

## Selective Insurance Group, Inc.

### Macquarie Capital Inc. Small- & Mid-Cap Conference

June 15, 2010



## Forward Looking Statement

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 are discussed in further detail in Selective's public filings with the United States Securities and Exchange Commission. 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.



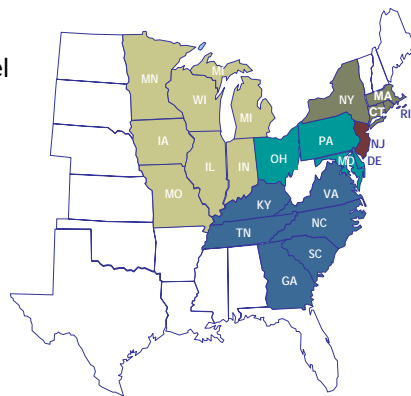
## Financial Strength

**Dale Thatcher**  
Executive Vice President  
Chief Financial Officer



## Who we are

- 22-state super-regional
- High tech, high touch business model
- Partner of choice – 970 independent agents
- 2009: \$1.4B NPW
  - 84% commercial lines
  - 16% personal lines
- History of financial strength



Rated A+ by A.M. Best for 49 years

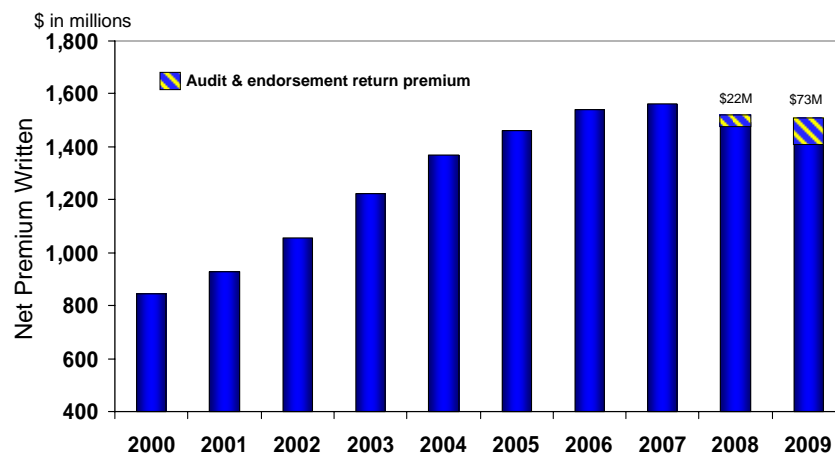


## A Foundation of Financial Strength

- Economic impact on growth
- Rebalanced investment portfolio
- Disciplined reserving practices
- Strong reinsurance program



## Selective: A Growth Company

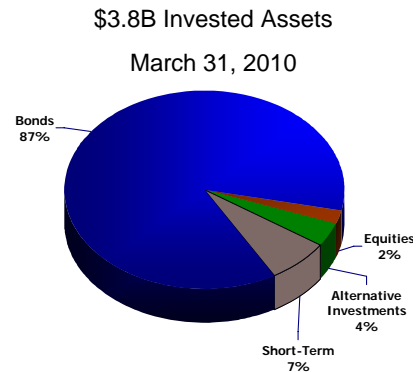


Q1 2010 Audit & Endorsement Return Premium = \$18M



## High Quality Investment Portfolio

- Average "AA+" bond quality
- Approximately 3.4 year average duration, including short-term & cash
- Rebalanced to address market risks
- Market-to-amortized cost on the fixed income portfolio improved to 102.3%
- Equities and alternative investments down to 6% of invested assets



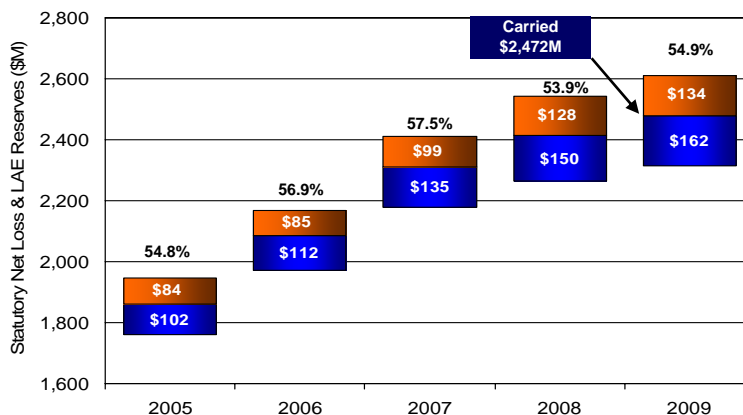
SELECTIVE®  
Response is everything.

