



**SELECTIVE<sup>®</sup>**

## **Supplemental Investor Package**

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### **Second Quarter 2014**

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**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Second Quarter 2014 Investor Package**  
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**Selective Insurance Group Reports**  
**Second Quarter 2014 Earnings**

Branchville, NJ – July 30, 2014 – Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported its financial results for the second quarter ended June 30, 2014. Net income per diluted share was up 6% to \$0.51 from \$0.48 in 2013, and operating income<sup>1</sup> per diluted share was up 10% to \$0.46 from \$0.42 in 2013.

“Our underwriting results continued to improve despite the impact of severe weather in the second quarter and we expect ongoing improvements over the balance of the year,” said Gregory E. Murphy, Chairman and Chief Executive Officer. “Overall net premiums written grew 4%, driven by strong renewal pure price increases of 5.8%, and our statutory combined ratio was 97.5%.

“The underwriting and claims initiatives we have been implementing for the past three years are significantly improving our statutory combined ratio, excluding catastrophes, which was 91.6%, 1.5 points better than the same period last year and on track to achieve our 2014 target of 92%. Catastrophe losses were \$27 million or 5.9 points on the statutory combined ratio,” continued Murphy. “We also experienced higher non-catastrophe property losses this quarter of \$73 million, or 15.7 points on the statutory combined ratio, four points higher than last year.

“Standard commercial lines renewal pure price increased 5.9% and retention was solid at 82%. The statutory combined ratio, excluding catastrophes, was 91.9% and net premiums written grew 4% over the second quarter 2013,” said Murphy.

“Standard personal lines renewal pure price increased 6.5% and the statutory combined ratio, excluding catastrophes, was 89.0%, which was 3.2 points better than the second quarter 2013. Net premiums written declined 1% due to our strategic non-renewal of dwelling fire business and the reduction in monoline homeowners that we discussed in the first quarter this year,” said Murphy.

“The growth in our excess and surplus lines was strong as net premiums written increased 16% and new business was up 4%,” continued Murphy. “We’ve made good progress with our underwriting initiatives in this line and expect it to achieve our profitability goals.

“Second quarter after-tax investment income was \$27 million, up 7% over last year. The overall annualized after-tax portfolio yield was 2.3%, flat compared to last year. The after-tax yield on fixed income securities was 2.4%, compared to 2.3% in second quarter 2013. Year to date, our fixed income purchases have been running at an average after-tax yield of 2.1%, while maturities and disposals had an average after-tax book yield of 2.2%,” concluded Murphy.

Highlights for second quarter 2014 compared to second quarter 2013:

- Net income was \$29.3 million, or \$0.51 per diluted share, compared to \$27.1 million, or \$0.48 per diluted share;
- Operating income<sup>1</sup> was \$26.4 million, or \$0.46 per diluted share, compared to \$23.8 million, or \$0.42 per diluted share;
- Combined ratio: GAAP: 97.8% compared to 98.9%; Statutory: 97.5% compared to 97.7%;
- Total net premiums written (NPW) were \$479.8 million compared to \$462.2 million:
  - o Standard Commercial Lines NPW were \$363.8 million compared to \$350.6 million;
  - o Standard Personal Lines NPW were \$78.2 million compared to \$78.9 million;
  - o Excess and Surplus Lines NPW were \$37.8 million compared to \$32.7 million;
- Catastrophe losses, pre-tax, were \$27.2 million, or 5.9 points on the statutory combined ratio, compared to \$19.6 million or 4.6 points;
- Non-catastrophe property losses, pre-tax, were \$73 million, or 15.7 points, compared to \$52.1 million or 12.2 points;
- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$17.5 million, or 3.8 points, compared to \$1.5 million, or 0.4 points;
- Net investment income, after tax, was \$27.4 million compared to \$25.7 million; and
- Total revenue was \$506.8 million compared to \$468.9 million.

Highlights for six months ended June 30, 2014 compared to six months ended June 30, 2013:

- Net income was \$47.3 million, or \$0.83 per diluted share, compared to \$48.4 million, or \$0.86 per diluted share;
- Operating income<sup>1</sup> was \$39.7 million, or \$0.70 per diluted share, compared to \$43.9 million, or \$0.78 per diluted share;
- Combined ratio: GAAP: 99.4% compared to 98.0%; Statutory: 99.2% compared to 97.3%;
- Total NPW were \$956.6 million compared to \$912.3 million:
  - o Standard Commercial Lines NPW were \$743.2 million compared to \$703.8 million;
  - o Standard Personal Lines NPW were \$145.5 million compared to \$147.4 million;
  - o Excess and Surplus Lines NPW were \$67.9 million compared to \$61.1 million;
- Catastrophe losses, pre-tax, were \$61.6 million, or 6.7 points on the statutory combined ratio, compared to \$21.2 million or 2.5 points;
- Non-catastrophe property losses, pre-tax, were \$164.4 million, or 17.9 points, compared to \$115.7 million or 13.7 points;

- Favorable prior year statutory reserve development on our casualty lines, pre-tax, totaled \$31.5 million, or 3.4 points, compared to \$3.5 million, or 0.4 points;
- Income of \$8 million, pre-tax, was generated from the sale of the renewal rights of our self-insured group book of pooled entity business in the first quarter of 2014, which reduced the statutory combined ratio by 0.8 points;
- Net investment income, after tax, was \$53.9 million compared to \$50.5 million; and
- Total revenue was \$1.0 billion compared to \$928.9 million.

### **Balance Sheet and Guidance**

At June 30, 2014, Selective's assets were \$6.5 billion and the investment portfolio was \$4.7 billion. Statutory surplus was \$1.3 billion, up 3% compared to December 31, 2013. Stockholders' equity was \$1.2 billion, up 7% from year end. Book value per share was \$21.96, up from \$20.63 at year end 2013. This increase reflects \$0.84 in net income coupled with \$0.76 in unrealized investment gains on our investment portfolio, partially offset by \$0.26 in shareholders' dividends.

Selective's Board of Directors declared a \$0.13 per share quarterly cash dividend on common stock payable September 2, 2014 to stockholders of record as of August 15, 2014.

Selective expects to generate a full-year statutory combined ratio of 92%, excluding catastrophes and any additional prior year casualty reserve development. Selective currently estimates five points of catastrophe losses for the year, one point higher than our previous guidance. After-tax investment income will be approximately \$100 million and weighted average shares at year end are anticipated to be approximately 57 million.

The supplemental investor package, 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](http://www.selective.com). Selective's quarterly analyst conference call will be simulcast at 8:30 a.m. ET, on July 31, 2014 at [www.selective.com](http://www.selective.com). The webcast will be available for rebroadcast until the close of business on September 2, 2014.

### **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](http://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](http://www.selective.com), or through the SEC’s EDGAR Database at [www.sec.gov](http://www.sec.gov) (Selective EDGAR CIK No. 0000230557).

