



SELECTIVE[®]

Supplemental Investor Package

Second Quarter 2013

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SELECTIVE INSURANCE GROUP, INC.
SECOND QUARTER 2013 INVESTOR PACKAGE
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For release at 4:15 p.m. (ET) on July 31, 2013

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Selective Insurance Group Reports
Second Quarter 2013 Earnings

Branchville, NJ – July 31, 2013 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the second quarter ended June 30, 2013. Net income per diluted share was \$0.48 and operating income¹ per diluted share was \$0.42.

“We had a very strong quarter due to improvements in our underwriting operations as our granular pricing approach and sophisticated underwriting tools continue to be a key to success,” said Chairman, President and CEO Gregory E. Murphy. “Overall net premiums written grew 9% due to standard lines renewal pure price increases of 7.4% and new business that was up 17% to \$84 million. Standard lines retention remained steady at 84% -- an indication of market stability.

“The overall statutory combined ratio for the quarter was down 8.5 points to 97.7%, reflecting an improving loss ratio due to earning rate increases above loss trend as well as lower property and catastrophe losses,” continued Murphy.

“Our standard commercial lines results were strong, producing a statutory combined ratio of 95.6%, including 2.8 points of catastrophe losses,” said Murphy. “We achieved a 7.2% renewal pure price increase in the quarter, while retention remained strong at 83% and new business was up 25% to \$73 million.

“Personal lines results improved in the quarter with a statutory combined ratio of 102.9%, down from 109.2% one year ago. Our profitability initiatives for both homeowners and auto, pushing rate and improving the mix of business, helped us achieve an 8.3% renewal pure price increase with retention remaining high at 87%,” said Murphy.

“The quarter’s after-tax investment income was \$26 million, flat compared to 2012, with higher dividend income and alternative investment returns that were offset by lower yields on our fixed maturity securities portfolio,” said Murphy.

“We continue to execute on our three-year statutory combined ratio improvement plan, which started in 2012 and includes renewal pure price increases of 5 - 8% per year. We expect to achieve, excluding catastrophes, a statutory combined ratio of 92% for 2014,” said Murphy. “Standard commercial and personal lines renewal pure price increases are driving our success with an increase of 7.5% for the first six months of 2013 leading to an overall statutory combined ratio of 94.8%, excluding catastrophes.”

Highlights for Second Quarter 2013 Compared to Second Quarter 2012:

- Net income was \$27.1 million, or \$0.48 per diluted share, compared to \$0.3 million, or \$0.01 per diluted share;
- Operating income¹ was \$23.8 million, or \$0.42 per diluted share, compared to \$0.2 million, or \$0.01 per diluted share;
- Combined ratio: GAAP: 98.9% compared to 106.9%; Statutory: 97.7% compared to 106.2%;
- Total net premiums written (NPW) were \$462.2 million compared to \$425.6 million:
 - o Standard Commercial Lines NPW were \$350.6 million compared to \$320.5 million;
 - o Standard Personal Lines NPW were \$78.9 million compared to \$76.8 million;
 - o Excess and Surplus Lines NPW were \$32.7 million compared to \$28.3 million;
- Catastrophe losses were, pre-tax, \$19.6 million, compared to \$30.2 million, or 4.6 points on the combined ratio compared to 7.7 points;
- Favorable prior year statutory reserve development on our casualty lines totaled, pre-tax, \$2 million compared to \$5 million;
- Net investment income, after tax, remained flat at \$25.7 million; and
- Total revenue was \$468.9 million compared to \$428.9 million.

Highlights for Six Months Ended June 30, 2013 Compared to First Six Months of 2012:

- Net income was \$48.4 million, or \$0.86 per diluted share, compared to net income of \$18.4 million, or \$0.33 per diluted share;
- Operating income¹ was \$43.9 million, or \$0.78 per diluted share, compared to operating income of \$15.4 million, or \$0.28 per diluted share;
- Combined ratio: GAAP: 98.0% compared to 103.7%; Statutory: 97.3% compared to 102.7%;
- Total NPW were \$912.3 million compared to \$845.7 million:
 - o Standard Commercial Lines NPW were \$703.8 million compared to \$649.2 million;
 - o Standard Personal Lines NPW were \$147.4 million, compared to \$142.4 million;
 - o Excess and Surplus Lines NPW were \$61.1 million, compared to \$54.1 million;
- Catastrophe losses were, pre-tax, \$21.2 million, compared to \$37.1 million, or 2.5 points on the combined ratio compared to 4.8 points;
- Favorable prior year statutory reserve development on our casualty lines totaled, pre-tax, \$3 million compared to \$8 million;
- Net investment income, after tax, remained flat at \$50.5 million;

- The statutory combined ratio included a \$5.8 million charge, or 0.7 points, related to the first quarter 2013 amendments to the Company's pension plan to curtail benefits effective March 31, 2016; and
- Total revenue was \$928.9 million compared to \$848.3 million.

Balance Sheet and Guidance

At June 30, 2013, Selective's assets were \$6.1 billion and the investment portfolio was \$4.4 billion. Statutory surplus was up 11%, to \$1.2 billion, compared to December 31, 2012. Stockholders' equity was \$1.1 billion. Book value per share was \$19.72, down slightly compared to \$19.77 at year end 2012. This decrease reflects a \$1.17 per share decrease in unrealized gains on our investment portfolio offset by net income of \$0.87 and a \$0.54 benefit related to the first quarter pension plan revaluation and curtailment.

Selective's Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable September 3, 2013 to stockholders of record as of August 15, 2013.

Selective expects to generate a 2013 full year statutory combined ratio of 96%, excluding catastrophes and any additional prior year casualty reserve development. Selective currently estimates three points of catastrophe losses will be added to that ratio. In addition, investment income will be approximately \$95 million, after tax, and weighted average shares at year end 2013 are anticipated to be approximately 56 million.

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 August 1, 2013 at www.selective.com. The webcast will be available for rebroadcast until the close of business on August 30, 2013.

About Selective Insurance Group, Inc.

