



SELECTIVE[®]

Supplemental Investor Package

Fourth Quarter and Full Year 2014

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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

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

(\$ in thousands, except per share data)	December 31,			December 31,		
	2014			2013		
	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain	Balance Sheet	Market Value	Unrecognized/ Unrealized Gain
Invested Assets:						
Corporate bonds ¹	\$ 2,693,324	2,697,332	47,437	\$ 2,595,256	2,601,556	27,812
Government and Municipal bonds	1,690,935	1,702,751	59,680	1,513,159	1,530,961	38,106
Total fixed income securities	4,384,259	4,400,083	107,117	4,108,415	4,132,517	65,918
Equities	191,400	191,400	32,389	192,771	192,771	37,420
Short-term investments	131,972	131,972	-	174,251	174,251	-
Other investments	99,203	99,203	-	107,875	107,875	-
Total invested assets	\$ 4,806,834	4,822,658	139,506	\$ 4,583,312	4,607,414	103,338
Invested assets per \$ of stockholders' equity	3.77			3.97		
Total assets	6,581,550			6,270,170		
Liabilities:						
Reserve for loss and loss expenses	3,477,870			3,349,770		
Unearned premium reserve	1,095,819			1,059,155		
Total liabilities	5,305,964			5,116,242		
Stockholders' equity	1,275,586			1,153,928		
Total debt to capitalization ratio	22.9%			25.4%		
Book value per share	22.54			20.63		
Book value per share excluding unrealized gain or loss on bond portfolio	21.49			20.15		
NPW per insurance segment employee	908			908		
Statutory premiums to surplus ratio	1.4x			1.4x		
Statutory surplus	1,307,842			1,256,431		

¹ Includes mortgage-backed and asset-backed securities.

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

(\$ in thousands, except per share amounts)	Quarter Ended December 31,				Year-to-Date December 31,				
	2014		2013		2014		2013		
	Per diluted share		Per diluted share		Per diluted share		Per diluted share		
Consolidated									
Revenue	\$	503,583	\$	488,034	\$	2,034,861	\$	1,903,741	
Operating income		41,603	0.72	26,120	0.45	124,538	2.17	93,939	1.65
Net realized (losses) gains, after tax		(253)	-	(785)	(0.01)	17,289	0.30	13,476	0.24
Income from continuing operations		41,350	0.72	25,335	0.44	141,827	2.47	107,415	1.89
Loss on discontinued operations, after tax		-	-	-	-	-	-	(997)	(0.02)
Net income		41,350	0.72	25,335	0.44	141,827	2.47	106,418	1.87
Operating return on equity		13.1%		9.2%		10.3%		8.4%	
Total Insurance Operations									
Gross premiums written		512,046		491,675		2,254,576		2,177,443	
Net premiums written		433,586		405,110		1,885,280		1,810,159	
Net premiums earned		469,850		451,312		1,852,609		1,736,072	
Underwriting gain	- before tax	38,637		11,971		78,143		38,766	
	- after tax	25,114	0.44	7,781	0.14	50,793	0.89	25,198	0.44
GAAP combined ratio		91.8%		97.3%		95.8%		97.8%	
Standard Commercial Lines									
Net premiums earned		359,621		345,155		1,415,712		1,316,619	
GAAP combined ratio		94.1%		97.3%		95.7%		97.4%	
Standard Personal Lines									
Net premiums earned		73,008		73,034		296,747		294,332	
GAAP combined ratio		77.5%		94.1%		94.4%		97.1%	
Excess and Surplus Lines									
Net premiums earned		37,221		33,123		140,150		125,121	
GAAP combined ratio		97.8%		104.7%		99.7%		103.0%	
Investments									
Net investment income	- before tax	32,108		35,313		138,708		134,643	
	- after tax	24,535	0.43	26,361	0.46	104,207	1.82	101,410	1.79
Effective tax rate		23.6%		25.4%		24.9%		24.7%	
Annualized after-tax yield on investment portfolio						2.2%		2.3%	
Annualized after-tax, after-interest expense yield						1.9%		1.9%	
Invested assets per \$ of stockholders' equity						3.77		3.97	
Other expenses (net of other income)									
Interest expense	- before tax	(5,542)		(5,567)		(22,086)		(22,538)	
	- after tax	(3,602)	(0.06)	(3,619)	(0.06)	(14,356)	(0.25)	(14,650)	(0.26)
Other Expense - after tax	\$	(4,444)	(0.09)	(4,403)	(0.09)	(16,106)	(0.29)	(18,019)	(0.32)
Diluted weighted avg shares outstanding		57,539		57,065		57,351		56,810	

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

Fourth Quarter

(\$ in thousands)

