

2015 Annual Report



Selective Insurance Group, Inc. is a holding company for ten property and casualty (P&C) insurance companies rated “A” (Excellent) by A.M. Best. Through independent agents, the company offers standard and specialty insurance to business professionals and consumers to meet their risk management needs. Selective is guided by a vision to deliver high-tech, high-touch insurance solutions to our distribution partners and customers, while delivering a superior customer service experience.

So valuable is the human element that I will not let this company lose the human touch which has been largely responsible for its success.

– D.L.B. Smith, Founder

◆ 2015 GAAP Financial Highlights

(\$ in millions, except per share data)

	2015	2014	% or Point Change Better (Worse)
Insurance Operations			
Net premiums written	\$2,069.9	\$1,885.3	10%
Net premiums earned	\$1,989.9	\$1,852.6	7%
Underwriting gain before tax	\$149.0	\$78.1	91%
GAAP combined ratio	92.5%	95.8%	3.3 pts
Statutory combined ratio	92.4%	95.7%	3.3 pts
Investments			
Net investment income before tax	\$121.3	\$138.7	(13)%
Net realized gains before tax	\$13.2	\$26.6	(50)%
Invested assets per dollar of stockholders' equity	\$3.64	\$3.77	(3)%
Summary Data			
Total revenues	\$2,131.9	\$2,034.9	5%
Net income	\$165.9	\$141.8	17%
Return on average equity	12.4%	11.7%	0.7 pts
Operating income (non-GAAP)	\$157.3	\$124.5	26%
Operating return on average equity (non-GAAP)	11.8%	10.3%	1.5 pts
Total assets	\$6,904.4	\$6,574.9	5%
Stockholders' equity	\$1,398.0	\$1,275.6	10%
Per Share Data			
Diluted net income	\$2.85	\$2.47	15%
Operating income (non-GAAP)	\$2.70	\$2.17	24%
Dividends	\$0.57	\$0.53	8%
Stockholders' equity	\$24.37	\$22.54	8%

Refer to Glossary of Terms attached to the Company's Form 10-K Exhibit 99.1 for definition of specific measures. / GAAP: U.S. Generally Accepted Accounting Principles / Operating income is reconciled to net income in the Company's Form 10-K.

Key Selective Highlights

92.4%

Overall Statutory Combined Ratio

22%

Growth in New Business

12.4%

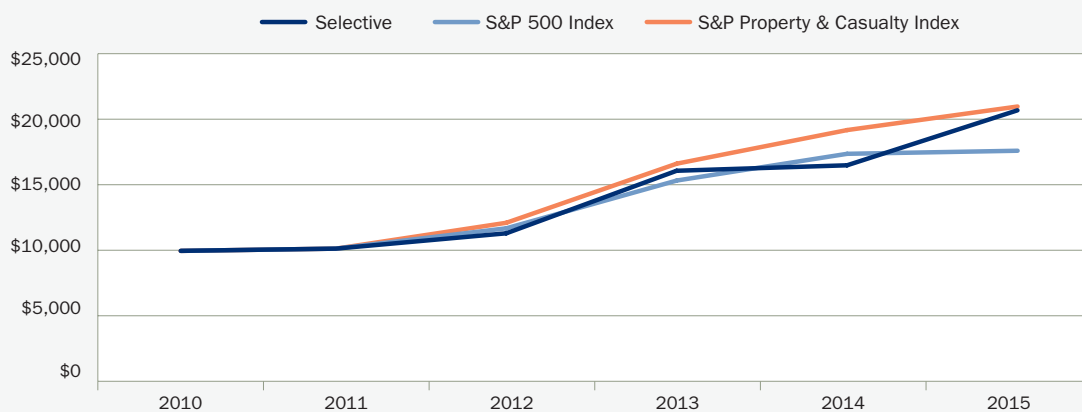
Total Return on Average Equity

8%

Year over Year Growth
in Book Value Per Share

Average Annual Return

Growth of a
\$10,000 investment
(year-end 2010-15)



◆ To Our Shareholders



Selective has a long history of creating value for shareholders by delivering on our strategic business objectives, but 2015 stands out. It was Selective's most profitable year since we began trading on Nasdaq, achieving a record statutory combined ratio of 92.4%, or 89.4% excluding catastrophe losses. In addition, our 11.8% operating return on equity exceeded our target of 300 basis points over our weighted average cost of capital.

