SELECTIVE INSURANCE GROUP INC
Form DEF 14A
March 24, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934

Filed by the Registrant x

Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨Preliminary proxy statement

¨**Confidential, for use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨Definitive Additional Materials

¨Soliciting Material Pursuant to §240.14a-12

SELECTIVE INSURANCE GROUP, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transactions applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Selective Insurance Group, Inc.

40 Wantage Avenue

Branchville, New Jersey 07890

(973) 948-3000

March 24, 2014

NOTICE OF 2014 ANNUAL MEETING OF STOCKHOLDERS
AND PROXY STATEMENT

Wednesday, April 23, 2014

The 2014 Annual Meeting of Stockholders of Selective Insurance Group, Inc. ("Selective") will be held Wednesday, April 23, 2014, at 3:00 PM Eastern Time in the Auditorium at Selective's principal offices, which are located at and have the mailing address of 40 Wantage Avenue, Branchville, New Jersey 07890.

At the meeting, we will ask stockholders to:

1. Elect 11 directors for a one-year term expiring in 2015;

2. Approve, on an advisory basis, the compensation of Selective's named executive officers;

3. Approve the Selective Insurance Group, Inc. 2014 Omnibus Stock Plan;

4. Approve the amendment and restatement of the Selective Insurance Group, Inc. Cash Incentive Plan and approve the performance goals set out under the plan for purposes of Section 162(m) of the Internal Revenue Code; and

5. Ratify the appointment of KPMG LLP as Selective's independent registered public accounting firm for the fiscal year ending December 31, 2014.

We plan a brief business meeting focused on these items and we will attend to any other business properly brought before the meeting and at any adjournments or postponements of the meeting. **The Board of Directors recommends that: (i) you vote “FOR” all of the nominees to the Board of Directors; and (ii) you vote “FOR” Proposals 2, 3, 4, and 5.** These proposals are further described in the proxy statement.

Also enclosed is Selective’s 2013 Annual Report to Stockholders. At the meeting, we will be making a brief presentation on operations and will offer time for your comments and questions.

Selective stockholders of record at the close of business on Thursday, March 6, 2014 are entitled to notice of, and to vote at, the meeting and any adjournment or postponement of it. A quorum is a majority of outstanding shares. **YOUR VOTE IS IMPORTANT**. WE URGE YOU TO VOTE YOUR SHARES BY: (1) CALLING THE TOLL-FREE TELEPHONE NUMBER LISTED ON THE PROXY CARD; (2) ACCESSING THE INTERNET WEBSITE LISTED ON THE PROXY CARD; OR (3) COMPLETING, DATING, AND SIGNING THE PROXY CARD AND RETURNING IT IN THE ENCLOSED ENVELOPE. YOUR PROXY MAY BE REVOKED AT ANY TIME, AS DESCRIBED IN THE PROXY STATEMENT, PRIOR TO THE TIME IT IS VOTED AT THE 2014 ANNUAL MEETING. IF YOU HOLD SHARES THROUGH A BROKER OR OTHER CUSTODIAN, PLEASE SEE THE VOTING INSTRUCTIONS PROVIDED TO YOU BY THAT BROKER OR CUSTODIAN.

Very truly yours,

Gregory E. Murphy
Chairman of the Board and Chief Executive Officer

By Order of the Board of Directors:

Robyn P. Turner
Corporate Secretary

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PROXY STATEMENT

FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD WEDNESDAY, APRIL 23, 2014

GENERAL INFORMATION ABOUT SELECTIVE'S ANNUAL MEETING

WHEN AND WHERE IS THE ANNUAL MEETING?

The 2014 Annual Meeting of Stockholders (the "Annual Meeting") of Selective Insurance Group, Inc. ("Selective" or "we") will be held on Wednesday, April 23, 2014, at 3:00 PM Eastern Time in the Auditorium at Selective's principal offices at 40 Wantage Avenue, Branchville, New Jersey 07890. Directions are on the back of this Proxy Statement. Our telephone number is (973) 948-3000.

WHEN WAS THIS PROXY STATEMENT MAILED?

This Proxy Statement and proxy card are being mailed to Selective stockholders on or about March 24, 2014.

WHO IS ENTITLED TO VOTE AT THE ANNUAL MEETING?

Anyone who owned Selective common stock as of the close of business on March 6, 2014 is entitled to one vote per share owned. There were 56,217,293 shares outstanding at the close of business on that date.

WHO IS SOLICITING MY PROXY TO VOTE MY SHARES AND WHEN?

Selective's Board of Directors ("Board of Directors" or the "Board") is soliciting your proxy, meaning your authorization for our named proxies, A. David Brown and Ronald L. O'Kelley, to vote your shares.

Unless revoked by you, your proxy will be effective for the Annual Meeting and for any adjournments or postponements of that meeting.

WHAT IS THE COST OF SOLICITING PROXIES AND WHO IS PAYING FOR THE COST?

Selective is bearing the entire cost of soliciting proxies. Proxies will be solicited principally through the mail, but they also may be solicited personally or in writing, by telephone, e-mail, facsimile, or otherwise by Selective directors or officers, or employees of a Selective subsidiary, who will receive no additional compensation. Selective has engaged Georgeson Inc., a proxy solicitation firm, to assist in the solicitation of proxies and the distribution of proxy materials. Georgeson Inc. will provide such services for an estimated fee of approximately $8,000, plus expenses. Selective will reimburse banks, brokerage firms, and other custodians, nominees, and fiduciaries for reasonable expenses incurred by them in sending proxy materials to their customers or principals who are the beneficial owners of shares of Selective common stock.

WHAT ARE THE REQUIREMENTS FOR BUSINESS TO BE CONDUCTED AT THE ANNUAL MEETING?

For business to be conducted at the Annual Meeting, owners of 28,108,648 shares of Selective common stock (a majority of the issued and outstanding shares entitled to vote) constituting a quorum, must be in attendance or represented by proxy. Our common stock is our only class of voting securities.

PROPOSALS FOR STOCKHOLDER VOTE AND APPROVAL REQUIREMENTS

Management is presenting five proposals for a stockholder vote.

PROPOSAL 1. ELECTION OF DIRECTORS

THE BOARD IS SUBJECT TO ANNUAL ELECTION BY THE STOCKHOLDERS. THE BOARD RECOMMENDS THAT YOU VOTE "**FOR**" THE FOLLOWING ELEVEN NOMINATED DIRECTORS FOR A TERM OF ONE YEAR:

§ PAUL D. BAUER	§ GREGORY E. MURPHY
§ ANNABELLE G. BEXIGA	§ CYNTHIA S. NICHOLSON
§ A. DAVID BROWN	§ RONALD L. O'KELLEY
§ JOHN C. BURVILLE	§ WILLIAM M. RUE
§ JOAN M. LAMM-TENNANT	§ J. BRIAN THEBAULT
§ MICHAEL J. MORRISSEY	

You can find information about these nominees, Selective's Board of Directors, its committees, and other related matters beginning on page 6.

New Jersey law and Selective's By-Laws govern the vote on Proposal 1, on which you may:

§ Vote "**FOR**" all of the nominees;

§ Vote "**AGAINST**" all of the nominees;

§ Vote "**FOR**" or "**AGAINST**" specific nominees; or

§ Abstain from voting from all or specific nominees.

Under our By-Laws, directors in uncontested elections must be elected by a majority of votes cast, assuming a quorum is present. A majority means that the number of votes cast “for” a director nominee must exceed the number of votes cast “against” the director nominee. In an uncontested election, any director nominee who does not receive more “for” than “against” votes is required to tender his or her resignation from the Board of Directors within five days of certified election results. If that happens: (i) the Corporate Governance and Nominating Committee must recommend to the Board of Directors whether it should accept the resignation; and (ii) the Board of Directors must decide whether to accept the resignation and disclose its decision-making process.

Stockholders may not cumulate their votes. Abstentions and broker non-votes (shares held by a broker, bank, or other nominee that does not have authority, either express or discretionary, to vote on a particular matter) will not be taken into account in determining the outcome of the vote consistent with New Jersey law and the proxy rules of the United States Securities and Exchange Commission (“SEC”).

PROPOSAL 2. APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

THE BOARD RECOMMENDS THAT YOU VOTE “**FOR**” THE APPROVAL, ON AN ADVISORY BASIS, OF THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS DISCLOSED IN THIS PROXY STATEMENT.

New Jersey law and Selective's By-Laws govern the vote on Proposal 2, on which you may:

§ Vote "**FOR**" Proposal 2;

§ Vote "**AGAINST**" Proposal 2; or

§ Abstain from voting.

Assuming a quorum is present, Proposal 2 will pass if approved by an affirmative vote of a majority of the votes cast at the Annual Meeting. Abstentions and broker non-votes will not be taken into account in determining whether the proposal has received the requisite number of affirmative votes consistent with New Jersey law and the SEC's proxy rules.

PROPOSAL 3. <u>APPROVAL OF THE SELECTIVE INSURANCE GROUP, INC. 2014 OMNIBUS STOCK PLAN</u>

THE BOARD RECOMMENDS THAT YOU VOTE "**FOR**" THE SELECTIVE INSURANCE GROUP, INC. 2014 OMNIBUS STOCK PLAN.

You can find information about the Selective Insurance Group, Inc. 2014 Omnibus Stock Plan (the "2014 Omnibus Stock Plan") beginning on page 53.

New Jersey law and Selective's By-Laws govern the vote on Proposal 3, on which you may:

§ Vote "**FOR**" Proposal 3;

§ Vote "**AGAINST**" Proposal 3; or

§ Abstain from voting.

Assuming a quorum is present, Proposal 3 will pass if approved by an affirmative vote of a majority of votes cast at the Annual Meeting. Abstentions and broker non-votes will not be taken into account in determining whether the proposal has received the requisite number of affirmative votes consistent with New Jersey law and the SEC's proxy rules. To satisfy the requirements of Sections 162(m) and 422 of the Internal Revenue Code of 1986, as amended (the "Code"), a majority of votes cast also is required to approve Proposal 3.

PROPOSAL 4. APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE SELECTIVE INSURANCE GROUP, INC. CASH INCENTIVE PLAN AND APPROVAL OF THE PERFORMANCE GOALS SET OUT IN THE CASH INCENTIVE PLAN

THE BOARD RECOMMENDS THAT YOU VOTE "**FOR**" THE AMENDMENT AND RESTATEMENT OF THE SELECTIVE INSURANCE GROUP, INC. CASH INCENTIVE PLAN AND THE PERFORMANCE GOALS.

You can find information about the amendment and restatement of the Selective Insurance Group, Inc. Cash Incentive Plan (the "Cash Incentive Plan") beginning on page 61.

New Jersey law and Selective's By-Laws govern the vote on Proposal 4, on which you may:

§ Vote "**FOR**" Proposal 4;

§ Vote "**AGAINST**" Proposal 4; or

§ Abstain from voting.

Assuming a quorum is present, Proposal 4 will pass if approved by an affirmative vote of a majority of votes cast at the Annual Meeting. Abstentions and broker non-votes will not be taken into account in determining whether the proposal has received the requisite number of affirmative votes consistent with New Jersey law and the SEC's proxy rules. To satisfy the requirements of Section 162(m) of the Code, a majority of votes cast is also required to approve Proposal 4.

PROPOSAL 5. RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE BOARD RECOMMENDS THAT YOU VOTE "**FOR**" THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014.

You can find information about Selective's relationship with KPMG LLP beginning on page 67.

New Jersey law and Selective's By-Laws govern the vote on Proposal 5, on which you may:

§ Vote "**FOR**" Proposal 5;

§ Vote "**AGAINST**" Proposal 5; or

§ Abstain from voting.

Assuming a quorum is present, Proposal 5 will pass if it receives an affirmative vote of a majority of the votes cast at the Annual Meeting. Abstentions will not be counted as votes cast and will not be taken into account in determining whether the proposal has received the requisite number of affirmative votes consistent with New Jersey law and the SEC's proxy rules.

OTHER MATTERS TO COME BEFORE THE ANNUAL MEETING

The Board of Directors is not aware of any other business to be presented for a vote at the Annual Meeting. If any other matters are properly presented for a vote, the people named as proxies will have discretionary authority to vote on such matters according to their best judgment to the extent permitted by applicable law and NASDAQ Stock Market ("NASDAQ") and SEC rules and regulations.

The Chairman of the Annual Meeting may refuse to allow presentation of a proposal or nominee for the Board of Directors if the proposal or nominee is not properly submitted. The requirements for submitting proposals and nominations for this year's Annual Meeting are set forth in Selective's By-Laws.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION

This Proxy Statement contains forward-looking statements within the meaning of federal securities laws. Forward-looking statements may be identified by words like "anticipate," "expect," "project," "believe," "plan," "may," "estim "intend," and other similar words. These forward-looking statements are based on our beliefs, assumptions, and estimates using information available to us at the time and are not intended to be guarantees of future events or performance. Factors that may cause actual results to differ materially from those contemplated by the statements in this Proxy Statement can be found in our most recent Annual Report on Form 10-K filed with the SEC and in the Quarterly Reports on Form 10-Q we have filed or will file hereafter under the headings "Risk Factors" and " Forward-Looking Statements."

You are cautioned not to place undue reliance on any of our forward-looking statements. We disclaim any intention or obligation to publicly update or revise any forward-looking statements, except as required by law. This cautionary statement is applicable to all forward-looking statements contained in this document.

VOTING AND PROXY PROCEDURE

HOW DO I VOTE?

You can vote four ways:

1. BY MAIL (MUST BE RECEIVED BEFORE ANNUAL MEETING):

- Mark your voting instructions on the proxy card;
- Sign your name exactly as it appears on the proxy card;
- Date the proxy card; and
- Mail the proxy card to us in the provided postage-paid envelope.

Timing is important, so please mail your proxy card promptly. We must receive it before the beginning of the Annual Meeting. If you do not give voting instructions on your signed and mailed proxy card, the named proxies will vote your shares FOR each of the director nominees and FOR Proposals 2, 3, 4, and 5. If any other matters requiring a vote arise during the meeting, the named proxies will exercise their discretion in accordance with their best judgment to the extent permitted by applicable law and NASDAQ and SEC rules and regulations.

2. BY TELEPHONE (MAY BE DONE AT ANY TIME UNTIL TUESDAY, APRIL 22, 2014 AT 12:00 PM CENTRAL TIME):

- Call the toll-free number on your proxy card; and
- Follow the instructions on your proxy card and the voice prompts.
- IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

3. BY INTERNET (MAY BE DONE AT ANY TIME UNTIL TUESDAY, APRIL 22, 2014 AT 12:00 PM CENTRAL TIME):

- § Go to the website listed on your proxy card; and
- § Follow the instructions on your proxy card and the website.
- § IF YOU VOTE BY INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD.

4. IN PERSON (MAY ONLY BE DONE ON WEDNESDAY, APRIL 23, 2014, AT THE ANNUAL MEETING):

- § Attend the Annual Meeting, or send a personal representative with an appropriate proxy, to vote.

HOW DO I REVOKE MY PROXY OR CHANGE MY VOTING INSTRUCTIONS?

You may revoke your proxy at any time before the proxy is exercised at the Annual Meeting:

- § By writing to Selective's Corporate Secretary, Robyn P. Turner, at 40 Wantage Avenue, Branchville, New Jersey 07890;
- § By submitting a new vote by telephone, via the Internet, or by returning a properly executed new proxy card bearing a later date. Any subsequent timely and valid vote by any voting method will change your prior vote. For example, if you voted by telephone, a subsequent Internet vote will change your vote. The vote counted will be the last vote received before 12:00 PM Central Time on Tuesday, April 22, 2014 – unless you change your vote by voting in person at the Annual Meeting; and
- § Voting in person at the Annual Meeting.

HOW WILL PROXIES BE VOTED IF I GIVE MY AUTHORIZATION?

If you: (i) properly execute your proxy card and return it to Selective; or (ii) submit your proxy by telephone or via the Internet, and do not subsequently revoke your proxy, your shares of common stock will be voted at the Annual Meeting in accordance with your instructions.

In the absence of voting instructions, the named proxies will vote your shares FOR each of the director nominees and FOR Proposals 2, 3, 4, and 5. If other matters properly come before the Annual Meeting, the named proxies will vote on such matters in accordance with their best judgment to the extent permitted by applicable law and NASDAQ and SEC rules and regulations.

WHAT IF MY SHARES ARE NOT REGISTERED IN MY NAME?

If you are a beneficial owner of our stock, meaning that the Selective stock you own is held in the name of a bank, broker, or other nominee (commonly referred to as holding shares in “street name”), you should have received access to these proxy materials from your bank, broker, or other nominee by mail or e-mail with information on how to submit your voting instructions. Unless you provide voting instructions to your bank, broker, or other nominee, your shares will not be voted on the election of directors (Proposal 1), the advisory (non-binding) vote on the compensation of Selective’s named executive officers (Proposal 2), the approval of the Selective Insurance Group, Inc. 2014 Omnibus Stock Plan (Proposal 3), or the approval of the amendment and restatement of the Selective Insurance Group, Inc. Cash Incentive Plan and approval of the performance goals set out under the plan for purposes of Section 162(m) of the Code (Proposal 4), resulting in so-called “broker non-votes.” In contrast, brokers can vote uninstructed shares on the ratification of the appointment of our independent registered public accounting firm (Proposal 5). Broker non-votes count toward a quorum, but otherwise do not affect the outcome of any proposal.

HOW WILL VOTES BE COUNTED?

The inspectors of election appointed for the Annual Meeting by the Board of Directors will separately tabulate affirmative and negative votes, abstentions, and broker non-votes. Shares represented by proxies that reflect abstentions and broker non-votes are counted for determining whether there is a quorum. We believe brokers may exercise their discretionary voting power for Proposal 5.

For Proposal 1, abstentions and broker non-votes will not be considered in determining whether director nominees have received more “for” votes than “against” votes. Approval of Proposals 2, 3, 4, and 5 requires the affirmative vote of a majority of votes cast at the Annual Meeting. Abstentions and broker non-votes have no effect on Proposals 2, 3, and 4, and abstentions have no effect on Proposal 5.

IMPORTANT NOTICE REGARDING AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON WEDNESDAY, APRIL 23, 2014

This Proxy Statement and our 2013 Annual Report to Stockholders are available on Selective's Internet website at *www.selective.com.*

INFORMATION ABOUT PROPOSAL 1

Election of Directors

Under our By-Laws, directors in uncontested elections must be elected by a majority of votes cast. A majority means that the number of votes cast "for" a director nominee must exceed the number of votes cast "against" that nominee. For more information on our majority voting policy, please see "Corporate Governance – Majority Voting for Directors in Uncontested Elections" beginning on page 15.

All directors stand for election for a one-year term. In all cases, each director will hold office until a successor has been elected and qualified, or until the director's earlier resignation or removal.

Selective's Board of Directors currently has 11 members. Pursuant to Selective's Amended and Restated Certificate of Incorporation, and its By-Laws, as amended, Selective may have a minimum of seven and a maximum of 20 directors. By majority vote, the Board of Directors may set the number of directors within this range at any time.

Process for Review and Nomination of Director Candidates

The Corporate Governance and Nominating Committee is responsible for the review and nomination of candidates to the Board of Directors.[1] The Corporate Governance and Nominating Committee reviews all director candidates for possible nomination and election to the Board and seeks such candidates from any source, including:

§ Directors and management;

§ Third party search firms that the Corporate Governance and Nominating Committee may engage from time to time for a fee to identify and interview candidates; and

§ Stockholders.

Any stockholder proposing Board candidate(s) must submit in writing all information required to be disclosed pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") in a solicitation of proxies for the election of a director to the Chairperson of the Corporate Governance and Nominating Committee, c/o Corporate Secretary, 40 Wantage Avenue, Branchville, New Jersey 07890.

Regardless of source, the Corporate Governance and Nominating Committee evaluates all candidates based on, among other things, the following standards:

§ Personal and professional ethics, integrity, character, and values;

§ Professional and personal experience;

§ Business judgment;

§ Skills and expertise;

§ Industry knowledge;

§ Independence and avoidance or limitation of potential or actual conflicts of interest;

§ Dedication and commitment to representing the long-term interests of Selective and its stockholders;

§ Willingness to dedicate and devote sufficient time to Board duties and activities;

§ Other appropriate and relevant factors, including the qualification and skills of the current members of the Board; and

§ Diversity.

Although Selective has no formal diversity policy, our Corporate Governance Guidelines provide that the composition of the Board should encompass a broad range of skills, expertise, industry knowledge, and diversity of opinion. Accordingly, diversity of thought, experience, gender, race, and ethnic background are greatly considered in the director evaluation process.

[1] See chart on page 17 for further discussion of the Corporate Governance and Nominating Committee’s other responsibilities.

Director Nominees

No family relationships exist between any of Selective's current directors, executive officers, and persons nominated by Selective to become a director.

The Board has ratified the Corporate Governance and Nominating Committee's nomination of the 11 directors listed below to stand for election at the 2014 Annual Meeting for terms expiring at the 2015 Annual Meeting or until a successor has been duly elected and qualified.

All 11 nominees have consented to being named in this Proxy Statement and to serving if elected. The Board does not know of any reason why any of these nominees would decline or be unable to serve if elected. If a nominee becomes unavailable or unable to serve before the Annual Meeting, the Board can either reduce its size or designate a substitute nominee. If the Board designates a substitute nominee, proxies that would have been cast for the original nominee will be cast for the substitute nominee unless instructions are given to the contrary.

NOMINEES OF THE BOARD OF DIRECTORS

Paul D. Bauer, 70 Independent Director, 1998 Lead Independent Director, since April 2013	§ Retired financial executive. § Executive Vice President and Chief Financial Officer of Tops Markets, Inc., 1970 to 1993. § Director, Rosina Holdings Inc., since 2002. § Director, Fluent Energy Corporation, since 2012. § Director, Energy Corporation of America, since 2012. § Director, Catholic Health System of Western New York, 1998 to 2008. § Co-founder and President, The Bison Scholarship Fund (formerly named the Buffalo Inner-City Scholarship Opportunity Network), since 1995. § Trustee, Holy Angels Academy, 2005 to 2011. § Graduate of Boston College (B.S. Accounting).
Discussion of individual experience, qualifications, attributes, and skills.	Mr. Bauer is the former Chief Financial Officer of a publicly-traded company and served as the Chairman of the Audit Committee for 8 years. Mr. Bauer is very active in the Buffalo community and knowledgeable of Upstate New York, which is an important market for Selective.
Annabelle G. Bexiga, 52	§ Executive Vice President and Chief Information Officer, TIAA-CREF, since March 2013.