Selective Insurance Group, Inc. is a holding company for ten 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 and the results of discontinued operations. 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 and the results of discontinued operations, 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>2013</u>	<u>2012</u>
Net premiums written	\$ 462,177	425,563
Net premiums earned	426,252	392,212
Net investment income earned	34,003	34,006
Net realized gains	5,154	178
Total revenues	468,945	428,907
Operating income	23,773	172
Capital gains, net of tax	3,349	116
Net income	<u>\$ 27,122</u>	<u>288</u>
Statutory combined ratio	97.7%	106.2%
Statutory combined ratio, excluding catastrophe losses	93.1%	98.5%
GAAP combined ratio	98.9%	106.9%
Operating income per diluted share	\$ 0.42	0.01
Net income per diluted share	0.48	0.01
Weighted average diluted shares	56,616	55,681
Book value per share	\$ 19.72	19.75
<u>6 months ended June 30:</u>	<u>2013</u>	<u>2012</u>
Net premiums written	\$ 912,301	845,735
Net premiums earned	847,192	771,041
Net investment income earned	66,873	66,634
Net realized gains	8,509	4,536
Total revenues	928,894	848,255
Operating income	43,897	15,432
Capital gains, net of tax	5,530	2,949
Loss on discontinued operations	(997)	-
Net income	<u>\$ 48,430</u>	<u>18,381</u>
Statutory combined ratio	97.3%	102.7%
Statutory combined ratio, excluding catastrophe losses	94.8%	97.9%
GAAP combined ratio	98.0%	103.7%
Operating income per diluted share	\$ 0.78	0.28
Net income per diluted share	0.86	0.33
Weighted average diluted shares	56,530	55,642
Book value per share	\$ 19.72	19.75

**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,		
	2013			2012			2012		
	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain/(Loss)	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain/(Loss)	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain/(Loss)
Invested Assets:									
Corporate bonds ¹	\$ 2,365,465	2,372,903	38,028	\$ 2,127,036	2,138,982	94,602	\$ 2,239,284	2,250,536	110,822
Government and Municipal bonds	1,533,853	1,554,533	48,520	1,639,471	1,672,005	103,711	1,610,798	1,640,138	99,026
Total bonds	3,899,318	3,927,436	86,548	3,766,507	3,810,987	198,313	3,850,082	3,890,674	209,848
Equities	172,064	172,064	29,630	148,117	148,117	17,860	151,382	151,382	18,941
Short-term investments	186,499	186,499	-	135,823	135,823	-	214,479	214,479	-
Other investments	109,077	109,077	-	125,540	125,540	-	114,076	114,076	-
Total invested assets	4,366,958	4,395,076	116,178	4,175,987	4,220,467	216,173	4,330,019	4,370,611	228,789
Invested assets per \$ of stockholders' equity	3.97			3.85			3.97		
Total assets	6,112,627			5,687,408			6,794,216		
Liabilities:									
Reserve for loss and loss expenses	3,270,114			3,044,363			4,068,941		
Unearned premium reserve	1,048,011			970,806			974,706		
Total liabilities	5,013,582			4,602,362			5,703,624		
Stockholders' equity	1,099,045			1,085,046			1,090,592		
Total debt to capitalization ratio	26.3%			22.1%			22.0%		
Adjusted total debt to capitalization ratio ²	26.3%			15.6%			15.6%		
Book value per share	19.72			19.75			19.77		
Book value per share excluding unrealized gain or loss on bond portfolio	19.04			17.93			17.78		
NPW per insurance segment employee ³	886			N/M			842		
Statutory premiums to surplus ratio	1.5x			1.5x			1.6x		
Statutory surplus	1,170,612			1,067,881			1,050,107		

¹ Includes mortgage-backed and asset-backed securities.

² For June 30 and December 31 of 2012, 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. These notes were redeemed in March of 2013, eliminating their effect on equity.

³ Prior year amounts have been restated to include the impact of E&S.

Selective Insurance Group, Inc.

Selected Income Statement Data (unaudited)

	THREE MONTHS ENDED June 30,				SIX MONTHS ENDED June 30,				
	2013		2012		2013		2012		
	Per diluted share		Per diluted share		Per diluted share		Per diluted share		
Consolidated									
Revenue	\$	468,945	\$	428,907	928,894	\$	848,255		
Operating income		23,773	0.42	172	0.01	43,897	0.78	15,432	0.28
Net realized gains, after tax		3,349	0.06	116	-	5,530	0.10	2,949	0.05
Income from continuing operations		27,122	0.48	288	0.01	49,427	0.88	18,381	0.33
Loss on discontinued operations, after tax		-	-	-	-	(997)	(0.02)	-	-
Net income		27,122	0.48	288	0.01	48,430	0.86	18,381	0.33
Operating return on equity		8.5%		0.1%		8.0%		2.9%	
Total Insurance Operations									
Gross premiums written		555,568		512,267		1,092,866		1,010,222	
Net premiums written		462,177		425,563		912,301		845,735	
Net premiums earned		426,252		392,212		847,192		771,041	
Underwriting gain (loss)	- before tax	4,483		(26,962)		16,644		(28,325)	
	- after tax	2,914	0.05	(17,525)	(0.31)	10,819	0.19	(18,411)	(0.33)
GAAP combined ratio		98.9%		106.9%		98.0%		103.7%	
Total Standard lines									
Net premiums earned		396,205		376,245		787,086		745,351	
GAAP combined ratio		98.3%		105.8%		97.6%		102.5%	
Standard Commercial lines									
Net premiums earned		322,657		306,289		640,502		606,786	
GAAP combined ratio		97.0%		104.7%		97.5%		102.3%	
Standard Personal lines									
Net premiums earned		73,548		69,956		146,584		138,565	
GAAP combined ratio		104.0%		110.6%		98.0%		103.1%	
Excess and Surplus lines									
Net premiums earned		30,047		15,967		60,106		25,690	
GAAP combined ratio		107.6%		131.9%		103.7%		138.9%	
Investments									
Net investment income	- before tax	34,003		34,006		66,873		66,634	
	- after tax	25,700	0.45	25,710	0.46	50,539	0.89	50,485	0.91
Effective tax rate		24.4%		24.4%		24.4%		24.2%	
Annual after-tax yield on investment portfolio						2.3%		2.4%	
Annual after-tax, after-interest expense yield						2.0%		2.1%	
Invested assets per \$ of stockholders' equity						3.97		3.85	
Other expenses (net of other income)									
Interest expense	- before tax	(5,570)		(4,723)		(11,401)		(9,423)	
	- after tax	(3,621)	(0.06)	(3,070)	(0.06)	(7,411)	(0.13)	(6,125)	(0.11)
Other Expense - after tax	\$	(1,220)	(0.02)	(4,944)	(0.08)	(10,050)	(0.17)	(10,517)	(0.19)
Diluted weighted avg shares outstanding		56,616		55,681		56,530		55,642	

