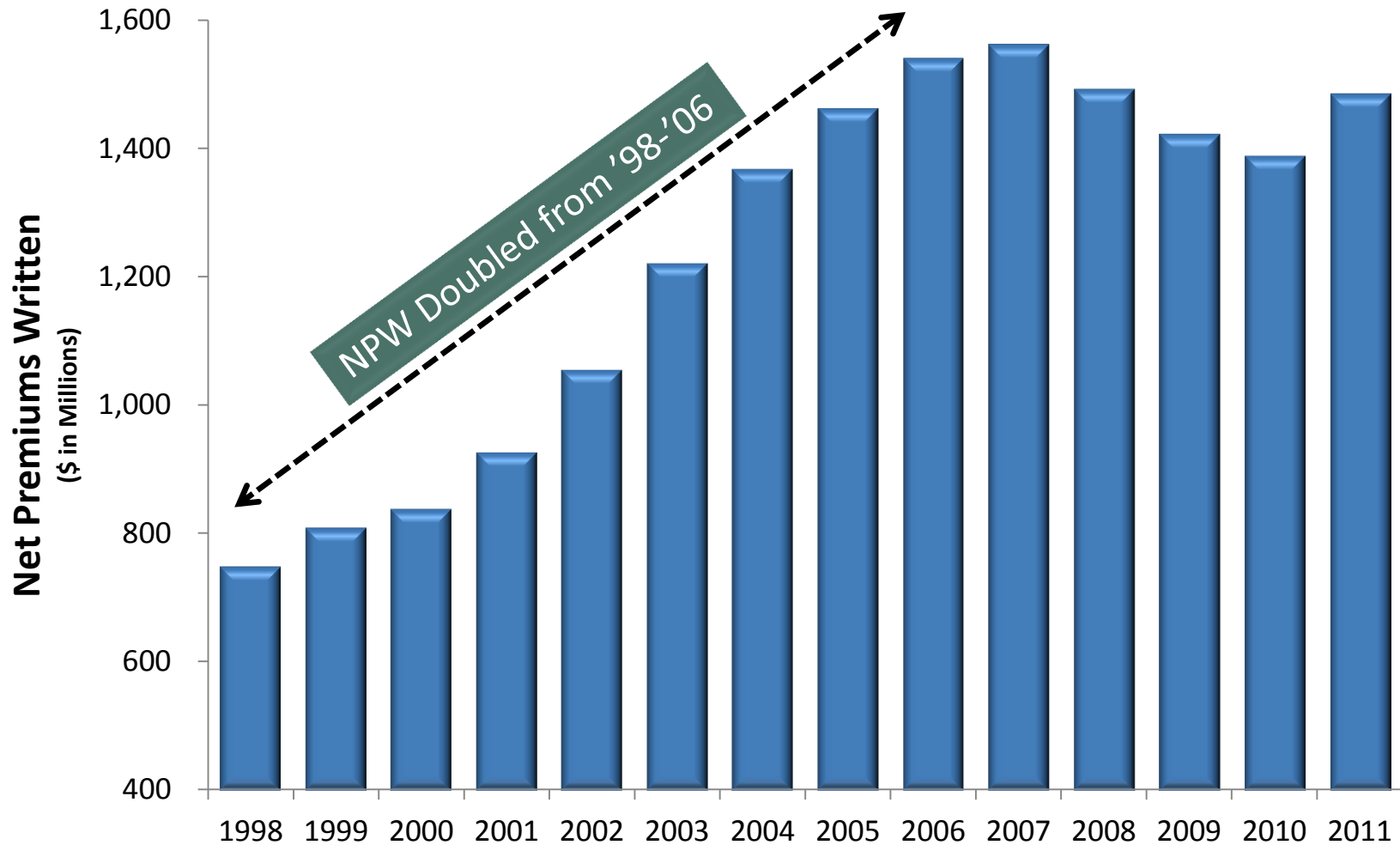


Diversification Leads to Profit Opportunities

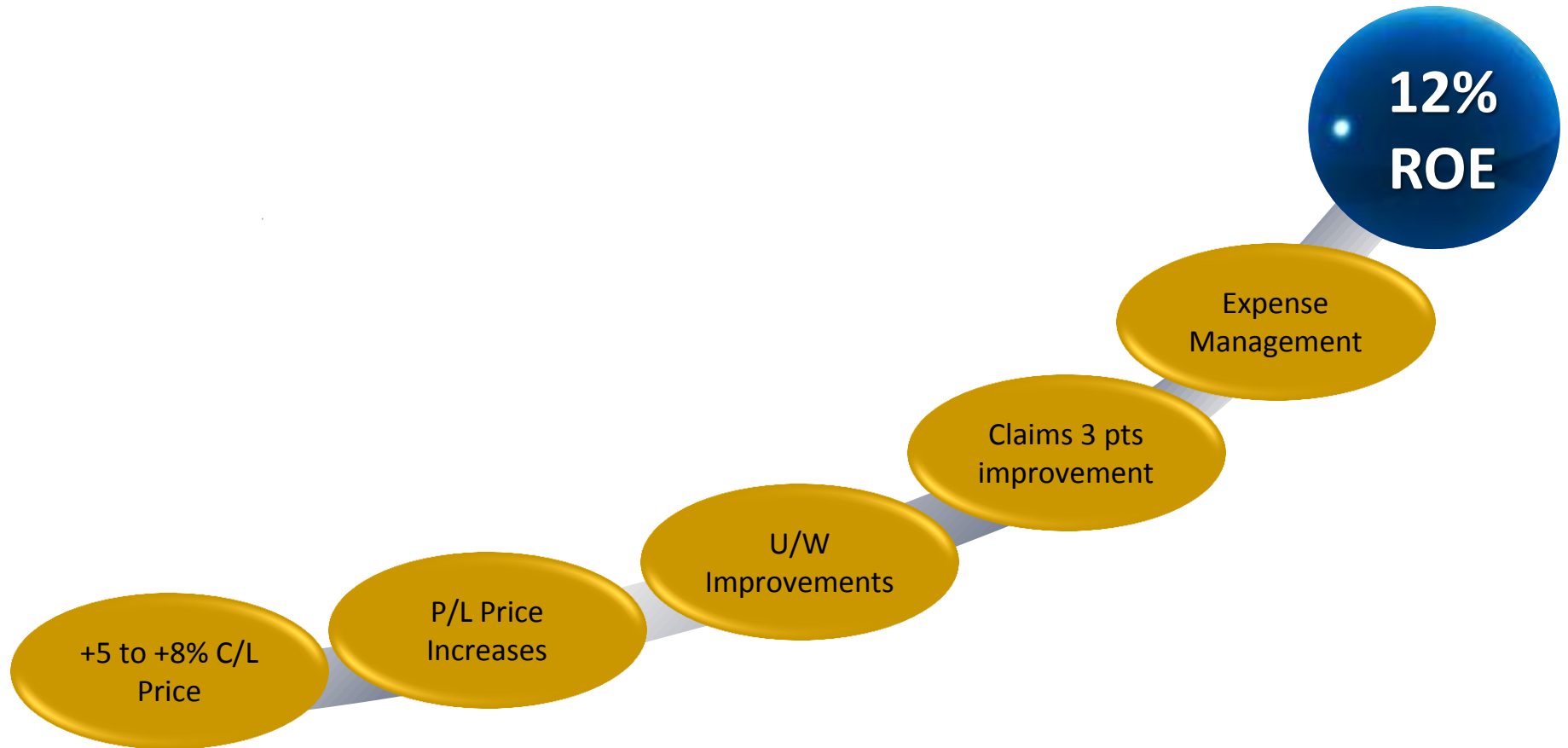
Net Premiums Written %



A Growth Company When the Time is Right



Focused on Continuous Improvement



Why Invest in Selective?

- Strong balance sheet limits downside
- Proven ability to manage the market cycle
- Growth at the right time
- Attractive valuation



Foundation for Success

Dale Thatcher

EVP, Chief Financial Officer

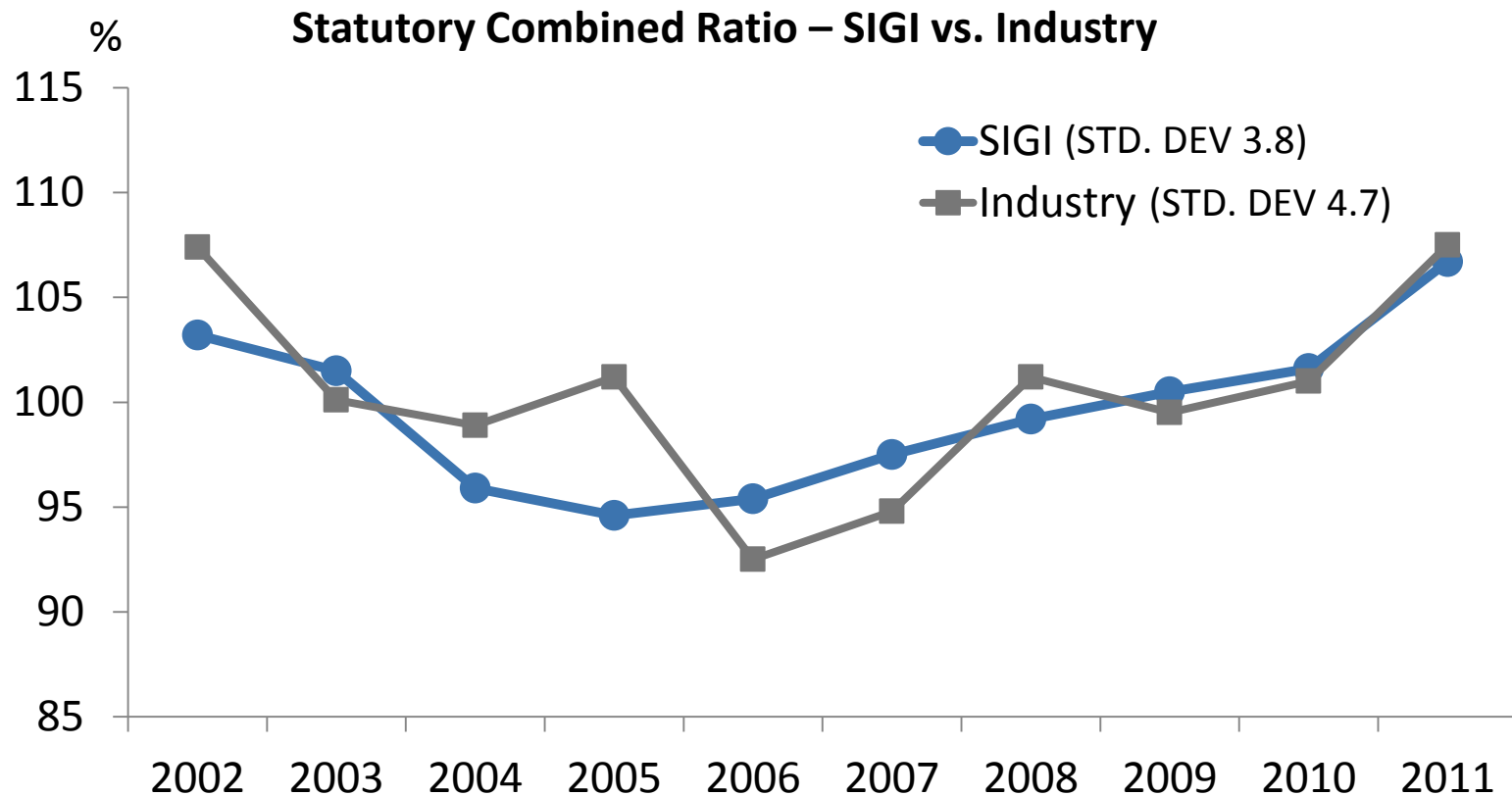


SUCCESS THROUGH DIFFERENTIATION

Financial Strength is Foundation for Success

- Underwriting stability
- Disciplined reserving
- Focused expense management
- Conservative investments
- Benefits of leverage

