



SELECTIVE INSURANCE GROUP, INC.

BANK OF AMERICA MERRILL LYNCH
2019 INSURANCE CONFERENCE

FEBRUARY 14,
2019

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.

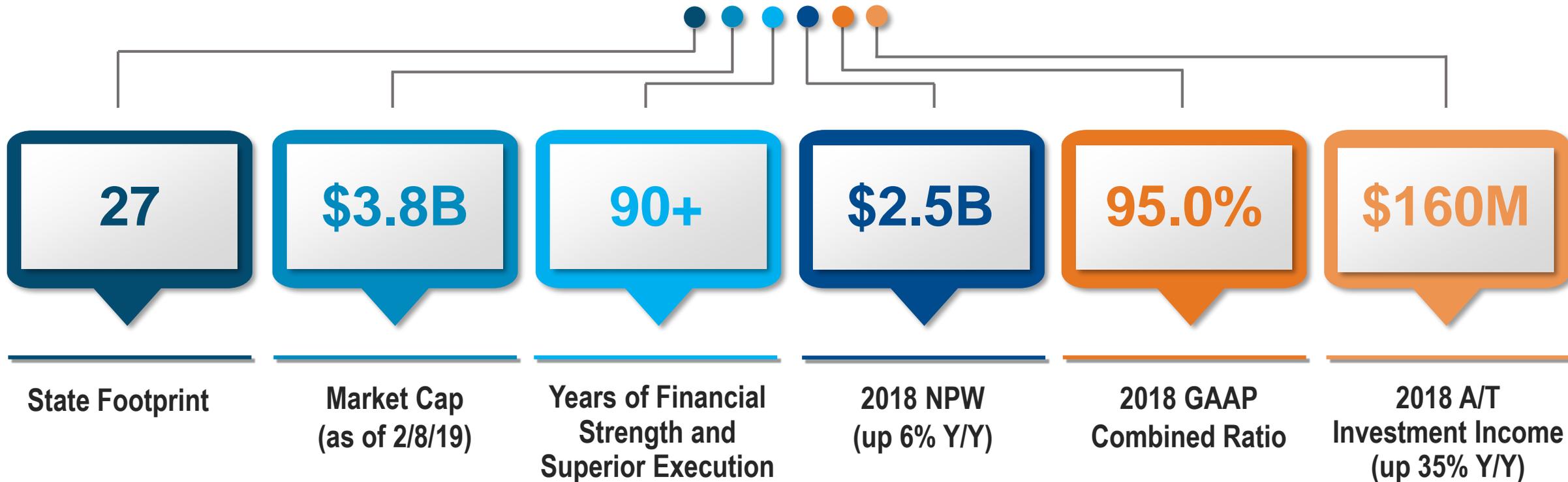


OVERVIEW

A TRACK RECORD OF SUPERIOR EXECUTION

NON-GAAP OPERATING ROES* IN RECENT YEARS HAVE BEEN IN LINE WITH LONG-TERM TARGETS

35th largest property and casualty insurance company based on 2017 NPW



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

OUR SUSTAINABLE COMPETITIVE ADVANTAGES

True franchise value with “ivy league” distribution partners

- Enables effective management of pricing and retention
- Presents significant opportunity for profitable growth
- Agent overall satisfaction rating of 8.7/10

Unique field model enabled by sophisticated tools and technology

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

Superior customer experience delivered by best-in-class employees

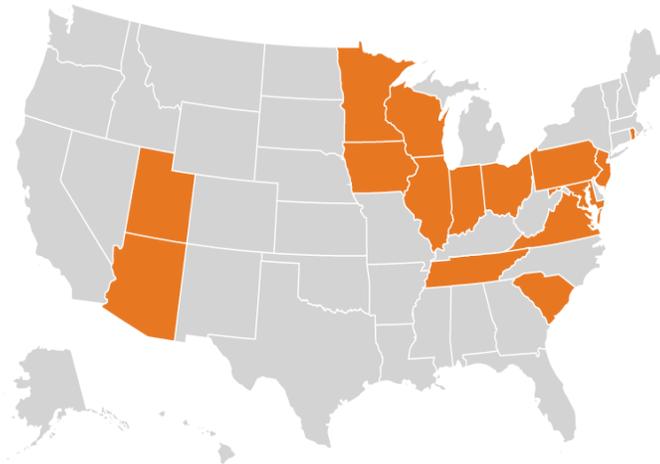
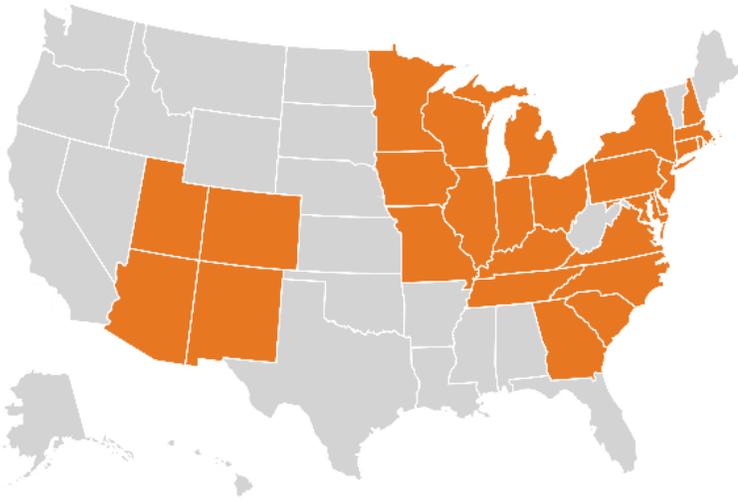
- Developing holistic solution for 24-hour omni-channel shared experience
- Increased customer engagement
- Value-added services

SUPER REGIONAL COMPANY WITH NATIONAL CAPABILITIES

Standard Commercial
(79% of 2018 NPW)

Standard Personal
(12% of 2018 NPW)

E&S
(9% of 2018 NPW)