Selective Insurance Group, Inc. and Consolidated Subsidiaries

GAAP Investment Income

(unaudited)

(\$ in thousands)

	For the three months ended June 2013	June 2012	%	Year to Date June 2013	June 2012	%
			Increase (Decrease)			Increase (Decrease)
Investment Income:						
Interest:						
Fixed Maturity Securities	\$ 30,298	31,759	(4.6)	60,387	63,109	(4.3)
Short-term	29	29	0.0	81	67	20.9
Other Investments:						
Alternative Investments	3,869	3,166	22.2	8,109	5,461	48.5
Other	-	(203)	100.0	(638)	(498)	(28.1)
Dividends	1,874	1,280	46.4	3,081	2,517	22.4
Miscellaneous	-	25	(100.0)	-	64	(100.0)
	<u>36,070</u>	<u>36,056</u>	0.0	<u>71,020</u>	<u>70,720</u>	0.4
Investment Expense	<u>2,067</u>	<u>2,050</u>	0.8	<u>4,147</u>	<u>4,086</u>	1.5
Net Investment Income Before Tax	34,003	34,006	(0.0)	66,873	66,634	0.4
Tax	8,303	8,296	0.1	16,334	16,149	1.1
Net Investment Income After Tax	\$ 25,700	25,710	(0.0)	\$ 50,539	50,485	0.1
Net Investment Income per Share	\$ 0.45	0.46	(2.2)	\$ 0.89	0.91	(2.2)
Effective Tax Rate	24.4%	24.4%		24.4%	24.2%	
Average Yields :						
Fixed Maturity Securities:						
Pre Tax				3.12%	3.42%	
After Tax				2.36%	2.59%	
Portfolio:						
Pre Tax				3.08%	3.22%	
After Tax				2.32%	2.44%	
	For the three months ended	June		Year to date:	June	
	June	2012		June	2012	
Net Realized Gains(Losses)	2013	2012		2013	2012	
Fixed Maturities	<u>911</u>	<u>177</u>		<u>1,562</u>	<u>361</u>	
Equity Securities	4,367	-		9,654	4,176	
Short Term	-	-		-	(2)	
Other Investments	<u>(124)</u>	<u>1</u>		<u>(2,707)</u>	<u>1</u>	
Total	5,154	178		8,509	4,536	
Net of Tax	3,349	116		5,530	2,949	

As of June 30, 2013 year-to-date new money rates for fixed maturity securities were 1.71% on a pre-tax basis and 1.25% on an after tax-basis.

Selective Insurance Group, Inc.
2013 Statutory Results by Line of Business
2nd Qtr 2013 (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 2013</u>	<u>Combined Ratio 2012</u>	<u>Underwriting Gain/(Loss)</u>
Standard Personal Lines:											
Homeowners	\$ 35,068	6.4%	\$ 31,703	10.0%	66.0%	10.4%	31.6%	0.0%	108.0%	119.7%	\$ (3,588)
Auto	40,191	0.1%	38,525	1.7%	70.9%	12.1%	29.7%	0.0%	112.7%	110.5%	(5,385)
Other (including flood)	<u>3,601</u>	(2.0)%	<u>3,320</u>	2.1%	54.3%	(21.1)%	(92.3)%	0.0%	(59.1)%	4.4%	<u>5,541</u>
Total	\$ <u>78,860</u>	2.7%	\$ <u>73,548</u>	5.1%	68.0%	9.9%	25.0%	0.0%	102.9%	109.2%	\$ <u>(3,432)</u>
Standard Commercial Lines:											
Commercial property	\$ 59,194	11.3%	\$ 54,937	9.1%	38.3%	5.8%	36.7%	0.1%	80.9%	116.3%	\$ 8,928
Workers compensation	68,590	2.7%	64,854	(2.7)%	74.3%	15.8%	26.9%	1.3%	118.3%	112.7%	(12,871)
General liability	110,232	11.1%	99,766	7.7%	46.6%	15.3%	32.9%	0.1%	94.9%	102.3%	1,604
Auto	84,253	12.5%	76,706	7.2%	56.0%	8.0%	31.2%	0.1%	95.3%	96.0%	1,280
Business owners policies	19,943	11.1%	18,625	7.9%	28.4%	9.0%	38.6%	0.0%	76.0%	103.3%	3,963
Bonds	5,410	(2.2)%	4,775	1.6%	13.7%	5.0%	60.7%	0.0%	79.4%	84.3%	598
Other	<u>3,029</u>	6.7%	<u>2,994</u>	(3.8)%	0.0%	0.5%	48.5%	0.0%	49.0%	46.8%	<u>1,510</u>
Total	\$ <u>350,652</u>	9.4%	\$ <u>322,658</u>	5.3%	51.0%	11.4%	32.9%	0.3%	95.6%	104.7%	\$ <u>5,013</u>
Total Standard Operations	\$ <u>429,511</u>	8.1%	\$ <u>396,206</u>	5.3%	54.2%	11.1%	31.5%	0.2%	97.0%	105.5%	\$ <u>1,581</u>
E&S	<u>32,666</u>	15.3%	<u>30,046</u>	88.2%	55.9%	14.4%	36.5%	0.0%	106.8%	116.1%	<u>(3,015)</u>
Total Insurance Operations	\$ <u>462,177</u>	8.6%	\$ <u>426,252</u>	8.7%	54.3%	11.3%	31.9%	0.2%	97.7%	106.2%	\$ <u>(1,434)</u>

Note: Some amounts may not foot due to rounding.