<sup>1</sup>Operating 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)*

<b><u>3 months ended June 30:</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Net premiums written	\$ 479,823	462,177
Net premiums earned	463,625	426,252
Net investment income earned	36,774	34,003
Net realized gains	4,539	5,154
Total revenues	506,849	468,945
Operating income	26,390	23,773
Capital gains, net of tax	2,951	3,349
Net income	\$ <u>29,341</u>	<u>27,122</u>
Statutory combined ratio	97.5%	97.7%
Statutory combined ratio, excluding catastrophe losses	91.6%	93.1%
GAAP combined ratio	97.8%	98.9%
Operating income per diluted share	\$ 0.46	0.42
Net income per diluted share	0.51	0.48
Weighted average diluted shares	57,260	56,616
Book value per share	\$ 21.96	19.72
<b><u>6 months ended June 30:</u></b>	<b><u>2014</u></b>	<b><u>2013</u></b>
Net premiums written	\$ 956,573	912,301
Net premiums earned	920,120	847,192
Net investment income earned	72,308	66,873
Net realized gains	11,757	8,509
Total revenues	1,015,920	928,894
Operating income	39,673	43,897
Capital gains, net of tax	7,642	5,530
Loss on discontinued operations	—	(997)
Net income	\$ <u>47,315</u>	<u>48,430</u>
Statutory combined ratio	99.2%	97.3%
Statutory combined ratio, excluding catastrophe losses	92.5%	94.8%
GAAP combined ratio	99.4%	98.0%
Operating income per diluted share	\$ 0.70	0.78
Net income per diluted share	0.83	0.86
Weighted average diluted shares	57,215	56,530
Book value per share	\$ 21.96	19.72

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



**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Selected Balance Sheet Data**  
**(unaudited)**

(\$ in thousands, except per share data)	June 30, 2014			June 30, 2013			December 31, 2013		
	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain
<b>Invested Assets:</b>									
Corporate bonds <sup>1</sup>	\$ 2,625,026	2,629,567	63,986	\$ 2,365,465	2,372,903	38,028	\$ 2,595,256	2,601,556	27,812
Government and Municipal bonds	1,630,112	1,646,135	56,322	1,533,853	1,554,533	48,520	1,513,159	1,530,961	38,106
Total fixed income securities	4,255,138	4,275,702	120,308	3,899,318	3,927,436	86,548	4,108,415	4,132,517	65,918
Equities	211,348	211,348	45,134	172,064	172,064	29,630	192,771	192,771	37,420
Short-term investments	166,488	166,488	-	186,499	186,499	-	174,251	174,251	-
Other investments	106,125	106,125	-	109,077	109,077	-	107,875	107,875	-
Total invested assets	\$ 4,739,099	4,759,663	165,442	\$ 4,366,958	4,395,076	116,178	\$ 4,583,312	4,607,414	103,338
Invested assets per \$ of stockholders' equity	3.83			3.97			3.97		
Total assets	6,490,585			6,112,627			6,270,170		
<b>Liabilities:</b>									
Reserve for loss and loss expenses	3,451,306			3,270,114			3,349,770		
Unearned premium reserve	1,100,864			1,048,011			1,059,155		
Total liabilities	5,252,510			5,013,582			5,116,242		
Stockholders' equity	1,238,075			1,099,045			1,153,928		
Total debt to capitalization ratio	24.1%			26.3%			25.4%		
Book value per share	21.96			19.72			20.63		
Book value per share excluding unrealized gain or loss on bond portfolio	20.81			19.04			20.15		
NPW per insurance segment employee	927			886			908		
Statutory premiums to surplus ratio	1.4x			1.5x			1.4x		
Statutory surplus	1,292,961			1,170,612			1,256,431		

<sup>1</sup> Includes mortgage-backed and asset-backed securities.

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Selected Income Statement Data**  
**(unaudited)**

	Quarter Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
	Per diluted share		Per diluted share		Per diluted share		Per diluted share	
(\$ in thousands, except per share amounts)								
<b>Consolidated</b>								
Revenue	\$	506,849	\$	468,945	\$	1,015,920	\$	928,894
Operating income		26,390	0.46	23,773	0.42	39,673	0.70	43,897
Net realized gains, after tax		2,951	0.05	3,349	0.06	7,642	0.13	5,530
Income from continuing operations		29,341	0.51	27,122	0.48	47,315	0.83	49,427
Loss on discontinued operations, after tax		-	-	-	-	-	-	(997)
Net income		29,341	0.51	27,122	0.48	47,315	0.83	48,430
<b>Operating return on equity</b>		<b>8.7%</b>		<b>8.5%</b>		<b>6.6%</b>		<b>8.0%</b>
<b>Total Insurance Operations</b>								
Gross premiums written		578,151		555,568		1,143,892		1,092,866
Net premiums written		479,823		462,177		956,573		912,301
Net premiums earned		463,625		426,252		920,120		847,192
Underwriting gain		10,084		4,483		5,069		16,644
	- before tax							
	- after tax	6,555	0.11	2,914	0.05	3,295	0.06	10,819
<b>GAAP combined ratio</b>		<b>97.8%</b>		<b>98.9%</b>		<b>99.4%</b>		<b>98.0%</b>
<b>Total Standard lines</b>								
Net premiums earned		429,051		396,205		853,310		787,086
<b>GAAP combined ratio</b>		<b>97.6%</b>		<b>98.3%</b>		<b>99.5%</b>		<b>97.6%</b>
<b>Standard Commercial lines</b>								
Net premiums earned		354,507		322,657		703,948		640,502
<b>GAAP combined ratio</b>		<b>95.6%</b>		<b>97.0%</b>		<b>98.3%</b>		<b>97.5%</b>
<b>Standard Personal lines</b>								
Net premiums earned		74,544		73,548		149,362		146,584
<b>GAAP combined ratio</b>		<b>107.5%</b>		<b>104.0%</b>		<b>105.3%</b>		<b>98.0%</b>
<b>Excess and Surplus lines</b>								
Net premiums earned		34,574		30,047		66,810		60,106
<b>GAAP combined ratio</b>		<b>100.1%</b>		<b>107.6%</b>		<b>98.6%</b>		<b>103.7%</b>
<b>Investments</b>								
Net investment income	- before tax	36,774		34,003		72,308		66,873
	- after tax	27,421	0.48	25,700	0.45	53,907	0.94	50,539
Effective tax rate		25.4%		24.4%		25.4%		24.4%
<b>Annualized after-tax yield on investment portfolio</b>						<b>2.3%</b>		<b>2.3%</b>
<b>Annualized after-tax, after-interest expense yield</b>						<b>2.0%</b>		<b>2.0%</b>
<b>Invested assets per \$ of stockholders' equity</b>						<b>3.83</b>		<b>3.97</b>
<b>Other expenses (net of other income)</b>								
Interest expense	- before tax	(5,425)		(5,570)		(10,986)		(11,401)
	- after tax	(3,526)	(0.06)	(3,621)	(0.06)	(7,141)	(0.12)	(7,411)
Other Expense - after tax	\$	(4,060)	(0.07)	(1,220)	(0.02)	(10,388)	(0.18)	(10,050)
Diluted weighted avg shares outstanding		57,260		56,616		57,215		56,530

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**GAAP Insurance Operations Results**  
(Unaudited)

**Second Quarter**

(\$ in thousands)