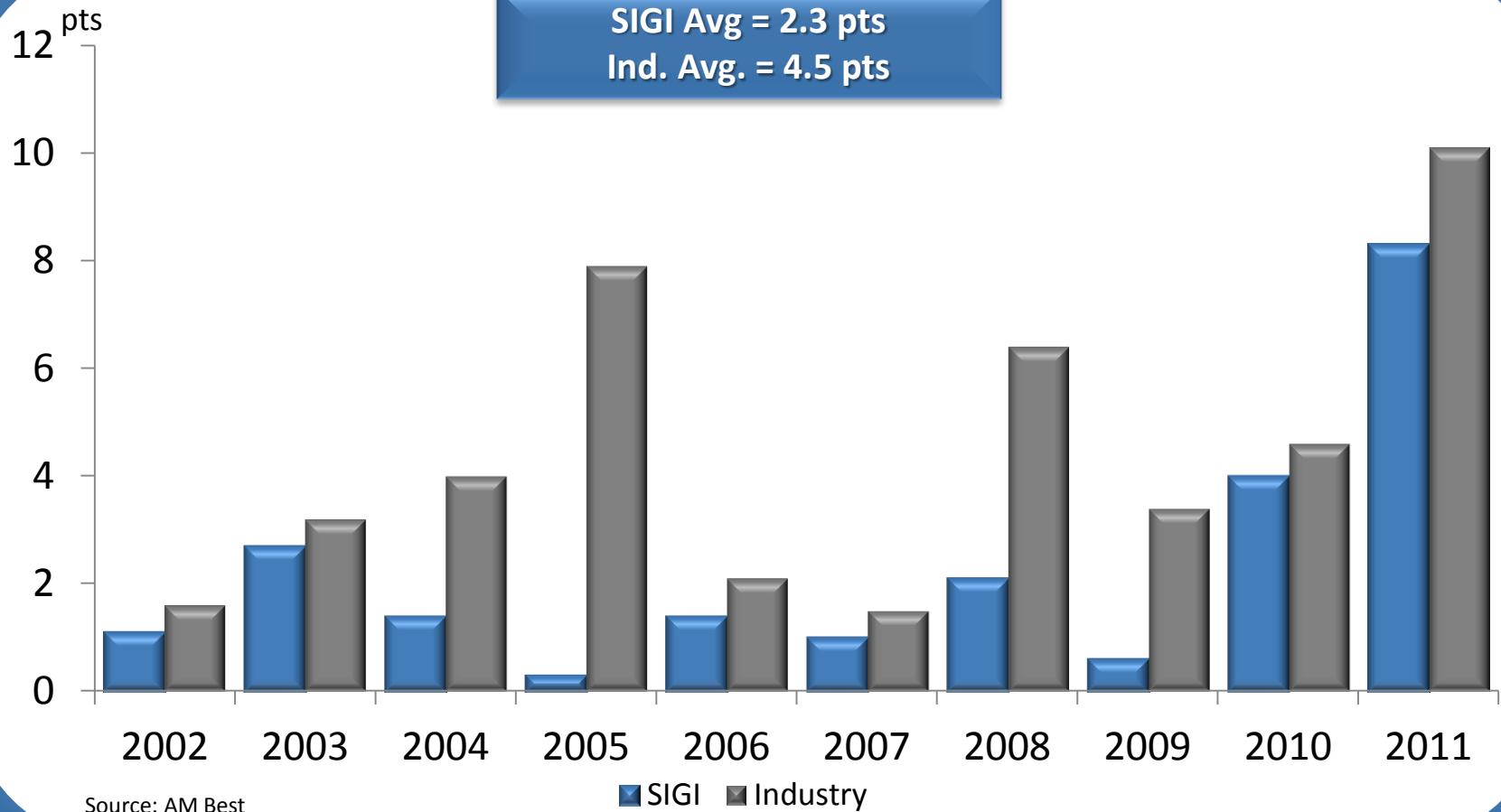
Underwriting Stability



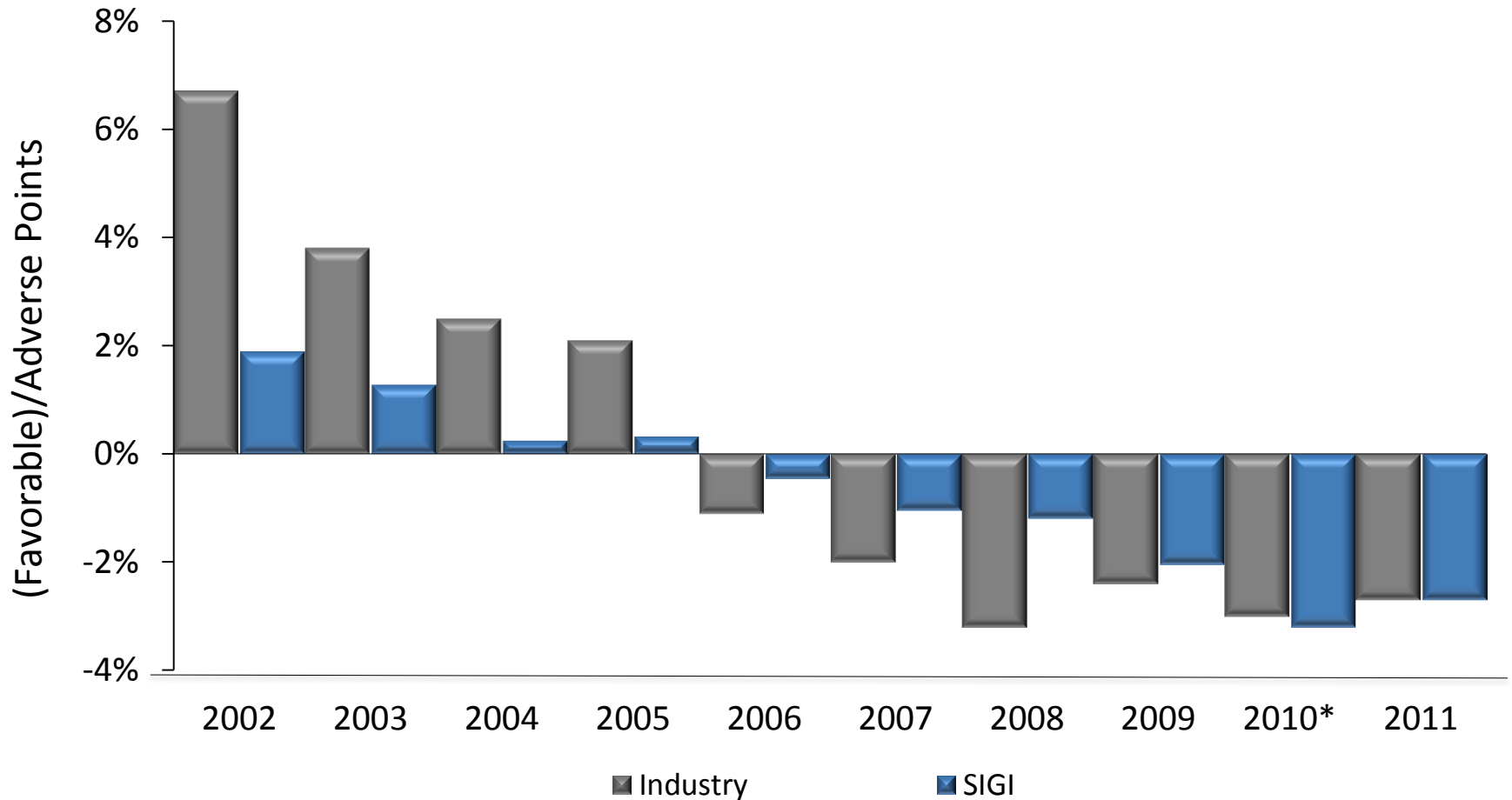
Source: A.M. Best, III

Note: Industry excluding Mortgage and Financial Guaranty Segments since 2007

Impact of CATs on Combined Ratio



Calendar Year Development

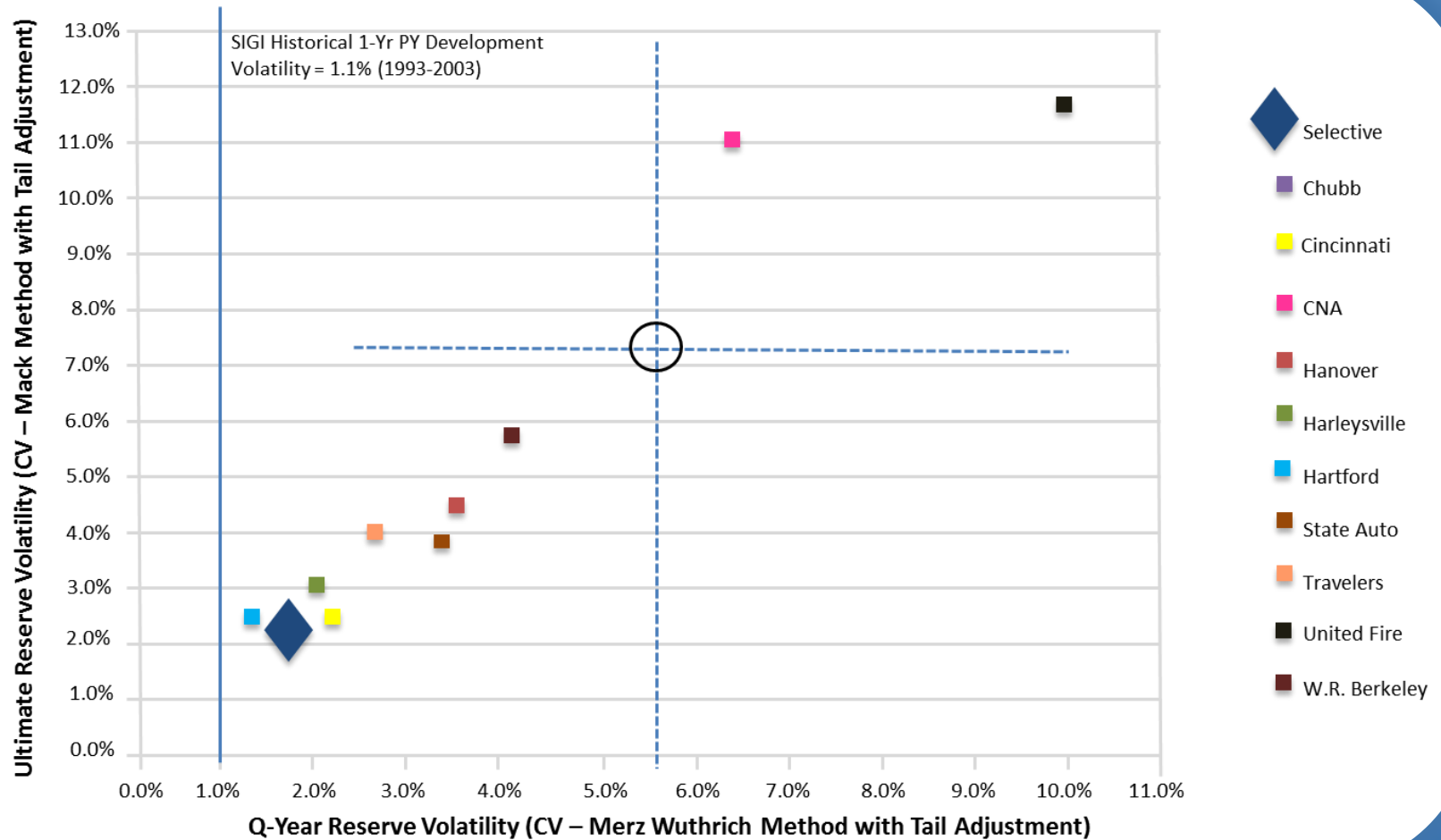


Source: AM Best, III

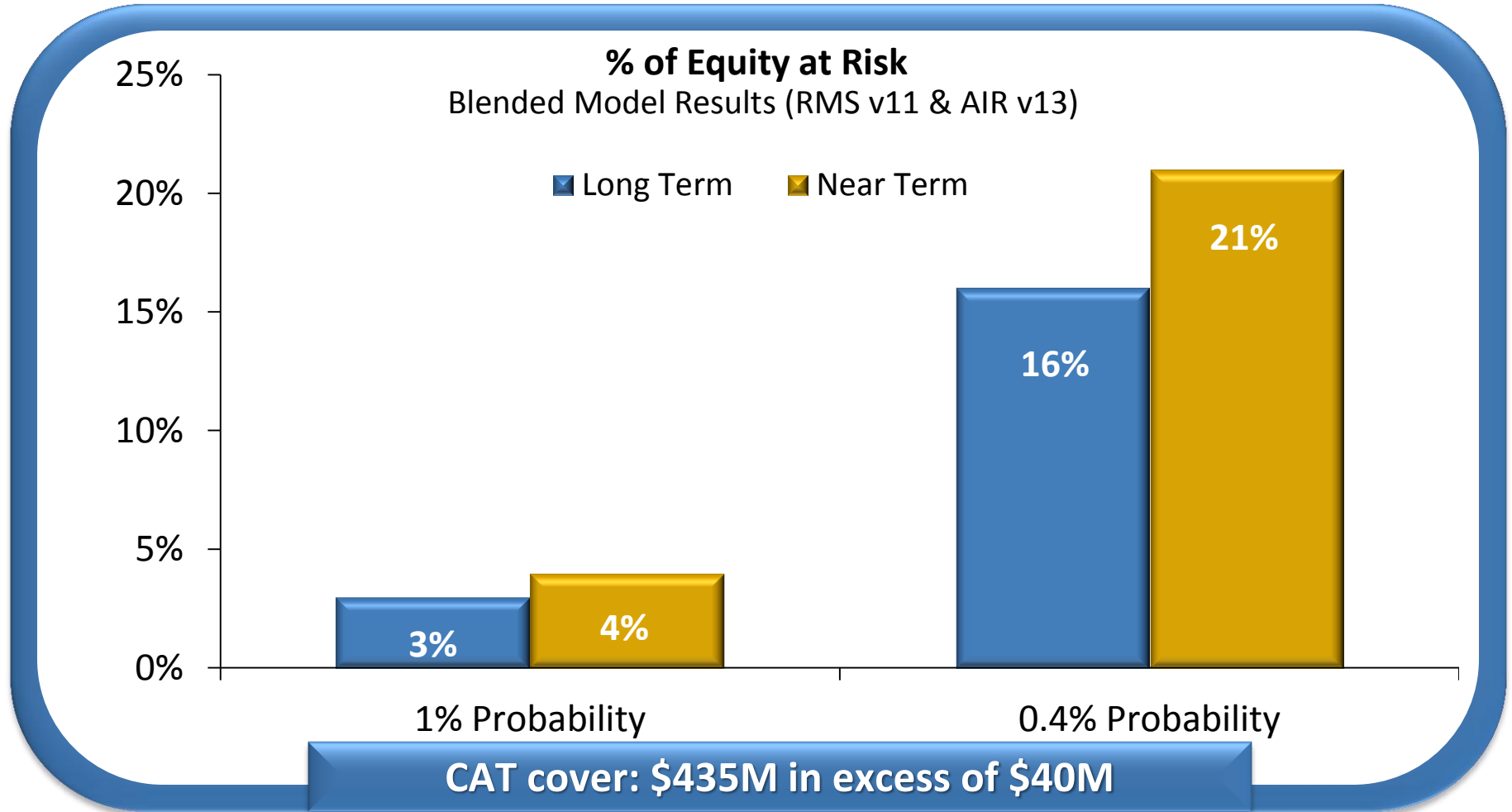
Note: Industry excluding Mortgage and Financial Guaranty Segments

*2010 Industry development includes \$4B charge from AIG

Selective vs Peers Modeled Reserve Risk

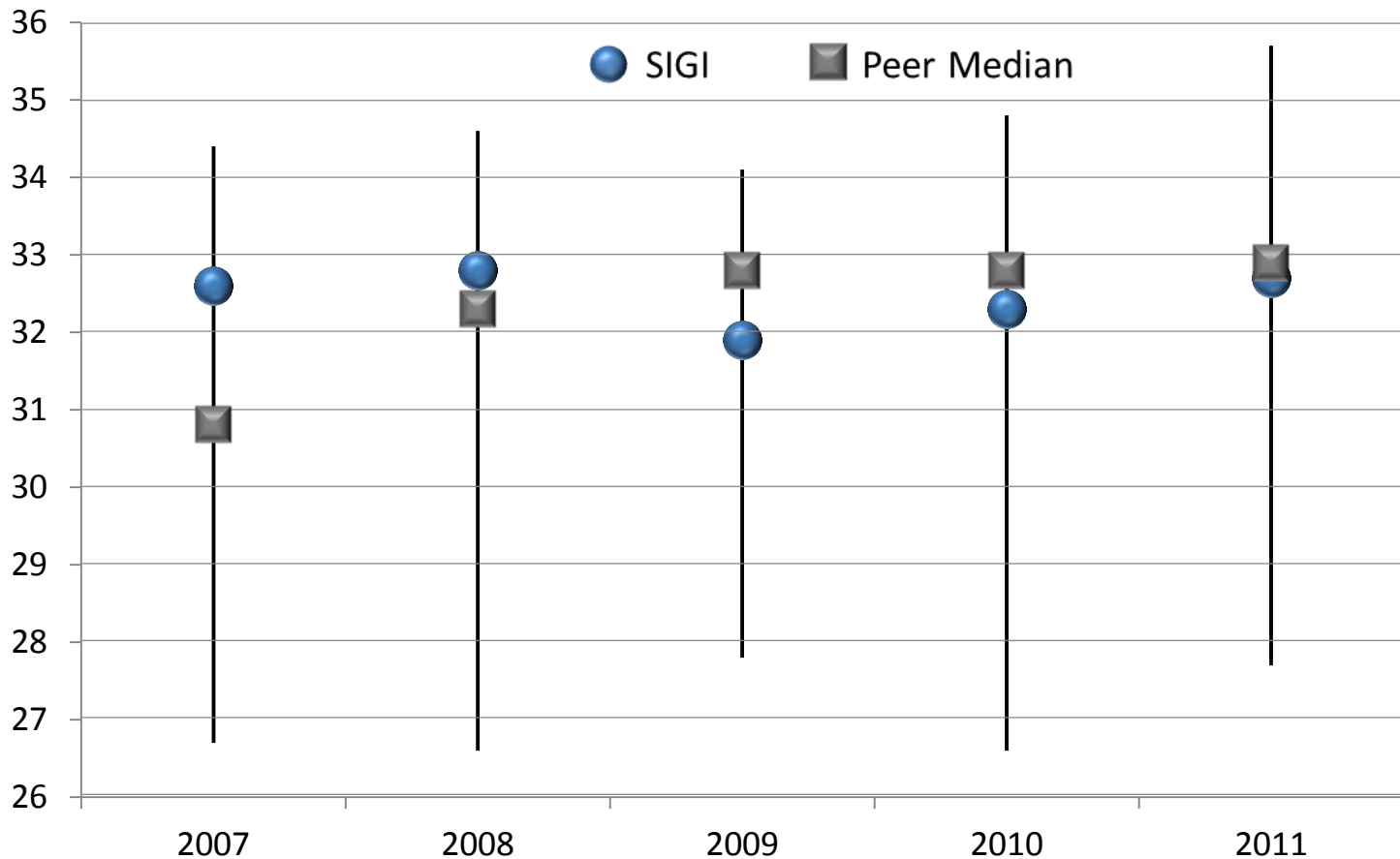


Conservative Reinsurance Program



Percentages are after tax and include applicable reinstatement premium.
Data as of 7/11; Equity data as of December 31, 2011.