	<u>2013</u>	<u>2012</u>
Losses Paid	\$ 207,023	\$ 232,122
LAE Paid	<u>43,620</u>	<u>41,031</u>
Total Paid	\$ 250,643	\$ 273,153

Selective Insurance Group, Inc.
2013 Statutory Results by Line of Business
June 2013 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 2013</u>	<u>Combined Ratio 2012</u>	<u>Underwriting Gain/(Loss)</u>
Standard Personal Lines:											
Homeowners	\$ 62,902	8.1%	\$ 62,837	10.7%	55.4%	9.9%	32.5%	0.0%	97.8%	105.8%	\$ 1,345
Auto	77,876	0.6%	76,919	2.1%	66.9%	12.4%	29.9%	0.0%	109.2%	110.1%	(7,349)
Other (including flood)	6,637	(1.5)%	6,828	5.9%	64.5%	(20.6)%	(83.5)%	0.0%	(39.6)%	5.8%	9,373
Total	\$ 147,415	3.6%	\$ 146,584	5.8%	61.8%	9.8%	26.0%	0.0%	97.6%	103.4%	\$ 3,369
Standard Commercial Lines:											
Commercial property	\$ 116,953	10.1%	\$ 108,352	8.6%	40.1%	5.7%	37.8%	0.1%	83.7%	100.3%	\$ 14,398
Workers compensation	143,994	2.9%	130,939	(1.2)%	74.9%	15.8%	26.4%	1.5%	118.6%	111.8%	(27,722)
General liability	219,637	9.9%	197,469	8.0%	45.7%	16.2%	33.5%	0.0%	95.4%	101.3%	1,631
Auto	166,126	10.2%	151,053	6.4%	56.9%	8.4%	31.3%	0.0%	96.6%	96.3%	400
Business owners policies	40,303	11.4%	37,165	8.9%	23.7%	12.2%	40.6%	0.0%	76.5%	101.4%	7,459
Bonds	10,364	1.9%	9,539	1.9%	13.7%	4.2%	60.8%	0.0%	78.7%	85.9%	1,533
Other	6,463	5.7%	5,985	(4.7)%	(0.4)%	0.7%	43.2%	0.0%	43.5%	41.5%	3,175
Total	\$ 703,840	8.4%	\$ 640,502	5.6%	51.2%	11.9%	33.2%	0.3%	96.6%	101.4%	\$ 874
Total Standard Operations	\$ 851,255	7.5%	\$ 787,086	5.6%	53.2%	11.5%	31.9%	0.3%	96.9%	101.8%	\$ 4,243
E&S	61,046	12.8%	60,106	134.0%	51.9%	15.0%	35.7%	0.0%	102.6%	118.0%	(1,881)
Total Insurance Operations	\$ 912,301	7.9%	\$ 847,192	9.9%	53.1%	11.8%	32.2%	0.2%	97.3%	102.7%	\$ 2,363

Note: Some amounts may not foot due to rounding.

	<u>2013</u>	<u>2012</u>
Losses Paid	\$ 394,308	\$ 439,015
LAE Paid	88,609	84,567
Total Paid	\$ 482,917	\$ 523,582

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

(\$ in thousands, except share amounts)

June 30, 2013

December 31, 2012

ASSETS		
Investments:		
Fixed maturity securities, held-to-maturity – at carrying value (fair value: \$507,625 – 2013; \$594,661 – 2012)	\$ 479,507	554,069
Fixed maturity securities, available-for-sale – at fair value (amortized cost: \$3,363,994 – 2013; \$3,130,683 – 2012)	3,419,811	3,296,013
Equity securities, available-for-sale – at fair value (cost: \$142,434 – 2013; \$132,441 – 2012)	172,064	151,382
Short-term investments (at cost which approximates fair value)	186,499	214,479
Other investments	109,077	114,076
Total investments	<u>4,366,958</u>	<u>4,330,019</u>
Cash	154	210
Interest and dividends due or accrued	36,376	35,984
Premiums receivable, net of allowance for uncollectible accounts of: \$4,478 – 2013; \$3,906 – 2012	568,523	484,388
Reinsurance recoverables, net	552,488	1,421,109
Prepaid reinsurance premiums	140,833	132,637
Current federal income tax	1,904	2,569
Deferred federal income tax	135,886	119,136
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$174,226 – 2013; \$169,428 – 2012	48,841	47,131
Deferred policy acquisition costs	165,078	155,523
Goodwill	7,849	7,849
Other assets	87,737	57,661
Total assets	<u>\$ 6,112,627</u>	<u>6,794,216</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for loss and loss expenses	\$ 3,270,114	4,068,941
Unearned premiums	1,048,011	974,706
Notes payable	392,400	307,387
Accrued salaries and benefits	102,223	152,396
Other liabilities	200,834	200,194
Total liabilities	<u>\$ 5,013,582</u>	<u>5,703,624</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: 98,910,399 – 2013; 98,194,224 – 2012	197,821	196,388
Additional paid-in capital	282,014	270,654
Retained earnings	1,158,861	1,125,154
Accumulated other comprehensive income	19,278	54,040
Treasury stock – at cost (shares: 43,181,889 – 2013; 43,030,776 – 2012)	(558,929)	(555,644)
Total stockholders' equity	<u>1,099,045</u>	<u>1,090,592</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 6,112,627</u>	<u>6,794,216</u>