27 States and D.C.

15 States

All 50 States

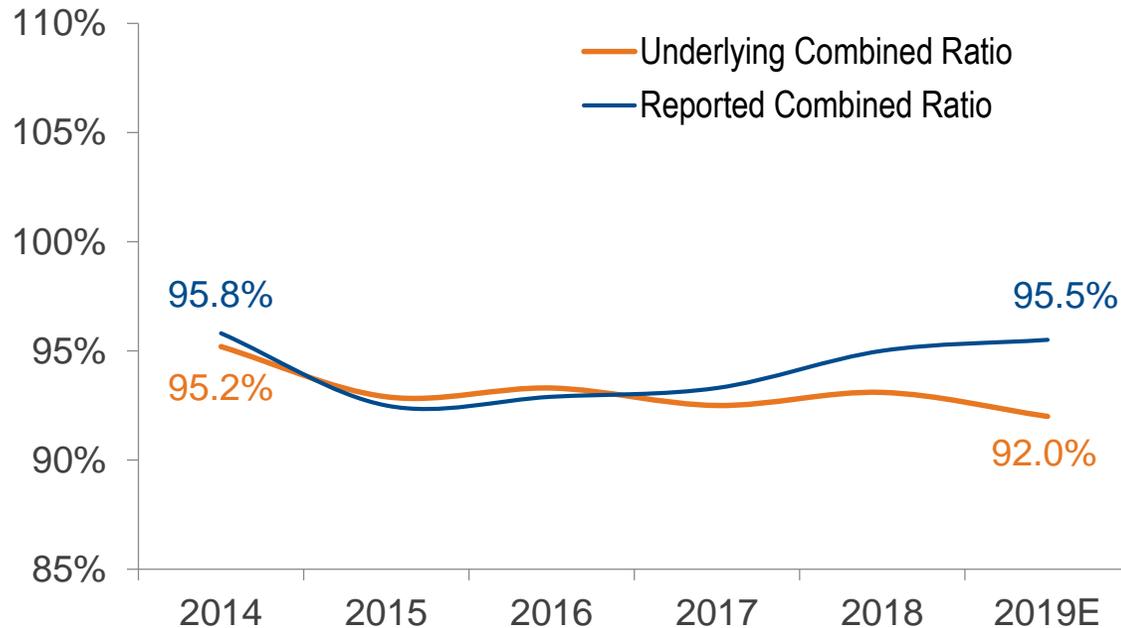
Over **1,320** distribution partners

Over **720** distribution partners

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.

- Achieving pure renewal written price increases in line with expected claim inflation
- Underwriting and claims improvement
- Focus on managing expenses
- 3.0% after-tax book yield on fixed income portfolio

Full Year 2018 Highlights:

- Consolidated combined ratio of 95.0%
- After-tax net investment income up 35% from a year ago
- Non-GAAP operating ROE* of 12.5%

2019 guidance is for a 92.0% GAAP combined ratio (excluding catastrophe losses)

SUMMARY OF OUR OPERATIONS

Commercial Lines (79% of NPW): A Profit Engine

- A focus on disciplined growth
- Strong calendar year profitability in workers compensation and general liability; commercial auto needs improvement
- Drivers of profitability include pricing \geq claim inflation trends, business mix improvement, and enhanced claims outcomes

Personal Lines (12% of NPW)

- Targeting a 90% homeowners combined ratio in a normal CAT year (~14 points)
- Earned price increases and business mix shift to help personal auto margins
- Fifth largest “Write Your Own” National Flood Insurance Program participant; partial hedge for CAT losses

Excess & Surplus (9% of NPW)

- Focus on 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

OUR STRATEGIC INITIATIVES

2019 STRATEGIC INITIATIVES

CONTINUED PROFITABLE GROWTH

Execute on strategy of growing market share

PRICE INCREASES \geq EXPECTED CLAIM INFLATION

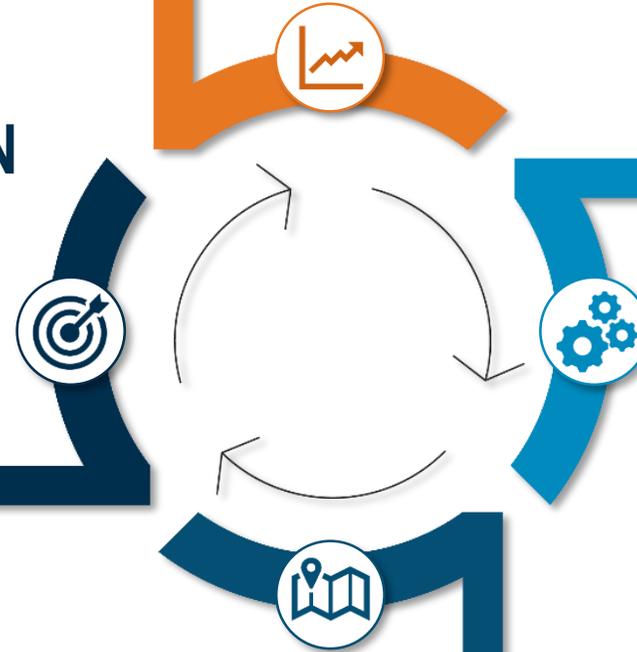
Standard commercial lines renewal pure price increases that match or exceed expected claim inflation trends

STRONG CUSTOMER SERVICE

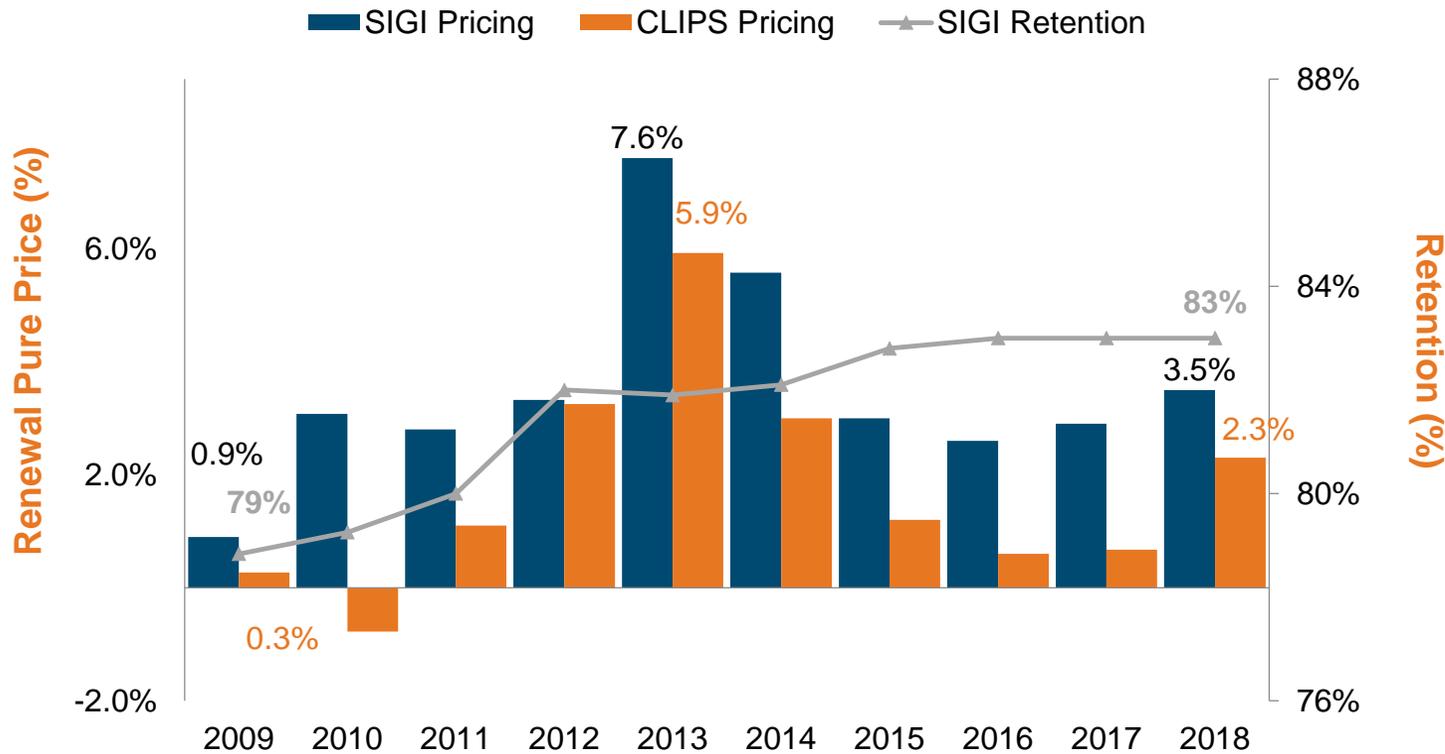
Continue to enhance our customer experience strategy