Our success this year generating profitable growth reflects what we consider our sustainable competitive advantages:

- True franchise value with “ivy league” distribution partners;
- Our unique field model coupled with sophisticated underwriting and claims capabilities; and
- Superior customer experience delivered by best-in-class employees.

In our opinion, Selective is a special company that is highly successful through the powerful combination of best-in-class employees and distribution partners. We are very proud of our success and continued outperformance, which the following 2015 metrics demonstrate:

- Growth in net premiums written of 10%, 2.5 times the 2015 expected industry growth rate;
- Overall renewal pure price increases of 3.4%;
- Increased standard lines new business production of 22%;
- Underwriting and claims improvements that reduced our combined ratio by 2.2 points; and
- Agent survey satisfaction scores that have averaged 8.6 out of 10 over the past three years.

True Franchise Value

Insurance is a relationship business, and Selective has true franchise value with our distribution partners who are committed to driving profitable growth, as well as providing

best-in-class service to customers. We are the 42nd largest property and casualty company in the U.S., and in 2015 wrote \$2.1 billion of net premiums written through 1,100 retail and 80 wholesale distribution partners. Our partner relationships have been built on trust and many years of working together.

In 2015, we wrote \$1.9 billion of standard lines premiums, or \$1.7 million of premium per agent, and \$189 million of excess and surplus (E&S) lines premium, or \$2.4 million per wholesale general agent. As we focus on the future, Selective will continue to leverage its competitive advantages to maintain its profitable growth trajectory by increasing our share of wallet with existing distribution partners while strategically adding distribution partners in areas with strong new business opportunities.

Unique Field Model Coupled with Sophisticated Underwriting and Claims Capabilities

We have a highly responsive, field-based model with:

- 100 Agency Management Specialists;
- 15 Personal Lines Marketing Specialists;
- 100 Claim Management Specialists; and
- 80 Safety Management Specialists.

All of our field employees are armed with sophisticated underwriting and claims tools to better serve our distribution partners and customers. Our distribution partners cite our field employees as the number one reason they place their best business with us.

Superior Customer Experience Delivered by Best-in-Class Employees

People are the cornerstone of every successful organization, and we have best-in-class employees focused on making us a more customer-centric company. In 2015, we made key strategic investments in technology as part of our efforts to deliver a superior customer experience across all channels, commonly referred to as omni-channel. These investments have enabled us to provide our customers with 24/7 access to information and transactional capabilities. Customers are coming to expect this level of service and access from every company with which they conduct business, and we view omni-channel as a game changer. Over the last few years, Selective has rolled out self-servicing capabilities via mobile app, mobile web, and desktop, and we relaunched our public website with simplified navigation, richer content, and responsive capabilities.

Alignment for Profitable Growth

Our three insurance segments — standard commercial lines, standard personal lines and E&S lines — are as follows:

Growth in our standard commercial lines business, which represents 77% of total net premiums written, was very strong this year at 11%, driven by new business growth of 26% to \$340 million, and solid pure price increases. Retention was strong at 83%, and renewal pure price was 3.0% on a written basis. Commercial lines price increases met or exceeded claims inflation for 25 consecutive quarters. The standard commercial lines statutory combined ratio was 89.2%, an improvement of 6.3 points from 2014.

Our standard personal lines business represents 14% of total net premiums written. We consider it complementary to commercial lines, and it plays a significant role in building our share of wallet with our distribution partners. This year, renewal pure price was strong at 5.8%, with homeowners achieving a 7.5% rate increase. The launch of The Selective Edge® product in 2015 was well-received by our distribution partners, and we expect it to gain additional traction in 2016. In 2015, The Selective Edge® product accounted for 15% of our automobile new business and 22% of our homeowners new business. We saw continued top-line pressure in 2015 as we focused our resources on delivering our target returns for this segment.

Our E&S business, which represents 9% of net premiums written, experienced tremendous growth in the year. Net premiums written grew 24% to \$189 million, and we generated robust new business growth of 23% in 2015. That said, we remain focused on improving E&S profitability. Accordingly, we are employing a number of initiatives, including a mix of business shift, targeted price increases, claims management improvements, and more robust monitoring tools.