Quarter Ended June 30, 2014

Quarter Ended June 30, 2013

	Standard Commercial Lines	Standard Personal Lines	Total Standard Lines	Excess & Surplus Lines	Grand Total	Standard Commercial Lines	Standard Personal Lines	Total Standard Lines	Excess & Surplus Lines	Grand Total
Net Premiums Written	363,860	78,181	442,041	37,782	479,823	350,651	78,860	429,511	32,666	462,177
Net Premiums Earned	354,507	74,544	429,051	34,574	463,625	322,657	73,548	396,205	30,047	426,252
Loss and Loss Expense Incurred	216,532	58,863	275,395	22,400	297,795	201,316	57,204	258,520	21,074	279,594
Net Underwriting Expenses Incurred	120,723	21,263	141,986	12,211	154,197	110,617	19,319	129,936	11,258	141,194
Dividends to Policyholders	1,549	-	1,549	-	1,549	981	-	981	-	981
<b>GAAP Underwriting Gain (Loss)</b>	<b>15,703</b>	<b>(5,582)</b>	<b>10,121</b>	<b>(37)</b>	<b>10,084</b>	<b>9,743</b>	<b>(2,975)</b>	<b>6,768</b>	<b>(2,285)</b>	<b>4,483</b>
<b>GAAP Ratios</b>										
Loss and Loss Expense Ratio	61.1%	79.0%	64.2%	64.8%	64.2%	62.4%	77.8%	65.2%	70.1%	65.6%
Underwriting Expense Ratio	34.1%	28.5%	33.0%	35.3%	33.3%	34.3%	26.2%	32.9%	37.5%	33.1%
Dividends to Policyholders Ratio	0.4%	0.0%	0.4%	0.0%	0.3%	0.3%	0.0%	0.2%	0.0%	0.2%
<b>Combined Ratio</b>	<b>95.6%</b>	<b>107.5%</b>	<b>97.6%</b>	<b>100.1%</b>	<b>97.8%</b>	<b>97.0%</b>	<b>104.0%</b>	<b>98.3%</b>	<b>107.6%</b>	<b>98.9%</b>

**Year to Date**

(\$ in thousands)

Year to Date June 30, 2014

Year to Date June 30, 2013

	Standard Commercial Lines	Standard Personal Lines	Total Standard Lines	Excess & Surplus Lines	Grand Total	Standard Commercial Lines	Standard Personal Lines	Total Standard Lines	Excess & Surplus Lines	Grand Total
Net Premiums Written	743,210	145,519	888,729	67,844	956,573	703,840	147,415	851,255	61,046	912,301
Net Premiums Earned	703,948	149,362	853,310	66,810	920,120	640,502	146,584	787,086	60,106	847,192
Loss and Loss Expense Incurred	459,171	116,890	576,061	42,280	618,341	404,455	104,796	509,251	40,192	549,443
Net Underwriting Expenses Incurred	229,917	40,414	270,331	23,592	293,923	218,135	38,790	256,925	22,113	279,038
Dividends to Policyholders	2,787	-	2,787	-	2,787	2,067	-	2,067	-	2,067
<b>GAAP Underwriting Gain (Loss)</b>	<b>12,073</b>	<b>(7,942)</b>	<b>4,131</b>	<b>938</b>	<b>5,069</b>	<b>15,845</b>	<b>2,998</b>	<b>18,843</b>	<b>(2,199)</b>	<b>16,644</b>
<b>GAAP Ratios</b>										
Loss and Loss Expense Ratio	65.2%	78.3%	67.5%	63.3%	67.2%	63.1%	71.5%	64.7%	66.9%	64.9%
Underwriting Expense Ratio	32.7%	27.0%	31.7%	35.3%	31.9%	34.1%	26.5%	32.6%	36.8%	32.9%
Dividends to Policyholders Ratio	0.4%	0.0%	0.3%	0.0%	0.3%	0.3%	0.0%	0.3%	0.0%	0.2%
<b>Combined Ratio</b>	<b>98.3%</b>	<b>105.3%</b>	<b>99.5%</b>	<b>98.6%</b>	<b>99.4%</b>	<b>97.5%</b>	<b>98.0%</b>	<b>97.6%</b>	<b>103.7%</b>	<b>98.0%</b>



**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2014 Statutory Results by Line of Business**  
**Quarter Ended June 2014 (unaudited)**

(\$ in thousands)	Net Premiums Written	Percent Change	Net Premiums Earned	Percent Change	Loss Ratio	LAE Ratio	Underwriting Expense Ratio	Dividends to Policyholders Ratio	Combined Ratio 2014	Combined Ratio 2013	Underwriting Gain/(Loss)
<b>Standard Personal Lines:</b>											
Homeowners	\$ 36,936	5.3%	\$ 33,575	5.9%	83.9%	8.6%	32.0%	0.0%	124.5%	108.0%	\$ (9,301)
Auto	39,152	(2.6)%	38,021	(1.3)%	61.0%	8.2%	31.0%	0.0%	100.2%	112.7%	(426)
Other (including flood)	2,093	(41.9)%	2,948	(11.2)%	57.1%	13.3%	(153.0)%	0.0%	(82.6)%	(59.1)%	4,224
<b>Total</b>	<b>\$ 78,181</b>	<b>(0.9)%</b>	<b>\$ 74,544</b>	<b>1.4%</b>	<b>71.1%</b>	<b>7.9%</b>	<b>27.1%</b>	<b>0.0%</b>	<b>106.1%</b>	<b>102.9%</b>	<b>\$ (5,503)</b>
<b>Standard Commercial Lines:</b>											
Commerical property	\$ 62,630	5.8%	\$ 61,226	11.4%	59.2%	4.9%	37.5%	0.1%	101.7%	80.9%	\$ (1,537)
Workers compensation	65,210	(4.9)%	68,993	6.4%	64.8%	15.7%	29.8%	2.0%	112.1%	118.3%	(7,255)
General liability	118,176	7.2%	111,591	11.9%	30.3%	16.6%	33.7%	0.1%	80.7%	94.9%	19,316
Auto	87,412	3.7%	83,472	8.8%	53.8%	7.6%	32.0%	0.1%	93.5%	95.3%	4,193
Business owners policies	21,964	10.1%	21,279	14.2%	70.4%	10.2%	37.2%	0.0%	117.7%	76.0%	(4,027)
Bonds	5,313	(1.8)%	4,734	(0.9)%	16.5%	3.6%	64.0%	0.0%	84.1%	79.4%	382
Other	3,154	4.1%	3,213	7.3%	(1.1)%	0.3%	51.8%	0.0%	51.0%	49.0%	1,606
<b>Total</b>	<b>\$ 363,860</b>	<b>3.8%</b>	<b>\$ 354,507</b>	<b>9.9%</b>	<b>49.5%</b>	<b>11.6%</b>	<b>34.0%</b>	<b>0.4%</b>	<b>95.5%</b>	<b>95.6%</b>	<b>\$ 12,677</b>
<b>Total Standard Operations</b>	<b>\$ 442,041</b>	<b>2.9%</b>	<b>\$ 429,051</b>	<b>8.3%</b>	<b>53.3%</b>	<b>10.9%</b>	<b>32.7%</b>	<b>0.4%</b>	<b>97.3%</b>	<b>97.0%</b>	<b>\$ 7,174</b>
E&S	\$ 37,782	15.7%	\$ 34,574	15.1%	51.0%	14.0%	34.9%	0.0%	99.9%	106.8%	\$ -
<b>Total Insurance Operations</b>	<b>\$ 479,823</b>	<b>3.8%</b>	<b>\$ 463,625</b>	<b>8.8%</b>	<b>53.1%</b>	<b>11.1%</b>	<b>33.0%</b>	<b>0.3%</b>	<b>97.5%</b>	<b>97.7%</b>	<b>\$ 6,101</b>