## Investments Outsourcing

- Outsourced investments to third party managers.
- Does not indicate a change to the overall investment strategy - only execution model.
- Investment outsourcing is a common practice in the industry for a company our size.
- Benefits include greater flexibility in trade execution, broader specific sector knowledge and advanced risk management tools.

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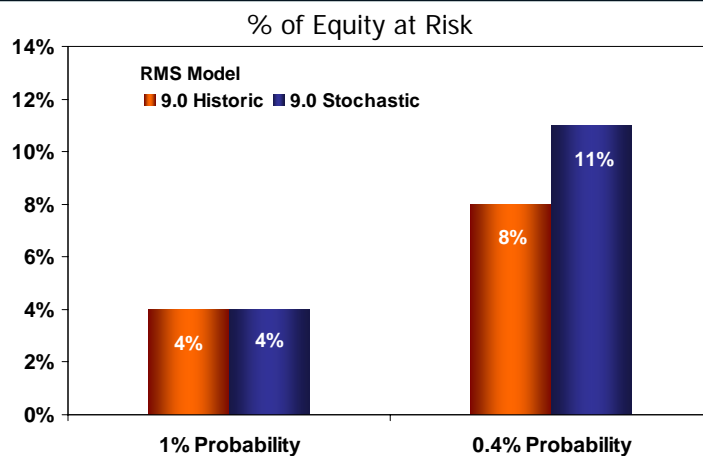
## Disciplined Reserving Practices Actuarial Reserve Ranges



Calendar Year Reserve Development (p/t)	(\$5M)	\$7M	\$16M	\$18M	\$29M
Loss Ratio (pts)	(0.4)	0.5	1.0	1.2	2.0



## Strong Natural Catastrophe Reinsurance Program

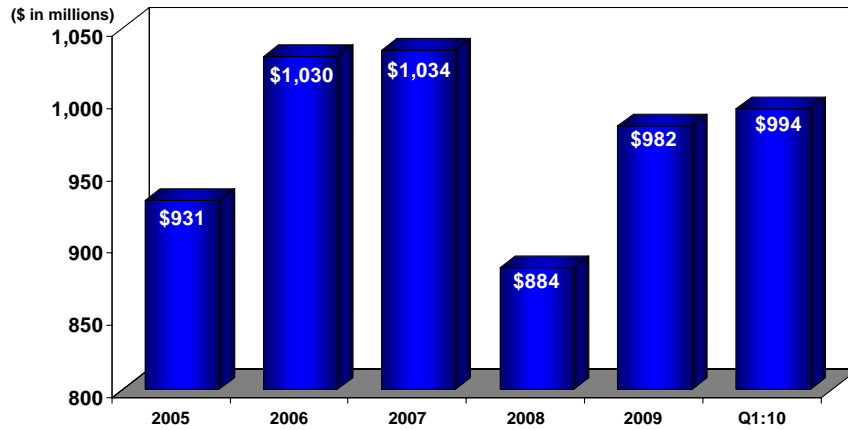


CAT cover: \$310M in excess of \$40M

Percentages are net of tax, reinsurance and reinstatement premium.  
RMS data as of 7/09; Equity data as of 12/31/09.



## Surplus Position



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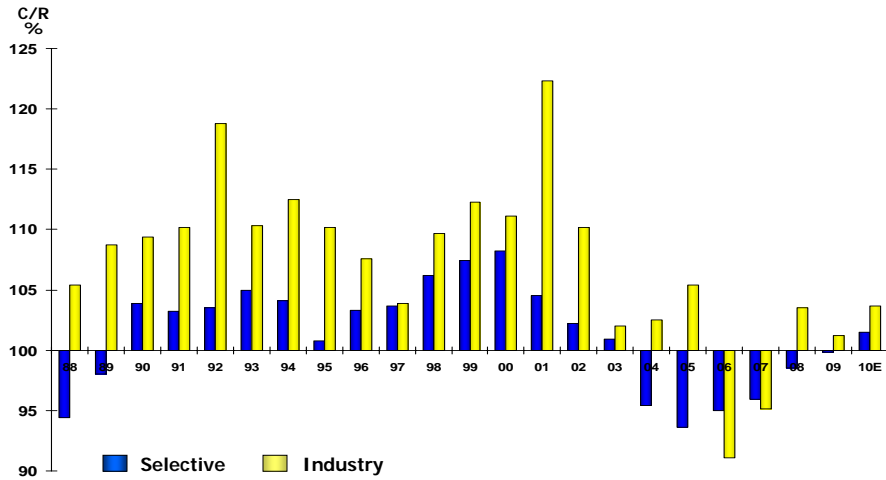
**Competitively Positioned for  
the Market Turn**

