

– SELECTIVE INSURANCE GROUP, INC. –



**KEEFE, BRUYETTE & WOODS
2011 INSURANCE CONFERENCE
SEPTEMBER 7, 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.

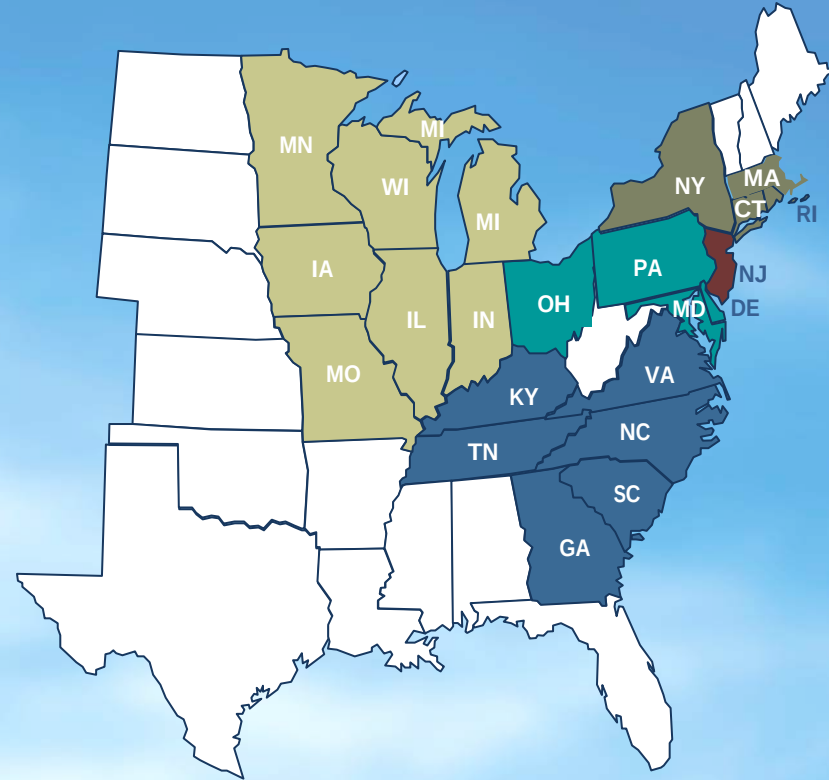
– SELECTIVE INSURANCE GROUP, INC. –



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

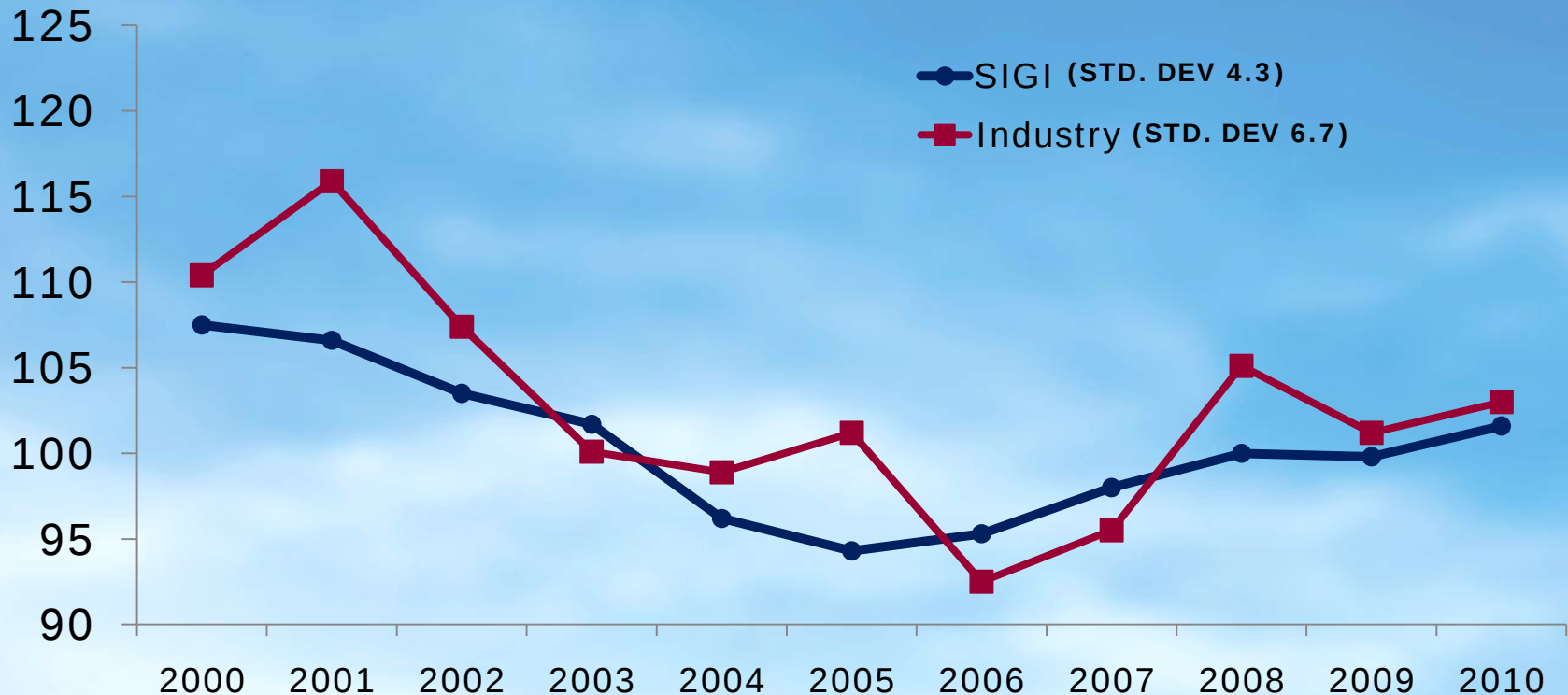


Focus on Enterprise Risk Management

- 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

**Financial
Strength**

**Prepared for
Tomorrow**