Quarter Ended December 31, 2014

Quarter Ended December 31, 2013

	Standard Commercial Lines	Standard Personal Lines	Excess & Surplus Lines	Grand Total	Standard Commercial Lines	Standard Personal Lines	Excess & Surplus Lines	Grand Total
Net Premiums Written	321,399	67,494	44,693	433,586	300,527	69,542	35,041	405,110
Net Premiums Earned	359,621	73,008	37,221	469,850	345,155	73,034	33,123	451,312
Loss and Loss Expense Incurred	209,495	35,155	23,578	268,228	217,035	48,728	23,215	288,978
Net Underwriting Expenses Incurred	126,510	21,412	12,824	160,746	118,004	20,021	11,457	149,482
Dividends to Policyholders	2,239	-	-	2,239	881	-	-	881
GAAP Underwriting Gain (Loss)	21,377	16,441	819	38,637	9,235	4,285	(1,549)	11,971
GAAP Ratios								
Loss and Loss Expense Ratio	58.3%	48.2%	63.3%	57.1%	62.9%	66.7%	70.1%	64.0%
Underwriting Expense Ratio	35.2%	29.3%	34.5%	34.2%	34.1%	27.4%	34.6%	33.1%
Dividends to Policyholders Ratio	0.6%	0.0%	0.0%	0.5%	0.3%	0.0%	0.0%	0.2%
Combined Ratio	94.1%	77.5%	97.8%	91.8%	97.3%	94.1%	104.7%	97.3%

Year-to-Date

(\$ in thousands)

Year-to-Date December 31, 2014

Year-to-Date December 31, 2013

	Standard Commercial Lines	Standard Personal Lines	Excess & Surplus Lines	Grand Total	Standard Commercial Lines	Standard Personal Lines	Excess & Surplus Lines	Grand Total
Net Premiums Written	1,441,047	292,061	152,172	1,885,280	1,380,740	297,757	131,662	1,810,159
Net Premiums Earned	1,415,712	296,747	140,150	1,852,609	1,316,619	294,332	125,121	1,736,072
Loss and Loss Expense Incurred	870,018	197,182	90,301	1,157,501	831,261	206,450	84,027	1,121,738
Net Underwriting Expenses Incurred	478,291	83,029	49,463	610,783	447,228	79,237	44,829	571,294
Dividends to Policyholders	6,182	-	-	6,182	4,274	-	-	4,274
GAAP Underwriting Gain (Loss)	61,221	16,536	386	78,143	33,856	8,645	(3,735)	38,766
GAAP Ratios								
Loss and Loss Expense Ratio	61.5%	66.4%	64.4%	62.5%	63.1%	70.1%	67.2%	64.6%
Underwriting Expense Ratio	33.8%	28.0%	35.3%	33.0%	34.0%	27.0%	35.8%	33.0%
Dividends to Policyholders Ratio	0.4%	0.0%	0.0%	0.3%	0.3%	0.0%	0.0%	0.2%
Combined Ratio	95.7%	94.4%	99.7%	95.8%	97.4%	97.1%	103.0%	97.8%

Selective Insurance Group, Inc. and Consolidated Subsidiaries
GAAP Investment Income
December 2014 (unaudited)

(\$ in thousands, except per share data)	Quarter Ended		% Increase/ (Decrease)	Year-to-Date		% Increase/ (Decrease)
	December 2014	December 2013		December 2014	December 2013	
Investment Income:						
Interest:						
Fixed Income Securities	\$ 30,974	30,626	1.1	\$ 126,489	121,582	4.0
Short-term	18	15	20.0	66	117	(43.6)
Other Investments:						
Alternative Investments	903	5,098	(82.3)	13,580	15,846	(14.3)
Other	-	-	N/M	-	(638)	N/M
Dividends	2,355	1,718	37.1	7,449	6,140	21.3
	<u>34,250</u>	<u>37,457</u>	<u>(8.6)</u>	<u>147,584</u>	<u>143,047</u>	<u>3.2</u>
Investment Expense	<u>2,142</u>	<u>2,144</u>	<u>(0.1)</u>	<u>8,876</u>	<u>8,404</u>	<u>5.6</u>
Net Investment Income Before Tax	32,108	35,313	(9.1)	138,708	134,643	3.0
Tax	7,573	8,952	(15.4)	34,501	33,233	3.8
Net Investment Income After Tax	\$ 24,535	26,361	(6.9)	\$ 104,207	101,410	2.8
Net Investment Income per Share	\$ 0.43	0.46	(6.5)	\$ 1.82	1.79	1.7
Effective Tax Rate	23.6%	25.4%		24.9%	24.7%	
Average Yields :						
Fixed Income Securities:						
Pre Tax				2.98%	3.06%	
After Tax				2.24%	2.31%	
Portfolio:						
Pre Tax				2.95%	3.02%	
After Tax				2.22%	2.28%	

Net Realized Gains (Losses)	Quarter Ended:		Year-to-date:	
	December 2014	December 2013	December 2014	December 2013
Fixed Income Securities	<u>82</u>	<u>831</u>	<u>1,528</u>	<u>3,019</u>
Equity Securities	109	(1,919)	25,650	20,620
Other Investments	<u>(580)</u>	<u>(120)</u>	<u>(579)</u>	<u>(2,907)</u>
Total	(389)	(1,208)	26,599	20,732
Net of Tax	(253)	(785)	17,289	13,476

As of December 31, 2014 year-to-date new money rates for fixed income securities were 2.5% on a pre-tax basis and 2.0% on an after tax-basis.