Independent Director, 2012	§ Senior Managing Director and Chief Information Officer, TIAA-CREF, 2010 to March 2013. § Chief Information Officer, Bain Capital, LLC, 2008 to 2010. § Elysian Coaching & Consulting, President and Founder, 2007. § Managing Director and Chief Information Officer, JPMorgan Invest, LLC, 2003 to 2006. § Member, CIO's Executive Council, Executive Women in Information Technology. § Member, CIO Strategy Exchange. § Graduate of Seton Hall University (B.Sc.). § International Executive MBA Program, Rutgers University.
Discussion of individual experience, qualifications, attributes, and skills.	Ms. Bexiga has extensive financial services and information technology experience. She was named by Insurance and Technology Magazine as one of the 2011 Elite 8 CIOs. Ms. Bexiga is focused on innovative means of using social media to change retail behavior. She is also skilled in leading teams in multi-cultural environments and was certified as an executive coach. We believe that Ms. Bexiga's expertise in information technology and its use by retail financial services companies is extremely important to the Board in setting Selective's long-term strategies, particularly related to customer and agency experience matters.

NOMINEES OF THE BOARD OF DIRECTORS

A. David Brown, 71

Independent Director, 1996

§ Executive Vice President and Chief Administrative Officer, Urban Brands, Inc., 2011 to October 2012. In September 2010, Urban Brands, Inc. filed for protection under Chapter 11 of the U.S. Bankruptcy Code. Urban Brands, Inc. was acquired by a subsidiary of Gordon Brothers Group in November 2010 and emerged from bankruptcy.

§ Executive Vice President, Human Resources, Urban Brands, Inc., 2009 to 2011.

§ Senior Vice President, Human Resources, Linens 'n Things, Inc., 2006 to 2009. In May 2008, Linens 'n Things, Inc. filed for protection under Chapter 11 of the U.S. Bankruptcy Code.

§ Managing Partner, Bridge Partners, LLC, an executive recruiting firm, 2003 to 2006.

§ Director, Ashley Stewart Holdings, Inc. since January 2013.

§ Graduate of Monmouth University (B.S.).

Discussion of individual experience, qualifications, attributes, and skills.

Mr. Brown has strong leadership and inter-personal skills and has had a long career in human resources, with extensive experience in executive development, recruitment and leadership, employee benefits and compensation, particularly in corporate restructurings. He has run his own business and worked for large corporations. He also has long been committed to diversity and was the managing director of a search firm specializing in diversity. Mr. Brown has extensive corporate governance experience, has served on several public company boards, and was Selective's Lead Independent Director from 2009 to 2013.

John C. Burville, 66

Independent Director, 2006

§ Insurance Consultant to the Bermuda Government, 2003 to 2007.

§ Bermuda Insurance Advisory Committee, 1985 to 2003.

§ Chief Actuary and Senior Rating Agency Manager of ACE Limited, 1992 to 2003.

§ Graduate of Leicester University in the United Kingdom (B.Sc. and Ph.D.).

§ Fellow of the Institute of Actuaries.

§ Member of the American Academy of Actuaries.

Discussion of individual experience, qualifications, attributes, and skills.

Mr. Burville has extensive insurance industry knowledge and served as chief actuary of one of the world's largest property and casualty insurance companies. He is extremely knowledgeable about reserving and numerous actuarial techniques to calculate ultimate reserve levels. Board members look to Mr. Burville for guidance on actuarial subject matters and his general knowledge of the insurance business.

Joan M. Lamm-Tennant, 61

Independent Director, 1993

§ Global Chief Economist & Risk Strategist, Guy Carpenter & Company, LLC, since 2007.

§ Vice President, Marsh & McLennan Companies, Inc., 2009 to 2011.

§ Senior Vice President, General Re Corporation, 1997 to 2007.

§ Lawrence and Susan Hirsh Adjunct Professor of International Business, the Wharton School of the University of Pennsylvania, since 2010.

- Adjunct Professor, the Wharton School of the University of Pennsylvania, 2006 to 2010.
- Director, IVANS, Inc., 2004 to May 2013.
- Director, International Insurance Society, Inc., since 2011.
- Graduate of St. Mary’s University (B.B.A. and M.B.A.).
- Graduate of the University of Texas (Ph.D.).

Discussion of individual experience, qualifications, attributes, and skills.	Ms. Lamm-Tennant has extensive insurance industry experience. She is a recognized expert in the fields of enterprise risk management and capital modeling. Ms. Lamm-Tennant currently serves as an advisor to Marsh & McLennan Companies, Inc. as well as eight national or multinational insurance companies on enterprise risk management implementation. She is active in several industry associations and a finance professor. Ms. Lamm-Tennant is a financial expert and particularly knowledgeable regarding investments and investment strategies.

NOMINEES OF THE BOARD OF DIRECTORS

Michael J. Morrissey, 66 Independent Director, 2008	§ President & Chief Executive Officer, International Insurance Society, Inc., since 2009. § Chairman and Chief Executive Officer, Firemark Investments, 1983 to 2009. § Director, CGA Group, Ltd., 1998 to 2009. § Chartered Financial Analyst. § Member, Association of Insurance and Financial Analysts. § Member, New York Society of Securities Analysts. § Graduate of Boston College (B.A.). § Graduate of Dartmouth College (M.B.A.). § Graduate of Harvard University Graduate School of Business Administration (Corporate Financial Management Program).
Discussion of individual experience, qualifications, attributes, and skills.	Mr. Morrissey has 41 years of insurance industry experience. He is the head of an international insurance trade association, previously ran an investment firm specializing in insurance companies, and was president and chief investment officer of an insurance company. Mr. Morrissey is very knowledgeable about the insurance industry, the investment community, investor relations, and the analysis of strategic transactions.
Gregory E. Murphy, 58 Employee Director, 1997	§ Chairman and Chief Executive Officer of Selective, since September 2013. § Chairman, President and Chief Executive Officer of Selective, 2000 to September 2013. § President and Chief Executive Officer of Selective, 1999 to 2000. § President and Chief Operating Officer of Selective, 1997 to 1999. § Other senior executive, management, and operational positions at Selective, since 1980. § Certified Public Accountant (New Jersey) (Inactive). § Trustee, Newton Medical Center Foundation, since 1999. § Director, Property and Casualty Insurers Association of America, since 2008. § Director, Insurance Information Institute, since 2000. § Trustee, The Institutes, 2001 to 2013. § Graduate of Boston College (B.S. Accounting). § Harvard University (Advanced Management Program).

§ M.I.T. Sloan School of Management.

Discussion of individual experience, qualifications, attributes, and skills.

Mr. Murphy is the Director most knowledgeable about our operations, having served as Chief Executive Officer for 14 years and having worked at Selective for 34 years. We consider his service on the Board extremely valuable to informed business and strategic decision-making. He has broad experience and knowledge in the areas of reinsurance, insurance pricing, and industry fundamentals. Mr. Murphy has extensive contacts in the insurance industry and serves as a director or trustee of several important industry groups. He is a Certified Public Accountant, served as our Chief Financial Officer prior to assuming other leadership positions, and is extremely financially sophisticated.

Cynthia S. Nicholson, 49

Independent Director, 2009

§ Chief Marketing Officer, Isis®, since December 2013.

§ Executive Vice President and Chief Marketing Officer, Equinox Holdings, Inc., 2010 to November 2012.

§ Co-Founder, Pup To Go, LLC, since 2009.

§ Advisor, GamesThatGive, Inc., 2010 to 2011; Principal Strategist and Director, 2009 to 2010.

§ Senior Vice President and Chief Marketing Officer of Pepsi-Cola North America, a division of PepsiCo, Inc., 2005 to 2008.

§ Director, Association of National Advertisers, 2006 to 2008.

§ Graduate of Kelley School of Business, Indiana University (M.B.A.).

§ Graduate of University of Illinois (B.S.).

NOMINEES OF THE BOARD OF DIRECTORS

<table>
<tr><td>Discussion of individual experience, qualifications, attributes, and skills.</td><td>Ms. Nicholson is a marketing expert with 25 years of marketing experience in various industries. She served as Chief Marketing Officer at Equinox Holdings, Inc. and Pepsi-Cola North America. Ms. Nicholson has extensive experience with brand building, advertising, media buying, promotions, digital and social media, and direct marketing. We believe her marketing expertise is invaluable as we explore branding and marketing efforts to differentiate ourselves with independent insurance agents and address competitive issues in the property and casualty insurance industry.</td></tr>
<tr><td>Ronald L. O’Kelley, 69

Independent Director, 2005</td><td>§ Chairman and Chief Executive Officer, Atlantic Coast Venture Investments Inc., 2003 to 2008 and 2009 to present; Director, 2003 to 2009.

§ President and Chief Executive Officer, U.S. Shipping Partners, L.P., 2008 to 2009, Director 2004 to 2008. In April 2009, U.S. Shipping Partners, L.P. filed for protection under Chapter 11 of the U.S. Bankruptcy Code and emerged reorganized as U.S. Shipping Corp in November 2009.

§ Executive Vice President, Chief Financial Officer and Treasurer, State Street Corporation, 1995 to 2002.

§ Advisory Director, Donald H. Jones Center for Entrepreneurship, Tepper School of Business, Carnegie Mellon University, since 2003.

§ Graduate of Duke University (A.B.).

§ Graduate of Carnegie Mellon University (M.B.A.).</td></tr>
<tr><td>Discussion of individual experience, qualifications, attributes, and skills.</td><td>Mr. O’Kelley is the former Chief Financial Officer of a large multi-national financial services organization and the Audit Committee’s designated financial expert. He has extensive experience in corporate restructurings for both manufacturing organizations and financial institutions. Mr. O’Kelley has a demonstrated track record for implementing corporate strategy through significant mergers and acquisitions, divestitures, and debt and equity fund raisings. He has significant experience as a director of other public companies.</td></tr>
<tr><td>William M. Rue, 66

Non-Independent Director,

1977</td><td>§ Chairman, Rue Insurance, an insurance agency, since February 2013; President and former Executive Vice President, Rue Insurance, 1969 to February 2013.

§ President, Rue Financial Services, Inc., 2002 to 2012.

§ Director, 1st Constitution Bank, since 1989, Secretary of the Board, since 2005.

§ Director, 1st Constitution Bancorp, since 1999, Secretary of the Board, since 2005.

§ Director, Robert Wood Johnson University Hospital at Hamilton, since 1994.

§ Director, Robert Wood Johnson University Hospital Foundation, 1999 to 2012.

§ Director, Robert Wood Johnson Health Care Corp., since 2011.

§ Trustee, Rider University, 1993 to 2012, and since July 2013.</td></tr>
</table>

§ Member, Independent Agents & Brokers Association.

§ Member, Society of CPCU.

§ Member, Professional Insurance Agents Association.

§ Member, Management Committee, PL Services, LLC.

§ President, The Rue Foundation, since 2004.

§ Graduate of Rider College (B.S.).

Discussion of individual experience, qualifications, attributes, and skills.	Mr. Rue has been one of our independent agents for 45 years, and was the chief executive of his agency for 29 years. Because we principally distribute our products through independent agents, we believe it is extremely valuable for informed business and strategic decision-making for the Board to have input from and understand the views of an independent agent who has strong knowledge of our operations and the competitive landscape.

NOMINEES OF THE BOARD OF DIRECTORS

J. Brian Thebault, 62

Independent Director, 1996

§ Partner, Thebault Associates, since 1987.

§ Chairman, Earth-Thebault, 2007 to 2009.

§ Chairman and Chief Executive Officer, L.P. Thebault Company, 1998 to 2007; President and Chief Executive Officer, L.P. Thebault Company, 1984 to 1998.

§ Director, Curex Group Holdings LLC, since 2010.

§ Trustee, The Peck School, 1994 to 2010.

§ Trustee, The Delbarton School, 1990 to 2007.

§ Graduate of University of Southern California (B.S.).

Discussion of individual experience, qualifications, attributes, and skills.

For most of his career, Mr. Thebault has run closely-held businesses, which is the ownership structure of many of our commercial customers. Through his career in the printing industry, he has a strong background in sales, marketing, finance matters, and business strategy.

Board Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “**FOR**” THE NOMINEES TO THE BOARD OF DIRECTORS.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS

Security Ownership of Management

The following table shows as of February 21, 2014:

§ The number of shares of Selective common stock beneficially owned by each director, the Chairman of the Board and Chief Executive Officer (the “Chief Executive Officer” or “CEO”), the Chief Financial Officer, and the other named executive officers, as described in our Compensation Discussion and Analysis beginning on page 22.

§

The number of shares of Selective common stock beneficially owned by our directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares			
	Common Stock	Options Exercisable Within 60 Days of February 21, 2014	Total Shares Beneficially Owned[1]	Percent of Class
Bauer, Paul D.	64,314	50,109	114,423	*
Bexiga, Annabelle G.	8,028	0	8,028	*
Brown, A. David	34,623	44,109	78,732	*
Burville, John C.	60,166	38,109	98,275	*
Lamm-Tennant, Joan M.	75,638	44,109	119,747	*
Lanza, Michael H.	51,401	24,067	75,468	*
Marchioni, John J.	112,827	24,157	136,984	*
Morrissey, Michael J.	14,572	14,065	28,637	*
Murphy, Gregory E.	327,382	34,067	361,449	1%
Nicholson, Cynthia S.	19,905	7,953	27,858	*
O'Kelley, Ronald L.	37,603	44,109	81,712	*
Rue, William M.	424,630[2]	44,109	468,739	1%
Thatcher, Dale A.	110,009	34,067	144,076	*
Thebault, J. Brian	76,028[3]	44,109	120,137	*
Zaleski, Ronald J.	95,423	24,067	119,490	*
All directors and executive officers, as a group (17 persons)	1,542,732	471,206	2,013,938	4%

* Less than 1% of the common stock outstanding.

(1) No directors or executive officers hold Selective common stock in margin accounts or have Selective common stock pledged for a loan or stock purchase.

(2) Includes: (i) 40,432 shares held by Chas. E. Rue & Son, Inc. t/a Rue Insurance ("Rue Insurance"), an independent insurance agency of which Mr. Rue is Chairman and owner of more than a 10% equity interest (see page 13 of this Proxy Statement for more information); and (ii) 5,226 shares held by Mr. Rue's wife.

(3) Includes: (i) 244 shares held in custody for, and 110 shares held by, one daughter of Mr. Thebault; and (ii) 110 shares held in custody for another daughter of Mr. Thebault.

Security Ownership of Certain Beneficial Owners

The following table lists the only persons or groups known to Selective to be the beneficial owners of more than 5% of any class of Selective's voting securities as of December 31, 2013, based on Schedules 13G filed by the beneficial owners on January 30, 2014, February 10, 2014, and February 11, 2014, respectively, with the SEC.

Title of Class	**Name and Address of Beneficial Owner**	**Amount and Nature of Beneficial Ownership**	**Percent of Class**
Common Stock	BlackRock, Inc. 40 East 52nd Street New York, NY 10022	5,136,139 shares of common stock	9.2%
Common Stock	Dimensional Fund Advisors LP Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	4,635,146 shares of common stock	8.31%
Common Stock	The Vanguard Group, Inc. 100 Vanguard Blvd. Malvern, PA 19355	3,349,339 shares of common stock	6.00%

EXECUTIVE OFFICERS

Information regarding Executive Officers is incorporated by reference to the section entitled “Executive Officers of the Registrant” in Part I, Item 1. Business. of Selective’s Annual Report on Form 10-K for the year ended December 31, 2013.

TRANSACTIONS WITH RELATED PERSONS

William M. Rue, Director. Mr. Rue owns more than 10% of the equity, and is Chairman of, Rue Insurance, an independent insurance agency. Through February 2014, Mr. Rue served as President of Rue Insurance. Rue Insurance has been an appointed independent agent of Selective’s insurance subsidiaries since 1928 and Selective expects that relationship to continue in 2014. The appointment of Rue Insurance as an independent agent was made on similar terms and conditions as other Selective agents and includes the right to participate in the Amended and Restated Selective Insurance Group, Inc. Stock Purchase Plan for Independent Insurance Agencies (2010). In 2013, Rue Insurance placed insurance policies with Selective’s insurance subsidiaries. Direct premiums written associated with these policies was $8.2 million in 2013. In return, Selective’s insurance subsidiaries paid commissions to Rue Insurance of $1.3 million. For additional information regarding Mr. Rue, see page 11.

The Selective Insurance Group Foundation, a private foundation Selective established under Section 501(c)(3) of the Code (the “Selective Foundation”). The Selective Foundation makes grants to charitable organizations in accordance with its By-Laws and funding guidelines, which are available at *www.selective.com*. In 2013, the Selective Foundation made grants in excess of $20,000 to the following organizations with ties to Selective, all of which are located in Sussex County, New Jersey, where Selective is headquartered and over half of its headquarter-based employees live:

- $48,000 in grants to The Newton Medical Center Foundation (“NMCF”), a charitable organization affiliated with Newton Medical Center. Mr. Murphy serves on the Board of Trustees of NMCF. In 2012, the Selective Foundation agreed to a plan of giving, to be annually renewed, that provides for $50,000 per year for the period of 2013 to 2023, with a potential maximum total contribution of $500,000. In 2013, a Selective subsidiary also provided corporate sponsorship payments totaling $3,000 to NMCF.

- $50,000 in grants to Project Self-Sufficiency of Sussex County (“PSS”), a non-profit, community-based organization dedicated to empowering low-income adults and their children to achieve personal and economic self-sufficiency. Susan Murphy, Mr. Murphy’s wife, serves on the PSS Board of Directors.

- A $22,000 grant to the United Way of Northern New Jersey. Kimberly Burnett, Executive Vice President of Selective Insurance Company of America (“SICA”), serves as a member of the Board of Trustees of the United Way of Northern New Jersey.

Review, Approval, or Ratification of Transactions with Related Persons

Selective has a written Related Person Transactions Policy and Procedures (the “Related Person Policy”).

The Related Person Policy defines “Related Person Transactions” as any transaction, arrangement, or relationship in which Selective or its subsidiaries was, is, or will be a participant and the amount involved exceeds $20,000, and in which any “Related Person” had, has, or will have a direct or indirect interest. A “Related Person” under the Related Person Policy is generally: (i) any director, executive officer, or nominee to become director of Selective or an immediate family member of such person; (ii) a beneficial owner of more than 5% of Selective’s common stock or an immediate family member of such beneficial owner; and (iii) any firm, corporation, or other entity in which any person included in (i) or (ii) is employed or is a general partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

Under the Related Person Policy, the Audit Committee (or Chairperson of the Audit Committee if between meetings) must approve Related Person Transactions. In its review, the Audit Committee considers all available relevant facts and circumstances of the proposed transaction, including: (i) the benefits to Selective; (ii) the impact on a director’s independence; (iii) the availability of other sources for comparable products and services; (iv) the terms of the transaction; and (v) the terms available to unrelated third parties or to employees generally. No Audit Committee member may participate in any review, consideration, or approval of any Related Person Transaction in which such director or any of his or her immediate family members is the Related Person. The Audit Committee only approves those Related Person Transactions that it considers are in, or not inconsistent with, the best interests of Selective and its stockholders.

Director Independence

The Board of Directors has determined that all directors are independent under NASDAQ and SEC rules and regulations – except Messrs. Murphy and Rue. In making its determination, the Board considered various transactions, relationships, or arrangements that relate to the directors. For a description of the transactions, relationships, or arrangements related to Mr. Rue, see the section entitled “Transactions with Related Persons” on page 13.

Ms. Lamm-Tennant, a member of the Finance Committee, was appointed Global Chief Economist & Risk Strategist of Guy Carpenter & Company, LLC (“Guy Carpenter”) in May 2007. Guy Carpenter is a subsidiary of Marsh & McLennan Companies, Inc. (“Marsh”), of which Ms. Lamm-Tennant also served as Vice President from February 2009 to January 2011. Marsh has implemented a strategy of purchasing independent insurance agencies and has purchased certain agencies which are appointed agents of Selective’s insurance subsidiaries. In 2013, agencies owned by Marsh placed insurance policies with total direct premiums of approximately $4.7 million with Selective’s insurance subsidiaries, and Selective paid commissions to Marsh-owned agencies totaling approximately $643,000. Selective also uses the services of two other Marsh subsidiaries, which advise on information technology and compensation issues. In 2013, Selective paid these two Marsh subsidiaries approximately $61,000. On September 19, 2011, Selective’s insurance subsidiaries ended their engagement of Guy Carpenter for reinsurance placement services, although Guy Carpenter may receive immaterial amounts of additional commission over the next 10 years from reinstatement premiums Selective's insurance subsidiaries may pay to reinstate reinsurance treaties if certain claims payment limits are exceeded. Marsh's aggregate revenues in 2013 were approximately $12 billion.

As: (i) Ms. Lamm-Tennant is not a reinsurance broker or an insurance agent and had no involvement in these transactions; (ii) Guy Carpenter and Marsh have established an internal segregation to separate Ms. Lamm-Tennant from knowledge of specific transactions involving Selective; and (iii) the aggregate amount of revenue from such transactions is immaterial to the business of Guy Carpenter and Marsh, the Board determined that these transactions do not affect Ms. Lamm-Tennant's independence under applicable NASDAQ and SEC rules and regulations.

In 2013, a daughter of Ronald L. O'Kelley, Chairman of the Audit Committee, and a member of the Executive and Finance Committees, became employed by Liberty Mutual Insurance Company ("Liberty Mutual") as a personal lines homeowners claims special projects implementation manager. One of our insurance subsidiaries has had an agreement with a Liberty Mutual subsidiary since 2011 to provide long-term disability insurance and long-term, short-term and related disability management services to Selective's employees. The aggregate annual premium Selective pays for these services is approximately $725,000, including $276,000 of contributions by Selective's employees for supplemental disability insurance coverage. Liberty Mutual's aggregate revenues for 2013 were approximately $39 billion. Mr. O'Kelley's daughter has no involvement with Selective's insurance program with Liberty Mutual.

As: (i) neither Mr. O'Kelley nor his daughter have any involvement in Selective's insurance program with Liberty Mutual; and (ii) the amount of revenue from such arrangement is immaterial to the business of Liberty Mutual, the Board determined that this arrangement does not affect Mr. O'Kelley's independence under applicable NASDAQ and SEC rules and regulations.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act, requires Selective's directors and executive officers, and persons who beneficially own more than 10% of a registered class of Selective's equity securities, to file with the SEC initial reports of beneficial ownership and reports of changes in beneficial ownership of Selective's equity securities. Directors, executive officers, and greater than 10% stockholders are required by SEC regulations to furnish Selective with copies of all Section 16(a) Exchange Act reports they file. Based solely on Selective's review of the provided copies of Forms 3, 4, and 5, or written representations from certain reporting persons that Forms 5 were not required, Selective believes that all directors, executive officers, and greater than 10% beneficial owners timely met all reporting requirements under Section 16(a) for the fiscal year ended December 31, 2013.

CORPORATE GOVERNANCE

Corporate Governance Guidelines

Selective has established Corporate Governance Guidelines that are available for review in the Corporate Governance subsection of the Investor Relations section of Selective's website, *www.selective.com*. These guidelines provide for the election of a Lead Independent Director, who supervises meetings of Selective's independent directors that occur at least semi-annually. Paul D. Bauer is presently the Lead Independent Director. In 2013, Selective's independent directors met four times outside the presence of management.

All members of the Audit Committee, the Corporate Governance and Nominating Committee, and the Salary and Employee Benefits Committee are independent directors under NASDAQ and SEC rules and regulations.