Focused Expense Management



Source: SNL Financial

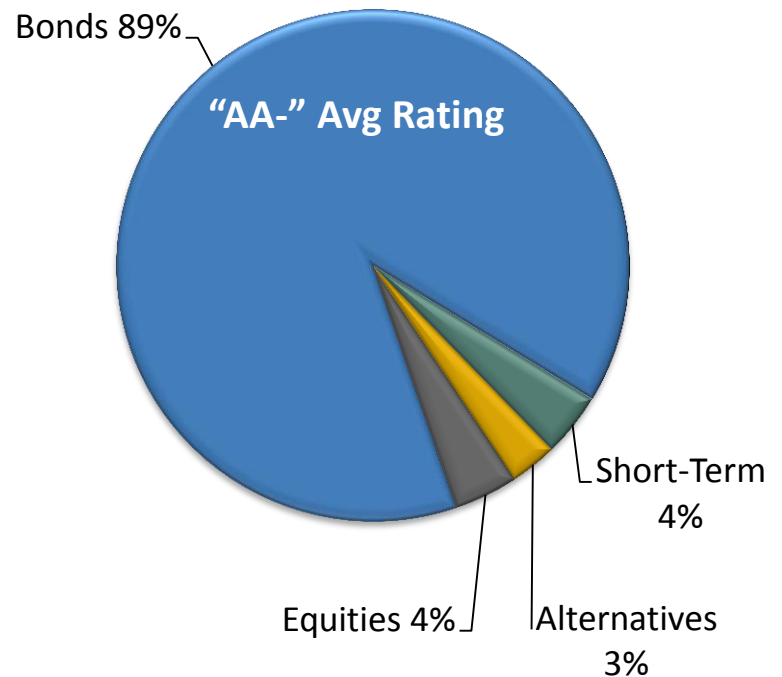
Peers include CINF, CNA, HIG, STFC, THG, TRV, UFCS, and WRB



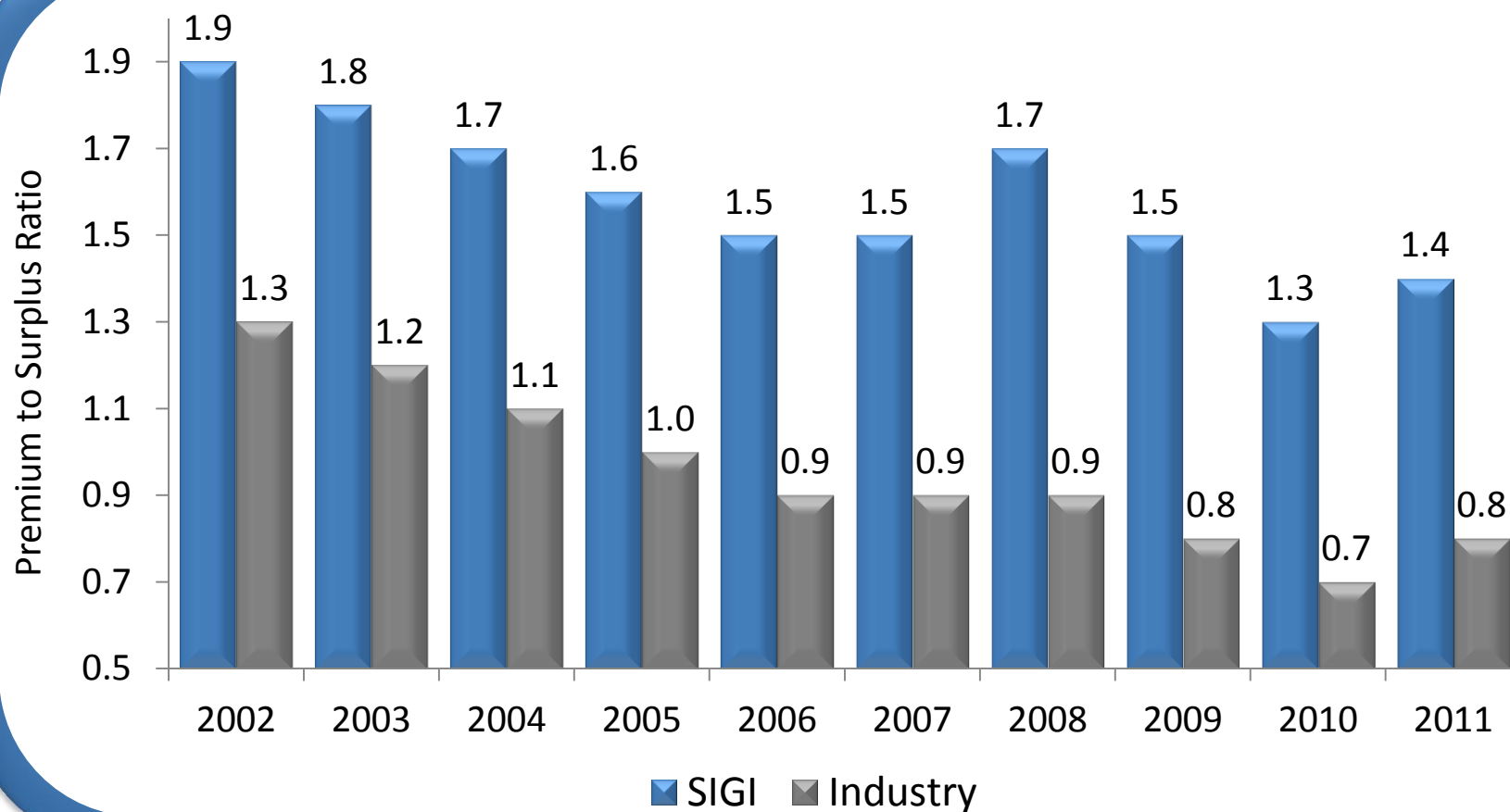
Conservative Investment Portfolio

- Well diversified, laddered portfolio
- Deployed high dividend yield equities strategy in 2011
- Only 1% of bond portfolio rated “BB” & below
- 3.3 year average duration
- Investment leverage = 3.84x at March 31, 2012

**\$4.2B Invested Assets
March 31, 2012**



Selective's Use of Underwriting Leverage

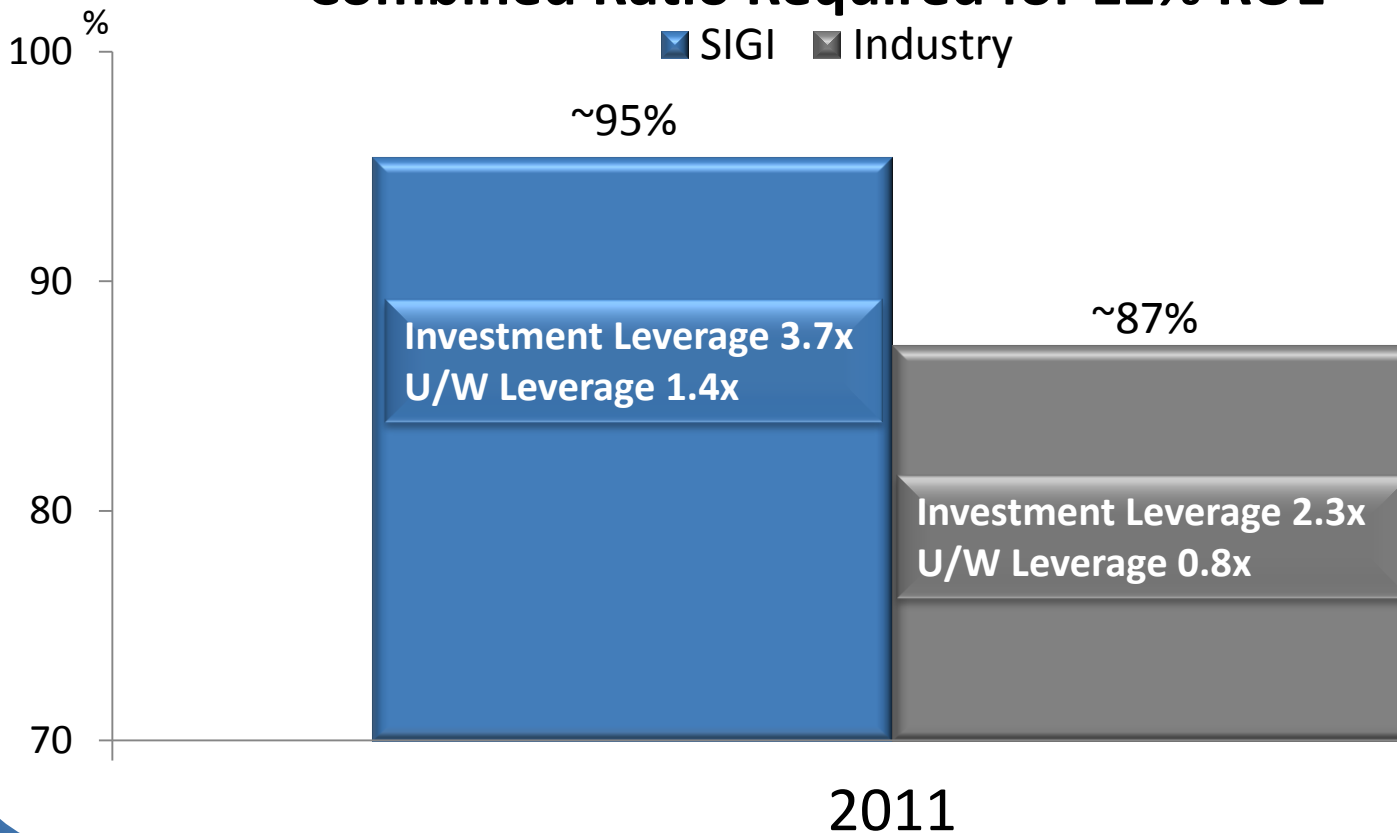


Sources: ISO, AM Best, III

Note: Industry excluding Mortgage and Financial Guaranty Segments since 2007

Impact of Leverage

Combined Ratio Required for 12% ROE



Industry Source: AM Best Estimates

Enterprise Risk Management

Emerging Risk Committee

- 17 VP/SVPs with diverse professional expertise
- Identifies emerging risks/opportunities
- Researches, monitors and proposes potential actions

Meets &
reports
quarterly

Board of Directors

- Provides oversight for risk management activities
- Reviews risk reports quarterly
- Discusses specific issues & metrics quarterly

Meets &
reports
quarterly

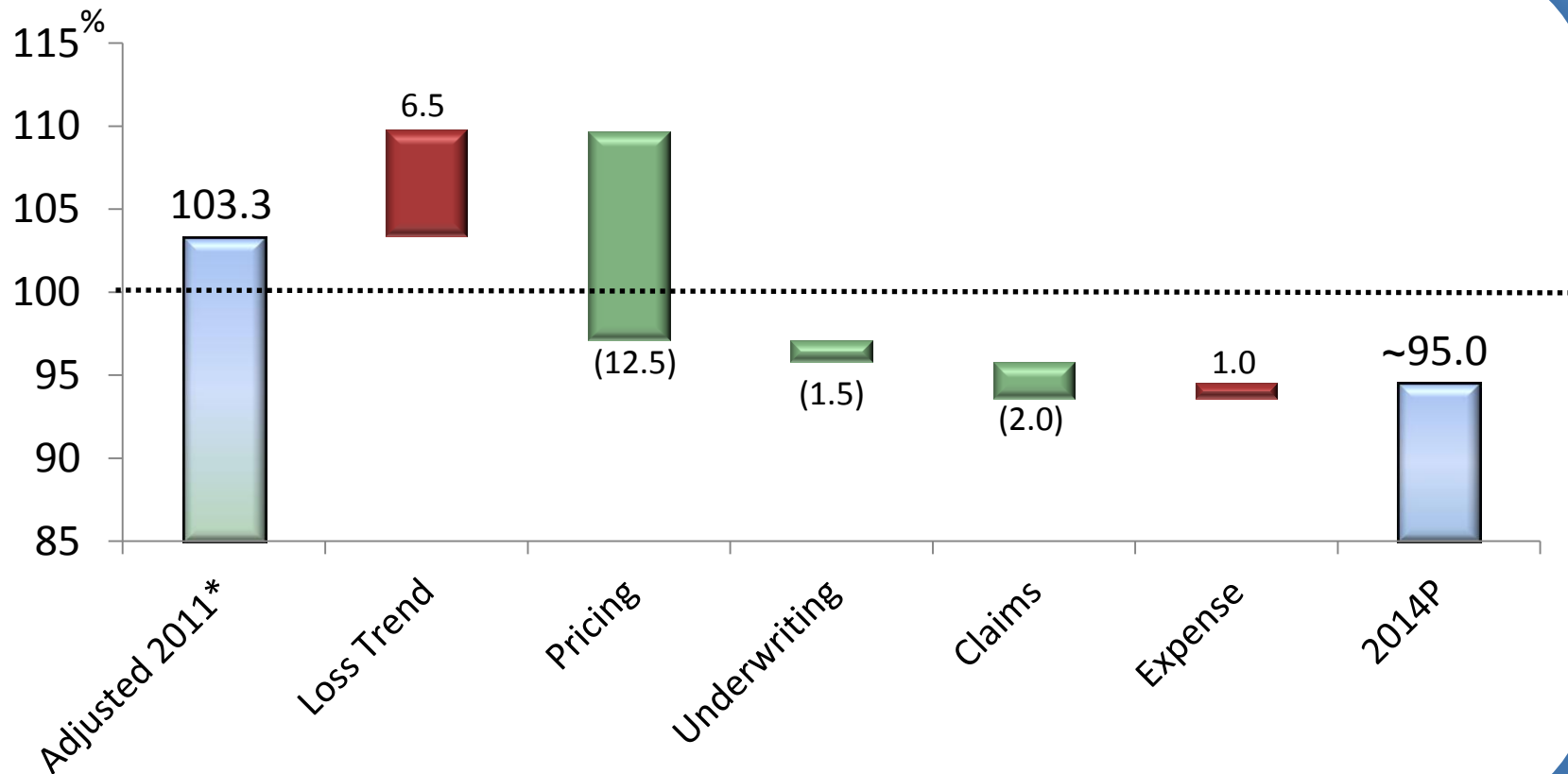
Executive Risk Committee

- CEO and direct reports
- Provides direction to EmRisk Committee
- Determines final course of action

Proactive Capital Management



3-Year Standard Lines Combined Ratio Improvement



*Adjusted for excess CATS and favorable reserve development

Example of Effects of Pricing on Combined Ratio

(Data is illustrative, not actual data)

Base Assumptions 2011 Written Premium = \$1,000,000 2011 Earned Premium = \$1,000,000 2011 AY Loss & LAE Ratio = \$700,000 (70.0% of EP) 2011 Commission = \$200,000 (20% of WP) 2011 Premium Tax = \$20,000 (2% of WP) 2011 Overhead Expenses = \$80,000 (8% of WP) 2011 Rate change = 0% Resulting 2011 Combined Ratio = 70% + 20% + 2% + 8% = 100.0						Future Assumptions: Policy Count Growth of 3% per year Rate Changes of 10% per year for 3 years Claims inflation of 3% per year Corporate expense increase of 6% per year (3% wage inflation and 3% policy growth)			
Accident Year	Projected Premiums					Projected Overhead Expenses			
	(1) Base Written Premium	(2) Count Growth 3%/Yr	(3) Rate Changes 10% for 3 yrs	(4) Projected WP (1)x(2)x(3)	(5) Projected EP 50% of 2yr WP	(6) Base Overhead Expense	(7) Overhead Growth 6%/Year	(8) Projected Overhead (6)x(7)	(9) Overhead Exp Ratio (8)/(4)
2011	1,000,000	1.000	1.000	1,000,000	1,000,000	80,000	1.000	80,000	8.0%
2012	1,000,000	1.030	1.100	1,133,000	1,066,500	80,000	1.060	84,800	7.5%
2013	1,000,000	1.061	1.210	1,283,689	1,208,345	80,000	1.124	89,888	7.0%
2014	1,000,000	1.093	1.331	1,454,420	1,369,054	80,000	1.191	95,281	6.6%
2015	1,000,000	1.126	1.331	1,498,052	1,476,236	80,000	1.262	100,998	6.7%

Accident Year	Projected Loss & LAE				Combined Ratio			
	(10) Base Loss & LAE	(11) Earned Count Growth	(12) Claims Inflation 3%/Year	(13) Projected Losses (10)x(11)x(12)	(14) Loss & LAE Ratio (13)/(5)	(15) Comm & Tax Ratio 22% of WP	(16) Overhead Exp Ratio (9)	(17) Combined Ratio (14)+(15)+(16)
2011	700,000	1.000	1.000	700,000	70.0%	22.0%	8.0%	100.0%
2012	700,000	1.015	1.030	731,815	68.6%	22.0%	7.5%	98.1%
2013	700,000	1.045	1.061	776,383	64.3%	22.0%	7.0%	93.3%
2014	700,000	1.077	1.093	823,664	60.2%	22.0%	6.6%	88.7%
2015	700,000	1.109	1.126	873,825	59.2%	22.0%	6.7%	87.9%