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2014 Statutory Results by Line of Business
Quarter Ended December 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)
Standard Personal Lines:											
Homeowners	\$ 31,787	(0.9)%	\$ 33,442	2.0%	12.2%	7.9%	35.3%	0.0%	55.3%	85.1%	\$ 15,528
Auto	34,198	(2.6)%	37,374	(1.5)%	65.7%	5.9%	33.2%	0.0%	104.8%	115.1%	(730)
Other (including flood)	1,510	(59.3)%	2,192	(40.5)%	52.9%	6.0%	(124.5)%	0.0%	(65.6)%	(19.5)%	2,780
Total	\$ 67,494	(4.8)%	\$ 73,008	(1.9)%	40.8%	6.8%	30.6%	0.0%	78.2%	94.9%	\$ 17,578
Standard Commercial Lines:											
Commerical property	\$ 55,436	8.6%	\$ 62,076	5.1%	31.4%	4.9%	41.5%	0.3%	78.1%	82.7%	\$ 16,361
Workers compensation	62,209	(0.8)%	69,448	(1.0)%	64.9%	13.2%	31.2%	2.7%	112.1%	127.3%	(6,168)
General liability	98,183	8.2%	113,635	6.3%	31.9%	20.6%	38.2%	0.0%	90.7%	98.5%	16,506
Auto	74,792	9.9%	84,086	4.1%	60.4%	8.1%	35.7%	0.2%	104.4%	96.4%	(353)
Business owners policies	23,244	7.9%	21,991	8.3%	58.7%	1.3%	38.2%	0.0%	98.2%	90.0%	(92)
Bonds	4,387	21.1%	5,007	5.3%	16.1%	5.2%	71.5%	0.0%	92.8%	100.4%	802
Other	3,149	10.2%	3,378	7.3%	3.0%	0.4%	55.4%	0.0%	58.8%	54.6%	1,517
Total	\$ 321,399	6.9%	\$ 359,621	4.2%	46.0%	12.0%	37.4%	0.6%	96.0%	100.2%	\$ 28,573
E&S	\$ 44,693	27.5%	\$ 37,221	12.4%	15.6%	48.1%	32.9%	0.0%	96.6%	105.6%	\$ (1,207)
Total Insurance Operations	\$ 433,586	6.7%	\$ 469,850	3.8%	42.8%	14.0%	35.9%	0.5%	93.2%	99.6%	\$ 44,943

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 210,724	\$ 204,847
LAE Paid	48,313	51,322
Total Paid	\$ 259,037	\$ 256,169

Selective Insurance Group, Inc.
Combined Insurance Company Subsidiaries
2014 Statutory Results by Line of Business
Year-to-date December 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)
Standard Personal Lines:											
Homeowners	\$ 135,825	2.7%	\$ 134,273	4.9%	55.5%	7.9%	33.5%	0.0%	96.9%	95.0%	\$ 3,576
Auto	149,093	(2.3)%	151,317	(1.3)%	61.3%	8.5%	31.7%	0.0%	101.5%	110.1%	(1,632)
Other (including flood)	7,143	(49.9)%	11,157	(22.2)%	55.5%	(1.0)%	(149.0)%	0.0%	(94.5)%	(29.9)%	15,730
Total	\$ 292,061	(2.4)%	\$ 296,747	0.4%	58.4%	7.9%	28.2%	0.0%	94.5%	96.9%	\$ 17,675
Standard Commercial Lines:											
Commerical property	\$ 253,625	6.8%	\$ 244,792	9.1%	55.0%	5.2%	37.0%	0.1%	97.3%	78.9%	\$ 3,366
Workers compensation	269,130	(2.9)%	274,585	2.6%	64.8%	15.1%	28.2%	2.0%	110.1%	120.6%	(26,294)
General liability	453,594	6.4%	444,938	9.8%	31.8%	17.9%	34.2%	0.0%	83.9%	96.2%	68,739
Auto	341,926	4.9%	333,310	7.2%	56.3%	7.8%	32.0%	0.1%	96.2%	96.4%	9,758
Business owners policies	89,248	8.6%	85,788	11.3%	63.5%	8.1%	37.1%	0.0%	108.7%	86.6%	(8,792)
Bonds	19,928	3.9%	19,288	1.5%	16.3%	6.0%	62.6%	0.0%	84.9%	83.5%	2,514
Other	13,597	8.3%	13,011	6.8%	0.6%	0.3%	51.0%	0.0%	51.9%	48.5%	5,959
Total	\$ 1,441,047	4.4%	\$ 1,415,712	7.5%	49.4%	11.9%	33.8%	0.4%	95.5%	97.1%	\$ 55,250
E&S	\$ 152,172	15.6%	\$ 140,150	12.0%	40.8%	23.7%	34.7%	0.0%	99.2%	102.9%	\$ (3,105)
Total Insurance Operations	\$ 1,885,280	4.1%	\$ 1,852,609	6.6%	50.2%	12.2%	33.0%	0.3%	95.7%	97.5%	\$ 69,818

Note: Some amounts may not foot due to rounding.