Majority Voting for Directors in Uncontested Elections

Selective's Board of Directors has adopted a majority voting policy for uncontested elections of incumbent directors. To be re-elected to the Board, an incumbent director must receive a majority vote by stockholders, unless the Corporate Secretary determines that the number of nominees exceeds the number of directors to be elected. If any incumbent director nominee receives less than a majority of votes cast, the following process must be followed:

- The incumbent director must tender his or her resignation to the Chairman of the Board within 5 days following certification of the meeting's election results.

- Within 45 days after the stockholders' meeting, the Corporate Governance and Nominating Committee will make a recommendation to the Board regarding whether to accept the director's resignation. In determining and making its recommendation to the Board, the committee may consider any factors it deems relevant and a range of possible alternatives concerning the director's tendered resignation.

- Within 90 days after the stockholders' meeting, the Board of Directors shall formally act on the Corporate Governance and Nominating Committee's recommendation and, within 4 days of doing so, shall file with the SEC a Form 8-K in which it discloses its decision, the rationale for its decision, and the process it followed in reaching the decision to accept or reject the director's tendered resignation.

- Any incumbent director who fails to receive a majority of votes cast and tenders resignation may not participate or vote in the deliberations of the Corporate Governance and Nominating Committee or the Board related to their resignation. If every member of the Corporate Governance and Nominating Committee fails to receive a majority vote at the same stockholders' meeting, then the independent directors who received a majority vote and any independent directors who did not stand for re-election must appoint from themselves an ad hoc Board committee to consider the tendered resignations and make a recommendation to the Board whether it should accept them. If fewer than three directors would constitute an ad hoc committee, the entire Board (other than the individual director whose resignation is being considered) will make the determination to accept or reject the director's resignation.

BOARD MEETINGS AND COMMITTEES

The Board of Directors held 6 meetings in 2013. All directors attended 75% or more of the aggregate of the meetings of the Board of Directors and their respective committees in 2013. Selective expects all directors to attend the Annual Meeting, and all directors did so in 2013.

The Board has five standing committees:

- Audit Committee;
- Corporate Governance and Nominating Committee;
- Executive Committee;

- § Finance Committee; and
- § Salary and Employee Benefits Committee.

The following tables provide information on each of the five committees:

Audit Committee

Written Charter is available in the Corporate Governance subsection of the Investor Relations section of *www.selective.com*

2013 Meetings: 6

Responsibilities:

§ Oversee the accounting and financial reporting processes and the audits of the financial statements.

§ Review and discuss with Selective's management and independent auditors Selective's financial statements, reports, and other information provided to the public and filed with the SEC.

§ Monitor the activities of Selective's Internal Audit Department and review and concur in the appointment, compensation, replacement, reassignment, or dismissal of the Chief Audit Executive.

§ Monitor Selective's internal controls regarding finance, accounting, and legal compliance

§ Discuss significant financial risk exposures and the steps management has taken to monitor, control, and report such exposures.

§ Assist the Board in overseeing the Company's enterprise risk management function. Discuss with management Selective's major financial, operational, or other risk exposures and steps management has taken to monitor and manage such exposures.

§ Appoint Selective's independent registered public accounting firm and supervise the relationship between Selective and its independent auditors, including reviewing their performance, making decisions with respect to their compensation, retention and removal, reviewing and approving in advance their audit services and permitted non-audit services, and confirming the independence of the independent auditors.

Director Members:	**Independent**
Ronald L. O'Kelley, Chairperson and designated Audit Committee financial expert	Yes
Paul D. Bauer	Yes
Annabelle G. Bexiga	Yes
John C. Burville	Yes
J. Brian Thebault	Yes

Corporate Governance and Nominating Committee

Written Charter is available in the Corporate Governance subsection of the Investor Relations section of *www.selective.com*

2013 Meetings: 4

Responsibilities:

§ Establish criteria for director selection and identify and recommend nominees for director to the Board.

§ Review and assess Selective's Corporate Governance Guidelines and recommend changes to the Board.

§ Recommend to the Board directors to serve as members of the various Board committees, chairpersons of the various committees, and Lead Independent Director.

§ Advise the Board regarding Board composition, procedures, and committees.

§ Review and update Selective's Code of Conduct and review conflicts of interest or other issues that may arise under the Code of Conduct involving Selective's officers or directors.

§ Oversee the self-evaluations of the Board and its various committees.

§ Review, jointly with the Salary and Employee Benefits Committee, CEO and executive management succession planning and professional development.

§ Make a recommendation to the Board as to whether to accept an incumbent director's tendered resignation if the director fails to receive a majority vote in an uncontested election of directors.

Director Members:	**Independent**
J. Brian Thebault, Chairperson	Yes
Annabelle G. Bexiga	Yes
A. David Brown	Yes
Cynthia S. Nicholson	Yes

Executive Committee
No Charter. Responsibilities defined in By-Laws. 2013 Meetings: 0
Responsibilities:

§ Authorized by By-Laws to exercise the Board of Directors' powers and authority in the management of Selective's business and affairs between Board meetings.

§ Has the right and authority to exercise all the powers of the Board of Directors on all matters brought before it, except concerning Selective's investments or as prohibited by law.

Director Members:	**Independent**
Gregory E. Murphy, Chairperson	No
Paul D. Bauer	Yes
A. David Brown	Yes
Michael J. Morrissey	Yes
Ronald L. O'Kelley	Yes
J. Brian Thebault	Yes

Finance Committee
Written Charter is available in the Corporate Governance subsection of the Investor Relations section of *www.selective.com*
2013 Meetings: 4
Responsibilities:

§ Review and approve changes to Selective's investment policies, strategies, and programs.

§ Review investment transactions made on behalf of Selective and review the performance of Selective's investment portfolio and external investment managers.

§ Review matters relating to the investment portfolios of the benefit plans of Selective and its subsidiaries, including the administration and performance of such portfolios.

§ Review Selective's reinsurance program, including structure, pricing, and financial strength of participating reinsurers on the program.

§ Appoint members of Selective's Management Investment Committee.

§ Review and make recommendations to the Board regarding payment of dividends.

§ Review Selective's capital structure and significant expenditures, and provide recommendations to the Board regarding financial policies and matters of corporate finance.

Director Members:	**Independent**
Michael J. Morrissey, Chairperson	Yes
Paul D. Bauer	Yes
Joan M. Lamm-Tennant	Yes
Ronald L. O'Kelley	Yes
William M. Rue	No

Salary and Employee Benefits Committee

Written Charter is available in the Corporate Governance subsection of the Investor Relations section of *www.selective.com* 2013 Meetings: 7

Responsibilities:

§ Oversee, review, and administer compensation, equity, and employee benefit plans and programs related to the employees and management of Selective and its subsidiaries.

§ Review annually and approve corporate goals and objectives relevant to executive compensation and evaluate performance in light of those goals.

§ Review annually and approve Selective's compensation strategy for employees.

§ Review annually and determine the individual elements of total compensation for the CEO and other members of senior management.

§ Review, jointly with the Corporate Governance and Nominating Committee, CEO and executive management succession planning and professional development.

§ Review and approve compensation for non-employee directors.

§ Review the independence and engagement of the independent executive compensation consultant.

Director Members:	**Independent**
A. David Brown, Chairperson	Yes
Paul D. Bauer	Yes
John C. Burville	Yes
Michael J. Morrissey	Yes
Cynthia S. Nicholson	Yes

RISK MANAGEMENT

Board Leadership Structure

Our two principal Board leadership positions are: (i) Chairman of the Board; and (ii) Lead Independent Director, which was created and first filled in July 2004. The Lead Independent Director position is defined in our Corporate Governance Guidelines and is very similar to the role of an independent non-executive Chairman. We believe that our current Board leadership structure provides effective oversight of management and strong leadership of the independent directors. The Corporate Governance and Nominating Committee also conducts annual self-assessments of the Board and its various committees and evaluates their effectiveness.

The Lead Independent Director is responsible for coordinating the activities of the independent directors and performing various other duties. The Lead Independent Director’s general authority and responsibilities are as follows:

§ Presiding at all meetings of independent directors, as appropriate, and providing prompt feedback to the Chairman and CEO;

§ Serving as a point of contact for Board members to raise issues that they may not be able to readily address with the Chairman and CEO;

§ Ensuring that matters of importance to the Directors are placed on the Board’s meeting agendas;

§ Assuring that the Chairman and CEO understands the Board’s views on all critical matters;

§ Assuring that the Board understands the Chairman and CEO's views on all critical matters; and

§ Calling executive sessions of the independent directors and serving as chairman of such meetings.

Page 19

Our Lead Independent Director is Paul D. Bauer, who succeeded A. David Brown in April 2013 and has served on our Board since 1998. Our Chairman of the Board since April 2000 is Gregory E. Murphy, our Chief Executive Officer. At this time, we believe there is a benefit to having Mr. Murphy serve as both Chairman of the Board and Chief Executive Officer. As the executive with primary responsibility for managing our day-to-day operations, he is best positioned to chair regular Board meetings and to ensure that key business issues and risks are brought to the attention of our Board or its appropriate committee.

Enterprise Risk Management

Our Board oversees our overall enterprise risk management process, which follows, among other things, the 1992 *Enterprise Risk Management – Integrated Framework* of the Treadway Commission of the Committee of Sponsoring Organizations (COSO). We began our formal enterprise risk management process over thirteen years ago. Its key components include identification and measurement, reporting, and monitoring of major risks, and the development of appropriate responses.

In addition to the Board's oversight of overall risk and the enterprise risk management process, various committees of the Board oversee risks specific to their areas of supervision and report their activities and findings to the Board:

§ The Audit Committee, on operational, financial, and compliance risks;

§ The Corporate Governance and Nominating Committee, on governance and certain compliance risks;

§ The Finance Committee, on investment risk, non-investment credit risk, including reinsurance risk, insurance leverage, and associated financial risk; and

§ The Salary and Employee Benefits Committee, on employee, human capital, and compensation strategy risks.

The Chief Executive Officer, who is the executive ultimately responsible for risk, and the Executive Risk Committee are responsible for the holistic evaluation and supervision of our major risks. The Executive Risk Committee primarily consists of the Chief Executive Officer, his direct reports and key operational leaders, each of whom is responsible for management of risk in his or her respective area, and a Chief Risk Officer, who reports to the Chief Financial Officer. The Executive Risk Committee meets at least quarterly and reviews and discusses various aspects and the interrelation of Selective's major risks, including, but not limited to, capital modeling results, capital adequacy, risk metrics, emerging risks, and sensitivity analysis. The Executive Risk Committee uses various management committees for detailed analysis and management of individual risks and determines future risk management actions. The Executive Risk Committee provides a structured forum for consideration of risks that either may preclude us from achieving our strategic goals or may provide potential opportunities to be pursued. The Chief Risk Officer reports on the Executive Risk Committee's activities, analyses, and findings to the Board or the appropriate Board committee, and provides a quarterly update on certain risk metrics.

In overseeing the analysis and management of risk, the Board regularly receives, analyzes, and makes due inquiry regarding reports from its various committees and management regarding risk. We believe our Board's leadership structure and the Lead Independent Director position supports the Board's ability to effectively evaluate and manage risk.

Compensation Risk Assessment

We do not believe that risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on our operations or results. To make this determination, we conducted an internal risk assessment of our compensation policies and programs. In performing the risk assessment, we considered that we operate in an industry based almost entirely on managing risk, and we believe that our risk management function is robust. We also analyzed the issues set forth in the proxy disclosure rules and gave close consideration to the following points:

§ The compensation policies and practices for employees of our operating units are similar and no operating unit carries a disproportionate portion of our corporate risk profile. For example, our Insurance Operations segments, which sell property and casualty insurance products, are subject to, among other things, risks related to significant competition and extensive losses from catastrophic events and acts of terrorism, while our Investment Operations segment, which invests premiums collected by the Insurance Operations segments and proceeds from capital transactions, is subject to, among other things, global economic risks, such as adverse impacts from governmental monetary policies, and risks inherent in the equity and debt markets; and

§ Our compensation policies are consistent with our overall risk structure and a significant portion of compensation is awarded on the accomplishment of business objectives that are measured over a three-year period of time.

We also considered our overall compensation program, including:

§ The features of our compensation program and whether those features align with our compensation philosophy;

§ The compensation program has multiple financial and strategic measures that balance profitability and growth. Our financial goals are based on a statutory combined ratio, which is an accepted insurance industry standard of profitability, and our strategic goals are based on, among other things, pricing, retention, and profitability of business, that are intended to incentivize profitable growth;

§ The maximum potential payments under our compensation plans;

§ The mix of fixed versus variable compensation;

§ The balance between cash and equity compensation;

§ The ratio of compensation based on long-term versus short-term performance metrics; and

§ The timing of equity award grants and vesting.

We also considered that we adjust our compensation programs from time-to-time as risks in our industry and operating segments change to help ensure that compensation and risk remain appropriately aligned.

Finally, we reviewed our various risk mitigation strategies in the compensation context including:

- § The stock ownership and retention requirements for management, as outlined beginning on page 37;
- § The independent oversight of compensation programs by the Salary and Employee Benefits Committee of the Board, including oversight of goals and performance measures; and
- § The Board's role in risk oversight, which includes receiving, analyzing, and making due inquiry regarding reports from its various committees, including the Salary and Employee Benefits Committee, and management's Executive Risk Committee regarding risk.

STOCKHOLDER COMMUNICATIONS

Stockholders may send communications to the Board of Directors or individual directors in writing c/o Corporate Secretary, Selective Insurance Group, Inc., 40 Wantage Avenue, Branchville, New Jersey 07890 or by e-mail to corporate.governance@selective.com. The Board has instructed the Corporate Secretary to use discretion in forwarding unsolicited advertisements, invitations to conferences, or other promotional material.

CODE OF CONDUCT

Selective has adopted a Code of Conduct that sets out guiding business ethics principles for all Selective personnel, including executive officers. The Code of Conduct can be found in the Corporate Governance subsection of the Investor Relations section of Selective's website, *www.selective.com*. Any amendment to or waiver from the provisions of the Code of Conduct that applies to Selective's senior executive officers will be posted to Selective's website.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

EXECUTIVE SUMMARY

Purpose of Compensation Discussion and Analysis

The purpose of this Compensation Discussion and Analysis is to provide relevant information to our stockholders regarding our 2013 compensation program for the following named executive officers ("NEOs"):

- Gregory E. Murphy, Chairman and Chief Executive Officer;
- Dale A. Thatcher, Executive Vice President and Chief Financial Officer;
- John J. Marchioni, President and Chief Operating Officer;
- Michael H. Lanza, Executive Vice President, General Counsel and Chief Compliance Officer; and
- Ronald J. Zaleski Sr., Executive Vice President and Chief Actuary.

Consideration of 2013 Say-on-Pay Advisory Vote Results

At our 2013 Annual Meeting of Stockholders, our stockholders voted on an advisory basis to approve the compensation of our NEOs. Again, as they did in 2012, our stockholders overwhelmingly supported our compensation decisions, with approximately 94% of votes cast voting in favor of the proposal. We considered these results and believe they indicate stockholders are supportive of our compensation decisions. Accordingly, we did not make any material changes in our 2013 compensation decisions and policies and we have maintained our emphasis on short- and long-term incentive compensation that we believe reward our executives for delivering stockholder value.

2013 Corporate Performance Highlights

In 2012, we established a three-year targeted statutory combined ratio[2] excluding catastrophes of 92%, which we expect to meet in 2014. This expectation excludes our assumption for catastrophe losses of approximately 4 points and any prior year development, favorable or unfavorable. In 2013, we performed better than expected and exceeded almost every significant budget target we established. We remain confident in achieving this plan, particularly in light of the following noteworthy events in 2013:

§ We increased overall net premiums written ("NPW") in 2013 by 9% compared to the prior year;

[2] The statutory combined ratio is the property and casualty insurance industry standard measure of underwriting profitability. A statutory combined ratio under 100% generally indicates that an insurance company is generating an underwriting profit and a statutory combined ratio over 100% generally indicates that an insurance company is generating an underwriting loss.

- § We achieved a 7.6% overall renewal pure price increase, consisting of a: (i) 7.6% for standard commercial lines; (ii) 7.8% for standard personal lines; and (iii) 6.5% for excess and surplus lines;
- § We attained our 19th consecutive quarter of positive standard commercial lines renewal pure price increases in the fourth quarter of 2013;
- § We achieved strong standard retention rates for commercial lines of 82% and personal lines of 85%;
- § We improved our overall statutory combined ratio in 2013 compared to 2012, both inclusive of catastrophe losses (97.5% versus 103.5%) and exclusive of catastrophe losses (94.8% versus 97.3%);
- § We significantly improved results in our excess and surplus lines operations through a reduction in acquisition and integration costs and significant underwriting actions to improve profitability, resulting in a 2013 statutory combined ratio of 102.9% for that segment, compared to 118.8% for 2012;
- § We generated significant savings from our Claims Operations initiatives, and are on track to deliver our multi-year three point reduction in claim costs by year-end 2014;
- § We introduced new products and enhanced existing products, which are expected to increase our NPW;
- § We improved our customer experience and branding, which we believe improves business retention and increases cross-selling opportunities, through new initiatives and enhancements including the distribution of policy guides with all new policies, quarterly region specific e-newsletters and increased usage of our Customer Self-Service portal and mobile web applications;
- § We completed a $185 million debt offering and refinanced our $100 million junior subordinated notes; and
- § We successfully placed our 2013 reinsurance program, including the addition of a collateralized layer.

In June 2013, our “A (Excellent)” (with a stable outlook) financial strength rating from A.M. Best Company, a worldwide insurance rating company, was affirmed, reflecting our solid risk-adjusted capitalization resulting from our consistent and profitable operating results, achieved through our disciplined underwriting focus and increased use of predictive modeling.

Our stock price ended 2013 at $27.06, an increase of 40.4% from year end 2012, while our total stockholder return (“TSR”), which is determined using the change in Selective’s common stock price and reinvested dividends, was 43.5%, compared to the Standard & Poor's 500 Index total return of 32.4%.

In 2013, we continued to focus on our strategies for profitable growth, diversification, and creating long-term value for our stockholders.

CEO Pay for Performance

The following table sets forth Mr. Murphy's compensation over the past four years, its actual dollar and percentage change from the prior year, and Selective's TSR for the one and three year periods. We believe the table demonstrates the correlation between changes in Selective's TSR and Mr. Murphy's compensation, which is consistent with, and reflects our philosophy of, aligning compensation with the interests of stockholders and long-term performance.

	2010	**2011**	**2012**	**2013**
CEO Total Compensation (Salary/ACIP/LTIP)	$2,700,087*	$2,800,000	$3,000,000	$3,900,000
$ Change from Prior Year	$15,456	$99,913	$200,000	$900,000
% Change from Prior Year	0.6%	3.7%	7.1%	30%
One-Year TSR	14.0%	0.8%	11.9%	43.5%
Three-Year TSR	13.5%	14.6%	28.6%	61.9%

* Also includes discretionary cash bonus award.

Role and Function of the Salary and Employee Benefits Committee

The Salary and Employee Benefits Committee of the Board of Directors ("SEBC") oversees executive compensation. The SEBC retains an independent executive compensation consultant, Exequity LLP ("Compensation Consultant"), to advise it on executive and non-employee director compensation issues. Representatives of the Compensation Consultant: (i) review senior executive compensation; (ii) prepare comprehensive competitive compensation analyses for our NEOs; (iii) provide counsel to the SEBC regarding award metrics, components of compensation, amounts allocated to those components, and the total compensation opportunities for the CEO and the other NEOs; and (iv) attend SEBC meetings, as requested by the SEBC.

The Compensation Consultant has served the SEBC since April 2007. The Compensation Consultant's only business with Selective is to advise the SEBC on non-employee director and executive compensation matters. The SEBC has determined, in light of the factors set forth in SEC and NASDAQ rules, that the Compensation Consultant's services do not raise a conflict of interest.

The SEBC has full autonomy in determining executive compensation and makes all final determinations regarding CEO and other NEO compensation, incorporating information provided by the Compensation Consultant. The CEO also makes compensation recommendations to the SEBC regarding each of the executive vice presidents and certain other members of senior management based on the CEO's assessment of each individual's annual performance, contributions to Selective, and potential for advancement. In making its compensation decisions, the SEBC also considers pay levels at companies with which we compete for business and executive talent (discussed below) and pre-established guidelines regarding award amounts, Selective's performance, executive retention issues, internal compensation parity, and advancement in abilities, experience, and responsibilities. The Executive Vice President and Chief Human Resources Officer and certain other human resources officers, as part of their usual duties and responsibilities, provide the SEBC with information regarding the overall design of the executive compensation program and its individual components.

DESIGN CONSIDERATIONS OF SELECTIVE'S EXECUTIVE COMPENSATION PROGRAM

Selective's Executive Compensation Program Objective and Philosophy

The objective of our executive compensation program is to attract, retain, and motivate executive talent who will drive the organization's success and create stockholder value. Our compensation program is designed to reward the achievement of both financial and strategic goals and recognize our executives for their individual achievements and promote a long-term relationship with us. We seek to attract and retain talented and qualified executives by paying compensation that is generally targeted in the range of the 50th – 75th percentile of total compensation paid by comparable property and casualty insurance companies, with pay levels more likely to approach the upper end of that range in years when company performance is strong. Consistent with our pay-for-performance philosophy, we tie our annual incentive awards to pre-determined financial and strategic business objectives and individual contributions, and we align our long-term compensation to the achievement of pre-determined specific performance measures that impact the generation of long-term stockholder value.

Compensation Elements

Our executive compensation program consists of the following key elements selected to: (i) address the market-based realities of attracting and retaining quality executives; and (ii) align the executives' compensation with our stockholders' interests:

§ Base salary;

§ Annual cash incentive program ("ACIP") payments; and

§ Long-term incentive program ("LTIP") awards in the form of performance-based restricted stock units, performance-based cash incentive units, and, in prior years, stock options.

Compensation Best Practices

Selective primarily uses the following compensation structures and practices:

- Fixed and variable compensation components;
- Issuances of performance-based equity and annual cash bonus awards to NEOs;
- Stock ownership and retention requirements;
- Limited perquisites; and
- Double triggers for cash and equity award payments upon a change in control under employment agreements.

Benchmarking

When making compensation decisions, the SEBC believes that it is important to be informed on compensation practices at publicly-traded companies and at property and casualty insurance holding companies. The SEBC believes that:

- Measuring our compensation against practices from two benchmark sources helps ensure that the SEBC has an ample and robust assessment of our competitive compensation posture;
- Benchmarking provides the SEBC with relevant information to make appropriate compensation decisions that will help attract, retain, and motivate the key talent required to drive company performance and long-term stockholder value; and
- Considering multiple market references offsets inaccuracies inherent in a single market data point and enhances the SEBC's decisions by allowing it to rely on a fuller set of market-competitive pay boundaries than just a single benchmark.

Accordingly, the SEBC receives from, and reviews with, the Compensation Consultant, the following benchmarking information:

§ Benchmarking analyses of compensation that we pay our NEOs, compared to base salary, annual cash incentives, total cash compensation, long-term incentives, and total compensation against a proxy peer group; and

§ Benchmark data provided by a third-party vendor for our NEOs against a group of 51 property and casualty insurance organizations.

