SELECTIVE INSURANCE GROUP INC
Form 10-Q
April 28, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: March 31, 2011

or

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from______________________________to_________________________________

Commission File Number: 001-33067

SELECTIVE INSURANCE GROUP, INC.
(Exact Name of Registrant as Specified in Its Charter)

New Jersey (State or Other Jurisdiction of Incorporation or Organization)	22-2168890 (I.R.S. Employer Identification No.)
40 Wantage Avenue Branchville, New Jersey (Address of Principal Executive Offices)	07890 (Zip Code)

(973) 948-3000
(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report), and (2) has been subject to such filing requirements for the past 90 days.

Yesx No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yesx No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of March 31, 2011, there were 54,017,474 shares of common stock, par value $2.00 per share, outstanding.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

SELECTIVE INSURANCE GROUP, INC. CONSOLIDATED BALANCE SHEETS ($ in thousands, except share amounts)	Unaudited March 31, 2011	December 31, 2010
ASSETS		
Investments:		
Fixed maturity securities, held-to-maturity – at carrying value (fair value: $1,192,423 – 2011; $1,256,294 – 2010)	$1,153,859	1,214,324
Fixed maturity securities, available-for-sale – at fair value (amortized cost: $2,382,976 – 2011; $2,285,988 – 2010)	2,436,764	2,342,742
Equity securities, available-for-sale – at fair value (cost of: $68,104 – 2011; $58,039 – 2010)	77,138	69,636
Short-term investments (at cost which approximates fair value)	156,437	161,155
Other investments	136,148	137,865
Total investments	3,960,346	3,925,722
Cash	496	645
Interest and dividends due or accrued	36,651	37,007
Premiums receivable, net of allowance for uncollectible accounts of: $4,608 – 2011; $4,691 – 2010	430,063	414,105
Reinsurance recoverables, net	331,387	318,752
Prepaid reinsurance premiums	110,061	110,327
Current federal income tax	6,919	11,200
Deferred federal income tax	93,574	93,234
Property and equipment – at cost, net of accumulated depreciation and amortization of: $153,961 – 2011; $151,704 – 2010	40,780	41,775
Deferred policy acquisition costs	210,245	209,627
Goodwill	7,849	7,849
Other assets	46,855	61,529
Total assets	$5,275,226	5,231,772
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities:		
Reserve for losses and loss expenses	$2,864,889	2,830,058
Unearned premiums	833,823	823,596
Notes payable	262,339	262,333
Accrued salaries and benefits	95,957	100,933
Other liabilities	134,565	143,743
Total liabilities	$4,191,573	4,160,663
Stockholders' Equity:		
Preferred stock of $0 par value per share:		
Authorized shares 5,000,000; no shares issued or outstanding	$-	-
Common stock of $2 par value per share		
Authorized shares 360,000,000		
Issued: 96,838,773 – 2011; 96,362,667 – 2010	193,678	192,725
Additional paid-in capital	248,575	244,613
Retained earnings	1,190,528	1,176,155
Accumulated other comprehensive income	2,776	7,024

Treasury stock – at cost (shares: 42,821,299 – 2011; 42,686,204 – 2010)	(551,904)	(549,408)
Total stockholders' equity	1,083,653	1,071,109
Commitments and contingencies		
Total liabilities and stockholders' equity	$5,275,226	5,231,772

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

($ in thousands, except per share amounts)	Quarter ended March 31, 2011	2010
Revenues:		
Net premiums earned	$351,343	356,202
Net investment income earned	43,473	34,706
Net realized gains (losses):		
Net realized investment gains	6,390	8,176
Other-than-temporary impairments	(532)	(6,073)
Other-than-temporary impairments on fixed maturity securities recognized in other comprehensive income	(98)	(2,167)
Total net realized gains (losses)	5,760	(64)
Other income	2,880	2,268
Total revenues	403,456	393,112
Expenses:		
Losses and loss expenses incurred	249,206	254,143
Policy acquisition costs	113,430	116,002
Interest expense	4,557	4,842
Other expenses	8,491	10,478
Total expenses	375,684	385,465
Income from continuing operations, before federal income tax	27,772	7,647
Federal income tax expense (benefit):		
Current	4,276	8,844
Deferred	1,947	(7,790)
Total federal income tax expense	6,223	1,054
Net income from continuing operations	21,549	6,593
Loss on disposal of discontinued operations, net of tax of $(426) – 2010	-	(790)
Net income	$21,549	5,803
Earnings per share:		
Basic net income from continuing operations	$0.40	0.12
Basic net loss from disposal of discontinued operations	-	(0.01)
Basic net income	$0.40	0.11
Diluted net income from continuing operations	$0.39	0.12
Diluted net loss from disposal of discontinued operations	-	(0.01)
Diluted net income	$0.39	0.11
Dividends to stockholders	$0.13	0.13