	2014	2013
Losses Paid	\$ 873,159	\$ 793,495
LAE Paid	187,491	184,870
Total Paid	\$ 1,060,650	\$ 978,365

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)

Net Catastrophe Losses Incurred	Quarter Ended				Year-to-Date			
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
(\$ in thousands)	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
Standard Personal Lines	\$ (3,334)	(4.6)%	\$ 2,668	3.6%	\$ 19,284	6.5%	\$ 19,807	6.7%
Standard Commercial Lines	\$ (4,065)	(1.1)%	\$ 10,882	3.2%	\$ 37,881	2.7%	\$ 23,010	1.7%
E&S	\$ 420	1.1%	\$ 755	2.3%	\$ 2,805	2.0%	\$ 4,598	3.7%
Total Insurance Operations	\$ (6,979)	(1.5)%	\$ 14,305	3.2%	\$ 59,971	3.2%	\$ 47,415	2.7%

Prior Year Casualty Reserve Development (Favorable) / Unfavorable	Quarter Ended				Year-to-Date			
	December 31, 2014		December 31, 2013		December 31, 2014		December 31, 2013	
(\$ in thousands)	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
Standard Personal Lines	\$ (3,000)	(4.1)%	\$ (2,000)	(2.7)%	\$ (9,000)	(3.0)%	\$ (5,500)	(1.9)%
Standard Commercial Lines	\$ (8,000)	(2.2)%	\$ (5,500)	(1.6)%	\$ (45,500)	(3.2)%	\$ (11,500)	(0.9)%
E&S	\$ 2,000	5.4%	\$ -	0.0%	\$ 6,000	4.3%	\$ 2,500	2.0%
Total Insurance Operations	\$ (9,000)	(1.9)%	\$ (7,500)	(1.7)%	\$ (48,500)	(2.6)%	\$ (14,500)	(0.8)%

Note: Some amounts may not foot due to rounding.

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

December 31, (\$ in thousands, except share amounts)	Unaudited 2014	2013
ASSETS		
Investments:		
Fixed income securities, held-to-maturity – at carrying value (fair value: \$333,961 – 2014; \$416,981 – 2013)	\$ 318,137	392,879
Fixed income securities, available-for-sale – at fair value (amortized cost: \$3,975,786 – 2014; \$3,675,977 – 2013)	4,066,122	3,715,536
Equity securities, available-for-sale – at fair value (cost: \$159,011 – 2014; \$155,350 – 2013)	191,400	192,771
Short-term investments (at cost which approximates fair value)	131,972	174,251
Other investments	99,203	107,875
Total investments	4,806,834	4,583,312
Cash	23,959	193
Interest and dividends due or accrued	38,901	37,382
Premiums receivable, net of allowance for uncollectible accounts of: \$4,137 – 2014; \$4,442 – 2013	558,778	524,870
Reinsurance recoverable, net	581,548	550,897
Prepaid reinsurance premiums	146,993	143,000
Current federal income tax	—	512
Deferred federal income tax	98,449	122,613
Property and equipment – at cost, net of accumulated depreciation and amortization of: \$172,183 – 2014; \$179,192 – 2013	59,416	50,834
Deferred policy acquisition costs	185,608	172,981
Goodwill	7,849	7,849
Other assets	73,215	75,727
Total assets	<u>\$ 6,581,550</u>	<u>6,270,170</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for loss and loss expenses	\$ 3,477,870	3,349,770
Unearned premiums	1,095,819	1,059,155
Notes payable	379,297	392,414
Current federal income tax	3,921	—
Accrued salaries and benefits	158,382	111,427
Other liabilities	190,675	203,476
Total liabilities	<u>\$ 5,305,964</u>	<u>5,116,242</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: 99,947,933 – 2014; 99,120,235 – 2013	199,896	198,240
Additional paid-in capital	305,385	288,182
Retained earnings	1,313,440	1,202,015
Accumulated other comprehensive income	19,788	24,851
Treasury stock – at cost (shares: 43,353,181– 2014; 43,198,622 – 2013)	(562,923)	(559,360)
Total stockholders' equity	<u>1,275,586</u>	<u>1,153,928</u>
Commitments and contingencies		
Total liabilities and stockholders' equity	<u>\$ 6,581,550</u>	<u>6,270,170</u>

Selective Insurance Group, Inc. & Consolidated Subsidiaries
Consolidated Statements of Income

(\$ in thousands, except per share amounts)	Unaudited Quarter Ended December 31,		Year Ended December 31,	
	2014	2013	Unaudited 2014	2013
Revenues:				
Net premiums earned	\$ 469,850	451,312	1,852,609	1,736,072
Net investment income earned	32,108	35,313	138,708	134,643
Net realized gains:				
Net realized investment gains	9,333	1,251	37,703	26,375
Other-than-temporary impairments	(9,722)	(2,459)	(11,104)	(5,566)
Other-than-temporary impairments on fixed income securities recognized in other comprehensive income	—	—	—	(77)
Total net realized (losses) gains	(389)	(1,208)	26,599	20,732
Other income	2,014	2,617	16,945	12,294
Total revenues	\$ 503,583	488,034	2,034,861	1,903,741
Expenses:				
Loss and loss expenses incurred	268,228	288,978	1,157,501	1,121,738
Policy acquisition costs	161,930	151,407	624,470	579,977
Interest expense	5,542	5,567	22,086	22,538
Other expenses	10,683	7,834	33,673	35,686
Total expenses	\$ 446,383	453,786	1,837,730	1,759,939
Income from continuing operations, before federal income tax	\$ 57,200	34,248	197,131	143,802
Federal income tax expense:				
Current	\$ 5,723	4,106	28,415	24,147
Deferred	10,127	4,807	26,889	12,240
Total federal income tax expense	15,850	8,913	55,304	36,387
Net income from continuing operations	\$ 41,350	25,335	141,827	107,415
Loss on disposal of discontinued operations, net of tax of \$(538) - 2013	—	—	—	(997)
Net income	\$ 41,350	25,335	141,827	106,418
Earnings per share:				
Basic net income from continuing operations	\$ 0.73	0.45	2.52	1.93
Basic net loss from discontinued operations	—	—	—	(0.02)
Basic net income	\$ 0.73	0.45	2.52	1.91
Diluted net income from continuing operations	\$ 0.72	0.44	2.47	1.89
Diluted net loss from discontinued operations	—	—	—	(0.02)
Diluted net income	\$ 0.72	0.44	2.47	1.87
Dividends to stockholders	\$ 0.14	0.13	0.53	0.52

