



2020 Investor Presentation





SAFE HARBOR STATEMENT

In this presentation, we make certain statements and reference other information that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995 (“PSLRA”). The PSLRA provides a safe harbor under the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, for forward-looking statements that relate to our intentions, beliefs, projections, estimations, or forecasts of future events or our future financial performance. Forward-looking statements involve known and unknown risks, uncertainties, and other factors that may result in materially differing actual results. We can give no assurance that our expectations expressed in forward-looking statements will prove to be correct.

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. We undertake no obligation to publicly update or revise any forward-looking statements – whether as a result of new information, future events or otherwise – other than as the federal securities laws may require.

This presentation also includes certain non-GAAP financial measures within the meaning of Regulation G, including “non-GAAP operating earnings per share,” “non-GAAP operating income,” and “non-GAAP operating return on equity.” Definitions of these non-GAAP measures and a reconciliation to the most comparable GAAP figures pursuant to Regulation G are available in our Annual Report on Form 10-K and our Supplemental Investor Package, which can be found on our website <www.selective.com> under “Investors/Reports, Earnings and Presentations.” We believe investors and other interested persons find these measurements beneficial and useful. We have consistently provided these financial measurements in previous investor communications so they have a consistent basis for comparing our results between quarters and with our industry competitors. These non-GAAP measures, however, may not be comparable to similarly titled measures used outside of the insurance industry. Investors are cautioned not to place undue reliance on these non-GAAP measures in assessing our overall financial performance.

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OVERVIEW

-
- **A TRACK RECORD OF SUPERIOR EXECUTION**
- **STRONG UNDERWRITING PERFORMANCE WITH SIX CONSECUTIVE YEARS OF DOUBLE-DIGIT ROES**

**2019 Non-GAAP Operating ROE OF
13.3%***

27

State Footprint

\$4.2B

**Market Cap
(as of 2/11/2020)**

90+

**Years of Financial
Strength and
Superior Execution**

\$2.7B

**2019 NPW
(up 7% Y/Y)**

93.7%

**2019 GAAP
Combined Ratio**

* Refer to "Safe Harbor Statement" on page 2 of this presentation for further detail regarding certain non-GAAP financial measures.

OUR SUSTAINABLE COMPETITIVE ADVANTAGES

Franchise value distribution model with best-in-class partners

- Enables effective management of pricing and retention
- Presents significant opportunity for profitable growth
- Agent overall satisfaction rating of 8.8/10

Unique field model enabled by sophisticated tools and technology

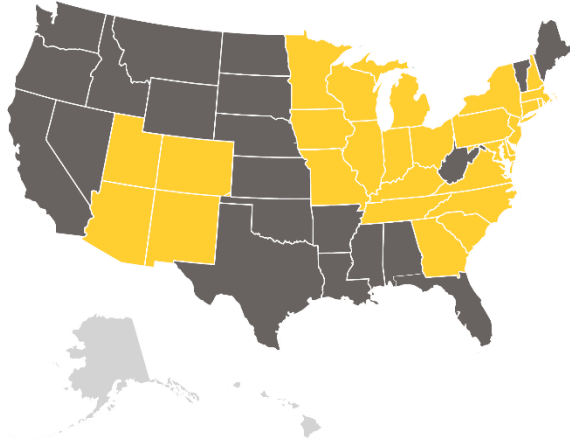
- Locally-based underwriting, claims, and safety management specialists
- Agile capability and excellent data analytics
- Sophisticated pricing and underwriting tools

Superior customer experience delivered by best-in-class employees

- Total attention to customer experience ("CX")
- Developing holistic solution for 24-hour omni-channel shared experience
- Increased customer engagement
- Value-added services

SUPER REGIONAL COMPANY WITH NATIONAL CAPABILITIES

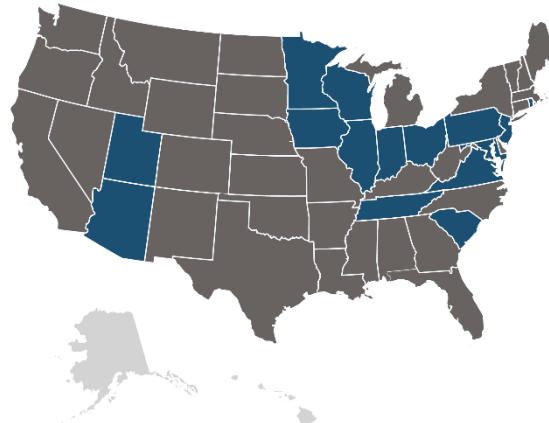
Standard Commercial
(80% of NPW)



27
States & D.C.

~1,350
distribution partners

Standard Personal
(11% of NPW)



15
States

~770
distribution partners

E&S
(9% of NPW)



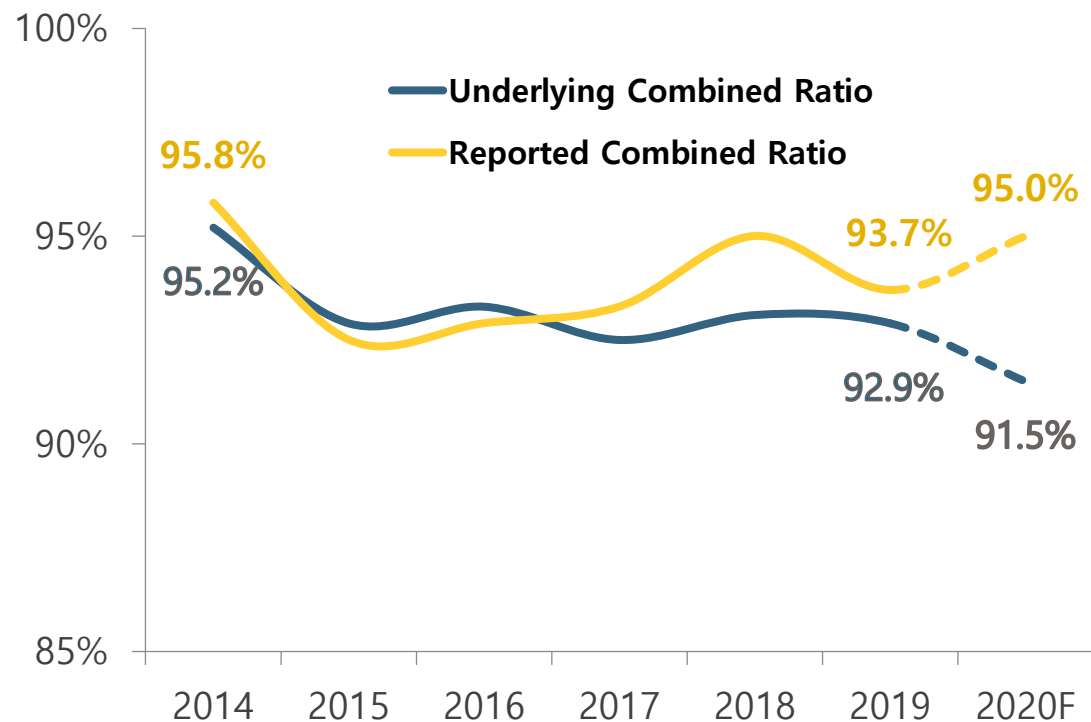
50
States & D.C.