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 221,989	\$ 207,023
LAE Paid	44,075	43,620
Total Paid	\$ 266,064	\$ 250,643

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2014 Statutory Results by Line of Business**  
**Year-to-date June 2014 (unaudited)**

(\$ in thousands)	Net Premiums Written	Percent Change	Net Premiums Earned	Percent Change	Loss Ratio	LAE Ratio	Underwriting Expense Ratio	Dividends to Policyholders Ratio	Combined Ratio 2014	Combined Ratio 2013	Underwriting Gain/(Loss)
<b>Standard Personal Lines:</b>											
Homeowners	\$ 65,636	4.3%	\$ 66,874	6.4%	81.9%	8.3%	32.8%	0.0%	123.0%	97.8%	\$ (14,969)
Auto	75,969	(2.4)%	76,248	(0.9)%	60.4%	9.6%	30.6%	0.0%	100.6%	109.2%	(365)
Other (including flood)	3,914	(41.0)%	6,238	(8.6)%	53.8%	8.8%	(150.4)%	0.0%	(87.8)%	(39.6)%	8,487
<b>Total</b>	<b>\$ 145,519</b>	<b>(1.3)%</b>	<b>\$ 149,362</b>	<b>1.9%</b>	<b>69.8%</b>	<b>8.5%</b>	<b>27.0%</b>	<b>0.0%</b>	<b>105.3%</b>	<b>97.6%</b>	<b>\$ (6,847)</b>
<b>Standard Commercial Lines:</b>											
Commerical property	\$ 126,726	8.4%	\$ 121,412	12.1%	75.4%	5.0%	35.9%	0.1%	116.4%	83.7%	\$ (21,757)
Workers compensation	141,181	(2.0)%	138,405	5.7%	64.7%	15.6%	26.7%	1.8%	108.8%	118.6%	(12,941)
General liability	237,680	8.2%	220,409	11.6%	31.6%	16.6%	32.4%	0.1%	80.7%	95.4%	37,029
Auto	176,535	6.3%	165,688	9.7%	55.9%	7.6%	30.6%	0.1%	94.2%	96.6%	6,346
Business owners policies	44,088	9.4%	42,148	13.4%	76.9%	10.3%	36.5%	0.0%	123.7%	76.5%	(10,693)
Bonds	10,180	(1.8)%	9,490	(0.5)%	16.4%	6.1%	58.4%	0.0%	80.8%	78.7%	1,421
Other	6,819	5.5%	6,396	6.9%	(0.8)%	0.2%	47.0%	0.0%	46.5%	43.5%	3,223
<b>Total</b>	<b>\$ 743,210</b>	<b>5.6%</b>	<b>\$ 703,948</b>	<b>9.9%</b>	<b>53.6%</b>	<b>11.6%</b>	<b>32.2%</b>	<b>0.4%</b>	<b>97.8%</b>	<b>96.6%</b>	<b>\$ 2,628</b>
<b>Total Standard Operations</b>	<b>\$ 888,729</b>	<b>4.4%</b>	<b>\$ 853,310</b>	<b>8.4%</b>	<b>56.4%</b>	<b>11.1%</b>	<b>31.4%</b>	<b>0.3%</b>	<b>99.2%</b>	<b>96.9%</b>	<b>\$ (4,220)</b>
E&S	\$ 67,844	11.1%	\$ 66,810	11.2%	49.0%	14.4%	35.4%	0.0%	98.8%	102.6%	\$ 406
<b>Total Insurance Operations</b>	<b>\$ 956,573</b>	<b>4.9%</b>	<b>\$ 920,120</b>	<b>8.6%</b>	<b>55.9%</b>	<b>11.3%</b>	<b>31.7%</b>	<b>0.3%</b>	<b>99.2%</b>	<b>97.3%</b>	<b>\$ (3,813)</b>

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 435,286	\$ 394,308
LAE Paid	88,839	88,609
Total Paid	\$ 524,125	\$ 482,917

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**2014 Net Catastrophe Losses and Prior Year Casualty Reserve Development**  
**Statutory Results by Line of Business**  
**(unaudited)**

<u>Net Catastrophe Losses Incurred</u>	Quarter Ended				Six Months Ended			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
(\$ in thousands)								
Standard Personal Lines	\$ 12,733	17.1%	\$ 7,868	10.7%	\$ 21,013	14.1%	\$ 8,403	5.7%
Standard Commercial Lines	\$ 12,781	3.6%	\$ 9,195	2.8%	\$ 38,687	5.5%	\$ 9,933	1.6%
<b>Total Standard Operations</b>	<b>\$ 25,514</b>	<b>5.9%</b>	<b>\$ 17,063</b>	<b>4.3%</b>	<b>\$ 59,700</b>	<b>7.0%</b>	<b>\$ 18,336</b>	<b>2.3%</b>
E&S	\$ 1,688	4.9%	\$ 2,557	8.5%	\$ 1,874	2.8%	\$ 2,860	4.8%
<b>Total Insurance Operations</b>	<b>\$ 27,202</b>	<b>5.9%</b>	<b>\$ 19,620</b>	<b>4.6%</b>	<b>\$ 61,574</b>	<b>6.7%</b>	<b>\$ 21,196</b>	<b>2.5%</b>

<u>Prior Year Casualty Reserve Development (Favorable) / Unfavorable</u>	Quarter Ended				Six Months Ended			
	June 30, 2014		June 30, 2013		June 30, 2014		June 30, 2013	
	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio	Loss and Loss Expense Incurred	Impact on Loss and Loss Expense Ratio
(\$ in thousands)								
Standard Personal Lines	\$ (2,000)	(2.7)%	\$ 1,000	1.4%	\$ (4,000)	(2.7)%	\$ (1,500)	(1.0)%
Standard Commercial Lines	\$ (15,500)	(4.4)%	\$ (5,000)	(1.5)%	\$ (27,500)	(3.9)%	\$ (4,500)	(0.7)%
<b>Total Standard Operations</b>	<b>\$ (17,500)</b>	<b>(4.1)%</b>	<b>\$ (4,000)</b>	<b>(0.9)%</b>	<b>\$ (31,500)</b>	<b>(3.7)%</b>	<b>\$ (6,000)</b>	<b>(0.7)%</b>
E&S	\$ -	0.0%	\$ 2,000	6.7%	\$ -	0.0%	\$ 2,500	4.2%
<b>Total Insurance Operations</b>	<b>\$ (17,500)</b>	<b>(3.8)%</b>	<b>\$ (2,000)</b>	<b>(0.4)%</b>	<b>\$ (31,500)</b>	<b>(3.4)%</b>	<b>\$ (3,500)</b>	<b>(0.4)%</b>

Note: Some amounts may not foot due to rounding.