Selective Insurance Group, Inc. & Consolidated Subsidiaries**Consolidated Statements of Comprehensive Income**

December 31,

(\$ in thousands)

	Unaudited		
	2014	2013	2012
Net income	\$ 141,827	106,418	37,963
Other comprehensive income, net of tax:			
<i>Unrealized gains (losses) on investment securities:</i>			
Unrealized holding gains (losses) arising during period	47,411	(54,557)	30,937
Non-credit portion of other-than-temporary impairments recognized in other comprehensive income	—	50	1,660
Amount reclassified into net income:			
Held-to-maturity securities	(844)	(1,025)	(1,581)
Non-credit other-than-temporary impairments	1,085	9	182
Realized gains on available for sale securities	(18,762)	(15,301)	(6,118)
Total unrealized gains (losses) on investment securities	28,890	(70,824)	25,080
<i>Defined benefit pension and post-retirement plans:</i>			
Net actuarial (loss) gain	(35,189)	38,775	(17,268)
Amounts reclassified into net income:			
Net actuarial loss	1,236	2,843	3,837
Prior service cost	—	6	97
Curtailement expense	—	11	—
Total defined benefit pension and post-retirement plans	(33,953)	41,635	(13,334)
Other comprehensive (loss) income	(5,063)	(29,189)	11,746
Comprehensive income	\$ 136,764	77,229	49,709

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

December 31,

(\$ in thousands, except share amounts)

	Unaudited		
	2014	2013	2012
Common stock:			
Beginning of year	\$ 198,240	196,388	194,494
Dividend reinvestment plan (shares: 58,309 – 2014; 63,349 – 2013; 90,110 – 2012)	117	127	180
Stock purchase and compensation plans (shares: 769,389 – 2014; 862,662 – 2013; 857,403 – 2012)	1,539	1,725	1,714
End of year	<u>199,896</u>	<u>198,240</u>	<u>196,388</u>
Additional paid-in capital:			
Beginning of year	288,182	270,654	257,370
Dividend reinvestment plan	1,306	1,396	1,419
Stock purchase and compensation plans	15,897	16,132	11,865
End of year	<u>305,385</u>	<u>288,182</u>	<u>270,654</u>
Retained earnings:			
Beginning of year	1,202,015	1,125,154	1,116,319
Net income	141,827	106,418	37,963
Dividends to stockholders (\$0.53 per share – 2014; \$0.52 per share – 2013 and 2012)	(30,402)	(29,557)	(29,128)
End of year	<u>1,313,440</u>	<u>1,202,015</u>	<u>1,125,154</u>
Accumulated other comprehensive income:			
Beginning of year	24,851	54,040	42,294
Other comprehensive (loss) income	(5,063)	(29,189)	11,746
End of year	<u>19,788</u>	<u>24,851</u>	<u>54,040</u>
Treasury stock:			
Beginning of year	(559,360)	(555,644)	(552,149)
Acquisition of treasury stock (shares: 154,559 – 2014; 167,846 – 2013; 194,575 – 2012)	(3,563)	(3,716)	(3,495)
End of year	<u>(562,923)</u>	<u>(559,360)</u>	<u>(555,644)</u>
Total stockholders' equity	<u>\$ 1,275,586</u>	<u>1,153,928</u>	<u>1,090,592</u>

Selective Insurance Group, Inc.
Consolidated Statements of Cash Flow

 December 31,
 (\$ in thousands)

Unaudited
2014

2013

2012

Operating Activities:

Net Income	\$ 141,827	106,418	37,963
<i>Adjustments to reconcile net income to net cash provided by operating activities:</i>			
Depreciation and amortization	45,346	43,461	38,963
Sale of renewal rights	(8,000)	—	—
Loss on disposal of discontinued operations	—	997	—
Stock-based compensation expense	8,702	8,630	6,939
Undistributed (income) losses of equity method investments	(153)	202	1,651
Net realized gains	(26,599)	(20,732)	(8,988)
Net gain on disposal of property and equipment	(104)	—	—
Retirement income plan curtailment expense	—	16	—

Changes in assets and liabilities:

Increase in reserves for loss and loss expenses, net of reinsurance recoverables	97,449	151,037	64,763
Increase in unearned premiums, net of prepaid reinsurance	32,671	74,086	82,764
Decrease (increase) in net federal income taxes	31,323	14,834	(7,812)
Increase in premiums receivable	(33,908)	(40,482)	(18,094)
Increase in deferred policy acquisition costs	(12,627)	(17,458)	(19,762)
(Increase) decrease in interest and dividends due or accrued	(1,536)	(1,372)	468
(Decrease) increase in accrued salaries and benefits	(7,182)	18,685	6,533
(Decrease) increase in accrued insurance expenses	(956)	14,444	8,831
(Decrease) increase in other assets and other liabilities	(33,490)	(16,642)	32,750
Net adjustments	90,936	229,706	188,736
Net cash provided by operating activities	<u>232,763</u>	<u>336,124</u>	<u>226,699</u>