**Growth
Opportunity**

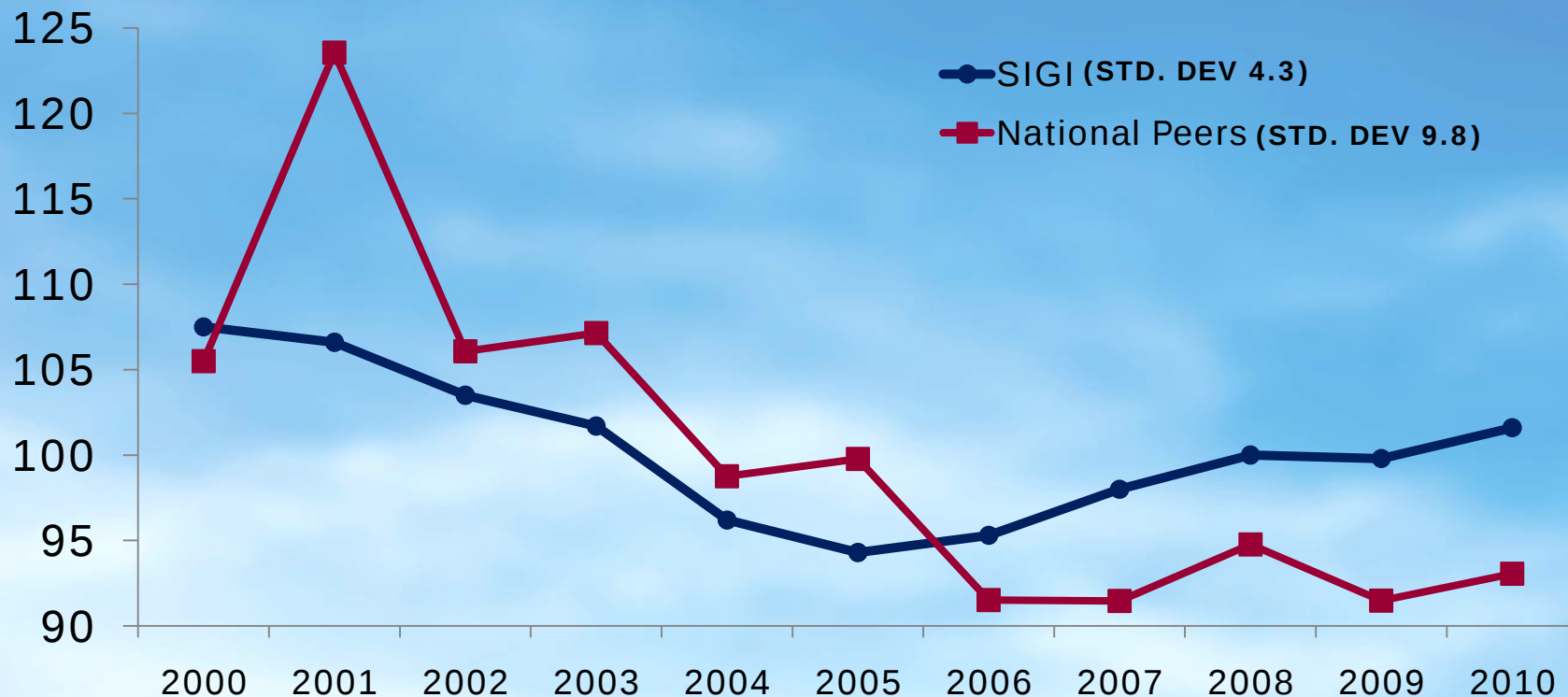
**Path to ROE
Improvement**

**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

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Strength**

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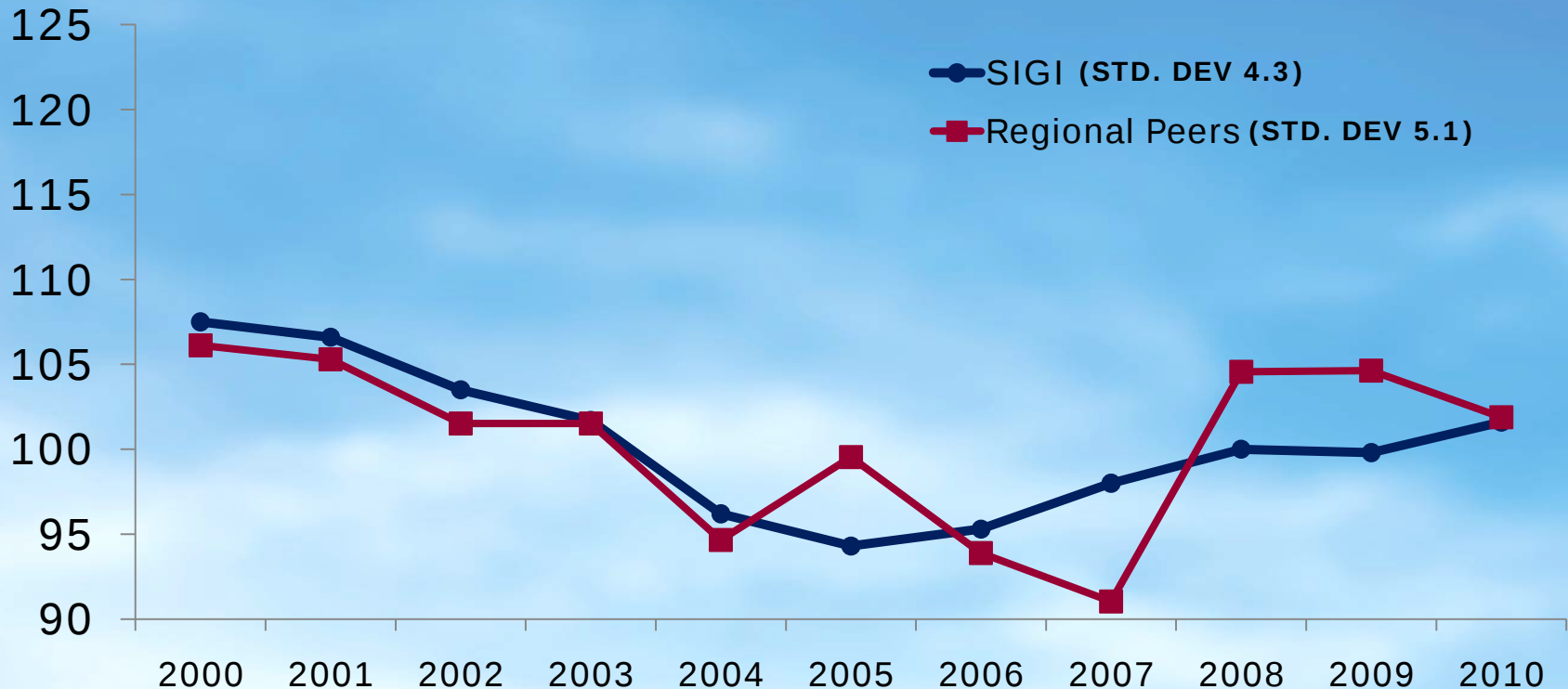
**Path to ROE
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**Long-Term
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More Earnings Stability