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF
STOCKHOLDERS' EQUITY

($ in thousands, except per share amounts)	Quarter ended March 31, 2011		2010	
Common stock:				
Beginning of year	$ 192,725		191,646	
Dividend reinvestment plan (shares: 22,697 – 2011; 25,759 – 2010)	46		51	
Stock purchase and compensation plans (shares: 453,409 – 2011; 79,289 – 2010)	907		159	
End of period	193,678		191,856	
Additional paid-in capital:				
Beginning of year	244,613		231,933	
Dividend reinvestment plan	360		368	
Stock purchase and compensation plans	3,602		3,309	
End of period	248,575		235,610	
Retained earnings:				
Beginning of year	1,176,155		1,138,978	
Net income	21,549	21,549	5,803	5,803
Dividends to stockholders ($0.13 per share – 2011 and 2010)	(7,176)		(7,077)	
End of period	1,190,528		1,137,704	
Accumulated other comprehensive income (loss):				
Beginning of year	7,024		(12,460)	
Other comprehensive income (loss), increase (decrease) in:				
Unrealized (losses) gains on investment securities:				
Non-credit portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred income tax	117		1,478	
Other net unrealized (losses) gains on investment securities, net of deferred income tax	(5,107)		4,583	
Total unrealized (losses) gains on investment securities	(4,990)	(4,990)	6,061	6,061
Defined benefit pension plans, net of deferred income tax	742	742	626	626
End of period	2,776		(5,773)	
Comprehensive income		17,301		12,490
Treasury stock:				
Beginning of year	(549,408)		(547,722)	
Acquisition of treasury stock (shares: 135,095 – 2011; 97,493 – 2010)	(2,496)		(1,513)	
End of period	(551,904)		(549,235)	
Total stockholders' equity	$ 1,083,653		1,010,162	

Selective Insurance Group, Inc. also has authorized, but not issued, 5,000,000 shares of preferred stock, without par value, of which 300,000 shares have been designated Series A junior preferred stock, without par value.

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

SELECTIVE INSURANCE GROUP, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW

($ in thousands)	Quarter ended March 31, 2011	2010
Operating Activities		
Net income	$21,549	5,803
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,001	7,451
Loss on disposal of discontinued operations	-	790
Stock-based compensation expense	4,625	6,169
Undistributed income of equity method investments	(2,482)	(3,895)
Net realized (gains) losses	(5,760)	64
Deferred income tax expense (benefit)	1,947	(7,790)
Changes in assets and liabilities:		
Increase in reserves for losses and loss expenses, net of reinsurance recoverables	22,196	34,518
Increase in unearned premiums, net of prepaid reinsurance and advance premiums	11,297	11,647
Decrease in net federal income tax recoverable	4,281	7,698
Increase in premiums receivable	(15,958)	(10,543)
(Increase) decrease in deferred policy acquisition costs	(618)	1,024
Decrease (increase) in interest and dividends due or accrued	355	(730)
Decrease in accrued salaries and benefits	(6,466)	(7,100)
Decrease in accrued insurance expenses	(17,082)	(17,187)
Other-net	2,105	5,176
Net adjustments	6,441	27,292
Net cash provided by operating activities	27,990	33,095
Investing Activities		
Purchase of fixed maturity securities, available-for-sale	(114,320)	(142,067)
Purchase of equity securities, available-for-sale	(59,780)	(23,915)
Purchase of other investments	(5,008)	(7,714)
Purchase of short-term investments	(316,769)	(303,668)
Sale of subsidiary	415	844
Sale of fixed maturity securities, available-for-sale	14,907	39,632
Sale of short-term investments	321,487	235,386
Redemption and maturities of fixed maturity securities, held-to-maturity	38,483	80,963
Redemption and maturities of fixed maturity securities, available-for-sale	19,771	66,122
Sale of equity securities, available-for-sale	56,836	16,419
Distributions from other investments	9,122	-
Sale of other investments	16,357	13,337
Purchase of property and equipment	(1,366)	(866)
Net cash used in investing activities	(19,865)	(25,527)
Financing Activities		
Dividends to stockholders	(6,605)	(6,492)
Acquisition of treasury stock	(2,496)	(1,513)
Net proceeds from stock purchase and compensation plans	1,008	625
Excess tax benefits from share-based payment arrangements	(181)	(856)