What Drives Our Success

John Marchioni

EVP, Insurance Operations



SUCCESS THROUGH DIFFERENTIATION

What Drives Our Success

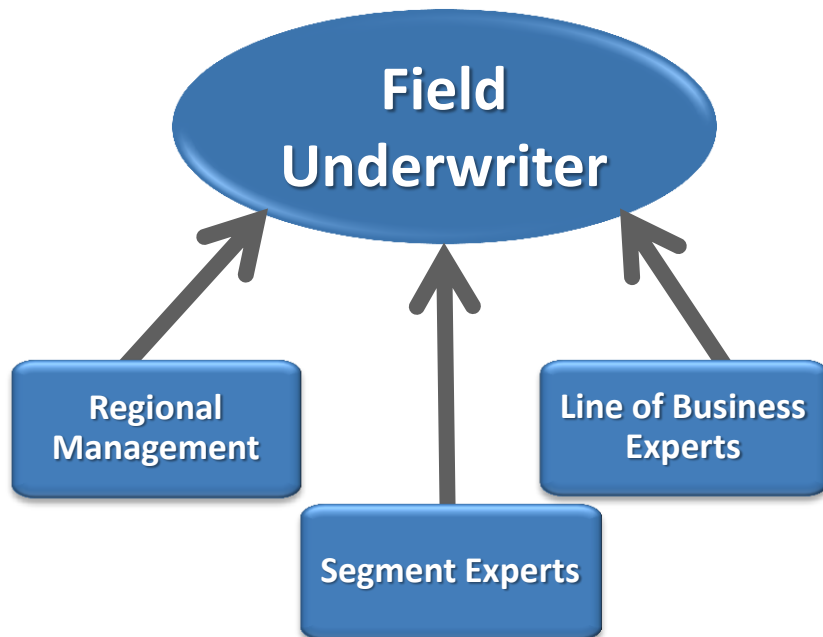
**Great people—
empowered to make
decisions**

**Deep relationships with the
highest caliber agents**

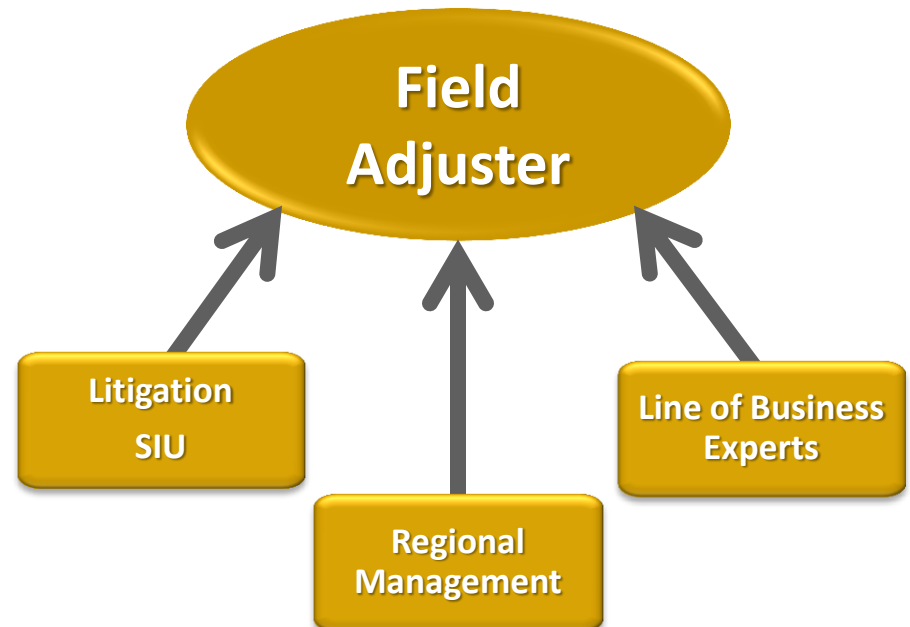
**High degree of underwriting,
pricing and claims
sophistication**

Local Decision Makers Supported by Centralized Expertise

Underwriting



Claims



Relationships with the Highest Caliber Agents

- Franchise value
- Greater share of wallet
- Strong feedback loop

2011

- \$1.5M NPW per agency
- 8.3/10 on agency survey

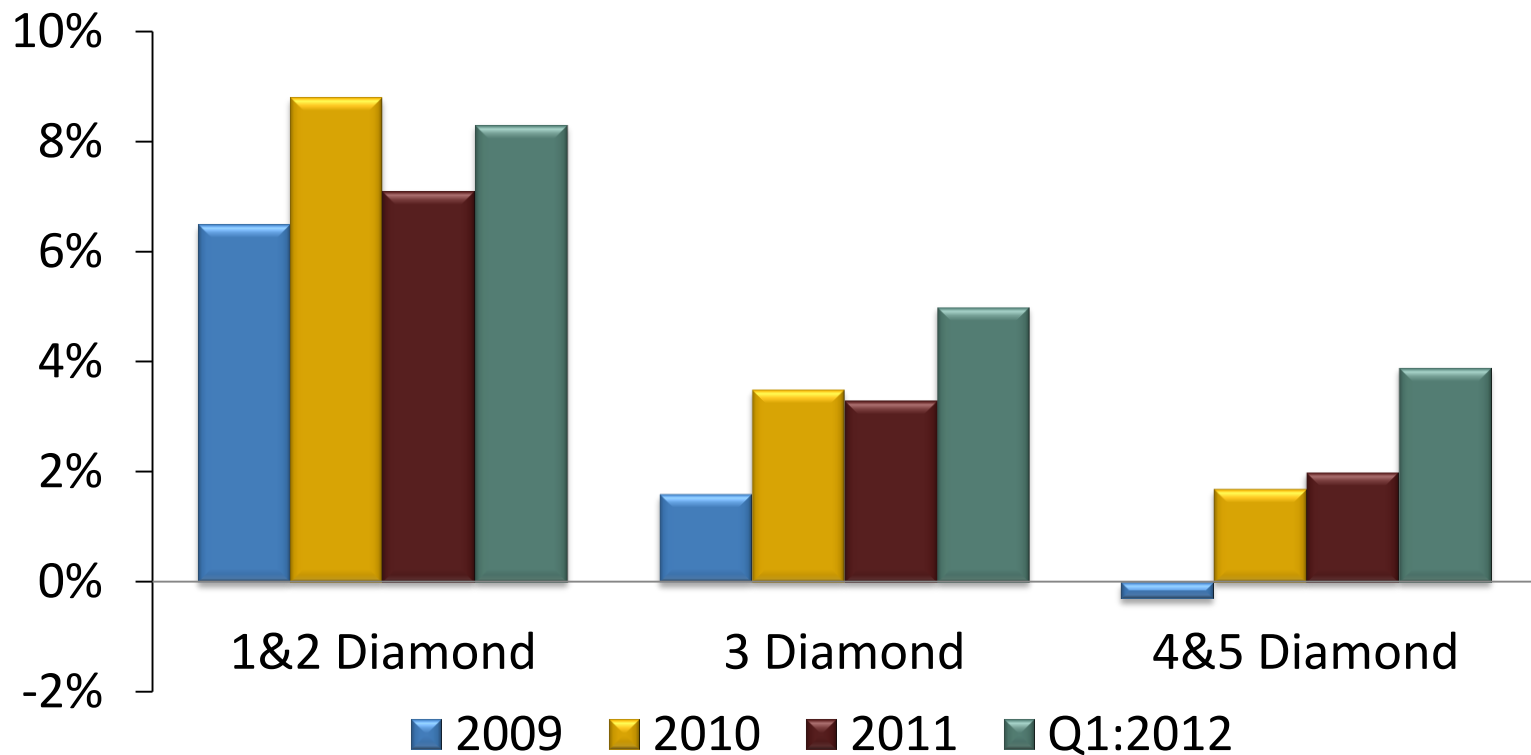
Underwriting Sophistication

- People
- Products/Appetite
- Tools



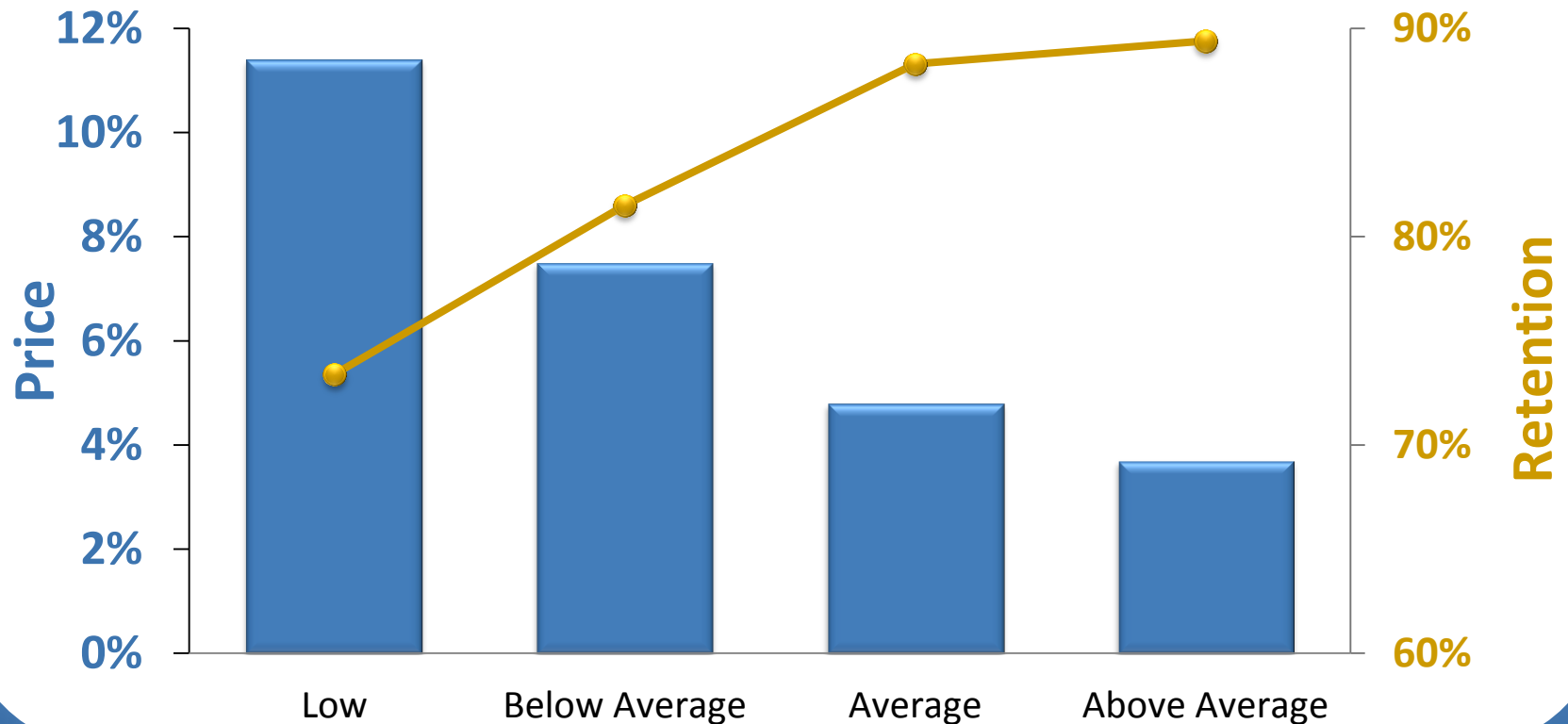
Pricing Sophistication – Predictive Modeling

Pricing by Diamond



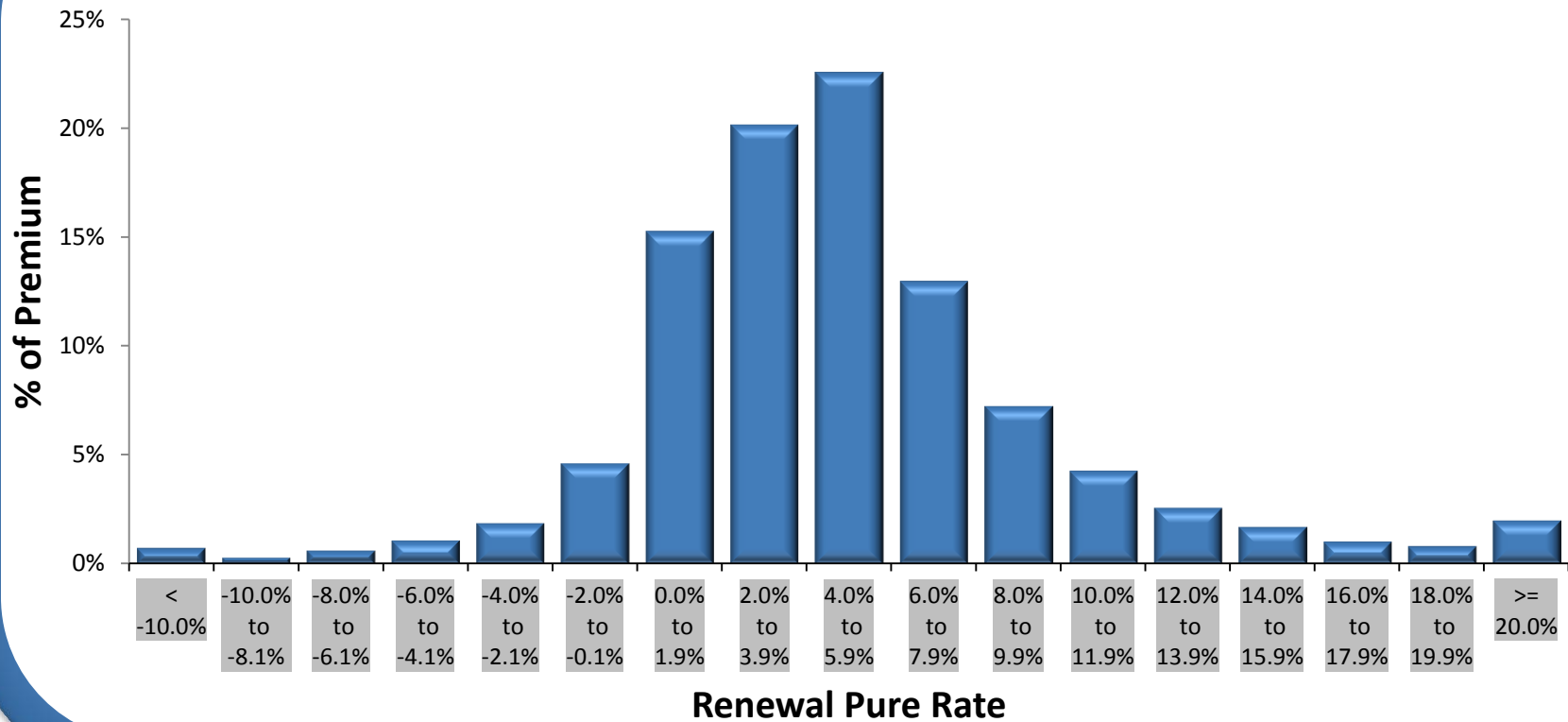
Pricing Sophistication – Dynamic Portfolio Manager

