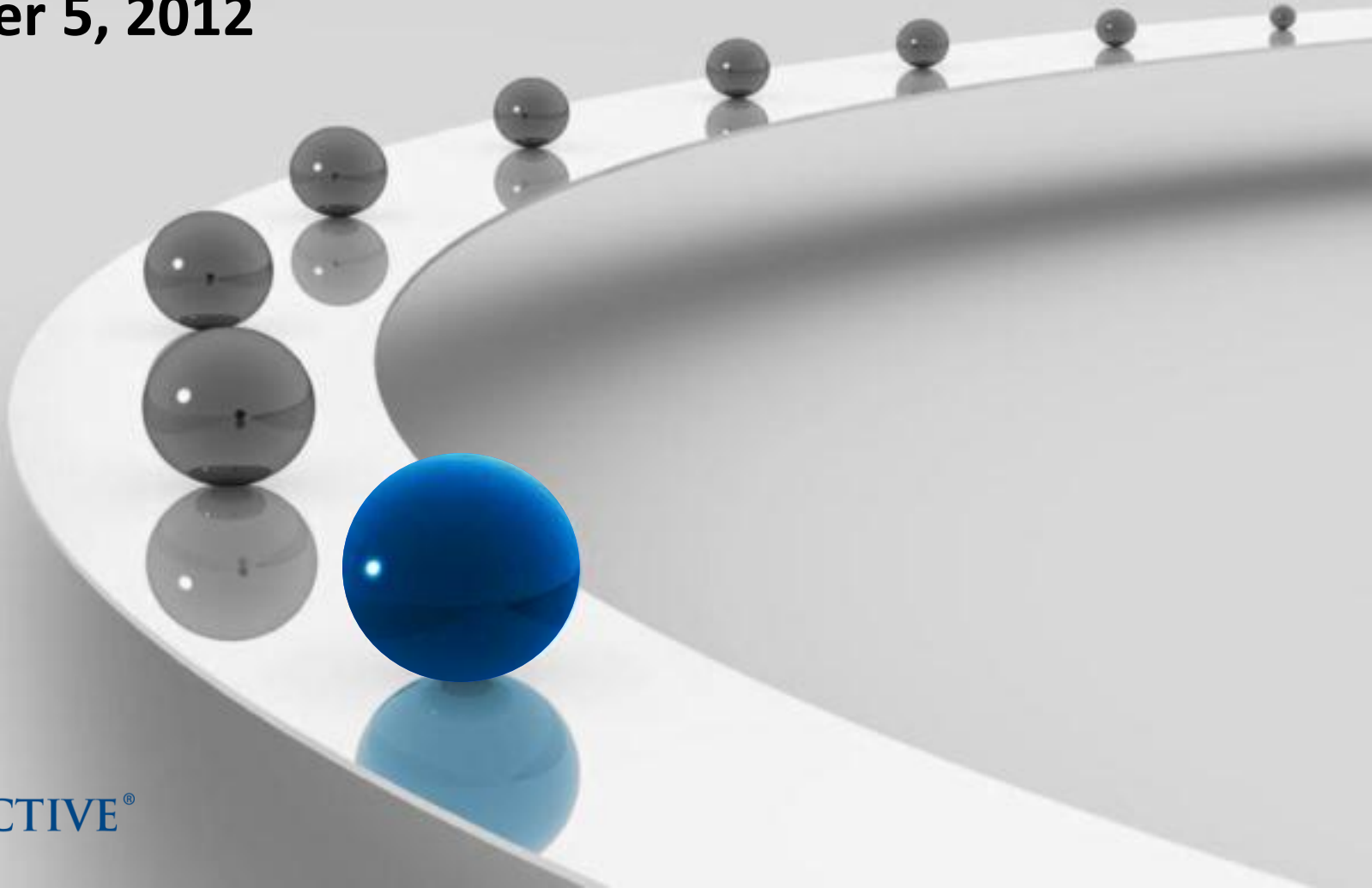


Keefe, Bruyette & Woods 2012 Insurance Conference

September 5, 2012



Forward Looking Statement

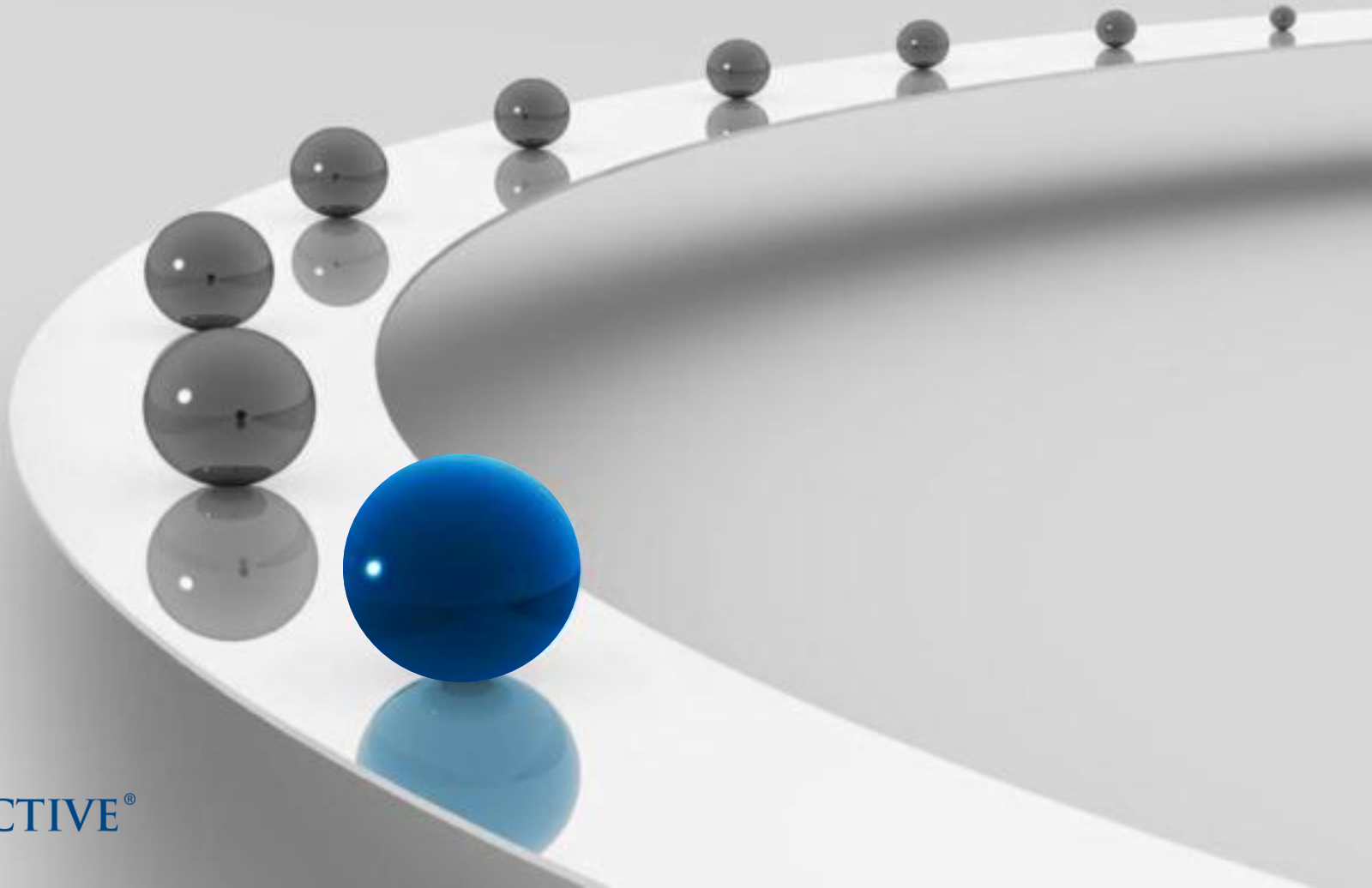
Certain statements in this report, including information incorporated by reference, are “forward-looking statements” as that term is defined in the Private Securities Litigation Reform Act of 1995 (“PSLRA”). The PSLRA provides a safe harbor under the Securities Act of 1933 and the Securities Exchange 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.

Foundation for Success

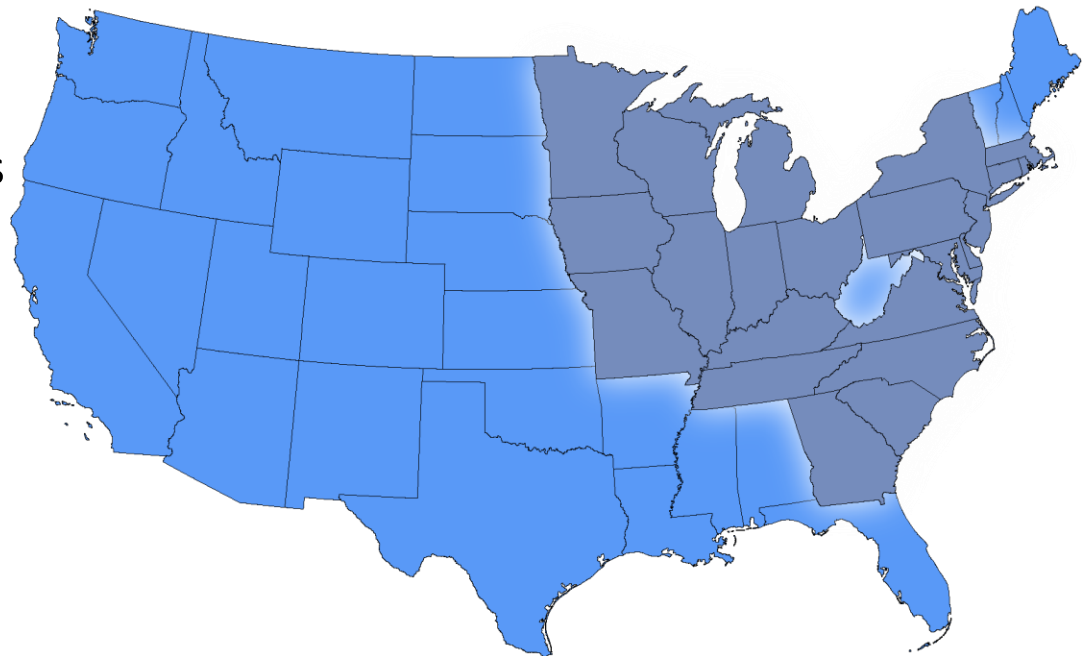
Dale Thatcher

EVP, Chief Financial Officer



Who We Are

- \$1.5B 2011 NPW
- Super-regional carrier
- Standard Lines distributed through independent agents
- E&S distributed through wholesale agents
- 80% standard commercial lines
- History of financial strength



Business Diversification

Standard Commercial Lines

- 22 state footprint
- 1,000 independent agency relationships
- Average account size of \$9,000

Personal Lines

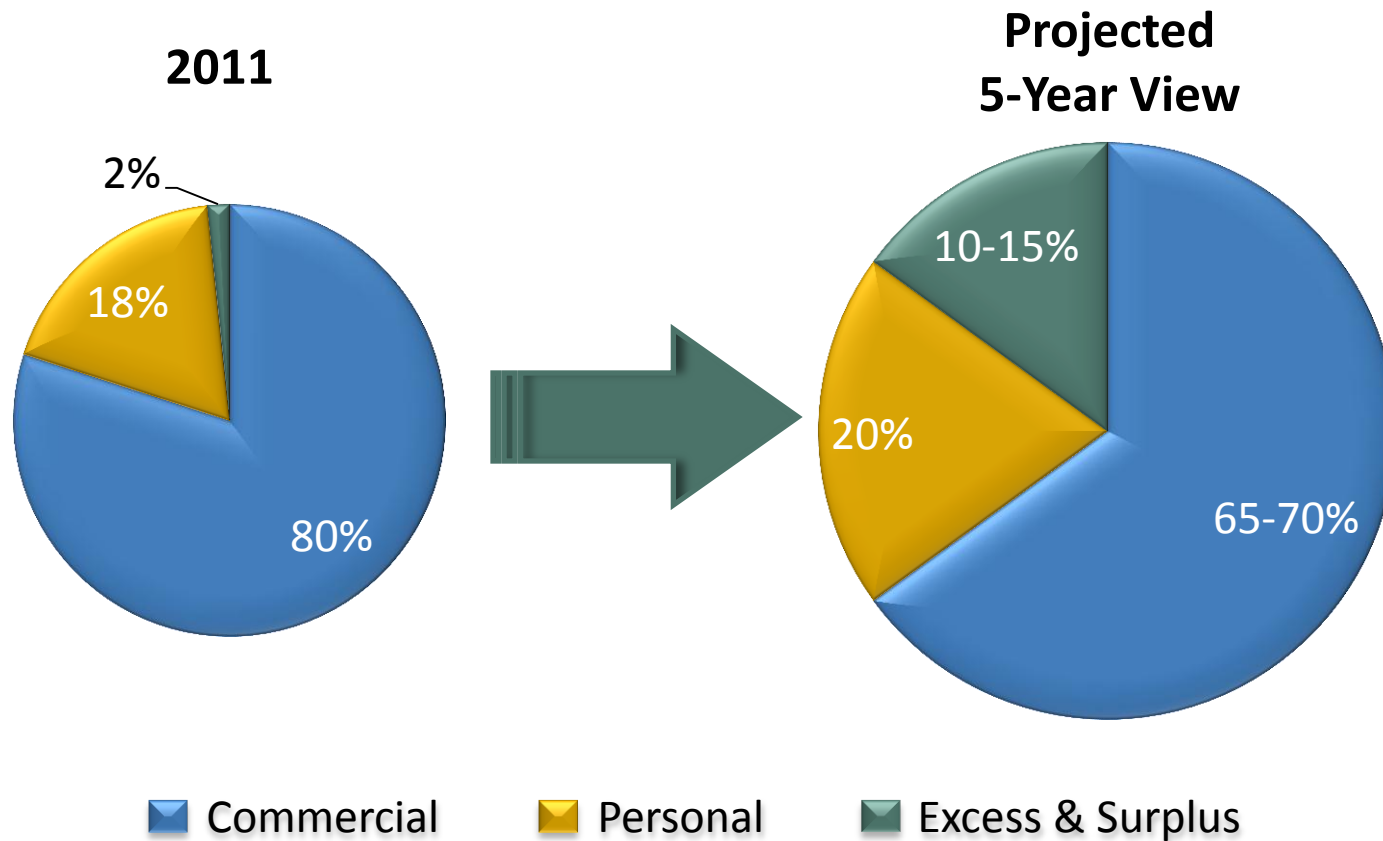
- 13 state footprint
- 580 independent agents
- Agents want joint C/L & P/L markets
- Flood 2011 net income of \$11M