GEO-EXPANSION

New hub established in the Southwest



PRICE INCREASES HAVE CONSISTENTLY OUTPERFORMED INDUSTRY



CLIPS: Willis Towers Watson Commercial Lines Insurance Pricing Survey; 2018 CLIPS data based on nine month figures

- Commercial lines renewal pure price increases have exceeded CLIPS index since 2009, and are tracking in line with expected claim inflation trends
- January renewal pure price increase averaging 3.3%
- Ability to get appropriate price enabled by:
 - Strong distribution partner relationships
 - Sophisticated tools and actionable data
 - Culture of underwriting discipline



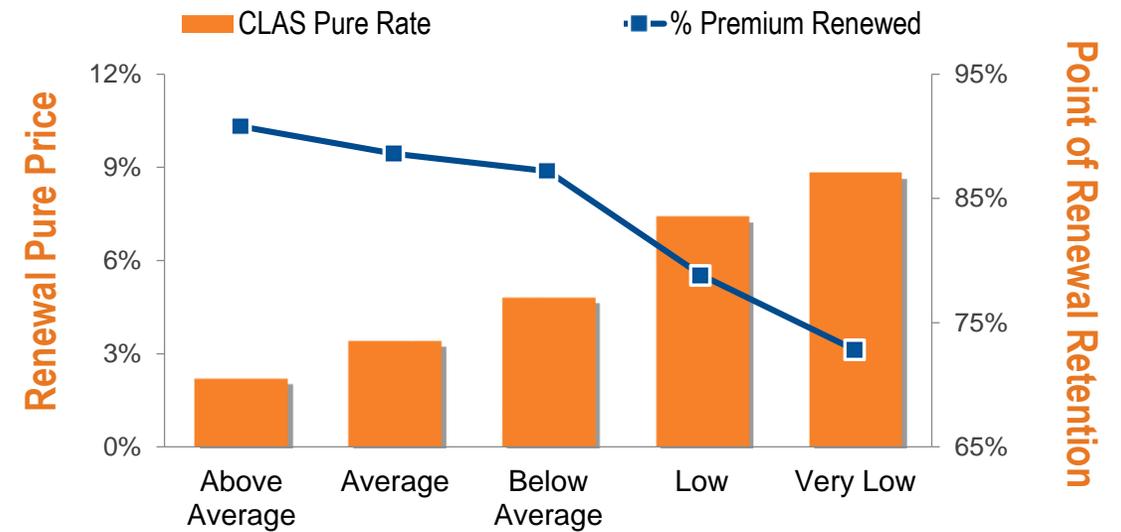
Renewal pure price increases \geq of expected claim inflation \rightarrow margin improvement

A PORTFOLIO APPROACH TO UNDERWRITING

- Portfolio management approach yields higher retention and rate
- Granular and 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



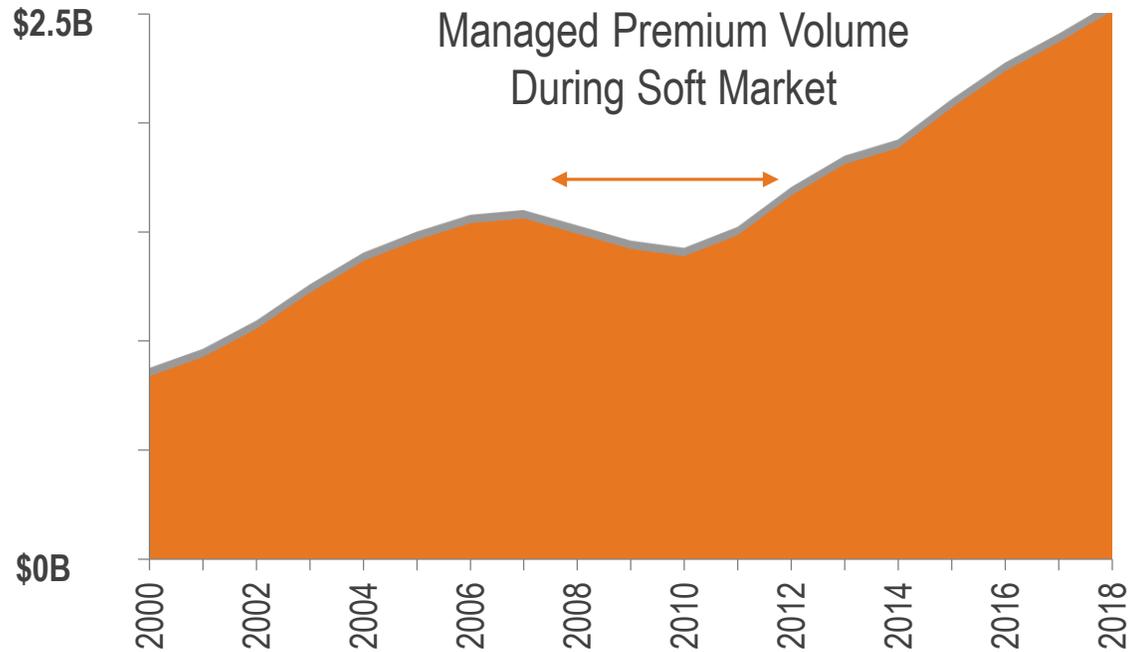
% of Premium

49% | 25% | 15% | 8% | 3%

*As of December 31, 2018

TARGETING GROWTH THROUGH MARKET SHARE AND GEO-EXPANSION

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

Additional NPW opportunity > \$2B by getting to 3% commercial lines market share in existing footprint

