



Ready for the journey ahead



2008 ANNUAL REPORT

Table of Contents

- 1 Letter to Shareholders
- 4 GAAP Financial Highlights
- 5 Our Business
- 8 Growth
- 9 Discipline & Management
- 11 Employees in Action
- 12 Selective's Values
- 13 Form 10-K
 - Directors
 - Officers
 - Investor Information

By staying focused *on* long-term strength, exercising discipline *amid* volatility, *and* remaining responsive to our customers *and* markets, Selective *has* positioned itself for 2009 *and* beyond. While no one can tell *exactly* what lies ahead, **Selective *is* ready for the journey.**

Selective Insurance Group, Inc. is a holding company for seven property and casualty insurance companies rated "A+" (Superior) 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. Other subsidiaries of the company provide human resource administration outsourcing. Selective maintains a website at www.selective.com.



Letter to Shareholders

2008 was a year unlike any other in recent memory. Every industry, every company and every management team experienced the unprecedented volatility of the financial markets, and most saw an impact on their results. Given the depth of the economic downturn, and an extremely competitive commercial lines property and casualty marketplace, it is not surprising that 2008 proved to be a challenging year for Selective.

Market conditions contributed to a net income of \$43.8 million compared to \$146.5 million for 2007 and net premiums written of \$1,484.0 million compared to \$1,554.9 million for 2007. Our equity and alternative investment portfolios outperformed the S&P 500, however our net income fell short of expectations due in part to recording mark-to-market alternative investment portfolio losses in investment income. This asset class represents less than 5% of our total investment portfolio and has proven to be more profitable than traditional equity investments over time.

A steady course

Our insurance operations produced a favorable overall statutory combined ratio of 99.2% versus an industry average estimated by A.M. Best to be 104.7%. In addition, A.M. Best has rated Selective "A" or higher for the past 75 years and "A+" (Superior) for the past 47 consecutive years.

We continue to execute the plans and strategies designed to support our long-term growth and profitability, and can point to examples throughout our organization.

For example, we increased our agent count by 60 across our footprint. Additionally, we expanded into Tennessee for both commercial and personal lines. We captured nearly \$6 million of commercial lines premium in the first seven months in a state that offers \$4 billion in total market opportunity and agents who are eager to market our products. The move into this new state allowed us to capitalize on the positive momentum created by our successful 2007 expansion into Massachusetts.



Gregory E. Murphy

*Chairman, President and
Chief Executive Officer*

Selective has always been committed to consistent investment results and balance sheet strength. We believe that we have taken the right steps to preserve capital, ensure appropriate liquidity, and maintain adequate reserves, in order to provide long-term returns for our shareholders.



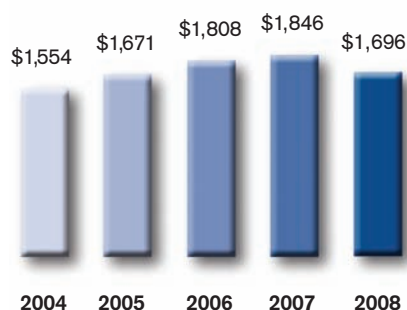
Disciplined navigation

Commercial lines, which represents 86% of our net premiums written, was down 6% compared to 2007 despite growth in both quoted and issued new business in our small business segment, and an increase in quotes across all segments. In many cases, reduced premiums and less new business written reflected our reluctance to cut price below acceptable return levels. This pricing discipline and careful decision making, supported by information from our business analytics and predictive models, allowed us to generate a total statutory combined ratio of 99.2%. With the 2008 implementation of our predictive models, we can now maximize the benefits of our Knowledge Management tools, by providing the information needed by our underwriting experts to make even better decisions.

Relationship driven

We retained a solid 77% of our existing commercial lines business. It is worth noting that our pure price was down just 3.1% in 2008 versus industry estimates ranging from -5% to as much as -12%. We attribute our ability to retain business and rate to superior levels of service coupled with the strength of our relationships with our nearly 940 highly regarded independent agents. An independent survey of our agents' satisfaction with Selective yielded an overall rating of 8.5 out of 10. We believe this strong result is due in large part to all that we do to support our agents, their growth and their profitability with Selective.

We offer agents new ways to meet the needs of their customers by encouraging them to make Claims and Personal Lines Service Centers and the web-based customer portal part of a more comprehensive front-end service platform, all of which is available beyond traditional office hours. In addition, our 2,000 talented and hard-working employees deliver a level of service that truly embodies Selective's "Response is everything.®" approach. These individuals recognize that their response is critical to meet the needs of agents, customers, shareholders and each other every day.



