



Selective Reports Excellent First Quarter 2021 Results, Including Net Income of \$1.77 per Diluted Common Share, Annualized Return on Common Equity ("ROE") of 16.8%, Non-GAAP Operating Income¹ of \$1.70 per Diluted Common Share, and a Non-GAAP Operating ROE¹ of 16.2%

In the first quarter of 2021, we reported:

- Net premiums written ("NPW") increased 23% compared to the first quarter of 2020;
- GAAP combined ratio of 89.3%;
- After-tax net investment income of \$56 million, up 24% compared to the first quarter of 2020; and
- Book value per common share of \$42.38

Branchville, NJ - April 28, 2021 - Selective Insurance Group, Inc. (NASDAQ: SIGI) today reported financial results for the first quarter ended March 31, 2021, with net income per diluted common share of \$1.77 and non-GAAP operating income¹ per diluted common share of \$1.70.

“Our excellent first-quarter financial performance is a testament to our continued successful execution of our strategy focused on generating disciplined and profitable growth. We reported a strong 16.2% non-GAAP operating ROE, non-GAAP operating income per diluted common share of \$1.70, and an impressive 89.3% combined ratio. Our commercial lines NPW increased 28% from a year ago, of which 16 points were due to the COVID-19-related \$75 million return audit and mid-term endorsement premium accrual that reduced NPW in 2020. Commercial lines growth was driven by renewal pure price increases of 5.7% and continued solid retention of 86%. Each of our segments generated profitable results, with Investments a major contributor this quarter,” said John Marchioni, President and CEO.

“We are extremely proud of our successful track record in recent years of balancing growth with profitability, and consistently generating strong ROEs. Our results, in large part, have been driven by our superior distribution partner relationships, sophisticated underwriting tools and technologies, best-in-class customer experience capabilities, and culture of underwriting discipline. Our capital and liquidity position is the strongest at any time in our history. As we look to the remainder of 2021, we are well positioned to build on that successful record,” continued Mr. Marchioni.

Operating Highlights

Consolidated Financial Results <i>\$ and shares in millions, except per share data</i>	Quarter ended March 31,		
	2021	2020	Change
Net premiums written	\$ 798.2	647.3	23 %
Net premiums earned	725.0	651.7	11
Net investment income earned	69.7	56.0	25
Net realized and unrealized gains (losses), pre-tax	5.1	(44.7)	n/m
Total revenues	803.9	664.8	21
Net underwriting income, after-tax	61.4	16.9	264
Net investment income, after-tax	56.3	45.5	24
Net income available to common stockholders	106.8	15.2	601
Non-GAAP operating income ¹	102.8	50.5	103
Combined ratio	89.3 %	96.7	(7.4) pts
Loss and loss expense ratio	57.0	61.4	(4.4)
Underwriting expense ratio	32.1	35.2	(3.1)
Dividends to policyholders ratio	0.2	0.1	0.1
Catastrophe losses	4.1 pts	5.1	(1.0)
Non-catastrophe property losses and loss expenses	15.9	16.6	(0.7)
(Favorable) prior year reserve development on casualty lines	(4.8)	(1.5)	(3.3)
Net income available to common stockholders per diluted common share	\$ 1.77	0.25	608 %
Non-GAAP operating income per diluted common share ¹	1.70	0.84	102
Weighted average diluted common shares	60.5	60.2	—
Book value per common share	\$ 42.38	35.11	21

Overall Insurance Operations

For the first quarter, overall NPW increased 23% from a year ago, of which 12 points were due to the COVID-19-related \$75 million return audit and mid-term endorsement premium accrual that reduced NPW in 2020. The increase in NPW also reflected solid retention and strong overall renewal pure price increases of 5.4%. Our combined ratio was an excellent 89.3% in the quarter, compared to 96.7% in the prior year period, benefiting from favorable reserve development and strong underlying profitability. Our Insurance Operations generated 9.7 points of annualized ROE in the quarter.

Standard Commercial Lines Segment

For the first quarter, Standard Commercial Lines premiums, which were 83% of total NPW, increased 28% compared to a year ago, of which 16 points were due to the COVID-19-related \$75 million return audit and mid-term endorsement premium accrual that reduced NPW in 2020. NPW growth was also driven by renewal pure price increases of 5.7% and strong retention of 86%. The improvement in the first quarter combined ratio to 88.2%, compared to 96.7% in the prior-year period, reflects the impact of the items outlined in the table below.