~90 wholesale
distribution partners



EXCELLENT OPERATING PERFORMANCE

Historical GAAP Combined Ratios



Underlying GAAP combined ratio excludes catastrophe losses and prior year casualty reserve development

* Refer to "Safe Harbor Statement" on page 2 of this presentation for further detail regarding certain non-GAAP financial measures.

FULL YEAR 2019 HIGHLIGHTS:

- Consolidated combined ratio of 93.7%
- After-tax net investment income up 13%
- Non-GAAP operating ROE* of 13.3%

2020 FORECAST:

- Underlying combined ratio of 91.5% (assuming no prior year casualty reserve development)
- Catastrophe losses of 3.5%
- \$185 million of after-tax net investment income
- 19.5% tax rate
- 60.5 million shares

SUMMARY OF OUR OPERATIONS

Commercial Lines (80% of NPW)

- Focused on disciplined growth
- Strong calendar year profitability; Commercial Auto remains an area of focus
- Drivers of profitability include strong new business growth and retention, and accelerating renewal pure price increases

Personal Lines (11% of NPW)

- Targeting a 90% homeowners combined ratio in a normal CAT year (~14 points)
- Competitive market conditions hurting personal auto growth
- Fifth largest "Write Your Own" National Flood Insurance Program participant; partial hedge for catastrophe losses

Excess & Surplus (9% of NPW)

- Focus on achieving target combined ratio; top-line will depend on market conditions
- "E&S light" product mix
- Margin improvement through targeted price increases, exiting challenged segments, and claim outcome improvements

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OUR STRATEGIC INITIATIVES

OUR MAJOR STRATEGIC INITIATIVES



PRICE ALIGNMENT WITH EXPECTED LOSS TREND

Seek to achieve price increases in line with or above expected loss trends



LEVERAGE SOPHISTICATED TOOLS AND TECHNOLOGY

Leverage sophisticated underwriting tools to drive business mix improvements



CONTINUED PROFITABLE GROWTH

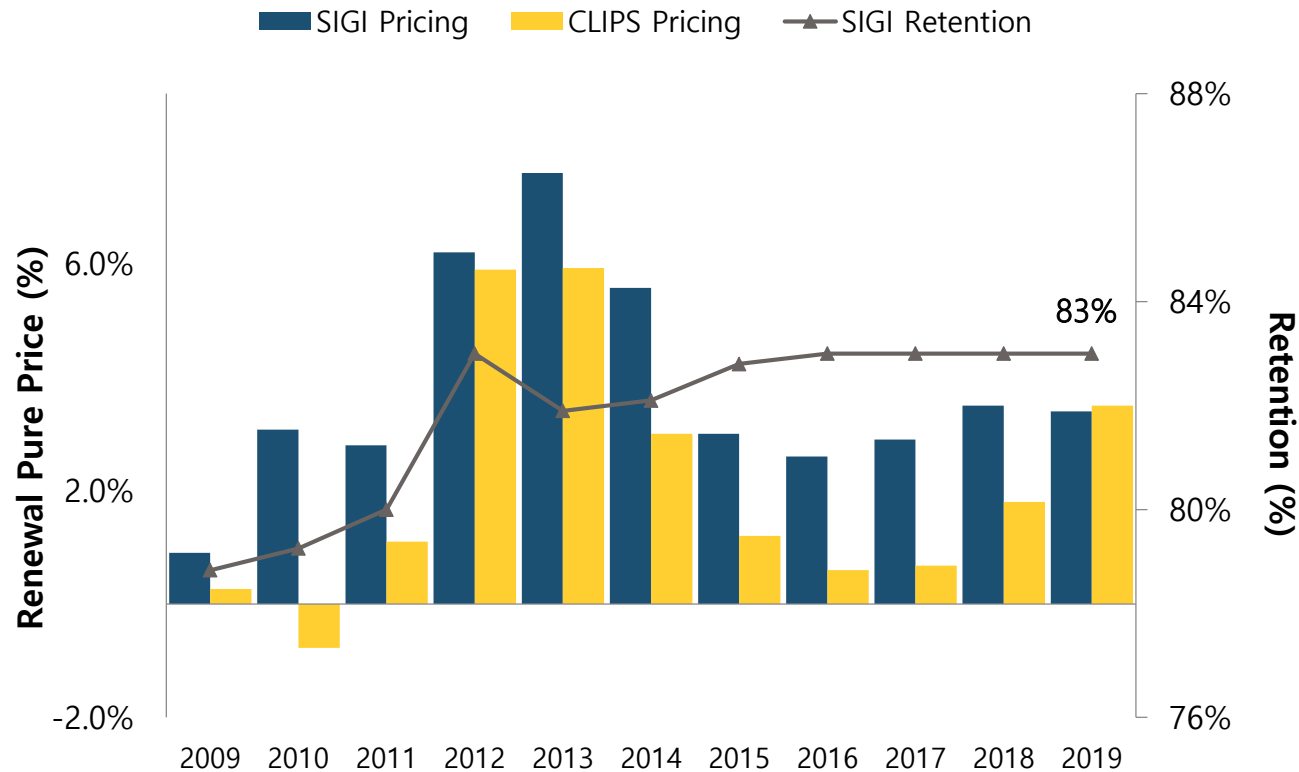
Expanding "share of wallet" and new agent appointments; geo-expansion



EXCELLENT CUSTOMER SERVICE

Continue to deliver superior omni-channel customer experience

CONSISTENTLY ACHIEVING PRICE INCREASES IN ALIGNMENT WITH LOSS TREND



CLIPS: Willis Towers Watson Commercial Lines Insurance Pricing Survey, 2019 pricing as of 9/30/19