E&S Contract Binding Authority

- Right time to enter business
- Wholesale agents have controlled binding authority and no claims authority
- Within E&S, lower hazard and dollar limits
- Average account size of \$2,200

Diversification Leads to Profit Opportunities

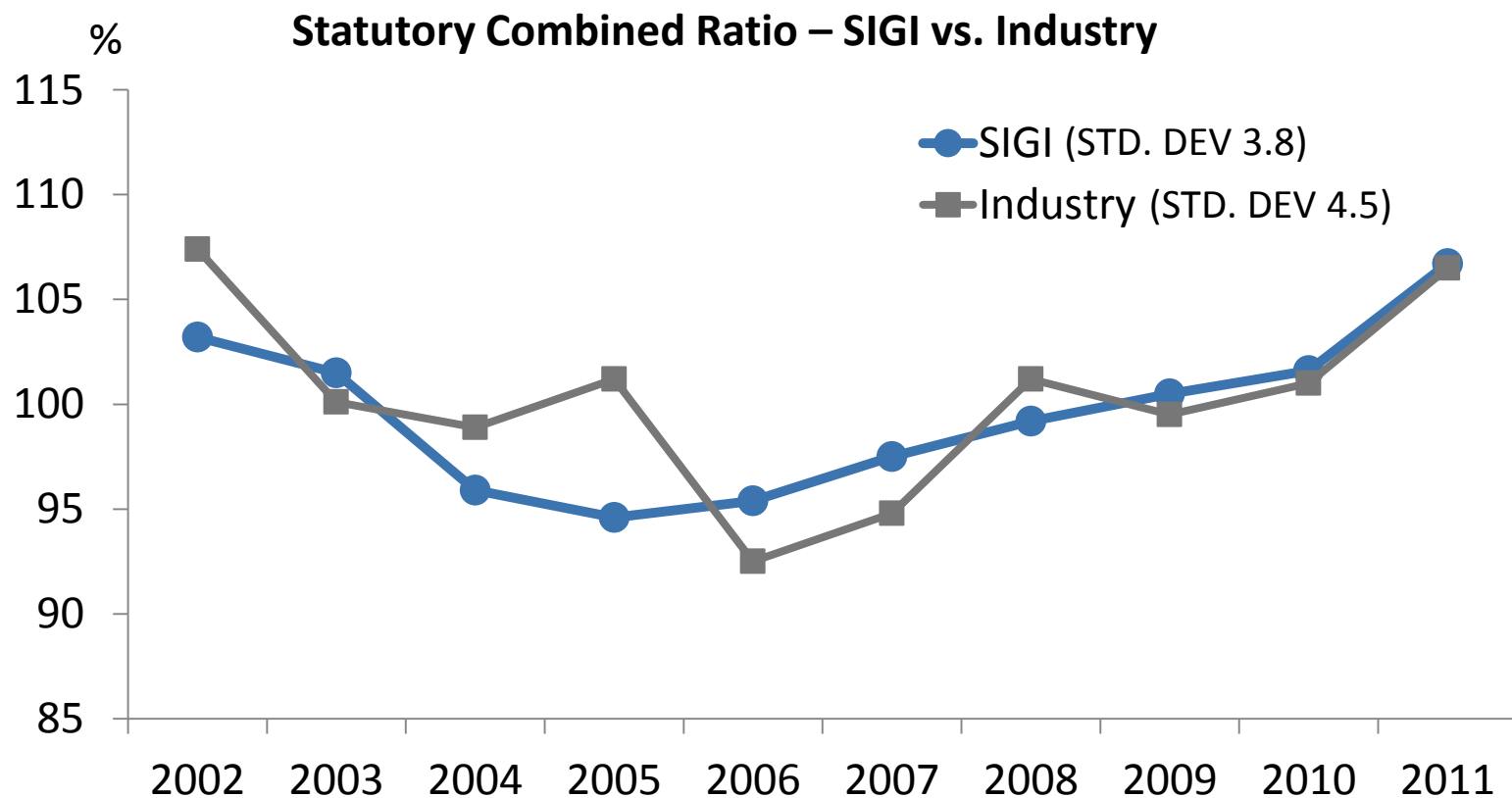
Net Premiums Written %



Financial Strength is our Foundation for Success

- Underwriting stability
- Disciplined reserving
- Conservative investments
- Benefits of leverage

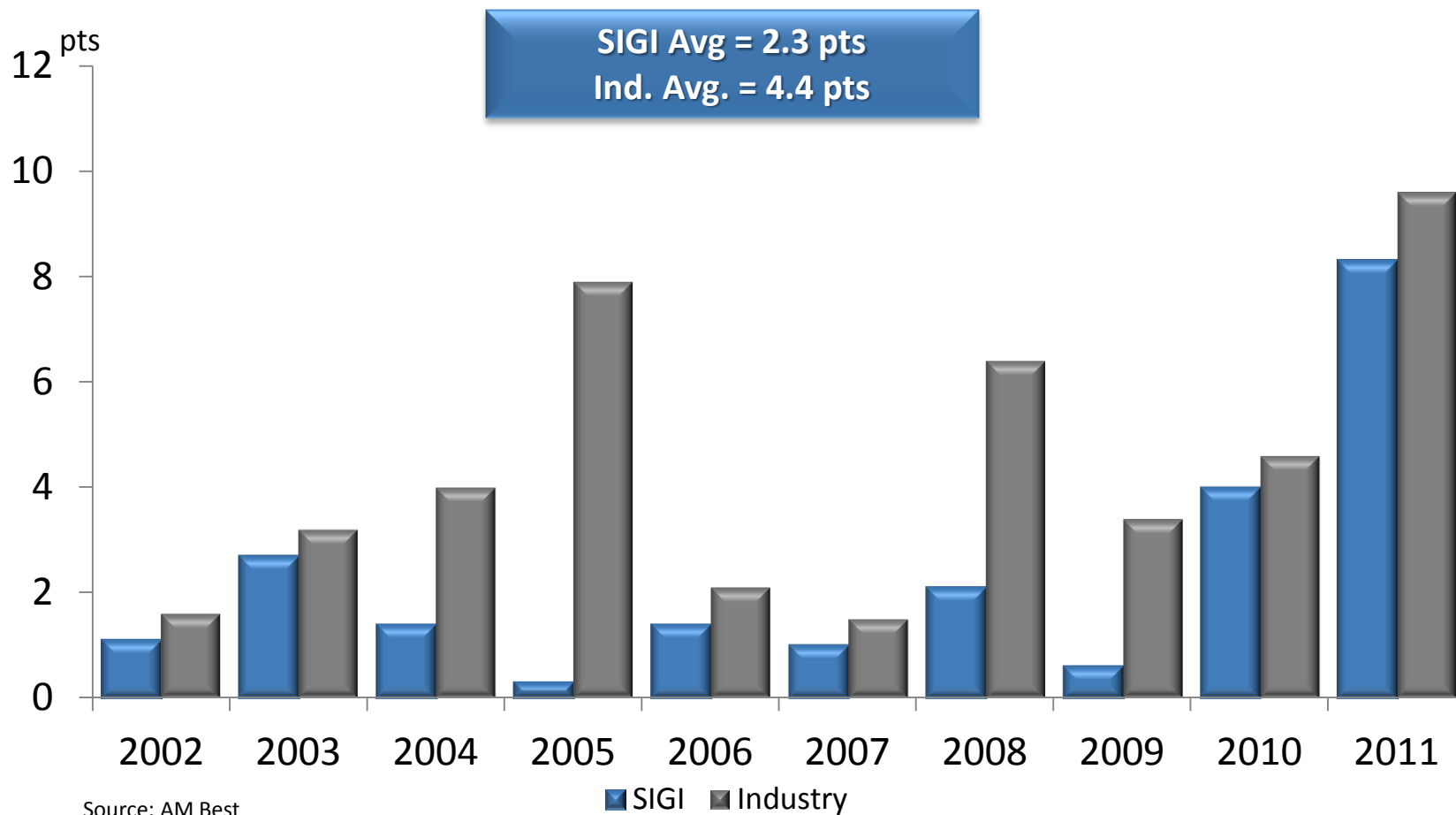
Underwriting Stability



Source: A.M. Best, III

Note: Industry excluding Mortgage and Financial Guaranty Segments since 2007

Impact of CATs on Combined Ratio

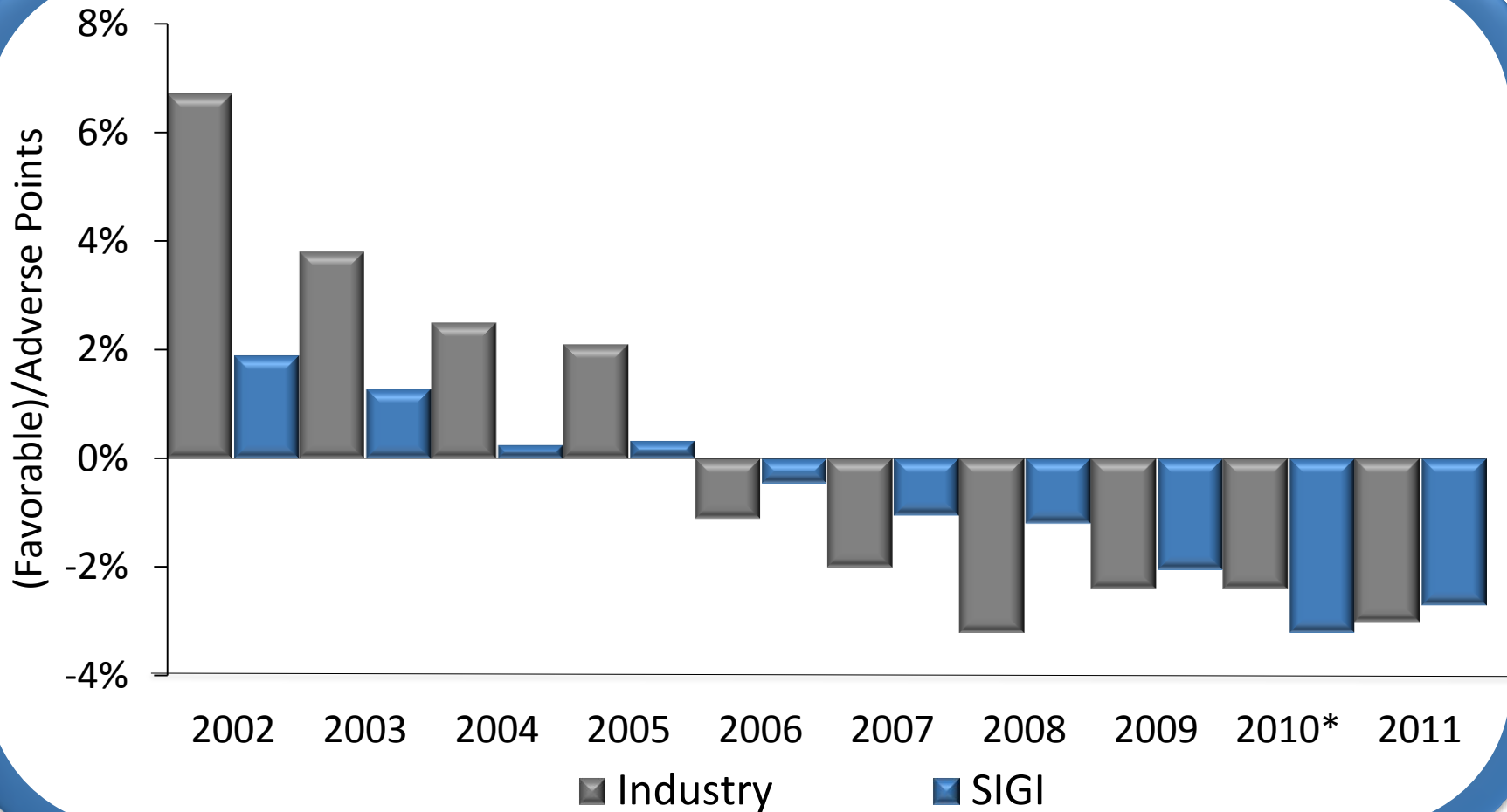


Selective June YTD CAT Losses of 4.8 pts

Managing Increased Catastrophes

- Increased CAT reinsurance program from \$360M in excess of \$40M to \$435M in excess of \$40M
- Personal Lines
 - Maximizing rate in homeowners
 - Age of roof restrictions
 - Deductible changes