Combined Ratio – SIGI vs. Regional Peers



Source: SNL Financial

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

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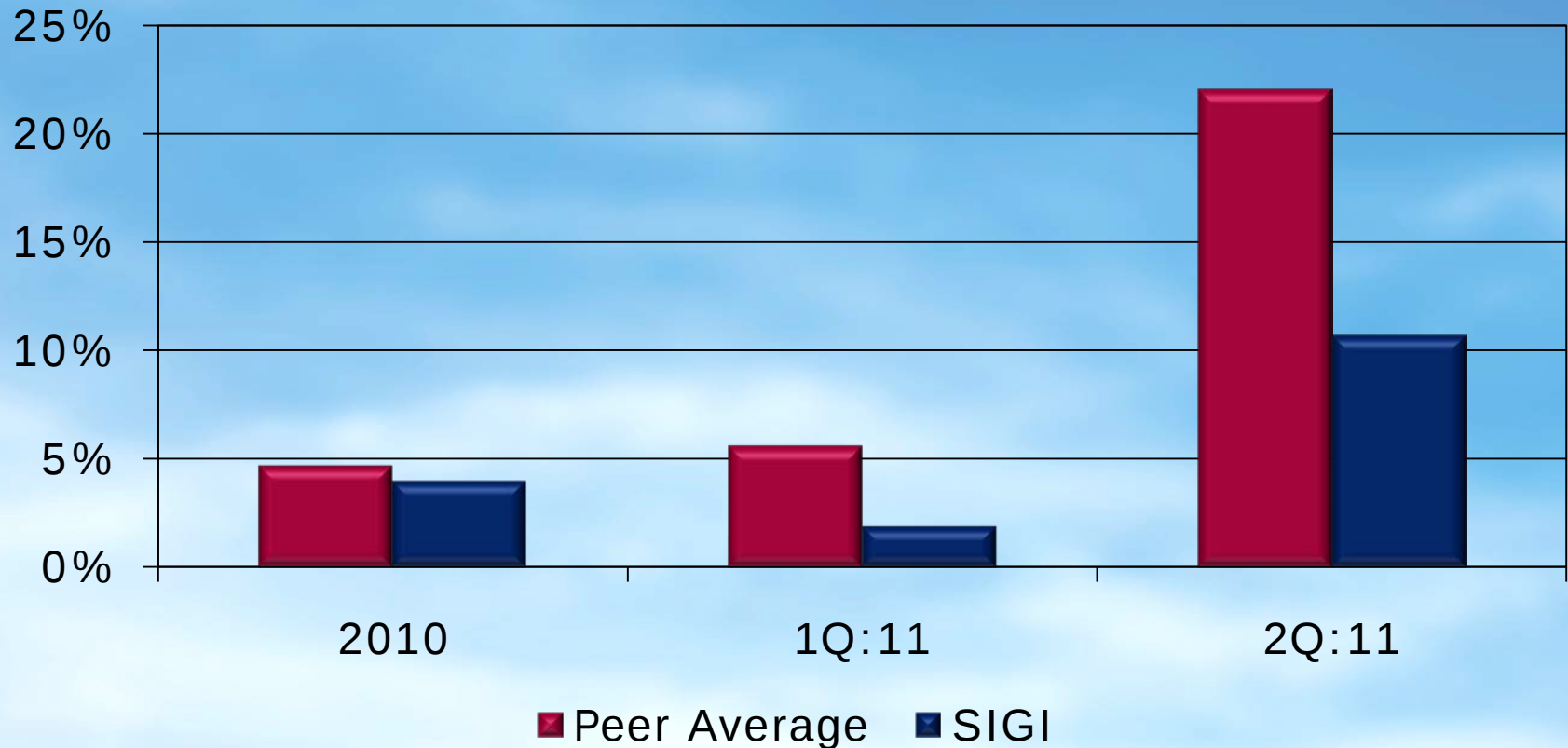
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Catastrophe Losses