Net cash used in financing activities	(8,274)	(8,236)
Net decrease in cash	(149)	(668)
Cash, beginning of year	645	811
Cash, end of period	$496	143

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

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NOTES TO UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1. Organization

Selective Insurance Group, Inc., through its subsidiaries, (collectively referred to as "we," "us," or "our") offers property and casualty insurance products. Selective Insurance Group, Inc. (referred to as the "Parent") was incorporated in New Jersey in 1977 and its main offices are located in Branchville, New Jersey. The Parent's common stock is publicly traded on the NASDAQ Global Select Market under the symbol "SIGI."

We classify our business into two operating segments:

- Insurance Operations, which sells property and casualty insurance products and services primarily in 22 states in the Eastern and Midwestern U.S.; and
- Investments.

NOTE 2. Basis of Presentation

These interim unaudited consolidated financial statements ("Financial Statements") include the accounts of the Parent and its subsidiaries, and have been prepared in conformity with: (i) U.S. generally accepted accounting principles ("GAAP"); and (ii) the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") regarding interim financial reporting. The preparation of the Financial Statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported financial statement balances, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. All significant intercompany accounts and transactions between the Parent and its subsidiaries are eliminated in consolidation.

These Financial Statements reflect all adjustments that, in our opinion, are normal, recurring, and necessary for a fair presentation of our results of operations and financial condition. The Financial Statements cover the first quarters ended March 31, 2011 ("First Quarter 2011") and March 31, 2010 ("First Quarter 2010"). The Financial Statements do not include all of the information and disclosures required by GAAP and the SEC for audited financial statements. Results of operations for any interim period are not necessarily indicative of results for a full year. Consequently, the Financial Statements should be read in conjunction with the consolidated financial statements contained in our Annual Report on Form 10-K for the year ended December 31, 2010 ("2010 Annual Report").

NOTE 3. Reclassification

Certain prior year amounts in these Financial Statements and related footnotes have been reclassified to conform to the current year presentation. Such reclassifications had no effect on our net income, stockholders' equity, or cash flows.

NOTE 4. Adoption of Accounting Pronouncements

In January 2010, the FASB issued Accounting Standards Update ("ASU") 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This guidance requires: (i) separate disclosure of significant transfers between Level 1 and Level 2 of the fair value hierarchy and reasons for the transfers; (ii) disclosure, on a gross basis, of purchases, sales, issuances, and net settlements within Level 3 of the fair value hierarchy; (iii) disclosures by class of assets and liabilities; and (iv) a description of the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for reporting periods beginning after December 15, 2009, except for the Level 3 disclosure requirements, which is effective for fiscal years beginning after December 15, 2010 and interim periods within those fiscal years. We have included the disclosures required by this guidance in our notes to the consolidated financial statements, where appropriate.

In December 2010, the FASB issued ASU 2010-28 Intangibles – Goodwill and Other (Topic 350): When to Perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts. This guidance modifies Step 1 of the goodwill impairment test, which assesses whether the carrying amount of a reporting unit exceeds its fair value, for reporting units with zero or negative carrying amounts. It requires that an entity perform Step 2 of the goodwill impairment test, which determines if goodwill has been impaired and measures the amount of impairment, if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider the qualitative factors within existing guidance that would require goodwill of a reporting unit to be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This guidance is effective for interim and annual periods beginning after December 15, 2010. The adoption of this guidance did not impact our financial condition or results of operations.

In December 2010, the FASB issued ASU 2010-29 Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations. This guidance relates to disclosure of pro forma information for business combinations that have occurred in the current reporting period. It requires that an entity presenting comparative financial statements include revenue and earnings of the combined entity as though the combination had occurred as of the beginning of the comparable prior annual period only. This guidance is effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of this guidance did not impact our financial condition or results of operations.