Calendar Year Development



Source: AM Best, III

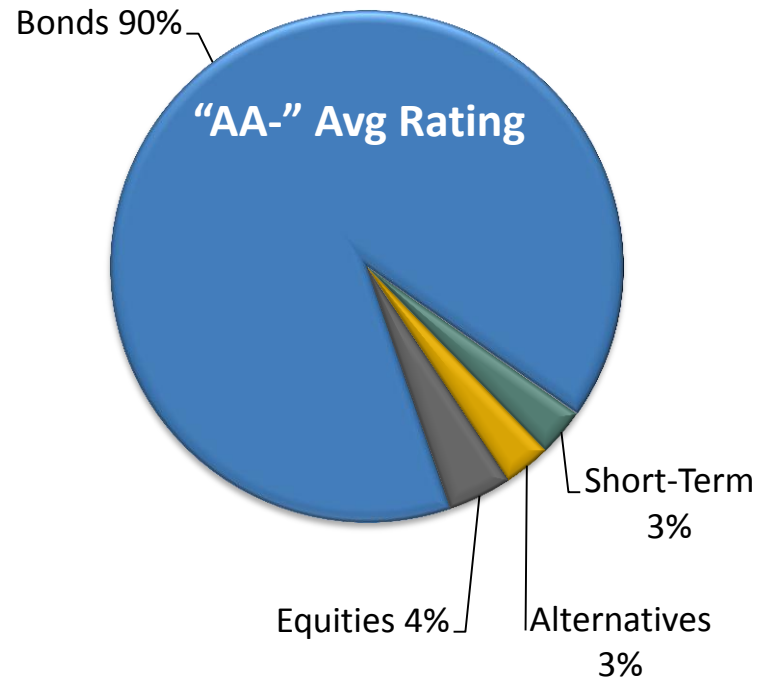
Note: Industry excluding Mortgage and Financial Guaranty Segments

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

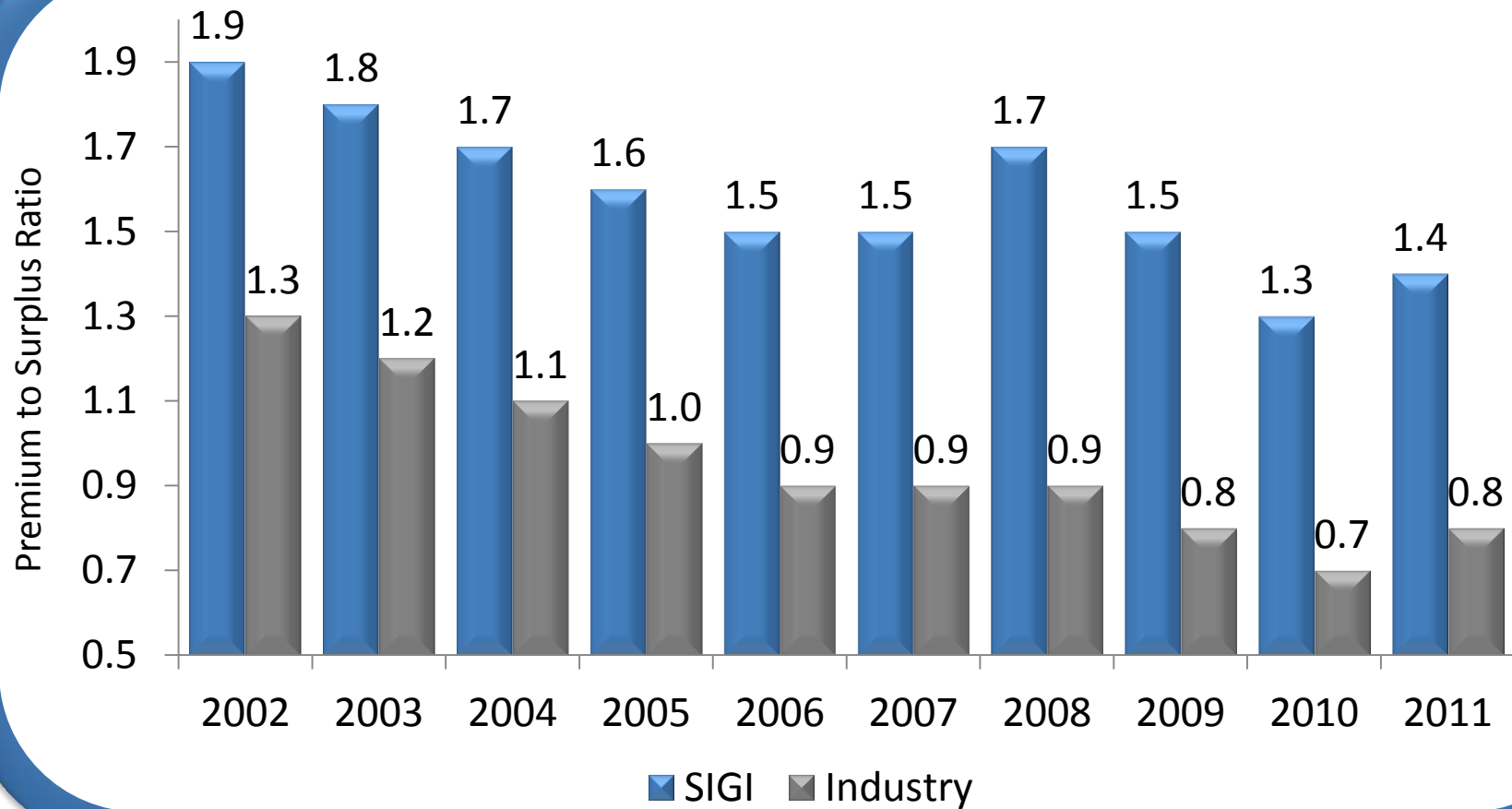
Conservative Investment Portfolio

- Well diversified, laddered portfolio
- Deployed high dividend yield equities strategy in 2011
- Only 1.5% of bond portfolio rated “BB” & below
- 3.4 year average duration
- Investment leverage of 3.85 x yield of 2.44% = 9.4% ROE