**Greg Murphy**  
Chairman, President & CEO

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## Industry Has a Long History of Few Profitable Years

P&C Commercial Combined Ratios, 1988-2010E



Source: III & A.M. Best



## Commercial Lines: Is the Market Ready to Turn?

### Factor

### This Signals...

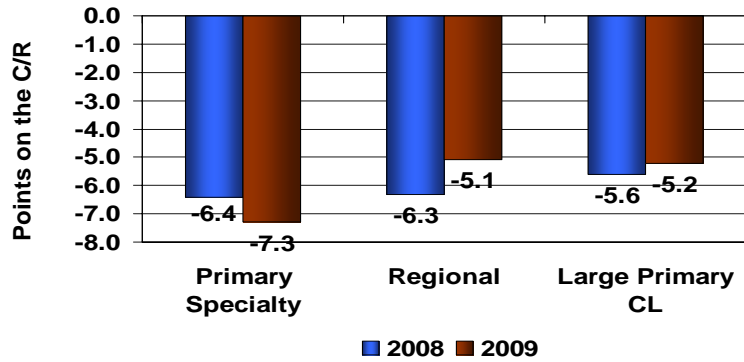


Pricing must move higher



## 2009 Industry Reserve Releases

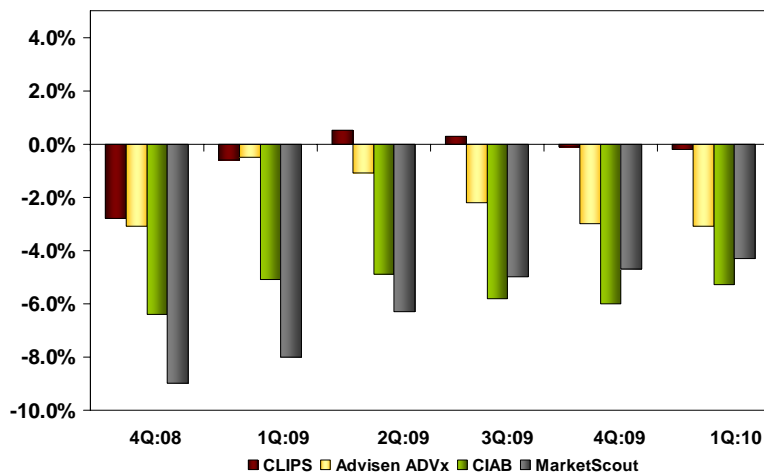
2009 Prior Period Development



Source: Dowling & Partners



## Commercial Lines Industry Pricing Indices



Confidential and Proprietary

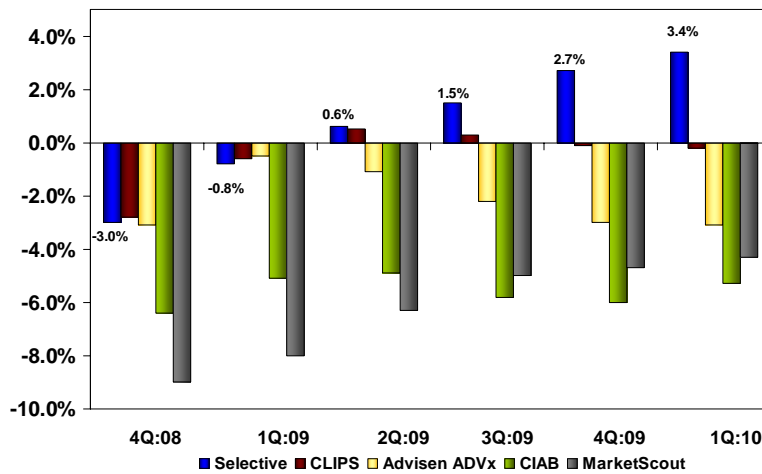




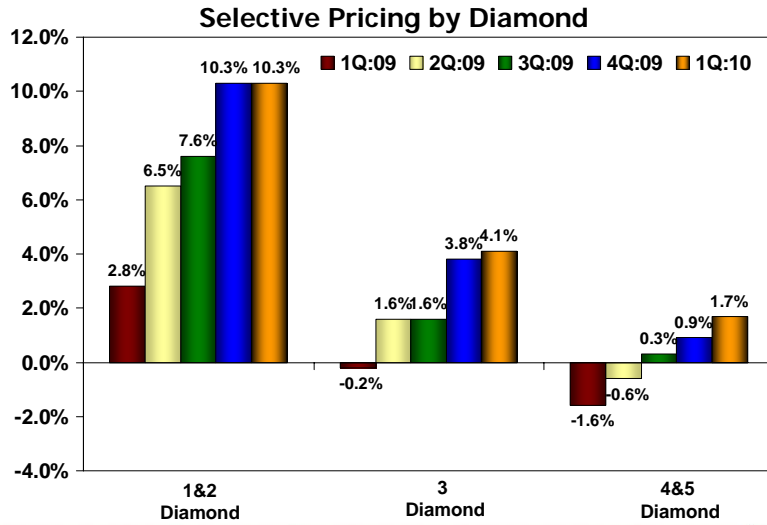