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**
**Consolidated Balance Sheets**

(\$ in thousands)	(Unaudited) June 30, 2014	December 31, 2013
<b>ASSETS</b>		
<b>Investments:</b>		
Fixed income securities, held-to-maturity – at carrying value (fair value: \$385,502 – 2014; \$416,981 – 2013)	\$ 364,938	392,879
Fixed income securities, available-for-sale – at fair value (amortized cost: \$3,792,036 – 2014; \$3,675,977 – 2013)	3,890,200	3,715,536
Equity securities, available-for-sale – at fair value (cost: \$166,214 – 2014; \$155,350 – 2013)	211,348	192,771
Short-term investments (at cost which approximates fair value)	166,488	174,251
Other investments	106,125	107,875
Total investments	4,739,099	4,583,312
Cash	1,547	193
Interest and dividends due or accrued	37,747	37,382
Premiums receivable, net of allowance for uncollectible accounts of: \$3,733 – 2014; \$4,442 – 2013	589,617	524,870
Reinsurance recoverable, net	558,758	550,897
Prepaid reinsurance premiums	148,256	143,000
Current federal income tax	—	512
Deferred federal income tax	97,401	122,613
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$184,748 – 2014; \$179,192 – 2013	53,836	50,834
Deferred policy acquisition costs	182,087	172,981
Goodwill	7,849	7,849
Other assets	74,388	75,727
Total assets	<u>\$ 6,490,585</u>	<u>6,270,170</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities:</b>		
Reserve for loss and loss expenses	\$ 3,451,306	3,349,770
Unearned premiums	1,100,864	1,059,155
Notes payable	392,290	392,414
Current federal income tax	10,150	—
Accrued salaries and benefits	84,870	111,427
Other liabilities	213,030	203,476
Total liabilities	<u>\$ 5,252,510</u>	<u>5,116,242</u>
<b>Stockholders' Equity:</b>		
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: 99,697,374 – 2014; 99,120,235 – 2013	199,395	198,240
Additional paid-in capital	298,352	288,182
Retained earnings	1,234,462	1,202,015
Accumulated other comprehensive income	68,012	24,851
Treasury stock – at cost (shares: 43,323,441– 2014; 43,198,622 – 2013)	(562,146)	(559,360)
Total stockholders' equity	<u>1,238,075</u>	<u>1,153,928</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 6,490,585</u>	<u>6,270,170</u>



**Selective Insurance Group, Inc. & Consolidated Subsidiaries**

**Unaudited Consolidated Statements of Income**

	Quarter Ended June 30,		Six Months Ended June 30,	
(\$ in thousands, except per share amounts)	2014	2013	2014	2013
<b>Revenues:</b>				
Net premiums earned	\$ 463,625	426,252	920,120	847,192
Net investment income earned	36,774	34,003	72,308	66,873
Net realized gains:				
Net realized investment gains	4,958	5,709	13,139	11,013
Other-than-temporary impairments	(419)	(508)	(1,382)	(2,427)
Other-than-temporary impairments on fixed income securities recognized in other comprehensive income	—	(47)	—	(77)
Total net realized gains	4,539	5,154	11,757	8,509
Other income	1,911	3,536	11,735	6,320
Total revenues	<u>506,849</u>	<u>468,945</u>	<u>1,015,920</u>	<u>928,894</u>
<b>Expenses:</b>				
Loss and loss expenses incurred	297,795	279,594	618,341	549,443
Policy acquisition costs	155,173	143,728	304,439	283,256
Interest expense	5,425	5,570	10,986	11,401
Other expenses	8,935	3,852	17,549	19,725
Total expenses	<u>467,328</u>	<u>432,744</u>	<u>951,315</u>	<u>863,825</u>
Income from continuing operations, before federal income tax	<u>39,521</u>	<u>36,201</u>	<u>64,605</u>	<u>65,069</u>
<b>Federal income tax expense:</b>				
Current	8,781	6,221	15,319	13,674
Deferred	1,399	2,858	1,971	1,968
Total federal income tax expense	<u>10,180</u>	<u>9,079</u>	<u>17,290</u>	<u>15,642</u>
Net income from continuing operations	<u>29,341</u>	<u>27,122</u>	<u>47,315</u>	<u>49,427</u>
Loss on disposal of discontinued operations, net of tax of \$(538) - 2013	—	—	—	(997)
Net income	<u>\$ 29,341</u>	<u>27,122</u>	<u>47,315</u>	<u>48,430</u>
<b>Earnings per share:</b>				
Basic net income from continuing operations	\$ 0.52	0.49	0.84	0.89
Basic net loss from discontinued operations	—	—	—	(0.02)
Basic net income	<u>\$ 0.52</u>	<u>0.49</u>	<u>0.84</u>	<u>0.87</u>
Diluted net income from continuing operations	\$ 0.51	0.48	0.83	0.88
Diluted net loss from discontinued operations	—	—	—	(0.02)
Diluted net income	<u>\$ 0.51</u>	<u>0.48</u>	<u>0.83</u>	<u>0.86</u>
Dividends to stockholders	\$ 0.13	0.13	0.26	0.26

Selective Insurance Group, Inc. & Consolidated Subsidiaries Unaudited Consolidated Statements of Comprehensive Income	Quarter Ended June 30,		Six Months Ended June 30,	
(\$ in thousands)	2014	2013	2014	2013
Net income	\$ 29,341	27,122	47,315	48,430
<b>Other comprehensive income (loss), net of tax:</b>				
<i>Unrealized gains (losses) on investment securities:</i>				
Unrealized holding gains (losses) arising during period	29,329	(59,353)	50,755	(56,959)
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income	—	31	—	50
<i>Amount reclassified into net income:</i>				
Held-to-maturity securities	(144)	(399)	(440)	(865)
Non-credit other-than-temporary impairments	305	3	305	8
Realized gains on available for sale securities	(3,255)	(3,438)	(7,954)	(7,322)
Total unrealized gains (losses) on investment securities	26,235	(63,156)	42,666	(65,088)
<i>Defined benefit pension and post-retirement plans:</i>				
Net actuarial gain	—	—	—	28,600
<i>Amounts reclassified into net income:</i>				
Net actuarial loss	248	513	495	1,709
Prior service cost	—	—	—	6
Curtailment expense	—	—	—	11
Total defined benefit pension and post-retirement plans	248	513	495	30,326
Other comprehensive income (loss)	26,483	(62,643)	43,161	(34,762)
Comprehensive income (loss)	\$ 55,824	(35,521)	90,476	13,668

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Unaudited Consolidated Statements of Stockholders' Equity**