Standard Commercial Lines Segment <i>\$ in millions</i>	Quarter ended March 31,		
	2021	2020	Change
Net premiums written	\$ 665.6	518.4	28 %
Net premiums earned	589.1	516.6	14
Combined ratio	88.2 %	96.7	(8.5) pts
Loss and loss expense ratio	55.1	60.4	(5.3)
Underwriting expense ratio	32.9	36.1	(3.2)
Dividends to policyholders ratio	0.2	0.2	—
Catastrophe losses	2.7 pts	4.0	(1.3)
Non-catastrophe property losses and loss expenses	14.2	15.4	(1.2)
(Favorable) prior-year reserve development on casualty lines	(5.1)	(1.9)	(3.2)

Standard Personal Lines Segment

For the first quarter, Standard Personal Lines premiums, which represented 8% of total NPW, were down 4% compared to the prior year period. Renewal pure price increases were 0.8%, retention was 83%, and new business was down 1% compared to the prior year. The first quarter combined ratio was 89.6%, down 9.9 points from a year ago, driven by the items outlined in the table below.

Standard Personal Lines Segment <i>\$ in millions</i>	Quarter ended March 31,		Change
	2021	2020	
Net premiums written	\$ 65.1	67.6	(4) %
Net premiums earned	73.8	76.1	(3)
Combined ratio	89.6 %	99.5	(9.9) pts
Loss and loss expense ratio	63.9	71.4	(7.5)
Underwriting expense ratio	25.7	28.1	(2.4)
Catastrophe losses	7.6 pts	15.7	(8.1)
Non-catastrophe property losses and loss expenses	31.3	30.0	1.3
(Favorable) prior-year reserve development on casualty lines	—	—	—

Excess and Surplus Lines Segment

For the first quarter, Excess and Surplus Lines premiums, which represented 9% of total NPW, were up a solid 10% compared to the prior-year period, driven by strong new business growth of 14% and renewal pure price increases of 7.3%. The first quarter combined ratio was 99.2%, up 5.7 points from a year ago, driven by the items outlined in the table below.

Excess and Surplus Lines Segment <i>\$ in millions</i>	Quarter ended March 31,		Change
	2021	2020	
Net premiums written	\$ 67.5	61.3	10 %
Net premiums earned	62.0	59.0	5
Combined ratio	99.2 %	93.5	5.7 pts
Loss and loss expense ratio	66.8	57.4	9.4
Underwriting expense ratio	32.4	36.1	(3.7)
Catastrophe losses	13.3 pts	0.8	12.5
Non-catastrophe property losses and loss expenses	14.3	9.7	4.6
(Favorable) prior year reserve development on casualty lines	(8.1)	—	(8.1)

Investments Segment

For the first quarter, net investment income, after-tax, of \$56 million was up a solid 24% compared to first quarter 2020. The increase was driven by alternative investment gains of \$16 million after-tax, which are reported on a one-quarter lag. Solid operating cash flow of \$130 million equated to 16% of NPW for the quarter and contributed to the growth in invested assets. Invested assets per dollar of common stockholders' equity was \$2.97 at March 31, 2021. For the quarter, the after-tax earned income yield on the portfolio averaged 3.0%, and the investment portfolio generated 8.9 points of annualized non-GAAP operating ROE.

Investments Segment <i>\$ in millions, except per share data</i>	Quarter ended March 31,		Change
	2021	2020	
Net investment income earned, after-tax	\$ 56.3	45.5	24 %
Net investment income per common share	0.93	0.76	22
Effective tax rate	19.2 %	18.7	0.5 pts
Average yields:			
Fixed income securities:			
Pre-tax	3.3 %	3.3	— pts
After-tax	2.6	2.7	(0.1)
Portfolio:			
Pre-tax	3.7	3.3	0.4
After-tax	3.0	2.7	0.3
Annualized ROE contribution	8.9	8.5	0.4

Balance Sheet

\$ in millions, except per share data	March 31, 2021	December 31, 2020	Change
Total assets	\$ 9,848.6	9,687.9	2 %
Total investments	7,559.3	7,505.6	1
Long-term debt	550.9	550.7	—
Stockholders' equity	2,744.0	2,738.9	—
Common stockholders' equity	2,544.0	2,538.9	—
Invested assets per dollar of common stockholders' equity	2.97	2.96	—
Net premiums written to policyholders' surplus	1.33x	1.30x	0.3x
Book value per common share	42.38	42.38	—