# What's the value of relationships?



## Selective's Commercial Lines Pricing Success

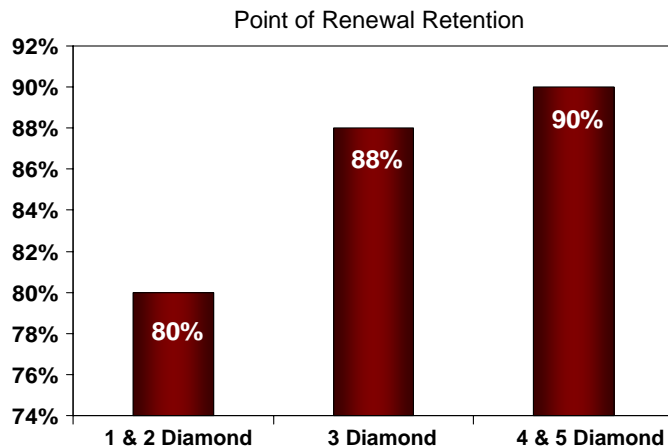


## Granular Pricing Capabilities



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## Retaining our Best Commercial Business



As of March 31, 2010

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## Commercial Lines Growth Opportunity

970 Agents Avg. Premium/Agent \$1.5M		
State	Current Share of Wallet	Most Recent Agency Commercial Lines Premium Volume (\$M)
NJ	12.5%	2,209
MD	8.6	1,054
RI	8.0	257
PA	8.8	2,011
NY	7.4	2,014
NC	9.7	448
VA	11.8	800
All other	4.4	7,823
<b>Total</b>	<b>7.2</b>	<b>16,616</b>



Goal  
\$3M per Agent



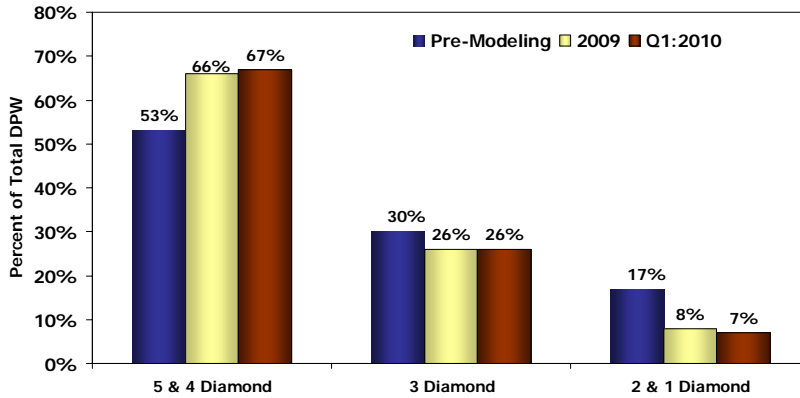
18% Share of Wallet Results in  
\$3.0 Billion DPW