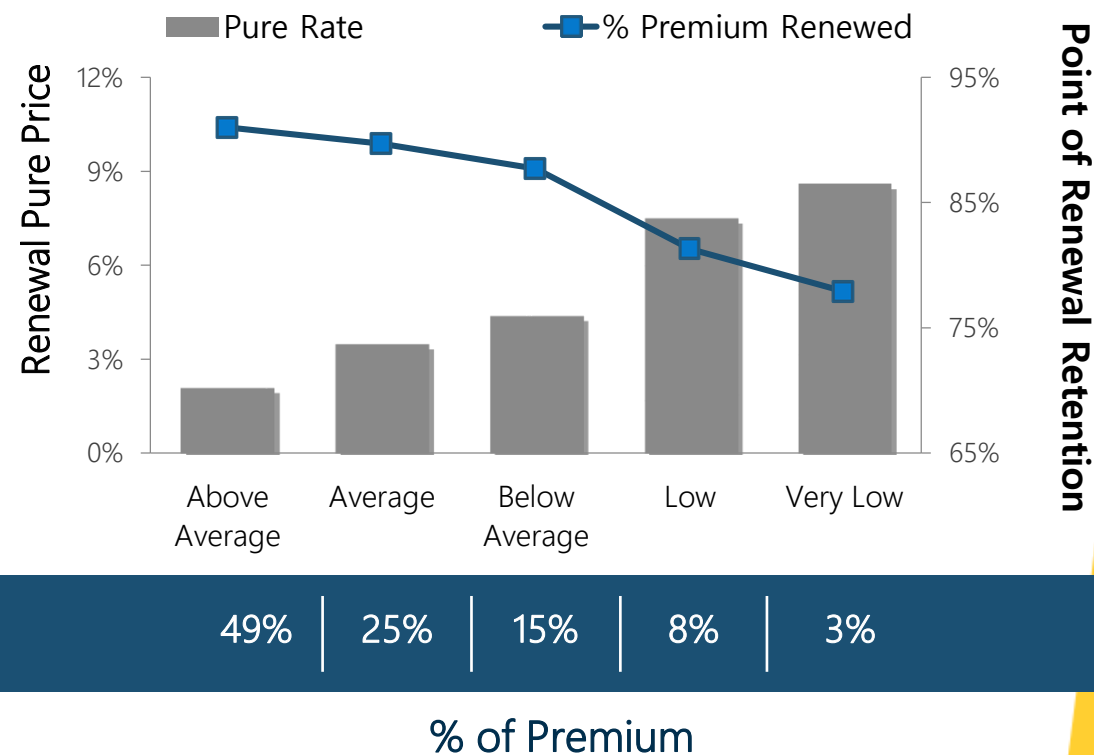
- Commercial Lines renewal pure price increases have met or exceeded CLIPS index since 2009, and are tracking in line with expected loss trends
- For the past five years, Commercial Lines cumulative renewal pure price was approximately 16.5% vs. CLIPS pricing of 8%
- Ability to get appropriate price enabled by:
 - Strong distribution partner relationships
 - Sophisticated tools and actionable data
 - Culture of underwriting discipline

A GRANULAR APPROACH TO PRICING AND UNDERWRITING

- Portfolio management approach yields higher retention and rate
- Account-specific pricing, including:
 - Predictive modeling
 - Relative loss frequency and severity
 - Pricing deviation
 - Hazard and segment consideration

Strong focus on developing tools and technologies that enable more efficient decision making

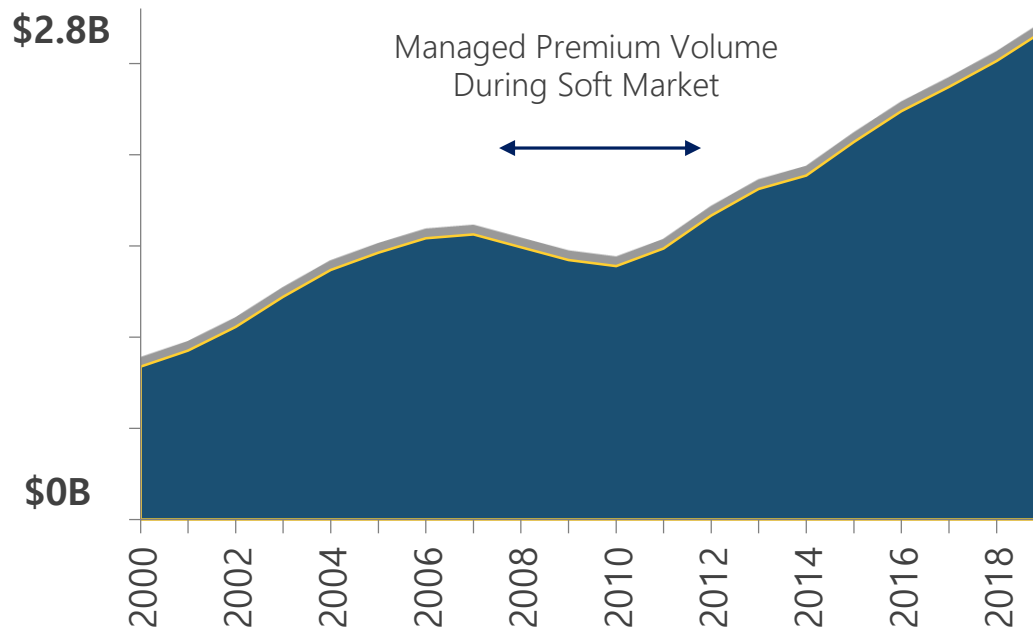
Commercial Lines Pricing by Retention Group



As of December 31, 2019

TARGETING PROFITABLE GROWTH OVER TIME

Historical Net Premiums Written



COMMERCIAL LINES GROWTH DRIVERS:

- Target of growing “share of wallet” to 12% with existing distribution partners
- Target of appointments to represent 25% share in existing markets
- Geo-expansion (5 new states)
- New products and M&A

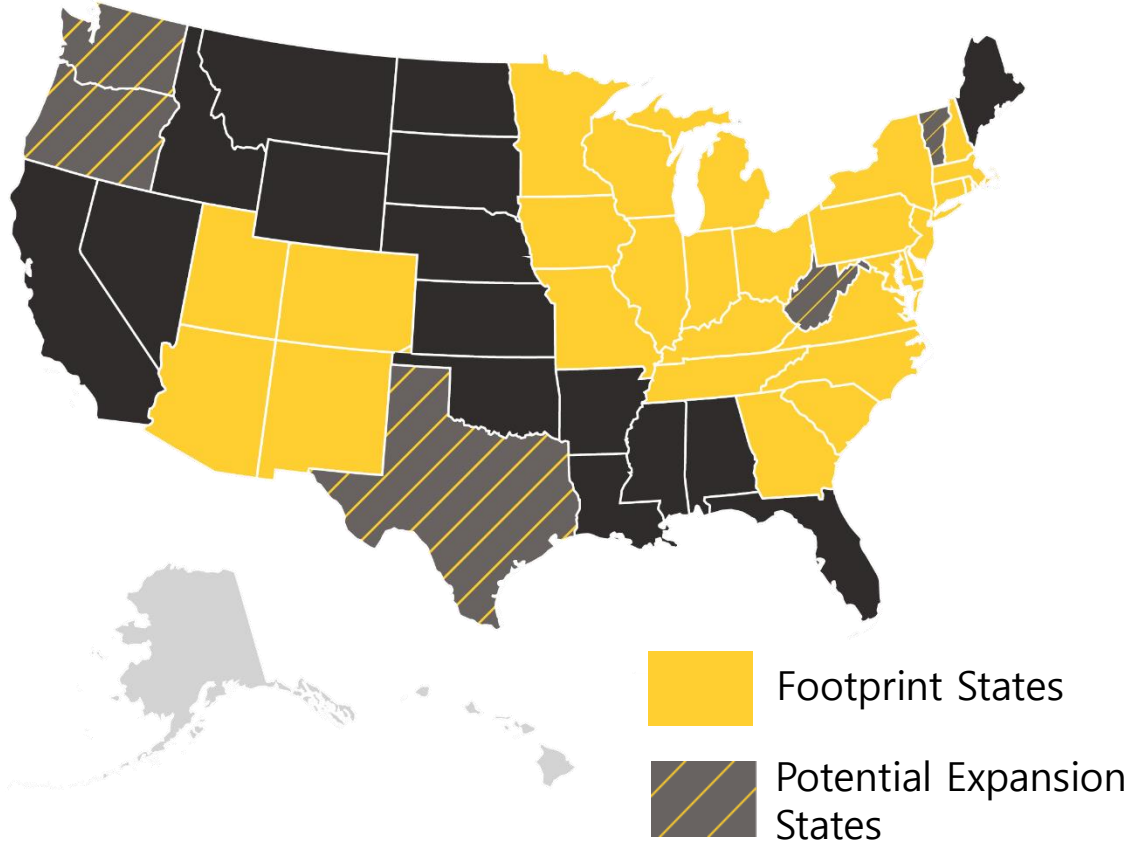
LOWER
RISK



HIGHER
RISK

Additional NPW opportunity > \$2.7B by achieving a 3% commercial lines market share in existing footprint

