Strategies for

Success



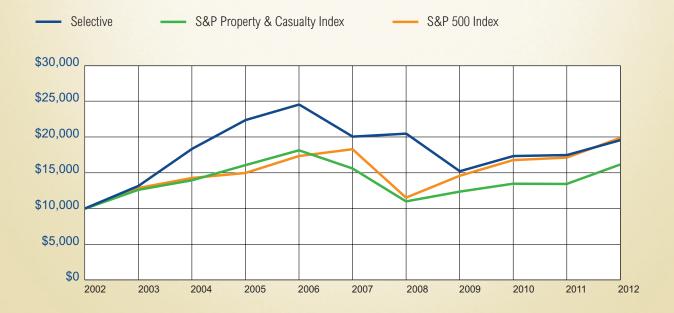
2012 GAAP Financial Highlights

(\$ in millions, except per share data)	2012	2011 ¹	% or Point Change better (worse)
Insurance Operations			
Net premiums written	\$1,666.9	\$1,485.3	12%
Net premiums earned	1,584.1	1,439.3	10%
Underwriting gain (loss) before tax	(64.0)	(103.6)	38%
Combined ratio	104.0	107.2	3.2 pts
Statutory combined ratio	103.5	106.7	3.2 pts
Investments			
Net investment income before tax	131.9	147.4	(11)%
Net realized gain (loss) before tax	9.0	2.2	301%
Invested assets per dollar of stockholders' equity	3.97	3.89	2%
Summary Data			
Total revenues	1,734.1	1,597.5	9%
Net income	38.0	22.0	72%
Net income from continuing operations	38.0	22.7	67%
Total assets	6,794.2	5,685.5	20%
Stockholders' equity	1,090.6	1,058.3	3%
Per Share Data			
Diluted net income from continuing operations	0.68	0.41	66%
Diluted net income	0.68	0.40	70%
Dividends	0.52	0.52	
Stockholders' equity	19.77	19.45	2%

Refer to Glossary of Terms attached as Exhibit 99.1 to the Company's Form 10-K for definitions of specific measures. GAAP: U.S. Generally Accepted Accounting Principles.

Average Annual Return

Growth of a \$10,000 investment (year-end 2002-2012)



Prior year amounts have been restated to reflect the implementation of ASU-2010-26, Financial Services—Insurance (Topic 944):

Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts, which was adopted on January 1, 2012.

To Our Shareholders

In 2012, we continued to make significant progress toward generating an underwriting profit, which is so very critical in this protracted low interest rate environment. However, the late season event of Hurricane Sandy—the largest single catastrophe event in the company's history—added 2.5 points to our 103.5% statutory combined ratio for the year. Gross losses from Sandy were \$136 million and \$47 million net of reinsurance. Reinsurance reinstatement premiums cost another \$9 million, which were offset by \$16 million in Flood claims handling fees. In total, Sandy created an overall net pre-tax loss of \$40 million and \$0.46 per diluted share after tax.

Net premiums written (NPW) in 2012 were up 12% to \$1.7 billion. Growth in standard commercial lines was strong at 6%, ending the year at \$1.3 billion, reflecting 6.2% renewal price increases coupled with very stable retention of 82%. Our long-term success in achieving rate above market has been guided by sophisticated underwriting tools, a highly regarded field model and superior relationships with more than 1,100 independent agents. In addition, standard commercial lines earned rate for 2012 exceeded loss trend and lowered the loss ratio as the statutory combined ratio, excluding Sandy, improved to 100.6%.



Gregory E. MurphyChairman, President and
Chief Executive Officer

We successfully integrated the MUSIC and Stonecreek contract binding authority operations, which are now regional offices with extensive corporate support. These two groups formed our new excess and surplus (E&S) lines operations and contributed \$89 million, or 49 percent, to overall 2012 growth. The E&S operations write small commercial lines policies (average premium of \$2,600) through 95 wholesale general agents and produced \$113 million in NPW for the year. Although E&S added one point to the overall combined ratio due to elevated losses and integration- and acquisition-related costs, we expect that these operations over time will produce combined ratios several points better than our standard commercial lines business.

