



Supplemental Investor Package

Second Quarter 2012

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SELECTIVE INSURANCE GROUP, INC.
SECOND QUARTER 2012 INVESTOR PACKAGE
TABLE OF CONTENTS

| | |
|--|----|
| Earnings Press Release..... | 1 |
| Selected Balance Sheet Data..... | 6 |
| Selected Income Statement Data..... | 7 |
| Quarterly GAAP Investment Income..... | 8 |
| Statutory Results by LOB Quarter..... | 9 |
| Statutory Results by LOB YTD June..... | 10 |
| Consolidated Balance Sheets..... | 11 |
| Consolidated Statements of Income..... | 12 |
| Consolidated Statements of Comprehensive Income..... | 13 |
| Consolidated Statements of Stockholders' Equity..... | 14 |
| Consolidated Statements of Cash Flow..... | 15 |
| Statutory Balance Sheets..... | 16 |
| Statutory Statements of Income..... | 17 |
| Investment Portfolio – Appendix | |
| Alternative Investments Exhibit..... | 18 |
| Municipal Bond Portfolio Exhibit..... | 19 |
| Credit Quality of AFS Fixed Maturity Securities Exhibit..... | 20 |
| Credit Quality of HTM Securities Exhibit..... | 21 |



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Selective Insurance Group Reports
Second Quarter 2012 Earnings

Branchville, NJ – July 25, 2012 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the second quarter ended June 30, 2012. Net income and operating income¹ per diluted share were \$0.01.

“The industry experienced heavy catastrophe losses due to wind, hail, thunderstorms and tornadoes in the second quarter,” said Chairman, President and Chief Executive Officer Gregory E. Murphy. “Selective’s catastrophe losses for the quarter were \$30 million or 7.7 points on a statutory combined ratio of 106.2%. A ‘derecho’ at the end of June combined with an April event accounted for more than 85% of our total catastrophe losses.

“To a lesser extent, our quarter was also impacted by lower investment income of \$26 million, after tax, which was due to lower than expected alternative investment results and the continuing pressure from the low interest rate environment,” said Murphy.

“We had a solid quarter in commercial lines with net premiums written up 15% over second quarter 2011 including renewal pure price increases of 6.5% – our thirteenth consecutive quarter of positive standard commercial lines renewal pricing,” continued Murphy. “Retention was strong at 82% for standard commercial lines. Our ability to push price while maintaining strong retention levels is a testament to both our granular pricing strategy and our superior agency relationships.

“Our personal lines operations net premiums written grew 8%,” said Murphy. “Our filed rate increases effective in the quarter averaged 5.6% and retention was 87%, slightly higher than second quarter 2011. So far this year, we’ve implemented 32 rate increases and will be taking 21 more by year end.

“Although we believe that commercial lines conditions continued to moderately improve during the quarter, the market certainly is not hard by any standard, and conditions are changing constantly. We are holding the line on our pricing strategy,” continued Murphy.

“We are well-positioned to manage the market with our sophisticated underwriting and pricing tools along with our agency partners.”

Selective’s second quarter 2012 highlights compared to second quarter 2011:

- Net income was \$0.3 million, or \$0.01 per diluted share, compared to \$1.5 million, or \$0.03 per diluted share;
- Operating income¹ was \$0.2 million, or \$0.01 per diluted share, compared to \$0.1 million, or \$0.00 per diluted share;
- Combined ratio: GAAP: 106.9% compared to 109.6%; Statutory: 106.2% compared to 109.5%;
- Total net premiums written (NPW) were up 14% to \$425.6 million:
 - o Commercial Lines NPW were up 15% to \$348.8 million, including \$28.3 million from excess and surplus (E&S) lines;
 - o Personal Lines NPW were up 8% to \$76.8 million;
- Catastrophe losses were \$30.2 million, pre-tax, compared to \$38.1 million;
- Favorable prior year statutory reserve development on our casualty lines totaled \$5 million, pre-tax, in both periods;
- Net investment income, after tax, decreased 13% to \$25.7 million; and
- Total revenue was \$428.9 million compared to \$399.6 million.

Selective’s six months ended June 30, 2012 highlights compared to the first six months of 2011:

- Net income was \$18.4 million, or \$0.33 per diluted share, compared to \$22.0 million, or \$0.40 per diluted share;
- Operating income¹ was \$15.4 million, or \$0.28 per diluted share, compared to \$16.8 million, or \$0.31 per diluted share;
- Combined ratio: GAAP: 103.7% compared to 106.6%; Statutory: 102.7% compared to 106.1%;
- Total NPW were up 15% to \$845.7 million:
 - o Commercial Lines NPW were up 17% to \$703.4 million, including \$54.1 million from E&S lines;
 - o Personal Lines NPW were up 7% to \$142.4 million;
- Catastrophe losses were \$37.1 million, pre-tax, versus \$44.9 million;
- Favorable prior year statutory reserve development on our casualty lines totaled \$8 million pre-tax versus \$9 million;
- Net investment income, after tax, decreased 18% to \$50.5 million; and
- Total revenue was \$848.3 million compared to \$803.0 million.

Balance Sheet and Guidance

At June 30, 2012, Selective’s assets were \$5.7 billion. Selective’s investment portfolio was \$4.2 billion. Stockholders’ equity was \$1.1 billion, and book value per share decreased slightly in the quarter to \$19.75. Statutory surplus was \$1.1 billion.

Selective’s Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable September 4, 2012 to stockholders of record as of August 15, 2012.

Selective expects to generate overall full-year statutory and GAAP combined ratios between 102% and 103%, which include a catastrophe loss assumption of

approximately 3.5 points for the full year. These combined ratios do not include any assumptions for additional reserve development, favorable or unfavorable. Weighted average shares at year-end 2012 are expected to be 55.6 million. Investment income for 2012 is expected to be \$100 to \$105 million after tax.

The supplemental investor packet, including financial information that is not part of this press release, is available on the Investor Relations' page of Selective's public website at www.selective.com. Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET, on July 26, 2012 at www.selective.com. The webcast will be available for rebroadcast until the close of business on August 24, 2012.

About Selective Insurance Group, Inc.

Selective Insurance Group, Inc. is a holding company for eight property and casualty insurance companies rated "A" (Excellent) by A.M. Best. Through independent agents, the insurance companies offer primary and alternative market insurance for commercial and personal risks, and flood insurance underwritten by the National Flood Insurance Program. Selective maintains a website at www.selective.com.

Forward-Looking Statements

In this press release, Selective and its management discuss and make statements based on currently available information regarding their intentions, beliefs, current expectations and projections regarding Selective's future operations and performance.

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, include, but are not limited to:

- difficult conditions in global capital markets and the economy;
- deterioration in the public debt and equity markets and private investment marketplace that could lead to investment losses and fluctuations in interest rates;
- ratings downgrades could affect investment values and therefore statutory surplus;
- the adequacy of our loss reserves and loss expense reserves;

- the frequency and severity of natural and man-made catastrophic events, including, but not limited to, hurricanes, tornadoes, windstorms, earthquakes, hail, terrorism, explosions, severe winter weather, floods and fires;
- adverse market, governmental, regulatory, legal or judicial conditions or actions;
- the concentration of our business in the Eastern Region;
- the cost and availability of reinsurance;
- our ability to collect on reinsurance and the solvency of our reinsurers;
- uncertainties related to insurance premium rate increases and business retention;
- changes in insurance regulations that impact our ability to write and/or cease writing insurance policies in one or more states, particularly changes in New Jersey automobile insurance laws and regulations;
- recent federal financial regulatory reform provisions that could pose certain risks to our operations;
- our ability to maintain favorable ratings from rating agencies, including A.M. Best, Standard & Poor's, Moody's and Fitch;
- our entry into new markets and businesses; and
- other risks and uncertainties we identify in filings with the United States Securities and Exchange Commission, including, but not limited to, our Annual Report on Form 10-K and other periodic reports.

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's SEC filings can be accessed through the Investor Relations' section of Selective's website, www.selective.com, or through the SEC's EDGAR Database at www.sec.gov (Selective EDGAR CIK No. 0000230557).