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

(\$ in thousands, except per share amounts)	Quarter ended June 30,		Six Months ended June 30,	
	2013	2012	2013	2012
Revenues:				
Net premiums earned	\$ 426,252	392,212	847,192	771,041
Net investment income earned	34,003	34,006	66,873	66,634
Net realized gains:				
Net realized investment gains	5,709	272	11,013	5,051
Other-than-temporary impairments	(508)	(40)	(2,427)	(297)
Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income	(47)	(54)	(77)	(218)
Total net realized gains	5,154	178	8,509	4,536
Other income	3,536	2,511	6,320	6,044
Total revenues	468,945	428,907	928,894	848,255
Expenses:				
Loss and loss expense incurred	279,594	287,903	549,443	540,809
Policy acquisition costs	143,728	131,219	283,256	259,177
Interest expense	5,570	4,723	11,401	9,423
Other expenses	3,852	5,754	19,725	16,347
Total expenses	432,744	429,599	863,825	825,756
Income (loss) from continuing operations, before federal income tax	36,201	(692)	65,069	22,499
Federal income tax expense (benefit):				
Current	6,221	(500)	13,674	6,678
Deferred	2,858	(480)	1,968	(2,560)
Total federal income tax expense (benefit)	9,079	(980)	15,642	4,118
Net income from continuing operations	27,122	288	49,427	18,381
Loss on disposal of discontinued operations, net of tax of \$(538)	—	—	(997)	—
Net income	\$ 27,122	288	48,430	18,381
Earnings per share:				
Basic net income from continuing operations	\$ 0.49	0.01	0.89	0.34
Basic net loss from discontinued operations	—	—	(0.02)	—
Basic net income	\$ 0.49	0.01	0.87	0.34
Diluted net income from continuing operations	\$ 0.48	0.01	0.88	0.33
Diluted net loss from discontinued operations	—	—	(0.02)	—
Diluted net income	\$ 0.48	0.01	0.86	0.33
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,	
	2013	2012	2013	2012
Net income	\$ 27,122	288	48,430	18,381
Other comprehensive income, net of tax:				
<i>Unrealized (losses) gains on investment securities:</i>				
Unrealized holding (losses) gains arising during period	(59,353)	5,101	(56,959)	17,974
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income	31	35	50	142
Amount reclassified into net income:				
Held-to-maturity securities	(399)	(456)	(865)	(1,017)
Non-credit other-than-temporary impairment	3	39	8	171
Realized gains on available for sale securities	(3,438)	(128)	(7,322)	(2,917)
Total unrealized (losses) gains on investment securities	(63,156)	4,591	(65,088)	14,353
<i>Defined benefit pension and post-retirement plans:</i>				
Net actuarial gain	—	—	28,600	—
Amounts reclassified into net income:				
Net actuarial loss	513	905	1,709	1,808
Prior service cost	—	24	6	49
Curtailement expense	—	—	11	—
Total defined benefit pension and post-retirement plans	513	929	30,326	1,857
Other comprehensive (loss) income	(62,643)	5,520	(34,762)	16,210
Comprehensive (loss) income	\$ (35,521)	5,808	13,668	34,591

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

Six Months ended June 30,

(\$ in thousands)

	2013	2012
Common stock:		
Beginning of year	\$ 196,388	194,494
Dividend reinvestment plan (shares: 33,514 – 2013; 46,603 – 2012)	67	93
Stock purchase and compensation plans (shares: 682,661 – 2013; 667,500 – 2012)	1,366	1,334
End of period	<u>197,821</u>	<u>195,921</u>
Additional paid-in capital:		
Beginning of year	270,654	257,370
Dividend reinvestment plan	703	712
Stock purchase and compensation plans	10,657	7,647
End of period	<u>282,014</u>	<u>265,729</u>
Retained earnings:		
Beginning of year	1,125,154	1,116,319
Net income	48,430	18,381
Dividends to stockholders (\$0.26 per share – 2013 and 2012)	(14,723)	(14,557)
End of period	<u>1,158,861</u>	<u>1,120,143</u>
Accumulated other comprehensive income:		
Beginning of year	54,040	42,294
Other comprehensive (loss) income	(34,762)	16,210
End of period	<u>19,278</u>	<u>58,504</u>
Treasury stock:		
Beginning of year	(555,644)	(552,149)
Acquisition of treasury stock (shares: 151,113 – 2013; 173,620 – 2012)	(3,285)	(3,102)
End of period	<u>(558,929)</u>	<u>(555,251)</u>
Total stockholders' equity	<u>\$ 1,099,045</u>	<u>1,085,046</u>

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW
(\$ in thousands)

Six Months ended June 30,

	2013	2012
Operating Activities		
Net income	\$ 48,430	18,381
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	23,103	19,550
Loss on disposal of discontinued operations	997	—
Stock-based compensation expense	6,189	5,160
Undistributed losses of equity method investments	419	496
Net realized gains	(8,509)	(4,536)
Retirement income plan curtailment expense	16	—
<i>Changes in assets and liabilities:</i>		
Increase in reserve for losses and loss expenses, net of reinsurance recoverables	69,790	19,802
Increase in unearned premiums, net of prepaid reinsurance and advance premiums	65,225	75,172
Increase (decrease) in net federal income taxes	3,171	(3,058)
Increase in premiums receivable	(84,135)	(57,294)
Increase in deferred policy acquisition costs	(9,555)	(16,638)
Increase in interest and dividends due or accrued	(1,066)	(500)
Decrease in accrued salaries and benefits	(6,173)	(5,699)
Decrease in accrued insurance expenses	(5,478)	(4,500)
Other-net	(4,526)	5,823
Net adjustments	49,468	33,778
Net cash provided by operating activities	97,898	52,159
Investing Activities		
Purchase of fixed maturity securities, available-for-sale	(530,402)	(426,346)
Purchase of equity securities, available-for-sale	(42,546)	(40,430)
Purchase of other investments	(4,393)	(6,355)
Purchase of short-term investments	(1,116,873)	(795,707)
Purchase of subsidiary	—	255
Sale of subsidiary	1,225	445
Sale of fixed maturity securities, available-for-sale	6,851	37,699
Sale of short-term investments	1,144,853	876,928
Redemption and maturities of fixed maturity securities, held-to-maturity	48,186	57,152
Redemption and maturities of fixed maturity securities, available-for-sale	286,905	197,199
Sale of equity securities, available-for-sale	42,206	58,176
Distributions from other investments	6,077	8,443
Purchase of property and equipment	(6,761)	(6,793)
Net cash used in investing activities	(164,672)	(39,334)
Financing Activities		
Dividends to stockholders	(13,668)	(13,442)
Acquisition of treasury stock	(3,285)	(3,102)
Net proceeds from stock purchase and compensation plans	3,769	2,225
Proceeds from issuance of notes payable, net of debt issuance costs	178,435	—
Repayment of notes payable	(100,000)	—
Excess tax benefits from share-based payment arrangements	1,467	873
Net cash provided by (used in) financing activities	66,718	(13,446)
Net decrease in cash	(56)	(621)
Cash, beginning of year	210	762
Cash, end of period	\$ 154	141