GREENFIELD GEO-EXPANSION ENHANCES GROWTH OPPORTUNITIES

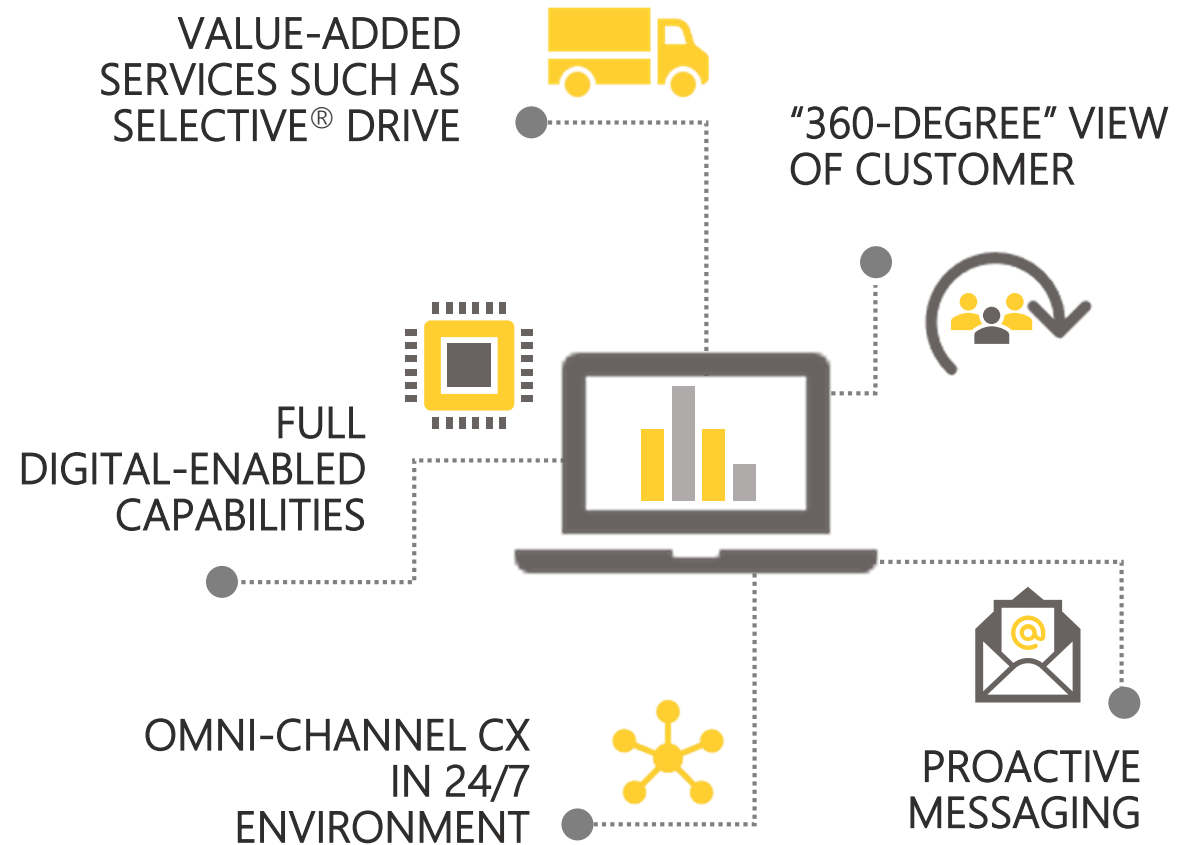


- Diversification and spread of risk
 - Targeting ~30 fully operational states
 - Remainder to support multi-state accounts
- Established new Southwest regional hub by entering AZ, CO, NM, and UT for commercial lines in 2017 and 2018 and AZ and UT for personal lines in 2018
- Initial growth and profitability has been better than expectations



DELIVER A SUPERIOR OMNI-CHANNEL EXPERIENCE

- Changing expectations from customers, and potential disruptive threats from traditional and non-traditional competitors
- Partnering with agents to provide a seamless customer experience
- Identifying value-added services to increase new business hit ratios and retention rates:
 - Customized proactive messaging for product recall, notice of loss, or policy changes
 - Full digital capabilities
 - Additional service offerings such as Selective® Drive and Security Mentor®



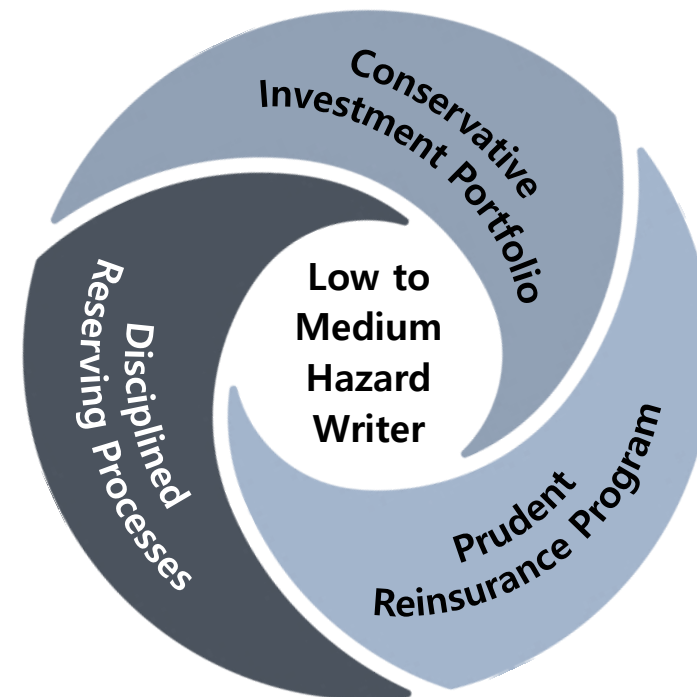
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FINANCIAL OVERVIEW

● LOWER RISK PROFILE AND STRONG FINANCIAL STRENGTH

- Strong balance sheet underpinned by a conservative approach to:
 - Managing the investment portfolio
 - Purchasing reinsurance protection
 - Loss reserving
- Conservative business and balance sheet profile allows for higher operating leverage
 - Each full point on combined ratio = ~1 point of ROE
 - Each full point of pre-tax investment yield = ~2.5 points of ROE

A LOWER RISK PROFILE



A WRITER OF PREDOMINANTLY LOW- TO MEDIUM- HAZARD RISKS

- Manage volatility of underwriting results, in part through maintaining a smaller limit profile
- Low account sizes (premium per policyholder) averaging:
 - \$12K for Standard Commercial
 - \$2K for Standard Personal
 - \$3K for E&S
- Low reinsurance attachment points of \$2M per event for property and casualty risks