Points on Combined Ratio

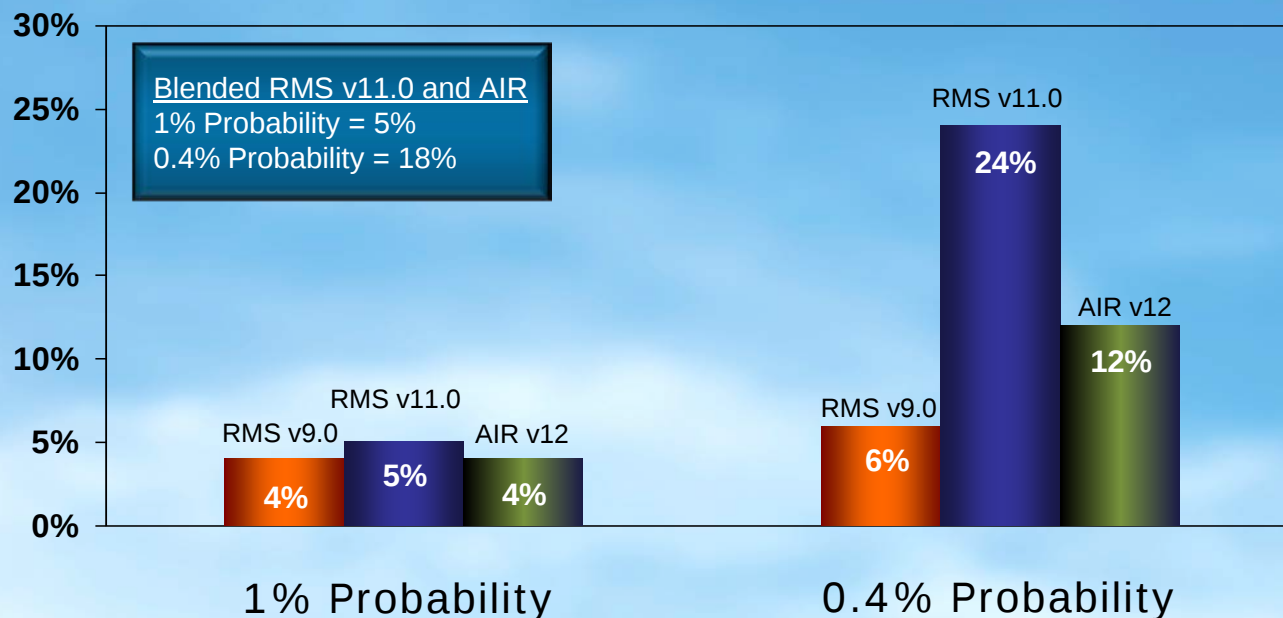


Source: SNL Financial, Company Reports

Note: Peers include CB, CINP, CNA, HIG, HGIC, STFC, THG, TRV, WRB and UFCS

Strong Natural Catastrophe Reinsurance Program

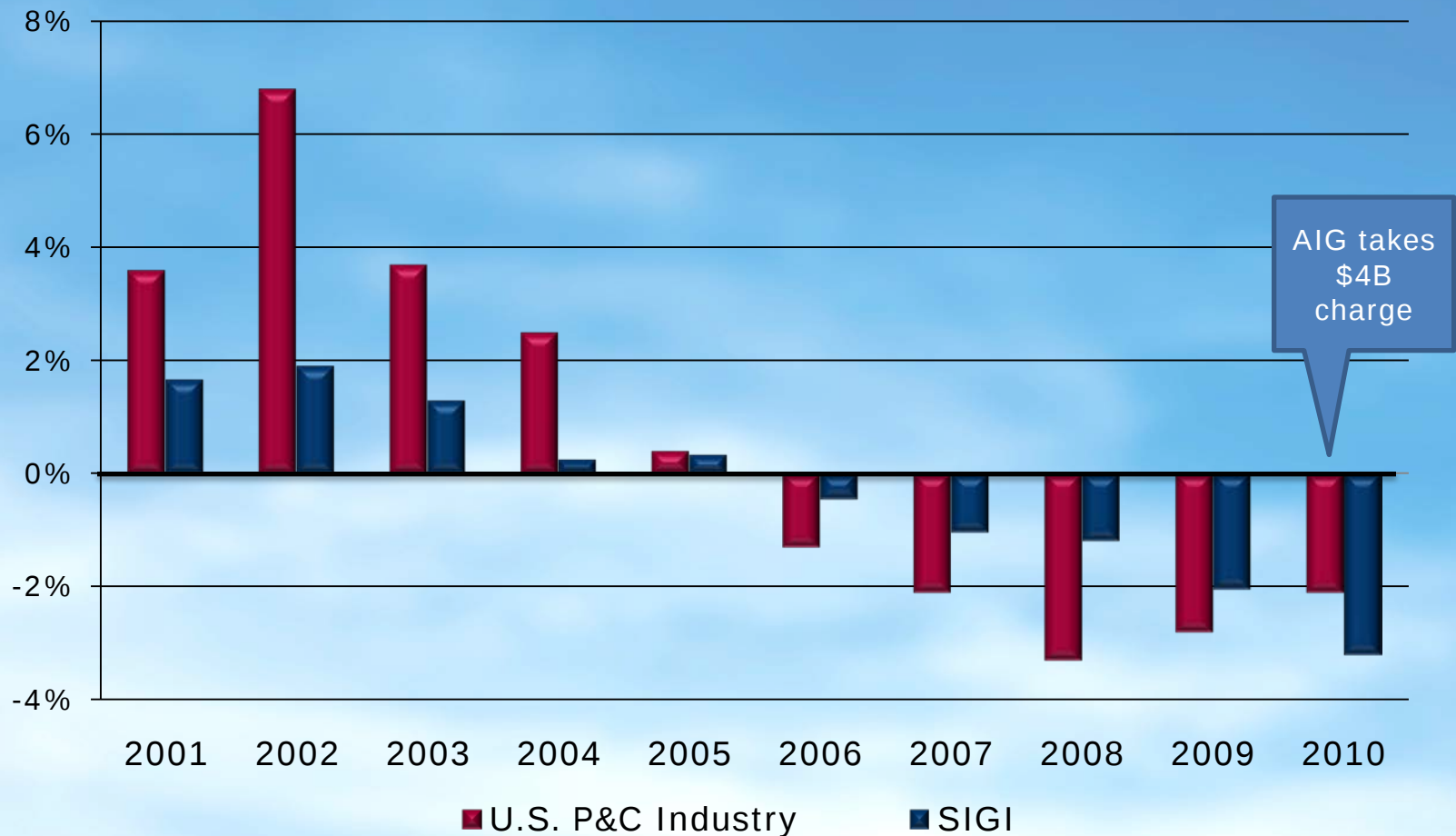
% of Equity at Risk (Near-term basis)



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

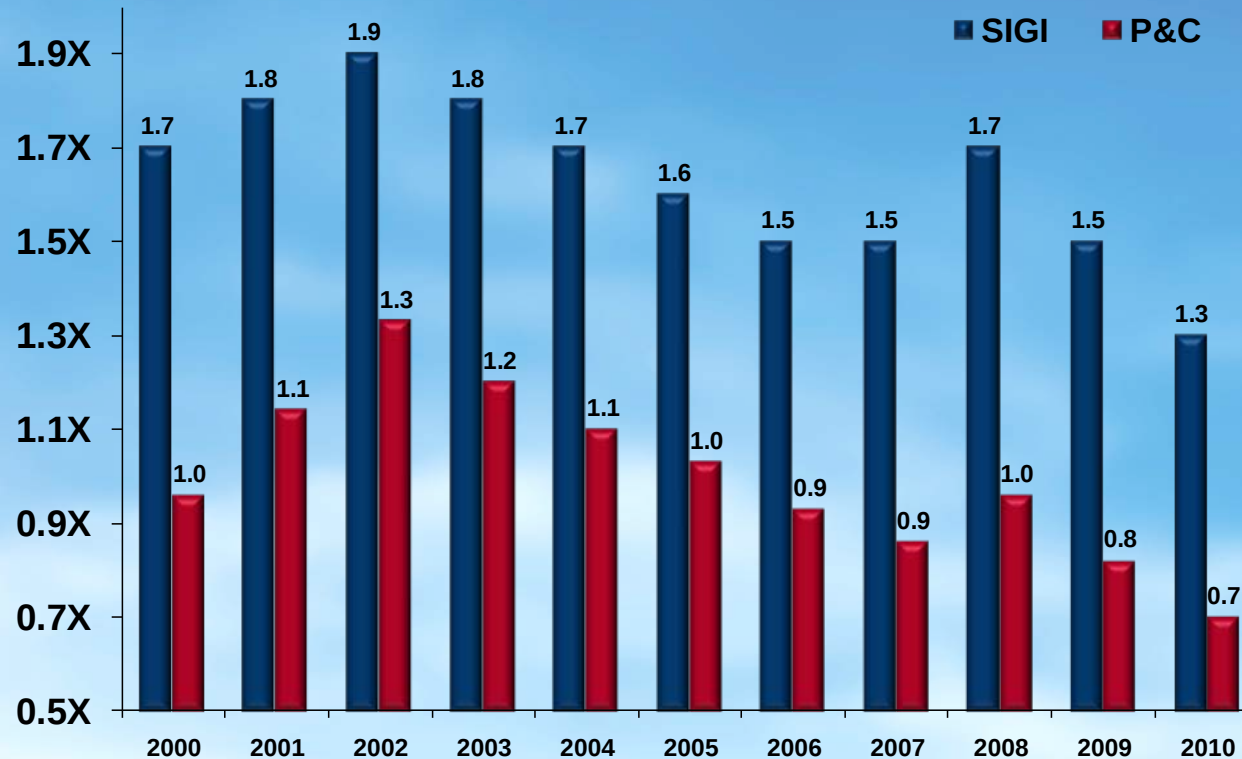
Percentages are net of tax, reinsurance and reinstatement premium.
Data as of 7/10; Equity data as of 6/30/11.