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

	<u>Jun-30</u> <u>2013</u>	<u>Jun-30</u> <u>2012</u>	<u>Dec-31</u> <u>2012</u>
ASSETS			
Bonds	\$ 3,794,994	3,569,892	3,617,371
Common stocks	172,064	148,117	151,382
Affiliated mortgage loan	37,086	37,791	37,443
Other investments	175,080	191,608	180,110
Short-term investments	147,071	113,584	208,845
Total investments	<u>4,326,295</u>	<u>4,060,992</u>	<u>4,195,151</u>
Cash on hand and in banks	(34,417)	(29,939)	(76,957)
Interest and dividends due and accrued	36,361	36,069	35,979
Premiums receivable	567,218	521,684	482,227
Reinsurance recoverable on paid losses and expenses	8,087	9,852	11,354
Deferred tax recoverable	157,856	148,848	147,495
EDP equipment	1,017	1,527	1,372
Equities and deposits in pools and associations	6,800	6,168	12,734
Receivable for sold securities	18,730	1,154	257
Other assets	24,017	27,065	28,541
Total assets	<u>\$ 5,111,964</u>	<u>4,783,420</u>	<u>4,838,153</u>
LIABILITIES			
Reserve for losses	\$ 2,282,379	2,177,438	2,226,858
Reinsurance payable on paid loss and loss expense	2,247	1,282	2,298
Reserve for loss expenses	438,734	431,272	427,560
Unearned premiums	907,178	833,998	842,068
Reserve for commissions payable	47,100	43,046	52,304
Ceded balances payable	31,243	17,516	271
Federal income tax payable	21,415	6,563	5,346
Premium and other taxes payable	24,330	20,531	24,604
Borrowed money	58,042	58,042	58,044
Reserve for dividends to policyholders	2,334	3,670	2,665
Reserves for unauthorized reinsurance	7,498	1,785	7,498
Payable for securities	9,596	17,171	7,682
Funds withheld on account of others	8,080	7,136	11,231
Accrued salaries and benefits	44,601	76,876	102,070
Other liabilities	56,575	19,213	17,547
Total liabilities	<u>3,941,352</u>	<u>3,715,539</u>	<u>3,788,046</u>
POLICYHOLDERS' SURPLUS			
Capital	42,725	34,225	42,725
Paid in surplus	492,869	305,122	435,744
Unassigned surplus	635,018	728,534	571,638
Total policyholders' surplus	<u>1,170,612</u>	<u>1,067,881</u>	<u>1,050,107</u>
Total liabilities and policyholders' surplus	<u>\$ 5,111,964</u>	<u>4,783,420</u>	<u>4,838,153</u>

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

	Three Months Ended June		Six Months Ended June	
	2013	2012	2013	2012
UNDERWRITING				
Net premiums written	\$ 462,177	425,563	912,301	845,735
Net premiums earned	426,252	392,212	847,192	771,041
Net losses paid	207,023	232,122	394,308	439,015
Change in reserve for losses	24,363	6,841	55,521	4,411
Net losses incurred	231,386	238,963	449,829	443,426
	54.3%	60.9%	53.1%	57.5%
Net loss expenses paid	43,620	41,031	88,609	84,567
Change in reserve for loss expenses	4,689	7,942	11,173	12,730
Net loss expenses incurred	48,309	48,973	99,782	97,297
	11.3%	12.5%	11.8%	12.6%
Net underwriting expenses incurred	150,140	139,245	298,480	275,764
	32.6%	32.8%	32.8%	32.6%
Total deductions	429,835	427,181	848,091	816,487
Statutory underwriting (loss)	(3,583)	(34,969)	(899)	(45,446)
Net loss from premium balances charged off	(616)	(864)	(1,350)	(2,105)
Finance charges and other income	3,746	1,934	6,678	4,895
Total other income	3,130	1,070	5,328	2,790
	-0.7%	-0.3%	-0.6%	-0.3%
Policyholders' dividends incurred	(981)	(1,230)	(2,067)	(2,144)
	0.2%	0.3%	0.2%	0.3%
Total underwriting (loss) gain	(1,434)	(35,129)	2,362	(44,800)
	97.7%	106.2%	97.3%	102.7%
INVESTMENT				
Net investment income earned	34,012	33,793	67,342	67,272
Net realized gain	5,150	175	6,362	4,533
Total income before income tax	37,728	(1,161)	76,066	27,005
Federal income tax expense	16,752	1,529	32,687	11,122
Net income (loss)	\$ 20,976	(2,690)	43,379	15,883
Policyholders' Surplus				
Surplus, beginning of period	\$ 1,151,959	1,083,174	1,050,107	1,062,707
Net income	20,976	(2,690)	43,379	15,883
Change in deferred taxes	7,815	5,578	8,069	7,664
Change in unrealized gains	(884)	(2,917)	8,552	2,041
Dividends to stockholders	(6,662)	(12,709)	(18,782)	(28,474)
Change in cum. effect of acctg principle	-	-	-	44,296
Capital - transferred from surplus	-	1,900	-	1,900
Paid in surplus	-	-	57,125	-
Surplus - transferred to capital	-	(1,900)	-	(1,900)
Change in non-admitted assets	(3,290)	(2,524)	13,429	8,035
Change in additional admitted deferred taxes	-	-	-	(44,296)
Change in Overfunded Contra Asset	(1,184)	-	(9,907)	-
Qual Pen Trans Liab	1,846	-	(33,879)	-
Excess Plan Trans Liab	17	-	(578)	-
PRL Plan Trans Liab	19	-	(1,199)	-
Change in minimum pension liability	-	-	54,755	-
Surplus adjustments	-	(31)	(459)	25
Net change in surplus for period	18,653	(15,293)	120,505	5,174
Surplus, end of period	\$ 1,170,612	1,067,881	1,170,612	1,067,881
Statutory underwriting (loss) gain	\$ (1,434)	(35,129)	2,362	(44,800)
<i>Adjustments under GAAP:</i>				
Deferred policy acquisition costs	6,593	8,068	9,555	16,638
Pension costs	(101)	70	5,824	140
Other, net	(575)	29	(1,097)	(303)
GAAP underwriting (loss) / gain	\$ 4,483	(26,962)	16,644	(28,325)