For 2013, the Compensation Consultant furnished the SEBC with 2013 NEO compensation information from two market reference sources as follows:

Proxy Peers Organizations with which we compete in the sale of products and services and for talent		***Third-party Vendor Surveys***
§ Argo Group International Holdings	§ Hartford Financial Services Group, Inc.	§ Property and Casualty Insurance Compensation Survey
§ The Chubb Corporation	§ Navigators Group, Inc.	
§ Cincinnati Financial Corporation	§ OneBeacon Insurance Group, Ltd.	
§ CNA Financial Corporation	§ State Auto Financial Corporation	
§ EMC Insurance Group Inc.	§ Tower Group, Inc.	
§ The Hanover Insurance Group, Inc.	§ United Fire Group, Inc.	
	§ W. R. Berkley Corporation	

Information for the Proxy Peers in the above table (collectively, the "Proxy Peer Group") is obtained from proxy statements and other materials filed with the SEC. This information includes data on compensation components and analysis of the overall financial performance of the organizations in the group. We analyze our performance in relation to them. The Proxy Peer Group is composed of companies that provide similar products, have our geographic market scope, and compete with us for executive talent. The Property and Casualty Insurance Compensation Survey provides supplemental data from companies of various sizes. This information is divided into segments that most accurately reflect the size of our organization. Because we strive to engage the best talent, which may require us to recruit from organizations larger than us, we look at data from: (i) the overall property and casualty insurance industry; and (ii) organizations with direct written premiums of less than $2 billion.

In 2013, our aggregate NEO total compensation was 26.0% above the total average median of the market reference sources, but was well below the total average 75th percentile of the market reference sources, representing a positioning relative to market that the SEBC deemed to be appropriate based on Selective's performance in 2013. The components comprising total compensation differed from market to varying degrees. Specifically, base salary was above the total average median by 6.7%, and annual incentive awards were 104.5% above the total average median, resulting in annual total cash compensation that was above the total average median by 48.7%. This positioning reflected substantial improvement in annual operating results and shareholder returns in 2013 relative to 2012 market data. The grant date fair value of our 2013 long-term incentive awards was 7.3% above the total average median. The SEBC felt that each NEO's compensation was appropriately-positioned relative to market based on the accomplishments and contributions of that particular NEO, and the degree of the company's achievement relative to 2013 goals.

2013 ELEMENTS OF COMPENSATION AND ALLOCATION BETWEEN CURRENT AND LONG-TERM COMPENSATION

We allocate compensation among: (i) a fixed base salary; (ii) variable annual cash incentive bonus; and (iii) a variable long-term component. Together, these three components link compensation opportunities for executives to short-term and long-term financial and strategic objectives. The table below shows the percentage of total compensation for the CEO, Chief Financial Officer, and other NEOs that is short-term incentive compensation (ACIP) versus long-term incentive compensation (LTIP), and fixed (base salary) versus variable (ACIP and LTIP).

As the table indicates, the 2013 compensation allocation aligns closely with our compensation philosophy, which is designed to motivate executives to achieve short-term and long-term corporate objectives that are consistent with our stockholders' economic interests. We strive to achieve a balance between pay incentive vehicles and performance time horizons, generally placing the most weight on achievement of long-term success that increases long-term stockholder value.

Variable Compensation	Fixed Compensation

NEOs	2013 Short-Term (ACIP)	2013 Long-Term (LTIP)	2013 Total Variable (ACIP & LTIP)	2013 Base Salary
Gregory E. Murphy	38%	39%	77%	23%
Dale A. Thatcher	37%	32%	69%	31%
John J. Marchioni	41%	29%	70%	30%
Michael H. Lanza	31%	33%	64%	36%
Ronald J. Zaleski	29%	35%	64%	36%

Base Salary

Our base salary compensation is intended to provide stable, competitive compensation while taking into account each executive's scope of responsibility, relevant background, training, and experience. In setting base salaries, the SEBC considers both competitive market data for similar positions and overall market demand for each position. The SEBC generally believes that base salaries should be aligned with market trends for executives in similar positions with similar responsibilities at comparable companies. When establishing the base salaries of NEOs, the SEBC also considers:

- The functional role of the position;
- The executive's level of responsibility;
- Growth of the executive in the role, including skills and competencies;
- The contribution and performance of the executive; and
- The organization's ability to replace the executive.

When evaluating 2013 base salaries for our CEO and other NEOs, the SEBC also considered: (i) our overall results; (ii) the continuing price competition in our industry, including our ability to obtain favorable and appropriate renewal pure prices; (iii) the continuing challenging economy impacting our various target markets; and (iv) retention of top talent. These factors were viewed in light of the relative competitive positioning of the base salaries of our CEO and the other NEOs, and the fact that our CEO has not received a base salary increase since 2007. Based on these considerations, the SEBC decided not to provide an increase in base salary to the CEO and Chief Actuary, but awarded base salary increases to the other NEOs in early 2013, during our regular salary review process, of between 3.2% and 15.8% based on their respective accomplishments and contributions as described below in the section entitled "2013 Compensation Actions for the CEO and the other NEOs." Mr. Marchioni received an additional salary increase of 31.8% in the third quarter of 2013 in conjunction with his election as President and Chief Operating Officer.

Annual Cash Incentive Program (ACIP)

Our ACIP is intended to link a meaningful portion of annual cash compensation to one or more pre-established near-term strategic and/or financial organizational performance goals. For 2013, all of the NEOs were eligible to participate in the ACIP. ACIP awards are granted under the Selective Insurance Group, Inc. Cash Incentive Plan As Amended and Restated as of May 1, 2010 (the "Cash Incentive Plan"). ACIP awards made to our NEOs are intended to qualify as performance-based compensation under Code Section 162(m).

2013 ACIP Measures for NEOs

In order for the 2013 ACIP awards for employees who are covered under Code Section 162(m), which includes most of the NEOs, to qualify as performance-based compensation, the SEBC determined in February 2013 that the 2013 ACIP awards for covered employees would fund at each individual's maximum based on our achievement in 2013 of a single performance measure; namely positive net income as defined under generally accepted accounting principles. The maximum award opportunity established by the SEBC for each of our NEOs under the ACIP is shown below under the section entitled “2013 ACIP Payment Opportunities and Awards for NEOs.”

As we achieved positive net income of $106.4 million in 2013, the performance requirements under Code Section 162(m) were met and the SEBC could pay up to the individual maximum amounts for the 2013 ACIP awards. In its exercise of negative discretion from these maximum amounts, the SEBC reduced the award payable from the individual maximum for each covered employee and determined actual ACIP awards based on their individual performance and the degree of achievement of the general corporate financial and strategic performance goals used in determining the funding of ACIP awards for employees other than covered employees (the “Corporate ACIP Measures”).

The SEBC may also use its discretion to further increase (but not above the maximum payment opportunity for each NEO set forth in the table in the section entitled “2013 ACIP Payment Opportunities and Awards for NEOs”) or decrease actual awards above or below the amount determined based on the achievement of the Corporate ACIP Measures and the individual performance of each executive officer in 2013.

If we did not achieve positive net income in 2013, the maximum ACIP awards for executive officers would have been determined based entirely on the degree of achievement of the Corporate ACIP Measures.

2013 Corporate ACIP Measures

Our Corporate ACIP Measures are established to encourage our employees to remain focused on particular financial and strategic objectives, even in the face of especially challenging circumstances in a performance year. For 2013, the SEBC determined that the Corporate ACIP funding opportunity would be between 0% and 110% of target, based on attainment of the Corporate ACIP Measures. Zero percent (0%) to 50% of this target percentage was attributable to a financial performance goal of achieving a statutory combined ratio of between 95% and 101.5%, and 0% to 60% of this target percentage was attributable to the achievement of 17 measures related to six strategic initiatives. The table below reflects total potential Corporate ACIP percentages at various statutory combined ratio percentages if all six strategic initiatives were met and all potential premium points were achieved:

Statutory Combined	**Corporate ACIP Measures**		
Ratio (%)	**Financial (%)**	**Strategic (%)**	**Total (%)**
101.5	0.0	60	60.0
101	3.8	60	63.8
100	11.5	60	71.5
99	19.2	60	79.2
98	26.9	60	86.9
97	34.6	60	94,6
96	42.3	60	102.3
95	50.0	60	110.0

2013 Corporate ACIP Strategic Initiative Measure Results

The 2013 Corporate ACIP Measure results are as follows:

Performance Goals

2013 Strategic Initiatives	**Measures**	**Value**	**2013 Results**
1. New Business Diversification	Generate a total of $310 million of premium in specified standard lines of business.	0-8 pts	Achieved 8 pts
	Achieve designated standard commercial lines pure rate target on renewal business.	0-6 pts	Achieved 4.8 pts
2. Profit Improvement			

	Achieve designated overall loss improvement from combined rate and retention actions taken on designated standard commercial segments.	0-6 pts	Achieved 6 pts
	Achieve designated standard personal lines rate changes effective in 2013.	0-8 pts	Achieved 7.5 pts
3. Customer Experience	§ Produce quarterly region-specific newsletters; § Develop and implement new Standard Premium Audit on-line and paper mail audit forms; § Include standard policy guides in policies distributed directly to consumers; and § Implement Phase I of Unified Communications for Contact Centers.	0-8 pts	Achieved 8 pts
4. Claims	§ Implement Claims Content Management Phase II; § Achieve designated workers compensation adjuster generated fraud referral rate; § Achieve designated workers compensation subrogation referral rate; and § Implement catastrophe plan enhancements.	0-8 pts	Achieved 8 pts

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2013 Strategic Initiatives	**Measures**	**Value**	**2013 Results**
5. Expense Management	Beat controllable expense budget of $342 million.	0-8 pts	Achieved 8 pts
6. Information Technology	§ Deploy new workers compensation system in second quarter 2013 and commercial package policy system in fourth quarter 2013; § Deploy new statistical reporting system for commercial lines and parallel system for personal lines by December 31, 2013; § Implement new general ledger system by June 30, 2013; and § Implement managed services disaster recovery system by December 31, 2013.	0-8 pts	Achieved 8 pts
TOTAL ACHIEVED			58.3 pts

As reflected in the above table, we achieved all six of the 2013 strategic initiatives, which equates to the strategic performance goal component under the Corporate ACIP Measures generating funding at 58.3%.

Financial Performance Measure

For 2013, our overall statutory combined ratio was 97.5%, which included 2.7 points of catastrophe losses. Accordingly, the financial performance component of the Corporate ACIP Measures generated funding at 30.8%.

2013 ACIP Payment Opportunities and Awards for NEOs

The ACIP payment opportunities for the NEOs earned in 2013 and paid in 2014 were based on competitive market levels and set as a percentage of annual base salary. While our NEOs and other executive officers were all eligible for their maximum 2013 ACIP awards upon our achievement in 2013 of positive net income, the SEBC exercised negative discretion in determining actual ACIP awards for each executive officer based on: (i) their respective accomplishments and contributions; and (ii) the degree of achievement of the Corporate ACIP Measures, determined as a percentage of annual base salary relative to corresponding levels of performance. The SEBC can exercise negative discretion to award no incentive payments or to award amounts lower than the maximum opportunity. The following table sets forth the NEOs' 2013 minimum and maximum ACIP opportunities, the SEBC's actual 2013 award for each NEO as a percentage of base salary, and the percentage increase or decrease in ACIP from 2012 to 2013:

NEO	Minimum 2013 ACIP Opportunity as % of Base Salary	Maximum 2013 ACIP Opportunity as % of Base Salary	Actual 2013 ACIP as % of Base Salary	% Change in ACIP from 2012 to 2013
Gregory E. Murphy	0%	200%	166.7%	87.5%
Dale A. Thatcher	0%	150%	118.2%	44.4%
John J. Marchioni	0%	150%	110.3%	77.8%
Michael H. Lanza	0%	150%	83.3%	42.9%
Ronald J. Zaleski	0%	150%	82.4%	40.0%

ELEMENTS OF LONG-TERM COMPENSATION

Design Elements

Our long-term incentive opportunities are intended to reward our leaders and assist with their long-term retention. By aligning financial rewards with the economic interests of our stockholders, leaders are encouraged to achieve our long-term strategic objectives and increase stockholder value. We use both cash and non-cash vehicles to deliver long-term compensation, which is consistent with the market practices of the companies included in our Proxy Peer Group. We use our LTIP to motivate our executives to achieve long-term corporate objectives. We establish a dollar denominated target for each employee eligible to participate in the LTIP, including the NEOs. To determine the amount of the total LTIP award pool, all individual target award amounts are aggregated.

For certain executives, including the NEOs, LTIP awards are granted in overlapping three-year cycles, and may be allocated among any of three components including: (i) performance-based restricted stock units; (ii) performance-based cash incentive units; and (iii) stock options. By granting performance-based restricted stock units and performance-based cash incentive units with three-year performance periods, and options with three-year ratable vesting periods, we encourage executive officers to continue their tenure with us and align their interests with those of our stockholders. In addition to his regular performance-based restricted stock unit grant in 2013, Mr. Marchioni received a special grant of time-based restricted stock units in conjunction with his election as President and Chief Operating Officer. The majority of Mr. Marchioni's outstanding, unvested long-term incentive compensation, however, consists of performance-based awards.

Long-Term Incentive Program Award Grants

Performance goals for the long-term incentive awards granted in 2011 through 2013 are as follows:

Performance Period	**Restricted Stock Unit** **Performance Measures**	**Cash Incentive Unit Performance** **Measures**
01/01/11 – 12/31/13	Cumulative operating return on equity[1] ("ROE") or cumulative growth in policy count	TSR/NPW growth/statutory combined ratio
01/01/12 – 12/31/14	Cumulative operating ROE or cumulative growth in policy count	TSR/NPW growth/statutory combined ratio
01/01/13 – 12/31/15	Cumulative operating ROE, cumulative growth in policy count, or growth in NPW	TSR/NPW growth/statutory combined ratio

[1] Operating return on equity is calculated as follows: operating income from the performance period / (stockholders' equity at the beginning of the performance period + stockholders' equity at the end of the year-unrealized gains from the beginning of the performance period)/2. Operating income differs from net income by the exclusion of realized gains or losses on investments and the results of discontinued operations. It is used as an important financial measure by management, analysts and investors, because the realization of investment gains and losses on sales in any given period is largely discretionary as to timing. In addition, these investment gains and losses, as well as other-than-temporary investment impairments that are charged to earnings and the results of discontinued operations, could distort the analysis of trends. Operating income is not intended as a substitute for net income prepared in accordance with generally accepted accounting principles.

In determining the amount of LTIP awards granted to the NEOs in 2013, the SEBC considered several factors, including: (i) each NEO's ability to drive and impact our performance over the three-year performance period; (ii) each NEO's performance during the previous year, including the achievement of departmental goals and other projects and endeavors accomplished throughout the year, as outlined below; (iii) each NEO's total compensation in comparison to our Proxy Peer Group and Property and Casualty Insurance Compensation Survey data; and (iv) our desire for long-term retention of high-performing executives.

Performance-Based Restricted Stock Units: Sixty percent (60%) of the total monetized value of each NEO's LTIP award made in 2013 consisted of performance-based restricted stock units granted under the Selective Insurance Group, Inc. 2005 Omnibus Stock Plan As Amended and Restated Effective as of May 1, 2010 (the "Omnibus Stock Plan")[3]. Performance-based restricted stock unit awards generally are subject to vesting based on time and attainment of certain performance measures set by the SEBC for each award at the outset of the award's performance period. The 2013 performance-based grants are subject to the following conditions:

§ Three-year vesting period; and

[3] Other than Mr. Marchioni's special grant of time-based restricted stock units.

§ Achievement at the end of any calendar year during the three-year period beginning on January 1, 2013 and ending on December 31, 2015 of either: (i) a cumulative operating ROE of at least 12% (computed by excluding from the determination of average equity any unrealized gain occurring after December 31, 2012); or (ii) a 5% cumulative growth in policy count or a 5% growth in NPW.

Dividend equivalent units ("DEUs") are credited on performance-based restricted stock units at the same time and at the same dividend rate paid to all Selective stockholders. Payment of DEUs, which are payable in shares of Selective common stock, remains subject to the same vesting conditions and performance measures applicable to the underlying restricted stock units. This use of performance-based restricted stock units aligns this component of NEOs' compensation with overall corporate performance and stockholder interests.

<u>Performance-Based Cash Incentive Units</u>: The remaining forty percent (40%) of the monetized value of the NEOs' LTIP award granted in 2013 consisted of performance-based cash incentive units granted under the Cash Incentive Plan. The cash incentive unit grants take into account: (i) our three-year performance, based on NPW growth and cumulative statutory combined ratio, in each case relative to a peer group; and (ii) TSR of Selective common stock. Accordingly, these awards are also directly linked to Selective's performance and the interests of stockholders. Performance-based cash incentive units granted in 2013 are subject to the following terms:

§ Three-year performance period;

§ The value of each cash incentive unit, initially awarded at $100 per unit, increases or decreases to reflect the TSR of Selective common stock over the three-year performance period for the award; and

§ The number of cash incentive units ultimately earned increases or decreases based on the performance criteria in the following table:

Cumulative	>=80%	100%	117%	133%	150%	167%	183%	200%
	70%	83%	100%	117%	133%	150%	167%	183%
3-Year	60%	67%	83%	100%	117%	133%	150%	167%
	50%	50%	67%	83%	100%	117%	133%	150%
Statutory	40%	33%	50%	67%	83%	100%	117%	133%
	30%	17%	33%	50%	67%	83%	100%	117%
Net	<=20%	0%	17%	33%	50%	67%	83%	100%
		<=20%	30%	40%	50%	60%	70%	>=80%
Premium		**Cumulative 3-Year Statutory Combined Ratio**						
Growth								
		Relative to Peer Index						
Relative to								

Peer Index

The peer group (the “Cash Incentive Unit Peer Group”) established for 2013 for comparing performance for the purposes of determining the ultimate number of performance-based cash incentive units earned consists of the companies in the following table:

§ Auto-Owners Insurance Group	§ Main Street America (National Grange)
§ Cincinnati Financial Corporation	§ State Auto Financial Corporation
§ CNA Financial Corporation	§ United Fire Group, Inc.
§ Donegal Insurance Group	§ Utica National Insurance Group
§ The Hanover Insurance Group, Inc.	§ Westfield Group
§ Liberty Mutual Group Inc.	

In establishing the Cash Incentive Unit Peer Group, the SEBC strived to include companies that have a similar mix of products, operate in the same geographic regions, have similar premium volume, and distribute their products through independent agents. The Cash Incentive Unit Peer Group differs from the Proxy Peer Group, as the Proxy Peer Group also includes companies with which we compete for executive talent.

Stock Options: Prior to 2011, incentive stock options comprised a portion of the monetized value of our NEOs' LTIP awards. We have not granted stock options since 2010 based on an annual competitive review of our plan design, in consultation with the Compensation Consultant. The Omnibus Stock Plan, however, allows for future awards of stock options, if the SEBC deems appropriate.

2010 Long-Term Incentive Program Award Grant Results

The following table summarizes the achievement of the performance metrics for the 2010 LTIP award grants and the corresponding payout in 2013:

Performance Metrics	**Actual Performance Versus Performance Metrics**	**Percentage Achieved**
2010 Grant Results		
Restricted Stock Units		
Generate a cumulative operating ROE of at least 12% (computed by excluding from the determination of average equity any unrealized gain occurring after December 31, 2009), or achieve a 5% cumulative growth in policy count at any calendar year end during the performance period.		100%
Cash Incentive Units[1]		
TSR over the three-year performance period, and cumulative three-year statutory NPW growth and statutory combined ratio relative to peer index for the period of January 1, 2010 to December 31, 2012.	Achieved a TSR factor of 128.58%, a statutory combined ratio of 104.38%, and NPW growth of 16.41%	75% of units at $128.58

[1] Cash incentive unit awards are denominated in units with an initial value of $100. Appreciation or depreciation is based on TSR, which is determined using the change in Selective's common stock price and reinvested dividends over the three-year performance period for the award. The number of units ultimately earned increases or decreases based on: (i) cumulative three-year statutory NPW growth relative to the Cash Incentive Unit Peer Group index; and (ii) cumulative three-year statutory combined ratio relative to this peer group index.

Timing of LTIP Awards: If made, restricted stock unit, cash incentive unit, and stock option awards are generally granted each year following the release of Selective's fourth quarter and year-end earnings results. The SEBC and the Board of Directors review final year-end results for the prior year in connection with their regularly scheduled first quarter meeting and the SEBC makes final determinations on compensation.

<u>2013 Compensation Actions for the CEO and the other NEOs</u>

In making its 2013 compensation decisions for our NEOs, including the CEO, with respect to base salary, ACIP awards, and LTIP awards, the SEBC considered the overall accomplishments and contributions of each NEO. The ACIP and LTIP components of our compensation program are limited by the required achievement of pre-determined financial and strategic goals. The SEBC also may award discretionary cash bonuses or other awards to executives when it deems it appropriate to recognize an NEO's extraordinary accomplishments, or other special circumstances. No discretionary cash bonuses were awarded to any NEO for the 2013 performance year.

We structure our reward programs to retain and motivate our best performing employees and those in critical positions. In balancing our strategic results achieved with ongoing price competition and the continuing challenging economy, the SEBC made the following compensation decisions in 2013:

§ For the CEO:

o Mr. Murphy's base salary did not increase for the seventh consecutive year.

o Mr. Murphy's ACIP payment for 2013 was 87.5% higher than his 2012 ACIP payment.

o His LTIP award granted in February 2013 was 15% greater than his grant in the previous year.

o His total compensation based on salary, ACIP payment, and LTIP increased 30% in 2013 as compared to 2012.

In making its compensation decisions for Mr. Murphy, the SEBC reviewed our overall corporate performance, and a comprehensive written performance appraisal that was completed by non-employee members of Selective's Board of Directors. Mr. Murphy, as CEO, has ultimate responsibility for the achievement of all financial, strategic, and investment goals. Accordingly, with respect to 2013 compensation decisions for Mr. Murphy, the SEBC considered the following:

§ Our stock price rose 40.4% in 2013, and our 2013 TSR was 43.5% compared to an average 28.3% TSR for the peer companies included in the performance graph in Part II, Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities, in Selective's Annual Report on Form 10-K for the year ended December 31, 2013;

§ We increased overall NPW in 2013 by 9% compared to 2012;

§ We achieved a 7.6% overall renewal pure price increase, consisting of a: (i) 7.6% for standard commercial lines; (ii) 7.8% for standard personal lines; and (iii) 6.5% for excess and surplus lines;

§ We achieved strong standard retention rates for commercial lines of 82% and personal lines of 85%;

§ We attained our 19th consecutive quarter of positive standard commercial lines renewal pure price increases in the fourth quarter of 2013;

§ We produced significantly improved results in excess and surplus lines operations through continued reduction in acquisition and integration costs and significant underwriting actions to improve profitability, resulting in a 2013 statutory combined ratio of 102.9% for that segment, compared to 118.8% for 2012;

§ We improved our overall statutory combined ratio in 2013 compared to 2012 both inclusive of catastrophe losses (97.5% versus 103.5%) and exclusive of catastrophe losses (94.8% versus 97.3%);

§ We generated significant savings from our Claims Operations initiatives, and are on track to deliver our multi-year three point reduction in claim costs by year-end 2014;

§ We achieved or surpassed all of the strategic measures established for the 2013 Corporate ACIP Measures;

§ We introduced new products and enhanced existing products, which are expected to increase our NPW;

- § We improved our customer experience and branding through new initiatives and enhancements, including the distribution of policy guides with all new policies, quarterly region specific e-newsletters, and increased usage of our Customer Self Service portal and Mobile Web Applications;

- § We maintained a competitive overall statutory expense ratio of 32.8% for 2013 versus 32.6% for 2012;

- § Our A.M. Best Company financial strength rating of “A (Excellent)” with a stable outlook was affirmed;

- § Our net investment income, after-tax, was $101.4 million for 2013, which exceeded the minimum of our 2013 net investment income guidance range by approximately 6%;

- § We achieved positive net income of $106.4 million;

- § Our total operating income for 2013 was $93.9 million, compared to $32.1 million for 2012, due to significantly lower catastrophe losses and renewal pure price increases that exceeded loss costs trends;

- § We completed a $185 million debt offering and refinanced our $100 million junior subordinated notes; and

§ We successfully placed our 2013 reinsurance program, including the addition of a collateralized layer.