Adverse / (Favorable) Points of Calendar Year Development



Source: AM Best, 2010 Estimate

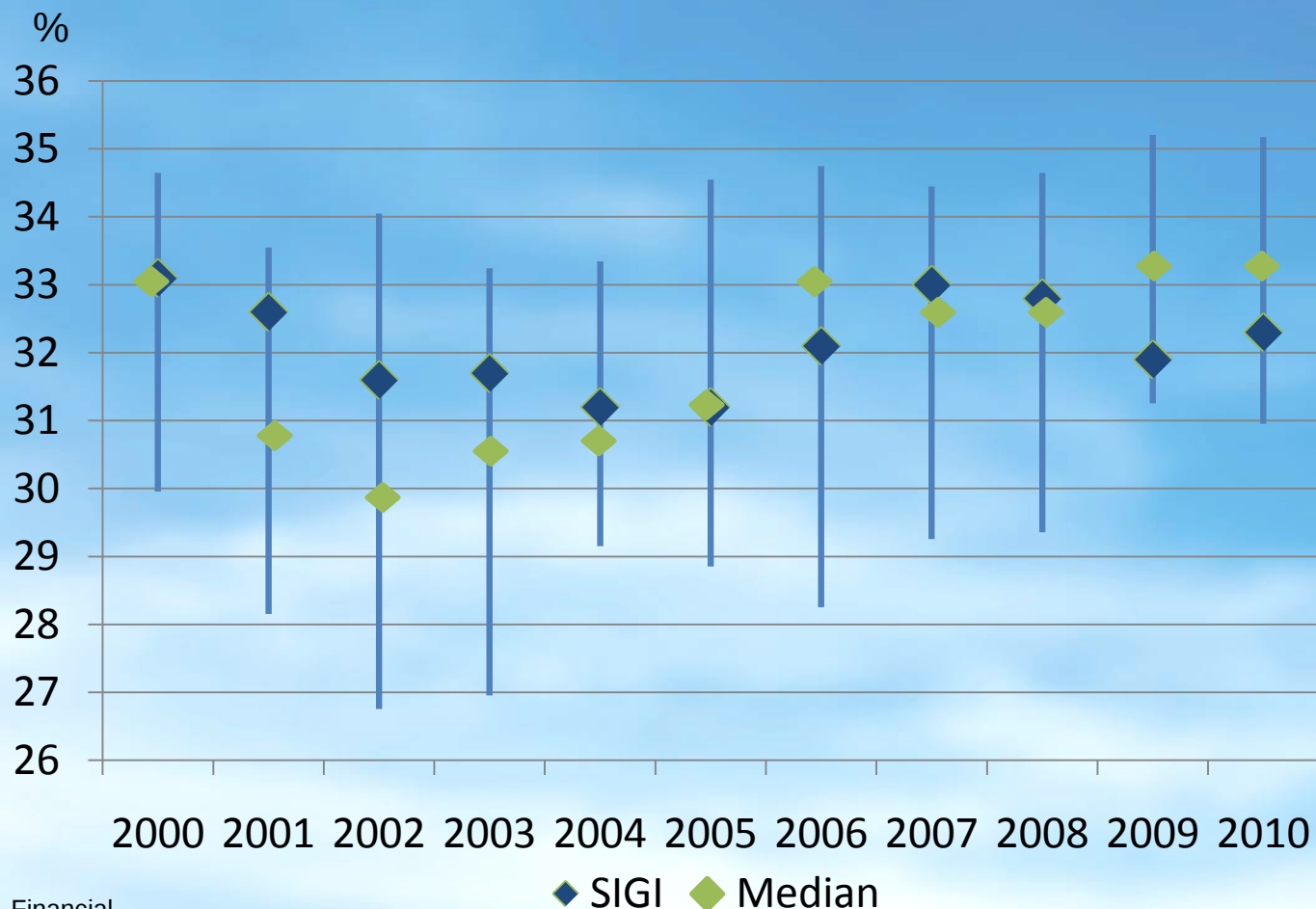
Premium-to-Surplus



1 point of Combined Ratio = 1 point of ROE

Sources: ISO, AM Best, III; 2010 AM Best Estimate

Focus on Expense Management



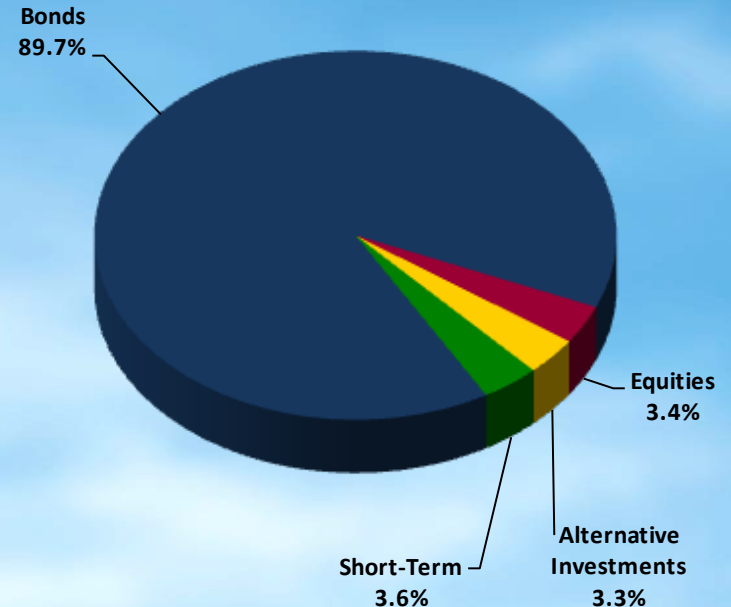
Source: SNL Financial

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

High Quality Investment Portfolio

- Average “AA” bond quality
- Approximately 3.3 year average duration, including short-term & cash
- Laddered maturity schedule
 - 38% matures within 3 years
 - 72% matures within 5 years
- Outsourcing provides access to broader market expertise