¹Operating income differs from net income by the exclusion of realized gains or losses on investments. It is used as an important financial measure by management, analysts and investors, because the realization of investment gains and losses on sales in any given period is largely discretionary as to timing. In addition, these investment gains and losses, as well as other-than-temporary investment impairments that are charged to earnings, could distort the analysis of trends. Operating income is not intended as a substitute for net income prepared in accordance with U.S. generally accepted accounting principles (GAAP). A reconciliation of operating income to net income is provided in the GAAP Highlights and Reconciliation of Non-GAAP Measures to Comparable GAAP Measures. Statutory data is prepared in accordance with statutory accounting rules as defined by the National Association of Insurance Commissioners Accounting Practices and Procedures Manual and, therefore, is not reconciled to GAAP.

Selective Insurance Group, Inc. (Nasdaq: SIGI) *
GAAP Highlights and Reconciliation of Non-GAAP Measures to Comparable
GAAP Measures

(in thousands, except per share data)

| <u>3 months ended June 30:</u> | <u>2012</u> | <u>2011¹</u> |
|--|--------------------|--------------------------------|
| Net premiums written | \$ 425,563 | 374,503 |
| Net premiums earned | 392,212 | 355,580 |
| Net investment income earned | 34,006 | 39,345 |
| Net realized gains | 178 | 2,146 |
| Total revenues | 428,907 | 399,570 |
| Operating income | 172 | 72 |
| Capital gains, net of tax | 116 | 1,395 |
| Net income | \$ <u>288</u> | <u>1,467</u> |
| Statutory combined ratio | 106.2% | 109.5% |
| Statutory combined ratio, excluding catastrophe losses | 98.5% | 98.8% |
| GAAP combined ratio | 106.9% | 109.6% |
| Operating income per diluted share | \$ 0.01 | 0.00 |
| Net income per diluted share | 0.01 | 0.03 |
| Weighted average diluted shares | 55,681 | 55,135 |
| Book value per share | \$ 19.75 | 19.31 |
| <u>6 months ended June 30:</u> | <u>2012</u> | <u>2011¹</u> |
| Net premiums written | \$ 845,735 | 736,338 |
| Net premiums earned | 771,041 | 706,923 |
| Net investment income earned | 66,634 | 82,818 |
| Net realized gains | 4,536 | 7,906 |
| Total revenues | 848,255 | 803,026 |
| Operating income | 15,432 | 16,828 |
| Capital gains, net of tax | 2,949 | 5,139 |
| Net income | \$ <u>18,381</u> | <u>21,967</u> |
| Statutory combined ratio | 102.7% | 106.1% |
| Statutory combined ratio, excluding catastrophe losses | 97.9% | 99.7% |
| GAAP combined ratio | 103.7% | 106.6% |
| Operating income per diluted share | \$ 0.28 | 0.31 |
| Net income per diluted share | 0.33 | 0.40 |
| Weighted average diluted shares | 55,642 | 55,092 |
| Book value per share | \$ 19.75 | 19.31 |

¹ Prior year data has been restated to reflect the adoption of ASU 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts."

**All amounts included in this release exclude intercompany transactions.*

Selective Insurance Group, Inc.
Selected Balance Sheet Data (unaudited)
(\$ in thousands, except per share amounts)

| | | June 30, | | | June 30, | | | December 31, | | |
|--|-----------------------|--------------|-----------|-----------------------------|--------------|-----------|-----------------------------|--------------|-----------|-----------------------------|
| | | 2012 | | | 2011 | | | 2011 | | |
| | | Balance | Market | Unrecognized/ Unrealized | Balance | Market | Unrecognized/ Unrealized | Balance | Market | Unrecognized/ Unrealized |
| | | Sheet | Value | Gain/(Loss) | Sheet | Value | Gain/(Loss) | Sheet | Value | Gain/(Loss) |
| Invested Assets: | | | | | | | | | | |
| Corporate bonds ¹ | | \$ 2,127,036 | 2,138,982 | 94,602 | \$ 1,833,490 | 1,852,486 | 52,861 | \$ 1,967,498 | 1,981,909 | 73,085 |
| Gov't Municipal bonds | | 1,639,471 | 1,672,005 | 103,711 | 1,762,325 | 1,793,729 | 91,461 | 1,642,223 | 1,673,508 | 108,694 |
| | Total bonds | 3,766,507 | 3,810,987 | 198,313 | 3,595,815 | 3,646,215 | 144,322 | 3,609,721 | 3,655,417 | 181,779 |
| Equities | | 148,117 | 148,117 | 17,860 | 136,577 | 136,577 | 8,390 | 157,355 | 157,355 | 13,529 |
| Short-term investments | | 135,823 | 135,823 | - | 142,809 | 142,809 | - | 217,044 | 217,044 | - |
| Other investments | | 125,540 | 125,540 | (4,517) | 132,137 | 132,137 | (4,255) | 128,301 | 128,301 | (4,520) |
| | Total invested assets | 4,175,987 | 4,220,467 | 211,656 | 4,007,338 | 4,057,738 | 148,457 | 4,112,421 | 4,158,117 | 190,788 |
| Invested assets per \$ of stockholders' equity ² | | 3.85 | | | 3.83 | | | 3.89 | | |
| Total assets ² | | 5,687,408 | | | 5,314,673 | | | 5,685,469 | | |
| Liabilities: | | | | | | | | | | |
| Reserve for losses and loss expenses | | 3,044,363 | | | 2,898,592 | | | 3,144,924 | | |
| Unearned premium reserve | | 970,806 | | | 858,627 | | | 906,991 | | |
| Total liabilities | | 4,602,362 | | | 4,268,614 | | | 4,627,141 | | |
| Stockholders' equity ² | | 1,085,046 | | | 1,046,059 | | | 1,058,328 | | |
| Total debt to capitalization ratio ² | | 22.1% | | | 20.1% | | | 22.5% | | |
| Adjusted total debt to capitalization ratio ^{2, 3} | | 15.6% | | | 13.2% | | | 15.9% | | |
| Book value per share ² | | 19.75 | | | 19.31 | | | 19.45 | | |
| Book value per share excluding unrealized gain or loss on bond portfolio ² | | 17.93 | | | 18.19 | | | 17.82 | | |
| NPW per insurance segment employee (excludes E&S) | | 807 | | | 760 | | | 791 | | |
| Statutory premiums to surplus ratio | | 1.5x | | | 1.3x | | | 1.4x | | |
| Statutory surplus | | 1,067,881 | | | 1,070,297 | | | 1,062,707 | | |

¹ Includes mortgage-backed and asset-backed securities.

² Prior year results have been restated to reflect the adoption of ASU 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts."

³ The adjusted debt to capitalization ratio reflects an estimated equity treatment of 90% applied to our \$100 million Junior Subordinated Notes issued September 25, 2006 as applied by A.M. Best.

Selective Insurance Group, Inc.

Selected Income Statement Data (unaudited)

June 2012

(\$ in thousands, except per share amounts)