Percent of Policies with TIV or Limits of \$1M or Less	Property	Casualty
Standard Commercial Lines	79%	87%*
Standard Personal Lines	85%	98%
E&S Lines	97%	98%

Note:

* Excludes workers compensation policies, which do not have statutory policy limits

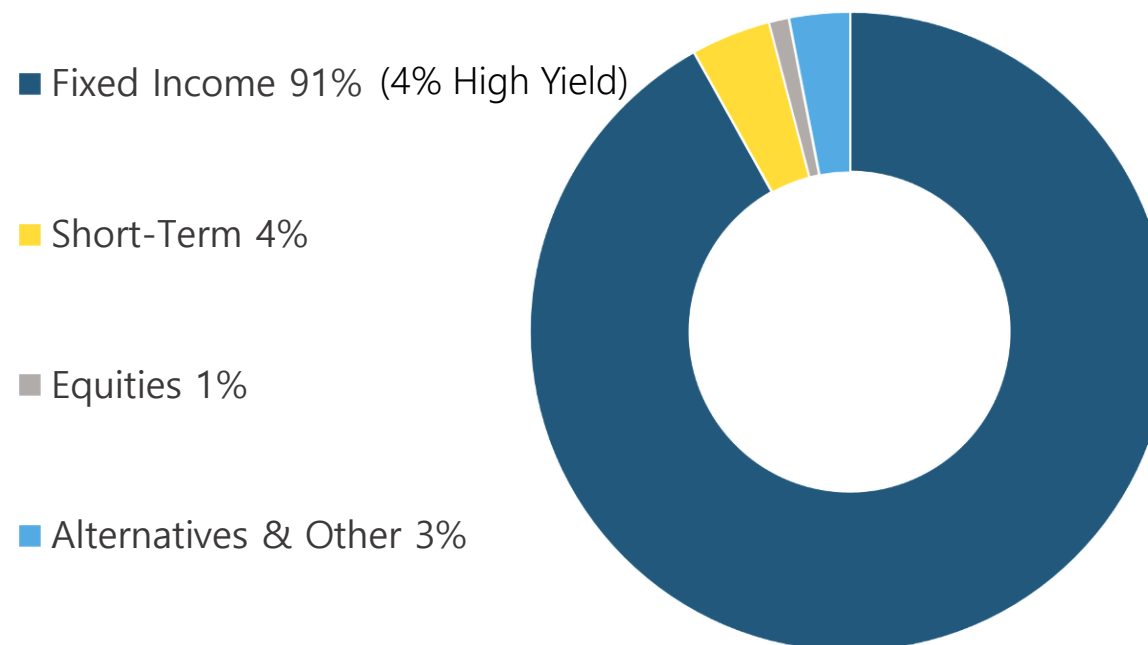
TIV refers to total insured value

CONSERVATIVE INVESTMENT PORTFOLIO

Investment Portfolio at 12/31/19

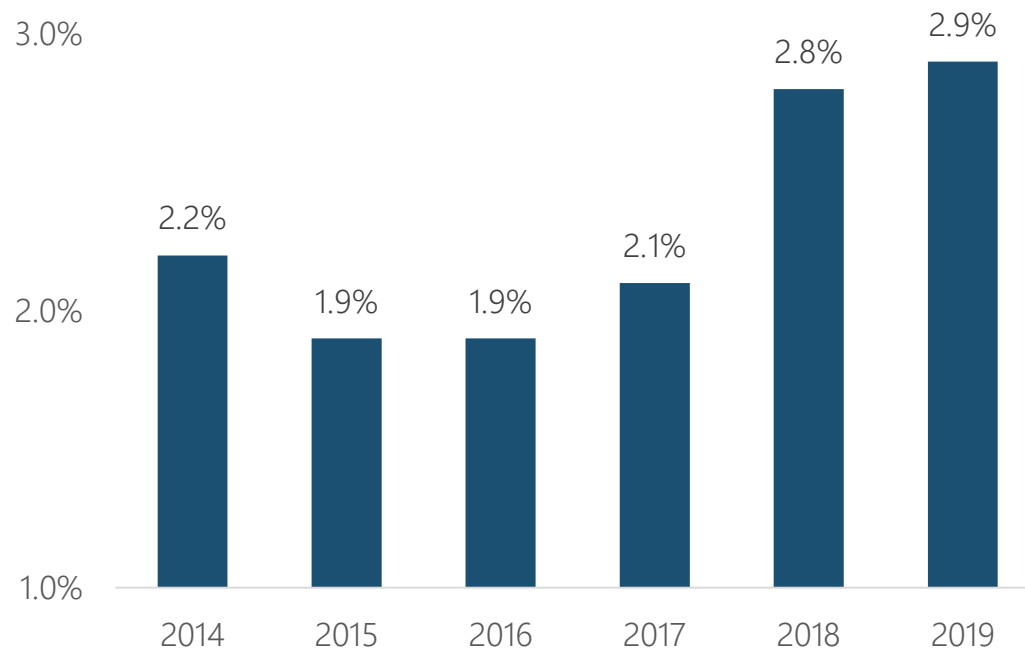
- Core fixed income and short-term investments comprise 95% of the investment portfolio:
 - "AA-" average credit quality
 - Effective duration of 3.6 years
- Risk asset allocation (high yield, public equity, and alternatives) at ~8% of invested assets, remains below our long-term target
- Ongoing work to further diversify our alternative investments portfolio by strategy and vintage