\$4.0B Invested Assets
June 30, 2011



30 bps of Yield = 1 point of ROE

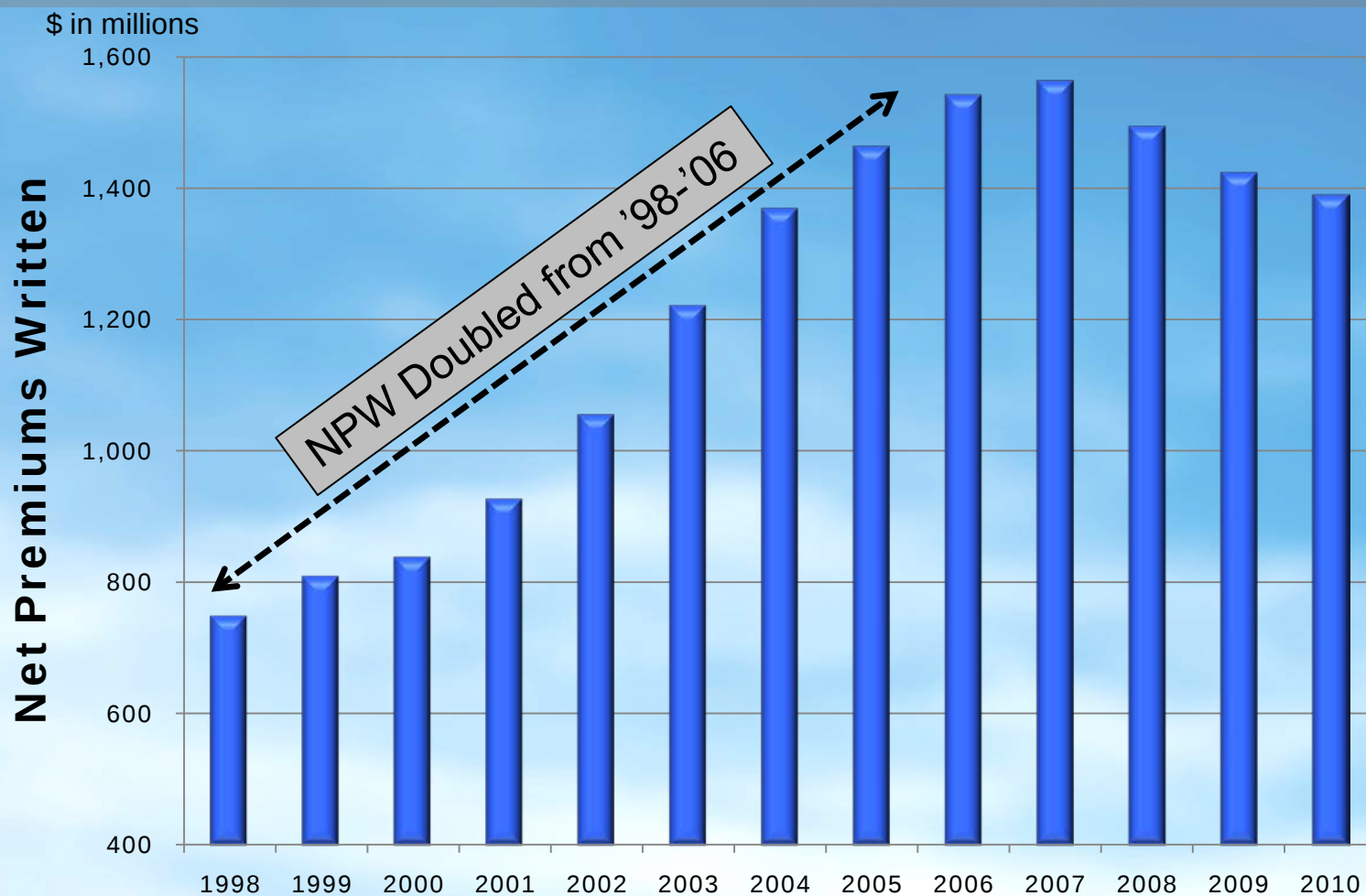
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PREPARED FOR TOMORROW

- Growth opportunity
- Path to ROE improvement
- Long-term shareholder value creation

A Growth Company When the Time is Right



Financial
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Tomorrow

Growth
Opportunity

Path to ROE
Improvement

Long-Term
Value Creation

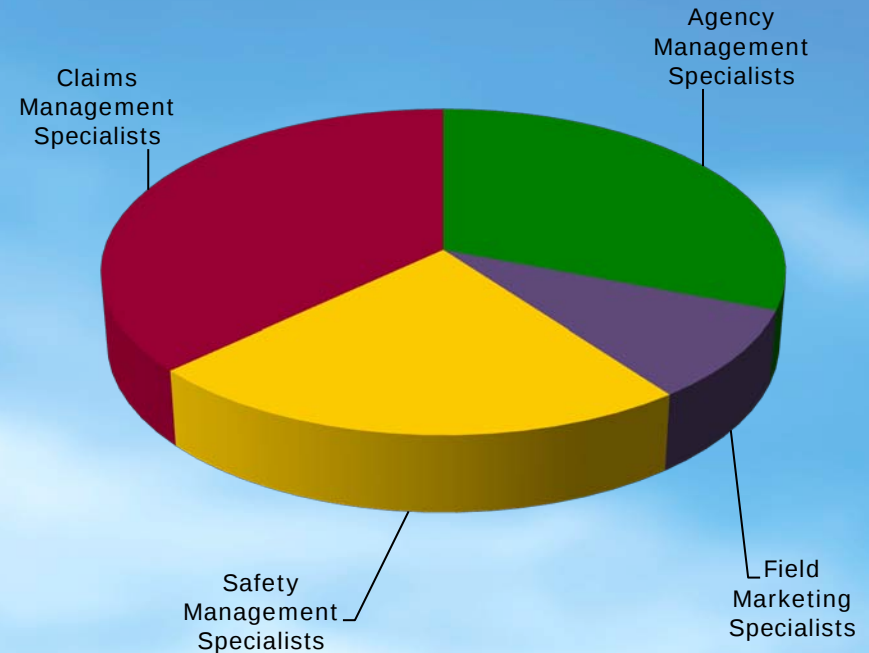


Selective's Growth Opportunity

- 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 renewal rights transaction
 - 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