**\$4.2B Invested Assets
June 30, 2012**



Selective's Use of Underwriting Leverage

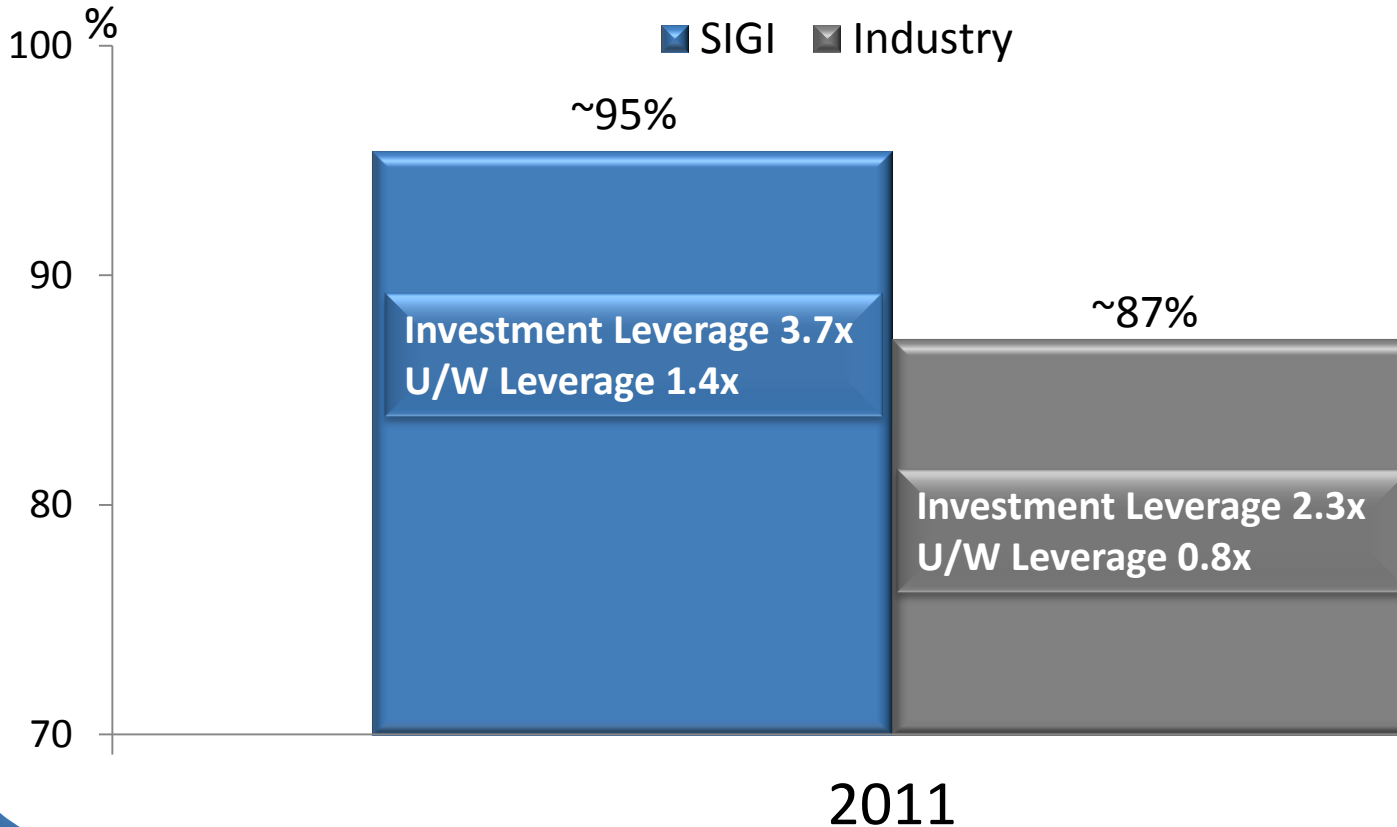


Sources: ISO, AM Best, III

Note: Industry excluding Mortgage and Financial Guaranty Segments since 2007

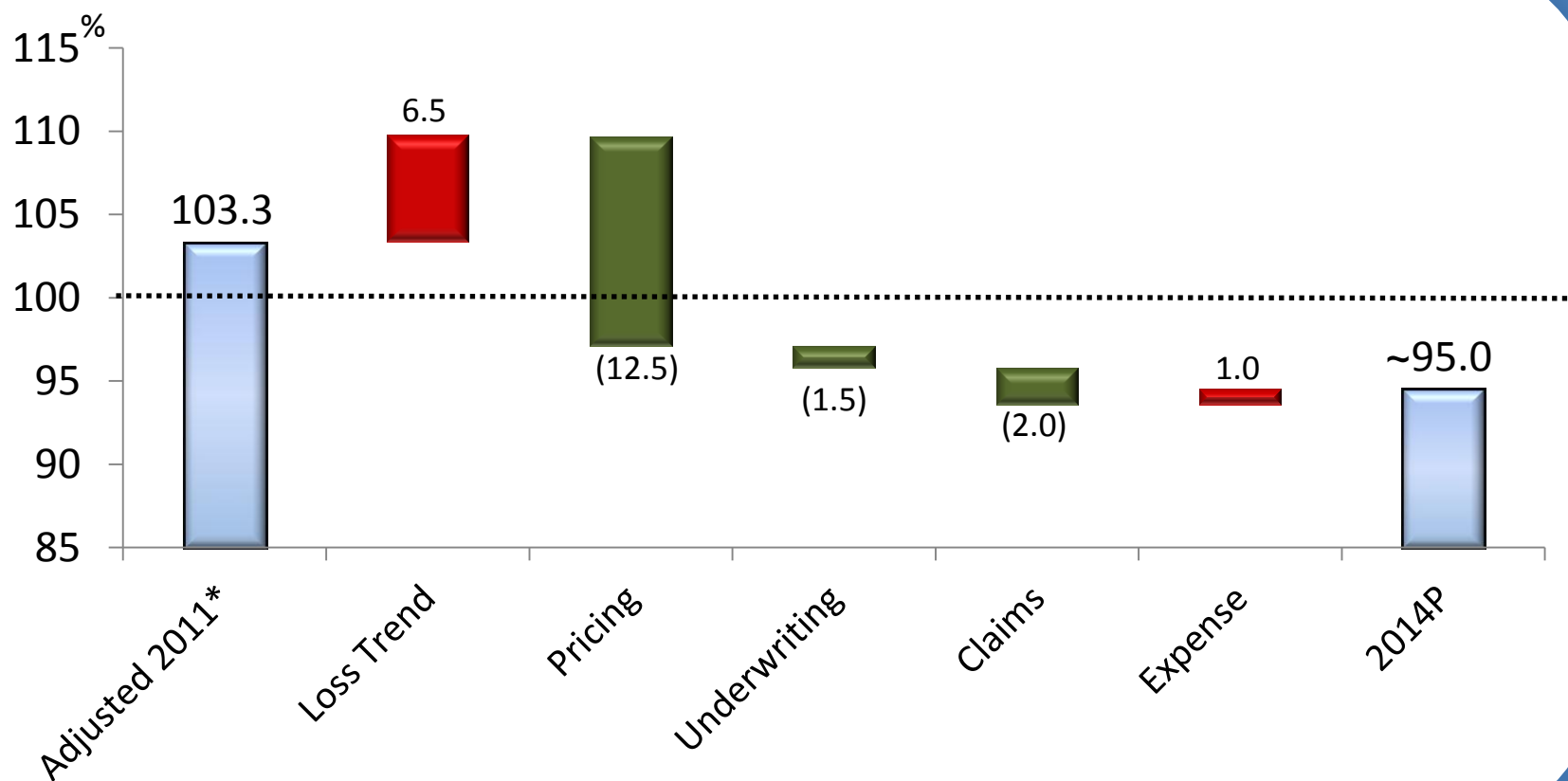
Impact of Leverage

Combined Ratio Required for 12% ROE



Industry Source: AM Best Estimates

Standard Lines Combined Ratio Improvement Plan

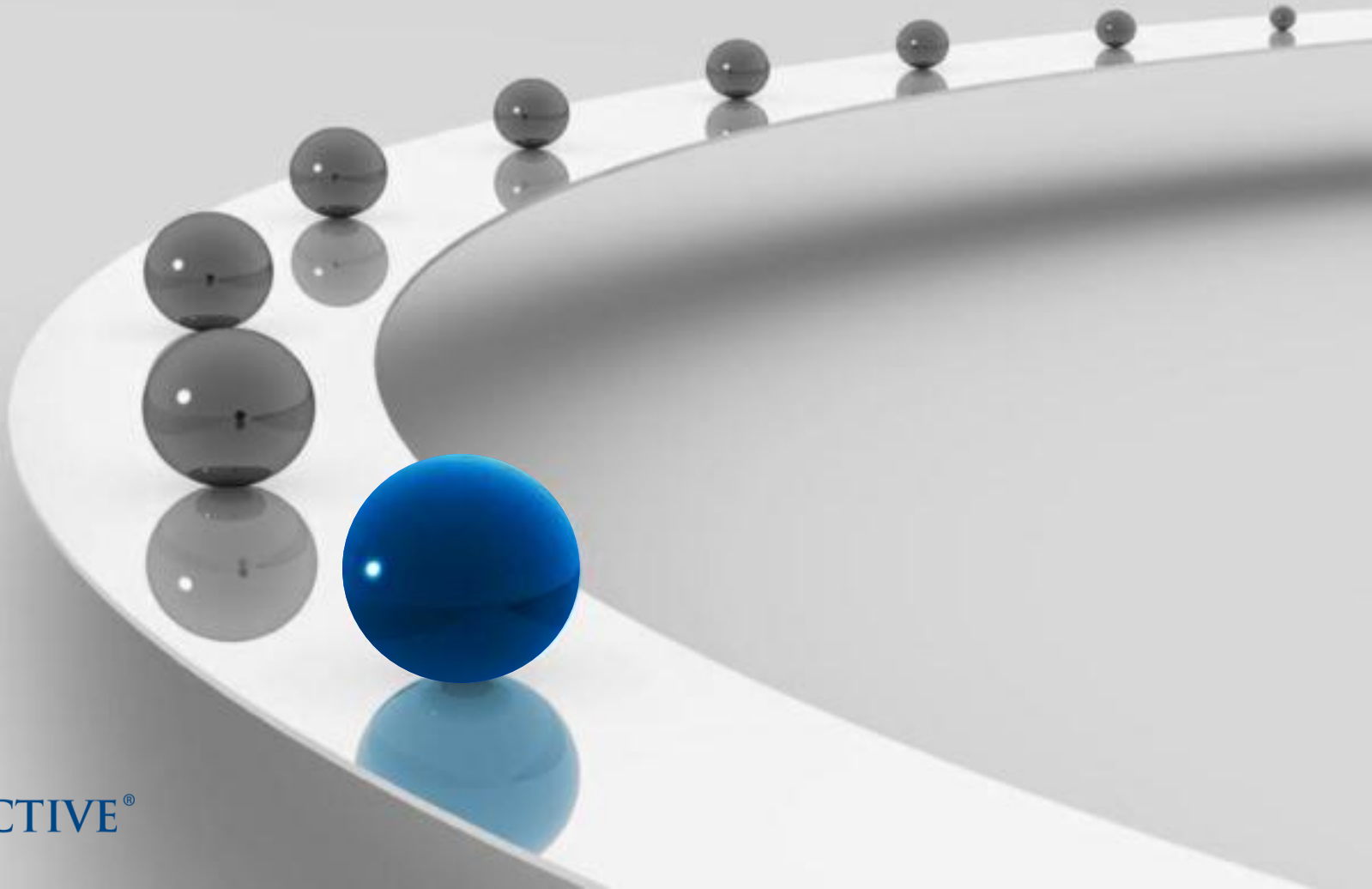


*Adjusted for excess CATS and favorable reserve development

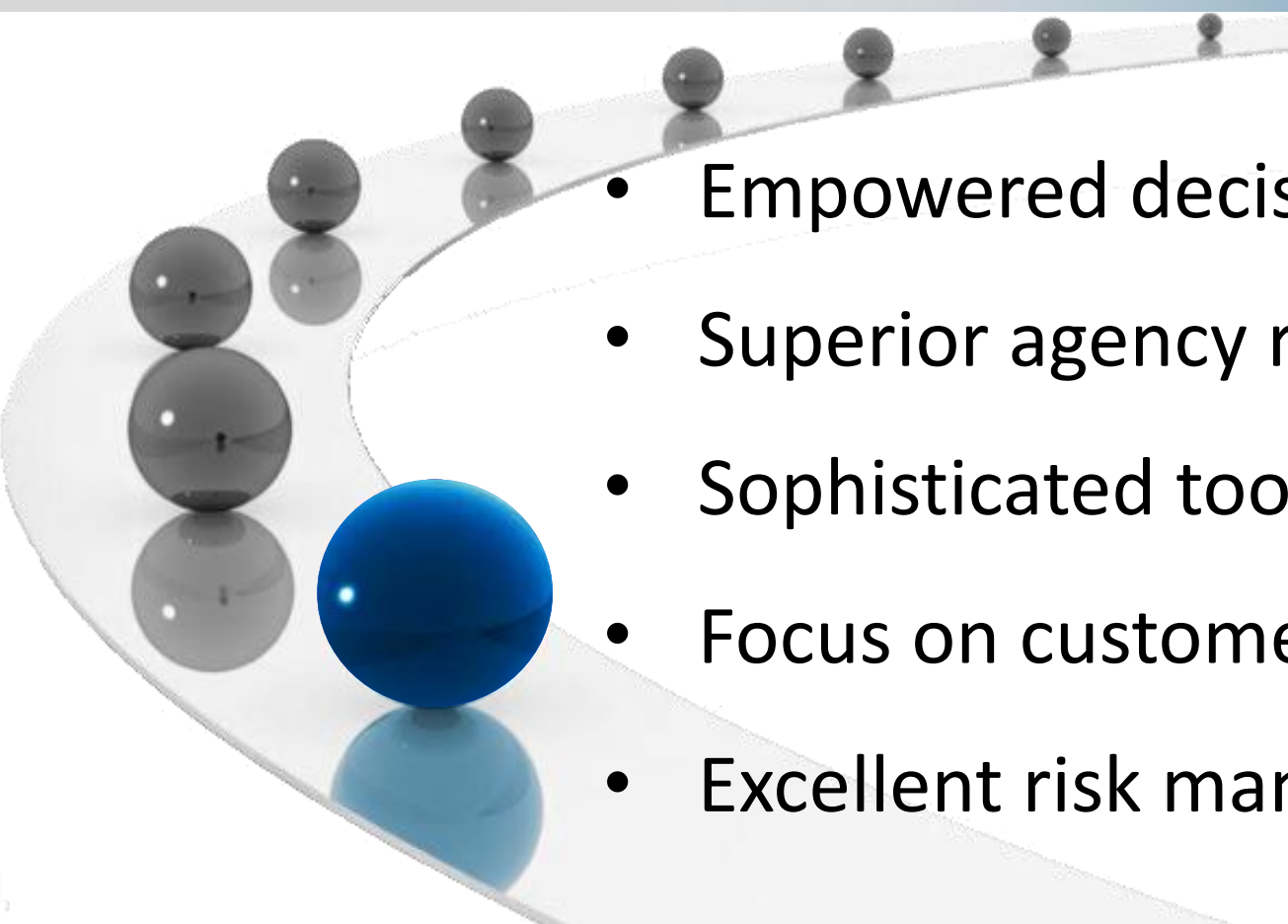
Strategic Overview

Greg Murphy

Chairman, President & CEO



What Makes Us Unique

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

Culture of Continuous Improvement

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

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

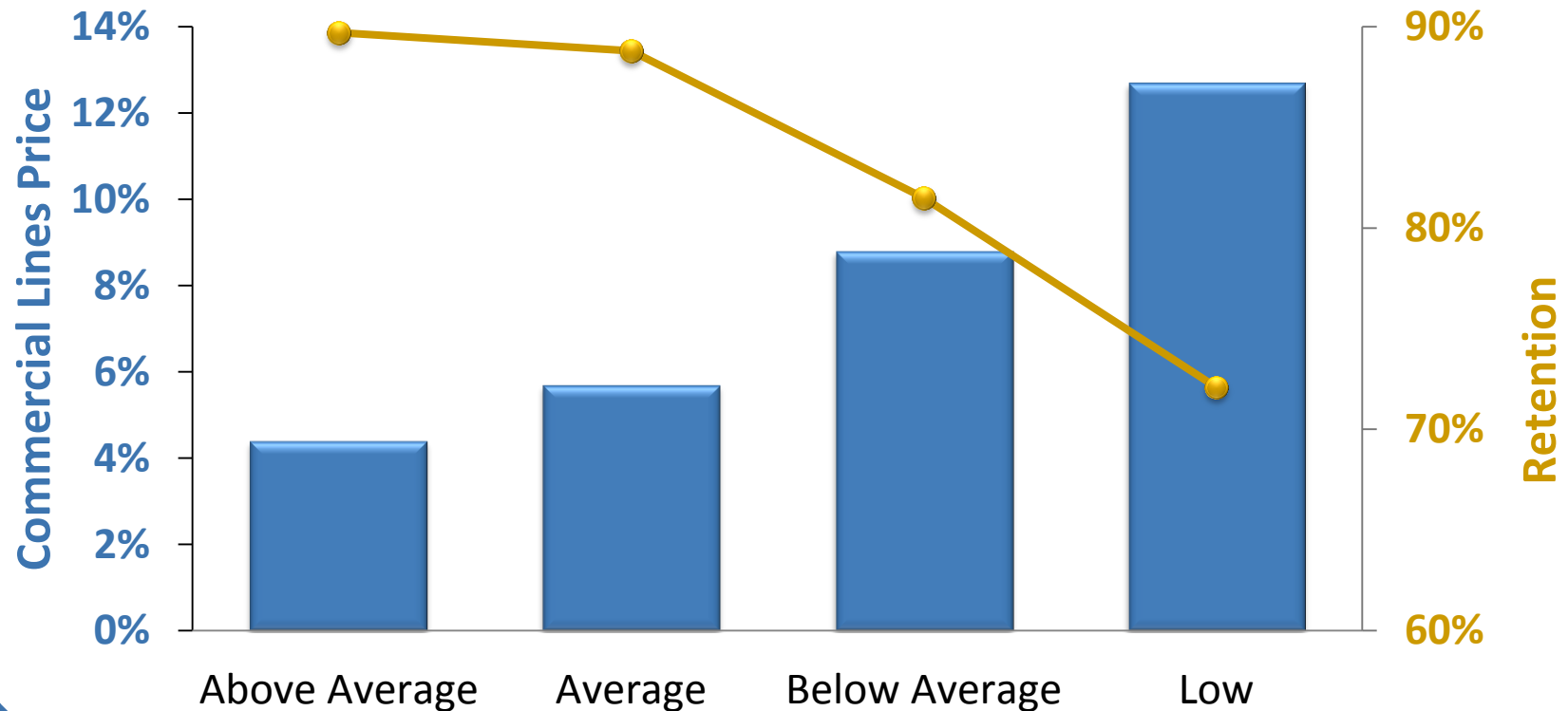
**Selective:
A Unique
Super-Regional**

Pricing Sophistication – Dynamic Portfolio Manager

- ~20 factors driven through DPM generate individual policy guidance and portfolio level impact
 - Line of business and segment strategy
 - CAT modeling
 - Predictive modeling
 - Agency profitability
 - Risk characteristics
 - “What-if” profitability analysis of an underwriter’s book