\*Includes agents appointed in 2007 and prior.  
Premium year end 2009



## Commercial Lines New Business Quality Improvement

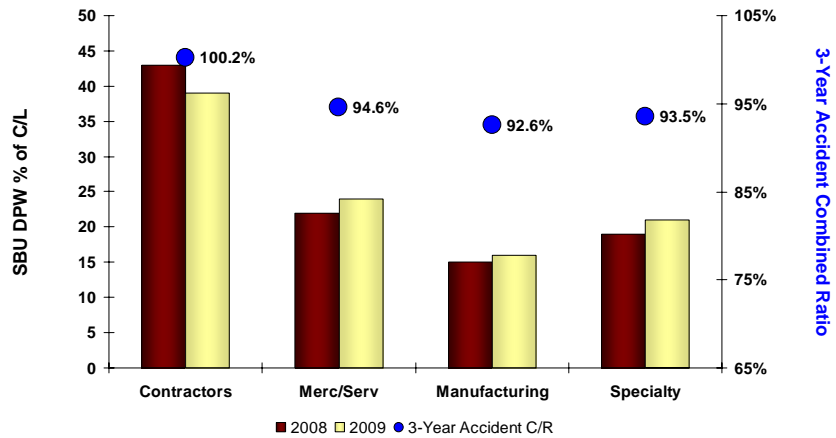
Percent of Total New Premium Diamond Distribution  
WC, BOP, CPP, CA



For lines < \$50,000



## Commercial Lines Diversification



Further diversification results in lower combined ratio



## Personal Lines Improvement Plan

Independent agents control 35% of market

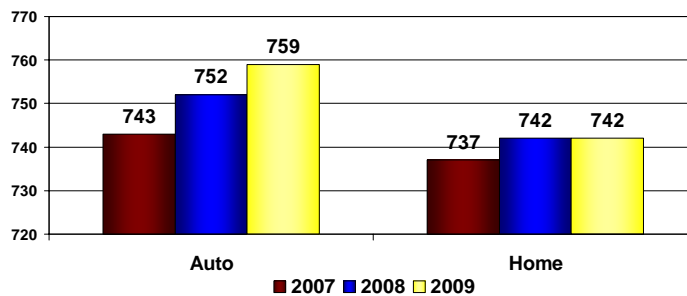
- 13-state footprint opportunity – \$900 million
- Underwriting and automation improvements reduced operating costs and increased data quality

In-force Rate and Premium			
(\$ in millions)	Blended In-force Rate	Potential Premium Based on In-force Book	New Business DPW
2008	7.1%	\$15	\$43
2009	3.1%	\$7	\$55
2010E	6.0%	\$14	--



## Personal Lines Improvement Plan

- Statutory Combined Ratio
  - 2009: 104.4%
  - 2010E: 100.0%
- Average insurance scores improving or stable



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## Focus on Long-Term Outperformance



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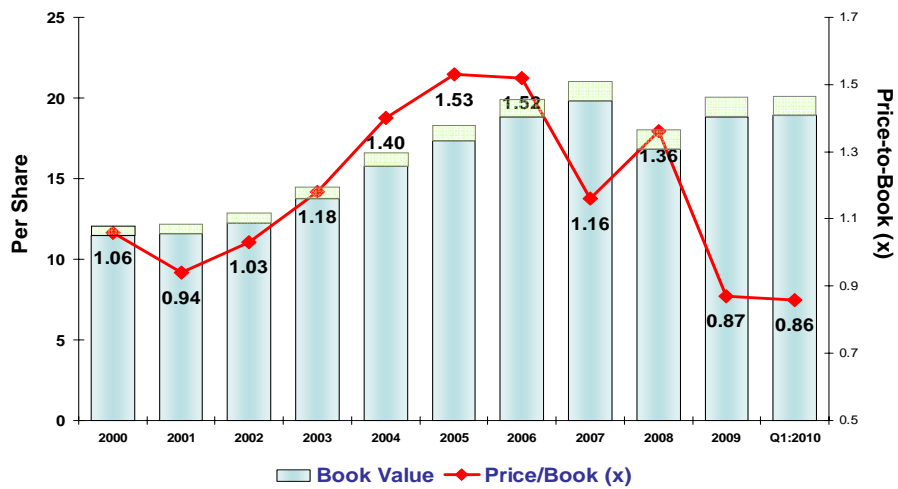
## Long-Term Shareholder Value Creation



\*Indicated annualized dividend



## Long-Term Shareholder Value Creation



Q1 2010: Book value as of 3/31/10, price as of 5/13/10





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