Total Revenues (in millions)

On the horizon

On behalf of Selective's Board of Directors and the entire company, I would like to extend thanks and best wishes to Bill Kearns as he retires from Selective's Board of Directors after 33 years of service. During his tenure, Bill has provided tremendous oversight and guidance in roles that ranged from being a part of the external team that helped to launch Selective's trading on NASDAQ, to his most recent role as Lead Director. We will miss his wisdom and dedication to Selective.

Ready for the journey ahead

These are uncertain times, and no one can predict what lies ahead. External factors will continue to influence our success, but we believe the strength of our organization remains tied to our ability to do what is right, and to focus on that which we can control. With that in mind, we will:

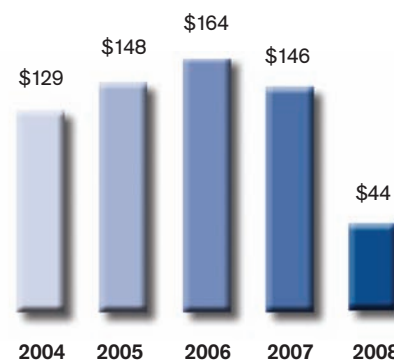
- Remain focused on our long-term strategies.
- Strive for growth, but not at the expense of profitability.
- Work diligently to maintain our financial strength.
- Provide agents and customers with products, services and innovative solutions that meet their needs and exceed their expectations.
- Approach risk management in a holistic way that considers both risks and opportunities across all areas of the enterprise.

I am confident that by working together to execute these long-term plans and strategies, we will be successful in positioning Selective for the journey ahead.



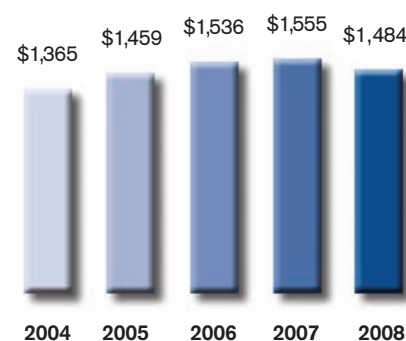
Gregory E. Murphy

Chairman, President and Chief Executive Officer



Net Income (in millions)

We will continue to strive for growth, but not at the expense of profitability.



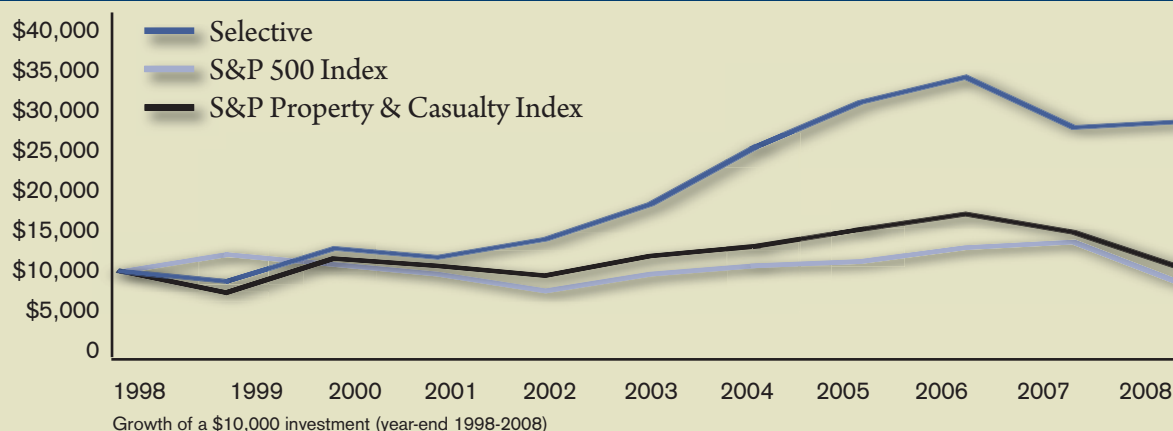
Net Premiums Written
(in millions)