1st Quarter 2012 Pricing by Retention Group

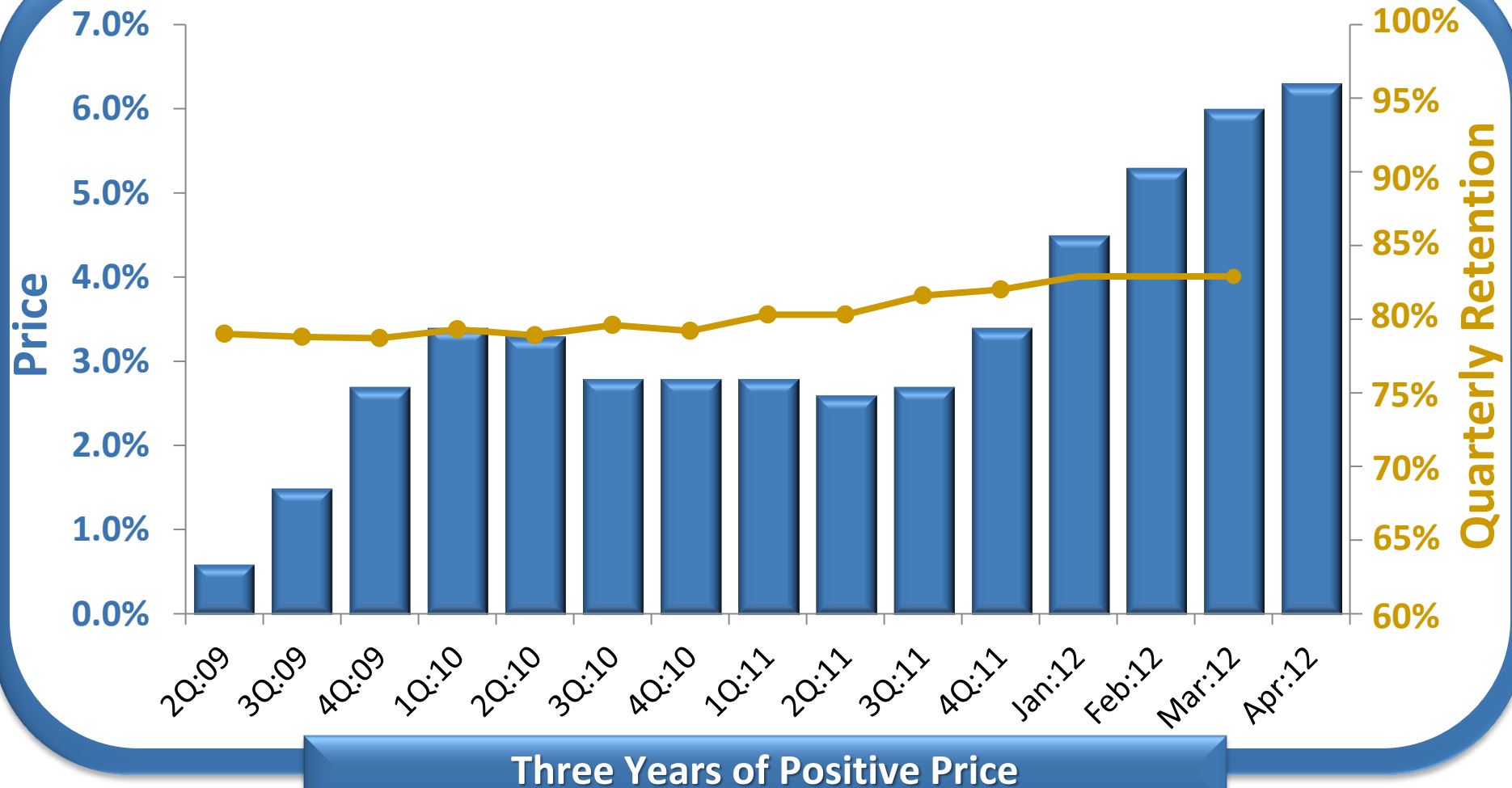


Pricing Distribution

1st Quarter 2012



Equation for Success



Claims Sophistication

- People
- Process
- Tools



Key Success Factors

Personal Lines / Small Commercial Lines

- Broad appetite
- Ease of doing business
- Operational efficiency
- Pricing sophistication



Key Success Factors

Middle-Market / Large Commercial Lines

- Strong agency partners
- Broad appetite
- Underwriting expertise
- Local decision-making
- Coverage advantages
- Outstanding service



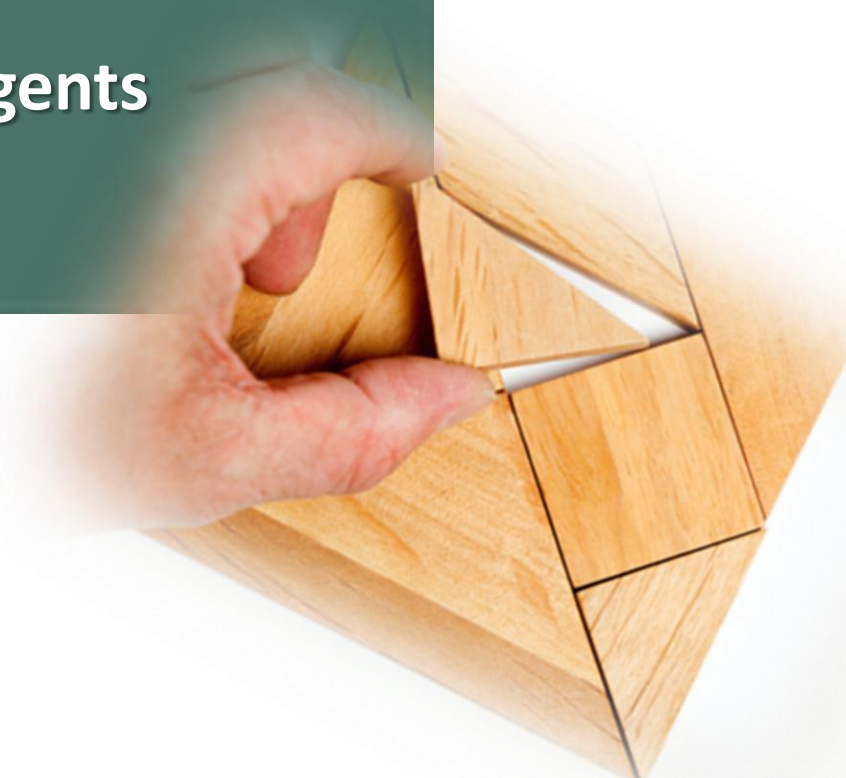
E&S Contract Binding Authority (CBA)

- Higher-margin business
- Low-limits profile
- Strong underwriting and pricing controls
- Franchise-value model
- \$300-400 million CBA E&S business currently with Selective's retail agents



E&S Contract Binding Authority

- Strict underwriting guidelines
- Established pricing by class
- Similar to One & Done® process
- No claims authority
- Written through wholesale agents
- \$2,200 average account size



A Good Fit: Excess and Surplus



- Located in Scottsdale, AZ
- Experienced team
- ~55 wholesale agency relationships
- \$50 million 2010 GPW

- Located in Horsham, PA
- Experienced team
- ~35 wholesale agency relationships
- \$70 million 2010 GPW



Personal Lines: Sustainable Profitability

Allen Anderson

SVP, Chief Underwriting Officer, Personal Lines

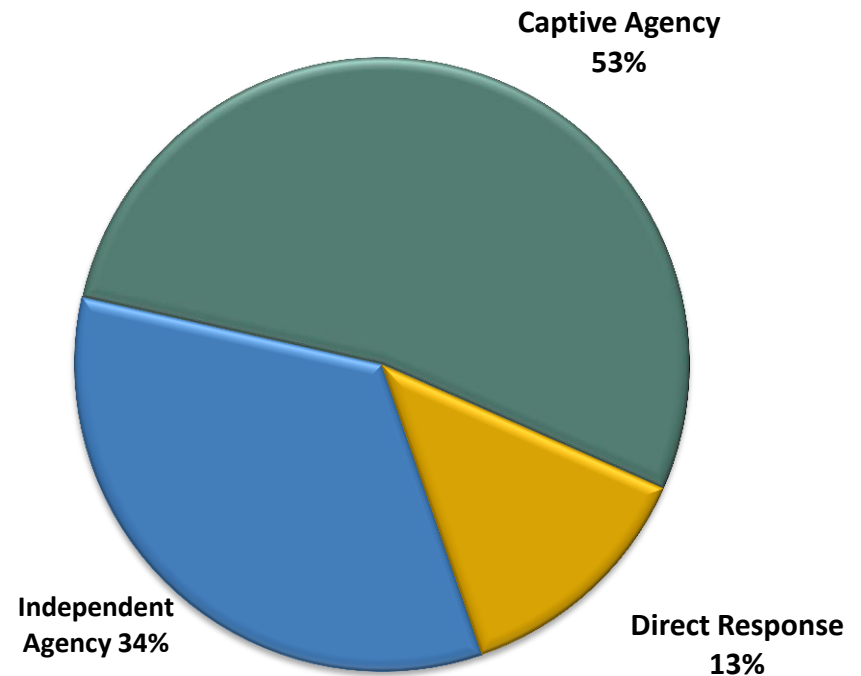


SUCCESS THROUGH DIFFERENTIATION

Personal Lines Opportunity

Deepens agency relationships

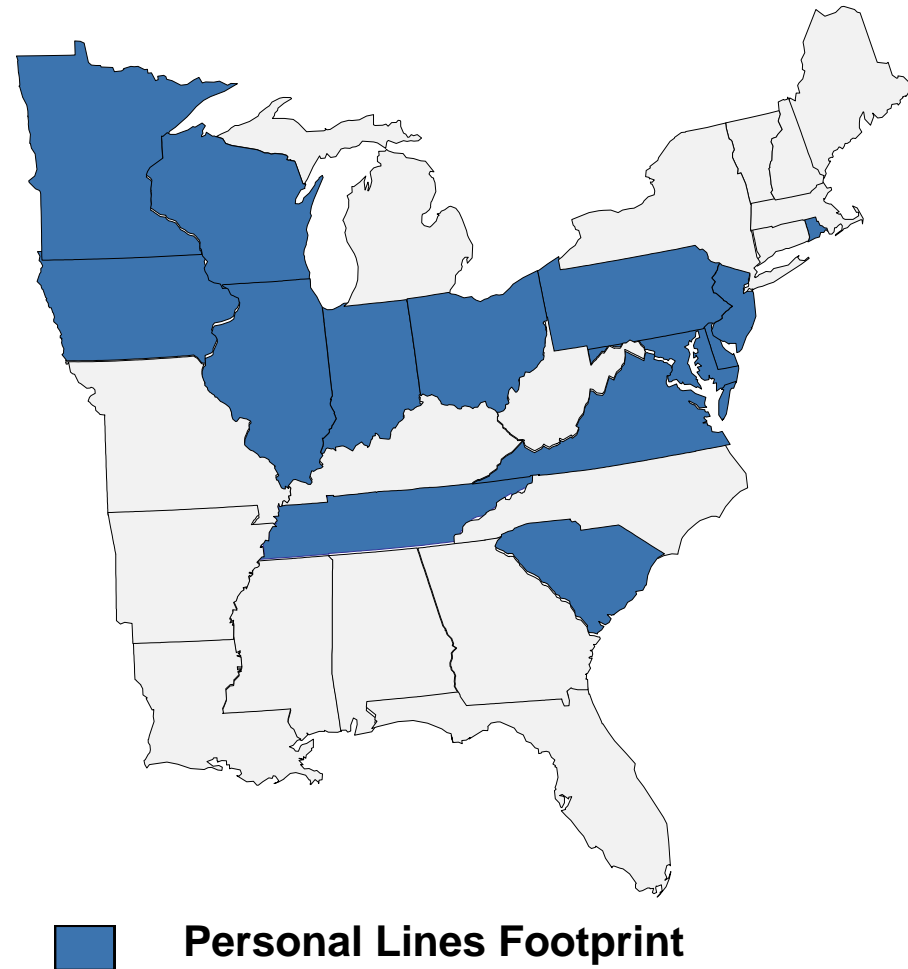
Industry Share of Personal Lines



Source: Independent Insurance Agents & Brokers of America

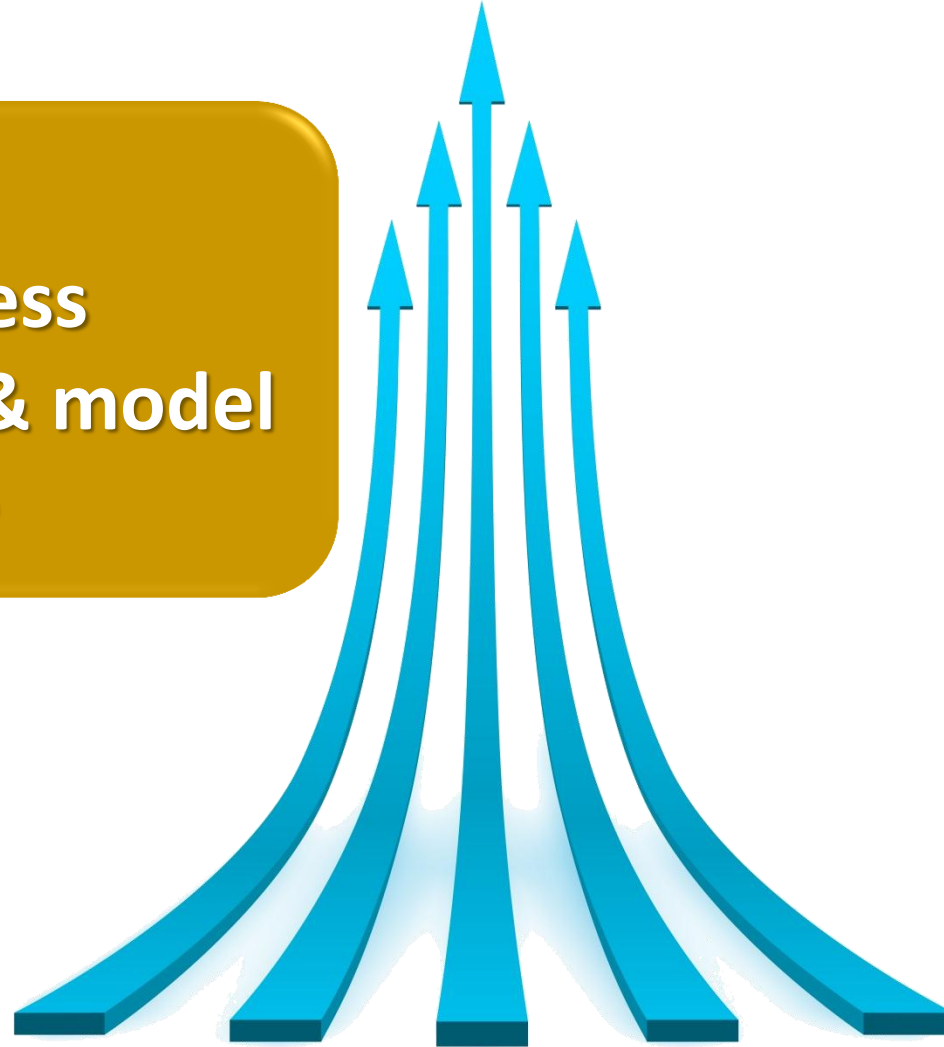
Personal Lines Opportunity

Selective agents control \$3.5B of Personal Lines premium



Achieving Profitability in Personal Lines

- Pricing
- Improving mix of business
- Increasing operational & model efficiency through scale



Homeowners Profitability

- Maximizing rate
- Age of roof restrictions
- Deductible changes
- By-peril rating