| June 2012 | | THREE MONTHS ENDED June 30, | | | | SIX MONTHS ENDED June 30, | | | |
|--|--------------|-----------------------------|--------|-------------------|----------|---------------------------|-----------|-------------------|----------|
| (\$ in thousands, except per share amounts) | | 2012 | | 2011 | | 2012 | | 2011 | |
| | | Per diluted share | | Per diluted share | | Per diluted share | | Per diluted share | |
| Consolidated | | | | | | | | | |
| Revenue | \$ | 428,907 | | \$ | 399,570 | \$ | 848,255 | \$ | 803,026 |
| Operating income ¹ | | 172 | 0.01 | | 72 | | 15,432 | 0.28 | 16,828 |
| Net realized gains, after tax | | 116 | - | | 1,395 | | 2,949 | 0.05 | 5,139 |
| Net income ¹ | | 288 | 0.01 | | 1,467 | | 18,381 | 0.33 | 21,967 |
| Operating return on equity ¹ | | 0.1% | | | 0.0% | | 2.9% | | 3.3% |
| Insurance Operations | | | | | | | | | |
| Gross premiums written | | 512,267 | | | 449,132 | | 1,010,222 | | 878,127 |
| Net premiums written | | 425,563 | | | 374,503 | | 845,735 | | 736,338 |
| Net premiums earned | | 392,212 | | | 355,580 | | 771,041 | | 706,923 |
| Underwriting loss ¹ | - before tax | (26,962) | | | (34,002) | | (28,325) | | (46,700) |
| | - after tax | (17,525) | (0.31) | | (22,101) | (0.40) | (18,411) | (0.33) | (30,355) |
| GAAP combined ratio ¹ | | 106.9% | | | 109.6% | | 103.7% | | 106.6% |
| Commercial lines | | | | | | | | | |
| Net premiums earned | | 322,256 | | | 290,295 | | 632,476 | | 577,058 |
| GAAP combined ratio ¹ | | 106.1% | | | 108.1% | | 103.8% | | 105.1% |
| Personal lines | | | | | | | | | |
| Net premiums earned | | 69,956 | | | 65,285 | | 138,565 | | 129,865 |
| GAAP combined ratio ¹ | | 110.6% | | | 116.2% | | 103.1% | | 113.1% |
| Investments | | | | | | | | | |
| Net investment income | - before tax | 34,006 | | | 39,345 | | 66,634 | | 82,818 |
| | - after tax | 25,710 | 0.46 | | 29,420 | 0.53 | 50,485 | 0.91 | 61,545 |
| Effective tax rate | | 24.4% | | | 25.2% | | 24.2% | | 25.7% |
| Annual after-tax yield on investment portfolio | | | | | | | 2.4% | | 3.1% |
| Annual after-tax, after-interest expense yield | | | | | | | 2.1% | | 2.8% |
| Invested assets per \$ of stockholders' equity | | | | | | | 3.85 | | 3.83 |
| Other expenses (net of other income) | | | | | | | | | |
| Interest expense | - before tax | (4,723) | | | (4,559) | | (9,423) | | (9,116) |
| | - after tax | (3,070) | (0.06) | | (2,963) | (0.05) | (6,125) | (0.11) | (5,925) |
| Other Expense - after tax | \$ | (4,944) | (0.08) | \$ | (4,284) | (0.08) | \$ | (10,517) | (0.19) |
| Diluted weighted avg shares outstanding | | 55,681 | | | 55,135 | | 55,642 | | 55,092 |

¹ Prior year results have been restated to reflect the adoption of ASU 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts."

Selective Insurance Group, Inc. and Consolidated Subsidiaries

GAAP Investment Income

(unaudited)

(\$ in thousands)

| | For the three months ended June 2012 | June 2011 | % Increase (Decrease) | Year to Date June 2012 | June 2011 | % Increase (Decrease) |
|--|--|---------------|-----------------------------|-------------------------------|---------------|-----------------------------|
| Investment Income: | | | | | | |
| Interest: | | | | | | |
| Fixed Maturity Securities | \$ 31,759 | 32,752 | (3.0) | \$ 63,109 | 65,875 | (4.2) |
| Short-term | 29 | 33 | (12.1) | 67 | 95 | (29.5) |
| Other Investments: | | | | | | |
| Alternative Investments | 3,166 | 7,900 | (59.9) | 5,461 | 19,541 | (72.1) |
| Other | (203) | - | N/M | (498) | - | N/M |
| Dividends | 1,280 | 785 | 63.1 | 2,517 | 1,102 | 128.4 |
| Miscellaneous | 25 | 22 | 13.6 | 64 | 47 | 36.2 |
| | <u>36,056</u> | <u>41,492</u> | <u>(13.1)</u> | <u>70,720</u> | <u>86,660</u> | <u>(18.4)</u> |
| Investment Expense | <u>2,050</u> | <u>2,147</u> | <u>(4.5)</u> | <u>4,086</u> | <u>3,842</u> | <u>6.4</u> |
| Net Investment Income Before Tax | 34,006 | 39,345 | (13.6) | 66,634 | 82,818 | (19.5) |
| Tax | 8,296 | 9,925 | (16.4) | 16,149 | 21,273 | (24.1) |
| Net Investment Income After Tax | \$ 25,710 | 29,420 | (12.6) | \$ 50,485 | 61,545 | (18.0) |
| Net Investment Income per Share | \$ 0.46 | 0.53 | (13.2) | \$ 0.91 | 1.12 | (18.8) |
| Effective Tax Rate | 24.4% | 25.2% | | 24.2% | 25.7% | |
| Average Yields : | | | | | | |
| Fixed Maturity Securities: | | | | | | |
| Pre Tax | | | | 3.42% | 3.68% | |
| After Tax | | | | 2.59% | 2.81% | |
| Portfolio: | | | | | | |
| Pre Tax | | | | 3.22% | 4.18% | |
| After Tax | | | | 2.44% | 3.10% | |
| Net Realized Gains(Losses) | | | | | | |
| | For the three months ended June 2012 | June 2011 | | Year to date: June 2012 | June 2011 | |
| Fixed Maturities | 177 | 1,678 | | 361 | 1,235 | |
| Equity Securities | - | 468 | | 4,176 | 6,671 | |
| Short Term | - | - | | (2) | - | |
| Other Investments | <u>1</u> | <u>-</u> | | <u>1</u> | <u>-</u> | |
| Total | 178 | 2,146 | | 4,536 | 7,906 | |
| Net of Tax | 116 | 1,395 | | 2,949 | 5,139 | |

As of June 30, 2012 new money rates for taxable fixed maturity securities were 2.45% on a pre-tax basis and 1.86% on an after-tax basis.

Selective Insurance Group, Inc.
2012 Statutory Results by Line of Business
2nd Qtr 2012 (unaudited)
(\$ in thousands)

| | Net Premiums <u>Written</u> | Percent <u>Change</u> | Net Premiums <u>Earned</u> | Percent <u>Change</u> | Loss <u>Ratio</u> | LAE <u>Ratio</u> | Underwriting Expense <u>Ratio</u> | Dividends to Policyholders <u>Ratio</u> | Combined Ratio <u>2012</u> | Combined Ratio <u>2011</u> | Underwriting <u>Gain/(Loss)</u> |
|--------------------------|--|----------------------------------|---|----------------------------------|------------------------------|-----------------------------|--|--|---------------------------------------|---------------------------------------|--|
| Personal Lines: | | | | | | | | | | | |
| Homeowners | \$ 32,964 | 14.8% | \$ 28,808 | 15.0% | 80.9% | 7.6% | 31.2% | 0.0% | 119.7% | 127.0% | \$ (6,981) |
| Auto | 40,166 | 2.4% | 37,897 | 1.9% | 68.7% | 11.8% | 30.0% | 0.0% | 110.5% | 114.8% | (4,639) |
| Other (including flood) | <u>3,675</u> | 12.6% | <u>3,251</u> | 7.1% | 72.7% | (11.8)% | (56.5)% | 0.0% | 4.4% | 23.2% | <u>3,349</u> |
| Total | <u>\$ 76,805</u> | 7.9% | <u>\$ 69,956</u> | 7.2% | 74.0% | 8.9% | 26.3% | 0.0% | 109.2% | 115.3% | <u>\$ (8,271)</u> |
| Commercial Lines: | | | | | | | | | | | |
| Commerical property | \$ 53,194 | 8.4% | \$ 50,377 | 5.2% | 72.9% | 5.8% | 37.5% | 0.1% | 116.3% | 130.9% | \$ (9,291) |
| Workers compensation | 66,764 | 0.1% | 66,661 | 4.4% | 68.4% | 16.4% | 26.4% | 1.5% | 112.7% | 116.3% | (8,519) |
| General liability | 99,222 | 9.7% | 92,632 | 8.1% | 51.0% | 18.0% | 33.3% | 0.0% | 102.3% | 103.0% | (4,361) |
| Auto | 74,912 | 3.0% | 71,540 | 3.4% | 55.7% | 8.3% | 31.8% | 0.2% | 96.0% | 92.5% | 1,751 |
| Business owners policies | 17,956 | 7.7% | 17,266 | 5.2% | 48.8% | 14.3% | 40.2% | 0.0% | 103.3% | 120.3% | (841) |
| Bonds | 5,531 | 8.1% | 4,700 | (0.5)% | 17.5% | 9.7% | 57.1% | 0.0% | 84.3% | 88.9% | 265 |
| Other | <u>31,179</u> | N/M | <u>19,080</u> | N/M | 45.2% | 17.6% | 41.6% | 0.0% | 104.4% | 44.1% | <u>(5,861)</u> |
| Total | <u>\$ 348,758</u> | 15.0% | <u>\$ 322,256</u> | 11.0% | 58.1% | 13.2% | 33.9% | 0.4% | 105.6% | 108.2% | <u>\$ (26,858)</u> |
| Grand Total | <u>\$ 425,563</u> | 13.6% | <u>\$ 392,212</u> | 10.3% | 60.9% | 12.5% | 32.5% | 0.3% | 106.2% | 109.5% | <u>\$ (35,129)</u> |