Leveraging Our Financial Strength

We remain highly focused on pricing discipline to improve our underwriting performance in order to mitigate lower after-tax portfolio yields and consistently achieve our return on equity target. Selective is uniquely positioned to thrive in this environment because low investment yields force companies to generate underwriting profits, and many commercial lines companies have not invested in sophisticated underwriting and claims tools. In addition, we have a leverage advantage because we write premium at twice the industry premium to surplus level — every one point of combined ratio generates one point of operating return on equity. Because our leverage is twice the industry average, the competition must price its product higher to generate an equivalent return.

We have a conservative and well-diversified investment portfolio. In 2015, our invested assets increased to \$5 billion and operating cash flow, at 18% of net premiums written, increased by 64%. Our fixed income investments have an

average credit quality of AA- and a 3.7 year duration, including short-term investments. Since our fixed income securities duration is shorter than the industry, we will be able to more quickly take advantage of a rising interest rate environment.

We closed the year with a book value per share up 8% to \$24.37. In addition, we have maintained a financial strength rating of “A” (Excellent) or better by A.M. Best Company for more than 85 years.

Strong Board Leadership

We have twelve Board members of diverse backgrounds who help shape our strategy and contribute to our success. In 2015, we welcomed Robert Kelly Doherty as an independent director. Kelly has significant private and public company investment experience and serves as Managing Partner of Caymen Advisors and Caymen Partners, which he founded in 1999. He already has made meaningful contributions to Selective and our investment and overall strategies.

Committed to Our Communities

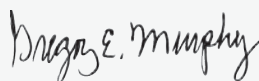
Our employees and distribution partners are committed to giving back to the communities where they live and work. The Selective Insurance Group Foundation made significant financial contributions in 2015 to not-for-profit organizations that make a difference in people’s lives. The Foundation also continued its policy of providing grants to match employees’ donations of time to philanthropic efforts.

Our Focus Forward

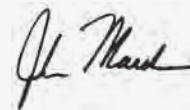
We want to express our sincere appreciation and gratitude to everyone who helped drive our success this year. We are always grateful for the incredible dedication and commitment of our employees and distribution partners to being the best, and we greatly appreciate the leadership and guidance of our Board of Directors.

As Selective celebrates its 90th year of business in 2016, we continue to focus on our competitive advantages; however, our goal of Focus Forward is to build off of our solid foundation for future growth and profit sustainability. We believe Selective remains a highly attractive investment opportunity and is well-positioned to stay on the path to deliver sustainable, profitable growth while driving value for all shareholders. Selective — strong today, stronger tomorrow.

Sincerely,



Gregory E. Murphy
Chairman and CEO



John J. Marchioni
President and COO

◆ Company Overview

Our Lines of Business

Selective provides value-added products and services to businesses, public entities and individuals through the following lines of business:

Standard Commercial

77% of business

Selective provides commercial insurance to more than 80 industry segments, from retail operations, contractors and not-for-profit groups, to governmental entities, manufacturers and more, across 22 states and the District of Columbia.

Standard Personal

14% of business

Selective offers a number of customized insurance solutions for drivers, renters and homeowners in 13 states. In addition, Selective is the 6th largest Write Your Own (WYO) carrier in the National Flood Insurance Program, providing flood building and contents coverage to homeowners and businesses nationwide.

Excess & Surplus

9% of business

Selective offers excess and surplus lines property, general liability, liquor liability, and inland marine coverage through wholesale agents to customers in more than 1,000 classes of business across the U.S.

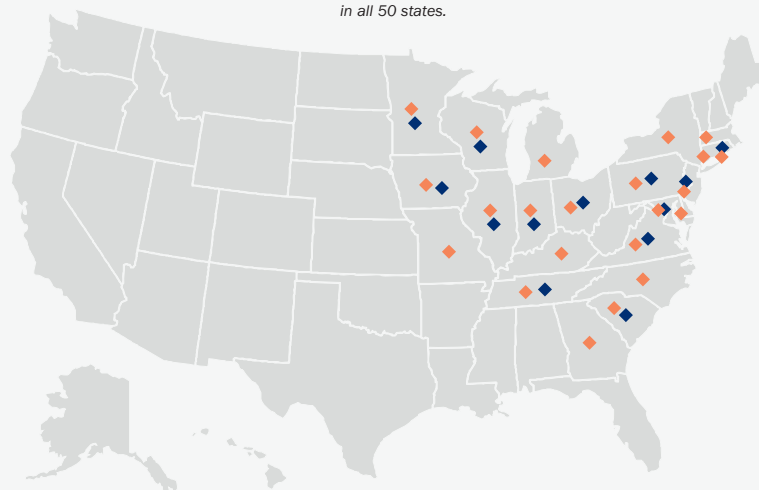
Investments

Selective invests the premiums collected by our insurance segments, as well as amounts generated through our capital management strategies. The primary objective of the investment portfolio is to maximize after-tax investment income while balancing risk and generating long-term growth in shareholder value.