By-Peril Rating

Fire

Weather

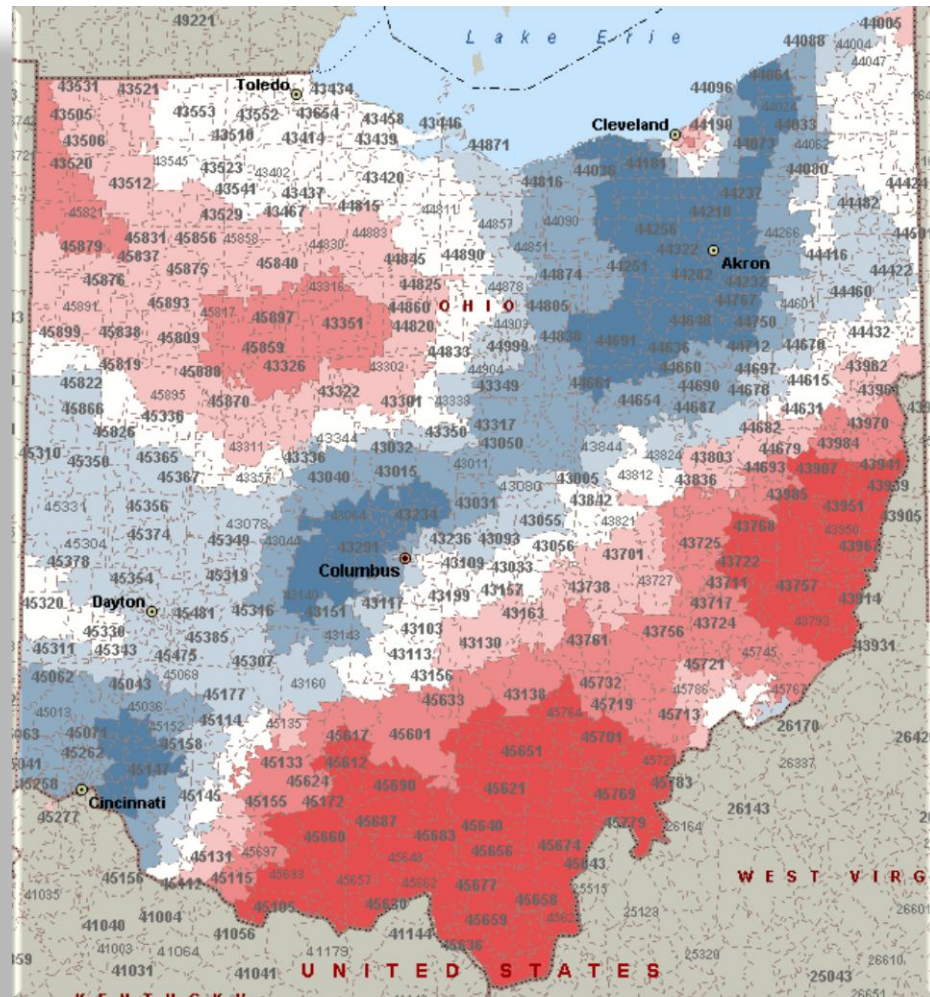
Wind

Water

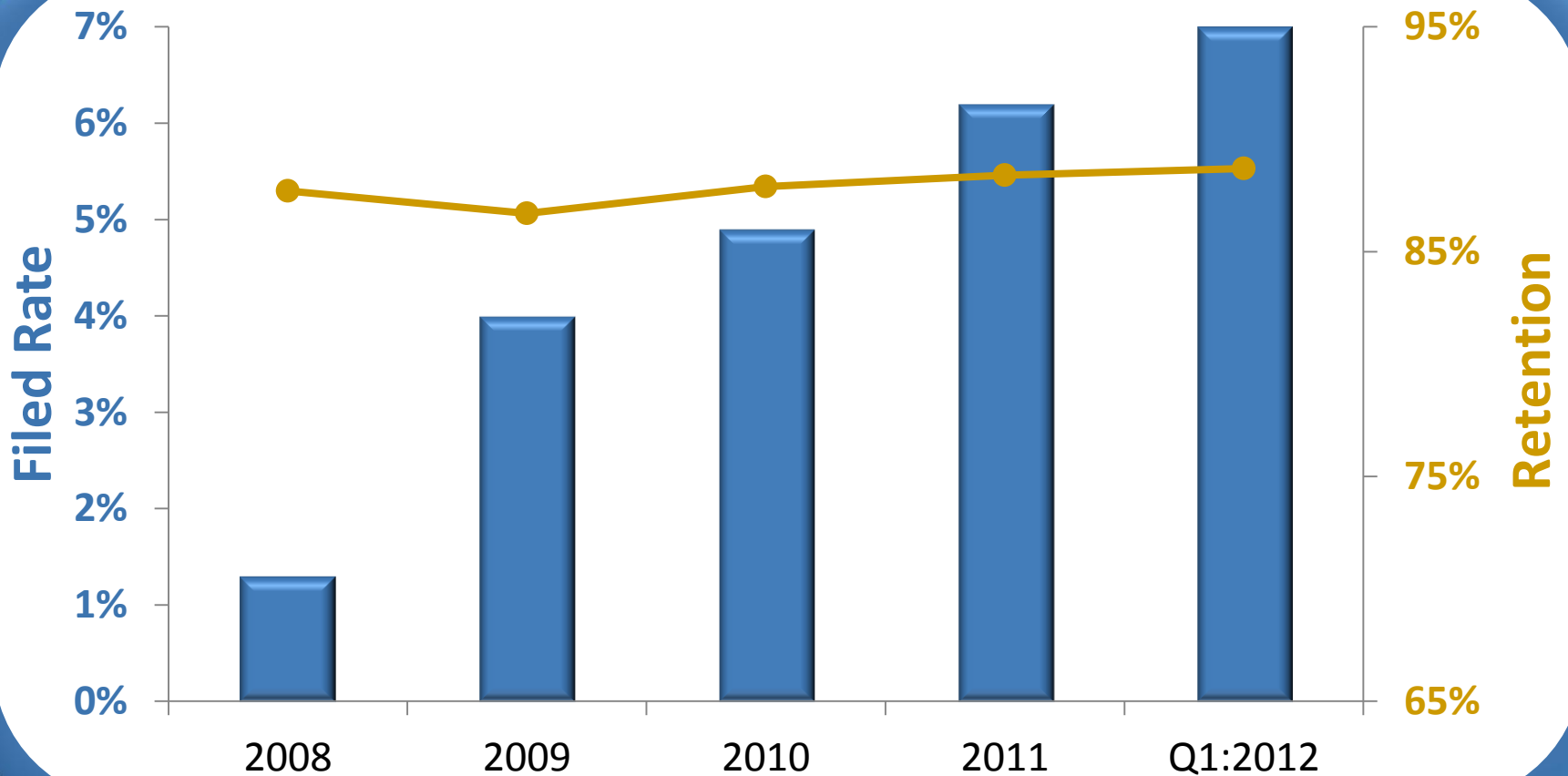
Theft

Liability

Other



Homeowners Profitability



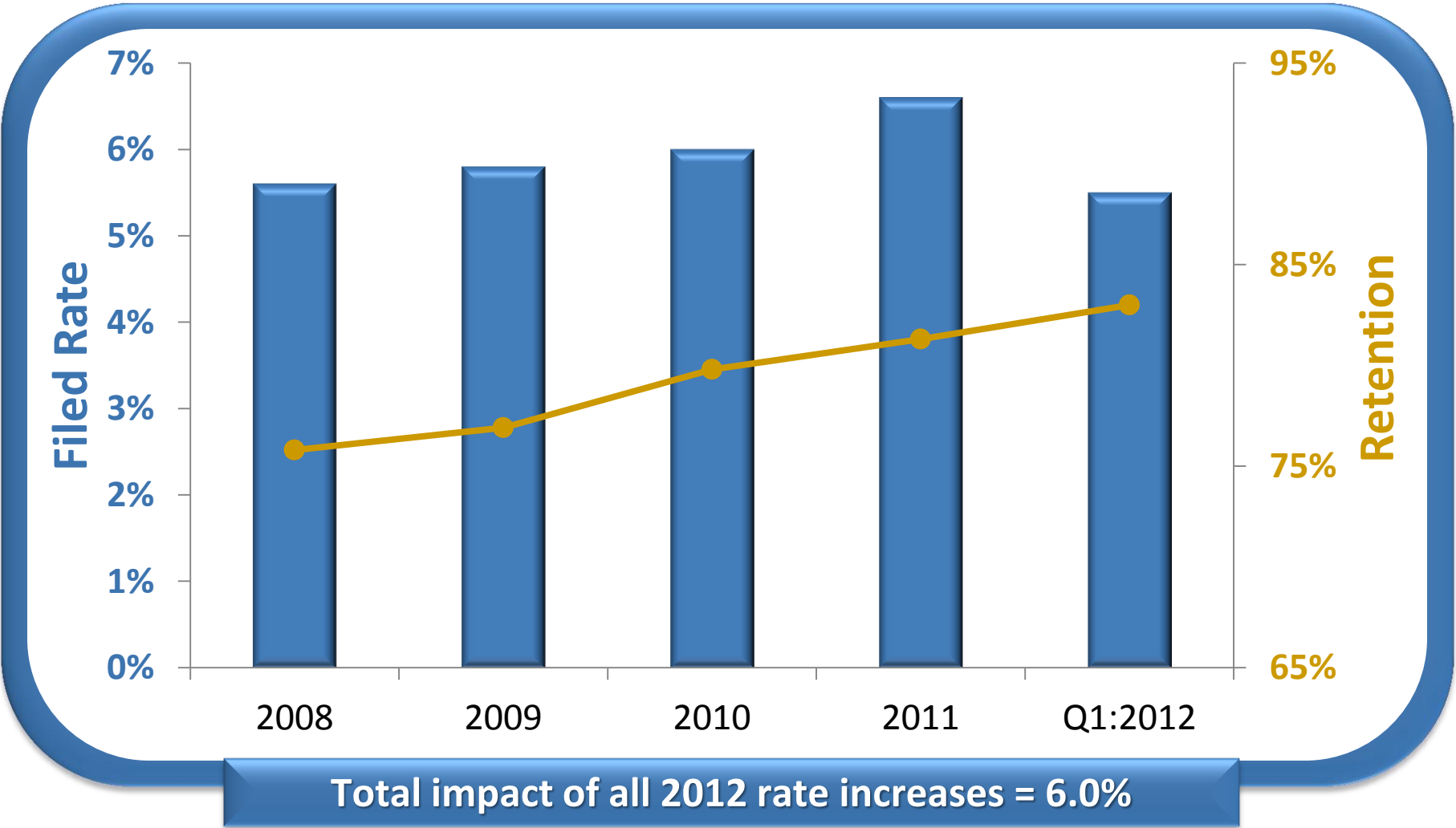
Total impact of all 2012 rate increases = 11.5%

Auto Profitability

- Maximizing rate
- Continued mix improvements
- Underwriting restrictions
- Claims initiatives
- Age of book



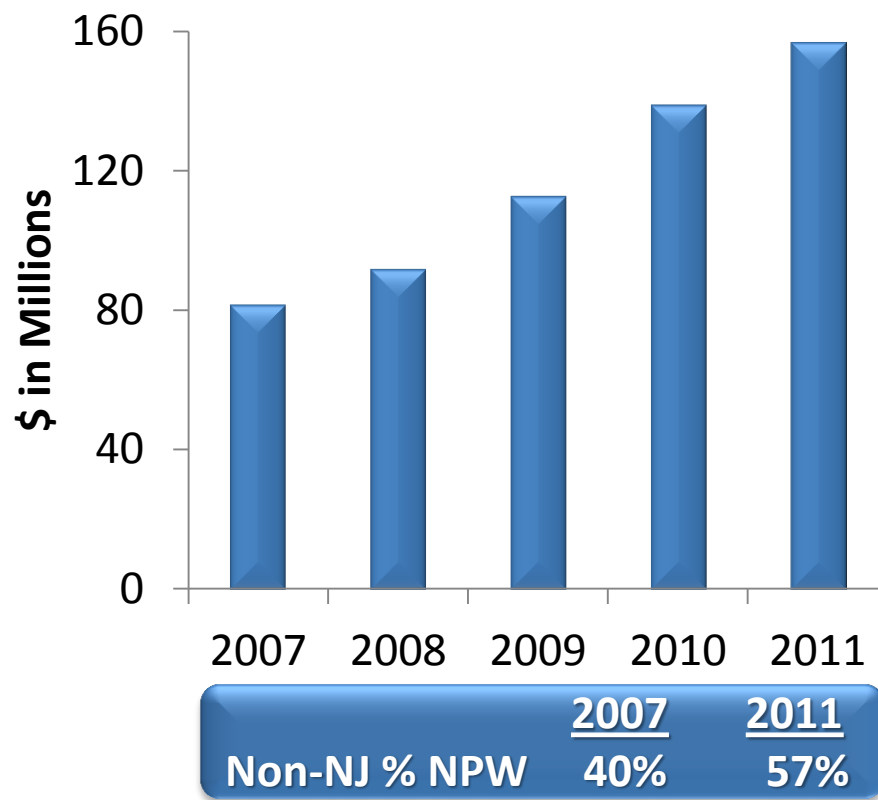
Auto Profitability



Growth Opportunity in Personal Lines

Increase distribution points to expand geographic footprint and increase scale

**Improving Geographic Mix
Non-NJ NPW**



Personal Lines Sustainable Profitability

- Growth opportunities
- Underwriting changes
- Improving age of business
- Targeted rate increases
- Increasing scale



Commercial Lines: Key Success Factors

Dennis Barger

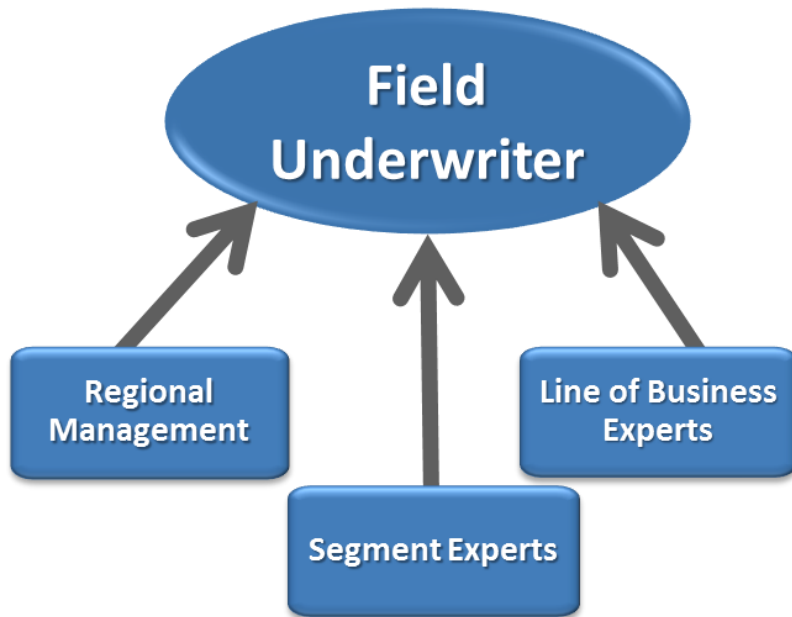
SVP, Chief Underwriting Officer, Commercial Lines



