MOODY'S INVESTORS SERVICE

Announcement: **Moody's affirms Selective's ratings, outlook stable**

Global Credit Research - 28 Mar 2011

New York, March 28, 2011 -- Moody's Investors Service announced today that it has affirmed the Baa2 senior debt rating of Selective Insurance Group, Inc. (NASDAQ: SIGI; "Selective") and the A2 insurance financial strength (IFS) ratings of its principal insurance operating subsidiaries. The outlook on the ratings is stable.

RATINGS RATIONALE

According to Moody's, the A2 IFS ratings of Selective's operating subsidiaries reflect its solid regional franchise with established independent agency support, good risk adjusted capitalization and moderate financial leverage. The company makes good use of technological tools to service agents, increase efficiency and monitor performance. These strengths are offset by weak underwriting profitability reflecting difficult market conditions in the company's largest commercial lines segment (particularly independent contractor business, which accounts for about 35% of commercial lines premium) and limited scale in its personal lines portfolio, and exposure to Northeast Hurricanes as nearly 50% of the group's business is concentrated in NJ, NY, and PA.

The stable outlook reflects Moody's expectation that the company will continue to employ its technologically based risk management processes to identify and manage subpar segments, including liability and workers' compensation lines, while maintaining pricing discipline and reserve adequacy on retained business. The company has been actively achieving moderate rate increases across its commercial and personal lines business to improve its profitability.

Factors that could lead to an upgrade include: an increase in business diversification and scale with attendant improvement in profitability; maintenance of gross underwriting leverage below 4x with strong risk-adjusted capital; and financial leverage and pre-tax interest coverage below 25% and above 6x respectively. Factors that could lead to a downgrade include deterioration in profitability (combined ratios consistently above 103%); underwriting leverage 5x or higher; adverse reserve development (i.e. more than 4% of reserves); catastrophe losses greater than 10% of GAAP equity; interest coverage consistently below 5x; increased financial leverage (Moody's adjusted debt-to-capital over 35%).

The following ratings have been affirmed with a stable outlook:

Selective Insurance Group, Inc. -- senior unsecured debt at Baa2, senior subordinate shelf at (P)Baa3, junior subordinate debt at Baa3 (hyb), and preferred shelf at (P)Ba1;

Selective Insurance Company of America -- insurance financial strength at A2;

Selective Way Insurance Company -- insurance financial strength at A2;

Selective Insurance Company of South Carolina -- insurance financial strength at A2;

Selective Insurance Company of the Southeast -- insurance financial strength at A2;

Selective Insurance Company of New York -- insurance financial strength at A2;

Selective Insurance Company of New England -- insurance financial strength at A2; and

Selective Auto Insurance Company of New Jersey -- insurance financial strength at A2.

The principal methodology used in this rating was Moody's Global Rating Methodology for Property and Casualty Insurers, published in May 2010.

Selective is a New Jersey based holding company for seven insurance subsidiaries. Commercial lines insurance, consisting primarily of general liability, workers' compensation and commercial auto, comprises approximately 82% of the company's total net written premiums, while personal lines constitute the remaining 18%. For the full year 2010, Selective reported net premiums written of $1.4 billion, net income of $66 million, and as of December 31, 2010 reported total assets of $5.2 billion, and shareholders' equity of $1.1 billion.

REGULATORY DISCLOSURES

Please see ratings tab on the issuer/entity page on Moodys.com for the last rating action and the rating history.

Please see the Credit Policy page on Moodys.com for the methodologies used in determining ratings, further information on the meaning of each rating category and the definition of default and recovery.

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