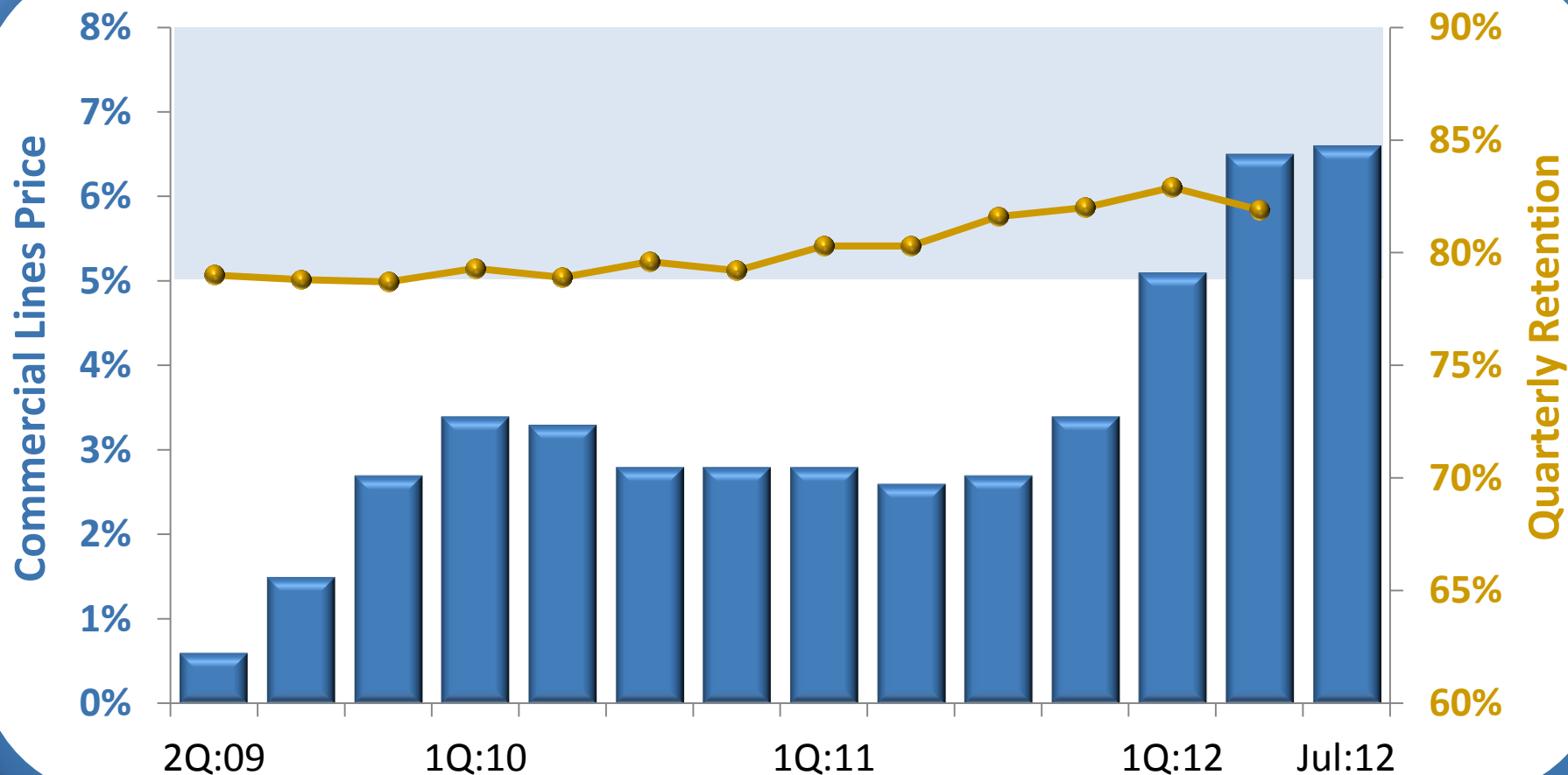
Pricing Sophistication – Dynamic Portfolio Manager

July 2012 YTD Pricing by Retention Group



July YTD Price = 5.9%

Relationships Drive Pricing Through the Cycle



13 Consecutive Quarters of Positive Price

Personal Lines Sophistication

Homeowners

- Maximizing rate
- By-peril rating
- Encourage whole account customers

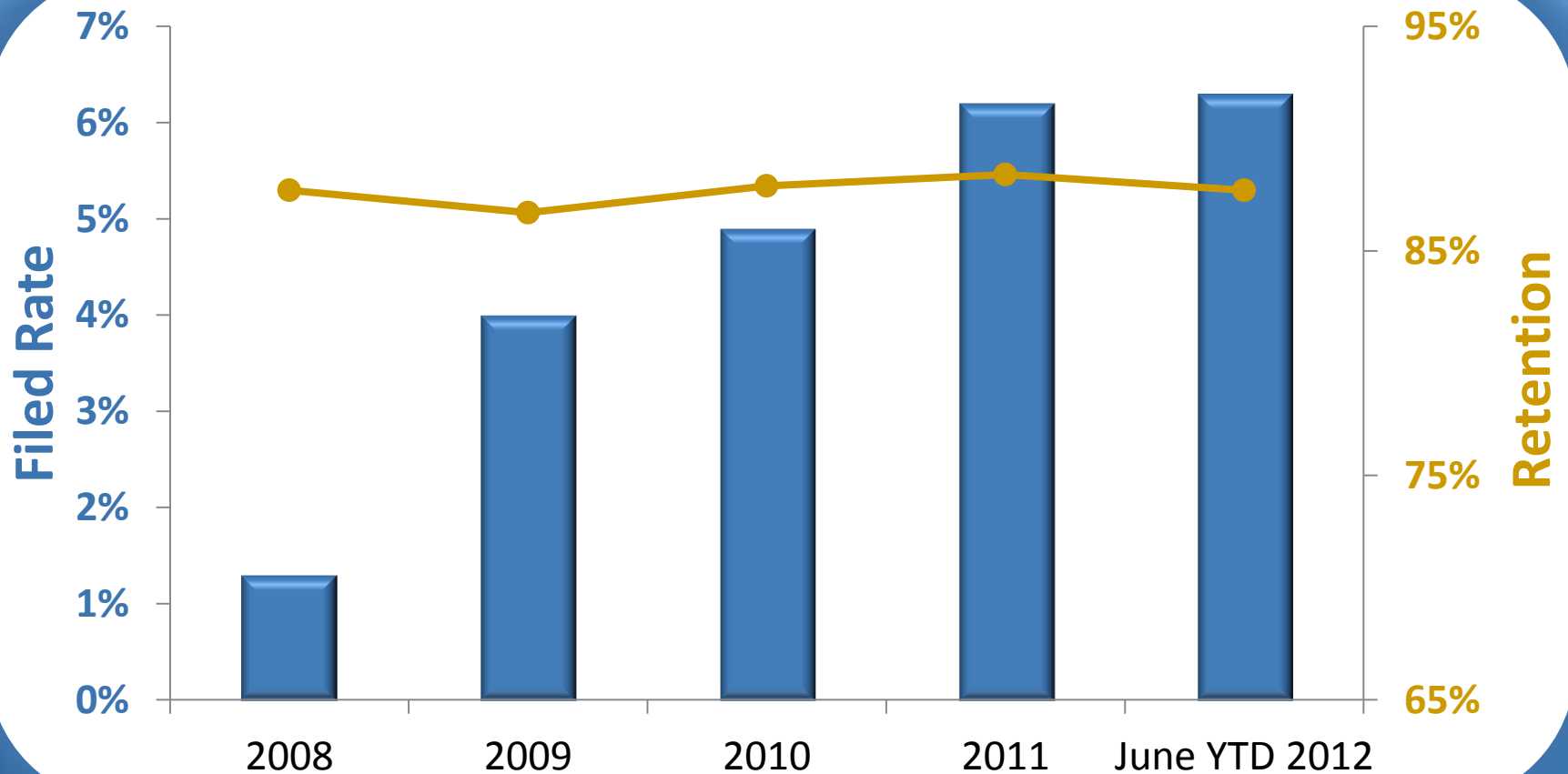


Auto

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

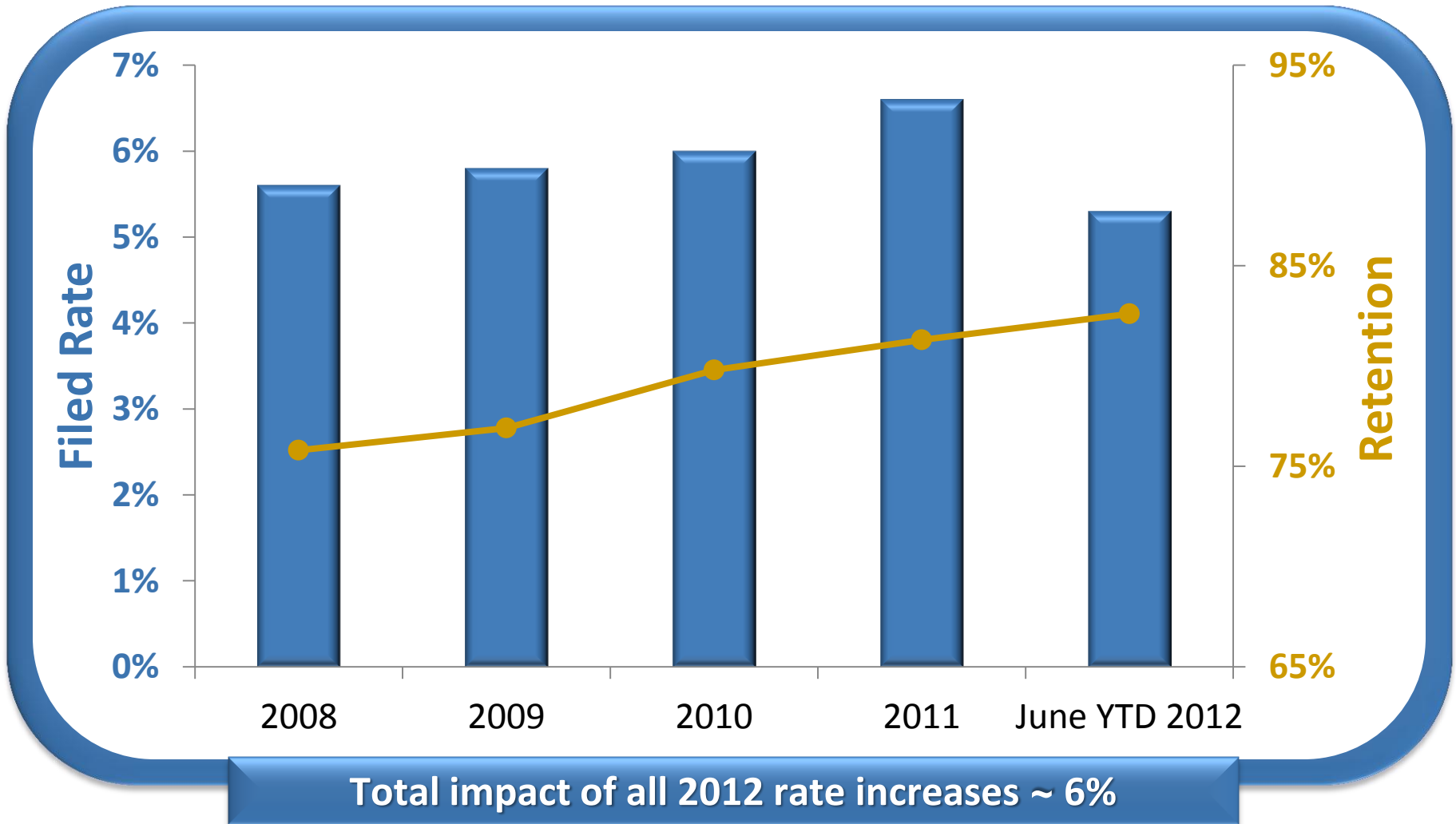


Homeowners Pricing

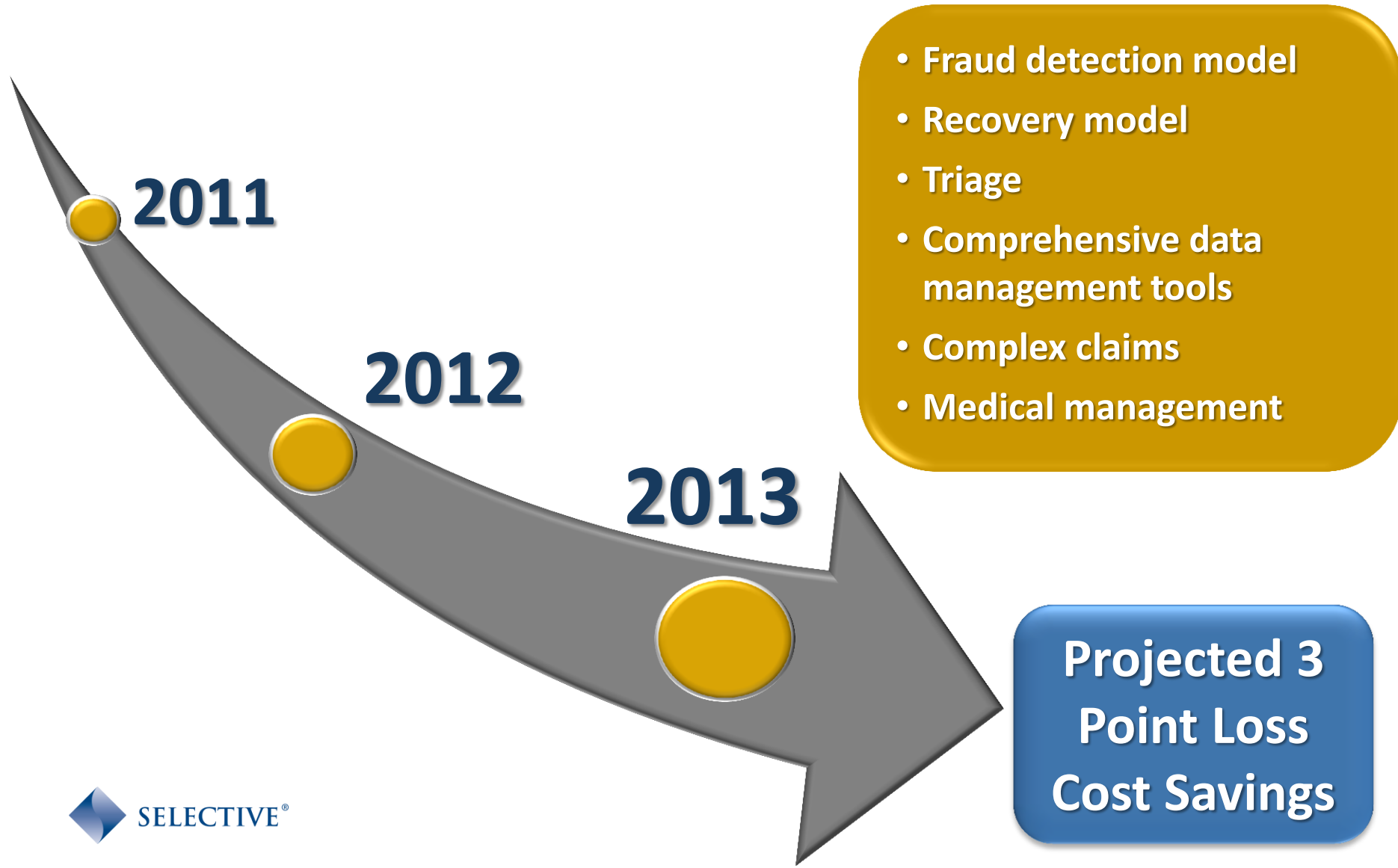


Total impact of all 2012 rate increases ~ 11%
Targeting upper-80's combined ratio in normal CAT year

Personal Auto Pricing



Achieving Better Outcomes in Claims



Why Invest in Selective?