Investing Activities:

Purchase of fixed income securities, available-for-sale	(843,616)	(1,069,387)	(884,911)
Purchase of equity securities, available-for-sale	(186,019)	(118,072)	(83,833)
Purchase of other investments	(10,617)	(9,332)	(12,990)
Purchase of short-term investments	(1,410,123)	(2,056,576)	(1,735,691)
Purchase of subsidiary, net of cash acquired	—	—	255
Sale of subsidiary	—	1,225	751
Sale of fixed maturity securities, available-for-sale	51,002	20,126	103,572
Sale of short-term investments	1,452,402	2,096,805	1,738,255
Redemption and maturities of fixed income securities, held-to-maturity	73,415	116,584	118,260
Redemption and maturities of fixed income securities, available-for-sale	482,816	513,804	439,957
Sale of equity securities, available-for-sale	208,008	115,782	101,740
Distributions from other investments	20,774	12,039	24,801
Sale of other investments	—	—	1
Purchase of property and equipment	(15,510)	(14,023)	(12,879)
Sale of renewal rights	8,000	—	—
Net cash used in investing activities	<u>(169,468)</u>	<u>(391,025)</u>	<u>(202,712)</u>

Financing Activities:

Dividends to stockholders	(28,428)	(27,416)	(26,944)
Acquisition of treasury stock	(3,563)	(3,716)	(3,495)
Net proceeds from stock purchase and compensation plans	7,283	7,119	4,840
Proceeds from issuance of notes payable, net of debt issuance costs	—	178,435	—
Repayment of borrowings	(13,000)	—	—
Repayment of notes payable	—	(100,000)	—
Excess tax benefits from share-based payment arrangements	1,020	1,545	1,060
Repayment of capital lease obligations	(2,841)	(1,083)	—
Net cash (used in) provided by financing activities	<u>(39,529)</u>	<u>54,884</u>	<u>(24,539)</u>
Net increase (decrease) in cash	23,766	(17)	(552)
Cash, beginning of year	193	210	762
Cash, end of year	<u>\$ 23,959</u>	<u>193</u>	<u>210</u>

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

(\$ in thousands)	December 31, 2014	December 31, 2013
ASSETS		
Bonds	\$ 4,241,580	4,010,464
Common stocks	191,400	192,771
Affiliated mortgage loan	35,961	36,721
Other investments	152,154	173,856
Short-term investments	115,342	158,827
Total investments	4,736,437	4,572,639
Cash on hand and in banks	12,381	(31,186)
Interest and dividends due and accrued	38,908	37,267
Premiums receivable	556,086	522,907
Reinsurance recoverable on paid losses and expenses	9,570	10,059
Deferred tax recoverable	147,610	154,320
EDP equipment	518	913
Equities and deposits in pools and associations	9,915	9,555
Receivable for sold securities	34	7
Other assets	26,629	30,671
Total assets	\$ 5,538,088	5,307,152
LIABILITIES		
Reserve for losses	\$ 2,398,531	2,341,476
Reinsurance payable on paid loss and loss expense	2,957	2,557
Reserve for loss expenses	493,510	455,983
Unearned premiums	948,826	916,155
Reserve for commissions payable	70,259	63,482
Ceded balances payable	29,624	33,721
Federal income tax payable	20,524	27,749
Premium and other taxes payable	20,137	27,870
Borrowed money	45,027	58,044
Reserve for dividends to policyholders	3,895	2,070
Reserves for unauthorized reinsurance	7,661	2,735
Payable for securities	19,950	-
Funds withheld on account of others	7,473	6,623
Accrued salaries and benefits	64,207	65,053
Other liabilities	97,665	47,203
Total liabilities	4,230,246	4,050,721
POLICYHOLDERS' SURPLUS		
Capital	42,725	42,725
Paid in surplus	492,869	492,869
Unassigned surplus	772,248	720,837
Total policyholders' surplus	1,307,842	1,256,431
Total liabilities and policyholders' surplus	\$ 5,538,088	5,307,152