Based on the achievement of positive net income, the degree of achievement of the Corporate ACIP Measures, and guidance provided by the Compensation Consultant regarding CEO pay trends, the SEBC determined that Mr. Murphy's 2013 ACIP would be set at 166.7% of base salary. This compares to his initial ACIP opportunity range of 0-200% of base salary. This is an increase of 87.5% compared to his 2012 ACIP payment. As the ACIP component of Mr. Murphy's compensation is tied to our annual financial and strategic goals, including net income, the 2013 ACIP payment reflects the solid results achieved by our Insurance Operations. The SEBC determined that Mr. Murphy's ACIP payment was appropriate and consistent with Selective's pay-for-performance philosophy.

Our other NEOs were critical in executing Selective's 2013 strategic goals and key accomplishments. In light of these accomplishments, the SEBC made the following compensation decisions in 2013 for the other NEOs:

§ Base salaries paid to Messrs. Thatcher, Marchioni, Lanza, and Zaleski increased in 2013 by 6.2%, 26.8%, 3.2%, and 0.4%, respectively, with Mr. Marchioni's increase impacted by his election in 2013 as President and Chief Operating Officer;

§ LTIP awards granted in February 2013 for Messrs. Thatcher, Marchioni, Lanza, and Zaleski increased by 21.9%, 146.4%, 8.1%, and 1.2%, respectively, compared to LTIP payments for 2012. Mr. Marchioni's increase included an additional grant made in September 2013 in connection with his election as President and Chief Operating Officer;

§ ACIP payments for Messrs. Thatcher, Marchioni, Lanza, and Zaleski for 2013 increased by 44.4%, 77.8%, 42.9%, and 40.0%, respectively, compared to ACIP payments for 2012. Mr. Marchioni's increase reflects his election in 2013 as President and Chief Operating Officer; and

§ Total compensation based on salary, ACIP payment, and LTIP awards for Messrs. Thatcher, Marchioni, Lanza, and Zaleski increased in 2013 over 2012 by approximately 23.4%, 83.0%, 14.7%, and 9.8%, respectively. Mr. Marchioni's increase reflects his election in 2013 as President and Chief Operating Officer.

In making compensation decisions regarding base salary and LTIP for the other NEOs, the SEBC considered the following for each respective NEO:

<u>Mr. Thatcher</u> – In addition to his general management responsibility as a member of the executive management team, Mr. Thatcher, as Executive Vice President and Chief Financial Officer, has primary responsibility for all financial matters, including investor relations, tax, capital and capital management planning, treasury, investment operations, enterprise risk management, reinsurance, contracts and procurement, and corporate communications. Mr. Thatcher's major contributions in 2013 included:

- Completing a $185 million debt offering and refinancing our line of credit and $100 million junior subordinated notes;
- Maintaining 2013 finance and investment controllable expenses below budget;
- Achieving fixed income portfolio duration within targeted range and quality rating;
- Completing an investor perception study;
- Completing the pension plan curtailment;
- Developing and implementing a Finance Trainee Program;
- Implementing a new flood insurance system;

- § Successful 2013 reinsurance program placement, including the addition of a collateralized layer;
- § Expanding and updating our enterprise project management efforts through advanced economic capital modeling;
- § Implementing new production and parallel statistical reporting systems;
- § Implementing a new general ledger system, including automated tax accounting processing;
- § Developing and implementing a company automobile fleet program; and
- § Overseeing various communications initiatives and programs to promote employee understanding of corporate strategies and goals.

Based on the achievement of positive net income, the degree of achievement of the Corporate ACIP Measures, and the factors noted above, which summarize Mr. Thatcher's performance in 2013, the SEBC approved the CEO's recommendation that Mr. Thatcher's 2013 ACIP payment would be set at 118.2% of his base salary. This compares to his initial ACIP payment opportunity range of 0-150% of base salary. Mr. Thatcher's 2013 ACIP payment was 44.4% higher than his 2012 ACIP payment. This award aligns with our pay-for-performance philosophy that is intended to reward and retain key performers in critical positions.

Mr. Marchioni – In September 2013, Mr. Marchioni was elected President and Chief Operating Officer. In his new role, he has assumed responsibility of our Actuarial, Human Resources, and Information Technology areas. Mr. Marchioni continues his key role in developing strategies that enhance profitability, growth, and competitive strength for our Insurance Operations, including managing agency relations, claims, underwriting, customer service, and all regional operations. Mr. Marchioni also serves as a member of our key management committees.

Mr. Marchioni's 2013 accomplishments are closely tied to the 2013 Corporate ACIP strategic measures. Under Mr. Marchioni's leadership, our Insurance Operations continues to focus on granular pricing and sophisticated underwriting that we believe gives us a competitive advantage. Mr. Marchioni's major contributions in 2013 included:

- § Increasing overall NPW in 2013 by 9% compared to 2012;
- § Achieving a 7.6% overall renewal pure price increase, consisting of a: (i) 7.6% for standard commercial lines; (ii) 7.8% for standard personal lines; and (iii) 6.5% for excess and surplus lines;

- § Attaining our 19th consecutive quarter of positive standard commercial lines renewal pure price increases in the fourth quarter of 2013;
- § Achieving strong standard retention rates for commercial lines of 82% and personal lines of 85%;
- § Improving our overall statutory combined ratio in 2013 compared to 2012, both inclusive of catastrophe losses (97.5% versus 103.5%) and exclusive of catastrophe losses (94.8% versus 97.3%);
- § Significantly improving results in our excess and surplus lines operations through a reduction in acquisition and integration costs and significant underwriting actions to improve profitability;
- § Generating significant savings from our Claims Operations initiatives, and continuing on track to deliver our multi-year three point reduction in claim costs by year-end 2014;
- § Introducing new products and enhanced existing products, which are expected to increase our NPW;
- § Continuing deployment of field marketing specialists, and expanding agency storefronts by over 400 over the past three years;

- § Improving underwriting profitability on designated standard commercial and personal lines through rate changes, loss improvement efforts, and retention actions;
- § Receiving a score of 8.59 out of 10 on an independently administered agency satisfaction survey;
- § Improving our customer experience and branding through new initiatives and enhancements, including the distribution of policy guides with all new policies, quarterly region specific, e-newsletters, and increased usage of our Customer Self Service portal and mobile web applications;
- § Completing the re-design of our commercial lines underwriting system; and
- § Maintaining Insurance Operations controllable expenses below budget.

Based on the achievement of positive net income, the degree of achievement of the Corporate ACIP Measures and the factors noted above, including his increased responsibilities related to his election in 2013 as President and Chief Operating Officer, which summarize Mr. Marchioni’s performance in 2013, the SEBC approved the CEO’s recommendation that Mr. Marchioni’s 2013 ACIP would be set at 110.3% of base salary. This compares to his initial ACIP opportunity range of 0-150% of base salary. Mr. Marchioni’s 2013 ACIP payment was 77.8% higher than his 2012 ACIP payment. We believe this award aligns with our pay-for-performance philosophy that is intended to reward and retain key performers in critical positions.

Mr. Lanza – In addition to his general management responsibility as a member of the executive management team, Mr. Lanza, as Executive Vice President, General Counsel and Chief Compliance Officer, has primary responsibility for all legal, corporate governance, internal audit, government affairs, state filings, regulatory, and compliance matters. Mr. Lanza’s major 2013 contributions were:

- § Directing the filing and approval of over 1,300 standard rate and product filings;
- § Directing the filing and implementation of a subsidiary expansion initiative;
- § Successfully completing the reorganization of State Filings and Regulatory Affairs operations;
- § Providing advice and support on key customer experience initiatives;
- § Recovery of approximately $5 million from various litigations initiated on behalf of Selective;

- Providing significant counsel to the Board of Directors regarding succession planning;
- Counseling on $185 million debt financing and refinancing of line of credit and $100 million junior subordinated notes;
- Achieving significant progress on certain government and regulatory affairs matters;
- Maintaining General Counsel organization controllable expenses under budget; and
- Providing counsel to the Claims Department on large loss, complex claims and extra-contractual matters, utilization of staff counsel and panel counsel, alternate fee arrangements, and operational metrics.

Based on the achievement of positive net income, the degree of achievement of the Corporate ACIP Measures, and the factors noted above, which summarize Mr. Lanza's performance in 2013, the SEBC approved the CEO's recommendation that Mr. Lanza's 2013 ACIP would be set at 83.3% of base salary. This compares to his initial ACIP payment opportunity range of 0-150% of base salary. Mr. Lanza's 2013 ACIP payment was 42.9% higher than his 2012 ACIP payment. This award aligns with our pay-for-performance philosophy that is intended to reward and retain key performers in critical positions.

Mr. Zaleski – As Executive Vice President, Chief Actuary, and as our chief planning and budgeting officer, Mr. Zaleski plays a key role in the oversight of reserve adequacy and other claims initiatives, monitoring pricing actions, and supporting underwriting improvements and predictive modeling efforts. Mr. Zaleski's major accomplishments in 2013 included:

§ Supporting personal lines through the filing and implementation of new rates and development of a revised personal auto pricing model;

§ Completing commercial lines state rate proposals and filings;

§ Establishing framework and beginning analysis leading to a completed predictive model for claims triage in 2014;

§ Building new platform for financial planning model;

§ Educating regional employees on financial planning issues and how actions affect performance;

§ Presenting detailed quarterly reserve reviews to management;

§ Enhancing incurred but not reported allocations to states and strategic business units to improve quality of management information;

§ Producing 2014 plan by region, line, and strategic business unit, utilizing assumptions for pricing, growth, retention, and underwriting improvements as developed in conjunction with insurance operations;

§ Implementing a new statistical reporting system for commercial lines and parallel production system for personal lines;

§ Maintaining actuarial controllable expenses under budget; and

§ Supporting excess and surplus lines operations integration through development of enhanced price monitoring, reserving, and planning.

Based on the achievement of positive net income, the degree of achievement of the Corporate ACIP Measures and the factors noted above, which summarize Mr. Zaleski's performance in 2013, the SEBC approved the CEO's recommendation that Mr. Zaleski's 2013 ACIP payment would be set at 82.4% of base salary. This compares to his initial ACIP payment opportunity range of 0-150% of base salary. Mr. Zaleski's 2013 ACIP payment was 40% higher than his 2012 ACIP payment. This award aligns with our pay-for-performance philosophy that is intended to reward and retain key performers in critical positions.

Stock Ownership and Retention Requirements and Hedging

Selective believes that stock ownership by directors and management encourages the enhancement of stockholder value. Selective's stock ownership guidelines are included in our Corporate Governance Guidelines, which are available in the Corporate Governance subsection of the Investor Relations section of *www.selective.com.*

The following table shows the common stock ownership guidelines for our directors and certain officers, which are based on prevailing corporate governance practices and must be met at the later of March 31, 2015 or within six years of attaining the specified position:

Position	**Requirement**
Directors	4 x annual retainer
Chairman and CEO	4 x base salary
Chief Operating Officer	3.5 x base salary
Senior Executive Vice Presidents and Executive Vice Presidents	2.5 x base salary
Senior Vice Presidents or equivalent job grade	1.5 x base salary

In calculating ownership under the guidelines:

§ Shares of Selective common stock currently owned, awards of restricted stock or restricted stock units (included related dividend equivalent units) not yet vested, and shares of Selective common stock held in benefit plan investments (i.e., 401(k) plan) are counted;

§ Unexercised stock options are not counted; and

§ Deferred shares of Selective common stock held in accounts of directors are counted.

Officers are required to retain direct ownership of at least 75% of the shares acquired under an equity award granted under any company equity compensation plan or other written compensatory arrangements that pays out after July 27, 2011, net of taxes and transaction costs, unless the officer has met his or her applicable stock ownership requirement as set forth above. We believe that our directors and officers are on track to meet the required ownership guidelines.

Selective officers, directors, and employees are prohibited from entering into hedging or monetization transactions, such as zero-cost collars and forward sale contracts, involving Selective common stock. These transactions would allow an officer, director, or employee to hold Selective securities without the full risks and rewards of ownership. When that occurs, the officer, director, or employee may no longer have the same objectives as Selective's other stockholders. For this reason, such hedging or monetization transactions are prohibited.

PERQUISITES

NEO perquisites are limited to tax preparation services, which is a prevailing industry practice. Messrs. Murphy and Lanza used this perquisite in 2013 and were reimbursed $1,950 and $2,000, respectively.

RETIREMENT AND DEFERRED COMPENSATION PLANS

SICA employs all of our personnel, including all of the NEOs. We strive to provide a competitive retirement benefit program that allows us to attract and retain talent for the organization. This includes a defined contribution program and, depending on date of hire, a defined benefit program. In addition, SICA offers a nonqualified deferred compensation plan (“Deferred Compensation Plan”) to our highly compensated officers, including the NEOs. These plans are consistent with benefits provided by many of the companies with which we compete for executive talent.

Specifically, SICA maintains a non-contributory defined benefit pension program consisting of a tax qualified defined benefit pension plan named the Retirement Income Plan for Selective Insurance Company of America (the “Retirement Income Plan”) and a supplemental employee retirement plan for certain executives and employees. The pension program is more fully described in the section entitled “Pension Benefits” beginning on page 46.

SICA offers a tax qualified defined contribution plan named the Selective Insurance Retirement Savings Plan (the “Retirement Savings Plan”) to employees, including the NEOs, who meet eligibility requirements. Participants, other than highly compensated employees as defined by the Internal Revenue Service, could contribute 50% of their defined compensation to the Retirement Savings Plan, up to $17,500 in 2013. Under the Retirement Savings Plan, participant contributions are matched at 100% to the first 3% of the employee’s defined compensation and 50% up to the next 3% of the employee’s defined compensation.

Participants over the age of 50, including certain of the NEOs, may make an additional $5,500 catch-up contribution to the Retirement Savings Plan, pursuant to the Code. Prior to April 5, 2013, the Retirement Savings Plan also included an additional non-elective contribution of 4% of base salary for otherwise eligible employees who, because of a date of hire after December 31, 2005, were not eligible to participate in the Retirement Income Plan. None of the NEOs were eligible for the non-elective contribution prior to this date. As of April 5, 2013, in conjunction with the amendment of the Retirement Income Plan and the related supplemental employee retirement plan to curtail the accrual of additional benefits under these plans after March 16, 2016, all eligible participants in the Retirement Savings Plan impacted by this curtailment, including the NEOs, began receiving this non-elective contribution.

Under the Deferred Compensation Plan, certain executives and employees, including the NEOs, may defer up to 50% of their base salary and/or up to 90% of their ACIP payment. To the extent not matched in the Retirement Savings Plan due to the limitations under the Code and the provisions of the Retirement Savings Plan, contributions to the Deferred Compensation Plan by participants of up to 6% of base salary were matched by SICA as follows: 100% of the first 3% of the NEOs' defined compensation and 50% up to the next 3% of the NEOs' defined compensation. Additionally, to the extent that non-elective contributions to the Retirement Savings Plan are limited due to the limitations under the Code and the provisions of the Retirement Savings Plan, non-elective contributions of 4% of base salary are made by SICA to participants' Deferred Compensation Plan accounts. Additional information regarding the Deferred Compensation Plan is included in the section entitled "Nonqualified Deferred Compensation" beginning on page 47.

SICA also maintains health and welfare benefit plans in which eligible employees, including the NEOs, participate.

EMPLOYMENT AGREEMENTS

SICA has entered into employment agreements with its key executive officers, including the NEOs, which provide for severance in the event of termination: (i) due to death or disability; (ii) without "Cause;"[4] (iii) due to resignation for "Good Reason"[5] by (A) the CEO at any time, or (B) other executives within two years following a change in control; (iv) due to resignation of the NEO within two years of the company first imposing a requirement, without the consent of the NEO, that relocates the NEO's business location more than fifty (50) miles; and (v) within two years following a change in control. The SEBC believes that these agreements are important for recruitment and retention of key executives and was advised by its Compensation Consultant that the terms of these agreements were market competitive within our peer group when they were executed. In the event of a change in control, uncertainty may arise among our key executives as to their continued employment after or in connection with such event, which may result in the departure or distraction of our key executives. The purpose of the employment agreements is to retain our key executives and reinforce and encourage their continued attention and dedication during such a potentially critical time, even if they fear that their position will be terminated after or in connection with the change in control.

With respect to severance payments, outstanding awards under our stock and cash plans, and continued insurance coverages, the change in control provision of the employment agreements requires that the executive's employment be terminated within two years following a change in control. This double trigger ensures such a payout does not automatically occur upon a change in control only. The employment agreements are described in the section entitled "Employment Agreements and Potential Payments upon Termination or Change in Control" beginning on page 48. This section includes information on multipliers used in calculating the severance payment and duration of

[4] "Cause" is defined in the employment agreements, but generally means the executive: (i) was convicted of or pled guilty to a felony; (ii) breached a material provision of the executive's employment agreement; or (iii) engaged in misconduct which constitutes fraud in the performance of the executive's duties and obligations to the Company.

[5] "Good Reason" is defined in the employment agreements, but generally means: (i) a material reduction in salary; (ii) a material negative change in the executive's benefits; (iii) a material reduction of the executive's position, duties, responsibilities, and status with the company or material negative change in title or office; (iv) requiring the executive to be based at a location in excess of 50 miles from the location of the executive's office prior to a change in control; (v) failure of a counterparty to a transaction resulting in a change in control to assume the employment agreement; or (vi) a breach of the employment agreement by SICA within two years after a change in control.

benefit coverage provided to individual executives upon termination. We believe these multipliers are consistent with the level and value of the position to the organization.

TAX TREATMENT AND ACCOUNTING

The SEBC generally seeks to preserve deductibility under the Code for performance-based compensation paid to its executive officers as practicable. Section 162(m) of the Code prohibits publicly-owned companies from deducting compensation paid to certain of its executive officers as expense to the extent that the officer's compensation in excess of $1 million is not performance-based and is not paid pursuant to a stockholder approved plan.

Selective has two performance-based stockholder approved plans: (i) the Omnibus Stock Plan; and (ii) the Cash Incentive Plan. While the SEBC generally seeks to preserve deductibility under Code Section 162(m), there may be situations where the SEBC makes compensation decisions that it believes are in the best interests of the company in which certain compensation would not be deemed performance-based compensation deductible under Code Section 162(m). In February 2012, the SEBC approved a single performance measure under our Cash Incentive Plan to allow annual cash awards to our executives, including our NEOs, to qualify as performance-based compensation under Code Section 162(m). The single performance measure is positive net income determined in accordance with generally accepted accounting principles. In determining actual annual cash awards to our executive officers under the Cash Incentive Plan, the SEBC may adjust the maximum possible payout downwards, based upon the respective accomplishments and contributions of the executives and the Corporate ACIP Measures, as described more fully in the sections above entitled, "2013 ACIP Payment Opportunities and Awards for NEOs" and "2013 Compensation Actions for the CEO and the other NEOs." This arrangement does not result in any duplication of payouts.

Generally accepted accounting principles requires that compensation expense be measured on the income statement for all share-based payments at grant date fair value for equity instruments (including employee stock options and restricted stock and restricted stock unit awards) and at market value on the day of vesting for liability instruments (including cash incentive unit awards). The SEBC has considered the impact of generally accepted accounting principles on our use of stock-based compensation as a key retention tool. The SEBC has determined that the current estimated costs of continuing to use stock-based compensation relative to the benefits they provide are appropriate and do not warrant any change to our current incentive framework.

We have designed our compensation programs and awards to executive officers to comply with the provisions of Section 409A of the Code, where applicable. For example, payments made to our executive officers under our nonqualified deferred compensation plans on account of the executives' separation from service are not payable before the first day of the seventh month following the date of separation from service.

SUMMARY COMPENSATION TABLE

The following Summary Compensation Table reflects the compensation earned by or paid to the NEOs during 2011, 2012, and 2013.

Name and Principal Position	Year	Salary ($)	Bonus ($)[1]	Stock Awards ($)[2]	Option Awards ($)	Non-Equity Incentive Plan Compen-sation ($)[3]	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)[4]	All Other Compen-sation ($)[5]	Total ($)
Gregory E. Murphy Chairman & CEO	2013	900,000	0	1,500,019	0	1,500,000	-168,141	70,142	3,802,020
	2012	900,000	0	1,300,014	0	800,000	729,429	42,450	3,771,893
	2011	900,000	0	1,300,001	0	600,000	491,126	43,500	3,334,627
Dale A. Thatcher Executive Vice President & Chief Financial Officer	2013	544,616	0	550,277	0	650,000	3,675	41,265	1,789,833
	2012	512,692	0	451,383	0	450,000	136,611	23,071	1,573,757
	2011	497,115	80,000	451,421	0	300,000	88,478	22,370	1,439,385
John J. Marchioni President and Chief Operating Officer	2013	592,308	0	1,112,286	0	800,000	12,683	44,879	2,562,156
	2012	467,308	0	451,383	0	450,000	119,062	21,029	1,508,782
	2011	419,231	85,000	451,421	0	255,000	65,307	18,865	1,294,825
Michael H. Lanza Executive Vice President, General Counsel & Chief Compliance Officer	2013	477,692	0	421,075	0	400,000	10,197	38,194	1,347,158
	2012	462,692	0	389,625	0	280,000	88,646	22,721	1,243,684
	2011	448,268	0	389,653	0	250,000	55,643	21,972	1,165,536
Ronald J. Zaleski Senior Executive Vice President & Chief Actuary	2013	425,000	0	415,019	0	350,000	18,557	32,202	1,240,778
	2012	423,461	0	410,017	0	250,000	132,642	19,056	1,235,176

2011	413,269	0	410,009	0	230,000	89,772	18,597	1,161,648

(1) Amounts in this column reflect discretionary cash bonus awards to the NEOs earned in 2011 and paid in 2012.