Note: Some amounts or ratios may not foot due to rounding

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
as of June 30, 2013
(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	2,287,839	9,389,803	545,279	0.53	0.98
Silverpeak RE III	2008	15,000,000	8,002,236	2,758,571	(148,047)	0.03	0.43
Total - Real Estate		35,000,000	10,290,075	12,148,374	397,232	0.40	0.84
Mezzanine Financing							
Neovara Euro Mezz	2004	9,000,000	-	579,578	118,830	0.98	1.02
GS Mezz V	2007	25,000,000	13,143,207	9,015,318	612,283	0.72	1.29
New Canaan V	2012	7,000,000	4,491,872	2,433,308	112,071	0.03	1.00
Centerfield Capital	2012	3,000,000	2,077,118	839,551	26,882	0.05	0.96
Total - Mezz. Financing		44,000,000	19,712,197	12,867,755	870,067	0.75	1.15
Distressed Debt							
Varde VIII	2006	10,000,000	-	4,523,135	848,664	0.81	1.26
Distressed Managers III	2007	15,000,000	2,928,796	7,583,171	767,040	0.53	1.09
Total - Distressed Debt		25,000,000	2,928,796	12,106,306	1,615,704	0.65	1.17
Private Equity							
Prospector	1997	5,000,000	-	410,216	-	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,443,707	1,769,562	204,935	1.61	1.80
NB Co-Invest	2006	15,000,000	1,606,799	7,384,651	222,183	0.82	1.34
Trilantic Capital Partners IV	2007	11,098,351	1,491,469	8,244,581	1,114,446	0.78	1.55
Trilantic Capital Partners V	2012	7,000,000	7,000,000	-	-	-	-
Total - Private Equity		48,098,351	11,541,975	17,809,009	1,541,564	1.25	1.70
Private Equity, Secondary Market							
NB SOF	2005	12,000,000	899,494	5,422,461	229,272	0.82	1.31
Vintage IV	2007	20,000,000	4,093,675	12,914,366	829,363	0.62	1.29
NB SOF II	2008	12,000,000	2,533,186	8,151,999	899,622	0.68	1.43
Total - Pvt. Eq. Sec. Mkt.		44,000,000	7,526,356	26,488,825	1,958,257	0.69	1.33
Energy/Power Generation							
ArcLight I	2002	15,000,000	-	87,363	(11,740)	1.80	1.81
ArcLight II	2003	15,000,000	2,295,492	1,375,930	(313,279)	1.38	1.46
ArcLight III	2006	15,000,000	2,037,794	7,536,242	1,077,373	0.81	1.29
Quintana Energy	2006	10,000,000	1,204,351	6,366,560	368,485	0.56	1.28
ArcLight IV	2007	10,000,000	2,287,578	3,051,214	180,578	0.98	1.28
Total - Energy/Power Generation		65,000,000	7,825,215	18,417,309	1,301,417	1.19	1.45
Venture Capital							
Venture V	2001	9,600,000	400,000	7,378,010	425,349	0.44	1.24
Total - Venture Capital		9,600,000	400,000	7,378,010	425,349	0.44	1.24
TOTAL - ALTERNATIVE INVESTMENTS		\$ 270,698,351	60,224,613	107,215,588	8,109,589	0.89	1.33

⁽¹⁾ Distributed to paid in ratio

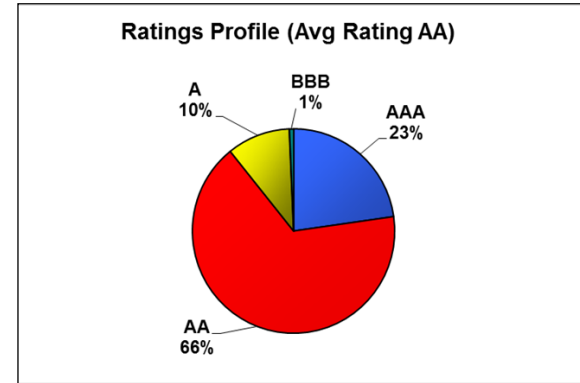
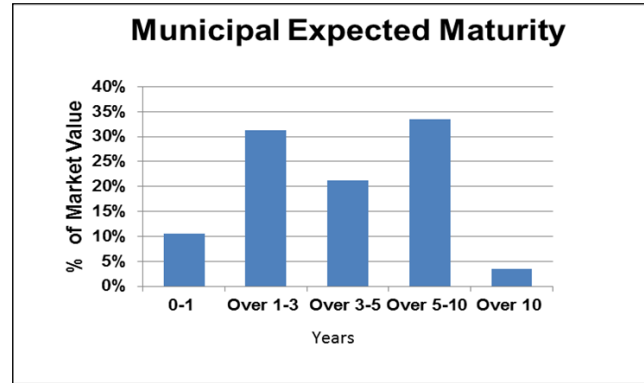
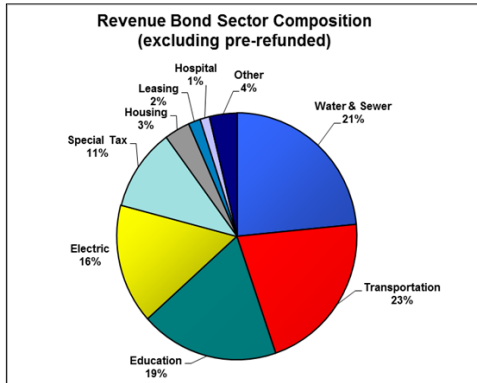
⁽²⁾ Total value to paid in ratio

Exhibit may not foot due to rounding

**Selective Insurance Group, Inc. and Consolidated Subsidiaries
Municipal Bond Portfolio
State and Repayment Source Composition
June 30, 2013**

(\$ in thousands)
(unaudited)