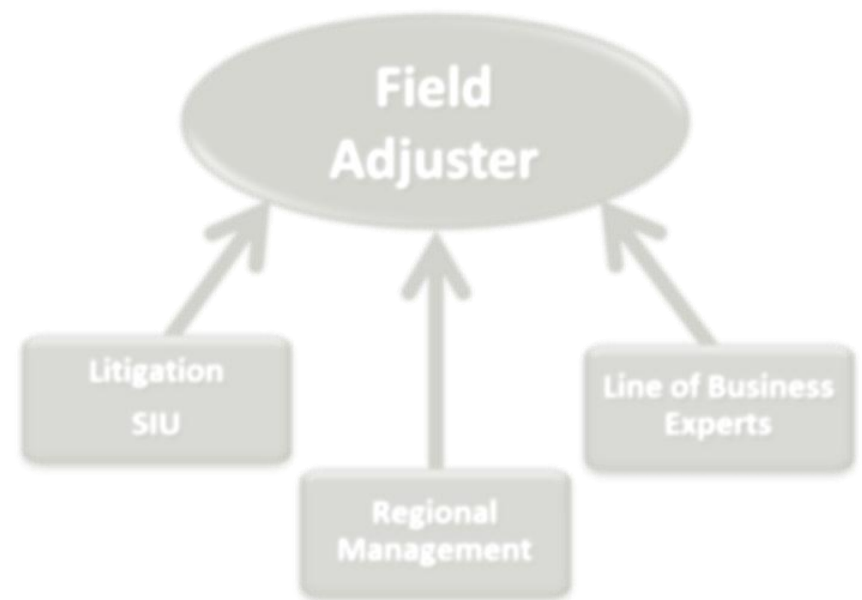
SUCCESS THROUGH DIFFERENTIATION

Local Decision Makers Supported by Centralized Expertise

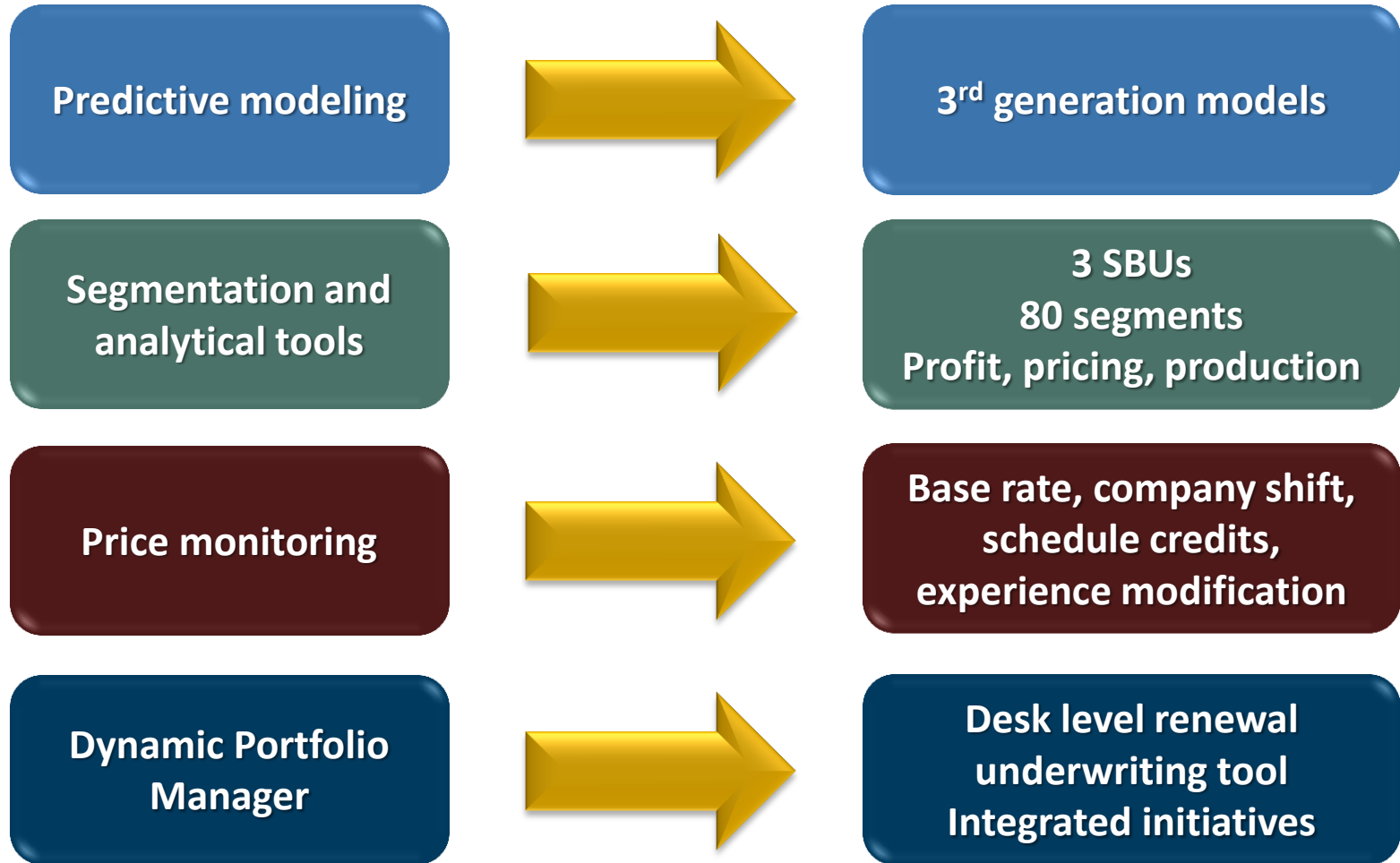
Underwriting



Claims



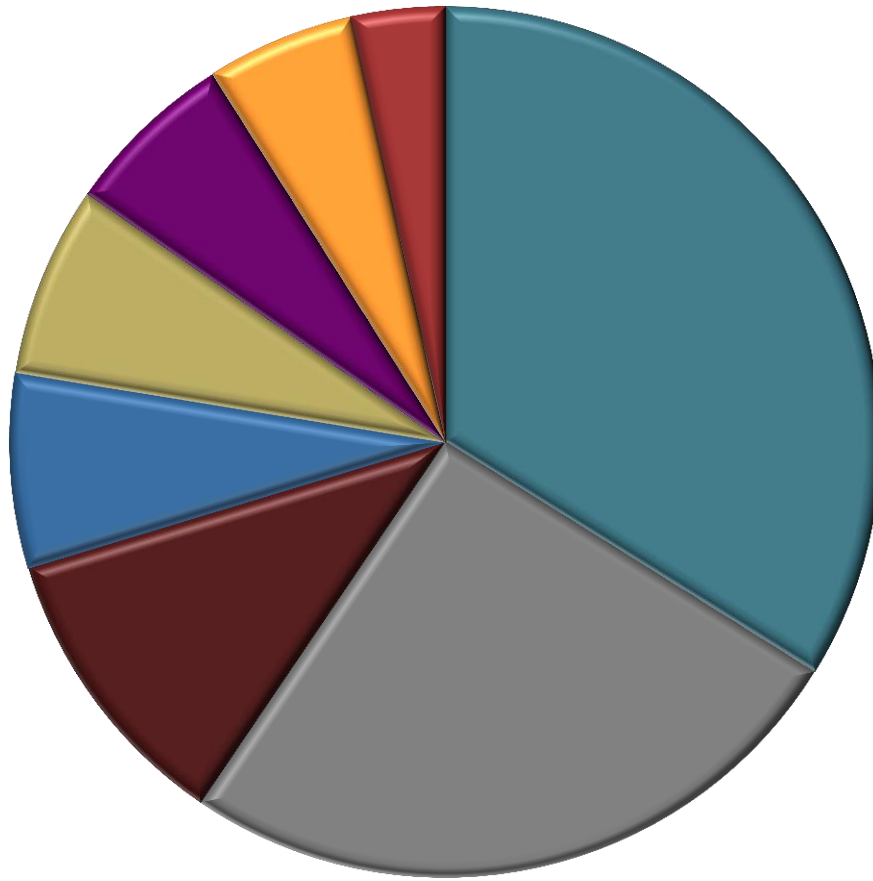
High Degree of Sophistication



Middle Market/Large Account Strategy

**Best in class generalist
with strong product
niches**

Best in Class Generalist...



Inforce DPW (as of March 2012)

- Contractors
- Services
- Manufacturing
- Retail Trade
- Public Administration
- Finance, Insurance, and Real Estate
- Wholesale Trade
- Transportation and Communications

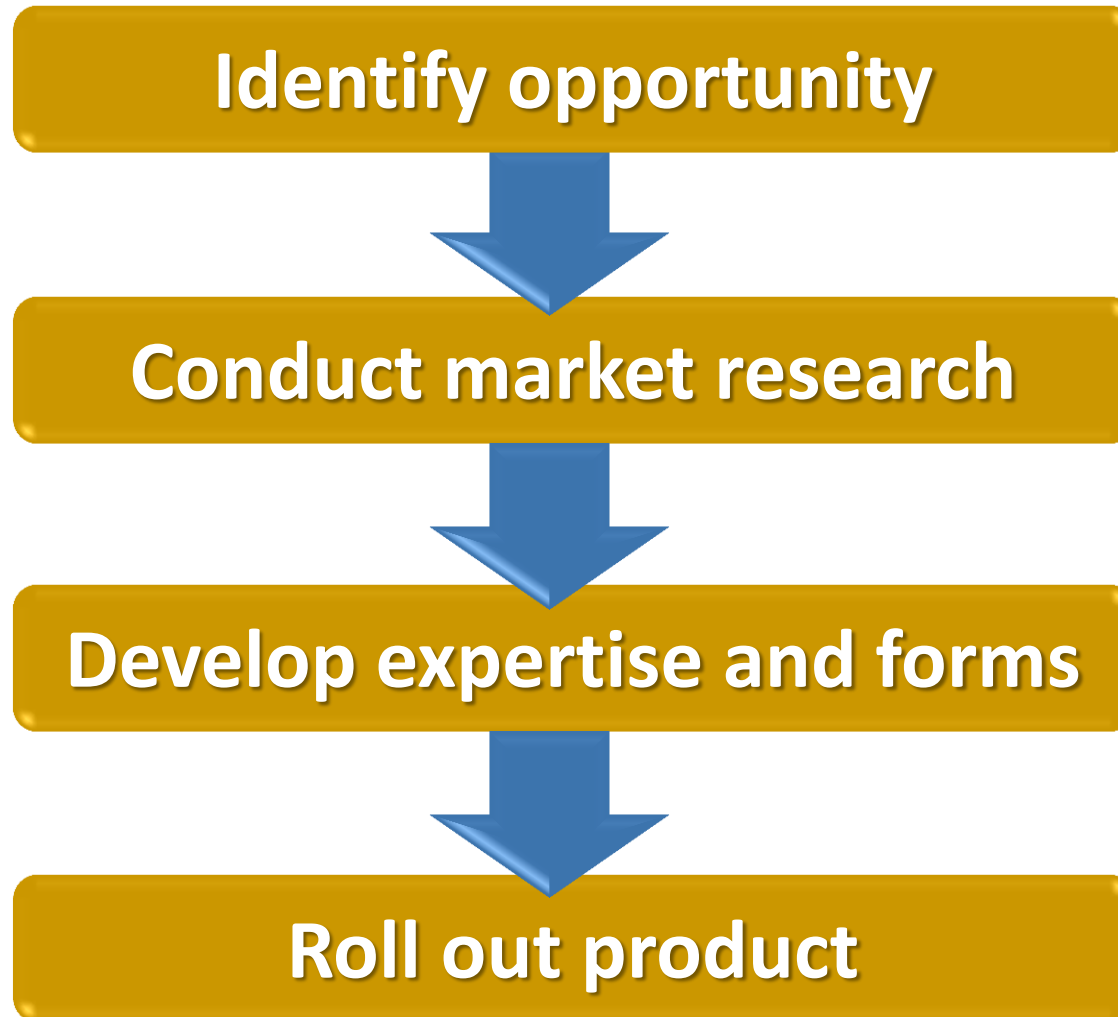
...With Strong Product Niches



Social Services

- \$54M 2011 DPW
- 94.4% 5-year AY combined ratio
- 14% 5-year CAGR

Product Development Process



Developing Products for New Niches

Paratransit



Developing Add-On Products



CyCuritySM

Breadth of Product



**Template underwriting and
predictive modeling drive
increased “low touch”
throughput**

Small Business Success

- Pricing sophistication
- Automated underwriting technology
- Small business teams for rapid turnaround
- Field marketing resources



Commercial Lines Success



Break



SUCCESS THROUGH DIFFERENTIATION

Field Model: Great People Empowered to Make Decisions

Brenda Hall

SVP, Director of Field Underwriting & Business Intelligence



SUCCESS THROUGH DIFFERENTIATION

Field Model Success



Positioned for Success

Field Model

- Regional offices
- Empowered team
- Integrated tools
- Deep relationships



Empowered Field Model



Agency Management Specialist (AMS)

- CEO of their territory
- Relationship manager
- Broad underwriting authority
- Measured on:
 - New business growth
 - Profitability

Business Intelligence - Confidence to Grow

The screenshot displays the SELECTIVE Commercial Lines Automation System interface, which includes several overlapping windows and a main data entry screen.

Dun & Bradstreet Additional Information -- Webpage Dialog

Dun & Bradstreet

Business Summary

Business Name: SMD Electric Line Of Business: Electrical Work Dun's Number: 0499298

Year Started: 1968 Control Year: 1968 Last Revision Date: 08/20/11

URL: No website found Primary 4-Digit SIC code: 1731

Company Details

Score Reason Codes -- Webpage Dialog

Auto Reason Codes

Diamond score capping may apply.

SELECTIVE Commercial Lines Automation System

View Only F1 for Field

Name: SMD Electric Policy: S 00000001 Transaction

CAT Management - Loc 027/ Bldg 001

Change Location: LOC 027/BLDG 001

Location Average Annual Loss as % of Premium: 0% Policy Average Annual Loss as % of premium: 0%

Flood Map Panel Date: 09/20/06 MMI Zone: SAFE

Distance to coast (miles): 9 State Wind Pool Eligibility:

Elevation: 7 Storm Surge: 4

Slope(s)/Aspect: 0 / 1 Flood Zone: X500 Flood Guidelines

Base Flood Elevation: 7 Difference of Risk-flood elevation: 7

SFHA (special flood hazard area): OUT Distance to edge of flood zone (ft): 300

Accumulation within: 1,000 ft TV: \$1,415,444.00 Lives:

Current Policy/location only (default view)

Return To CAT Management

Survey Account Status

Account Details:

Account Number: 00000000000 Account Summary Hours: View

Account Name: SMD Electric Account Score: View

Contact: 410-114-5555 Account Score Trend: View

Address: 4324 EAST HIGHLAND DRIVE Risk Improvement Graphs: View

BALTIMORE MD 24374 Risk Improvement List: View

Service Details: Not On Service

Policies on this account not ordered

70695102 - 01/25/2013 71367800 - 01/25/2013 71656701 - 01/25/2013

1 Survey(s) for Account 0001231724

Showing 1 - 1

Limit Surveys to the following criteria

Start Date End Date Type Class Method Status

--- Select One --- --- Select One --- --- Select One --- --- Select One ---

GO

Survey ID Named Insured Date Requested Due Date Date Completed Status Type Class Method Field Person Region

A & I New

Agency Experience

Agent Code: 00-00000-00000 ABC INSURANCE AGENCY, LLC

Combined Ratio: 81.20% 1 Yr 103.50% Past 3 Yrs

Growth: 11.20% YTD -19.30% Prior Yr End -5.10% Prior-1 Yr End -9.20% Prior-2 Yr End

Return To Rolodex

Return To Transaction History

SELECTIVE

Empowered Field Model

Safety Management Specialists (SMS)

- Enables better risk selection
- Increases hit ratios
- Improves retention
- Consultative approach with customers



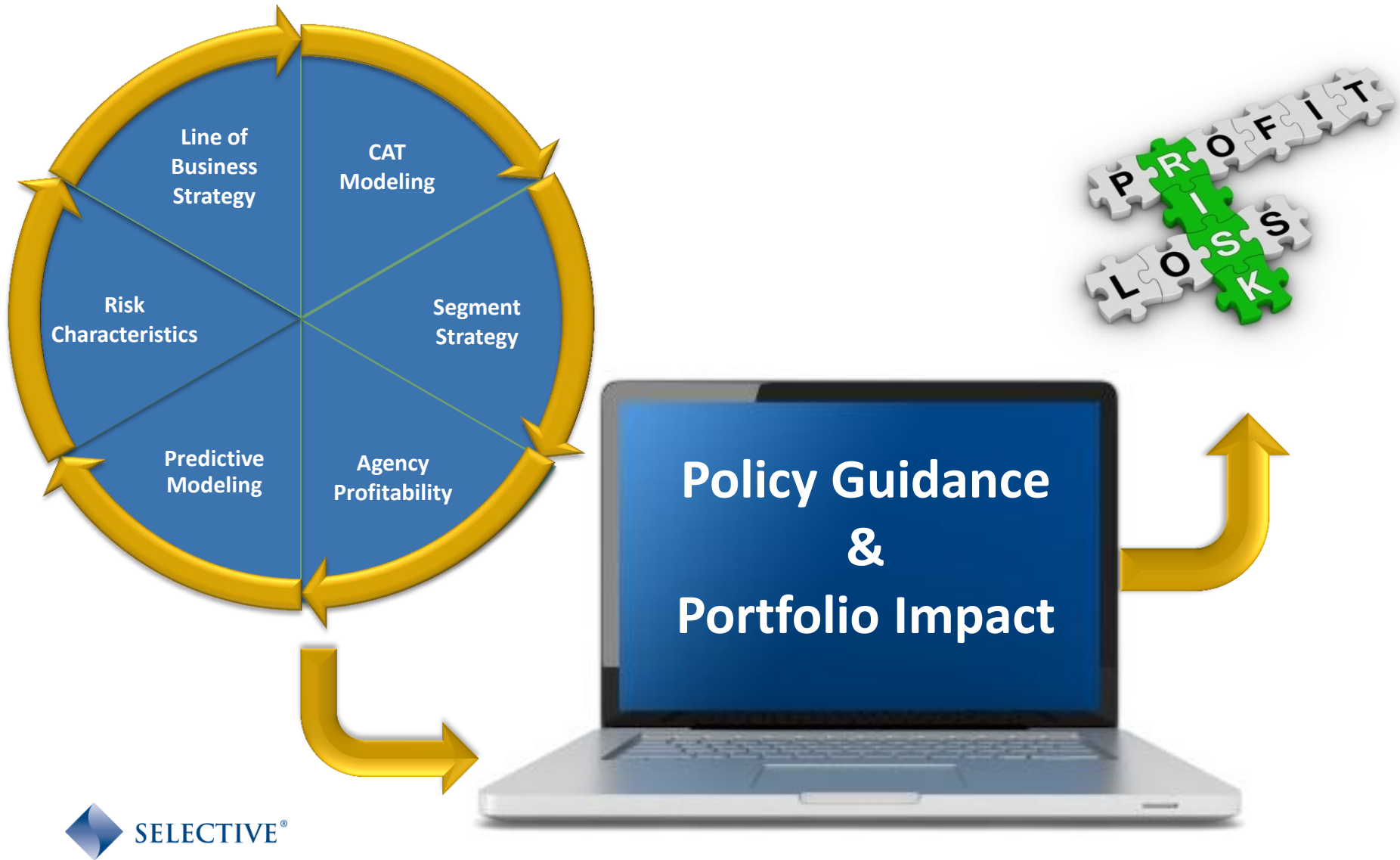
Empowered Field Model

Renewal Underwriters

- Manage renewal book by agency
- Broad underwriting authority
- Measured on:
 - Rate
 - Retention