NPW grew 6% in standard personal lines to \$290 million, driven by renewal price increases of 6.7% and a very solid 86% retention. The statutory combined ratio, excluding Sandy, was 97.3%. Higher levels of catastrophes are impacting homeowners results and we continue to increase and implement our rating structure, which is calculated on numerous individual perils, with renewal price increases for 2012 at 7.9%. We also modified a number of underwriting guidelines. For personal automobile, we have been consistently gaining price above loss cost trend and achieved 5.7% in 2012. We increased the geographic diversification of this book and believe that the ongoing rate increases, improvement in the underwriting mix of business and maturity of the book will drive this line for long-term success.

The most powerful element in reducing the loss and loss adjustment expense ratio is generating price above predicted loss trend. Our three-year price target is 5%-8%. For 2012 the first year—we achieved a 6.3% overall renewal price increase (6.2% commercial and 6.7% personal), higher than our original budget of 5.8%. For 2013, we expect overall pricing in the 7.5%-8% range, which on an earned basis will approximate 7 points. approximately 4 points higher than loss trend. In addition to rate increases, we have also deployed multiple claims initiatives to lower this ratio by three points over time. The most significant are medical cost containment through extensive network renegotiations. enhanced nurse case management, sophisticated fraud and recovery predictive models, legal fee and management and the creation of a complex claim unit. These initiatives will have the greatest impact on our workers compensation and general liability lines of business.

At year end, Selective's invested assets increased 5% over 2011 to \$4.3 billion. Net investment income, after tax, was \$100 million, down 10% compared to 2011 due to the extremely low interest rate environment and a more average performance from our alternative investment portfolio. We maintain a conservative portfolio with a focus on diversification, quality and liquidity in order to maximize the after-tax yield on our fixed income portfolio.

We have a new mobile application for customers allowing them to receive certificates of insurance, pay their bill and report a claim via their smartphones. We improved communications to customers by sending welcome letters, newsletters, surveys and revised billing notices. All of these efforts enhance our customers' and agents' experience with the company and lead to better retention and profitability. In an independently administered survey, agents ranked Selective 8.26 on a scale of 1–10 (10 being excellent), confirming their satisfaction with our high quality products and service.

We expect to generate a 2013 full year statutory combined ratio, excluding catastrophes, of 96.0%. We currently estimate catastrophe losses will add three points to that ratio. In addition, after-tax investment income is expected to be down slightly to \$90–\$95 million.

Of course none of this can be achieved without the determination and hard work of our employees. Their response to Hurricane Sandy was unprecedented with our Customer Service Centers open 24/7, field staff setting up mobile claims centers and people throughout the company stepping up to meet every challenge. Their commitment to Selective and our customers and agents, not only in a crisis but every day, is the source of our 86 years of success.

Gregory E. Murphy

Chairman, President and Chief Executive Officer

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Investor Information

Annual Meeting

Wednesday, April 24, 2013 Selective Insurance Group, Inc. 40 Wantage Avenue Branchville, New Jersey 07890

Investor Relations

Jennifer W. DiBerardino Senior Vice President, Investor Relations and Treasurer Telephone (973) 948-1364 investor.relations@selective.com

Dividend Reinvestment Plan

Selective Insurance Group, Inc. makes available to holders of its common stock an automatic dividend reinvestment and stock purchase plan.

For Information Contact: Wells Fargo Shareowner Services P.O. Box 64854 St. Paul, Minnesota 55164-0854 Telephone (866) 877-6351

Registrar and Transfer Agent

Wells Fargo Shareowner Services P.O. Box 64854 St. Paul, Minnesota 55164-0854 Telephone (866) 877-6351

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Shareholder Relations

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Common Stock Information

Selective Insurance Group, Inc.'s common stock trades on the NASDAQ Global Select Market under the symbol: SIGI.

At February 15, 2013, there were approximately 2,207 registered stockholders.

Form 10-K

Selective's Form 10-K, as filed with the U.S. Securities and Exchange Commission, is provided as part of this 2012 Annual Report.

Website

Visit us at **www.selective.com** for information about Selective, including our latest financial news.







Selective Insurance Group, Inc. 40 Wantage Avenue Branchville, New Jersey 07890 www.selective.com