GAAP Financial Highlights

(\$ in millions, except per share data)	2008	2007	% or Point Change better (worse)
INSURANCE OPERATIONS			
Net premiums written	\$1,484.0	\$1,554.9	(5)%
Net premiums earned	1,495.5	1,517.3	(1)%
Underwriting profit/(loss)	(15.2)	16.0	(195)%
Combined ratio	101.0%	98.9%	(2.1) pts
Statutory combined ratio	99.2%	97.5%	(1.7) pts
INVESTMENTS			
Net investment income earned (before tax)	131.0	174.1	(25)%
Net realized gain/(loss)	(49.5)	33.4	(248)%
Invested assets per dollar of stockholders' equity	3.98	3.47	15%
DIVERSIFIED INSURANCE SERVICES			
Revenue	116.3	115.6	1%
Return on revenue	8.3%	10.7%	(2.4) pts
SUMMARY DATA			
Total revenues	1,696.0	1,846.2	(8)%
Net income	43.8	146.5	(70)%
Total assets	4,941.3	5,002.0	(1)%
Stockholders' equity	890.5	1,076.0	(17)%
PER SHARE DATA			
Diluted net income	0.82	2.59	(68)%
Dividends to stockholders	0.52	0.49	6%
Stockholders' equity	16.84	19.81	(15)%

Refer to Glossary of Terms attached as Exhibit 99.1 to the Company's Form 10-K for definitions of specific measures.

AVERAGE ANNUAL RETURN



Our Business

Insurance operations - handling every curve

Our insurance operations performed well in 2008. Small business was a particularly bright spot, as we experienced a 7% increase in premiums written through our One & Done® system. This business is template-driven and moves easily through the One & Done® automated pipeline. The segment is comprised of more than 400 classes of small business and includes sole proprietors as well as businesses with multiple locations and employees. We have long viewed the small business segment as a good opportunity for Selective to increase profitability. Through the expansion of our capabilities, such as adding new classes, providing additional field support and further streamlining the underwriting process, we expect continued organic growth in small business. In late 2008, we introduced a more sophisticated rating structure for our Business Owners Policy that will allow for more granular pricing.

Our Agency Management Specialists (AMSs) drive our middle market business and we benefit from strong relationships with agents in their territories. Our AMSs consistently focus on writing business that will be profitable over the long term. We are continuing to fine-tune our predictive modeling tools and are rolling out an enhanced leads program that will help AMSs and agents to identify and write good business at the most appropriate price. We are confident that this approach will provide us with a distinct advantage when market conditions improve.

We encountered greater competition in our large account segment, an environment in which some competitors were willing to offer very aggressive pricing. Our cycle management efforts were best reflected in this arena where we consistently exercised the discipline necessary for long-term profitability. These large business accounts, which generated \$22 million in new business in 2008, require a significant amount of claims and safety management services. We believe that Selective's ability to provide a superior level of service is the reason that client retention in this segment remained at nearly 87%.



John Villani

*Agency Management Specialist,
Northeast Region*

*Our Agency
Management
Specialists drive our
middle market business
and we benefit
from strong
relationships with
agents in their
territories.*

“The insurance experience has just been fantastic. They’ve been overwhelmingly nice, supportive... and answer any questions you have.”

Selective policyholder in the aftermath of the historic flooding in Iowa



Overall, our commercial lines pure pricing in 2008 decreased 3.1% on renewal premiums, a remarkable achievement in the current competitive marketplace in which many carriers are taking much larger rate decreases. Commercial lines pricing studies conducted by industry research firms show that Selective has steadily given up less price than the industry.

In 2008, we made significant progress on personal lines pricing, process and capability in a business that tends to experience less severe pricing cycles than commercial lines. We implemented significant rate increases in eight states, including New Jersey, and plan to implement additional rate increases in 2009. We also experienced growth in quotes and new policies written, increased our personal lines footprint by entering Tennessee, and completed the rollout of the product line in Rhode Island, Minnesota and Iowa. We believe that our underwriting improvement strategies will contribute to improved performance over the next year. All of these steps should help us move toward long-term profitability for this important line of business.