LOWER RISK



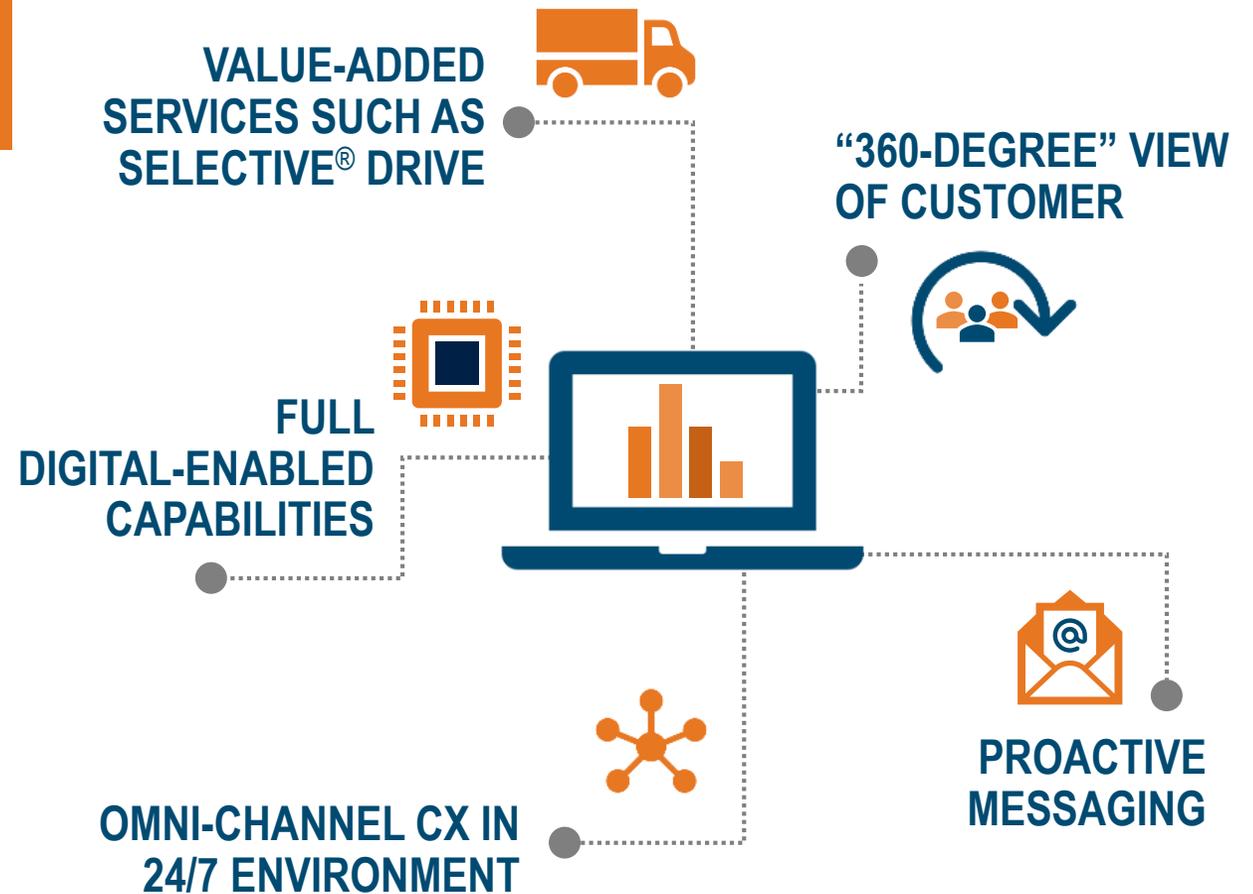
HIGHER RISK

Successful track record of cycle management and profitable growth

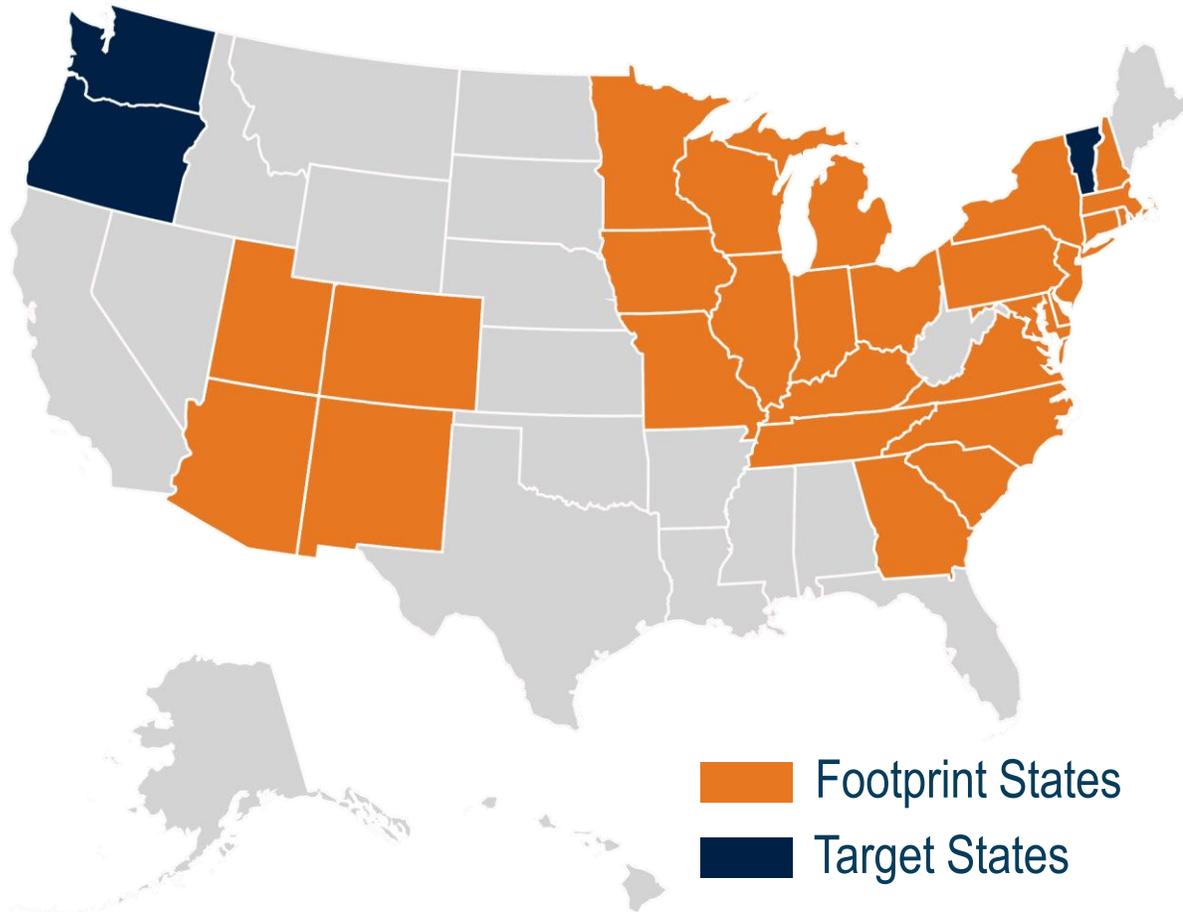
DELIVER A SUPERIOR OMNI-CHANNEL CUSTOMER EXPERIENCE