Over 300 Field Personnel

Agency Focus

- 990 Agents
 - 2,000 Storefronts
- Ease of doing business
- Online agency marketing portal



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

Customer Focus to Improve Retention

- Continue to build relationships with end customers
- 24/7 online access for customer service needs
- Improving customer experience through high frequency touch points
- Online interactive safety training resources
- Improved touch points strengthen Selective brand



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

Average DPW / Day

\$ thousands



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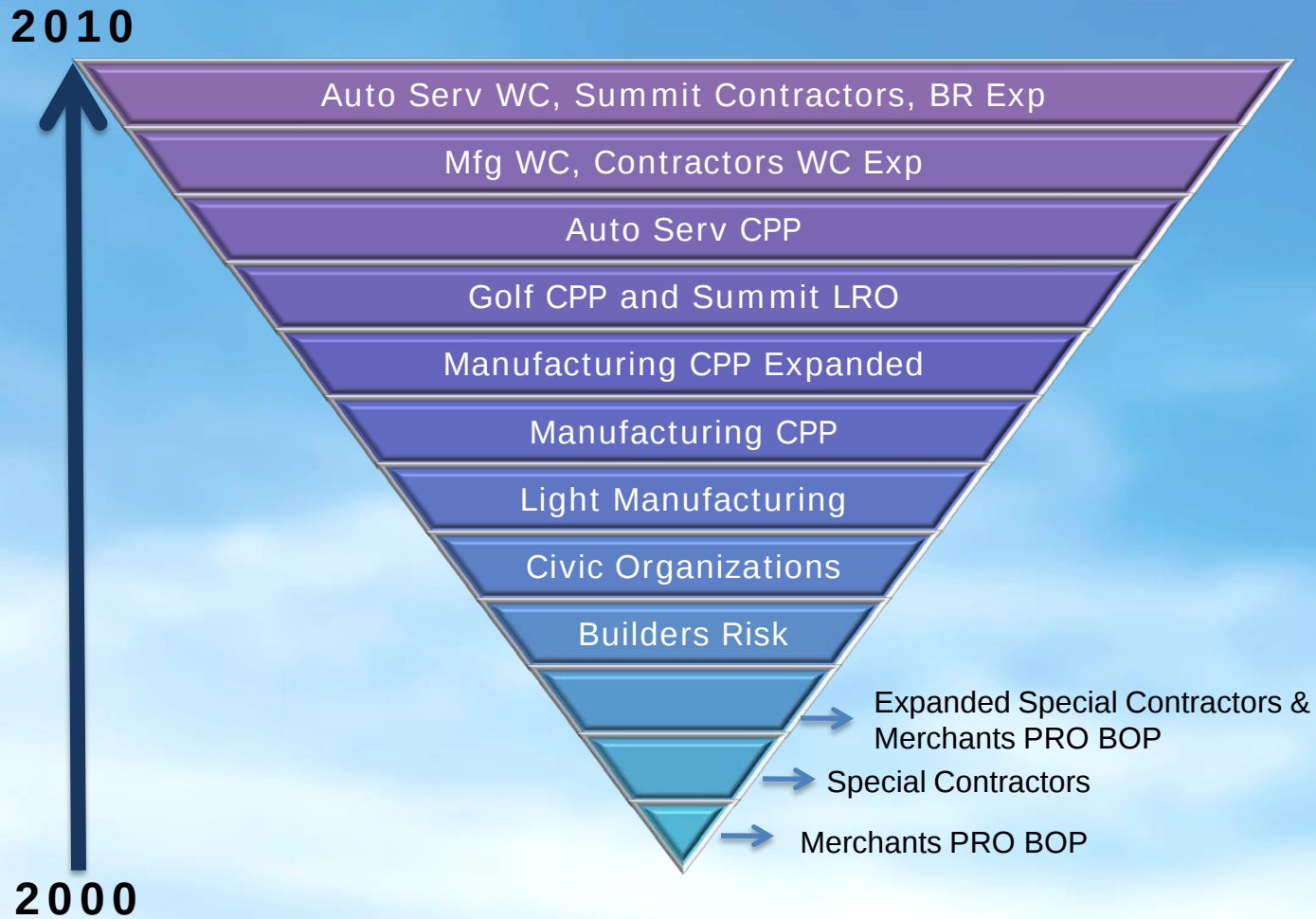
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 **SELECTIVE®**