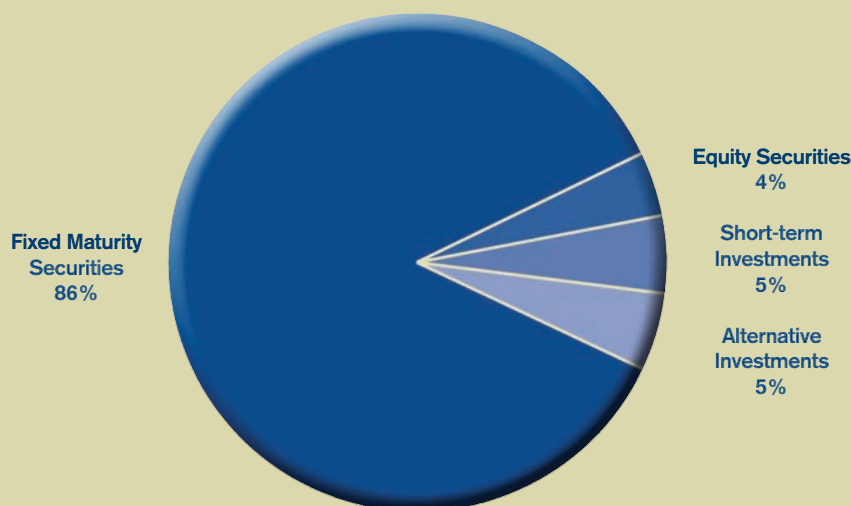
Diversified Insurance Services

Selective HR Solutions is the 14th largest Professional Employer Organization in the country. In 2008, it was negatively impacted by the economic downturn as existing clients reduced their workforces. We anticipate that economic pressures will continue to impact Selective HR Solutions in the near term.

Selective is the 7th largest writer in the National Flood Insurance Program's (NFIP) Write Your Own program and the only one endorsed by the Independent Insurance Agents and Brokers of America (IIABA). Our flood operations have performed well and we serve approximately 317,000 customers through 5,400 agents in 50 states and the District of Columbia. We received positive reviews from agents and customers assisted after the historic flooding in the Midwest last summer. In 2008, Selective received the NFIP's "Administrator's Club Award" and "The Write Your Own Company Award."

Investments – fuel for the future

We manage our investments to provide adequate liquidity for our insurance operations and to maximize shareholder returns. Our investment strategy is designed to provide strong returns in many different markets. However, the financial world proved to be quite unique in 2008, and our book value per share declined by 15%



Investment Portfolio Mix



due in large part to investment valuations that were negatively impacted by the broad market dislocation. Despite 100% of our fixed income portfolio performing to contractual terms, unrealized losses accounted for \$1.39 of the decline in book value per share to \$16.84. The equity portfolio's unrealized gain position declined \$1.21 and we had a pension charge of \$0.72 – a result of market valuation declines in our pension assets. Alternative investments in our portfolio performed lower than expected, but overall they outperformed the S&P 500 by 2,700 basis points for the year and nearly 1,000 basis points on an annualized basis since 1997. The economic benefit of alternative investments has been more than \$30 million for Selective over the course of 10 years.

Our investment strategy is designed to provide strong returns in many different markets.



Growth

“We could see right away that Selective embodies the same values our agency does when it comes to dealing with customers.”

*Lou Moran, III
President, Inter-Agency
Insurance Services, Inc.
Knoxville, TN*

Pursuing new horizons

With momentum on our side following our successful 2007 entrance into Massachusetts, where we generated \$15 million in premium in 2008, we entered Tennessee for commercial lines on June 1. This was a full month earlier than planned and we generated nearly \$6 million in commercial lines premium in the first seven months of operation. Extending our footprint also allowed us to fill a gap for agents in the neighboring states of Kentucky, Virginia, the Carolinas and Georgia – who were already writing business with Selective and were interested in offering our products to their Tennessee clients as well.

Our focus on organic growth was also the motivation to appoint new agencies. We were careful to select high-producing agencies committed to their own growth – as well as growth with Selective. Sixteen agents were appointed in our two newest states with the remaining 44 being added in targeted areas where current market share and market opportunity warranted an addition.

Having the right agents in the right places was not enough to generate immediate growth due to the particularly competitive landscape. We heard from our agency partners that the soft commercial lines market required that more of their attention be focused on retaining the business already on their books, rather than seeking out new accounts. Recognizing this, we provided agents with a myriad of opportunities that would allow them to take their business to the next level with Selective, regardless of the environment, including:

- Sales meetings and workshops that focused on leveraging the competitive advantages of our products and services;
- A program that helped them recruit, hire and train 42 new producers in 2008;
- Sales and sales management training;
- A targeted leads program with prospects that were pre-scored by our predictive models;
- A series of 15 regional meetings in which agents communicated directly with senior management; and
- Online access to newly developed marketing materials that could be customized and co-branded.

Discipline & Management

Proceeding with care

As a result of the soft market, some competitors significantly cut prices. Selective gave up much less price than many competitors and continued to receive opportunities to quote new business across the board. In fact, our new business quotes for small business were up 4% over 2007. Our focus on long-term profitability strengthened our resolve to write and renew good business at the right price and should give us a decided advantage in the journey ahead, particularly as market conditions improve.