\$6.7B of Investments



ACTIVE PORTFOLIO MANAGEMENT DRIVES INVESTMENT RESULTS

Historical After-Tax Fixed Income Portfolio Yields



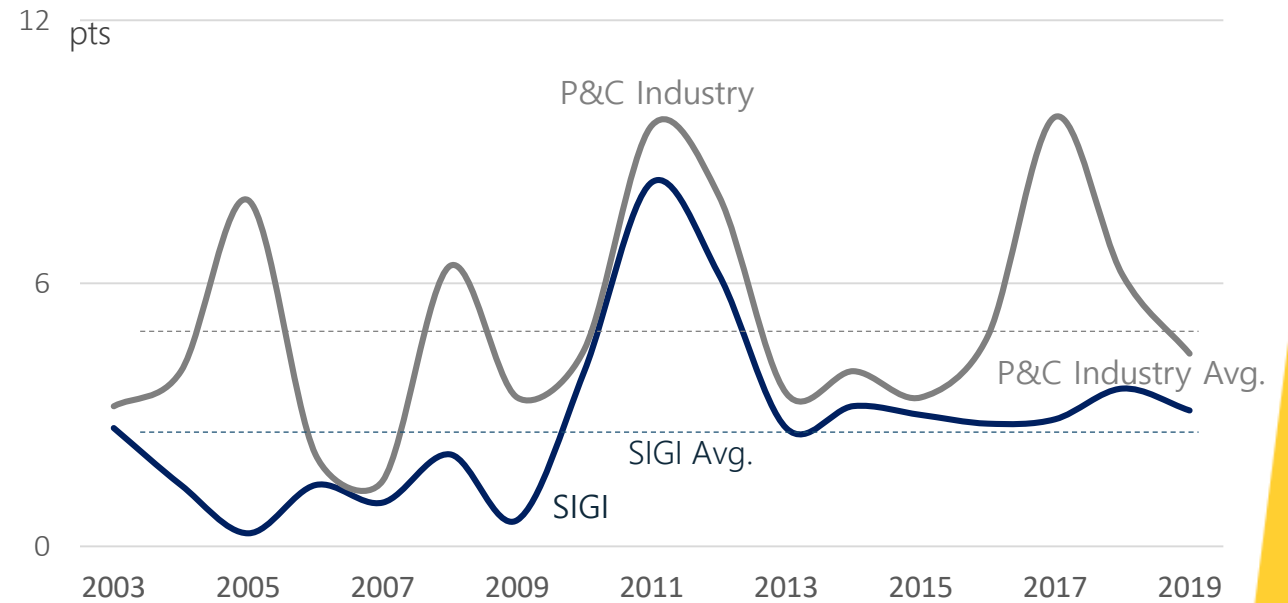
- Strong investment performance in 2019 driven by:
 - Active portfolio management
 - Excellent operating cash flow (18% of NPW in 2019)
 - Strong alternative asset returns
 - Higher average invested assets
- Maintained fixed income and short-term portfolio duration of 3.6 years and AA- average credit rating
- Forecasting 2% growth in after-tax net investment income, to \$185M in 2020



CATASTROPHE LOSS IMPACT BELOW INDUSTRY AVERAGE

- Catastrophe loss impact over the past 17 years has averaged:
 - 5.1 percentage points for the P&C industry
 - 2.9 percentage points for Selective
- Catastrophe loss mitigation initiatives include:
 - Strict guidelines around coastal properties
 - Focus on geographic diversification and growth that minimizes peak catastrophe aggregations
 - Conservative reinsurance program

Impact of Catastrophe Losses on Combined Ratio

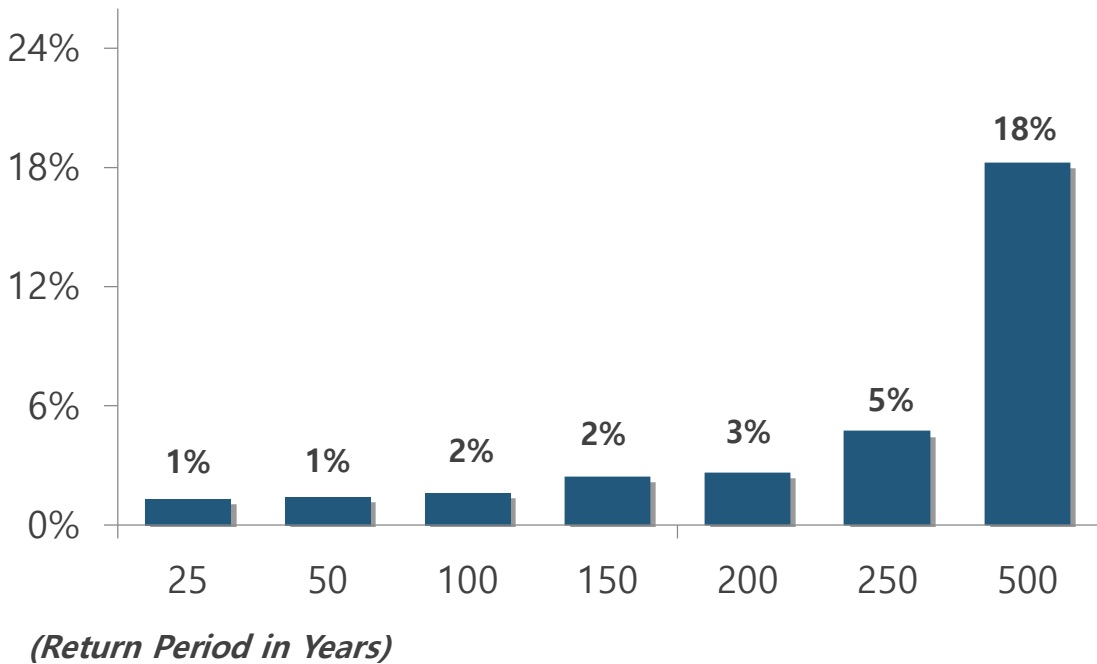


Note: Catastrophe impact for P&C industry based on A.M. Best estimates; 2019 estimate based on 9M 2019 actuals



CONSERVATIVE REINSURANCE PROGRAM

Net Single-Event Hurricane Loss* as a % of Equity



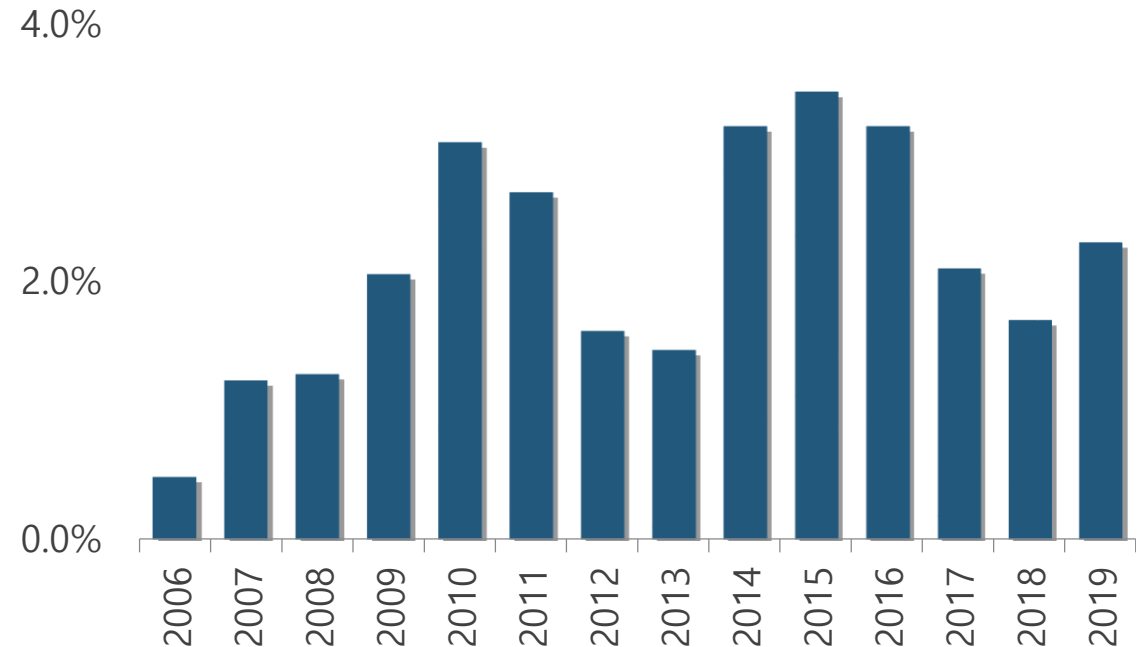
- 2020 property catastrophe treaty structure:
 - Coverage of \$735M in excess of \$40M retention
 - \$242M in collateralized limit, primarily in the top layer of the program
 - Additional earnings volatility protection from our non-footprint \$35M in excess of \$5M layer
- Property XOL treaty covers losses up to \$58M in excess of \$2M retention
- Casualty XOL treaty covers losses up to \$88M in excess of \$2M retention

* Single event hurricane losses are net of reinsurance, after tax, and reinstatement premiums as of 1/1/20. GAAP equity as of 12/31/19.