Note: Some amounts may not foot due to rounding.

| | <u>2012</u> | <u>2011</u> |
|-------------|-------------------|-------------------|
| Losses Paid | \$ 232,122 | \$ 208,085 |
| LAE Paid | <u>41,031</u> | <u>39,894</u> |
| Total Paid | <u>\$ 273,153</u> | <u>\$ 247,979</u> |

Selective Insurance Group, Inc.
2012 Statutory Results by Line of Business
June 2012 YTD (unaudited)
(\$ in thousands)

| | <u>Net Premiums Written</u> | <u>Percent Change</u> | <u>Net Premiums Earned</u> | <u>Percent Change</u> | <u>Loss Ratio</u> | <u>LAE Ratio</u> | <u>Underwriting Expense Ratio</u> | <u>Dividends to Policyholders Ratio</u> | <u>Combined Ratio 2012</u> | <u>Combined Ratio 2011</u> | <u>Underwriting Gain/(Loss)</u> |
|--------------------------|-------------------------------------|---------------------------|------------------------------------|---------------------------|-----------------------|----------------------|---|---|--------------------------------|--------------------------------|-------------------------------------|
| Personal Lines: | | | | | | | | | | | |
| Homeowners | \$ 58,171 | 14.3% | \$ 56,766 | 14.4% | 63.4% | 9.8% | 32.6% | 0.0% | 105.8% | 119.3% | \$ (3,769) |
| Auto | 77,441 | 2.4% | 75,353 | 1.6% | 68.1% | 12.0% | 30.0% | 0.0% | 110.1% | 116.8% | (8,264) |
| Other (including flood) | 6,738 | 9.2% | 6,446 | 5.7% | 61.5% | (3.9)% | (51.8)% | 0.0% | 5.8% | 20.9% | 6,224 |
| Total | \$ 142,351 | 7.3% | \$ 138,565 | 6.7% | 65.9% | 10.3% | 27.2% | 0.0% | 103.4% | 113.3% | \$ (5,809) |
| Commercial Lines: | | | | | | | | | | | |
| Commerical property | \$ 106,222 | 9.1% | \$ 99,748 | 3.8% | 56.8% | 6.0% | 37.5% | 0.0% | 100.3% | 108.8% | \$ (2,711) |
| Workers compensation | 139,952 | 4.1% | 132,472 | 4.8% | 68.3% | 16.3% | 25.6% | 1.6% | 111.8% | 119.5% | (17,510) |
| General liability | 199,850 | 11.5% | 182,775 | 8.6% | 50.9% | 17.7% | 32.7% | 0.0% | 101.3% | 101.7% | (7,891) |
| Auto | 150,750 | 4.3% | 142,024 | 2.3% | 56.8% | 8.3% | 31.2% | 0.0% | 96.3% | 92.4% | 2,474 |
| Business owners policies | 36,187 | 9.2% | 34,123 | 3.7% | 46.3% | 14.2% | 40.9% | 0.0% | 101.4% | 116.1% | (1,307) |
| Bonds | 10,175 | 5.6% | 9,363 | (1.4)% | 17.5% | 8.7% | 59.7% | 0.0% | 85.9% | 81.0% | 833 |
| Other | 60,248 | N/M | 31,971 | N/M | 43.4% | 17.5% | 42.1% | 0.0% | 103.0% | 45.6% | (12,879) |
| Total | \$ 703,384 | 16.5% | \$ 632,476 | 9.6% | 55.7% | 13.1% | 33.3% | 0.3% | 102.4% | 104.4% | \$ (38,991) |
| Grand Total | \$ 845,735 | 14.9% | \$ 771,041 | 9.1% | 57.5% | 12.6% | 32.3% | 0.3% | 102.7% | 106.1% | \$ (44,800) |

Note: Some amounts may not foot due to rounding.

| | <u>2012</u> | <u>2011</u> |
|-------------|-------------------|-------------------|
| Losses Paid | \$ 439,015 | \$ 396,926 |
| LAE Paid | 84,567 | 77,908 |
| Total Paid | <u>\$ 523,582</u> | <u>\$ 474,834</u> |

**SELECTIVE INSURANCE GROUP, INC.
CONSOLIDATED BALANCE SHEETS**

| | Unaudited June 30, 2012 | December 31, 2011 |
|---|-------------------------------|----------------------|
| (\$ in thousands, except share amounts) | | |
| ASSETS | | |
| Investments: | | |
| Fixed maturity securities, held-to-maturity – at carrying value (fair value: \$687,981 – 2012; \$758,043 – 2011) | \$ 643,501 | 712,348 |
| Fixed maturity securities, available-for-sale – at fair value (amortized cost: \$2,974,819 – 2012; \$2,766,856 – 2011) | 3,123,006 | 2,897,373 |
| Equity securities, available-for-sale – at fair value (cost: \$130,257 – 2012; \$143,826 – 2011) | 148,117 | 157,355 |
| Short-term investments (at cost which approximates fair value) | 135,823 | 217,044 |
| Other investments | 125,540 | 128,301 |
| Total investments | 4,175,987 | 4,112,421 |
| Cash | 141 | 762 |
| Interest and dividends due or accrued | 36,110 | 35,842 |
| Premiums receivable, net of allowance for uncollectible accounts of: \$3,470 – 2012; \$3,768 – 2011 | 523,588 | 466,294 |
| Reinsurance recoverables, net | 441,492 | 561,855 |
| Prepaid reinsurance premiums | 136,808 | 147,686 |
| Current federal income tax | 1,230 | 731 |
| Deferred federal income tax | 113,925 | 120,094 |
| Property and equipment – at cost, net of accumulated depreciation and amortization of: \$164,835 – 2012; \$160,294 – 2011 | 45,689 | 43,947 |
| Deferred policy acquisition costs | 152,399 | 135,761 |
| Goodwill | 7,849 | 7,849 |
| Other assets | 52,190 | 52,227 |
| Total assets | <u>\$ 5,687,408</u> | <u>5,685,469</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Liabilities: | | |
| Reserve for losses and loss expenses | \$ 3,044,363 | 3,144,924 |
| Unearned premiums | 970,806 | 906,991 |
| Notes payable | 307,373 | 307,360 |
| Accrued salaries and benefits | 113,598 | 119,297 |
| Other liabilities | 166,222 | 148,569 |
| Total liabilities | <u>\$ 4,602,362</u> | <u>4,627,141</u> |
| Stockholders' Equity: | | |
| Preferred stock of \$0 par value per share: Authorized shares 5,000,000; no shares issued or outstanding | \$ — | — |
| Common stock of \$2 par value per share Authorized shares 360,000,000 Issued: 97,960,814 – 2012; 97,246,711 – 2011 | 195,921 | 194,494 |
| Additional paid-in capital | 265,729 | 257,370 |
| Retained earnings | 1,120,143 | 1,116,319 |
| Accumulated other comprehensive income | 58,504 | 42,294 |
| Treasury stock – at cost (shares: 43,009,821 – 2012; 42,836,201 – 2011) | (555,251) | (552,149) |
| Total stockholders' equity | <u>1,085,046</u> | <u>1,058,328</u> |
| Commitments and contingencies | | |
| Total liabilities and stockholders' equity | <u>\$ 5,687,408</u> | <u>5,685,469</u> |