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The guidance provided to our underwriters by Knowledge Management has been critical in helping them make better underwriting and pricing decisions on new and renewal business.

Our strategy was fortified by the information provided to our people by our Knowledge Management business analytics and predictive models. Much of the hard work that began in 2004 to develop the Knowledge Management process and tools was completed this year with the implementation of our commercial auto model and our first internally developed model for workers compensation. The guidance provided to our underwriters by Knowledge Management has been critical in helping them make better underwriting and pricing decisions on new and renewal business. These tools have instilled the discipline to reshape our book of business and contributed to profitability so that we can take full advantage of the market as it turns.

2008 Awards and Recognition



- Named to FORTUNE 1000 List for sixth consecutive year.
- A.M. Best affirmed "A+" (Superior) rating of Selective Insurance Group, Inc. for the 47th consecutive year.
- Named to Ward Group's "Ward's 50" listing of the 50 top performing companies in the property and casualty insurance sector for the sixth consecutive year.
- Received the "2008 Partner Award for Dedication to Interface Partnerships" from Applied Systems.
- Earned the "2008 Download Achievement Award" from the Applied Systems Client Network.
- Recognized as one of the "Top Ten Performers" in Deep Customer Connection's 2008 Ease of Doing Business survey for Property and Casualty Insurance Carriers.
- Received two top honors from the National Flood Insurance Program (NFIP): "The NFIP's Administrator's Club Award" and "The Write Your Own Company Award."



Employees in Action

The engines of success

In 2008, we launched a marketing theme capturing the essence of our organization. “Response is everything.®” evolved as a natural description of the way we have always conducted business. Our 2,000 employees know their response is critical to meet the needs of agents, customers, shareholders and each other. Our employees are the best in the business and we recognize that their experience and energy are key to our ability to succeed.

The examples of our responsiveness are numerous. Almost 100 AMSs respond to agents by helping them identify and write new business at the right price with Selective. Our 75 Safety Management Specialists join agents on customer visits and recommend actions and strategies that provide safer environments and fewer losses. Nearly 150 locally based Claims Management Specialists settle claims quickly and fairly so that insureds can get on with their lives. Our response extends to our real-time technology, Service Center and online customer portal that make it easy for agents to quote and write new business outside of traditional office hours.





We also responded to the needs of the communities where our agents and employees live and work through The Selective Group Foundation. In addition, Selective employees volunteered throughout the year, serving on non-profit boards; collecting food for community food banks; donating blood as well as walking, running or riding to raise funds. These actions, which have become a way of life for many at Selective, serve as one more example of how our employees embody “Response is everything.®” each and every day.

Selective's Values

Integrity	<i>Be honest and forthright. Act morally and ethically at all times. Don't compromise your principles. Do what's right.</i>
Reliability	<i>Earn the trust and confidence of employees, agents, insureds, stockholders and our communities. Be someone others can depend on. Be a good neighbor.</i>
Consistency	<i>Be fair. Avoid prejudice. Keep an open mind. Fulfill expectations.</i>
Service	<i>Be accessible. Be friendly and courteous to our customers. Make timely, sound decisions. Solve problems. Exceed expectations.</i>
Focus & Commitment	<i>Embrace our goals and work toward exceeding them. Concentrate on the task at hand. Accept challenge and responsibility. Rise to the occasion.</i>
Productivity	<i>Work smarter than yesterday. Minimize errors. Learn from mistakes. Exploit automation. Streamline processes. Be flexible. Challenge the status quo.</i>
Empowerment	<i>Delegate. Accept responsibility. Encourage participation. Get excited. Listen. Be a self starter. Take risks. Build teams. Coach. Practice empathy. Provide opportunities to develop professionally and personally. Recognize and reward contributions. Fight bureaucracy. Ask questions. Demand answers.</i>
Trust	<i>Keep confidences. Fulfill promises. Back up words with action. Give others a chance.</i>
Communication	<i>Be candid. Make sure everyone knows what's going on. Explain crises. Celebrate triumphs. Be accessible. Say hello. Be friendly. Smile. Have fun. Offer and accept constructive feedback. Discuss differences. Seek solutions. Share ideas. Listen.</i>
Respect	<i>Recognize that everyone is different. Be tolerant of other opinions and life choices. Be considerate. Accept that responsibilities transcend the workplace. Appreciate obligations to family and self. Encourage community service. Be courteous.</i>
The Best	<i>Focus all our efforts to do the best possible job in every situation. Maximize the returns of all stakeholders. Build a reputation. Take pride in yourself, your work and your company.</i>

Paul D. Bauer, 1998

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

W. Marston Becker, 2006

Chairman and Chief Executive Officer, Max Capital Group Ltd., and
Chairman and General Partner,
West Virginia Media Holdings

A. David Brown, 1996

Former Senior Vice President, Human Resources,
Linens 'n Things, Inc.