Customer-centricity is core to who we are as a company

- 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®



GEO-EXPANSION ENHANCES GROWTH OPPORTUNITIES



- Diversification and spread of risk
 - Targeting ~30 fully operational states
 - Remainder to support multi-state accounts
- Leverage existing Selective leaders and hire local underwriters who know the market and agencies
- Established new Southwest regional hub by entering AZ, CO, NM, and UT for commercial lines in 2017 and 2018
 - AZ and UT for Personal Lines in 2018

A well-thought out and disciplined approach to geo-expansion

FINANCIAL OVERVIEW

LOWER RISK PROFILE AND STRONG FINANCIAL STRENGTH

A Lower Risk Profile



- Strong balance sheet underpinned by a conservative approach to:
 - Managing the investment portfolio
 - Purchasing reinsurance protection
 - 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 = ~273 basis points of ROE

**STRONG FINANCIAL
STRENGTH RATINGS**

A.M. Best
A

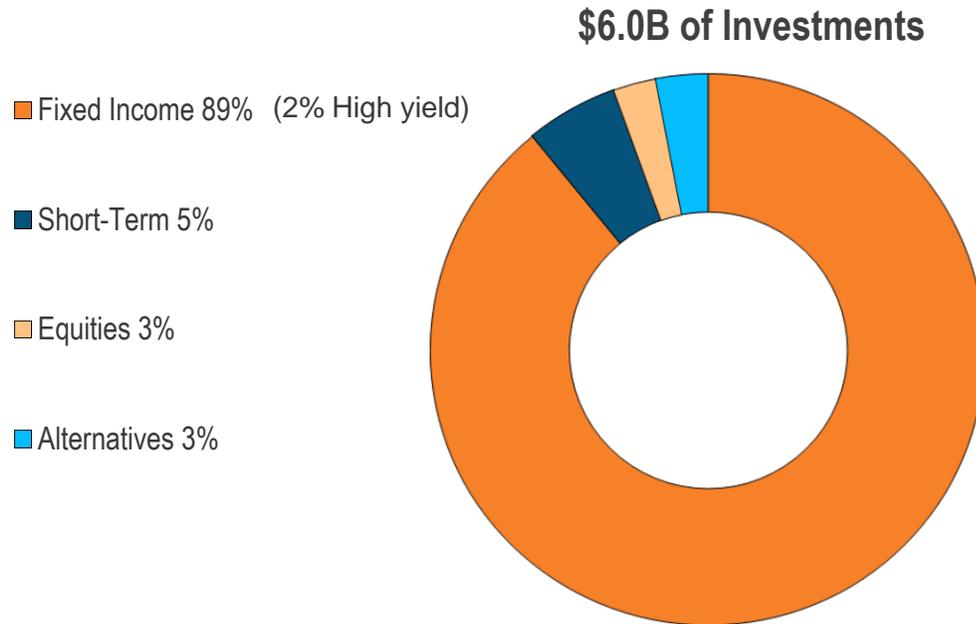
S&P
A

Moody's
A2

Fitch
A+

CONSERVATIVE INVESTMENT PORTFOLIO

Investment Portfolio Breakdown



- Fixed income and short-term investments comprise 94% of the investment portfolio:
 - “AA-” average credit quality
 - Effective duration of 3.6 years
 - Includes 2% allocation to high yield securities
- Current risk asset allocation (high yield, public equity and alternatives) at 7.2% of invested assets, compared with long-term target of 10%
 - Ongoing work to further diversify our alternative investments portfolio

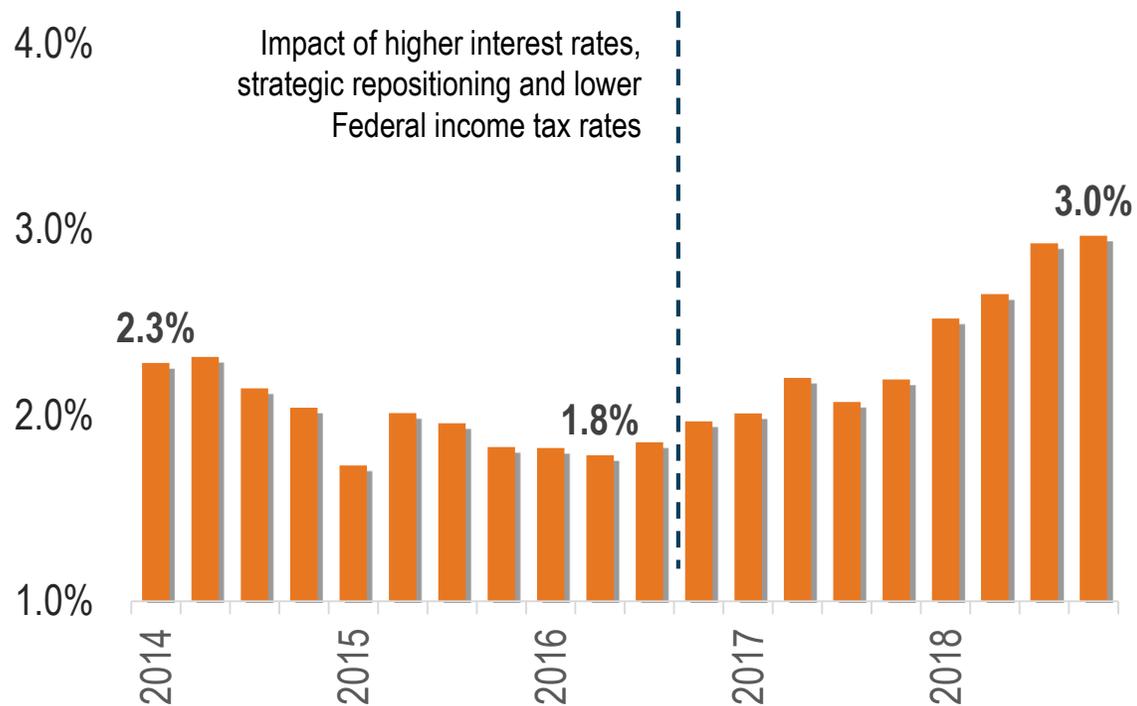
Investment portfolio breakdown is as of 12/31/18



A conservative investment management philosophy, with a focus on highly-rated fixed income securities