Exposure = 33% Held-to-Maturity; 67% Available-for-Sale



**Repayment Source Composition by State
Market Values**

State	Revenue		General Obligation (GO)-Local		General Obligation (GO)-State		TX - Permanent School Fund (PSF)		Total	% of Total
	Revenue	% of State	Revenue	% of State	Revenue	% of State	Revenue	% of State		
TX	42,024	48%	44,833	51%	1,082	1%	-	0%	87,939	7%
TX-PSF	-	0%	-	0%	-	0%	23,482	100%	23,482	2%
WA	51,786	55%	35,146	38%	6,722	7%	-	0%	93,654	7%
NY	68,739	88%	9,773	12%	-	0%	-	0%	78,512	6%
FL	51,464	77%	-	0%	15,177	23%	-	0%	66,641	5%
AZ	55,042	87%	7,944	13%	-	0%	-	0%	62,986	5%
CO	21,084	40%	31,978	60%	-	0%	-	0%	53,062	4%
CA	44,511	93%	3,313	7%	-	0%	-	0%	47,824	3%
NC	23,351	55%	13,121	31%	5,904	14%	-	0%	42,376	3%
MO	19,212	46%	16,413	39%	6,542	15%	-	0%	42,167	3%
AK	22,108	64%	12,484	36%	-	0%	-	0%	34,592	2%
Pre-refunded	57,532	49%	46,150	39%	7,718	7%	5,328	5%	116,728	9%
Other	314,956	53%	136,219	23%	140,073	24%	-	0%	591,248	44%
Grand Total	771,809	57%	357,374	27%	183,218	14%	28,810	2%	1,341,211	100%

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Credit Quality of Available-for-Sale Fixed Maturity Securities
June 30, 2013

(\$ in millions)
(Unaudited)

	Fair Value	Unrealized Gain (Loss)	Weighted Average Credit Quality
AFS Fixed Maturity Portfolio:			
U.S. government obligations	\$ 178.0	12.1	AA+
Foreign government obligations	29.7	0.9	AA-
State and municipal obligations	894.3	9.7	AA
Corporate securities	1,524.0	32.1	A
Mortgage-backed securities ("MBS")	638.4	0.9	AA
Asset-backed securities ("ABS")	155.4	0.1	AAA
Total AFS fixed maturity portfolio	<u>\$ 3,419.8</u>	<u>55.8</u>	<u>AA-</u>
State and Municipal Obligations:			
General obligations	\$ 416.2	4.9	AA+
Special revenue obligations	478.1	4.8	AA
Total state and municipal obligations	<u>\$ 894.3</u>	<u>9.7</u>	<u>AA</u>
Corporate Securities:			
Financial	\$ 440.7	11.2	A
Industrials	121.1	4.5	A-
Utilities	135.5	1.4	A-
Consumer discretionary	163.4	3.4	A-
Consumer staples	158.7	3.8	A
Healthcare	176.7	4.4	A+
Materials	86.6	1.0	BBB+
Energy	79.2	1.3	A-
Information technology	99.8	—	A+
Telecommunications services	54.7	0.5	BBB+
Other	7.6	0.6	AA+
Total corporate securities	<u>\$ 1,524.0</u>	<u>32.1</u>	<u>A</u>
MBS:			
Government guaranteed agency commercial MBS ("CMBS")	\$ 39.9	1.0	AA+
Other agency CMBS	9.2	(0.3)	AA+
Non-agency CMBS	86.5	(2.2)	AA
Government guaranteed agency residential MBS ("RMBS")	72.2	1.9	AA+
Non-agency RMBS	43.3	0.5	A-
Other agency RMBS	381.7	(0.1)	AA+
Alternative-A ("Alt-A") RMBS	5.6	0.1	A+
Total MBS	<u>\$ 638.4</u>	<u>0.9</u>	<u>AA</u>
ABS:			
ABS	\$ 154.9	—	AAA
Sub-prime ABS ^{1, 2}	0.5	0.1	D
Total ABS	<u>\$ 155.4</u>	<u>0.1</u>	<u>AAA</u>

¹We define sub-prime exposure as exposure to direct and indirect investments in non-agency residential mortgages with average FICO® scores below 650.

²Subprime ABS consists of one security whose issuer 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, 2013

(\$ in millions)
(Unaudited)

	Fair Value	Carry Value	Unrecognized Holding Gain	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized/Unrecognized Gain	Weighted Average Credit Quality
HTM Fixed Maturity Portfolio:						
Foreign government obligations	\$ 5.6	5.5	0.1	0.2	0.3	AA+
State and municipal obligations	446.9	426.4	20.5	4.9	25.4	AA
Corporate securities	38.9	35.3	3.6	(0.7)	2.9	A
MBS	9.6	6.6	3.0	(1.0)	2.0	AA
ABS	6.6	5.7	0.9	(0.8)	0.1	A+
Total HTM fixed maturity portfolio	<u>\$ 507.6</u>	<u>479.5</u>	<u>28.1</u>	<u>2.6</u>	<u>30.7</u>	<u>AA</u>
State and Municipal Obligations:						
General obligations	\$ 144.3	138.2	6.1	2.7	8.8	AA
Special revenue obligations	302.6	288.2	14.4	2.2	16.6	AA
Total state and municipal obligations	<u>\$ 446.9</u>	<u>426.4</u>	<u>20.5</u>	<u>4.9</u>	<u>25.4</u>	<u>AA</u>
Corporate Securities:						
Financial	\$ 9.4	8.6	0.8	(0.4)	0.4	BBB+
Industrials	11.6	10.3	1.3	(0.2)	1.1	A+
Utilities	14.8	13.4	1.4	(0.1)	1.3	A+
Consumer discretionary	3.1	3.0	0.1	—	0.1	AA
Total corporate securities	<u>\$ 38.9</u>	<u>35.3</u>	<u>3.6</u>	<u>(0.7)</u>	<u>2.9</u>	<u>A</u>
MBS:						
Non-agency CMBS	\$ 9.6	6.6	3.0	(1.0)	2.0	AA
Total MBS	<u>\$ 9.6</u>	<u>6.6</u>	<u>3.0</u>	<u>(1.0)</u>	<u>2.0</u>	<u>AA</u>
ABS:						
ABS	\$ 4.1	3.9	0.2	(0.1)	0.1	BBB+
Alt-A ABS	2.5	1.8	0.7	(0.7)	—	AAA
Total ABS	<u>\$ 6.6</u>	<u>5.7</u>	<u>0.9</u>	<u>(0.8)</u>	<u>0.1</u>	<u>A+</u>