Book value per common share was flat during the quarter, driven by \$1.77 of net income per diluted common share that was largely offset by a \$1.44 reduction in net unrealized gains on our fixed income securities portfolio from higher long-term interest rates and \$0.25 of dividends on our common stock paid to shareholders. During the first quarter, the Company repurchased 52,781 shares at an average price of \$64.49 per share for a total of \$3.4 million. Capacity remaining under our existing repurchase authorization was \$96.6 million at the end of the quarter. Our debt to capitalization ratio was 16.7% at March 31, 2021.

Selective's Board of Directors declared:

- A cash dividend of \$0.25 per common share that is payable June 1, 2021, to holders of record on May 14, 2021; and
- A cash dividend of \$287.50 per share on our 4.60% Non-Cumulative Preferred Stock, Series B (equivalent to \$0.28750 per depository share) that is payable on June 15, 2021 to holders of record as of May 31, 2021.

Guidance

For 2021, Selective has revised its full-year guidance as follows:

- A GAAP combined ratio, excluding catastrophe losses, of 90% (prior guidance 91%) that assumes no additional prior-year casualty reserve development;
- Catastrophe losses of 4.0 points on the combined ratio;

- After-tax net investment income of \$195 million (prior guidance \$182 million) that includes \$31 million (prior guidance of \$16 million) in after-tax net investment income from our alternative investments;
- An overall effective tax rate of approximately 20.5%, that includes an effective tax rate of 19.0% for net investment income and 21.0% for all other items; and
- Weighted average shares of 60.5 million on a fully diluted basis.

The supplemental investor package, including financial information that is not part of this press release, is available on the Investors page of Selective's website at www.Selective.com. Selective's quarterly analyst conference call will be simulcast at 10:00 a.m. ET, on Thursday, April 29, 2021 at www.Selective.com. The webcast will be available for rebroadcast until the close of business on May 28, 2021.

About Selective Insurance Group, Inc.

Selective Insurance Group, Inc. is a holding company for 10 property and casualty insurance companies rated "A" (Excellent) by AM Best. Through independent agents, the insurance companies offer standard and specialty insurance for commercial and personal risks and flood insurance through the National Flood Insurance Program's Write Your Own Program. Selective's unique position as both a leading insurance group and an employer of choice is recognized in a wide variety of awards and honors, including listing in the Fortune 1000 and being named one of "America's Best Mid-Size Employers" by Forbes Magazine. For more information about Selective, visit www.Selective.com.

¹Reconciliation of Net Income Available to Common Stockholders to Non-GAAP Operating Income and Certain Other Non-GAAP Measures

Non-GAAP operating income, non-GAAP operating income per diluted common share, and non-GAAP operating return on common equity differ from net income available to common stockholders, net income available to common stockholders per diluted common share, and return on common equity, respectively, by the exclusion of after-tax net realized and unrealized gains and losses on investments. They are used as important financial measures by management, analysts, and investors, because the timing of realized investment gains and losses on sales of securities in any given period is largely discretionary. In addition, net realized and unrealized gains and losses on investments that are charged to earnings could distort the analysis of trends. These operating measurements are not intended as a substitute for net income available to common stockholders, net income available to common stockholders per diluted common share, and return on common equity prepared in accordance with U.S. generally accepted accounting principles (GAAP). Reconciliations of net income available to common stockholders, net income available to common stockholders per diluted common share, and return on common equity to non-GAAP operating income, non-GAAP operating income per diluted common share, and non-GAAP operating return on common equity, respectively, are provided in the tables below.

Note: All amounts included in this release exclude intercompany transactions.