- Proven ability to manage the market cycle
- Growth at the right time
 - Grew faster and longer in last hard market
- Strong balance sheet limits downside
- Attractive valuation with 3% dividend yield



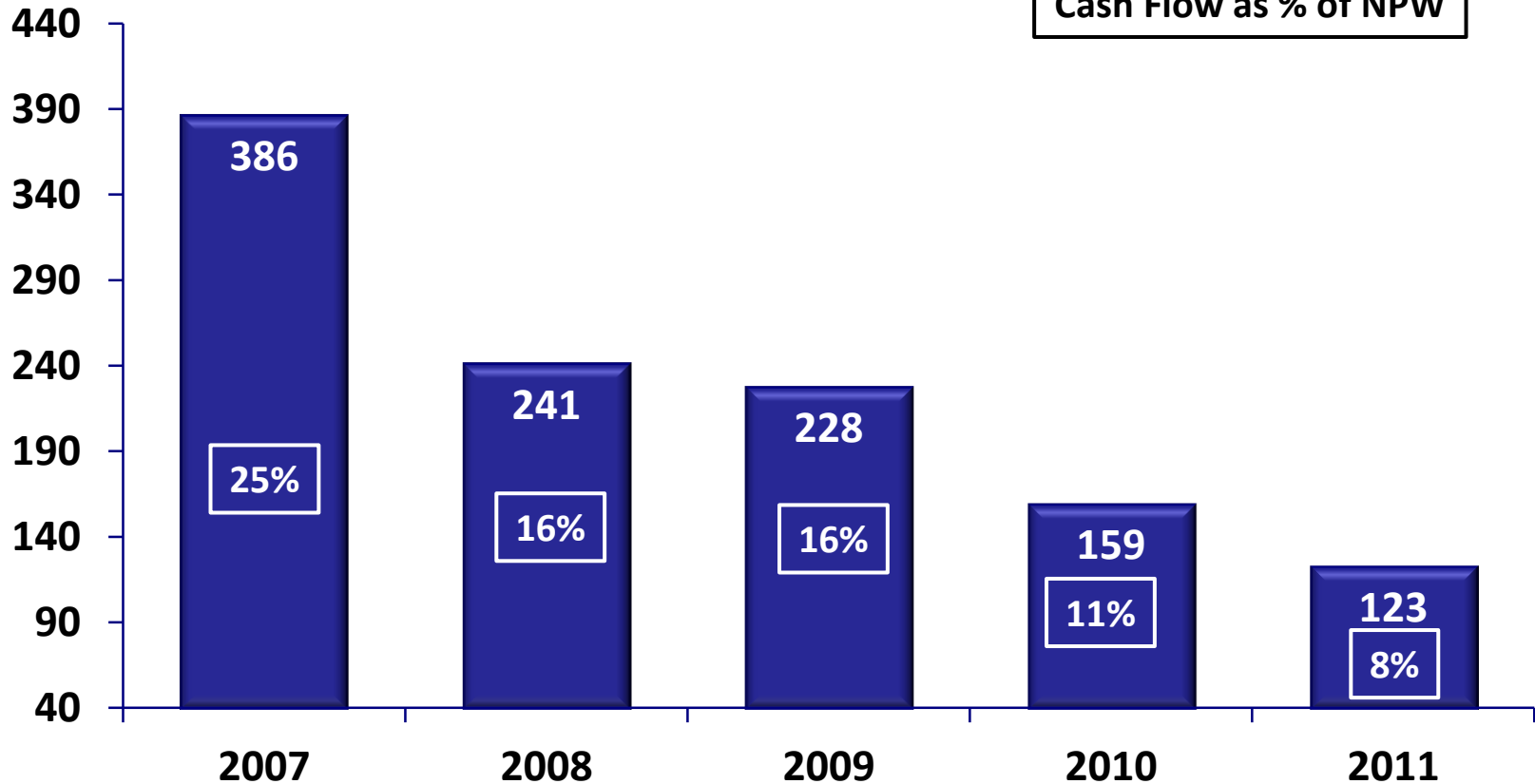
Financial Highlights 2008 – Q2 2012

	2008	2009	2010	2011	Q1:2012	Q2:2012
NPW Growth	(4.5)%	(4.7)%	(2.3)%	6.8%	16.1%	13.6%
Operating EPS*	\$1.43	\$1.39	\$1.38	\$0.38	\$0.28	\$0.01
Net Income per Share*	\$0.82	\$0.68	\$1.23	\$0.40	\$0.33	\$0.01
Dividend per Share	\$0.52	\$0.52	\$0.52	\$0.52	\$0.13	\$0.13
Book Value per Share*	\$15.81	\$17.80	\$18.97	\$19.45	\$19.76	\$19.75
Return on Equity*	4.7%	4.1%	6.8%	2.1%	6.8%	0.1%
Operating Return on Equity*	8.2%	8.3%	7.7%	2.0%	5.7%	0.1%
Statutory Combined Ratio - Total	99.2%	100.5%	101.6%	106.7%	99.1%	106.2%
- Commercial Lines	98.5%	99.8%	100.8%	104.3%	99.2%	105.6%
- Personal Lines	103.7%	104.4%	106.4%	117.3%	97.7%	109.2%
GAAP Combined Ratio – Total*	100.0%	99.9%	101.4%	107.2%	100.4%	106.9%
- Commercial Lines*	99.2%	98.8%	100.0%	104.8%	101.4%	106.1%
- Personal Lines*	105.1%	105.6%	108.3%	117.8%	95.5%	110.6%

**Historical values have been restated to reflect impact of DAC accounting change*

Net Operating Cash Flow

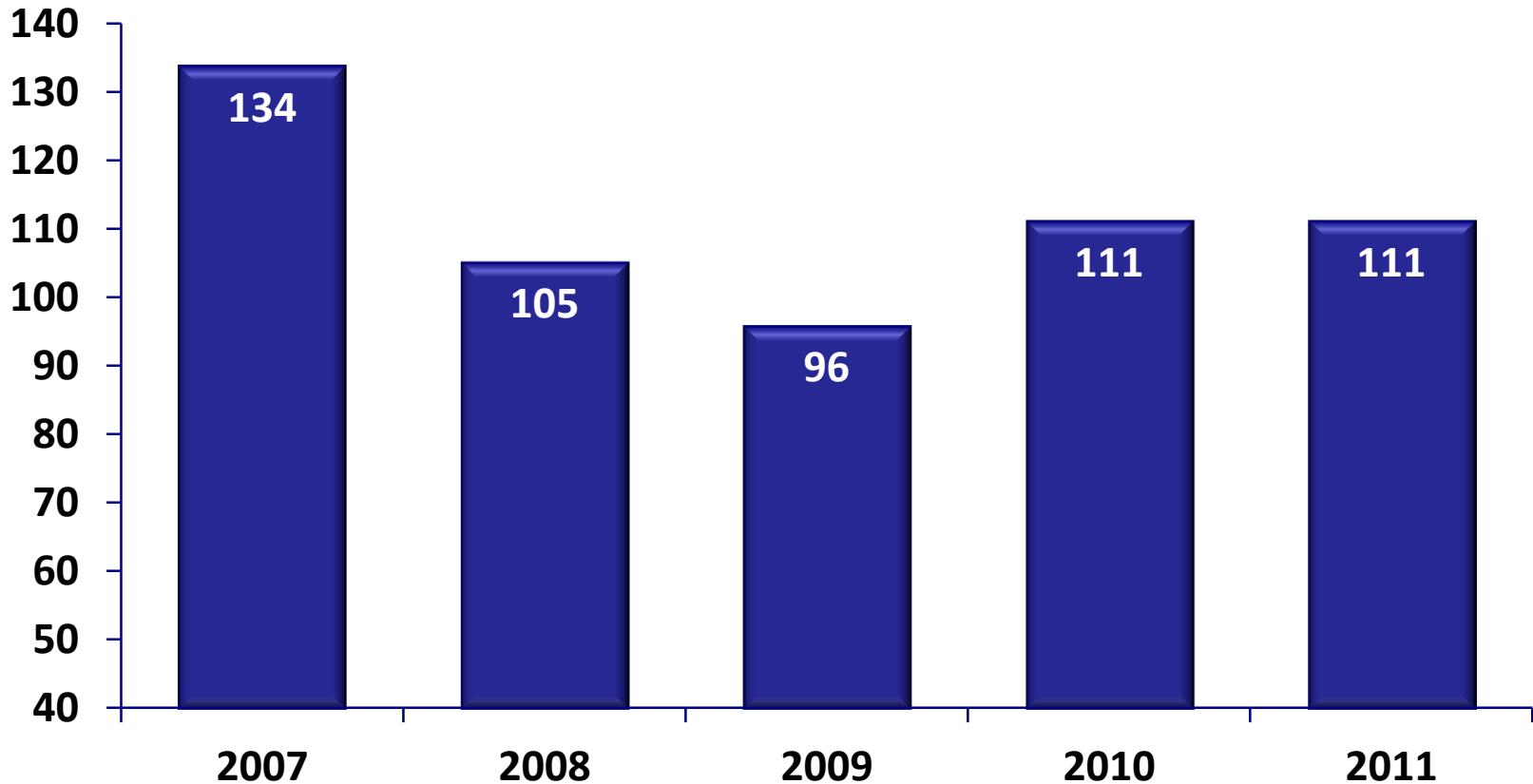
(\$ in millions)



YTD June 2012: \$52M

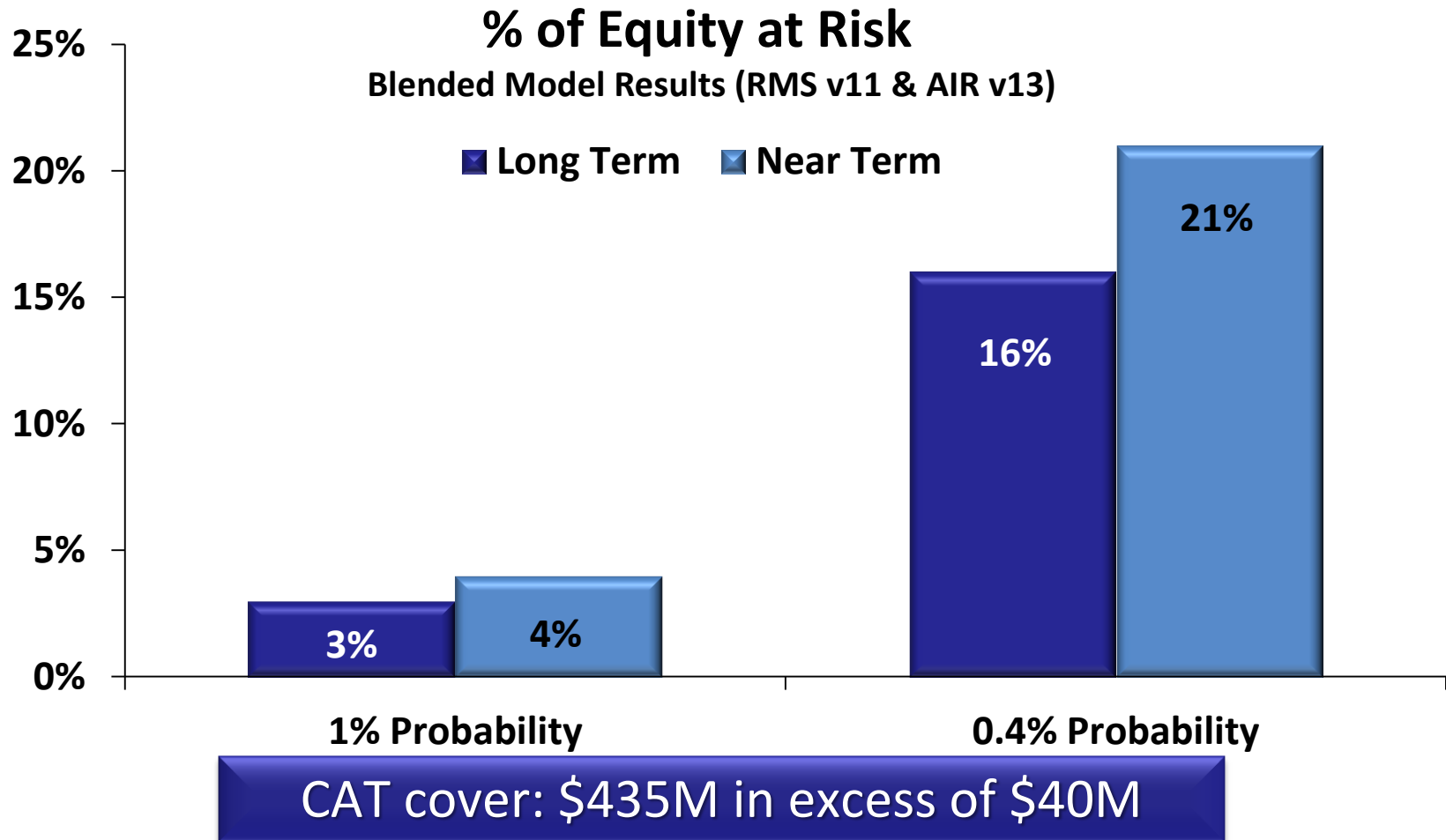
Investment Income – After-tax

(\$ in millions)