(2) This column reflects the aggregate grant date fair value of the 2013, 2012, and 2011 grants of performance-based restricted stock unit awards, and 2013, 2012, and 2011 grants of performance-based cash incentive unit awards. For Mr. Marchioni, this column also includes $562,009 of time-based restricted stock units awarded to him in 2013 in conjunction with his election as President and Chief Operating Officer. Grants of performance-based restricted stock units were made pursuant to the Omnibus Stock Plan, and such units vest three years from the date of grant, conditioned upon the attainment of certain predetermined performance goals. Mr. Marchioni's time-based restricted stock unit award vests three years from date of grant. Grants of performance-based cash incentive unit awards were made pursuant to the Cash Incentive Plan, and such units vest at the payment date, which is as soon as practicable in the calendar year following the end of the calendar year coincident with the end of the three-year performance period. The value of each cash incentive unit initially awarded increases or decreases to reflect TSR on Selective common stock over the three-year performance period for the award. The number of cash incentive units ultimately earned increases or decreases based on: (i) cumulative three-year statutory NPW growth relative to the Cash Incentive Unit Peer Group discussed in the "Elements of Long-Term Compensation" section of the Compensation Discussion and Analysis; and (ii) cumulative three-year statutory combined ratio relative to the Cash Incentive Unit Peer Group. Restricted stock unit and cash incentive unit awards are subject to forfeiture should the grantee resign or be terminated for cause prior to vesting.

The grant date fair values for the performance-based restricted stock unit and performance-based cash incentive unit awards granted in 2013 to the NEOs are as follows: Mr. Murphy: $900,019 restricted stock units and $600,000 cash incentive units; Mr. Thatcher: $320,277 restricted stock units and $230,000 cash incentive units; Mr. Marchioni: $320,277 restricted stock units and $230,000 cash incentive units; Mr. Lanza: $245,075 restricted stock units and $176,000 cash incentive units; and Mr. Zaleski: $249,019 restricted stock units and $166,000 cash incentive units. The grant date fair value for the time-based restricted stock units granted in 2013 to Mr. Marchioni is $562,009.

The grant date fair values for the performance-based restricted stock unit and performance-based cash incentive unit awards granted in 2012 to the NEOs are as follows: Mr. Murphy: $780,014 restricted stock units and $520,000 cash incentive units; Mr. Thatcher: $261,383 restricted stock units and $190,000 cash incentive units; Mr. Marchioni: $261,383 restricted stock units and $190,000 cash incentive units; Mr. Lanza: $225,625 restricted stock units and $164,000 cash incentive units; and Mr. Zaleski: $246,017 restricted stock units and $164,000 cash incentive units.

The grant date fair values for the performance-based restricted stock unit and performance-based cash incentive unit awards granted in 2011 to the NEOs are as follows: Mr. Murphy: $780,001 restricted stock units and $520,000 cash incentive units; Mr. Thatcher: $261,421 restricted stock units and $190,000 cash incentive units; Mr. Marchioni: $261,421 restricted stock units and $190,000 cash incentive units; Mr. Lanza: $225,653 restricted stock units and $164,000 cash incentive units; and Mr. Zaleski: $246,009 restricted stock units and $164,000 cash incentive units.

The aggregate grant date fair value reported in this column assumes the following: (i) the predetermined performance goals for the restricted stock unit grants are probable of being attained; (ii) per unit values for the cash incentive unit awards of $100.00; and (iii) a 100% peer group unit multiplier for cash incentive unit awards. The maximum value assuming the highest level of performance conditions for the performance-based restricted stock units are consistent with the amounts above. Although the maximum number of performance-based cash incentive units potentially issuable is 200% of the original grant, the ultimate maximum value of the grant cannot be determined due to the fact that, as stated above, the value of each unit is adjusted based on the TSR of Selective common stock, the maximum value of which is not determinable at this time.

(3) Amounts in this column include awards to the NEOs earned in 2013 and paid in 2014, earned in 2012 and paid in 2013, and earned in 2011 and paid in 2012. These awards were granted under the Cash Incentive Plan.

(4) Amounts in this column reflect the actuarial increase in the present value of each NEOs pension benefits under all defined benefit pension plans of SICA, determined using the same interest rate and mortality assumptions as those used for financial statement reporting purposes. There were no changes to the benefit formulas under the defined pension benefit plans in 2013. The changes in pension values reported in this column are attributable, in part, to an increase in the discount rate used to calculate present value, partially offset by the increase of years of service of the NEOs. There were no above-market or preferential earnings on deferred compensation under SICA’s nonqualified deferred compensation program.

(5) For 2013, amounts in this column for each NEO reflect the following:

§ Mr. Murphy: $29,025 of company matching contributions and $17,492 of non-elective contributions to his Deferred Compensation Plan, $11,475 of company matching contributions and $10,200 of non-elective contributions to his 401(k) plan, and $1,950 for tax preparation services.

§ Mr. Thatcher: $13,033 of company matching contributions and $6,557 of non-elective contributions to his Deferred Compensation Plan, and $11,475 of company matching contributions and $10,200 of non-elective contributions to his 401(k) plan.

§ Mr. Marchioni: $15,179 of company matching contributions and $8,025 of non-elective contributions to his Deferred Compensation Plan, and $11,475 of company matching contributions and $10,200 of non-elective contributions to his 401(k) plan.

§ Mr. Lanza: $10,021 of company matching contributions and $4,498 of non-elective contributions to his Deferred Compensation Plan, $11,475 of company matching contributions and $10,200 of non-elective contributions to his 401(k) plan, and $2,000 for tax preparation services.

§ Mr. Zaleski: $7,650 of company matching contributions and $2,877 of non-elective contributions to his Deferred Compensation Plan and $11,475 of company matching contributions, and $10,200 of non-elective contributions to his 401(k) plan.

GRANTS OF PLAN-BASED AWARDS

The following table shows the grants of plan-based awards to our NEOs in 2013:

Name	Grant Date	Estimated Future Payouts under Non-Equity Incentive Plan Awards[(1)]		Estimated Future Payouts under Equity Incentive Plan Awards[(2)] Cash Incentive Unit Awards[(3)]			Restricted Stock Unit Awards (#)	Grant Date Fair Value of Cash Incentive Unit, Restricted Stock Units, and Option Awards[(4)]
		Thres-hold ($)	Maximum ($)	Thres-hold (#)	Target (#)	Max-imum (#)	Maximum (#)	($)
Gregory E. Murphy	2/4/13						41,629	$900,019
	2/4/13			1,980	6,000	12,000		$600,000
	–	$0	$1,800,000					–
Dale A. Thatcher	2/4/13						15,958	$320,277
	2/4/13			759	2,300	4,600		$230,000
	–	$0	$825,000					–
John J. Marchioni	2/4/13						15,958	$320,277
	2/4/13			759	2,300	4,600		$230,000
	–	$0	$825,000					–
	9/17/13						24,682[(5)]	$562,009[(5)]
Michael H. Lanza	2/4/13						12,211	$245,075
	2/4/13			581	1,760	3,520		$176,000
	–	$0	$720,000					–
Ronald J. Zaleski	2/4/13						11,518	$249,019
	2/4/13			548	1,660	3,320		$166,000
	–	$0	$637,500					–

(1) Amounts represent minimum and maximum potential ACIP awards under our Cash Incentive Plan for 2013. Maximum awards reflect the maximum ACIP award established by the SEBC. ACIP awards are intended to qualify as performance-based compensation under Section 162(m) of the Code. Actual payouts of the above-referenced awards are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. For information regarding the ACIP, see the section of the Compensation Discussion and Analysis beginning on page 27 entitled "Annual Cash Incentive Program."

(2) Performance-based cash incentive unit awards are granted under the Cash Incentive Plan, and performance-based restricted stock unit awards are granted under the Omnibus Stock Plan. For a description of the material terms of such awards, see the section of the Compensation Discussion and Analysis beginning on page 29 entitled, “Elements of Long-Term Compensation.”

(3) The number of performance-based cash incentive units paid can range from 0-200%, and therefore, the amount payable could be $0. The threshold selected represents the 30th percentile of the Cash Incentive Unit Peer Group; the target represents the 50th percentile of the Cash Incentive Unit Peer Group; and the maximum represents greater than or equal to the 80th percentile of the Cash Incentive Unit Peer Group.

(4) This column includes the grant date fair value of restricted stock unit awards and cash incentive unit awards with an initial value of $100 per unit. No stock option awards were granted in 2013.

(5) Special time-based restricted stock unit award grant issued in conjunction with Mr. Marchioni’s election as President and Chief Operating Officer in 2013.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table shows the unexercised options and unvested stock awards of our NEOs as of December 31, 2013:

Name	Option Awards			Stock Awards			
	No. of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price ($/Sh)(1)	Option Expiration Date	No. of Shares or Units of Stock That Have Not Vested (#)(2)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: No. of Unearned Shares, Units or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)(10)
Gregory E. Murphy	10,000	22.025	2/1/2015	45,830(3)	1,240,162	5,200(7)	1,683,760
	3,480	28.74	1/30/2016	43,883(4)	1,187,476	5,200(8)	1,670,448
	3,480	27.44	1/30/2017	42,536(5)	1,151,016	6,000(9)	1,722,000
	4,154	24.07	2/5/2018				
	6,514	15.35	1/30/2019				
	6,439	15.53	2/5/2020				
Dale A. Thatcher	10,000	22.025	2/1/2015	16,746(3)	453,144	1,900(7)	615,220
	3,480	28.74	1/30/2016	16,034(4)	433,888	1,900(8)	610,356
	3,480	27.44	1/30/2017	16,306(5)	441,229	2,300(9)	660,100
	4,154	24.07	2/5/2018				
	6,514	15.35	1/30/2019				
	6,439	15.53	2/5/2020				

	3,406	22.025	2/1/2015				
	3,644	27.44	1/30/2017	16,746[3]	453,144	1,900[7]	615,220
John J. Marchioni	4,154	24.07	2/5/2018	16,034[4]	433,888	1,900[8]	610,356
	6,514	15.35	1/30/2019	16,306[5]	441,229	2,300[9]	660,100
				24,798[6]	671,027		
	6,439	15.53	2/5/2020				
	3,480	28.74	1/30/2016				
	3,480	27.44	1/30/2017	14,455[3]	391,143	1,640[7]	531,032
Michael H. Lanza	4,154	24.07	2/5/2018	13,841[4]	374,531	1,640[8]	526,834
	6,514	15.35	1/30/2019	12,477[5]	337,627	1,760[9]	505,120
	6,439	15.53	2/5/2020				
	3,480	28.74	1/30/2016				
	3,480	27.44	1/30/2017	14,455[3]	391,143	1,640[7]	531,032
Ronald J. Zaleski	4,154	24.07	2/5/2018	13,841[4]	374,531	1,640[8]	526,834
	6,514	15.35	1/30/2019	11,769[5]	318,466	1,660[9]	476,420
	6,439	15.53	2/5/2020				

(1) The exercise price of option grants made under the Omnibus Stock Plan is the closing market price on the date of the grant. The exercise price of option grants made under previous equity plans is the average of the high and the low market price on the date of grant.

(2) In the event of a termination of employment on or after an individual attains Early Retirement Age, as defined under the Retirement Income Plan: (i) holders of performance-based restricted stock unit awards are vested in such awards subject only to the attainment of applicable performance measures; and (ii) Mr. Marchioni's time-based restricted stock unit award granted in 2013 would fully vest. The respective dates upon which each NEO attained, or is anticipated to attain, his Early Retirement Age are as follows: Mr. Murphy, 10/27/2002; Mr. Thatcher, 12/4/2015; Mr. Marchioni, 9/14/2018; Mr. Lanza, 12/16/2016; and Mr. Zaleski, 12/7/2009.

(3) Reflects number of performance-based restricted stock units initially granted February 4, 2011 and the related accrued DEUs, which will vest and be payable, subject to the attainment of applicable performance measures, on February 4, 2014.

(4) Reflects number of performance-based restricted stock units initially granted on February 6, 2012 and the related accrued DEUs, which will vest and be payable, subject to the attainment of applicable performance measures, on

February 6, 2015.

(5) Reflects number of performance-based restricted stock units initially granted on February 4, 2013 and the related accrued DEUs, which will vest and be payable, subject to the attainment of applicable performance measures, on February 4, 2016.

(6) Reflects number of time-based restricted stock units initially granted September 17, 2013 and the related accrued DEUs, which will vest and be payable on September 17, 2016.

(7) Reflects number of performance-based cash incentive units initially granted on February 4, 2011 for the three-year performance period ending December 31, 2013. In the event of a termination of employment on or after an individual's Early Retirement Date, holders of such awards are vested in such awards, with the initial number of units and the value of each unit subject to adjustment, based on the attainment of specified performance measures. Early Retirement Dates for the NEOs are set forth in footnote 2. Settlement of the 2011 cash incentive unit awards will be made as soon as practicable in the 2014 calendar year, following the determination of the attainment of the applicable performance measures.

(8) Reflects number of performance-based cash incentive units initially granted on February 6, 2012 to the NEOs for the three-year performance period ending December 31, 2014. In the event of a termination of employment on or after an individual's Early Retirement Date, holders of such awards are vested in such awards, with the initial number of units and the value of each unit subject to adjustment, based on the attainment of specified performance measures. Early Retirement Dates for the NEOs are set forth in footnote 2. Settlement of the 2012 cash incentive unit awards will be made as soon as practicable in the 2015 calendar year, following the determination of the attainment of the applicable performance measures.

(9) Reflects number of performance-based cash incentive units initially granted on February 4, 2013 to the NEOs for the three-year performance period ending December 31, 2015. In the event of a termination of employment on or after an individual's Early Retirement Date, holders of such awards are vested in such awards, with the initial number of units and the value of each unit subject to adjustment, based on the attainment of specified performance measures. Early Retirement Dates for the NEOs are set forth in footnote 2. Settlement of the 2013 cash incentive unit awards will be made as soon as practicable in the 2016 calendar year, following the determination of the attainment of the applicable performance measures.

(10) The amounts in this column reflect: (i) a $161.90 per unit value for the February 4, 2011 cash incentive unit grant, a $160.62 per unit value for the February 6, 2012 cash incentive unit grant, and a $143.50 per unit value for February 4, 2013 cash incentive unit grant based on the TSR of Selective common stock at December 31, 2013; and (ii) a 200% unit multiplier for the number of cash incentive units granted on February 4, 2011, February 6, 2012, and February 4, 2013, respectively, based on performance against the Cash Incentive Unit Peer Group. This unit multiplier reflects the maximum performance measure for all three grants. This multiplier is appropriate considering: (i) each grant's performance has exceeded the threshold performance measure; and (ii) the maximum multiplier of 200% is the next higher performance measure above the actual performance of 175%, 133%, and 100% for the 2011, 2012, and 2013 grants, respectively. The performance measures are identified for the February 6, 2013 grant in the Grants of Plan-Based Awards table on page 43.

OPTION EXERCISES AND STOCK VESTED

The following table shows the option exercises and stock vesting of grants of plan-based awards by our NEOs in 2013:

	Option Awards		Stock Awards	
Name	Number of Shares Required on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)[1]	Value Realized on Vesting ($)[2]
Gregory E. Murphy	10,000	86,350	53,464	1,533,414
Dale A. Thatcher			19,377	555,786
John J. Marchioni			19,377	555,786
Michael H. Lanza			17,104	490,604
Ronald J. Zaleski	15,748	100,284	17,104	490,604

(1) Amounts in this column include performance-based restricted stock units that vested in 2013 as well as performance-based cash incentive units paid in 2013. The amounts reflected in the table attributable to performance-based restricted stock units are as follows: Mr. Murphy, 49,935; Mr. Thatcher, 18,097; Mr. Marchioni, 18,097; Mr. Lanza, 15,975; and Mr. Zaleski, 15,975. The amounts reflected in the table attributable to performance-based cash incentive units are as follows: Mr. Murphy, 3,529; Mr. Thatcher, 1,280; Mr. Marchioni, 1,280; Mr. Lanza, 1,129; and Mr. Zaleski, 1,129.

(2) Amounts in this column include the value of performance-based restricted stock units that vested in 2013 as well as the amount paid for performance-based cash incentive units in 2013. The amounts reflected in the table attributable to performance-based restricted stock units are as follows: Mr. Murphy, $1,079,591; Mr. Thatcher, $391,268; Mr. Marchioni, $391,268; Mr. Lanza, $345,373; and Mr. Zaleski, $345,373. The amounts reflected in the table attributable to performance-based cash incentive units are as follows: Mr. Murphy, $453,823; Mr. Thatcher, $164,518; Mr. Marchioni, $164,518; Mr. Lanza, $145,231; and Mr. Zaleski, $145,231.

PENSION BENEFITS

SICA maintains a tax qualified non-contributory defined benefit pension plan, the Retirement Income Plan. Most SICA employees, including the NEOs and certain former employees whose employment commenced on or before December 31, 2005, are eligible to receive benefits under the Retirement Income Plan. SICA also maintains the unfunded Selective Insurance Supplemental Pension Plan (“SERP”), as permitted under the Employee Retirement Income Security Act of 1974, as amended, to provide payments to certain executives and other participants in the Retirement Income Plan equal to the difference between: (i) the benefit payment to a participant under the Retirement Income Plan calculated without regard to the Employee Retirement Income Security Act of 1974, as amended, and Code limitations on annual amounts payable under the Retirement Income Plan; and (ii) the benefit payable to the participant pursuant to such limitations.

The Retirement Income Plan was amended as of July 1, 2002 to provide for different calculations based on age and company service as of that date. Monthly benefits payable at normal retirement age under the Retirement Income Plan and SERP are computed as follows. Defined terms used in this section, but not defined in this Proxy Statement, have the meanings given to them in the Retirement Income Plan.

1. If a participant: (i) attained age 50 and completed five years of vesting service on or before July 1, 2002; or (ii) completed at least 25 years of vesting service on or before July 1, 2002, a participant’s benefit is equal to 2% of Average Monthly Compensation, minus 1 3/7% of Primary Social Security Benefits multiplied by years of Benefit Service (up to 35 years), reduced by the annuity contract issued by the AXA Equitable Life Insurance Company purchased under a prior terminated defined benefit pension plan.

2. If a participant: (i) completed at least five years of Vesting Service on or before July 1, 2002; and (ii) the sum of a participant’s age and Vesting Service is 55 or more on or before July 1, 2002, a participant’s benefit is equal to the sum of: (a) 2% of Average Monthly Compensation, less 1 3/7% of Primary Social Security benefit multiplied by the number of years of Benefit Service through June 30, 2002 (up to 35 years) reduced by the monthly amount, if any, of retirement annuity payable under the group annuity contract issued by AXA Equitable Life Insurance Company that was purchased under a prior terminated defined benefit pension plan, based on Benefit Service as of June 30, 2002, but including compensation earned after such date; and (b) 1.2% of Average Monthly Compensation multiplied by the number of years of Benefit Service after June 30, 2002.

3. If a participant first became eligible for the plan before July 1, 2002, but did not qualify for either 1 or 2 above, the participant’s benefit is equal to the greater of: (i) the benefit accrued as of June 30, 2002 equal to 2% of Average Monthly Compensation less 1 3/7% of Primary Social Security Benefit multiplied by years of Benefit Service reduced by the monthly amount, if any of retirement annuity payable under the group annuity contract issued by AXA Equitable Life Insurance Company that was purchased under a prior terminated defined benefit pension plan, based on Benefit Service as of June 30, 2002, but including compensation earned after such date for purposes of determining the participant’s Average Monthly compensation; and (ii) 1.2% of Average Monthly Compensation multiplied by years of Benefit Service.

4. If a participant first became a participant in the plan after July 1, 2002, the benefit is equal to 1.2% of Average Monthly Compensation multiplied by years of Benefit Service.

The Retirement Income Plan and the SERP were further amended in the first quarter of 2013 to curtail the accrual of additional benefits under these plans for all eligible employees as of March 16, 2016.

The earliest retirement age is 55 with 10 years of service or the attainment of 70 points (age plus years of service). If a participant chooses to begin receiving benefits before his or her 65th birthday, the amount of the monthly benefit will be reduced as follows:

§ By 1/180th for each complete calendar month for the first 60 months by which the first early retirement benefit payment precedes the attainment of Normal Retirement Age (age 65);

§ By 1/360th for each complete calendar month for the next 60 months by which the first early retirement benefit payments precede Normal Retirement Age; and

§ By 40% plus 1/600th per month for each month prior to age 55.

At retirement, participants receive monthly pension payments. There are four optional forms of payments that can be chosen as alternatives to the normal form of payment, which for a married participant is an automatic 50% joint and surviving spouse annuity, and for an unmarried participant is a single life annuity.

The following table shows information regarding the pension benefits of our NEOs:

Name	Early Retirement Eligible	Plan Name	Number of Years Credited Service (#)[1]	Present Value of Accumulated Benefit ($)[2]	Payments During Last Fiscal Year ($)
Gregory E. Murphy	Yes	Retirement Income Plan	32.58	1,080,323	0
		SERP	32.58	3,097,727	0
Dale A. Thatcher	No	Retirement Income Plan	12.67	233,666	0
		SERP	12.67	238,540	0
John J. Marchioni	No	Retirement Income Plan	15.00	186,578	0
		SERP	15.00	149,077	0
Michael H. Lanza	No	Retirement Income Plan	8.42	152,043	0
		SERP	8.42	125,009	0
Ronald J. Zaleski	Yes	Retirement Income Plan	13.25	340,406	0
		SERP	13.25	225,715	0

(1) The Retirement Income Plan imposes a one-year waiting period for plan participation, which year is not included in years of credited service.

(2) Present value as of December 31, 2013 is calculated on the basis of Normal Retirement Age of 65. A 5.16% discount rate is applied and the 2014 Static Mortality Table is used to calculate the values indicated. For further discussion, see Item 8. Financial Statements and Supplementary Data, Note 15, Retirement Plans, in Selective's Annual Report on Form 10-K for the year ended December 31, 2013.

NONQUALIFIED DEFERRED COMPENSATION

The Deferred Compensation Plan allows participants to defer receipt of up to 50% of base salary and up to 90% of their ACIP payments. Participant accounts are credited with a notional rate of return (positive or negative) based on the performance of investment options selected by the participant from a menu of investment options. Participants can elect to schedule in-service withdrawals or withdrawals at separation of service.

SICA makes matching contributions to a participant’s Deferred Compensation Plan account to supplement matching contributions under the Retirement Savings Plan. For 2013, such matching contributions consisted of 100% of the first 3% of base salary and 50% of the next 3% of base salary deferred to the Retirement Savings Plan and the Deferred Compensation Plan, minus any matching contribution made to a participant’s Retirement Savings Plan account. In addition, effective January 1, 2010, the Deferred Compensation Plan was amended for participants ineligible to participate in the Retirement Income Plan to provide a non-elective contribution to the extent not made to a participant’s Retirement Savings Plan account due to the limitations under the Code and the Retirement Savings Plan. The non-elective contribution is equal to 4% of base salary, minus any non-elective contribution made to the Retirement Savings Plan. In conjunction with the amendment of the Retirement Income Plan and the SERP to curtail the accrual of benefits under these plans, all participants affected by the curtailment, including the NEOs, became eligible for the non-elective contribution effective April 5, 2013.