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

| | Quarter ended June 30, | | Six Months ended June 30, | |
|--|------------------------|---------|---------------------------|---------|
| (\$ in thousands, except per share amounts) | 2012 | 2011 | 2012 | 2011 |
| Revenues: | | | | |
| Net premiums earned | \$ 392,212 | 355,580 | \$ 771,041 | 706,923 |
| Net investment income earned | 34,006 | 39,345 | 66,634 | 82,818 |
| Net realized gains (losses): | | | | |
| Net realized investment gains | 272 | 2,315 | 5,051 | 8,705 |
| Other-than-temporary impairments | (40) | 163 | (297) | (369) |
| Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income | (54) | (332) | (218) | (430) |
| Total net realized gains (losses) | 178 | 2,146 | 4,536 | 7,906 |
| Other income | 2,511 | 2,499 | 6,044 | 5,379 |
| Total revenues | 428,907 | 399,570 | 848,255 | 803,026 |
| Expenses: | | | | |
| Losses and loss expenses incurred | 287,903 | 274,555 | 540,809 | 523,761 |
| Policy acquisition costs | 131,219 | 115,163 | 259,177 | 230,207 |
| Interest expense | 4,723 | 4,559 | 9,423 | 9,116 |
| Other expenses | 5,754 | 5,392 | 16,347 | 13,883 |
| Total expenses | 429,599 | 399,669 | 825,756 | 776,967 |
| (Loss) income before federal income tax | (692) | (99) | 22,499 | 26,059 |
| Federal income tax expense (benefit): | | | | |
| Current | (500) | 3,111 | 6,678 | 7,387 |
| Deferred | (480) | (4,677) | (2,560) | (3,295) |
| Total federal income tax expense (benefit) | (980) | (1,566) | 4,118 | 4,092 |
| Net income | \$ 288 | 1,467 | \$ 18,381 | 21,967 |
| Earnings per share: | | | | |
| Basic net income | \$ 0.01 | 0.03 | \$ 0.34 | 0.41 |
| Diluted net income | \$ 0.01 | 0.03 | \$ 0.33 | 0.40 |
| Dividends to stockholders | \$ 0.13 | 0.13 | \$ 0.26 | 0.26 |

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME

| (\$ in thousands) | Quarter ended June 30, | | Six Months ended June 30, | |
|---|------------------------|---------|---------------------------|---------|
| | 2012 | 2011 | 2012 | 2011 |
| Net income | \$ 288 | 1,467 | \$ 18,381 | 21,967 |
| Other comprehensive income, net of tax: | | | | |
| <i>Unrealized gains on investment securities:</i> | | | | |
| Unrealized holding gains arising during period | 5,101 | 19,563 | 17,974 | 18,957 |
| Non-credit portion of other-than-temporary impairments recognized in other comprehensive income | 75 | 272 | 313 | 389 |
| Amortization of net unrealized gains on held-to-maturity securities | (443) | (817) | (959) | (1,581) |
| Less: reclassification adjustment for gains included in net income | (142) | (1,393) | (2,975) | (5,130) |
| Total unrealized gains on investment securities | 4,591 | 17,625 | 14,353 | 12,635 |
| <i>Defined benefit pension plans:</i> | | | | |
| Amortization of net actuarial loss included in net income | 905 | 718 | 1,808 | 1,436 |
| Amortization of prior service cost included in net income | 24 | 25 | 49 | 49 |
| Total defined benefit pension plans | 929 | 743 | 1,857 | 1,485 |
| Other comprehensive income | 5,520 | 18,368 | 16,210 | 14,120 |
| Comprehensive income | \$ 5,808 | 19,835 | \$ 34,591 | 36,087 |

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

| | Six Months ended June 30, | |
|---|----------------------------------|------------------|
| (\$ in thousands) | 2012 | 2011 |
| Common stock: | | |
| Beginning of year | \$ 194,494 | 192,725 |
| Dividend reinvestment plan (shares: 46,603 – 2012; 47,488 – 2011) | 93 | 95 |
| Stock purchase and compensation plans (shares: 667,500 – 2012; 577,745 – 2011) | 1,334 | 1,156 |
| End of period | 195,921 | 193,976 |
| Additional paid-in capital: | | |
| Beginning of year | 257,370 | 244,613 |
| Dividend reinvestment plan | 712 | 716 |
| Stock purchase and compensation plans | 7,647 | 6,860 |
| End of period | 265,729 | 252,189 |
| Retained earnings: | | |
| Beginning of year, as previously reported | 1,116,319 | 1,176,155 |
| Add: Adjustment for the cumulative effect on prior years of applying retroactively the new method of accounting for deferred policy acquisition costs | — | (53,068) |
| Balance at beginning of year, as adjusted | 1,116,319 | 1,123,087 |
| Net income | 18,381 | 21,967 |
| Dividends to stockholders (\$0.26 per share – 2012 and 2011) | (14,557) | (14,370) |
| End of period | 1,120,143 | 1,130,684 |
| Accumulated other comprehensive income: | | |
| Beginning of year | 42,294 | 7,024 |
| Other comprehensive income | 16,210 | 14,120 |
| End of period | 58,504 | 21,144 |
| Treasury stock: | | |
| Beginning of year | (552,149) | (549,408) |
| Acquisition of treasury stock (shares: 173,620 – 2012; 136,904 – 2011) | (3,102) | (2,526) |
| End of period | (555,251) | (551,934) |
| Total stockholders' equity | <u>\$ 1,085,046</u> | <u>1,046,059</u> |

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW

**Six Months ended
June 30,**

(\$ in thousands)

2012

2011

Operating Activities

| | | |
|------------|-----------|--------|
| Net income | \$ 18,381 | 21,967 |
|------------|-----------|--------|

Adjustments to reconcile net income to net cash provided by operating activities:

| | | |
|--|---------|---------|
| Depreciation and amortization | 19,550 | 16,261 |
| Stock-based compensation expense | 5,160 | 5,286 |
| Undistributed losses (income) of equity method investments | 496 | (726) |
| Net realized gains | (4,536) | (7,906) |

Changes in assets and liabilities:

| | | |
|--|----------|----------|
| Increase in reserves for losses and loss expenses, net of reinsurance recoverables | 19,802 | 49,164 |
| Increase in unearned premiums, net of prepaid reinsurance and advance premiums | 75,172 | 30,183 |
| (Decrease) increase in net federal income taxes | (3,058) | 601 |
| Increase in premiums receivable | (57,294) | (53,017) |
| Increase in deferred policy acquisition costs | (16,638) | (3,624) |
| (Increase) decrease in interest and dividends due or accrued | (500) | 514 |
| Decrease in accrued salaries and benefits | (5,699) | (555) |
| Decrease in accrued insurance expenses | (4,500) | (7,045) |
| Other-net | 5,823 | 8,694 |
| Net adjustments | 33,778 | 37,830 |
| Net cash provided by operating activities | 52,159 | 59,797 |

Investing Activities

| | | |
|--|-----------|-----------|
| Purchase of fixed maturity securities, available-for-sale | (426,346) | (252,529) |
| Purchase of equity securities, available-for-sale | (40,430) | (123,141) |
| Purchase of other investments | (6,355) | (7,715) |
| Purchase of short-term investments | (795,707) | (694,764) |
| Purchase of subsidiary | 255 | — |
| Sale of subsidiary | 445 | 670 |
| Sale of fixed maturity securities, available-for-sale | 37,699 | 64,104 |
| Sale of short-term investments | 876,928 | 713,111 |
| Redemption and maturities of fixed maturity securities, held-to-maturity | 57,152 | 99,560 |
| Redemption and maturities of fixed maturity securities, available-for-sale | 197,199 | 66,805 |
| Sale of equity securities, available-for-sale | 58,176 | 59,663 |
| Distributions from other investments | 8,442 | 14,046 |
| Sale of other investments | 1 | 16,357 |
| Purchase of property and equipment | (6,793) | (2,843) |
| Net cash used in investing activities | (39,334) | (46,676) |