STRONG RESERVING TRACK RECORD

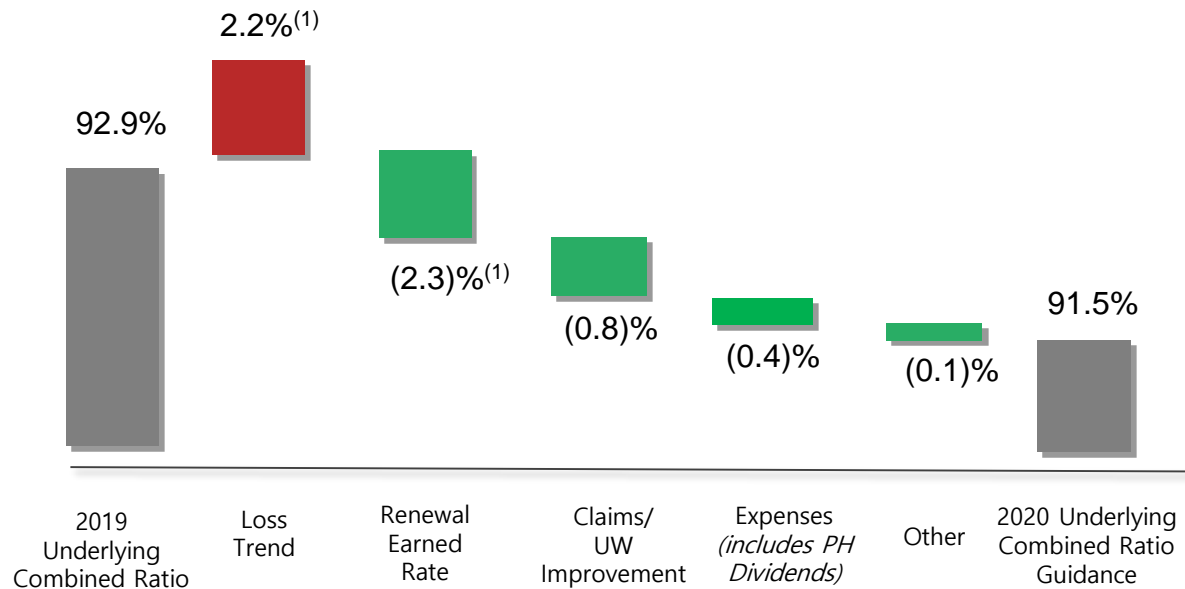
- Disciplined reserving practices:
 - Quarterly actuarial reserve reviews
 - Semi-annual independent review
 - Independent year-end opinion
- Favorable reserve development in Workers Compensation was partially offset by modest strengthening in Commercial Auto, Personal Auto, and E&S lines during 2019

Impact of Casualty Reserve Development on our Combined Ratio



MARGIN IMPROVEMENT EXPECTED IN 2020

Reconciliation of 2019 Underlying GAAP Combined Ratio to 2020



- Targeting price increases in line with or in excess of expected loss trend
- Assumes no prior year casualty reserve development
- Business mix improvement through risk segmentation
- Claims and underwriting improvement
- Impact of catastrophe losses on combined ratio estimated to be 3.5%
- Operational efficiency driving down expense ratio

(1) Based on a gross loss trend of 3.8% and gross earned rate of 3.7%

● STRONG CAPITAL AND LIQUIDITY POSITION, ● GREATER FOCUS ON EXPENSES

CAPITAL AND LIQUIDITY PLAN

- Strong position with 20.1% debt-to-capital ratio
- NPW to surplus ratio of ~1.4x is at the low end of historical range
- Growing the business currently provides the most attractive capital deployment opportunities
- Parent company cash and investments is well in excess of our two times outflow target

EXPENSE MANAGEMENT

- Cost management and greater leverage from NPW growth helps drive expense ratio down
- Restructured long-term stock compensation program resulting in corporate expense savings
- Balancing our investments in future growth with operating enhancements including:
 - Workflow and process improvements
 - Innovation Lab
 - Robotics
 - Artificial intelligence
 - Talent development
 - Product innovation