Where We Do Business

Selective is a super-regional insurance carrier operating in the following states:

◆ STANDARD COMMERCIAL ◆ STANDARD PERSONAL ■ EXCESS & SURPLUS
**Flood insurance available in all 50 states.*



Our Competitive Advantages

Selective's long history of financial strength, superior execution and disciplined growth can be attributed to our sustainable competitive advantages:

- True franchise value with "ivy league" distribution partners;
- Our unique field model coupled with sophisticated underwriting and claims capabilities; and
- Superior customer experience delivered by best-in-class employees.

2,200

dedicated Selective employees who are committed to making a difference in the lives of agents and customers

90 Years

Founded in 1926, 2016 marks Selective's 90th year in business.

"A"

(Excellent) or higher rating by A.M. Best for 85 consecutive years

42nd

largest U.S. property and casualty group*

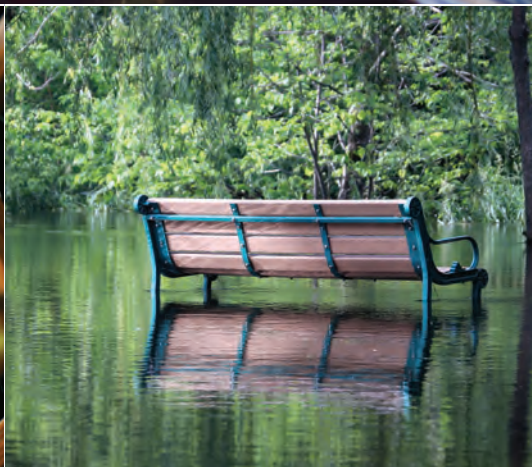
Personal Insurance

Consultative buyers seeking personal risk solutions choose The Selective Edge® for the broadest home and automobile packaged coverages and optional features.



Commercial Insurance

Unique risk management solutions, safety management expertise, superior claims service, and a commitment to an extraordinary customer experience position Selective as the carrier of choice for business insurance.



Flood Insurance

Selective provides flood building and contents coverage for homeowners and businessowners nationwide.

Excess & Surplus

For businesses that have difficulty finding coverage in the standard market, we have extensive knowledge in more than 1,000 classes of business, including general and artisan contractors, restaurants and bars, lessors risk, habitational, and mercantile risks.

◆ Management Team

Selective's seasoned leadership team drives the organization's strategies for success.



Gregory E. Murphy

Chairman and Chief Executive Officer



Kimberly J. Burnett

Executive Vice President
Chief Human Resources Officer



George A. Neale

Executive Vice President
Chief Claims Officer



John J. Marchioni

President and Chief Operating Officer



Gordon J. Gaudet

Executive Vice President
Chief Information Officer



Dale A. Thatcher

Executive Vice President
Chief Financial Officer and
Treasurer



Michael H. Lanza

Executive Vice President
General Counsel and
Chief Compliance Officer



Ronald J. Zaleski, Sr.

Executive Vice President
Chief Actuary

◆ Directors



Paul D. Bauer 1998, Lead Independent Director since 2013

Retired, former Executive Vice President and Chief Financial Officer, Tops Markets, Inc.

A. David Brown 1996 to April 2015 and since July 2015

Retired, former Executive Vice President and Chief Administrative Officer, Urban Brands, Inc.

John C. Burville, Ph.D. 2006

Retired, former Insurance Consultant to the Bermuda Government

Robert Kelly Doherty 2015

Managing Partner, Caymen Advisors and Caymen Partners

Michael J. Morrissey 2008

President and Chief Executive Officer, International Insurance Society, Inc.

Gregory E. Murphy 1997

Chairman and Chief Executive Officer, Selective Insurance Group, Inc.