ACTIVE PORTFOLIO MANAGEMENT DRIVES INVESTMENT RESULTS

Historical After-Tax Net Portfolio Yields



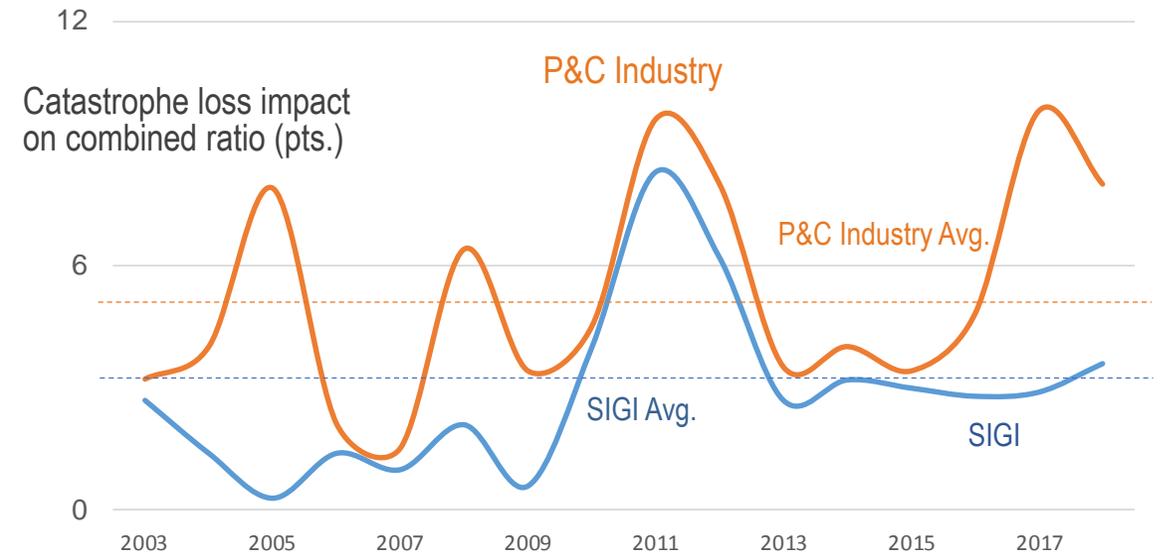
- Strong investment performance driven by:
 - Higher interest rates
 - Active portfolio management
 - Excellent operating cash flow (18% of NPW in 2018)
 - Strong alternative asset returns
 - Lower Federal income tax rate
 - Allocation to floating rate securities
- Maintained fixed income and short-term duration of 3.6 years and AA- average credit rating

After-tax book yield on our fixed income portfolio of 3.0% as of 12/31/18

CATASTROPHE LOSS IMPACT HAS BEEN BELOW INDUSTRY AVERAGE

- Catastrophe loss impact over the past 16 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 CAT aggregations
 - Prudent reinsurance purchasing

Impact of Catastrophe Losses on Combined Ratio

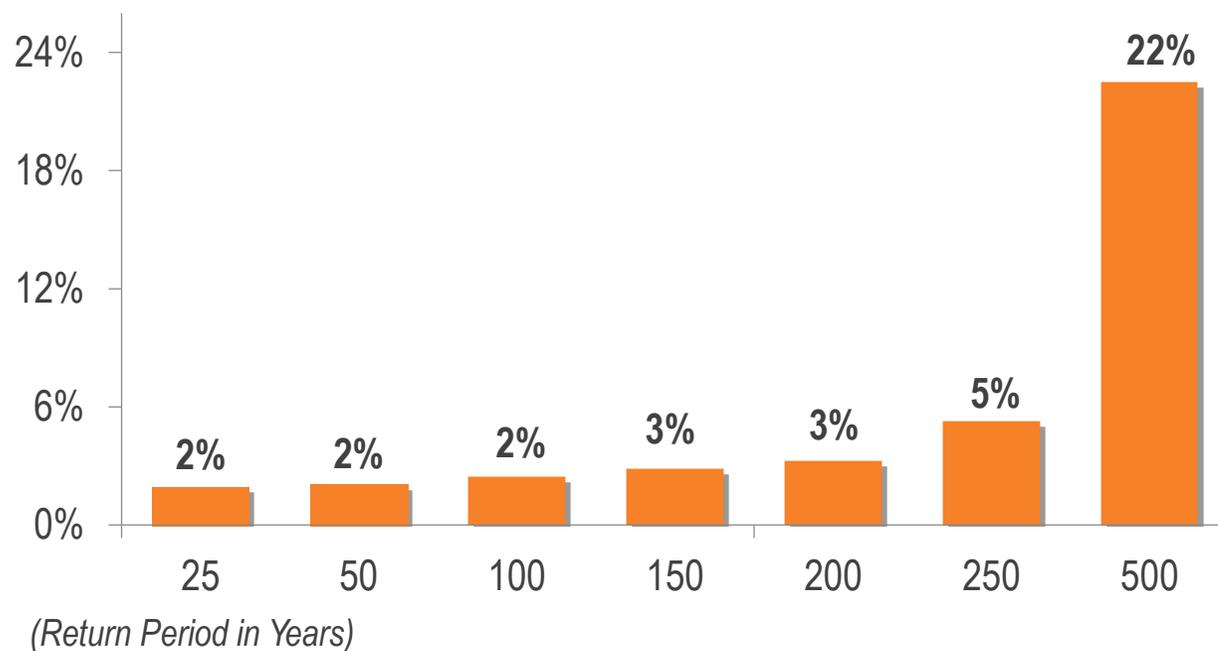


Note: Catastrophe impact for P&C industry based on A.M. Best estimates, 2018 figures based on estimated CAT losses from Verisk's Property Claims Services

Relatively low historical volatility from catastrophe losses on the combined ratio

PRUDENT REINSURANCE PROGRAM

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



* Single event hurricane losses are net of reinsurance, after tax, and reinstatement premiums as of 1/1/19. GAAP equity as of 12/31/18.

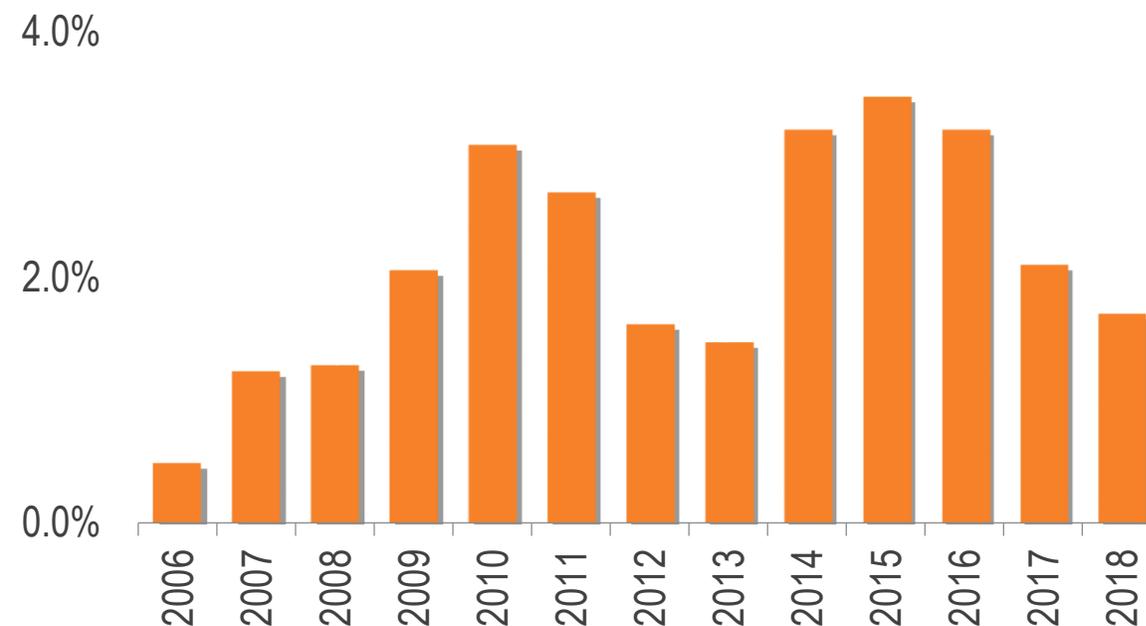
- 2019 property catastrophe treaty structure:
 - Coverage of \$735M in excess of \$40M retention
 - \$242M in collateralized limit, primarily in the top layer of the program
 - Additional earnings volatility protection from our non-footprint \$35M in excess of \$5M layer
- Property XOL treaty covers losses up to \$58M in excess of \$2M retention
- Casualty XOL treaty covers losses up to \$88M in excess of \$2M retention