A FOCUS ON ROE AND GROWTH IN BOOK VALUE PER SHARE

Generating non-GAAP operating ROE* in line with our long-term target

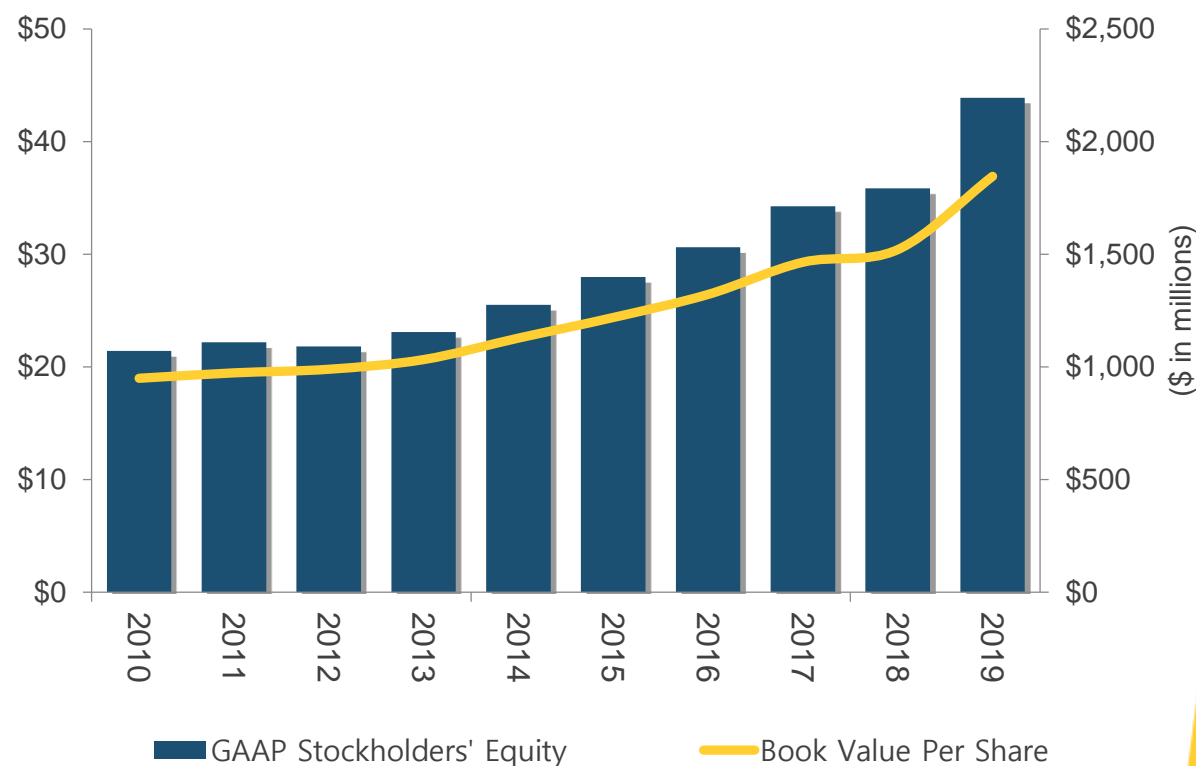


Superior growth in book value per share



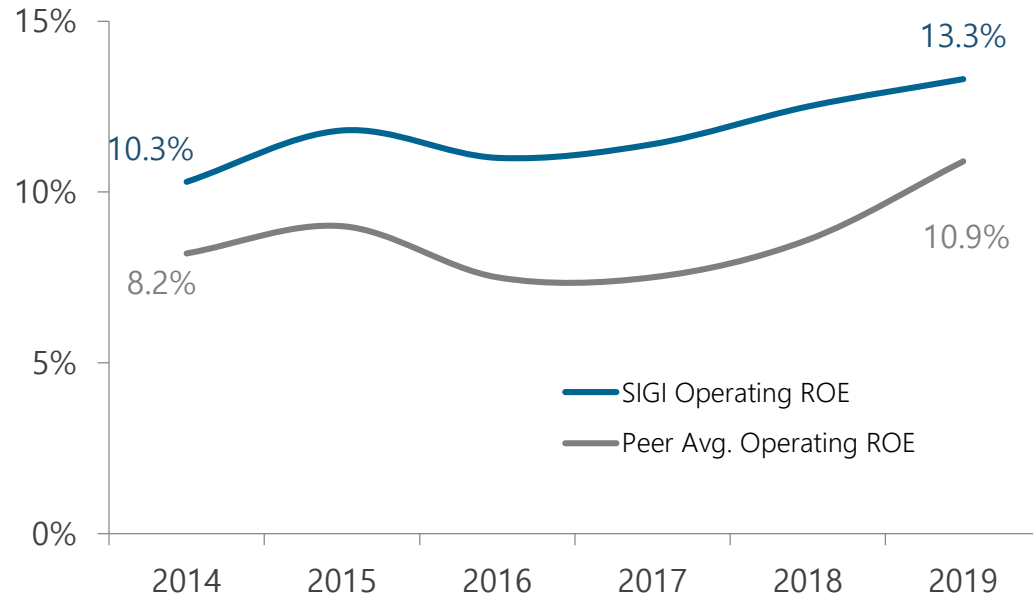
Higher total shareholder returns over time

Strong Track Record of Book Value per Share Growth and Shareholder Value Creation



STRONG ROE OUTPERFORMANCE RELATIVE TO PEERS

Historical Non-GAAP Operating ROEs*



- Strong underwriting and investment contributions
- Superior 13.3% non-GAAP operating ROE* in 2019
 - Underwriting ROE contribution of 6.5%
 - Investment ROE contribution of 9.1%
- 2020 non-GAAP operating ROE* target of 11% (*not guidance*)

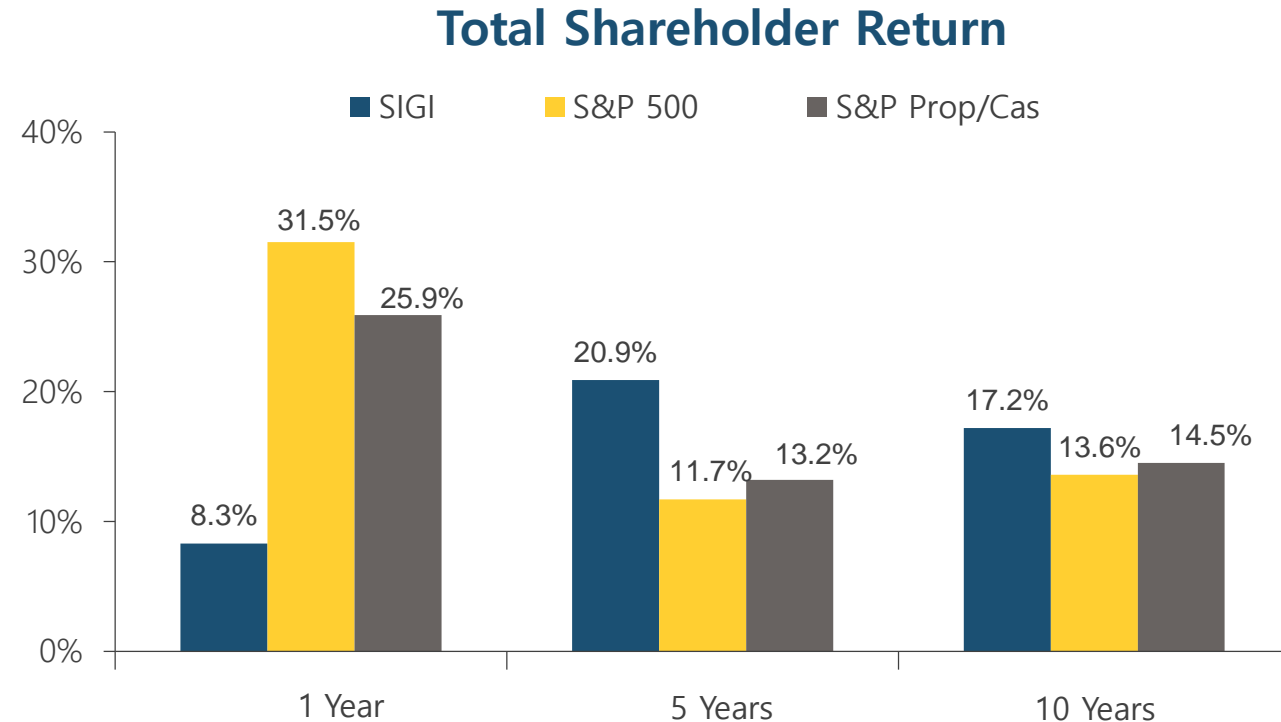
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Peer index includes TRV, HIG, CNA, CIN, THG, UFCS, MCY, HMN, and KMPR; for nine months of 2019



TOTAL SHAREHOLDER RETURNS HAVE OUTPERFORMED BENCHMARKS

- Solid outperformance in total shareholder return relative to S&P P&C insurance index and S&P 500 index over the past 5- and 10-year periods
- Share price performance has reflected our ability to generate strong and consistent financial results



Note: Total shareholder return calculations as of December 31, 2019



OUR VALUE PROPOSITION

- Leveraging our competitive strengths to generate sustained financial outperformance
 - Franchise value distribution model with best-in-class partners
 - Unique field model enabled by sophisticated technology
 - Strong customer experience
- Excellent growth opportunities within footprint and geo-expansion
- Solid underwriting margins, and non-GAAP operating ROEs* in line with our financial targets
- Conservative approach to risk selection and balance sheet and capital management

Selective delivers high-tech, high-touch insurance solutions while leveraging a unique distribution model to generate long-term value



2020 Investor Presentation