Small Business Product Expansion



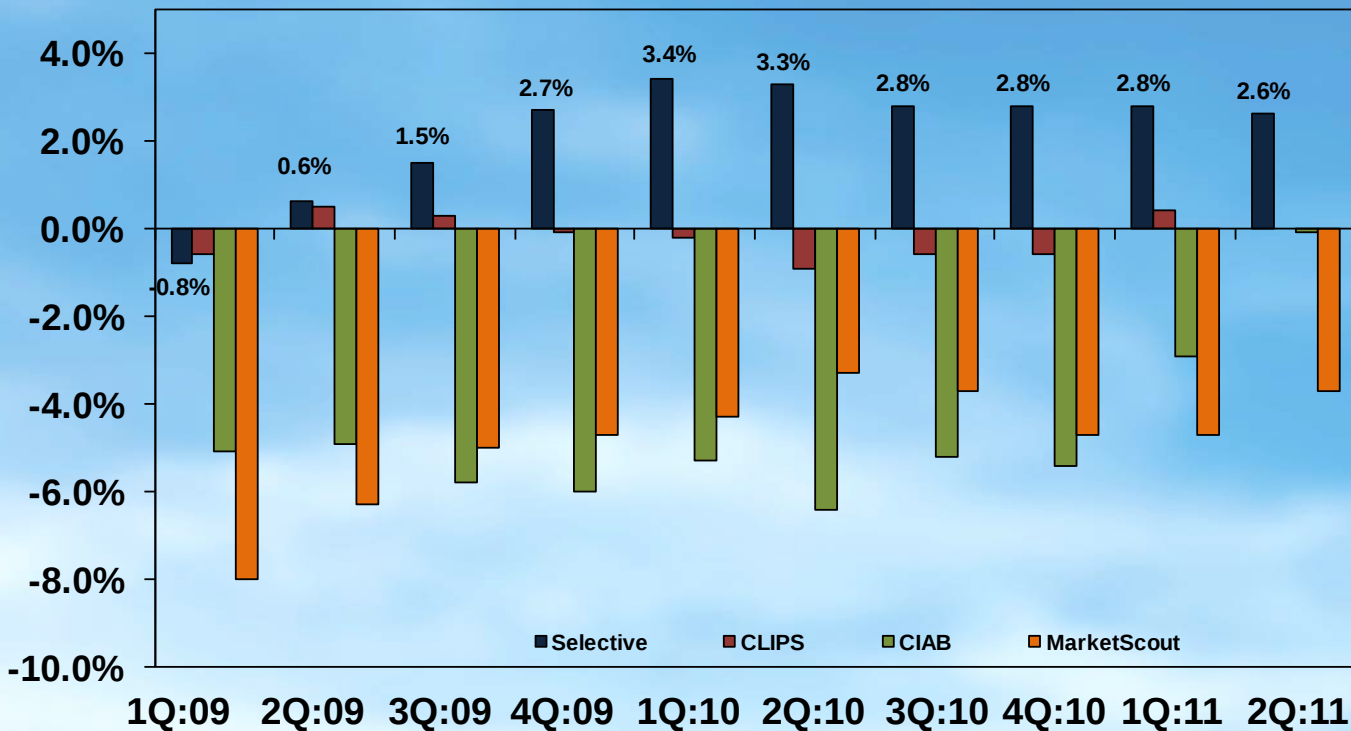
E&S Contract Binding Authority Product Expansion

- Renewal rights transaction effective August 1st with Alterra
- Hired E&S underwriting team
- 2010 gross written premiums of \$77 million
- Average account size of \$2,500
- 75% casualty lines and 25% property
 - Primarily general liability, no workers compensation
- Estimated \$300-400 million of CBA E&S business currently written through Selective agents
- Book produced in 48 states

Path to ROE Improvement

- Commercial Lines
 - Improving renewal mix of business
 - Improving new business quality and pricing
 - Reduced hurricane AAL while growing exposures over the last 3 years
 - 9 consecutive quarters of positive price
- Personal Lines
 - Reduced hurricane AAL while significantly growing exposures over the last 3 years
 - Improving mix of business
 - 5 years of price increases
- Expense Management
- Investments
 - Strategic opportunities to increase yield
- Claims
 - Reducing cost of goods sold

Selective's Commercial Lines Renewal Pricing Success



9 consecutive quarters of positive price

Personal Lines Rate Success

Blended In-force Rate



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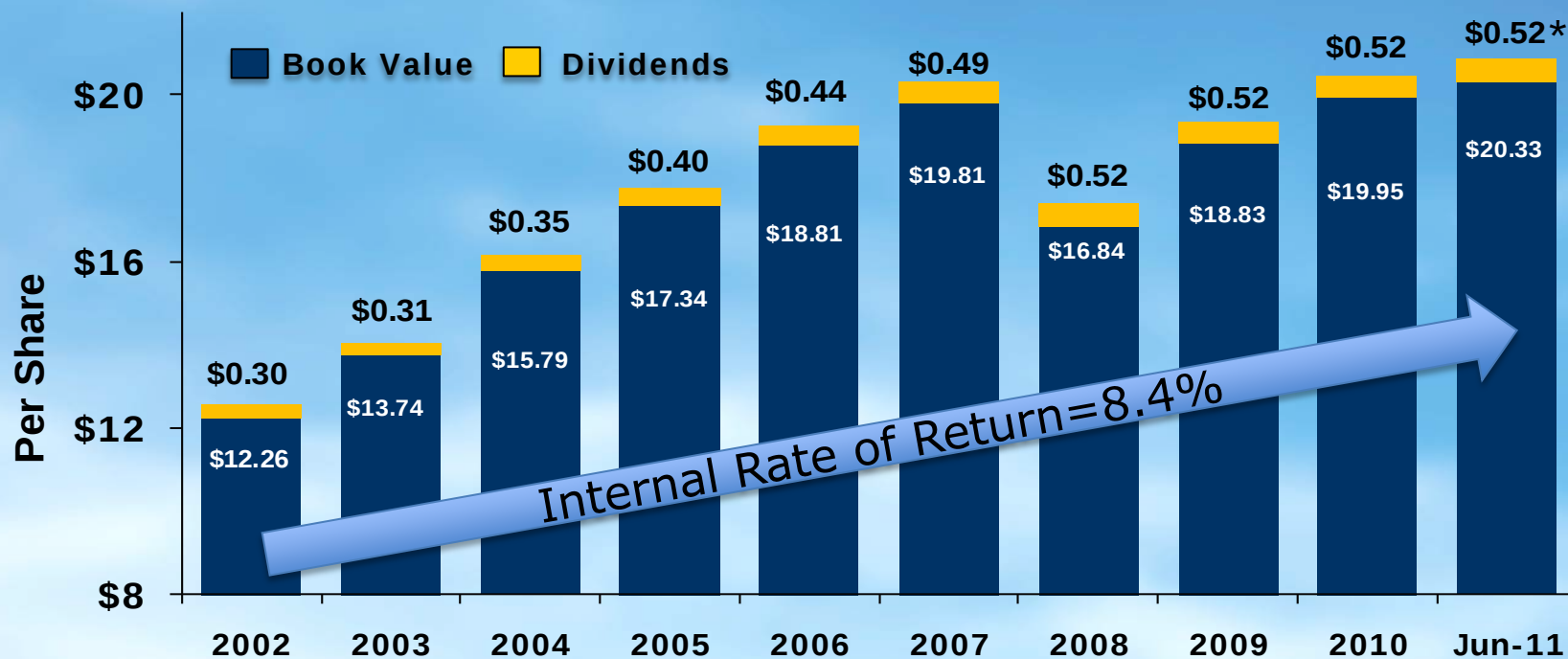


Driving Down Cost of Goods Sold

- 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

Anticipate \$8M savings from 2011 initiatives

Long-Term Shareholder Value Creation



Current Dividend Yield: 3.6%

*Annualized Indicated Dividend

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