Balance sheet protection through conservative program and strong panel of reinsurance partners

A 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 and General Liability was partially offset by strengthening in Commercial Auto and E&S lines in 2018

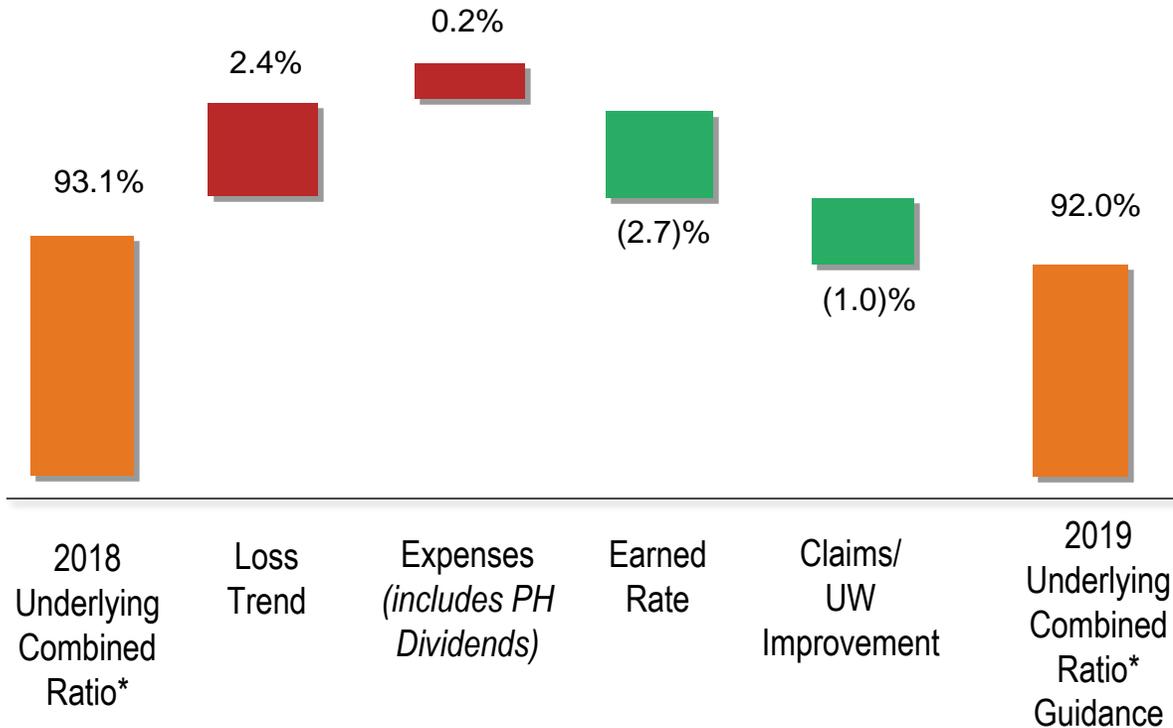
Impact of Reserve Development on our Combined Ratio



Thirteen consecutive years of net favorable reserve development

2019 COMBINED RATIO PLAN – UNDERLYING MARGIN IMPROVEMENT

Reconciliation of 2019 GAAP Combined Ratio Guidance



- Targeting price increases to keep up with expected claim inflation
- Assumes no prior-year casualty reserve development
- Business mix improvement through risk segmentation
- Claims and underwriting improvement
- CAT budget of 3.5 points

Targeting underlying margin improvement of 110 basis points in 2019

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

STRONG CAPITAL AND LIQUIDITY POSITION, FOCUS ON EXPENSES

CAPITAL AND LIQUIDITY PLAN



- Strong capital position with 19.7% debt-to-capital ratio
- Target NPW/surplus ratio of ~1.4x (lower end of historical range)
- Growing the business currently provides the most attractive capital deployment opportunity
- Sustainable growth rate of approximately 9%

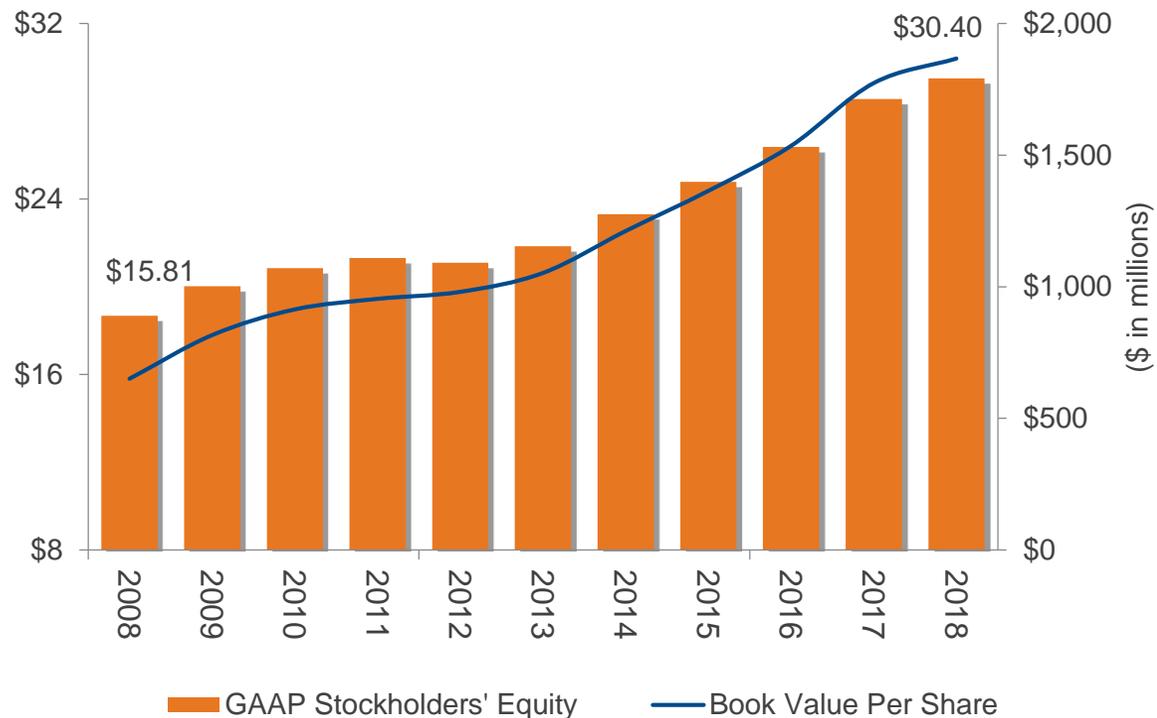
EXPENSE MANAGEMENT



- Cost management and greater leverage from NPW growth helps reduce expense ratio
- Restructured long-term stock compensation program should reduce corporate expenses over time
- Will continue to make significant investments for the future