Pronouncements to be effective in the future

In October 2010, the FASB issued ASU Update 2010-26, Financial Services-Insurance (Topic 944): – Accounting for Costs Associated with Acquiring or Renewing Insurance Contracts. This guidance requires that only costs that are incremental or directly related to the successful acquisition of new or renewal insurance contracts are to be capitalized as a deferred acquisition cost. This would include, among other items, sales commissions paid to agents, premium taxes, and the portion of employee salaries and benefits directly related to time spent on acquired contracts. This guidance is effective, either with a prospective or retrospective application, for interim and annual periods beginning after December 15, 2011, with early adoption permitted. Although we are currently evaluating the impact of this guidance, we anticipate that a significant portion of our deferred policy acquisition costs balance may be eliminated under the newly issued guidance, resulting in a reduction to GAAP equity. Deferred policy acquisition costs totaled $210.2 million as of March 31, 2011.

NOTE 5. Statements of Cash Flow

Cash paid during the period for interest and federal income taxes was as follows:

		Quarter ended March 31,	
($ in thousands)		2011	2010
Cash paid during the period for:			
Interest	$	1,969	1,969
Federal income tax		173	2,000

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NOTE 6. Investments

(a) The amortized cost, carrying value, unrecognized holding gains and losses, and fair values of held-to-maturity ("HTM") fixed maturity securities were as follows:

March 31, 2011 ($ in thousands)	Amortized Cost	Net Unrealized Gains (Losses)	Carrying Value	Unrecognized Holding Gains	Unrecognized Holding Losses	Fair Value
U.S. government and government agencies	$89,687	4,499	94,186	3,620	-	97,806
Foreign government	5,292	350	5,642	-	(276)	5,366
Obligations of state and political subdivisions	840,600	19,254	859,854	16,445	(1,467)	874,832
Corporate securities	76,482	(3,656)	72,826	9,118	(454)	81,490
Asset-backed securities ("ABS")	11,848	(2,303)	9,545	1,819	(484)	10,880
Commercial mortgage-backed securities ("CMBS")1	47,122	(6,762)	40,360	7,991	(146)	48,205
Residential mortgage-backed securities ("RMBS")2	70,453	993	71,446	2,413	(15)	73,844
Total HTM fixed maturity securities	$1,141,484	12,375	1,153,859	41,406	(2,842)	1,192,423

December 31, 2010 ($ in thousands)	Amortized Cost	Net Unrealized Gains (Losses)	Carrying Value	Unrecognized Holding Gains	Unrecognized Holding Losses	Fair Value
U.S. government and government agencies	$93,411	4,695	98,106	5,023	-	103,129
Foreign government	5,292	368	5,660	-	(30)	5,630
Obligations of state and political subdivisions	874,388	22,183	896,571	16,845	(1,132)	912,284
Corporate securities	76,663	(3,990)	72,673	9,705	(313)	82,065
ABS	12,947	(2,422)	10,525	1,847	(444)	11,928
CMBS1	54,909	(7,354)	47,555	7,483	(109)	54,929
RMBS2	82,191	1,043	83,234	3,095	-	86,329
Total HTM fixed maturity securities	$1,199,801	14,523	1,214,324	43,998	(2,028)	1,256,294

1 CMBS includes government guaranteed agency securities with a carrying value of $7.8 million at March 31, 2011 and $8.9 million at December 31, 2010.

2 RMBS includes government guaranteed agency securities with a carrying value of $4.0 million at March 31, 2011 and $4.0 million at December 31, 2010.

Unrecognized holding gains/losses of HTM securities are not reflected in the consolidated Financial Statements, as they represent fair value fluctuations from the later of: (i) the date a security is designated as HTM; or (ii) the date that an other-than-temporary impairment ("OTTI") charge is recognized on an HTM security, through the date of the balance sheet. Our HTM securities had an average duration of 3.3 years as of March 31, 2011 and 3.4 years as of December 31, 2010.