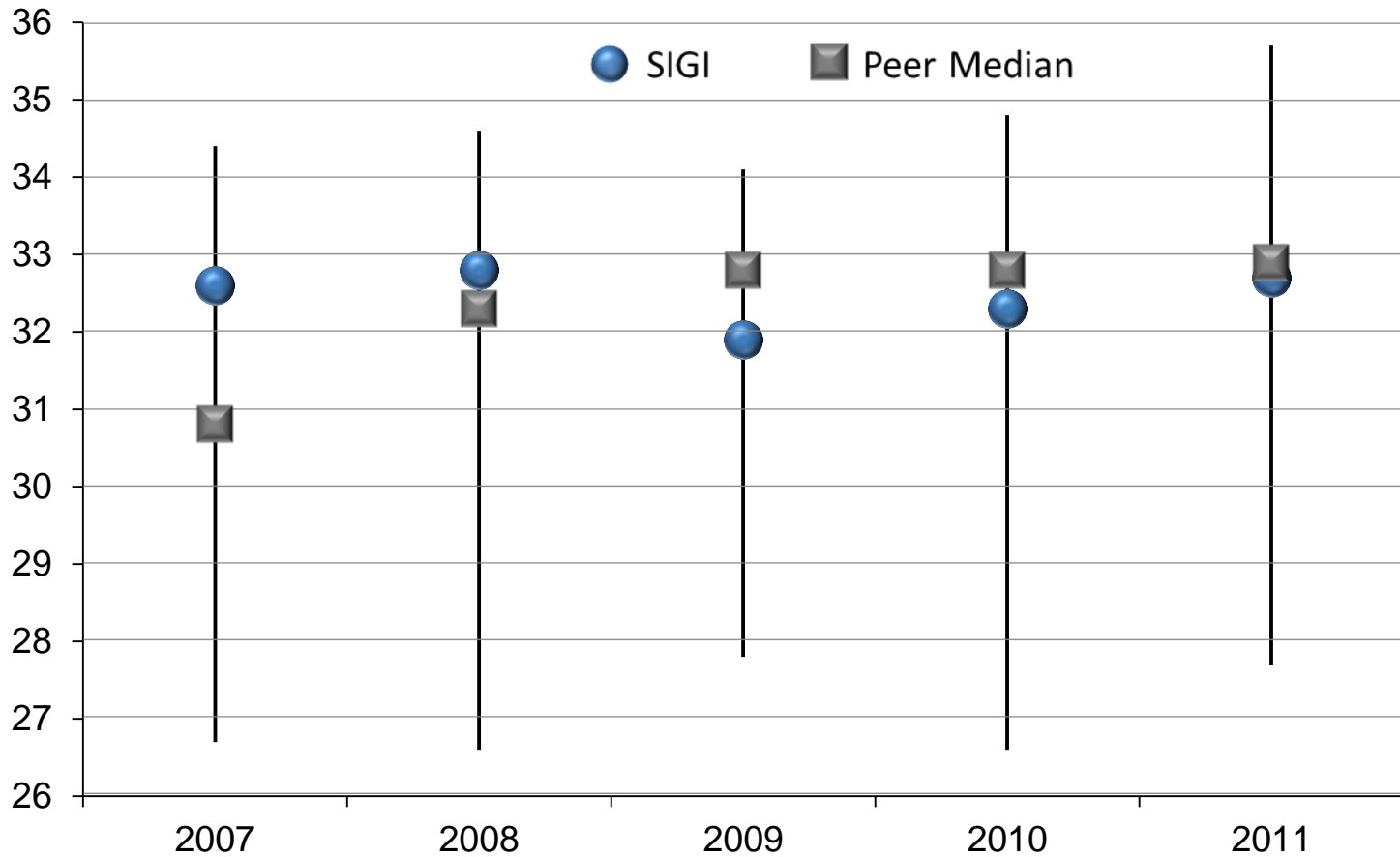
YTD June 2012: \$50M

Conservative Reinsurance Program



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

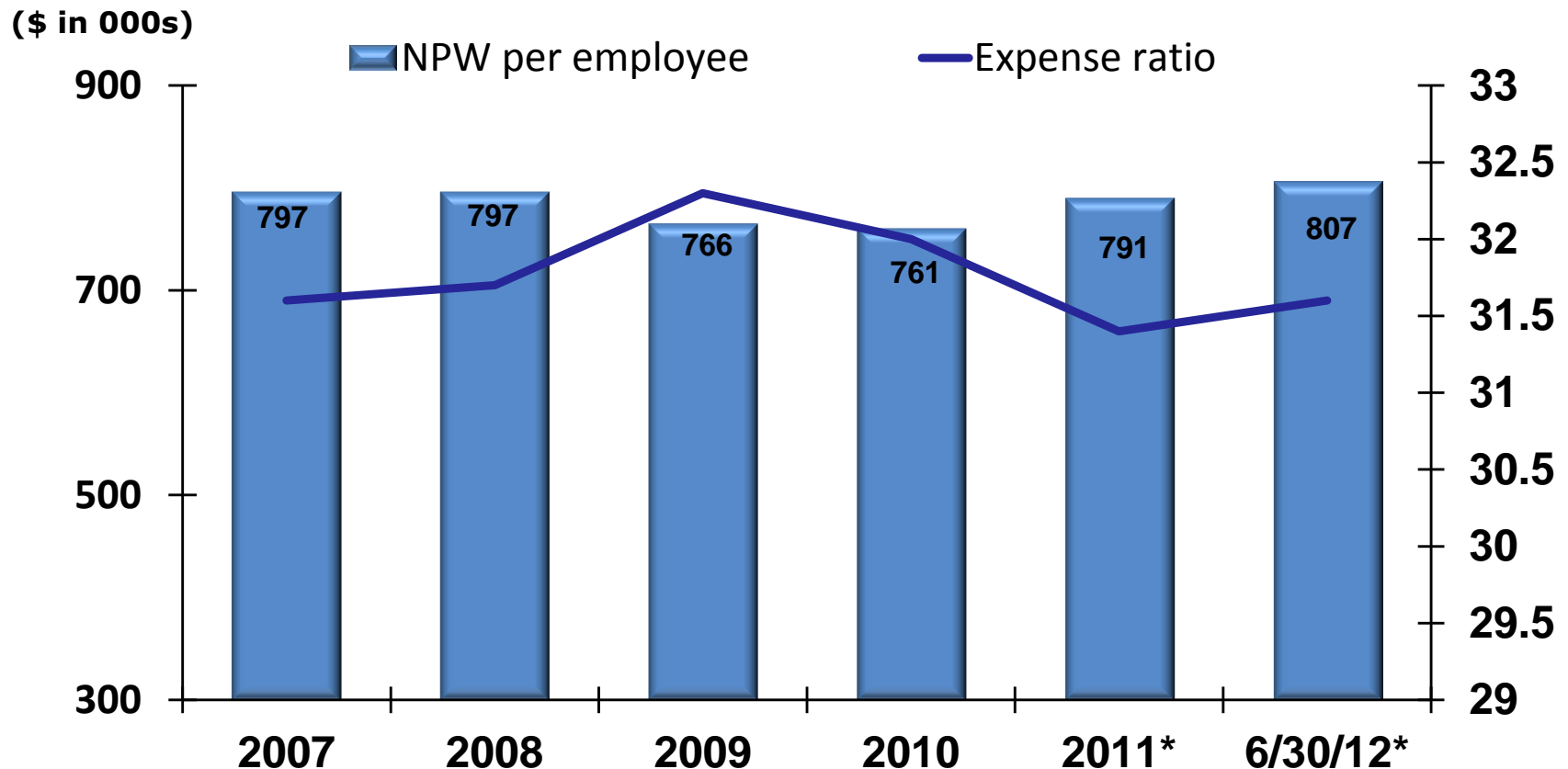
Focused Expense Management



Source: SNL Financial

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

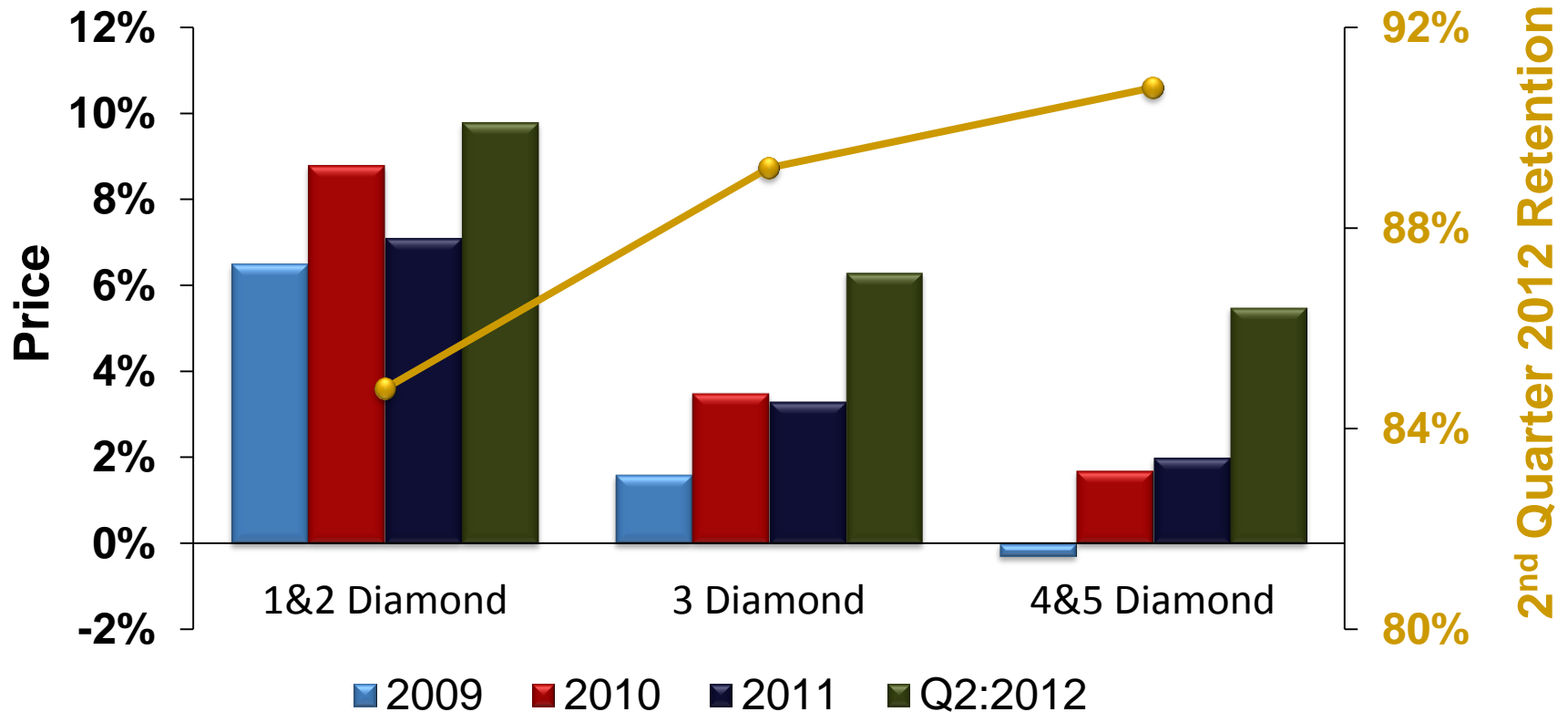
Insurance Operations Productivity



**Excludes E&S Operations*

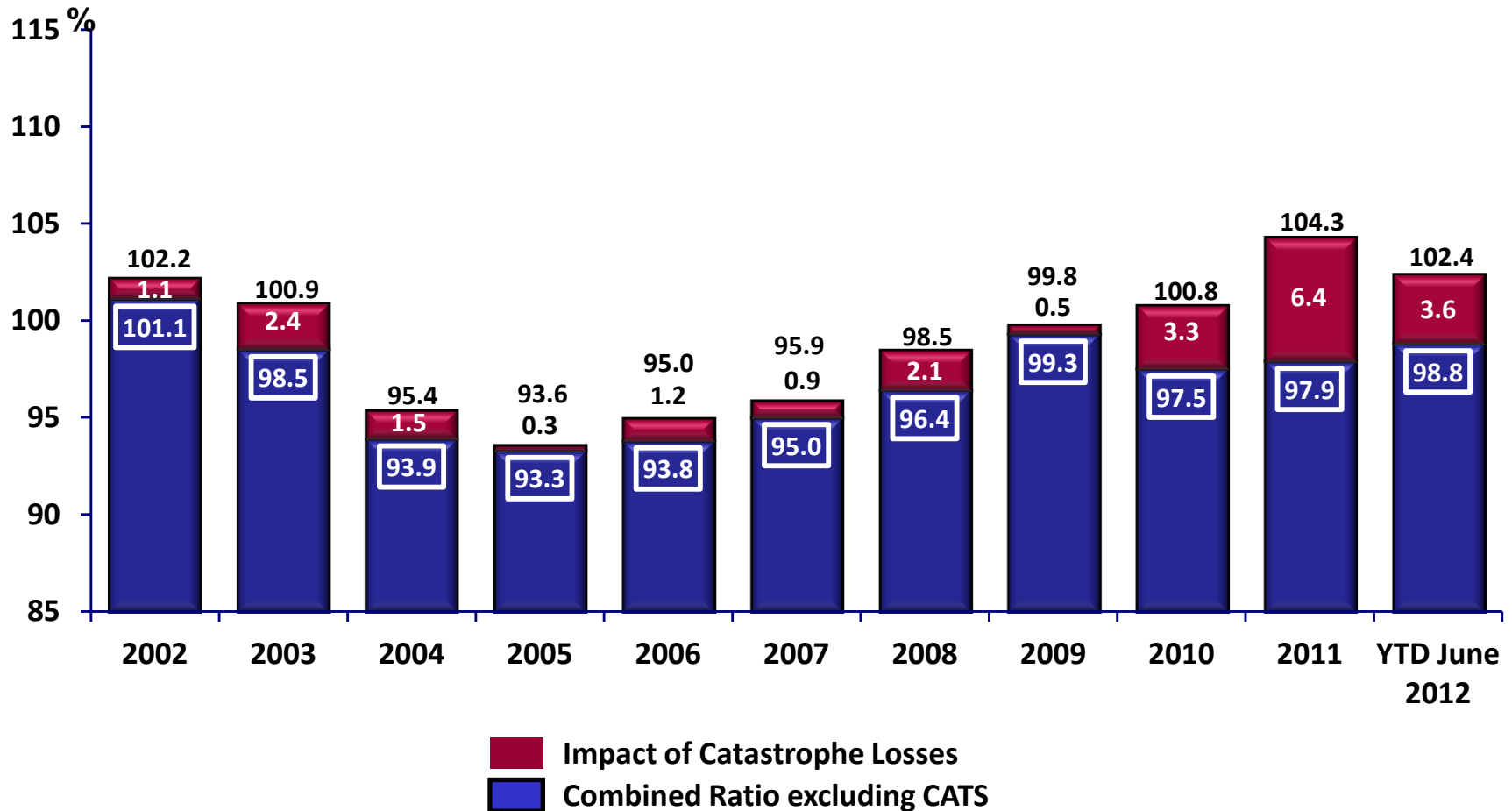
Pricing Sophistication – Predictive Modeling

Pricing by Diamond