Financing Activities

| | | |
|---|----------|----------|
| Dividends to stockholders | (13,442) | (13,225) |
| Acquisition of treasury stock | (3,102) | (2,526) |
| Net proceeds from stock purchase and compensation plans | 2,225 | 2,355 |
| Excess tax benefits from share-based payment arrangements | 873 | (185) |
| Net cash used in financing activities | (13,446) | (13,581) |
| Net decrease in cash | (621) | (460) |
| Cash, beginning of year | 762 | 645 |
| Cash, end of period | \$ 141 | 185 |

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
Unaudited Statutory Balance Sheets
(\$ in thousands)

| | Jun-30 2012 | Jun-30 2011 | Dec-31 * 2011 |
|---|----------------------------|-------------------------|--------------------------|
| ASSETS | | | |
| Bonds | \$ 3,569,892 | 3,488,872 | 3,452,204 |
| Common stocks | 148,117 | 136,577 | 157,355 |
| Affiliated mortgage loan | 37,791 | 38,462 | 38,131 |
| Other investments | 191,608 | 162,290 | 197,409 |
| Short-term investments | 113,584 | 102,166 | 183,070 |
| Total investments | <u>4,060,992</u> | <u>3,928,367</u> | <u>4,028,169</u> |
| Cash on hand and in banks | (29,939) | (38,996) | (20,701) |
| Interest and dividends due and accrued | 36,069 | 36,703 | 35,880 |
| Premiums receivable | 521,684 | 465,437 | 461,482 |
| Reinsurance recoverable on paid losses and expenses | 9,852 | 5,204 | 12,365 |
| Deferred tax recoverable | 148,848 | 131,197 | 137,659 |
| EDP equipment | 1,527 | 1,097 | 1,804 |
| Equities and deposits in pools and associations | 6,168 | 5,814 | 4,837 |
| Receivable for sold securities | 1,154 | 14 | 644 |
| Other assets | 27,065 | 29,475 | 27,964 |
| Total assets | <u>\$ 4,783,420</u> | <u>4,564,312</u> | <u>4,690,103</u> |
| LIABILITIES | | | |
| Reserve for losses | \$ 2,177,438 | 2,158,586 | 2,173,028 |
| Reinsurance payable on paid loss and loss expense | 1,282 | 886 | 1,285 |
| Reserve for loss expenses | 431,272 | 403,575 | 418,542 |
| Unearned premiums | 833,998 | 742,684 | 759,304 |
| Reserve for commissions payable | 43,046 | 40,309 | 44,488 |
| Ceded balances payable | 17,516 | 11,885 | 21,871 |
| Federal income tax payable | 6,563 | 4,884 | 12,176 |
| Premium and other taxes payable | 20,531 | 19,696 | 23,588 |
| Borrowed money | 58,042 | 13,017 | 58,043 |
| Reserve for dividends to policyholders | 3,670 | 3,197 | 3,470 |
| Reserves for unauthorized reinsurance | 1,785 | 1,811 | 1,785 |
| Payable for securities | 17,171 | 9,026 | - |
| Funds withheld on account of others | 7,136 | 5,156 | 6,538 |
| Accrued salaries and benefits | 76,876 | 63,729 | 80,601 |
| Other liabilities | 19,213 | 15,574 | 22,677 |
| Total liabilities | <u>3,715,539</u> | <u>3,494,015</u> | <u>3,627,396</u> |
| POLICYHOLDERS' SURPLUS | | | |
| Capital | 34,225 | 28,325 | 32,325 |
| Aggregate write-ins for special surplus funds | - | 38,940 | 44,296 |
| Paid in surplus | 305,122 | 255,792 | 307,022 |
| Unassigned surplus | 728,534 | 747,240 | 679,064 |
| Total policyholders' surplus | <u>1,067,881</u> | <u>1,070,297</u> | <u>1,062,707</u> |
| Total liabilities and policyholders' surplus | <u>\$ 4,783,420</u> | <u>4,564,312</u> | <u>4,690,103</u> |

* Includes the December 31, 2011 acquisition of Montpelier U.S. Insurance Company (now known as Mesa Underwriters Specialty Insurance Company). Combined statutory filings for 2011 do not reflect the acquisition as this Company was not included in our intercompany pooling until January 1, 2012.

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
Unaudited Statutory Statements Of Income
(\$ in thousands)

| | Three Months Ended June | | | Six Months Ended June | | |
|--|----------------------------|------------------|---------------|--------------------------|------------------|---------------|
| <u>UNDERWRITING</u> | 2012 | 2011 | | 2012 | 2011 | |
| Net premiums written | \$ 425,563 | 374,503 | | 845,735 | 736,338 | |
| Net premiums earned | 392,212 | 355,580 | | 771,041 | 706,923 | |
| Net losses paid | 232,122 | 208,085 | | 439,015 | 396,926 | |
| Change in reserve for losses | 6,841 | 25,695 | | 4,411 | 47,029 | |
| Net losses incurred | 238,963 | 233,780 | 60.9% | 443,426 | 443,955 | 62.8% |
| Net loss expenses paid | 41,031 | 39,894 | | 84,567 | 77,908 | |
| Change in reserve for loss expenses | 7,942 | 975 | | 12,730 | 2,067 | |
| Net loss expenses incurred | 48,973 | 40,869 | 11.5% | 97,297 | 79,975 | 11.3% |
| Net underwriting expenses incurred | 139,245 | 120,322 | 32.8% | 275,764 | 235,131 | 32.0% |
| Total deductions | 427,181 | 394,971 | | 816,487 | 759,061 | |
| Statutory underwriting loss | (34,969) | (39,391) | | (45,446) | (52,138) | |
| Net loss from premium balances charged off | (864) | (1,345) | | (2,105) | (2,703) | |
| Finance charges and other income | 1,934 | 2,481 | | 4,895 | 5,339 | |
| Total other income | 1,070 | 1,136 | -0.3% | 2,790 | 2,636 | -0.4% |
| Policyholders' dividends incurred | (1,230) | (1,461) | 0.4% | (2,144) | (2,747) | 0.4% |
| Total underwriting loss | (35,129) | (39,716) | 106.2% | (44,800) | (52,249) | 106.1% |
| <u>INVESTMENT</u> | | | | | | |
| Net investment income earned | 33,793 | 41,321 | | 67,272 | 82,579 | |
| Net realized gain | 175 | 2,117 | | 4,533 | 7,877 | |
| Total income before income tax | (1,161) | 3,722 | | 27,005 | 38,207 | |
| Federal income tax expense | 1,529 | 3,014 | | 11,122 | 12,284 | |
| Net income / (loss) | \$ (2,690) | 708 | | 15,883 | 25,923 | |
| <u>Policyholders' Surplus</u> | | | | | | |
| Surplus, beginning of period | \$ 1,083,174 | 1,083,848 | | 1,062,707 | 1,073,025 | |
| Net income / (loss) | (2,690) | 708 | | 15,883 | 25,923 | |
| Change in deferred taxes | 5,578 | 473 | | 7,664 | 920 | |
| Change in unrealized gains | (2,917) | (1,211) | | 2,041 | (1,160) | |
| Dividends to stockholders | (12,709) | (14,506) | | (28,474) | (29,012) | |
| Change in cum. effect of acctg principle | - | - | | 44,296 | - | |
| Surplus - transferred to capital | (1,900) | - | | (1,900) | - | |
| Paid in common stock | 1,900 | - | | 1,900 | - | |
| Change in non-admitted assets | (2,524) | (602) | | 8,035 | 2,182 | |
| Change in additional admitted deferred taxes | - | 1,587 | | (44,296) | (1,581) | |
| Surplus adjustments | (31) | - | | 25 | - | |
| Net change in surplus for period | (15,293) | (13,551) | | 5,174 | (2,728) | |
| Surplus, end of period | \$ 1,067,881 | 1,070,297 | | 1,067,881 | 1,070,297 | |
| Statutory underwriting loss | \$ (35,129) | (39,716) | | (44,800) | (52,249) | |
| <u>Adjustments under GAAP:</u> | | | | | | |
| Deferred policy acquisition costs ¹ | 8,068 | 4,620 | | 16,638 | 3,624 | |
| Pension costs | 70 | 902 | | 140 | 1,805 | |
| Other, net | 29 | 192 | | (303) | 120 | |
| GAAP underwriting loss | \$ (26,962) | (34,002) | | (28,325) | (46,700) | |

¹ Prior year results have been restated to reflect the adoption of ASU 2010-26, "Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts."
Note: Some amounts or ratios may not foot due to rounding.