The following table shows information regarding nonqualified deferred compensation of our NEOs:

Name	Executive Contributions in 2013 ($)[1]	Company Contributions in 2013 ($)[2]	Aggregate Earnings in 2013 ($)[3]	Aggregate Withdrawals/ Distributions ($)	Aggregate Balance at December 31, 2013 ($)[4]
Gregory E. Murphy	45,000	29,025	141,909	0	1,470,755
Dale A. Thatcher	54,461	13,033	95,547	4,321	727,703
John J. Marchioni	29,615	15,179	37,954	0	237,253
Michael H. Lanza	14,331	10,021	20,034	0	163,616
Ronald J. Zaleski	105,000	7,650	528,511	0	3,005,811

(1) Amounts in this column are attributable to 2013 salary deferred by Messrs. Murphy, Thatcher, Marchioni, and Lanza, and are included in the Salary column of the Summary Compensation Table. Of the amount in this column for Mr. Zaleski, $42,500 is attributable to 2013 salary deferred, which is included in the Salary column of the Summary Compensation Table, and $62,500 is attributable to the deferral of a portion of his ACIP payment, which is included in the amount reported for 2013 in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

(2) All amounts in this column are included in the All Other Compensation column of the Summary Compensation Table.

(3) Amounts in this column are not included in the Summary Compensation Table because such earnings are not above market earnings.

(4) Amounts in this column include the following aggregate contributions of the NEOs and SICA to the Deferred Compensation Plan in 2013, which amounts are included in the Summary Compensation Table:

§ For 2011: Mr. Murphy, $74,475; Mr. Thatcher, $61,187; Mr. Marchioni, $29,062; Mr. Lanza, $22,673; and Mr. Zaleski, $104,977.

§ For 2012: Mr. Murphy, $74,250; Mr. Thatcher, $62,960; Mr. Marchioni, $23,538; Mr. Lanza, $23,374; and Mr. Zaleski, $107,574.

§ For 2013: Mr. Murphy, $74,025; Mr. Thatcher, $67,494; Mr. Marchioni, $44,794; Mr. Lanza, $24,352; and Mr. Zaleski, $112,650.

EMPLOYMENT AGREEMENTS AND POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

SICA entered into amended employment agreements with Messrs. Murphy, Thatcher, Lanza, and Zaleski as of December 23, 2008, and with Mr. Marchioni as of September 10, 2013 in connection with his election as President and Chief Operating Officer (collectively, the "Employment Agreements"). The following table summarizes the principal provisions of the Employment Agreements.

Term	Initial three-year term, automatically renewed for additional one-year periods unless terminated by either party with written notice.[1]
Compensation	Base salary.[2]
Benefits	Eligible to participate in incentive compensation plan, stock plan, 401(k) plan, defined benefit pension plan and any other stock option, stock appreciation right, stock bonus, pension, group insurance, retirement, profit sharing, medical, disability, accident, life insurance, relocation plan or policy, or any other plan, program, policy or arrangement of Selective or SICA intended to benefit SICA's employees generally.
Vacation and Reimbursements	Vacation time and reimbursements for ordinary travel and entertainment expenses in accordance with SICA's policies.
Perquisites	Suitable offices, secretarial and other services, and other perquisites to which other executives of SICA are generally entitled.

	§ For Cause or Resignation by NEO other than for Good Reason: Salary and benefits accrued through termination date. § Death or Disability: Multiple(3) of: (i) NEOs salary; plus (ii) average of three most recent annual cash incentive payments; provided that any such severance payments be reduced by life or disability insurance payments under policies with respect to which SICA paid premiums, paid in 12 equal installments. § Without Cause by SICA, Relocation of Office over 50 Miles (without NEOs consent), Resignation for Good Reason by CEO:
Severance and Benefits on Termination without Change in Control	o Multiple(3) of: (i) NEOs salary; plus (ii) average of three most recent annual cash incentive payments paid in 12 equal installments. o Medical, dental, vision, disability, and life insurance coverage in effect for NEO and dependents until the earlier of specified period of months(4) following termination or commencement of equivalent benefits from a new employer. § Stock Awards: Except for termination for Cause or resignation by the NEO other than for relocation of office over 50 miles (without NEOs consent), immediate vesting and possible extended exercise period, as applicable, for any previously granted stock options, stock appreciation rights, cash incentive units, restricted stock, restricted stock units, and stock bonuses. Such immediate vesting and possible extended exercise periods shall also apply to a resignation by the CEO for Good Reason.
Severance and Benefits on Termination after Change in Control	For termination without Cause or resignation for Good Reason by (A) CEO at any time or (B) other NEO within two years following a Change in Control (as defined in the Employment Agreement), NEO is entitled to: § Severance payment equal to multiple(5) of the greater of: (i) NEOs salary plus target annual cash incentive payment; or (ii) NEOs salary plus the average of NEOs annual cash incentive payments for the three calendar years prior to the calendar year in which the termination occurs, paid in lump sum. § Medical, dental, vision, disability, and life insurance coverage in effect for NEO and dependents until the earlier of period of months(6) following termination or commencement of equivalent benefits from a new employer. § Stock awards, same as above, except that the initial number of cash incentive units is multiplied by 150%. § Tax gross-up payment, if necessary, to offset any excise tax imposed on NEO (other than Mr. Marchioni, whose 2013 employment agreement does not contain this provision) for such payments or benefits.
Release; Confidentiality and Non-Solicitation	§ Receipt of severance payments and benefits conditioned upon: o Entry into release of claims; and

- o No disclosure of confidential or proprietary information, or solicitation of employees to leave Selective or its subsidiaries for a period of two years following the termination of the Employment Agreement, and for Mr. Marchioni, assignment of intellectual property rights.

(1) The Employment Agreements automatically renewed for additional one-year periods on April 25, 2013 for Mr. Murphy, on July 26, 2013 for Mr. Lanza, on July 31, 2013 for Messrs. Thatcher and Zaleski, and for a new initial three year period for Mr. Marchioni on September 10, 2013.

(2) As of February 24, 2014, the annual base salaries for the NEOs were as follows: Mr. Murphy, $900,000; Mr. Thatcher, $575,000; Mr. Marchioni, $725,000; Mr. Lanza, $500,000; and Mr. Zaleski, $440,000.

(3) For Messrs. Murphy and Marchioni the multiple is 2 and for Messrs. Thatcher, Lanza, and Zaleski the multiple is 1.5.

(4) For Messrs. Murphy and Marchioni the period is 24 months and for Messrs. Thatcher, Lanza, and Zaleski the period is 18 months.

(5) For Messrs. Murphy and Marchioni the multiple is 2.99 and for Messrs. Thatcher, Lanza, and Zaleski the multiple is 2.

(6) For Messrs. Murphy and Marchioni the period is 36 months and for Messrs. Thatcher, Lanza, and Zaleski the period is 24 months.

The following table shows information regarding payments and benefits to which our NEOs would be entitled under the scenarios shown as of December 31, 2013:

Name	Resignation[1] or Termination For Cause ($)	Retirement ($)[2]	Death or Disability ($)[3]	Termination without Cause or Resignation with Good Reason ($)[4]	Change in Control ($)[5]
Gregory E. Murphy	-	6,116,759	9,250,092	9,273,055	21,298,267
Dale A. Thatcher	-	2,271,098	3,661,098	3,678,320	7,017,190
John J. Marchioni	-	2,942,126	5,118,792	5,140,429	7,781,499
Michael H. Lanza	-	1,884,793	2,982,293	2,998,765	5,977,578
Ronald J. Zaleski	-	1,851,282	2,840,782	2,856,676	5,611,505

(1) Other than a resignation for Good Reason.

(2) This column includes the value of unvested performance-based restricted stock units granted under the Omnibus Stock Plan and any related accrued DEUs. These performance based awards would normally vest upon: (i) retirement or continuation in service through the end of the applicable performance period; and (ii) the achievement of the specified performance goals applicable to each such award, and be payable following the end of the applicable three-year performance period. This column also includes the value of unvested time-based restricted stock units granted to Mr. Marchioni in connection with his election as President and Chief Operating Officer in September 2013 (“September 2013 Grant”) under the Omnibus Stock Plan and any related accrued DEUs. These time-based restricted units awarded to Mr. Marchioni would normally vest upon retirement or continuation in service through the end of the applicable performance period, and be payable following the end of the applicable three-year performance period. Also included in this column is the value of performance-based cash incentive units awarded under the Cash Incentive Plan to the NEOs. The value of such awards is calculated using: (i) the target 100% unit multiplier for the number of cash incentive units granted; and (ii) the per unit value at December 31, 2013. Under the Cash Incentive Plan, participants’ awards, including the NEOs’ awards, would fully vest upon retirement or continuation in service through the end of the payment date and be payable following the end of the applicable three-year performance period. Also included in this column is the intrinsic value of unvested stock options as of December 31, 2013. The value of such awards is calculated using the difference of the closing selling price of Selective common stock as of December 31, 2013 and the stock option’s exercise price.

(3) This column includes the value of unvested performance-based restricted stock units granted under the Omnibus Stock Plan and any related accrued DEUs. In the event of total disability, these performance based awards would normally vest for all participants, including the NEOs, upon the achievement of the specified performance goals applicable to each such award, and be payable following the end of the applicable three-year performance period. This column also includes the value of the September 2013 Grant and any related DEUs. In the event of his total disability, these time-based units would vest and become payable. In the event of death, both the performance-based and time-based awards are immediately vested and payable for all participants, including the NEOs. Also included in this column is the value of performance-based cash incentive units awarded under the Cash Incentive Plan to the NEOs. The value of such awards is calculated using: (i) the target 100% unit multiplier for the number of cash incentive units granted; and (ii) the per unit value at December 31, 2013. Under the Cash Incentive Plan, participants’ awards, in the

event of total disability, including the NEOs' awards, would fully vest and be payable following the end of the applicable three-year performance period. Also included in this column is the intrinsic value of unvested stock options as of December 31, 2013. The value of such awards is calculated using the difference of the closing selling price of Selective common stock as of December 31, 2013 and the stock option's exercise price. This column also includes the severance payment provided for in each NEO's Employment Agreement. Payments in this column will be reduced by life or disability insurance payments under policies with respect to which SICA paid premiums.

(4) This column includes the value of unvested performance-based restricted stock units granted under the Omnibus Stock Plan and any related accrued DEUs. These performance based awards would normally vest upon: (i) a termination without Cause or Resignation for Good Reason; and (ii) the achievement of the specified performance goals applicable to each such award, and be payable following the end of the applicable three-year performance period. This column also includes the value of the September 2013 Grant and any related DEUs. In the event of his termination without Cause or Resignation for Good Reason, these time-based units would vest and become payable. Also included in this column is the value of performance-based cash incentive units awarded under the Cash Incentive Plan to the NEOs. The value is calculated using: (i) the target 100% unit multiplier for the number of cash incentive units granted; and (ii) the per unit value at December 31, 2013. The awards would fully vest and be payable following the end of the applicable three-year performance period. Also included in this column is the intrinsic value of unvested stock options as of December 31, 2013. The value of such awards is calculated using the difference of the closing selling price of Selective common stock as of December 31, 2013 and the stock option's exercise price. Also included in this column are the severance payment and the value of medical, dental, vision, disability, and life insurance coverage, all as provided for in each NEOs Employment Agreement.

(5) This column includes the value of unvested performance-based restricted stock units granted under the Omnibus Stock Plan and the September 2013 Grant and any related accrued DEUs, which would immediately vest and be payable upon a termination of employment following a change in control. This column also includes the value of performance-based cash incentive units awarded under the Cash Incentive Plan to the NEOs, all of which would vest upon a termination of employment following a change in control. The value of such awards is calculated using: (i) a 150% per unit multiplier; and (ii) the per unit value at December 31, 2013. Also included in this column is the intrinsic value of unvested stock options as of December 31, 2013. The value of such awards is calculated using the difference of the closing selling price of Selective common stock as of December 31, 2013 and the stock option's exercise price. Also included in this column are the severance payment and the value of medical, dental, vision, disability, and life insurance coverage, all as provided for in each NEOs Employment Agreement. This column also includes the

value of any tax gross-up payment necessary to offset any excise tax imposed for the payment and benefits disclosed in this column, other than for Mr. Marchioni whose 2013 employment agreement does not contain this provision.

DIRECTOR COMPENSATION

The following table shows compensation earned by or paid to our non-employee directors during 2013 (employee directors do not receive compensation for serving on the Board).

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Total ($)
Paul D. Bauer	88,274	65,016	153,290
Annabelle G. Bexiga	64,067	65,016	129,083
A. David Brown	78,357	65,016	143,373
John C. Burville	66,050	65,016	131,066
Joan M. Lamm-Tennant	56,064	65,016	121,080
Michael J. Morrissey	73,550	65,016	138,566
Cynthia S. Nicholson	65,064	65,016	130,080
Ronald L. O'Kelley	80,067	65,016	145,083
William M. Rue	56,064	65,016	121,080
J. Brian Thebault	70,564	65,016	135,580

[1] This column reflects the aggregate grant date fair value for the 2013 grants of restricted stock units to directors, based on a grant date fair value of $23.32 per share. The aggregate number of options outstanding at December 31, 2013 for directors was as follows: Ms. Lamm-Tennant, and Messrs. Bauer and Thebault: 50,109; Messrs. Brown, Rue, and O'Kelley: 44,109; Mr. Burville: 38,109; Mr. Morrissey: 14,065; Ms. Nicholson: 7,953; and Ms. Bexiga: 0.

The following table summarizes the types and amounts of compensation paid to our non-employee directors in 2013:

Type of Compensation	**Amount**
Annual Retainer Fee	$50,000
Grant Date Fair Value of Annual Equity Award	$65,016
Board Meeting Attendance	$0
Committee Attendance Fee	
In person	$1,500
By telephone	$1,000

Annual Chairperson Fee	
Audit Committee	$15,000
Corporate Governance and Nominating Committee	$7,500
Finance Committee	$7,500
Salary and Employee Benefits Committee	$12,500
Lead Independent Director Fee	$15,000
Expenses	Reasonable

As the Director Compensation table above shows, in 2013 the non-employee directors received compensation in the forms of restricted stock units and cash for their director service. The SEBC annually reviews and approves the compensation for non-employee directors, including the Annual Retainer Fee, which was paid 100% in cash in 2013. Beginning January 1, 2013, non-employee directors had the election to receive up to 100%, but not less than 50%, of their Annual Retainer Fee in shares of Selective common stock. Any remaining balance of the Annual Retainer Fee will be paid in cash. Non-employee directors must make this election by December 20 of the prior year. The Annual Retainer Fee is paid in equal quarterly installments on the second business day following the release of Selective's financial results for the previous quarter or year, as applicable.

For 2013, the annual equity grant under Selective's director compensation program was made entirely in restricted stock units granted under the Omnibus Stock Plan. Committee Attendance Fees, Annual Chairperson Fees, and the Lead Independent Director Fee were paid in cash pursuant to the table above.

Under the Selective Insurance Group, Inc. Non-Employee Directors' Deferred Compensation Plan, as amended, non-employee directors may elect by December 20 to defer their receipt of director compensation to be earned in the following year to: (i) a specified date or dates in the future; (ii) the director's attainment of age 70; or (iii) the director's separation from service.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

No member of the Salary and Employee Benefits Committee: (i) was a Selective officer or employee in 2013; (ii) is a former Selective officer; or (iii) entered into any transaction in 2013 requiring disclosure under the section entitled "Transactions with Related Persons."

No Selective executive officer served as a member of the compensation committee of another entity, or as a director of another entity, one of whose executive officers served on the Salary and Employee Benefits Committee or as a director of Selective.

COMPENSATION COMMITTEE REPORT

The Salary and Employee Benefits Committee establishes general executive compensation policies and establishes the salaries and bonuses of Selective's executive officers, including the Chief Executive Officer. The Salary and Employee Benefits Committee: (i) has reviewed and discussed the Compensation Discussion and Analysis with management; and (ii) based on this review and discussion recommended to the Board of Directors, and the Board approved, the inclusion of the Compensation Discussion and Analysis in Selective's Annual Report on Form 10-K for the year ended December 31, 2013 and this Proxy Statement.

Submitted by the Salary and Employee Benefits Committee of Selective's Board of Directors,

A. David Brown, Chairperson	Michael J. Morrissey
Paul D. Bauer	Cynthia S. Nicholson
John C. Burville	

The Compensation Committee Report does not constitute soliciting material, and shall not be deemed to be filed or incorporated by reference into any other Selective filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that Selective specifically incorporates the Compensation Committee Report by reference therein.

INFORMATION ABOUT PROPOSAL 2

As required under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, our Board of Directors provides Selective's stockholders the opportunity to vote annually to approve, on an advisory (non-binding) basis, the compensation of our named executive officers disclosed pursuant to the compensation disclosure rules of the SEC (also referred to as say-on-pay). Although the vote is non-binding, the Board and the SEBC value the opinions of the stockholders and will consider the outcome of this vote when making future compensation decisions for named executive officers. In 2013, our stockholders overwhelmingly supported our compensation decisions with approximately 94% of votes cast voting in favor of our say-on-pay proposal.

We urge stockholders to read this Proxy Statement's Compensation Discussion and Analysis section, which discusses our compensation philosophy, policies, and procedures. The following resolution is being submitted to stockholders for approval at the Annual Meeting pursuant to Section 14A of the Exchange Act:

"**RESOLVED, that the stockholders of Selective Insurance Group, Inc. ("Selective") approve, on an advisory basis, the compensation of Selective's named executive officers as such compensation is disclosed in this Proxy Statement pursuant to Item 402 of Regulation S-K or any successor thereto**."

If a majority of stockholders vote against this proposal, neither the Board nor the SEBC will be required to take any specific action because this vote is non-binding and advisory. Nonetheless, consistent with our record of stockholder responsiveness, the SEBC will consider our stockholders' concerns and take them into account in future determinations concerning our executive compensation programs. The Board of Directors recommends you indicate your support for the compensation of our named executive officers as outlined in the above resolution.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE "**FOR**" THE ADVISORY RESOLUTION APPROVING THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS AS DISCLOSED IN THIS PROXY STATEMENT.

INFORMATION ABOUT PROPOSAL 3

Approval of the Selective Insurance Group, Inc. 2014 Omnibus Stock Plan

Selective's stockholders are being asked to approve the Selective Insurance Group, Inc. 2014 Omnibus Stock Plan ("2014 Omnibus Stock Plan"). The Selective Group, Inc. 2005 Omnibus Stock Plan (the "Prior Plan") expires by its terms on April 1, 2015 and if the 2014 Omnibus Stock Plan is not approved by stockholders, as of such date, Selective will not have an equity compensation plan. The intent and purpose of the 2014 Omnibus Stock Plan is to: (i) attract and retain the employees, non-employee directors, and consultants of Selective and its affiliates; (ii) to motivate them to achieve the long-term goals of Selective and its affiliates; and (iii) to further align their interests with those of the Selective's stockholders. Under NASDAQ rules, the 2014 Omnibus Stock Plan must be approved by Selective's stockholders to have effect.

Upon stockholder approval of the 2014 Omnibus Stock Plan, no further grants will be made under the Prior Plan, but awards outstanding under the Prior Plan as of the date of stockholder approval (each a "Prior Plan Award") will continue in effect according to the terms of the Prior Plan and any applicable agreements evidencing such Prior Plan Awards. If stockholders do not approve the 2014 Omnibus Stock Plan, the 2014 Omnibus Stock Plan will have no effect and awards may continue to be granted under the Prior Plan until the Prior Plan expires on April 1, 2015.

In designing the 2014 Omnibus Stock Plan, the Board of Directors was guided by current best practices that seek to identify specific performance metrics that are most closely tied to achievement of Selective's growth and profitability goals as well as enhancement of stockholder value. The 2014 Omnibus Stock Plan is designed to work with other elements of Selective's compensation program, including the Cash Incentive Plan, to appropriately motivate and compensate executives and employees. Under the 2014 Omnibus Stock Plan, vesting and payment of certain awards may be directly linked to the achievement of these specific performance metrics (outlined below under "Performance Goals"). The following is a summary of the 2014 Omnibus Stock Plan. It is qualified in its entirety by the full text of the 2014 Omnibus Stock Plan, which is attached to this Proxy Statement as Appendix A.

Plan Administrator

§ The SEBC of the Board of Directors is the 2014 Omnibus Stock Plan administrator.

Authority of Plan Administrator

§ The SEBC may delegate to one or more of its members, or to one or more employees of Selective or other agents, such administrative duties as it may deem advisable.

§ To the extent permitted by applicable law, the SEBC and/or its delegate(s) have the authority to determine to whom and the time at which awards shall be granted, as well as their terms.

§ The SEBC has the authority, in its sole discretion, subject to and not inconsistent with the express provisions of the 2014 Omnibus Stock Plan, to administer the 2014 Omnibus Stock Plan and to exercise all the powers and authorities granted to it, including, but not limited to, the following:

- o Grant awards under the 2014 Omnibus Stock Plan;
- o Determine the persons to whom and the time or times at which awards will be granted;
- o Determine the type and number of awards to be granted, the number of shares of Selective common stock or cash or other property to which an award may relate;
- o Determine the terms, conditions, restrictions, and performance criteria relating to an award;
- o Determine whether, to what extent, and under what circumstances an award may be settled, cancelled, forfeited, exchanged, or surrendered;
- o Construe and interpret the 2014 Omnibus Stock Plan and any award under the 2014 Omnibus Stock Plan;
- o Prescribe, amend, and rescind rules and regulations relating to the 2014 Omnibus Stock Plan;
- o Determine the terms and provisions of the agreements evidencing awards under the 2014 Omnibus Stock Plan; and
- o Make all other determinations deemed necessary or advisable for the administration of the 2014 Omnibus Stock Plan, including:
  - § Accelerate the date on which any option or stock appreciation right granted under the 2014 Omnibus Stock Plan becomes exercisable;
  - § Waive or amend the operation of 2014 Omnibus Stock Plan provisions with respect to exercise after termination of employment (provided that the term of an option or stock appreciation right may not be extended beyond 10 years from the date of grant);
  - § Accelerate the vesting date, or waive any condition imposed under the 2014 Omnibus Stock Plan, with respect to any share of restricted stock, phantom stock, stock bonus, or other award; and
  - § Otherwise adjust any of the terms applicable to any such award in a manner consistent with the terms of the 2014 Omnibus Stock Plan.

<u>Term of Plan</u>

- The 2014 Omnibus Stock Plan will terminate on May 1, 2024.

Eligibility

- Employees, officers, non-employee directors, and consultants of Selective or any of its affiliates, in each case as the SEBC shall determine. Approximately 2,100 employees and 10 non-employee directors are currently eligible to participate in the 2014 Omnibus Stock Plan.

Shares Reserved for Issuance

- The maximum number of common shares reserved for issuance is 3,500,000, with adjustments based on stock splits, dividends, recapitalizations, and other changes or transactions. The shares may be authorized but unissued shares of Selective common stock or authorized and issued shares of Selective common stock held in Selective's treasury.