Dynamic Portfolio Manager



Positioned for Success

Empowered Field Model

**Strategy execution
Deep relationships
Better results**



Claims: Managing Information to Achieve Better Outcomes

Douglas Holbrook

SVP, Chief Claims Officer



SUCCESS THROUGH DIFFERENTIATION

Our Claims Philosophy

**We strive to achieve
the best possible claim
outcome for all
stakeholders**

•Customers •Agents •Company



A Holistic Approach to Claims Management



People

A strategic
alignment of
talent



Process

Integrated
process and
workflows



Tools

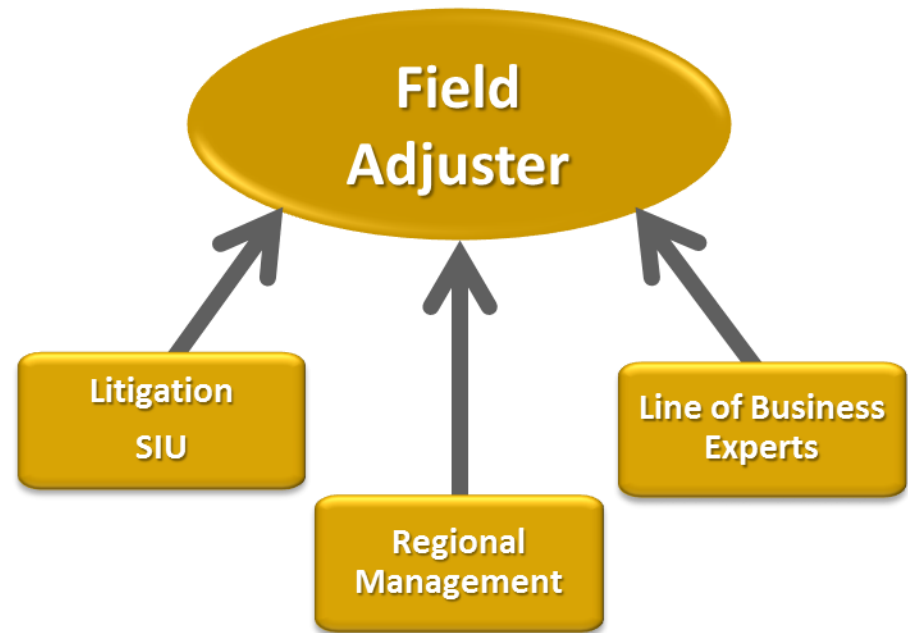
Best-in-class
tools and
analytics

Local Decision Makers Supported by Centralized Expertise

Underwriting



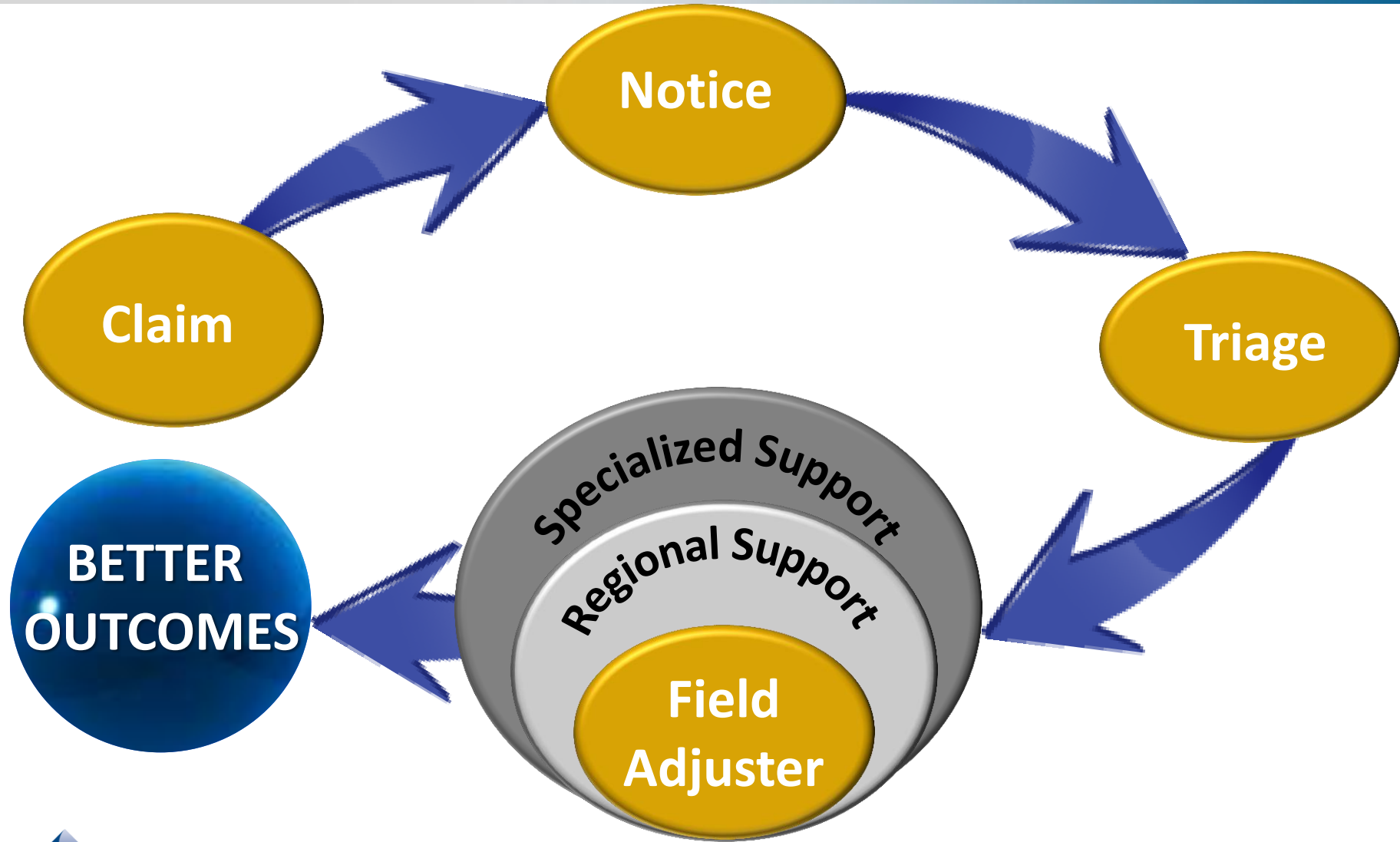
Claims



Field Claims Management Specialist



Integrating Processes & People



Process Enhancements

- **Liability Complex Claim Model**
 - Higher exposure claims
- **Workers Comp Specialization**
 - Investigation
 - Loss mitigation
 - Medical management
 - Resolution
- **Claims Service Center**
 - Higher frequency/lower severity

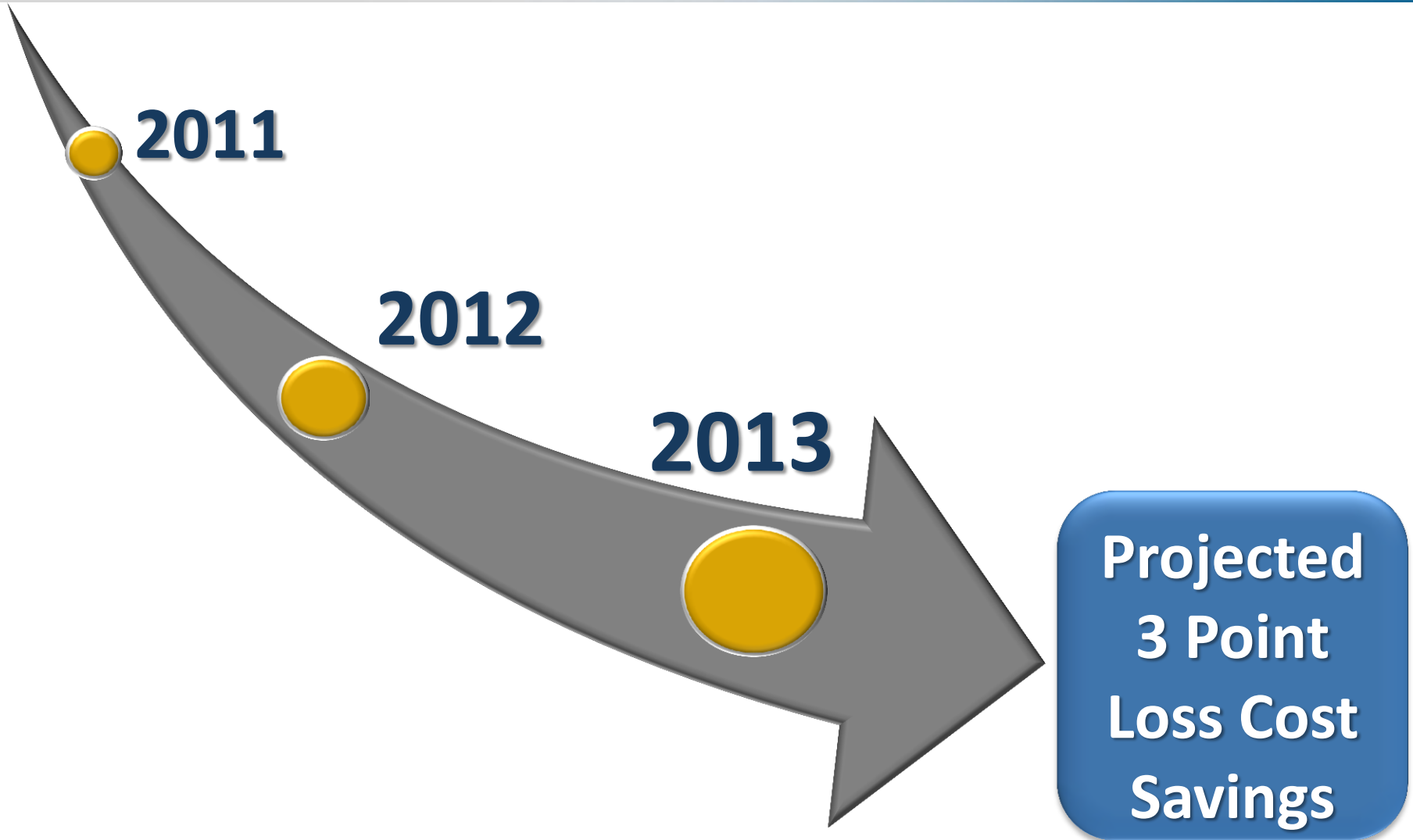


Predictive Tools and Analytics

- Fraud detection model
- Recovery model
- Triage
- Comprehensive data management tools



Achieving Better Outcomes



Customer Experience and Branding

John Marchioni

EVP, Insurance Operations



SUCCESS THROUGH DIFFERENTIATION

Building the Selective Brand

Increasing awareness through targeted advertising

- Tradeshows
- Radio
- NCAA
- G-Tron



Customer Satisfaction Drives Long-Term Success



What Drives Our Success

**Great people—
empowered to make
decisions**

**Deep relationships with the
highest caliber agents**

**High degree of underwriting,
pricing and claims
sophistication**

Agency Panel Introduction



Panelists



Summary

Greg Murphy

President, Chairman and CEO

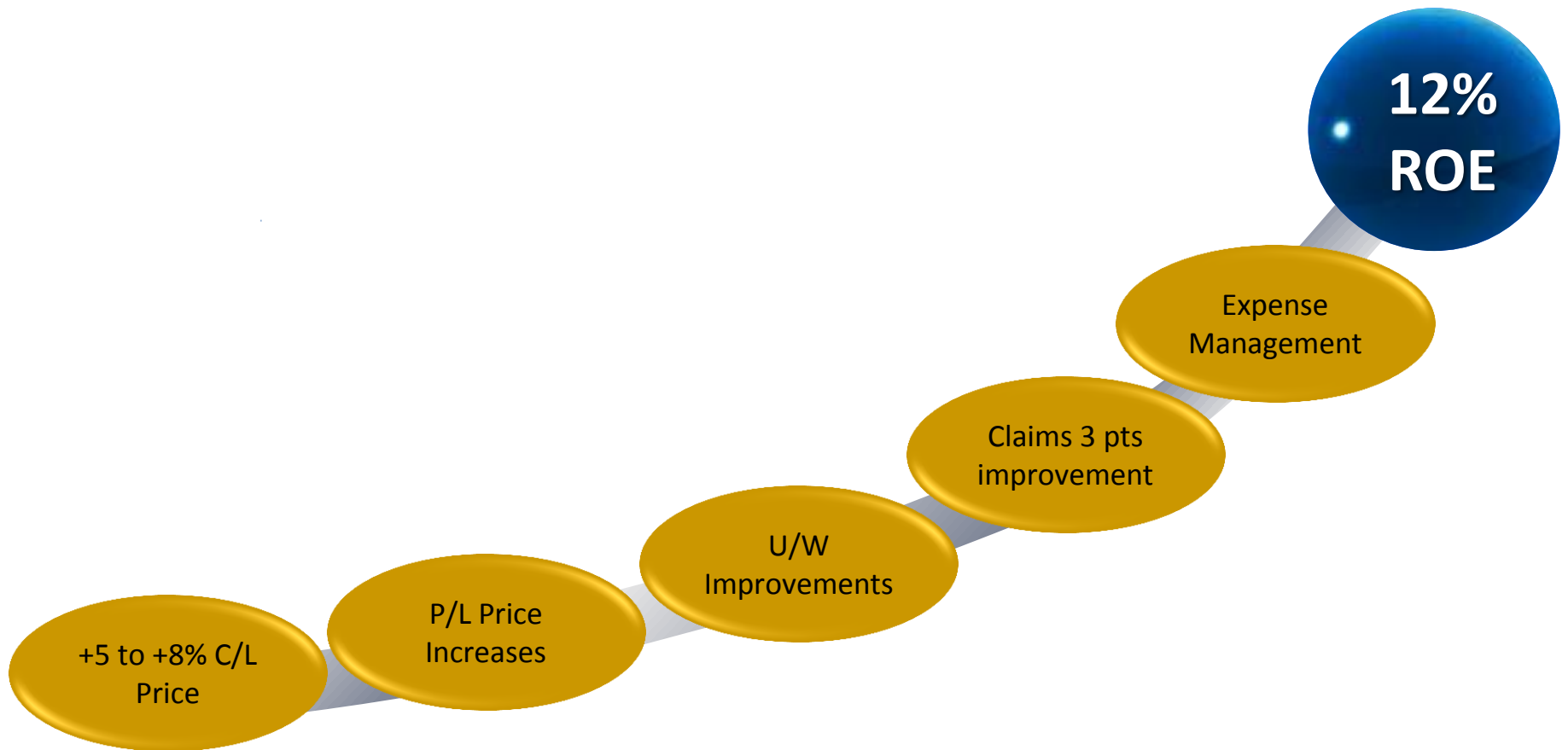


SUCCESS THROUGH DIFFERENTIATION

Success Through Differentiation

**Our success is driven
by empowered people,
deep relationships
and underwriting,
claims and pricing
sophistication**

Path to 12% ROE



Questions?



SUCCESS THROUGH DIFFERENTIATION

Thank You for Attending