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

(\$ in thousands)	Quarter Ended				Year-to-Date			
	December		December		December		December	
	2014	2013			2014	2013		
UNDERWRITING								
Net premiums written	\$ 433,586	406,475			1,885,280	1,811,524		
Net premiums earned	469,850	452,677			1,852,609	1,737,437		
Net losses paid	210,724	204,847			873,159	793,495		
Change in reserve for losses	(9,756)	24,515			57,055	114,618		
Net losses incurred	200,968	229,362	42.8%	50.7%	930,214	908,113	50.2%	52.2%
Net loss expenses paid	48,313	51,322			187,491	184,870		
Change in reserve for loss expenses	17,577	8,145			37,526	28,423		
Net loss expenses incurred	65,890	59,467	14.0%	13.1%	225,017	213,293	12.2%	12.3%
Net underwriting expenses incurred	157,373	146,967	36.2%	36.1%	635,760	602,698	33.7%	33.3%
Total deductions	424,231	435,796			1,790,991	1,724,104		
Statutory underwriting gain	45,619	16,881			61,618	13,333		
Net loss from premium balances charged off	(54)	(676)			(2,822)	(2,697)		
Finance charges and other income	1,617	2,834			17,204	13,078		
Total other income	1,563	2,158	-0.3%	-0.5%	14,382	10,381	-0.7%	-0.5%
Policyholders' dividends incurred	(2,239)	(882)	0.5%	0.2%	(6,182)	(4,275)	0.3%	0.2%
Total underwriting gain	44,943	18,157	93.2%	99.6%	69,818	19,439	95.7%	97.5%
INVESTMENT								
Net investment income earned	31,745	35,246			137,670	134,866		
Net realized gain (loss)	(389)	(5,200)			26,594	14,593		
Total income before income tax	76,299	48,203			234,082	168,898		
Federal income tax expense	11,775	3,773			43,827	46,710		
Net income	\$ 64,524	44,430			190,255	122,188		
Policyholders' Surplus								
Surplus, beginning of period	\$ 1,323,097	1,194,797			1,256,431	1,050,107		
Net income	64,524	44,430			190,255	122,188		
Change in deferred taxes	8,146	(11,861)			(2,016)	(5,657)		
Change in net unrealized capital (losses) / gains	693	12,759			(3,721)	16,434		
Dividends to stockholders	(14,378)	(6,685)			(57,511)	(32,129)		
Paid in surplus	-	-			-	57,125		
Change in reserve for unauthorized	(4,927)	4,764			(4,927)	4,764		
Change in non-admitted assets	(15,801)	11,399			(18,004)	27,099		
Change in Overfunded Contra Asset	(1,285)	(503)			(5,925)	(11,594)		
Qual Pen Trans Liab	(50,660)	8,427			(45,214)	(23,605)		
Excess Plan Trans Liab	(1,400)	(432)			(1,377)	(994)		
PRL Plan Trans Liab	(167)	242			(149)	(947)		
Change in minimum pension liability	-	-			-	54,755		
Surplus adjustments	-	(906)			-	(1,115)		
Net change in surplus for period	(15,255)	61,634			51,411	206,324		
Surplus, end of period	\$ 1,307,842	1,256,431			1,307,842	1,256,431		
Statutory underwriting gain	\$ 44,943	18,157			69,818	19,439		
Adjustments under GAAP:								
Deferred policy acquisition costs	(4,074)	(4,229)			12,626	17,458		
Pension costs	(136)	(116)			(429)	5,606		
Other, net	(2,096)	(1,841)			(3,872)	(3,737)		
GAAP underwriting gain	\$ 38,637	11,971			78,143	38,766		

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

Selective Insurance Group, Inc. and Consolidated Subsidiaries
Alternative Investments
as of December 31, 2014
(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	2,142,141	8,874,486	1,771,424	0.67	1.09
Silverpeak RE III	2008	15,000,000	7,909,214	2,577,523	(31,973)	0.07	0.43
Total - Real Estate		35,000,000	10,051,355	11,452,009	1,739,452	0.51	0.92
Mezzanine Financing							
Neovara Euro Mezz	2004	9,000,000	-	1	-	0.98	0.98
GS Mezz V	2007	25,000,000	10,223,976	5,401,666	1,033,604	1.03	1.32
New Canaan V	2012	7,000,000	1,473,310	3,466,536	516,293	0.49	1.12
Centerfield Capital	2012	3,000,000	1,843,500	985,030	44,805	0.13	0.99
Total - Mezz. Financing		44,000,000	13,540,787	9,853,233	1,594,702	0.91	1.17
Distressed Debt							
Varde VIII	2006	10,000,000	-	2,331,563	506,633	1.11	1.35
Distressed Managers III	2007	15,000,000	2,982,132	6,347,694	645,767	0.75	1.23
Total - Distressed Debt		25,000,000	2,982,132	8,679,257	1,152,400	0.91	1.28
Private Equity							
Prospector	1997	5,000,000	-	409,742	2,973	2.79	2.88
Trilantic Capital Partners III	2004	10,000,000	1,455,947	2,495,030	261,132	1.63	1.89
NB Co-Invest	2006	15,000,000	1,476,418	6,781,167	995,206	0.96	1.42
Trilantic Capital Partners IV	2007	11,098,351	1,321,501	8,175,671	884,137	1.02	1.76
Trilantic Capital Partners V	2012	7,000,000	4,636,211	2,263,961	137,102	-	0.96
Total - Private Equity		48,098,351	8,890,077	20,125,571	2,280,551	1.29	1.76
Private Equity, Secondary Market							
NB SOF	2005	12,000,000	899,494	3,567,937	188,914	1.02	1.34
Vintage IV	2007	20,000,000	4,122,656	11,531,938	892,851	0.77	1.36
NB SOF II	2008	12,000,000	1,978,288	6,707,251	1,059,532	0.96	1.50
Total - Pvt. Eq. Sec. Mkt.		44,000,000	7,000,438	21,807,125	2,141,297	0.89	1.40
Energy/Power Generation							
ArcLight I	2002	15,000,000	-	12,455	(24,079)	1.81	1.81
ArcLight II	2003	15,000,000	2,295,492	553,066	(455,491)	1.38	1.41
ArcLight III	2006	15,000,000	2,037,794	3,079,880	894,818	1.23	1.42
Quintana Energy	2006	10,000,000	284,272	8,333,018	1,510,737	0.60	1.45
ArcLight IV	2007	10,000,000	2,287,578	2,466,956	1,771,299	1.20	1.44
ArcLight VI	2014	15,000,000	15,000,000	-	-	-	-
Total - Energy/Power Generation		80,000,000	21,905,136	14,445,375	3,697,284	1.31	1.51
Venture Capital							
Venture V	2001	9,600,000	350,000	6,605,440	974,026	0.69	1.40
Total - Venture Capital		9,600,000	350,000	6,605,440	974,026	0.69	1.40
TOTAL - ALTERNATIVE INVESTMENTS		\$ 285,698,351	64,719,924	92,968,010	13,579,712	1.03	1.39