**Six Months Ended June 30,**

(\$ in thousands)	2014	2013
<b>Common stock:</b>		
Beginning of year	\$ 198,240	196,388
Dividend reinvestment plan (shares: 29,949 – 2014; 33,514 – 2013)	60	67
Stock purchase and compensation plans (shares: 547,190 – 2014; 682,661 – 2013)	1,095	1,366
End of period	<u>199,395</u>	<u>197,821</u>
<b>Additional paid-in capital:</b>		
Beginning of year	288,182	270,654
Dividend reinvestment plan	642	703
Stock purchase and compensation plans	9,528	10,657
End of period	<u>298,352</u>	<u>282,014</u>
<b>Retained earnings:</b>		
Beginning of year	1,202,015	1,125,154
Net income	47,315	48,430
Dividends to stockholders (\$0.26 per share – 2014 and 2013)	(14,868)	(14,723)
End of period	<u>1,234,462</u>	<u>1,158,861</u>
<b>Accumulated other comprehensive income:</b>		
Beginning of year	24,851	54,040
Other comprehensive income (loss)	43,161	(34,762)
End of period	<u>68,012</u>	<u>19,278</u>
<b>Treasury stock:</b>		
Beginning of year	(559,360)	(555,644)
Acquisition of treasury stock (shares: 124,819 – 2014; 151,113 – 2013)	(2,786)	(3,285)
End of period	<u>(562,146)</u>	<u>(558,929)</u>
Total stockholders' equity	<u>\$ 1,238,075</u>	<u>1,099,045</u>

**Selective Insurance Group, Inc. & Consolidated Subsidiaries**  
**Unaudited Consolidated Statements of Cash Flow**

**Six Months Ended**  
**June 30,**

(\$ in thousands)	2014	2013
<b>Operating Activities:</b>		
Net Income	\$ 47,315	48,430
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>		
Depreciation and amortization	18,912	23,103
Sale of renewal rights	(8,000)	—
Loss on disposal of discontinued operations	—	997
Stock-based compensation expense	6,102	6,189
Undistributed (gains) losses of equity method investments	(138)	419
Net realized gains	(11,757)	(8,509)
Retirement income plan curtailment expense	—	16
<i>Changes in assets and liabilities:</i>		
Increase in reserve for loss and loss expenses, net of reinsurance recoverables	93,675	69,790
Increase in unearned premiums, net of prepaid reinsurance and advance premiums	36,997	65,225
Decrease in net federal income taxes	12,634	3,171
Increase in premiums receivable	(64,747)	(84,135)
Increase in deferred policy acquisition costs	(9,106)	(9,555)
Decrease in interest and dividends due or accrued	(361)	(1,066)
Decrease in accrued salaries and benefits	(26,557)	(6,173)
Decrease in accrued insurance expenses	(16,872)	(5,478)
Other-net	(5,425)	(4,526)
Net adjustments	25,357	49,468
Net cash provided by operating activities	<u>72,672</u>	<u>97,898</u>
<b>Investing Activities:</b>		
Purchase of fixed income securities, available-for-sale	(339,362)	(530,402)
Purchase of equity securities, available-for-sale	(111,886)	(42,546)
Purchase of other investments	(6,039)	(4,393)
Purchase of short-term investments	(764,692)	(1,116,873)
Sale of subsidiary	—	1,225
Sale of fixed income securities, available-for-sale	19,557	6,851
Sale of short-term investments	772,455	1,144,853
Redemption and maturities of fixed income securities, held-to-maturity	28,595	48,186
Redemption and maturities of fixed income securities, available-for-sale	222,568	286,905
Sale of equity securities, available-for-sale	111,996	42,206
Distributions from other investments	7,726	6,077
Purchase of property and equipment	(6,628)	(6,761)
Sale of renewal rights	8,000	—
Net cash used in investing activities	<u>(57,710)</u>	<u>(164,672)</u>
<b>Financing Activities:</b>		
Dividends to stockholders	(13,914)	(13,668)
Acquisition of treasury stock	(2,786)	(3,285)
Net proceeds from stock purchase and compensation plans	3,091	3,769
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	955	1,467
Repayment of capital lease obligations	(954)	—
Net cash (used in) provided by financing activities	<u>(13,608)</u>	<u>66,718</u>
Net increase (decrease) in cash	1,354	(56)
Cash, beginning of year	193	210
Cash, end of period	<u>\$ 1,547</u>	<u>154</u>

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**Statutory Balance Sheets**  
**(unaudited)**

(\$ in thousands)	June 30, 2014	June 30, 2013	December 31, 2013
<b>ASSETS</b>			
Bonds	\$ 4,094,993	3,794,994	4,010,464
Common stocks	211,348	172,064	192,771
Affiliated mortgage loan	36,346	37,086	36,721
Other investments	172,089	175,080	173,856
Short-term investments	137,181	147,071	158,827
Total investments	<u>4,651,957</u>	<u>4,326,295</u>	<u>4,572,639</u>
Cash on hand and in banks	(18,072)	(34,417)	(31,186)
Interest and dividends due and accrued	37,642	36,361	37,267
Premiums receivable	586,586	567,218	522,907
Reinsurance recoverable on paid losses and expenses	9,995	8,087	10,059
Deferred tax recoverable	149,770	157,856	154,320
EDP equipment	667	1,017	913
Equities and deposits in pools and associations	9,595	6,800	9,555
Receivable for sold securities	7	18,730	7
Other assets	26,544	24,017	30,671
Total assets	<u>\$ 5,454,691</u>	<u>5,111,964</u>	<u>5,307,152</u>
<b>LIABILITIES</b>			
Reserve for losses	\$ 2,420,474	2,282,379	2,341,476
Reinsurance payable on paid loss and loss expense	2,853	2,247	2,557
Reserve for loss expenses	471,202	438,734	455,983
Unearned premiums	952,608	907,178	916,155
Reserve for commissions payable	54,191	47,100	63,482
Ceded balances payable	34,379	31,243	33,721
Federal income tax payable	10,953	21,415	27,749
Premium and other taxes payable	20,289	24,330	27,870
Borrowed money	58,042	58,042	58,044
Reserve for dividends to policyholders	2,443	2,334	2,070
Reserves for unauthorized reinsurance	2,735	7,498	2,735
Payable for securities	30,125	9,596	-
Funds withheld on account of others	7,560	8,080	6,623
Accrued salaries and benefits	46,806	44,601	65,053
Other liabilities	47,070	56,575	47,203
Total liabilities	<u>4,161,730</u>	<u>3,941,352</u>	<u>4,050,721</u>
<b>POLICYHOLDERS' SURPLUS</b>			
Capital	42,725	42,725	42,725
Paid in surplus	492,869	492,869	492,869
Unassigned surplus	757,367	635,018	720,837
Total policyholders' surplus	<u>1,292,961</u>	<u>1,170,612</u>	<u>1,256,431</u>
Total liabilities and policyholders' surplus	<u>\$ 5,454,691</u>	<u>5,111,964</u>	<u>5,307,152</u>

**Selective Insurance Group, Inc.**  
**Combined Insurance Company Subsidiaries**  
**Statutory Statements Of Income**  
**(unaudited)**