- As of March 6, 2014, the record date for the Annual Meeting, 56,217,293 shares of Selective common stock were outstanding.

§ No one participant may be granted, during any single calendar year: (i) options with respect to more than 200,000 shares of Selective common stock; (ii) stock appreciation rights with respect to more than 200,000 shares of Selective common stock; (iii) more than 200,000 shares of restricted stock; (iv) restricted stock units with respect to more than 200,000 shares of Selective common stock; (v) stock grants of more than 200,000 shares of Selective common stock; or (vi) other awards with respect to more than 200,000 shares of Selective common stock.

§ The maximum number of shares of Selective's stock to which options relate that may be granted under the 2014 Omnibus Stock Plan is 1,500,000, any or all of which may relate to incentive stock options.

§ The maximum number of shares of Selective's stock subject to awards granted to any non-employee director in his or her capacity as such in any year is 25,000.

§ Shares forfeited, cancelled, exchanged, surrendered, tendered in payment of an exercise price, or withheld to satisfy tax obligations, or which are covered by awards settled in cash, are available for future awards.

§ The per participant limits will be construed and applied consistent with Section 162(m) of the Code.

Board Determination of Maximum Number of Shares

§ After careful consideration, and based, in part, on advice from the Compensation Consultant regarding the appropriate use of equity compensation, the Board determined that 3,500,000 should be the maximum number of shares available for issuance under the 2014 Omnibus Stock Plan. This amount is approximately 6% of our outstanding shares of common stock of 56,217,293 as of March 6, 2014, the record date for the Annual Meeting.

§ Upon stockholder approval of the Prior Plan, no further grants will be made under the Prior Plan. The total number of shares made subject to awards under the Prior Plan was 412,819 in 2013; 399,326 in 2012; and 429,420 in 2011. Under the Prior Plan, a total of 3,400,000 shares were originally available for grant, and approved by stockholders. The Prior Plan expires by its terms on April 1, 2015.

§ The Board recognizes that equity compensation awards are dilutive of existing stockholders and this factor was important to the Board in determining the appropriate number of shares that should be available under the 2014 Omnibus Stock Plan. In particular, the SEBC regularly reviews Selective's projected and actual equity compensation share usage to ensure that we balance the goals of our equity compensation program, which are to motivate and retain employees, against our stockholders' interest in limiting dilution from the use of equity compensation.

§ In addition, the SEBC regularly reviews and reports to the Board on Selective's "burn rate," which measures how much equity we are granting to employees as equity compensation, as compared to our total number of shares outstanding. Burn rate under the Prior Plan is measured as shares granted during the fiscal year under the Prior Plan as a percentage of the weighted average number of common shares outstanding at the end of a fiscal year. Our three-year average burn rate is 2.16%.

§ Based on our previous equity compensation grant practices, the Board anticipates that the 3,500,000 shares issuable under the 2014 Omnibus Stock Plan will allow it to continue its current equity compensation grant practices for several years.

§ Selective retained the services of Georgeson Inc., which analyzed this proposal against the likely vote recommendations of certain firms and stockholders. The results of this analysis were discussed with the SEBC and the Board, and reflect the SEBC and the Board's determination that the size of the share pool would likely be found reasonable by our institutional investors and the firms that advise them.

Types of Awards

- Stock options (including incentive stock options), provided that: (i) the per share exercise price of each option may not be less than 100% of the fair market value of a share of Selective common stock on the date of grant, or 110% of such fair market value for any holder of 10% or more of Selective common stock; and (ii) the term of any option may not exceed 10 years;
- Stock appreciation rights, which are the rights to receive, upon exercise, an amount in cash or shares of Selective common stock as described in the 2014 Omnibus Stock Plan, may be granted subject to such restrictions or conditions to exercisability as the SEBC, in its absolute discretion, deems appropriate, including, but not limited to, achievement of one or more performance goals. The term of a stock appreciation right may not exceed 10 years;
- Restricted stock;
- Restricted stock units, which are awards of the right to receive at a future date either a number of shares of Selective common stock equal to the number of the restricted stock units, or, only if and to the extent set forth in the award agreement, the fair market value of an equal number of shares of Selective common stock in cash, or a combination thereof;
- Stock grants; or
- Other stock-based awards.

No award may be granted if it would be subject to, but fail to comply with, the requirements set forth in Section 409A of the Code and any guidance promulgated thereunder.

Price

- Each agreement with respect to an option will set forth the amount per share payable by the participant, and in no event will be the option exercise price be less than the fair market value of a share of Selective common stock as of the date of the grant of the option.
- A stock appreciation right will entitle the participant, upon exercise of such right, to receive payment of an amount determined by multiplying (a) the excess of the fair market value of a share of Selective's common stock on the date of exercise over (b) the greater of the fair market value of a share of common stock on the date such right was

granted or such greater amount as may be set forth in the applicable agreement.

- § At the time of the grant of shares of restricted stock, the SEBC will determine the price, if any, to be paid by the participant for each share of restricted stock subject to the award.

- § Following the vesting of a participant's restricted stock unit, the participant will be paid, at such time and times as shall be set forth in the award agreement, a number of shares of Selective common stock equal to the number of restricted stock units, or only if and to the extent set forth in the award agreement, the fair market value of an equal number of shares of Selective common stock in cash, or a combination. If provided in the award agreement, following the vesting of a restricted stock unit, the participant will also be entitled to dividend equivalents as set forth in the Agreement.

- § Stock grants may be: (i) awarded as, or in payment of, a bonus (including compensation that is intended to qualify as performance-based compensation for purposes of Section 162(m) of the Code) or to provide incentives or recognize special achievements or contributions; or (ii) as the portion of the annual retainer of any non-employee director that is paid in Selective's shares.

- § The SEBC will have the sole and complete authority to determine the payment of such other awards.

Performance Goals

§ The SEBC may determine that vesting or payment of an award under the 2014 Omnibus Stock Plan will be subject to the attainment of one or more performance goals with respect to a fiscal year. Approval by Selective stockholders of the 2014 Omnibus Plan also constitutes approval of the performance goals for purposes of Code Section 162(m). The performance goals may include any of the following:

- Return on total stockholder equity or operating return on total stockholder equity;
- Statutory operating return on policyholder surplus;
- Earnings per share or book value per share of Selective's common stock;
- Net income (before or after taxes);
- Earnings before all or any interest, taxes, depreciation, and/or amortization;
- Return on assets, capital, or investment;
- Market share;
- Cost reduction goals;
- Earnings from continuing operations;
- Cash provided by operations;
- Levels of expense, costs, or liabilities;
- Department, division, or business unit level performance;
- Operating income;

- Sales or revenues;
- Stock price appreciation;
- Total stockholder return;
- Growth in net premiums written, including, without limitation, policy count;
- Combined ratios;
- Implementation or completion of critical projects or processes;
- Except in the case of a covered employee, any other performance criteria established by the SEBC; or
- Any combination of the foregoing.

The actual performance targets applicable to an award may require attainment of a specified level of performance or attainment of a specified increase or decrease in a particular performance measure, may be applied on a Selective entity, division, or strategic business unit basis, or may compare Selective’s performance to a market index or group of other companies. Performance goals will generally be determined in accordance with generally accepted accounting principles or statutory accounting principles.

Termination of Employment or Service

- Unless otherwise provided by the SEBC, upon termination for any reason other than cause (as defined in the 2014 Omnibus Stock Plan), death, or disability, the participant will have one year to exercise all vested nonqualified options and stock appreciation rights. In the case of an option that is intended to be an incentive stock option, such option will be treated as a nonqualified stock option if it is exercised more than three months after the participant’s termination of employment for reasons other than death or disability.
- Unless otherwise provided by the SEBC, upon termination due to death or disability, the participant (or the participant’s representative, executor, administrator, or transferee) will have one year to exercise all vested options and stock appreciation rights.
- Unless otherwise determined by the SEBC, upon a termination for cause, all options and stock appreciation rights, whether or not vested, shall be terminated at the time of such termination.
- Unless otherwise determined by the SEBC, any unvested options and stock appreciation rights will be forfeited upon any termination of the participant's employment with, or service to, Selective, its affiliates and subsidiaries.
    - Upon termination for death or disability, any unvested shares of restricted stock, the vesting of which is not subject to the achievement of performance goals, will become fully vested and any unvested shares of restricted stock that are subject to the achievement of performance goals will become vested only if and when such performance goals are satisfied.
- Unless otherwise provided by the SEBC, upon termination for any reason other than death or disability, any unvested shares of restricted stock will be null and void.
- Unless otherwise provided by the SEBC, upon termination for any reason, all restricted stock units will be forfeited.
- Cessation of the performance of services in one capacity will not result in termination of any award while the participant continues to perform services in another capacity.

Amendment of Awards

- Except in the case of a corporate transaction involving the Company, the Board and the SEBC will not, without the prior approval of Selective’s stockholders:

- o Amend any award outstanding under the 2014 Omnibus Stock Plan to reduce the exercise price of such award (other than equitable adjustments made in accordance with the terms of the 2014 Omnibus Stock Plan);

- o Cancel any award outstanding under the 2014 Omnibus Stock Plan and then subsequently re-grant to the participant the same award with a lower exercise price; or

- o Cancel outstanding options or stock appreciation rights whose exercise price is greater than the fair market value of a share of Selective common stock in exchange for cash or other securities.

- § To the extent that the SEBC determines that the 2014 Omnibus Stock Plan is subject to Section 409A of the Code and fails to comply with the requirements of that section of the Code, the SEBC reserves the right to terminate or replace the award in order to cause the award to either not be subject to Section 409A of the Code or to comply with the applicable provisions of such section.

Change in Control and Other Transactions

§ All unvested awards become fully vested and exercisable upon a change in control (as defined in the 2014 Omnibus Stock Plan) of Selective.

§ Any restricted stock that was forfeitable will become nonforfeitable.

§ Any unexercised option or stock appreciation right, whether or not exercisable, on the date of such change in control will become fully exercisable and may be exercised, in whole or in part.

§ If a participant has entered into an employment agreement with Selective that provides that awards under the 2014 Omnibus Stock Plan will become nonforfeitable and, if applicable, exercisable upon a qualifying termination of employment following a change in control, then the participant's award will become nonforfeitable and exercisable only if, following the occurrence of a change in control, the participant experiences a qualifying termination in accordance with his or her employment agreement.

§ In the event of a corporate transaction other than a change in control (as defined in the 2014 Omnibus Stock Plan) involving shares of Selective's common stock, the SEBC may provide for: (i) assumption by the successor entity of all outstanding awards; (ii) termination of all or a portion of any outstanding awards that are not exercised within a period specified by the SEBC upon the occurrence of the transaction; and/or (iii) cash-out of the outstanding options and stock appreciation rights based on the acquisition price, net of the exercise price of such awards, and the cancellation without compensation of any such awards whose exercise price exceeds the acquisition price.

Award Transferability

§ To the extent determined by the SEBC, awards may be transferred only by will or the laws of descent and distribution or (except in the case of incentive stock options) to an immediate family member.

Amendment or Termination of the 2014 Omnibus Stock Plan

§ The 2014 Omnibus Stock Plan may, at any time, be terminated, revised, or amended in any respect whatsoever, provided that: (i) approval by Selective's stockholders will be required for any such amendment if and to the extent such approval is required to comply with applicable law or stock exchange listing requirements; (ii) approval by Selective's stockholders will be required for the re-pricing of any option or other award; and (iii) no such action may reduce a participant's rights under an outstanding award without the participant's consent, except to comply with Section 409A of the Code.

§ To the extent that the SEBC determines that the 2014 Omnibus Stock Plan is subject to Section 409A of the Code and fails to comply with the requirements of that section of the Code, the SEBC reserves the right to amend or terminate the 2014 Omnibus Stock Plan in order to cause the award to either not be subject to Section 409A of the Code or to comply with the applicable provisions of such section.

Forfeiture and Recovery of Awards

§ A participant's right to receive or retain an award (in cash or shares of Selective common stock), and to retain any profit or gain realized in connection with an award, are subject to forfeiture, cancellation, recoupment, rescission, payback, setoff, or other similar action in accordance with Selective's policies, if any, regarding forfeiture and recovery for misconduct, as it may be amended from time to time, NASDAQ listing standards and applicable law, and any other similar policy Selective may adopt.

Federal Income Tax Consequences of the 2014 Omnibus Stock Plan

§ The following summarizes certain current U.S. federal income tax laws and regulations generally applicable to awards pursuant to the 2014 Omnibus Stock Plan, all of which are subject to change (possibly with retroactive effect), and does not address any tax considerations under Section 409A of the Code, or the laws of any local, state, or foreign jurisdiction. This summary does not purport to be complete.

- Incentive Stock Options.
  - § Not taxable income upon grant.
  - § Amounts received in excess of the exercise price from the sale of shares received ("Option Shares") that are held for less than one year from receipt or two years from the option grant ("Disqualifying Disposition") are treated as ordinary income in the year of disposition, and Selective is entitled to deduct the same amount as compensation expense.
  - § Amounts received from the sale of Option Shares in a transaction that is not a Disqualifying Disposition are treated as capital gain or loss, with the basis being the exercise price. The amount by which the fair market value of the Option Shares exceeds the exercise price, however, will constitute an item that increases the participant's "alternative minimum taxable income."
  - § An incentive stock option generally will not be treated as an incentive stock option if it is exercised more than three months following termination of employment; in which case the option will be treated as a nonqualified stock option.
- Nonqualified Stock Options.
  - § Not taxable income upon grant.
  - § Amounts in excess of the exercise price at the time of exercise are treated as ordinary income and Selective is entitled to deduct the same amount as compensation expense.
  - § Amounts received from the sale of Option Shares following exercise are treated as capital gain or loss, with the basis being the exercise price plus the ordinary income incurred upon exercise.
- Restricted Stock.
  - § Generally, not taxable income upon grant.
  - §

Ordinary income is recognized on the date the restrictions are removed in an amount equal to the fair market value of such shares on such date, less any amount paid for the shares, at which time Selective is entitled to deduct the same amount as compensation expense.

§ A Code Section 83(b) election may be made by the grantee within 30 days of receipt to recognize ordinary income in an amount equal to the fair market value on the grant date; but the holder will not be allowed a deduction for shares subsequently forfeited or returned. Amounts received from the subsequent sale of the restricted stock are treated as capital gain or loss, with the basis being the amount paid by the holder for the restricted stock, if any, plus the amount included in the income by the holder of the award as a result of the Code 83(b) election.

o Other Types of Awards.

§ No taxable income upon grant of a stock appreciation right or restricted stock unit.

§ Upon settlement of such a stock appreciation right, restricted stock unit, stock grant, or any other stock-based award, ordinary income is recognized in the aggregate value of the payment received, and Selective is entitled to deduct the same amount as compensation expense.

§ All awards will be granted and maintained on a basis which ensures that they are exempt from, or otherwise compliant with, the requirements of Section 409A of the Code, pertaining to nonqualified plans of deferred compensation, and the 2014 Omnibus Stock Plan will be governed, interpreted and enforced consistent with such intent. Neither Selective nor any of its affiliates, nor any director, officer, agent, representative or employee of either, guarantees to the participant or any other person any particular tax consequences as a result of the grant of, exercise of rights under, or payment in respect of an award, including not but not limited to, that an option granted as an incentive stock option has or will qualify as an “incentive stock option” within the meaning of Section 422 of the Code or that the provisions and penalties of Section 409A of the Code will or will not apply and no person will have any liability to a participant or any other party if a payment under an award that is intended to benefit from favorable tax treatment or avoid adverse tax treatment fails to realize such intention or for any action taken by the Board or the SEBC with respect to the award.

There have been no awards granted under the 2014 Omnibus Stock Plan to date. Because benefits under the 2014 Omnibus Stock Plan will be granted at the sole discretion of the SEBC, Selective cannot determine at this time the benefits that will be received by executive officers and other employees and non-employee directors if the 2014 Omnibus Stock Plan is approved by the stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS VOTE “**FOR**” THE PROPOSAL TO APPROVE THE 2014 OMNIBUS STOCK PLAN AS DESCRIBED IN THIS SECTION.

INFORMATION ABOUT PROPOSAL 4

Approval of the Amendment and Restatement of the Selective Insurance Group, Inc. Cash Incentive Plan and Performance Goals

Selective's stockholders are being asked to approve the amendment and restatement of the Selective Insurance Group, Inc. Cash Incentive Plan (“Cash Incentive Plan”). The purpose of the amendment and restatement is to approve the Cash Incentive Plan and performance goals under the Cash Incentive Plan for purposes of Section 162(m) of the Code and to make clarifying changes.

The purposes of the Cash Incentive Plan are to: (i) provide Selective with an effective vehicle to assist in attracting, retaining, and motivating its employees; (ii) reinforce corporate, organizational, and business development goals; and

(iii) promote short-term and long-term financial and other business objectives by rewarding the performance of officers and other employees in fulfilling their individual responsibilities for achieving these short-term and long-term objectives.

In designing the Cash Incentive Plan, the Board of Directors was guided by best practices that seek to identify specific performance goals that are most closely tied to achievement of Selective's growth and profitability goals as well as enhancement of stockholder value. The Cash Incentive Plan is designed to work with other elements of Selective's compensation program, including the 2014 Omnibus Stock Plan, to appropriately motivate and compensate executives and employees consistent with the identified performance goals. Under the Cash Incentive Plan, vesting and payment of certain of the awards may be directly linked to the achievement of these specific performance goals (outlined below under “Performance Goals”).

Selective's stockholders are being asked to approve the performance goals under the Cash Incentive Plan in accordance with Section 162(m). Section 162(m) limits Selective’s federal income tax deduction for compensation to certain covered employees to $1,000,000 per year, but excludes from that limit compensation that qualifies as "performance-based compensation." Certain awards made under the Cash Incentive Plan to Selective's covered employees are intended to qualify as performance-based compensation under Section 162(m).

Because the administrator of the Cash Incentive Plan has the authority to establish the particular target(s) under the performance goals for each award to a covered employee intended to constitute "performance-based compensation," Section 162(m) requires the material terms of the performance goals to be disclosed to, and reapproved by, Selective's stockholders no later than the first stockholder meeting in the fifth year following the initial stockholder approval of the performance goals. The performance goals in the Selective Insurance Group, Inc. Cash Incentive Plan were initially approved by stockholders at the 2005 Annual Meeting and subsequently reapproved at the 2010 Annual Meeting to ensure Section 162(m) qualification.

For purposes of Section 162(m), the material terms of the performance goals we are asking you to approve include: (i) the employees eligible to receive awards under the Cash Incentive Plan; (ii) a description of the available performance measures; and (iii) the maximum amount that can be paid to any employee under awards if the performance goals are achieved. If stockholder approval is not received at the Annual Meeting, the Cash Incentive Plan will remain effective, but we will not be able to deduct compensation under the Cash Incentive Plan that would have otherwise qualified as performance-based compensation under Section 162(m) for awards that are granted after our 2015 Annual Meeting of Stockholders, unless we obtain stockholder approval at that time.

The following is a summary of the amended and restated Cash Incentive Plan. It is qualified in its entirety by the text of the amended and restated Cash Incentive Plan, which is attached to this Proxy Statement as <u>Appendix B</u>.

<u>Plan Administrator</u>

§ The SEBC of the Board of Directors is the Cash Incentive Plan administrator.

<u>Authority of Plan Administrator</u>

§ Grant awards under the Cash Incentive Plan;

§ Determine the persons to whom and the time or times at which awards will be granted;

§

Determine the terms, conditions, restrictions, and performance criteria, including performance goals, and the length of the performance period (which will be no less than one year), relating to any award;

§ Determine whether, to what extent, and under what circumstances an award may be settled, cancelled, forfeited, or surrendered;

§ Make adjustments in the performance goals in recognition of unusual or non-recurring events affecting Selective or the financial statements of Selective, or in response to changes in applicable laws, regulations, or accounting principles, or for any other reason;

§ Construe and interpret the Cash Incentive Plan and an award;

§ Prescribe, amend, and rescind rules and regulations relating to the Cash Incentive Plan;

§ Determine the terms and provisions of any award;

§ Make all other determinations deemed necessary or advisable for the administration of the Cash Incentive Plan;

§ Delegate to one or more of its members, or to one or more employees of Selective or other agents, such administrative duties as it may deem advisable; and

- Employ one or more persons to render advice with respect to any responsibility the SEBC or delegated party may have under the Cash Incentive Plan.

- Except to the extent that the SEBC may otherwise determine from time to time, the Chief Executive Officer of Selective and the most senior Human Resources officer of Selective each have the authority to grant awards under the Cash Incentive Plan to Selective's officers and employees, other than covered employees and Selective's officers subject to Section 16 of the Exchange Act, and in connection therewith shall have the authority to determine the officers and employees to whom and the time or times at which such awards shall be granted, the terms, conditions, restrictions and performance criteria, including performance goals and the length of the performance period relating to any Award, all within the parameters and subject to the terms determined by the SEBC from time to time.

<u>Eligibility</u>

- Officers and other employees of Selective and its subsidiaries in the sole discretion of the SEBC. As of December 31, 2013, approximately 2,100 employees were eligible to participate in the Cash Incentive Plan.

<u>Interpretation</u>

- Awards issued under the Cash Incentive Plan to any participant who the SEBC determines could be a covered person are generally intended to constitute performance-based compensation as described in Section 162(m)(4)(C) of the Code and applicable regulations thereunder, and the Cash Incentive Plan and such awards will be interpreted and administered in a manner consistent with such intention.

<u>Payment of Awards</u>

- Cash, paid as soon as practicable in the calendar year following the calendar year in which the performance period ends.

<u>Type of Awards</u>

- Awards granted pursuant to the Cash Incentive Plan will be evidenced in such form as the SEBC from time to time approve. For each award that is intended to vest subject solely to the participant's continued employment with Selective, the SEBC will specify the performance period applicable to the award. The SEBC may grant awards to covered employees that in form or operation do not comply with the performance-based compensation requirements of Section 162(m) of the Code.

Performance-Based Awards

§ For each award that will vest subject to the participant's continued employment with Selective and satisfaction of performance goals, the SEBC will specify the performance goals and performance period applicable to each award.

§ Awards to participants determined by the SEBC to be covered employees will be paid only if the SEBC pre-establishes the applicable performance goals in accordance with Section 162(m)(4)(C) of the Code, determines that the applicable performance goals for the performance period were achieved, and authorizes the payment of the award as described in Treas. Reg. Section 1.162-27(e).

Performance Goals

§ Return on total stockholder equity or operating return on total stockholder equity;

§ Statutory operating return on policyholders surplus;

§ Earnings per share or book value per share of Selective's common stock;

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- § Net income (before or after taxes);
- § Earnings before all or any interest, taxes, depreciation, and/or amortization;
- § Return on assets, capital, or investment;
- § Market share;
- § Cost reduction goals;
- § Earnings from continuing operations;
- § Cash provided by operations;
- § Levels of expense, costs, or liabilities;
- § Department, division, or business unit level performance;
- § Operating income;
- § Sales or revenues;
- § Stock price appreciation;