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(b) The cost/amortized cost, unrealized gains (losses), and fair value of available-for-sale ("AFS") securities were as follows:

March 31, 2011

($ in thousands)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government and government agencies1	$ 316,251	7,109	(208)	323,152
Foreign government	20,563	223	(349)	20,437
Obligations of states and political subdivisions	521,573	22,405	(375)	543,603
Corporate securities	1,022,673	27,644	(9,740)	1,040,577
ABS	58,775	418	(367)	58,826
CMBS2	101,527	3,259	(2,147)	102,639
RMBS3	341,614	7,966	(2,050)	347,530
AFS fixed maturity securities	2,382,976	69,024	(15,236)	2,436,764
AFS equity securities	68,104	9,127	(93)	77,138
Total AFS securities	$ 2,451,080	78,151	(15,329)	2,513,902

December 31, 2010

($ in thousands)	Cost/ Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government and government agencies1	$ 312,384	8,292	(147)	320,529
Foreign government	19,035	280	(349)	18,966
Obligations of states and political subdivisions	512,013	22,534	(650)	533,897
Corporate securities	973,835	28,674	(8,784)	993,725
ABS	48,558	514	(339)	48,733
CMBS2	103,374	4,024	(2,923)	104,475
RMBS3	316,789	7,871	(2,243)	322,417
AFS fixed maturity securities	2,285,988	72,189	(15,435)	2,342,742
AFS equity securities	58,039	11,597	-	69,636
Total AFS securities	$ 2,344,027	83,786	(15,435)	2,412,378

1 U.S. government includes corporate securities fully guaranteed by the Federal Deposit Insurance Corporation ("FDIC") with a fair value of $120.6 million at March 31, 2011 and $121.0 million at December 31, 2010.
2 CMBS includes government guaranteed agency securities with a fair value of $69.7 million at March 31, 2011 and $71.9 million at December 31, 2010.
3 RMBS includes government guaranteed agency securities with a fair value of $89.5 million at March 31, 2011 and $91.1 million at December 31, 2010.

Unrealized gains/losses of AFS securities represent fair value fluctuations from the later of: (i) the date a security is designated as AFS; or (ii) the date that an OTTI charge is recognized on an AFS security, through the date of the balance sheet. These unrealized gains and losses are recorded in accumulated other comprehensive income ("AOCI") on the Consolidated Balance Sheets.

During First Quarter 2011, 11 securities, with a carrying value of $27.5 million in a net unrecognized gain position of $0.2 million, were reclassified from the HTM category to AFS due to recent credit rating downgrades by either Moody's Investors Service ("Moody's"), Standard and Poor's Financial Services ("S&P"), or Fitch Ratings. These unexpected rating downgrades raised significant concerns about the issuers' credit worthiness, which changed our intention to hold these securities to maturity.

(c) The following tables summarize, for all securities in a net unrealized/unrecognized loss position at March 31, 2011 and December 31, 2010, the fair value and gross pre-tax net unrealized/unrecognized loss by asset class and by length of time those securities have been in a net loss position:

March 31, 2011	Less than 12 months		12 months or longer	
($ in thousands)	Fair Value	Unrealized Losses1	Fair Value	Unrealized Losses1
AFS securities				
U.S. government and government agencies2	$ 24,503	(208)	-	-
Foreign government	12,302	(349)	-	-
Obligations of states and political subdivisions	48,319	(375)	-	-
Corporate securities	387,556	(9,740)	-	-
ABS	34,040	(308)	823	(59)
CMBS	5,337	(57)	9,443	(2,090)
RMBS	92,567	(1,490)	7,848	(560)
Total fixed maturity securities	604,624	(12,527)	18,114	(2,709)
Equity securities	6,202	(93)	-	-
Subtotal	$ 610,826	(12,620)	18,114	(2,709)

	Less than 12 months			12 months or longer		
($ in thousands)	Fair Value	Unrealized Losses1	Unrecognized Gains (Losses)3	Fair Value	Unrealized Losses1	Unrecognized Gains3
HTM securities						
Obligations of states and political subdivisions	$36,349	(819)	437	25,772	(1,821)	521
ABS	467	(546)	(479)	2,947	(1,053)	775
CMBS	-	-	-	6,567	(3,750)	1,467
RMBS	2,956	-	(16)	94	(38)	1
Subtotal	$39,772	(1,365)	(58)	35,380	(6,662)	2,764
Total AFS and HTM	$650,598	(13,985)	(58)	53,494	(9,371)	2,764