(\$ in thousands)	Quarter Ended				Six Months Ended				
	June		2013		June		2013		
	2014		2013		2014		2013		
<b>UNDERWRITING</b>									
<b>Net premiums written</b>	\$ 479,823		462,177		956,573		912,301		
<b>Net premiums earned</b>	463,625		426,252		920,120		847,192		
Net losses paid	221,989		207,023		435,286		394,308		
Change in reserve for losses	24,057		24,363		78,998		55,521		
<b>Net losses incurred</b>	246,046	53.1%	231,386	54.3%	514,284	55.9%	449,829	53.1%	
Net loss expenses paid	44,075		43,620		88,839		88,609		
Change in reserve for loss expenses	7,675		4,689		15,219		11,173		
<b>Net loss expenses incurred</b>	51,750	11.1%	48,309	11.3%	104,058	11.3%	99,782	11.8%	
<b>Net underwriting expenses incurred</b>	159,413	33.2%	150,140	32.6%	313,203	32.8%	298,480	32.8%	
Total deductions	457,209		429,835		931,545		848,091		
<b>Statutory underwriting gain / (loss)</b>	<u>6,416</u>		<u>(3,583)</u>		<u>(11,425)</u>		<u>(899)</u>		
Net loss from premium balances charged off	(895)		(616)		(1,769)		(1,350)		
Finance charges and other income	2,129		3,746		12,168		6,678		
<b>Total other income</b>	1,234	-0.2%	3,130	-0.7%	10,399	-1.1%	5,328	-0.6%	
Policyholders' dividends incurred	(1,549)	0.3%	(981)	0.2%	(2,787)	0.3%	(2,067)	0.2%	
<b>Total underwriting gain / (loss)</b>	<u>6,101</u>	97.5%	<u>(1,434)</u>	97.7%	<u>(3,813)</u>	99.2%	<u>2,362</u>	97.3%	
<b>INVESTMENT</b>									
Net investment income earned	36,652		34,012		72,147		67,342		
Net realized gain	4,537		5,150		11,752		6,362		
<b>Total income before income tax</b>	<u>47,290</u>		<u>37,728</u>		<u>80,086</u>		<u>76,066</u>		
Federal income tax expense	7,108		16,752		12,953		32,687		
<b>Net income</b>	<u>\$ 40,182</u>		<u>20,976</u>		<u>67,133</u>		<u>43,379</u>		
<b>Policyholders' Surplus</b>									
Surplus, beginning of period	\$ 1,263,795		1,151,959		1,256,431		1,050,107		
Net income	40,182		20,976		67,133		43,379		
Change in deferred taxes	(5,403)		7,815		(6,685)		8,069		
Change in unrealized gains	6,451		(884)		5,139		8,552		
Dividends to stockholders	(14,378)		(6,662)		(28,754)		(18,782)		
Paid in surplus	-		-		-		57,125		
Change in non-admitted assets	2,033		(3,290)		(867)		13,429		
Change in Overfunded Contra Asset	(1,546)		(1,184)		(3,093)		(9,907)		
Qual Pen Transitional Liability	1,815		1,846		3,631		(33,879)		
Excess Plan Transitional Liability	7		17		15		(578)		
PRL Plan Transitional Liability	5		19		11		(1,199)		
Change in minimum pension liability	-		-		-		54,755		
Surplus adjustments	-		-		-		(459)		
<b>Net change in surplus for period</b>	<u>29,166</u>		<u>18,653</u>		<u>36,530</u>		<u>120,505</u>		
<b>Surplus, end of period</b>	<u>\$ 1,292,961</u>		<u>1,170,612</u>		<u>1,292,961</u>		<u>1,170,612</u>		
Statutory underwriting gain / (loss)	\$ 6,101		(1,434)		(3,813)		2,362		
<b>Adjustments under GAAP:</b>									
Deferred policy acquisition costs	4,409		6,593		9,105		9,555		
Pension costs	(98)		(101)		(195)		5,824		
Other, net	(328)		(575)		(28)		(1,097)		
<b>GAAP underwriting gain</b>	<u>\$ 10,084</u>		<u>4,483</u>		<u>5,069</u>		<u>16,644</u>		

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

**Selective Insurance Group, Inc. and Consolidated Subsidiaries**  
**Alternative Investments**  
**as of June 30, 2014**  
**(unaudited)**

<b>Fund</b>	<b>Inception Year</b>	<b>Original Commitment</b>	<b>Remaining Commitment</b>	<b>Current Market Value</b>	<b>YTD Income</b>	<b>DPI<sup>(1)</sup> Ratio</b>	<b>TVPI<sup>(2)</sup> Ratio</b>
<b>Real Estate</b>							
Silverpeak RE II	2005	20,000,000	2,185,689	8,195,022	1,091,960	0.67	1.06
Silverpeak RE III	2008	15,000,000	7,945,108	2,843,778	57,659	0.04	0.44
<b>Total - Real Estate</b>		<b>35,000,000</b>	<b>10,130,797</b>	<b>11,038,800</b>	<b>1,149,619</b>	<b>0.51</b>	<b>0.90</b>
<b>Mezzanine Financing</b>							
Neovara Euro Mezz	2004	9,000,000	-	579,578	-	0.98	1.02
GS Mezz V	2007	25,000,000	10,223,976	7,612,396	414,269	0.88	1.29
New Canaan V	2012	7,000,000	2,169,158	4,232,020	212,689	0.20	1.07
Centerfield Capital	2012	3,000,000	2,077,118	818,831	34,680	0.08	0.97
<b>Total - Mezz. Financing</b>		<b>44,000,000</b>	<b>14,470,253</b>	<b>13,242,825</b>	<b>661,638</b>	<b>0.81</b>	<b>1.16</b>
<b>Distressed Debt</b>							
Varde VIII	2006	10,000,000	-	3,042,718	247,442	1.02	1.32
Distressed Managers III	2007	15,000,000	2,971,463	6,904,059	529,466	0.70	1.22
<b>Total - Distressed Debt</b>		<b>25,000,000</b>	<b>2,971,463</b>	<b>9,946,777</b>	<b>776,908</b>	<b>0.84</b>	<b>1.26</b>
<b>Private Equity</b>							
Prospector	1997	5,000,000	-	413,381	2,973	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,455,947	2,586,420	352,522	1.63	1.90
NB Co-Invest	2006	15,000,000	1,509,555	7,319,772	964,307	0.92	1.42
Trilantic Capital Partners IV	2007	11,098,351	1,339,289	9,875,400	1,195,341	0.89	1.79
Trilantic Capital Partners V	2012	7,000,000	5,612,282	1,193,300	42,513	-	0.86
<b>Total - Private Equity</b>		<b>48,098,351</b>	<b>9,917,073</b>	<b>21,388,273</b>	<b>2,557,655</b>	<b>1.27</b>	<b>1.79</b>
<b>Private Equity, Secondary Market</b>							
NB SOF	2005	12,000,000	899,494	3,568,214	189,191	1.02	1.34
Vintage IV	2007	20,000,000	4,118,809	12,373,512	381,639	0.70	1.33
NB SOF II	2008	12,000,000	2,211,904	7,633,707	655,447	0.85	1.48
<b>Total - Pvt. Eq. Sec. Mkt.</b>		<b>44,000,000</b>	<b>7,230,207</b>	<b>23,575,433</b>	<b>1,226,277</b>	<b>0.82</b>	<b>1.38</b>
<b>Energy/Power Generation</b>							
ArcLight I	2002	15,000,000	-	93,896	(36,918)	1.80	1.81
ArcLight II	2003	15,000,000	2,295,492	500,980	(507,577)	1.38	1.41
ArcLight III	2006	15,000,000	2,037,794	6,214,676	461,324	1.00	1.39
Quintana Energy	2006	10,000,000	362,821	8,306,003	1,038,465	0.55	1.40
ArcLight IV	2007	10,000,000	2,287,578	2,686,610	847,626	1.09	1.35
<b>Total - Energy/Power Generation</b>		<b>65,000,000</b>	<b>6,983,685</b>	<b>17,802,165</b>	<b>1,802,920</b>	<b>1.24</b>	<b>1.49</b>
<b>Venture Capital</b>							
Venture V	2001	9,600,000	350,000	7,089,121	596,206	0.60	1.36
<b>Total - Venture Capital</b>		<b>9,600,000</b>	<b>350,000</b>	<b>7,089,121</b>	<b>596,206</b>	<b>0.60</b>	<b>1.36</b>
<b>TOTAL - ALTERNATIVE INVESTMENTS</b>		<b>\$ 270,698,351</b>	<b>52,053,477</b>	<b>104,083,394</b>	<b>8,771,224</b>	<b>0.97</b>	<b>1.38</b>