⁽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
Credit Quality of Available-for-Sale Fixed Income Securities
December 31, 2014
(unaudited)

(\$ in millions)	Fair Value	Unrealized Gain (Loss)	Weighted Average Credit Quality
AFS Fixed Income Portfolio:			
U.S. government obligations	\$ 124.1	7.4	AA+
Foreign government obligations	27.8	0.8	AA-
State and municipal obligations	1,246.3	37.5	AA
Corporate securities	1,799.8	36.4	A-
Asset-backed securities ("ABS")	177.2	0.4	AAA
Mortgage-backed securities ("MBS")	690.9	7.8	AA+
Total AFS fixed income portfolio	<u>\$ 4,066.1</u>	<u>90.3</u>	<u>AA-</u>
State and Municipal Obligations:			
General obligations	\$ 563.4	15.9	AA+
Special revenue obligations	682.9	21.6	AA
Total state and municipal obligations	<u>\$ 1,246.3</u>	<u>37.5</u>	<u>AA</u>
Corporate Securities:			
Financial	\$ 565.5	11.3	A
Industrials	146.9	4.2	A-
Utilities	151.0	2.0	BBB+
Consumer discretionary	207.9	5.1	A-
Consumer staples	171.1	3.3	A-
Healthcare	170.8	4.7	A
Materials	112.6	2.4	BBB+
Energy	103.4	0.2	A-
Information technology	116.7	1.9	A+
Telecommunications services	51.1	1.0	BBB+
Other	2.8	0.3	AA
Total corporate securities	<u>\$ 1,799.8</u>	<u>36.4</u>	<u>A-</u>
ABS:			
ABS	\$ 176.7	0.3	AAA
Sub-prime ABS ¹	0.5	0.1	CCC
Total ABS	<u>\$ 177.2</u>	<u>0.4</u>	<u>AAA</u>
MBS:			
Government guaranteed agency commercial MBS ("CMBS")	\$ 14.5	0.3	AA+
Other agency CMBS	13.6	(0.1)	AA+
Non-agency CMBS	151.5	1.4	AA+
Government guaranteed agency residential MBS ("RMBS")	32.4	0.8	AA+
Other agency RMBS	453.5	5.1	AA+
Non-agency RMBS	21.7	0.2	BB+
Alternative-A ("Alt-A") RMBS	3.7	0.1	A
Total MBS	<u>\$ 690.9</u>	<u>7.8</u>	<u>AA+</u>

¹Subprime ABS includes 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
December 31, 2014
(unaudited)

(\$ in millions)	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 Income Portfolio:						
Foreign government obligations	\$ 5.4	5.3	0.1	—	0.1	AA+
State and municipal obligations	299.1	287.4	11.7	2.1	13.8	AA
Corporate securities	21.4	18.6	2.8	(0.3)	2.5	A+
ABS	2.9	2.4	0.5	(0.5)	—	AAA
MBS	5.2	4.4	0.8	(0.4)	0.4	AAA
Total HTM fixed income portfolio	<u>\$ 334.0</u>	<u>318.1</u>	<u>15.9</u>	<u>0.9</u>	<u>16.8</u>	<u>AA</u>
State and Municipal Obligations:						
General obligations	\$ 97.8	94.6	3.2	1.0	4.2	AA
Special revenue obligations	201.3	192.8	8.5	1.1	9.6	AA
Total state and municipal obligations	<u>\$ 299.1</u>	<u>287.4</u>	<u>11.7</u>	<u>2.1</u>	<u>13.8</u>	<u>AA</u>
Corporate Securities:						
Financial	\$ 2.2	1.9	0.3	(0.1)	0.2	A-
Industrials	6.7	5.7	1.0	(0.2)	0.8	A+
Utilities	12.5	11.0	1.5	—	1.5	A+
Total corporate securities	<u>\$ 21.4</u>	<u>18.6</u>	<u>2.8</u>	<u>(0.3)</u>	<u>2.5</u>	<u>A+</u>
ABS:						
ABS	\$ 0.6	0.6	—	—	—	AA
Alt-A ABS	2.3	1.8	0.5	(0.5)	—	AAA
Total ABS	<u>\$ 2.9</u>	<u>2.4</u>	<u>0.5</u>	<u>(0.5)</u>	<u>—</u>	<u>AAA</u>
MBS:						
Non-agency CMBS	\$ 5.2	4.4	0.8	(0.4)	0.4	AAA
Total MBS	<u>\$ 5.2</u>	<u>4.4</u>	<u>0.8</u>	<u>(0.4)</u>	<u>0.4</u>	<u>AAA</u>