Cynthia (Cie) S. Nicholson 2009

Chief Operating Officer, Forkcast

Ronald L. O'Kelley 2005

Chairman and Chief Executive Officer, Atlantic Coast Venture Investments Inc.

William M. Rue 1977

Chairman, Chas. E. Rue & Son, Inc., t/a Rue Insurance

John S. Scheid 2014

Owner, Scheid Investment Group, LLC

J. Brian Thebault 1996

Partner, Thebault Associates

Philip H. Urban 2014

Retired, former President and Chief Executive Officer, Grange Insurance

◆ Officers

Chairman and Chief Executive Officer

Gregory E. Murphy^{1,2}

President and Chief Operating Officer

John J. Marchioni^{1,2}

Executive Vice Presidents

Kimberly J. Burnett²

Chief Human Resources Officer

Angelique M. Carbo²

Chief Human Resources
Officer-Designee

Gordon J. Gaudet²

Chief Information Officer

Michael H. Lanza^{1,2}

General Counsel and
Chief Compliance Officer

George A. Neale²

Chief Claims Officer

Dale A. Thatcher^{1,2}

Chief Financial Officer
and Treasurer

Ronald J. Zaleski, Sr.^{1,2}

Chief Actuary

Senior Vice Presidents

Charles C. Adams²

Regional Manager
Mid-Atlantic Region

Allen H. Anderson²

Chief Underwriting Officer
Personal Lines/Flood

Jeffrey F. Beck²

Government and Regulatory Affairs

John P. Bresney²

Enterprise Application Delivery
Services

Sarita G. Chakravarthi^{1,2}

Tax and Assistant Treasurer

Thomas M. Clark²

Claims General Counsel

Edward F. Drag, II²

Regional Manager
New Jersey Region

Joseph O. Eppers^{1,2}

Chief Investment Officer

Brenda M. Hall²

Chief Strategic Operations Officer

Anthony D. Harnett^{1,2}

Corporate Controller

Martin Hollander^{1,2}

Chief Audit Executive

Kory Jensen²

IT Infrastructure and Operations

Jeffrey F. Kamrowski²

Chief Underwriting Officer
Commercial Lines

Robert J. McKenna, Jr.²

Enterprise Architecture and
Information Security

James McLain²

Chief Field Operations Officer

Ryan Miller²

Regional Manager
Southern Region

Yanina Montau-Hupka^{1,2}

Chief Risk Officer

Rohit Mull²

Chief Marketing Officer

Charles A. Musilli, III²

Distribution Strategy

Richard R. Nenaber²

MUSIC

Thomas S. Purnell²

Regional Manager
Northeast Region

Erik A. Reidenbach²

Regional Manager
Heartland Region

Brian C. Sarisky²

Commercial Lines Underwriting

Vincent M. Senia²

Director of Actuarial Reserving

¹ Selective Insurance Group, Inc.

² Selective Insurance Company of America

◆ Investor Information



Annual Meeting

Wednesday, May 4, 2016

Selective Insurance Group, Inc.
40 Wantage Avenue
Branchville, New Jersey 07890

Investor Relations

(973) 948.3000
investor.relations@selective.com

Dividend Reinvestment Plan

Selective Insurance Group, Inc. makes available to holders of its common stock an automatic dividend reinvestment and stock purchase plan.

For information contact:
Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164
(866) 877.6351

Registrar and Transfer Agent

Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164
(866) 877.6351

Auditors

KPMG LLP
345 Park Avenue
New York, New York 10154

Internal Audit Department

Martin Hollander
Chief Audit Executive
internal.audit@selective.com

Executive Office

40 Wantage Avenue
Branchville, New Jersey 07890
(973) 948.3000

Shareholder Relations

Robyn P. Turner
Corporate Secretary
(973) 948.1766
shareholder.relations@selective.com

Common Stock Information

Selective Insurance Group, Inc.'s common stock trades on the NASDAQ Global Select Market under the symbol: **SIGI**.

Form 10-K

Selective's Form 10-K, as filed with the U.S. Securities and Exchange Commission, is provided as part of this 2015 Annual Report.

Website

Visit us at **www.Selective.com** for information about Selective, including our latest financial news.



Selective Insurance Group, Inc.

40 Wantage Avenue
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www.Selective.com



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Apple® and Google™ Play app stores.