<sup>(1)</sup> Distributed to paid in ratio

<sup>(2)</sup> Total value to paid in ratio

Exhibit may not foot due to rounding

**Selective Insurance Group, Inc. and Consolidated Subsidiaries**  
**Credit Quality of Available-for-Sale Fixed Income Securities**  
**June 30, 2014**  
(unaudited)

(\$ in millions)	Fair Value	Unrealized Gain (Loss)	Average Credit Quality
<b>AFS Fixed Income Portfolio:</b>			
U.S. government obligations	\$ 158.8	9.3	AA+
Foreign government obligations	28.0	1.0	AA-
State and municipal obligations	1,107.1	27.0	AA+
Corporate securities	1,782.6	52.4	A-
Asset-backed securities ("ABS")	132.2	0.7	AAA
Mortgage-backed securities ("MBS")	681.5	7.8	AA+
Total AFS fixed income portfolio	<u>\$ 3,890.2</u>	<u>98.2</u>	<u>AA-</u>
<b>State and Municipal Obligations:</b>			
General obligations	\$ 528.0	12.4	AA+
Special revenue obligations	579.1	14.6	AA
Total state and municipal obligations	<u>\$ 1,107.1</u>	<u>27.0</u>	<u>AA+</u>
<b>Corporate Securities:</b>			
Financial	\$ 550.7	16.1	A
Industrials	140.6	5.3	A-
Utilities	156.4	3.8	BBB+
Consumer discretionary	204.9	7.0	A-
Consumer staples	171.5	4.8	A
Healthcare	167.8	5.4	A
Materials	109.3	3.5	BBB+
Energy	108.1	2.8	A-
Information technology	116.0	1.8	A+
Telecommunications services	50.4	1.5	BBB+
Other	6.9	0.4	AA+
Total corporate securities	<u>\$ 1,782.6</u>	<u>52.4</u>	<u>A-</u>
<b>ABS:</b>			
ABS	\$ 131.8	0.7	AAA
Sub-prime ABS <sup>1</sup>	0.4	—	D
Total ABS	<u>\$ 132.2</u>	<u>0.7</u>	<u>AAA</u>
<b>MBS:</b>			
Government guaranteed agency commercial MBS ("CMBS")	\$ 23.7	0.6	AA+
Other agency CMBS	10.8	(0.1)	AA+
Non-agency CMBS	138.0	1.6	AA+
Government guaranteed agency residential MBS ("RMBS")	41.8	1.2	AA+
Other agency RMBS	422.9	3.6	AA+
Non-agency RMBS	40.1	0.8	A-
Alternative-A ("Alt-A") RMBS	4.2	0.1	A
Total MBS	<u>\$ 681.5</u>	<u>7.8</u>	<u>AA+</u>

<sup>1</sup>Subprime ABS consists of one security whose issuer is currently expected by rating agencies to default on its obligations. We define sub-prime exposure as exposure to direct and indirect investments in non-agency residential mortgages with average FICO® scores below 650.



**Selective Insurance Group, Inc. and Consolidated Subsidiaries**  
**Credit Quality of Held-to-Maturity Fixed Income Securities**  
**June 30, 2014**  
(unaudited)

(\$ in millions)	Fair Value	Carry Value	Unrecognized Holding Gain	Unrealized Gain (Loss) in Accumulated Other Comprehensive Income	Total Unrealized/Unrecognized Gain	Average Credit Quality
<b>HTM Fixed Income Portfolio:</b>						
Foreign government obligations	\$ 5.5	5.4	0.1	0.1	0.2	AA+
State and municipal obligations	346.7	330.8	15.9	2.9	18.8	AA
Corporate securities	24.5	21.5	3.0	(0.3)	2.7	A+
ABS	3.3	2.7	0.6	(0.6)	—	AAA
MBS	5.5	4.5	1.0	(0.5)	0.5	AAA
Total HTM fixed income portfolio	<u>\$ 385.5</u>	<u>364.9</u>	<u>20.6</u>	<u>1.6</u>	<u>22.2</u>	<u>AA</u>
<b>State and Municipal Obligations:</b>						
General obligations	\$ 110.6	105.9	4.7	1.5	6.2	AA
Special revenue obligations	236.1	224.9	11.2	1.4	12.6	AA
Total state and municipal obligations	<u>\$ 346.7</u>	<u>330.8</u>	<u>15.9</u>	<u>2.9</u>	<u>18.8</u>	<u>AA</u>
<b>Corporate Securities:</b>						
Financial	\$ 2.3	1.9	0.4	(0.1)	0.3	A-
Industrials	7.0	5.9	1.1	(0.1)	1.0	A+
Utilities	13.7	12.2	1.5	(0.1)	1.4	A+
Consumer discretionary	1.5	1.5	—	—	—	AA
Total corporate securities	<u>\$ 24.5</u>	<u>21.5</u>	<u>3.0</u>	<u>(0.3)</u>	<u>2.7</u>	<u>A+</u>
<b>ABS:</b>						
ABS	\$ 0.8	0.8	—	—	—	AA
Alt-A ABS	2.5	1.9	0.6	(0.6)	—	AAA
Total ABS	<u>\$ 3.3</u>	<u>2.7</u>	<u>0.6</u>	<u>(0.6)</u>	<u>—</u>	<u>AAA</u>
<b>MBS:</b>						
Non-agency CMBS	\$ 5.5	4.5	1.0	(0.5)	0.5	AAA
Total MBS	<u>\$ 5.5</u>	<u>4.5</u>	<u>1.0</u>	<u>(0.5)</u>	<u>0.5</u>	<u>AAA</u>