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
as of June 30, 2012
(unaudited)

| Fund | Inception Year | Original Commitment | Remaining Commitment | Current Market Value | YTD Income | DPI⁽¹⁾ Ratio | TVPI⁽²⁾ Ratio |
|---|-----------------------|----------------------------|-----------------------------|-----------------------------|-------------------|--------------------------------|---------------------------------|
| Real Estate | | | | | | | |
| Silverpeak RE II | 2005 | 20,000,000 | 2,409,941 | 9,766,552 | 218,730 | 0.49 | 0.97 |
| Silverpeak RE III | 2008 | 15,000,000 | 8,063,280 | 3,194,035 | (183,347) | 0.02 | 0.48 |
| Total - Real Estate | | 35,000,000 | 10,473,221 | 12,960,587 | 35,383 | 0.38 | 0.85 |
| Mezzanine Financing | | | | | | | |
| Neovara Euro Mezz | 2004 | 9,000,000 | - | 788,057 | (284,236) | 0.95 | 1.01 |
| GS Mezz V | 2007 | 25,000,000 | 15,255,707 | 8,537,660 | 1,201,962 | 0.63 | 1.25 |
| New Canaan V | 2012 | 7,000,000 | 5,179,212 | 1,820,787 | - | - | 1.00 |
| Centerfield Capital | 2012 | 3,000,000 | 3,000,000 | - | - | - | - |
| Total - Mezz. Financing | | 44,000,000 | 23,434,919 | 11,146,504 | 917,726 | 1.58 | 1.12 |
| Distressed Debt | | | | | | | |
| Varde VIII | 2006 | 10,000,000 | - | 6,001,370 | 67,487 | 0.53 | 1.13 |
| GS Distressed Opp III | 2007 | 15,000,000 | 2,985,812 | 8,700,642 | (32,915) | 0.32 | 0.99 |
| Total - Distressed Debt | | 25,000,000 | 2,985,812 | 14,702,012 | 34,572 | 0.41 | 1.05 |
| Private Equity | | | | | | | |
| Prospector | 1997 | 5,000,000 | - | 410,981 | (140) | 2.79 | 2.88 |
| Trilantic Capital Partners III | 2004 | 10,000,000 | 1,242,835 | 4,005,128 | 193,363 | 1.29 | 1.72 |
| NB Co-Invest | 2006 | 15,000,000 | 1,818,701 | 9,899,339 | 992,858 | 0.59 | 1.29 |
| Trilantic Capital Partners IV | 2007 | 11,098,351 | 922,808 | 9,423,717 | 679,353 | 0.36 | 1.22 |
| Total - Private Equity | | 41,098,351 | 3,984,344 | 23,739,165 | 1,865,434 | 0.97 | 1.57 |
| Private Equity, Secondary Market | | | | | | | |
| NB SOF | 2005 | 12,000,000 | 899,494 | 6,476,281 | 262,569 | 0.68 | 1.26 |
| GS Vintage IV | 2007 | 20,000,000 | 4,544,079 | 14,570,906 | 62,247 | 0.43 | 1.20 |
| NB SOF II | 2008 | 12,000,000 | 3,207,509 | 8,548,882 | 510,837 | 0.43 | 1.35 |
| Total - Pvt. Eq. Sec. Mkt. | | 44,000,000 | 8,651,082 | 29,596,069 | 835,653 | 0.50 | 1.25 |
| Energy/Power Generation | | | | | | | |
| ArcLight I | 2002 | 15,000,000 | 1,655,505 | 130,689 | (56,510) | 1.80 | 1.81 |
| ArcLight II | 2003 | 15,000,000 | 2,295,492 | 2,789,988 | (182,795) | 1.23 | 1.38 |
| ArcLight III | 2006 | 15,000,000 | 2,037,794 | 8,135,801 | (341,699) | 0.71 | 1.23 |
| Quintana Energy | 2006 | 10,000,000 | 1,676,467 | 7,236,789 | 1,343,626 | 0.36 | 1.23 |
| ArcLight IV | 2007 | 10,000,000 | 2,717,373 | 3,284,522 | 132,037 | 0.99 | 1.33 |
| Total - Energy/Power Generation | | 65,000,000 | 10,382,631 | 21,577,789 | 894,659 | 1.11 | 1.42 |
| Venture Capital | | | | | | | |
| Venture V | 2001 | 10,000,000 | 800,000 | 7,856,075 | 877,440 | 0.34 | 1.19 |
| Total - Venture Capital | | 10,000,000 | 800,000 | 7,856,075 | 877,440 | 0.34 | 1.19 |
| TOTAL - ALTERNATIVE INVESTMENTS | | \$ 264,098,351 | 60,712,009 | 121,578,201 | 5,460,867 | 0.76 | 1.27 |

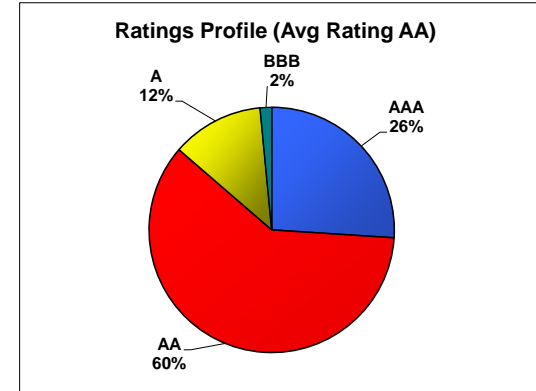
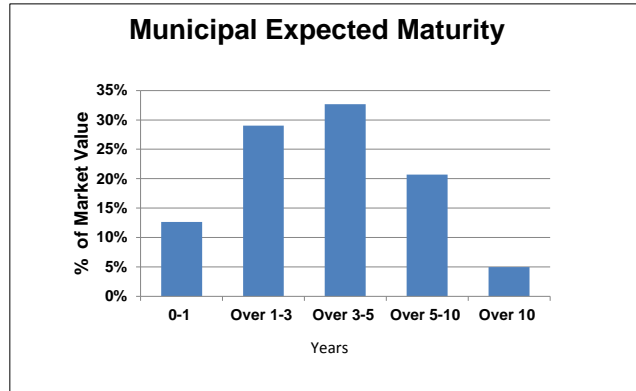
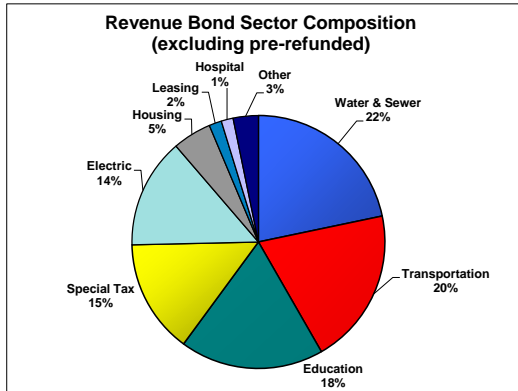
⁽¹⁾ Distributed to paid in ratio

⁽²⁾ Total value to paid in ratio

Note: Some amounts may not foot due to rounding

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Municipal Bond Portfolio
State and Repayment Source Composition
June 30, 2012
(\$ in thousands)
(unaudited)