A FOCUS ON ROE AND GROWTH IN BOOK VALUE PER SHARE

Historical Book Value per Share and Stockholders' Equity Growth



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

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

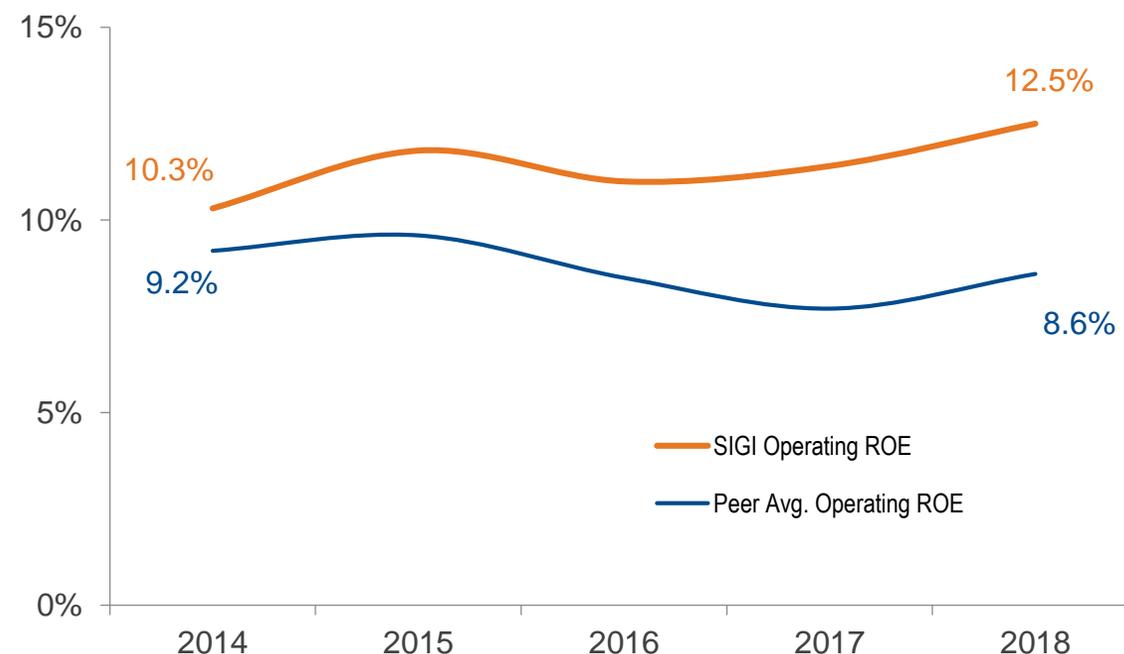


STRONG ROE OUTPERFORMANCE RELATIVE TO PEERS

- Solid underwriting and investment contributions
- Superior 12.5% non-GAAP operating ROE in 2018
 - Underwriting ROE contribution of 5.5%
 - Investment ROE contribution of 9.2%
- 2019 non-GAAP operating ROE target (*not guidance*) of 12%

Five consecutive years of double-digit non-GAAP operating ROE puts us among select group of peers

Historical Non-GAAP Operating ROEs*

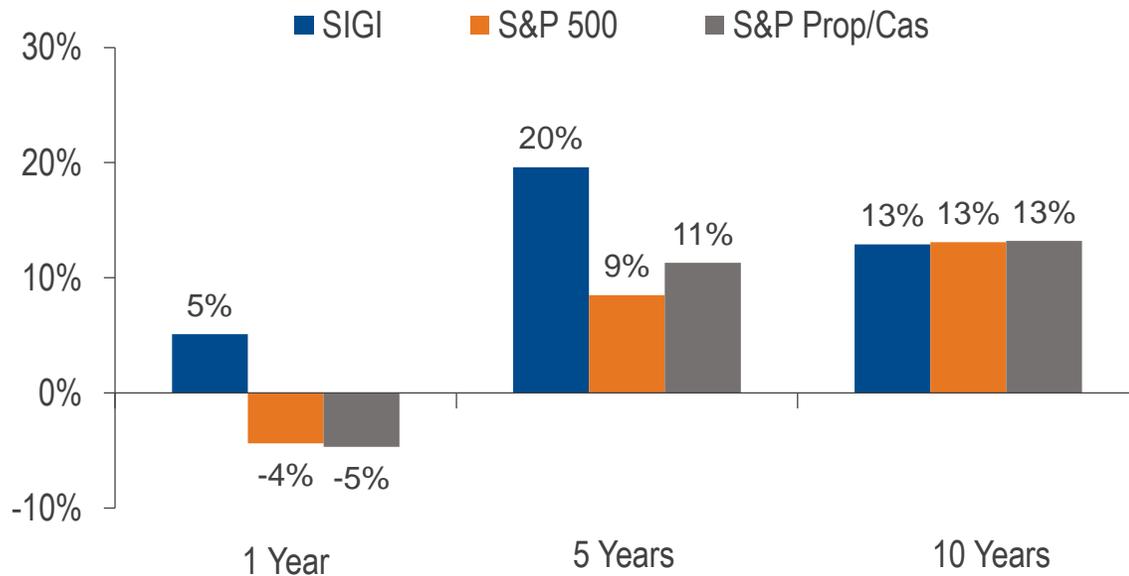


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Peer index includes TRV, HIG, CNA, CINF, THG, UFCS, MCY, HMN, and KMPR; 2018 operating ROEs are as of nine months for peer companies that have not yet reported full year results

TOTAL SHAREHOLDER RETURN HAS OUTPERFORMED BENCHMARKS

Total Shareholder Return



Note: Total shareholder return calculations as of December 31, 2018

- Significant outperformance in total shareholder return relative to S&P P&C insurance index and S&P 500 index over the past 1- and 5-year periods
- Share price performance has reflected our ability to generate strong and consistent financial results

Our stock performance has significantly outperformed peers and equity markets in recent years

- Leveraging our competitive strengths to generate sustained financial outperformance
 - Strong franchise value with “ivy league” distribution 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 management

OUR VALUE PROPOSITION

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



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