Reconciliation of Net Income Available to Common Stockholders to Non-GAAP Operating Income

<i>\$ in millions</i>	Quarter ended March 31,	
	2021	2020
Net income available to common stockholders	\$ 106.8	15.2
Net realized and unrealized (gains) losses, before tax	(5.1)	44.7
Tax on reconciling items	1.1	(9.4)
Non-GAAP operating income	<u>\$ 102.8</u>	<u>50.5</u>

Reconciliation of Net Income Available to Common Stockholders per Diluted Common Share to Non-GAAP Operating Income per Diluted Common Share

	Quarter ended March 31,	
	2021	2020
Net income available to common stockholders per diluted common share	\$ 1.77	0.25
Net realized and unrealized (gains) losses, before tax	(0.08)	0.74
Tax on reconciling items	0.01	(0.15)
Non-GAAP operating income per diluted common share	<u>\$ 1.70</u>	<u>0.84</u>

Reconciliation of Return on Equity to Non-GAAP Operating Return on Equity

	Quarter ended March 31,	
	2021	2020
Annualized Return on Equity	16.8 %	2.8
Net realized and unrealized (gains) losses, before tax	(0.8)	8.3
Tax on reconciling items	0.2	(1.7)
Annualized Non-GAAP Operating Return on Equity	<u>16.2 %</u>	<u>9.4</u>

Note: Amounts in the tables above may not foot due to rounding.

Forward-Looking Statements

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 for any reason.

Factors that could cause our actual results to differ materially from what we project, forecast, or estimate in forward-looking statements, include without limitation:

- Related to COVID-19:
 - Governmental directives to contain or delay the spread of the COVID-19 pandemic have disrupted ordinary business commerce and impacted financial markets. These governmental actions, the extent, duration, and possible alteration based on future COVID-19-related developments that we cannot predict, could materially and adversely affect our results of operations, net investment income, financial position, and liquidity.
 - The amount of premium we record may be reduced and our underwriting results may be adversely impacted by (i) voluntary premium credits on in-force commercial and personal automobile policies, (ii) state insurance commissioner or other regulatory directives to implement premium-based credit in lines other than commercial and personal automobile, and we may be required to return more premium than warranted by our filed rating plans and actual loss experience, (iii) the effects of our voluntary efforts or the directives from various state insurance regulators to extend individualized payment flexibility and suspend policy cancellations, late payment notices, and late or reinstatement fees, (iv) return premiums that could be significant because our general liability and workers compensation policies provide for premium audit of revenues and payrolls, and (v) collectability of premiums, which may be impacted by policyholder financial distress and insolvency.
 - Our loss and loss expenses may increase, our related reserves may not be adequate, and our financial condition and liquidity may be materially impacted if litigation or changes in statutory or common law (i) require payment of COVID-19-related business interruption losses despite contrary terms, conditions, and exclusions in our policies or (ii) presume that COVID-19 is a work-related illness compensable under workers compensation policies for employees who contract the virus, regardless of whether they worked in industries defined as essential in various COVID-19-related governmental directives or interacted with the public as part of their job duties.
 - Our net investment income may be impacted by the significant equity and debt financial market volatility resulting from the COVID-19 pandemic and the related governmental orders because (i) financial market volatility is reflected in our alternative investments’ performance, (ii) increased spreads on fixed income securities may create mark-to-market investment valuation losses that reduce unrealized capital gains and impact GAAP equity, and (iii) net realized losses may increase if we intend to sell more securities, particularly in asset classes that are more significantly impacted by COVID-19-related governmental directives and to which the Federal Reserve Board is providing liquidity and structural support.
- 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 interest rate fluctuations;
- Ratings downgrades on individual securities we own could affect investment values and, therefore, statutory surplus;
- The adequacy of our loss reserves and loss expense reserves;
- Frequency and severity of natural and man-made catastrophic events, including without limitation hurricanes, tornadoes, windstorms, earthquakes, hail, terrorism, including cyber-attacks, explosions, severe winter weather, floods, and fires;
- Adverse market, governmental, regulatory, legal, or judicial conditions or actions;
- The geographic concentration of our business in the eastern portion of the United States;
- The cost, terms and conditions, and availability of reinsurance;
- Our ability to collect on reinsurance and the solvency of our reinsurers;
- The impact of changes in U.S. trade policies and imposition of tariffs on imports that may lead to higher than anticipated inflationary trends for our loss and loss expenses;
- 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;
- The effects of data privacy or cyber security laws and regulations on our operations;
- Major defect or failure in our internal controls or information technology and application systems that result in harm to our brand in the marketplace, increased senior executive focus on crisis and reputational management issues and/or increased expenses, particularly if we experience a significant privacy breach;
- Recent federal financial regulatory reform provisions that could pose certain risks to our operations;
- Our ability to maintain favorable ratings from rating agencies, including AM 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 that we cannot predict or assess may emerge from time-to-time.

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

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