Exposure = 45% Held-to-Maturity; 55% Available-for-Sale



Repayment Source Composition by State
Market Values

| State | Revenue | % of State | General Obligation (GO)-Local | % of State | General Obligation (GO)-State | % of State | TX - Permanent School Fund (PSF) | % of State | Total | % of Total |
|--------------------|----------------|------------|-------------------------------------|------------|-------------------------------------|------------|---|------------|------------------|---------------|
| TX | 54,345 | 54% | 44,361 | 45% | 1,120 | 1% | - | 0% | 99,826 | 7% |
| TX-PSF | - | 0% | - | 0% | - | 0% | 35,072 | 100% | 35,072 | 3% |
| WA | 35,592 | 39% | 49,282 | 53% | 7,084 | 8% | - | 0% | 91,958 | 7% |
| NY | 81,363 | 96% | 3,564 | 4% | - | 0% | - | 0% | 84,927 | 6% |
| AZ | 65,353 | 90% | 7,189 | 10% | - | 0% | - | 0% | 72,542 | 5% |
| CO | 21,929 | 38% | 34,405 | 59% | 1,775 | 3% | - | 0% | 58,109 | 4% |
| FL | 50,243 | 93% | - | 0% | 3,619 | 7% | - | 0% | 53,862 | 4% |
| IL | 27,397 | 57% | 20,353 | 43% | - | 0% | - | 0% | 47,750 | 4% |
| OH | 22,818 | 53% | 13,398 | 31% | 7,133 | 16% | - | 0% | 43,349 | 3% |
| NC | 24,259 | 58% | 13,791 | 33% | 3,724 | 9% | - | 0% | 41,774 | 3% |
| MO | 21,052 | 55% | 17,017 | 45% | - | 0% | - | 0% | 38,069 | 3% |
| Pre-refunded | 50,901 | 58% | 20,717 | 24% | 12,170 | 14% | 3,623 | 4% | 87,411 | 7% |
| Other | 357,350 | 62% | 118,756 | 20% | 105,032 | 18% | - | 0% | 581,138 | 44% |
| Grand Total | 812,602 | 61% | 342,833 | 26% | 141,657 | 10% | 38,695 | 3% | 1,335,787 | 100% |

Selective Insurance Group, Inc. and Consolidated Subsidiaries

Credit Quality of Available-for-Sale Fixed Maturity Securities

June 30, 2012

(\$ in millions)
(unaudited)

| | Fair Value | Unrealized Gain (Loss) | Average Credit Quality |
|--|-------------------|---------------------------|------------------------------|
| AFS Fixed Maturity Portfolio: | | | |
| U.S. government obligations ¹ | \$ 288.0 | 19.1 | AA+ |
| Foreign government obligations | 42.8 | 1.2 | AA |
| State and municipal obligations | 736.5 | 41.3 | AA |
| Corporate securities | 1,348.7 | 65.6 | A |
| Mortgage-backed securities ("MBS") | 612.2 | 19.2 | AA |
| Asset-backed securities ("ABS") | 94.8 | 1.8 | AAA |
| Total AFS fixed maturity portfolio | <u>\$ 3,123.0</u> | <u>148.2</u> | <u>AA-</u> |
| State and Municipal Obligations: | | | |
| Government obligations | \$ 327.2 | 20.3 | AA+ |
| Special revenue obligations | 409.3 | 21.0 | AA |
| Total state and municipal obligations | <u>\$ 736.5</u> | <u>41.3</u> | <u>AA</u> |
| Corporate Securities: | | | |
| Financial | \$ 430.3 | 13.9 | A |
| Industrials | 95.9 | 7.3 | A |
| Utilities | 89.8 | 4.8 | A- |
| Consumer discretion | 124.6 | 6.9 | BBB+ |
| Consumer staples | 148.8 | 8.2 | A |
| Healthcare | 160.3 | 9.7 | A+ |
| Materials | 66.7 | 4.0 | A- |
| Energy | 88.0 | 3.9 | A- |
| Information technology | 81.3 | 3.1 | A |
| Telecommunications services | 51.6 | 2.4 | BBB+ |
| Other | 11.4 | 1.4 | AA+ |
| Total corporate securities | <u>\$ 1,348.7</u> | <u>65.6</u> | <u>A</u> |
| MBS: | | | |
| Government Guaranteed Agency commercial mortgage-backed securities ("CMBS") | \$ 67.0 | 3.5 | AA+ |
| Non-agency CMBS | 51.1 | (1.4) | A+ |
| Government Guaranteed Agency residential mortgage-backed securities ("RMBS") | 102.6 | 4.8 | AA+ |
| Other Agency RMBS | 340.1 | 11.8 | AA+ |
| Non-agency RMBS | 44.6 | 0.4 | BBB+ |
| Alternative-A ("Alt-A") RMBS | 6.8 | 0.1 | AA+ |
| Total MBS | <u>\$ 612.2</u> | <u>19.2</u> | <u>AA</u> |
| ABS: | | | |
| ABS | \$ 93.5 | 1.8 | AAA |
| Alt-A ABS ³ | 0.7 | - | D |
| Sub-prime ABS ^{2,3} | 0.6 | - | D |
| Total ABS | <u>\$ 94.8</u> | <u>1.8</u> | <u>AAA</u> |

¹ U.S. Government includes corporate securities fully guaranteed by the FDIC.

² We define sub-prime exposure as exposure to direct and indirect investments in non-agency residential mortgages with average FICO[®] scores below 650.

³ Alt-A ABS and sub-prime ABS each consist of one security that is currently expected by rating agencies to default on its obligations.

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Credit Quality of Held-to-Maturity Securities
June 30, 2012

(\$ in millions)

(unaudited)

| | Fair Value | Carry Value | Unrecognized Holding Gain (Loss) | Unrealized Gain (Loss) in Accumulated Other Comprehensive Income | Total Unrealized Unrecognized Gain (Loss) | Average Credit Quality |
|---|-----------------|--------------|--|---|--|------------------------------|
| HTM Fixed Maturity Portfolio: | | | | | | |
| Foreign government obligations | \$ 5.4 | 5.5 | (0.1) | 0.2 | 0.1 | AA+ |
| State and municipal obligations | 599.3 | 566.6 | 32.7 | 9.3 | 42.0 | AA |
| Corporate securities | 62.0 | 56.7 | 5.3 | (1.3) | 4.0 | A |
| MBS | 13.8 | 8.4 | 5.4 | (1.4) | 4.0 | AA- |
| ABS | 7.5 | 6.3 | 1.2 | (1.2) | - | A |
| Total HTM fixed maturity portfolio | <u>\$ 688.0</u> | <u>643.5</u> | <u>44.5</u> | <u>5.6</u> | <u>50.1</u> | <u>AA</u> |
| State and Municipal Obligations: | | | | | | |
| Government obligations | \$ 196.0 | 186.6 | 9.4 | 5.0 | 14.4 | AA |
| Special revenue obligations | 403.3 | 380.0 | 23.3 | 4.3 | 27.6 | AA |
| Total state and municipal obligations | <u>\$ 599.3</u> | <u>566.6</u> | <u>32.7</u> | <u>9.3</u> | <u>42.0</u> | <u>AA</u> |
| Corporate Securities: | | | | | | |
| Financial | \$ 15.6 | 14.0 | 1.6 | (1.0) | 0.6 | BBB+ |
| Industrials | 19.1 | 17.4 | 1.7 | (0.3) | 1.4 | A |
| Utilities | 15.4 | 13.7 | 1.7 | (0.1) | 1.6 | A |
| Consumer discretion | 4.8 | 4.6 | 0.2 | 0.1 | 0.3 | AA |
| Consumer staples | 5.0 | 5.0 | - | - | - | A |
| Materials | 2.1 | 2.0 | 0.1 | - | 0.1 | BBB |
| Total corporate securities | <u>\$ 62.0</u> | <u>56.7</u> | <u>5.3</u> | <u>(1.3)</u> | <u>4.0</u> | <u>A</u> |
| MBS: | | | | | | |
| Non-agency CMBS | 13.8 | 8.4 | 5.4 | (1.4) | 4.0 | AA- |
| Total MBS | <u>\$ 13.8</u> | <u>8.4</u> | <u>5.4</u> | <u>(1.4)</u> | <u>4.0</u> | <u>AA-</u> |
| ABS: | | | | | | |
| ABS | \$ 5.2 | 4.6 | 0.6 | (0.4) | 0.2 | BBB+ |
| Alt-A ABS | 2.3 | 1.7 | 0.6 | (0.8) | (0.2) | AAA |
| Total ABS | <u>\$ 7.5</u> | <u>6.3</u> | <u>1.2</u> | <u>(1.2)</u> | <u>-</u> | <u>A</u> |