Commercial Lines Profitability

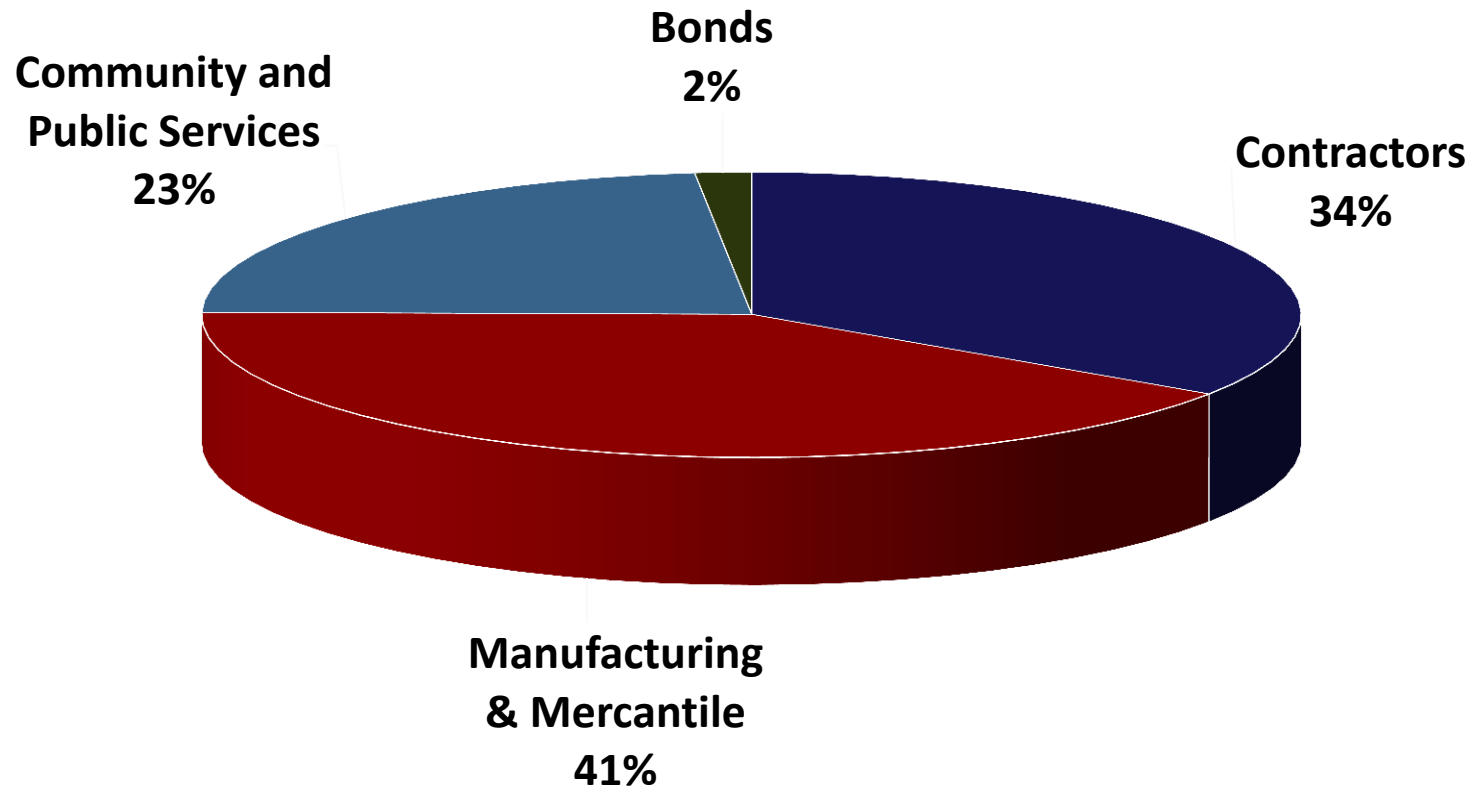
Statutory Combined Ratios



Premium by Strategic Business Unit

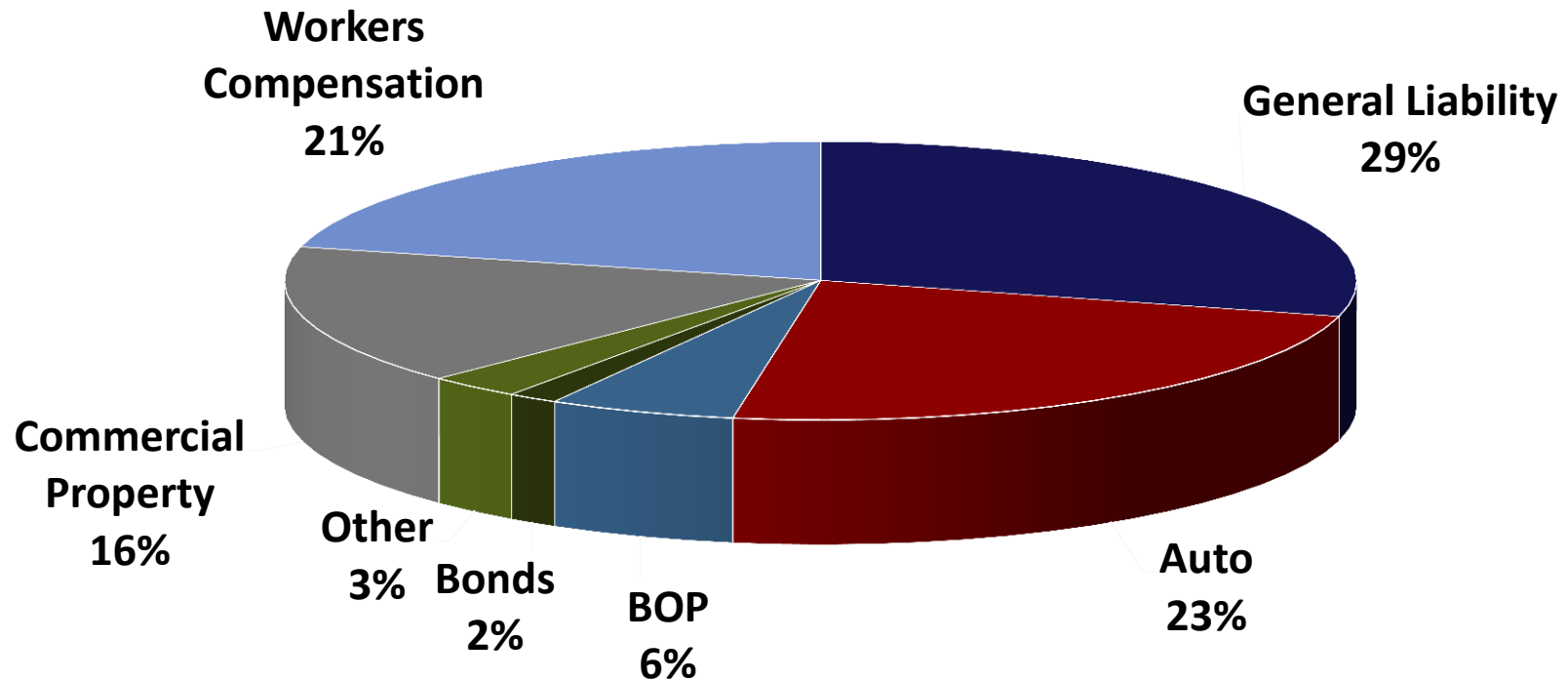
2011 Standard Commercial Lines

Direct Premium Written

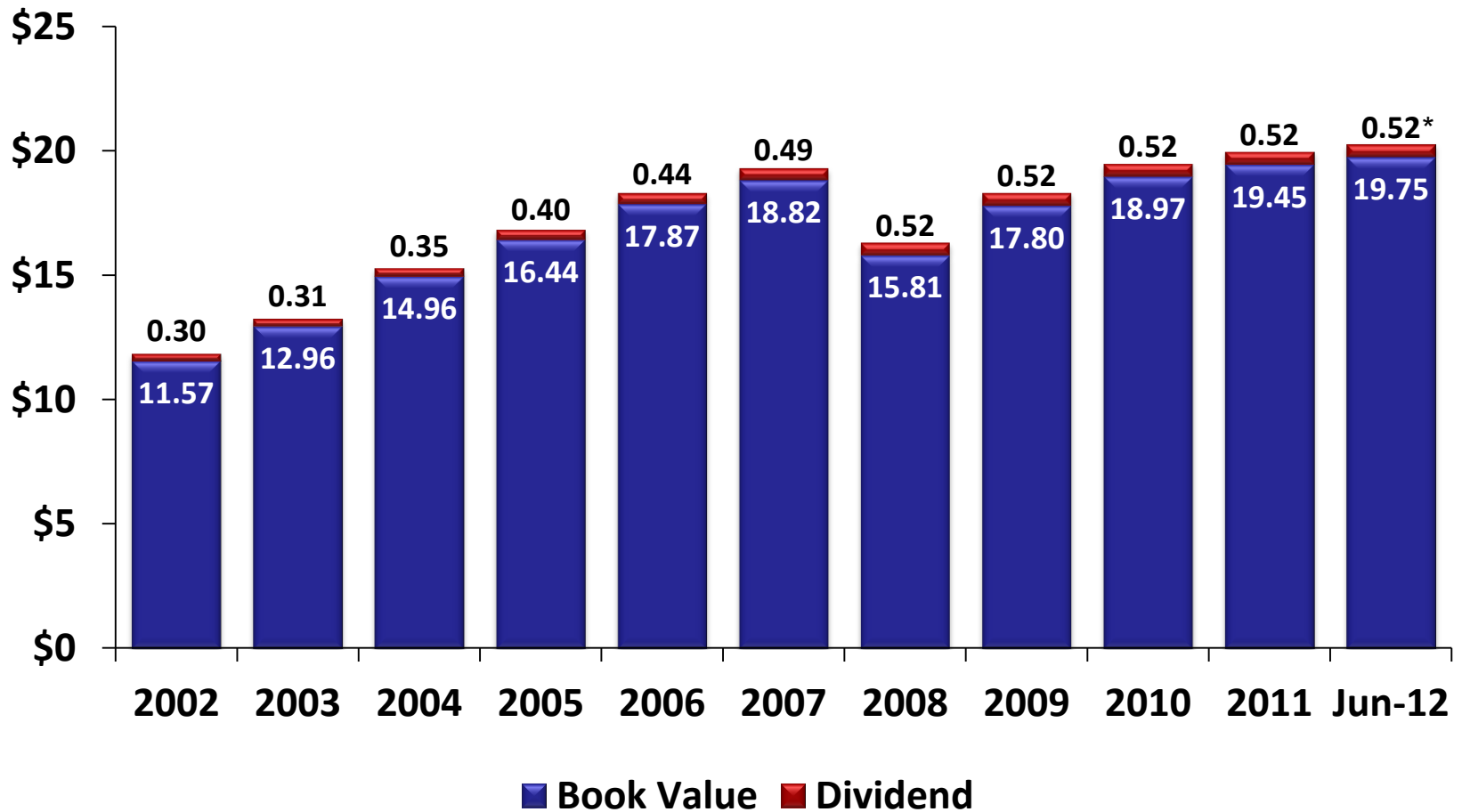


Premium by Line of Business

2011 Commercial Lines Net Premium Written



Long-Term Shareholder Value Creation



*Annualized indicated dividend

Note: Book value restated for change in deferred policy acquisition costs (2002-2006 Estimated)