John C. Burville, Ph.D., 2006

Retired, former Insurance Consultant
to the Bermuda Government

William M. Kearns, Jr., 1975

Lead Director, Selective Insurance Group, Inc.,
Chairman, Keefe Ventures, LLC, and
President, W.M. Kearns & Co., Inc.

Joan M. Lamm-Tennant, Ph.D., 1993

Risk Strategist, Marsh & McLennan Companies, Inc., and
Global Chief Economist and Risk Strategist,
Guy Carpenter & Company, LLC

S. Griffin McClellan III, 1980

Retired, former Banking Executive and Consultant

Michael J. Morrissey, 2008

Chairman and Chief Executive Officer,
Firemark Investments

Gregory E. Murphy, 1997

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

Ronald L. O'Kelley, 2005

President and Chief Executive Officer,
U.S. Shipping Partners, L.P.

William M. Rue, 1977

President, Chas. E. Rue & Sons, Inc.,
t/a Rue Insurance

J. Brian Thebault, 1996

Chairman, Earth-Thebault, and
Partner, Thebault Associates

Directors

Officers

Chairman, President and Chief Executive Officer

Gregory E. Murphy^{1,2}

Senior Executive Vice President

Richard F. Connell^{1,2}
Chief Administrative Officer

Executive Vice Presidents

Kerry A. Guthrie^{1,2}
Chief Investment Officer

Michael H. Lanza^{1,2}
General Counsel

John J. Marchioni²
Chief Underwriting and
Field Operations Officer

Mary T. Porter²
Chief Claims Officer

Dale A. Thatcher^{1,2}
Chief Financial Officer and Treasurer

Steven B. Woods²
Human Resources

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

Senior Vice Presidents

Charles C. Adams²
Regional Manager
Mid-Atlantic Region

Antonio C. Albanese²
Bonds, Flood and Agency Development

Bradford S. Allen²
Enterprise Application Delivery Services

Allen H. Anderson²
Director of Personal Lines

William S. Becker²
Small Business

Edward F. Drag, II²
Regional Manager
New Jersey Region

Fred J. Ferraro^{1,2}
Equity Portfolio Manager

Brenda M. Hall²
Director of Field Underwriting and
Information Strategy

Kevin L. Jenkins²
Information Technology Enterprise
Infrastructure Services

Jeffrey F. Kamrowski²
Underwriting Officer
Small Commercial Lines and
Personal Lines

Anthony G. Martella, Jr.²
Actuarial Operations

James McLain²
Regional Manager
Southern Region

Richard W. Mohr²
Enterprise Technology Services

Kathleen A. Muedder²
Commercial Lines Underwriting and
Safety Management

Charles A. Musilli, III²
Regional Manager
Northeast Region and
Agency Development

Diederik Olijslager^{1,2}
Investments, Fixed Income

Erik A. Reidenbach²
Regional Manager
Heartland Region

Brian C. Sarisky²
Underwriting Officer
Middle Market and Large Accounts

Debra J. Wilber²
Corporate Claims

¹ Selective Insurance Group, Inc.

² Selective Insurance Company of America

Annual Meeting

Wednesday, April 29, 2009
Selective Insurance Group, Inc.
40 Wantage Avenue
Branchville, New Jersey 07890

Investor Relations

Jennifer W. DiBerardino
Vice President, Investor Relations
Telephone (973) 948-1364
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 55164-0854
Telephone (866) 877-6351

Transfer Agent

Wells Fargo Shareowner Services
P.O. Box 64854
St. Paul, Minnesota 55164-0854
Telephone (866) 877-6351

Auditors

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345 Park Avenue
New York, New York 10154-0102

Executive Office

40 Wantage Avenue
Branchville, New Jersey 07890
Telephone (973) 948-3000

Shareholder Relations

Robyn P. Turner
Corporate Secretary
Telephone (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.

At February 13, 2009, there were
approximately 2,555 registered
stockholders.

Form 10-K

Selective's Form 10-K, as filed with
the U.S. Securities and Exchange
Commission, is provided as part of
this 2008 Annual Report.

Website

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

Investor Information



Response is everything.

SELECTIVE INSURANCE GROUP, INC.

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