December 31, 2010	Less than 12 months		12 months or longer	
($ in thousands)	Fair Value	Unrealized Losses1	Fair Value	Unrealized Losses1
AFS securities				
U.S. government and government agencies2	$ 3,956	(147)	-	-
Foreign government	10,776	(349)	-	-
Obligations of states and political subdivisions	40,410	(650)	-	-
Corporate securities	362,502	(8,784)	-	-
ABS	30,297	(273)	880	(66)
CMBS	5,453	(271)	11,115	(2,652)
RMBS	70,934	(1,098)	20,910	(1,145)
Total fixed maturity securities	524,328	(11,572)	32,905	(3,863)
Equity securities	-	-	-	-

Subtotal	$	524,328	(11,572)	32,905	(3,863)

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	Less than 12 months			12 months or longer		
($ in thousands)	Fair Value	Unrealized (Losses) Gains1	Unrecognized Gains (Losses)3	Fair Value	Unrealized Losses1	Unrecognized Gains3
HTM securities						
Obligations of states and political subdivisions	$ 21,036	(381)	45	27,855	(1,969)	670
Corporate securities	1,985	(434)	420	-	-	-
ABS	507	(546)	(440)	2,931	(1,095)	747
CMBS	3,621	15	(17)	5,745	(3,933)	833
RMBS	-	-	-	95	(38)	1
Subtotal	$ 27,149	(1,346)	8	36,626	(7,035)	2,251
Total AFS and HTM	$ 551,477	(12,918)	8	69,531	(10,898)	2,251

1 Gross unrealized losses include non-OTTI unrealized amounts and OTTI losses recognized in AOCI. In addition, this column includes remaining unrealized gain or loss amounts on securities that were transferred to an HTM designation in the first quarter of 2009 for those securities that are in a net unrealized/unrecognized loss position.
2 U.S. government includes corporate securities fully guaranteed by the FDIC.
3 Unrecognized holding gains/(losses) represent fair value fluctuations from the later of: (i) the date a security is designated as HTM; or (ii) the date that an OTTI charge is recognized on an HTM security.

The number of securities in an unrealized/unrecognized loss position increased from 199 to 244, with an associated fair value of $704.1 million at March 31, 2011 compared to $621.0 million at December 31, 2010. Despite the increase in the number of securities and the associated fair value, the corresponding unrealized/unrecognized position in total declined by $0.9 million, reflecting smaller loss positions. This is further illustrated in the following table wherein the number of issues in the 80% – 99% market/book category showed an increase with no material change to the overall loss position:

($ in thousands)

March 31, 2011			December 31, 2010		
Number of Issues	% of Market/Book	Unrealized Unrecognized Loss	Number of Issues	% of Market/Book	Unrealized Unrecognized Loss
238	80% - 99%	$ 16,720	193	80% - 99%	$ 16,310
2	60% - 79%	41	2	60% - 79%	1,125
1	40% - 59%	1,997	2	40% - 59%	2,160
1	20% - 39%	1,025	1	20% - 39%	986
2	0% - 19%	867	1	0% - 19%	976
		$ 20,650			$ 21,557

We have reviewed the securities in the tables above in accordance with our OTTI policy, as described in Note 2. “Summary of Significant Accounting Policies” in Item 8. “Financial Statements and Supplementary Data.” of our 2010 Annual Report. At March 31, 2011, unrealized/unrecognized losses on securities that were in a loss position for more than 12 months amounted to $6.6 million. Each of these securities are current with their interest and principal payments other than one security discussed below. The unrealized/unrecognized losses were primarily driven by $4.4 million in our CMBS portfolio which was comprised of the following: (i) $2.8 million of unrealized/unrecognized losses on two securities that had been previously impaired for which the current discounted cash flow analyses did not indicate further impairment for First Quarter 2011; (ii) $0.9 million of unrealized/unrecognized losses on one security, representing non-credit OTTI charges recognized in AOCI that were generated concurrently with credit-related charges in First Quarter 2011 due to a recent shortfall in scheduled interest payments; and (iii) $0.7 million of unrealized/unrecognized losses on securities with an average decline in fair value of 7% of their amortized cost. The remaining $2.2 million of unrealized/unrecognized losses are comprised of 33 securities, 21 of which are municipal securities and 12 of which are either RMBS or ABS. Declines in the fair value of these municipal, RMBS, and ABS securities averaged 6% of their amortized cost. For further discussion regarding the credit quality of our investment portfolio, see the "Investments" section of Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations." of this Form 10-Q.

We do not have the intent to sell any securities in an unrealized/unrecognized loss position nor do we believe we will be required to sell these securities, and therefore we have concluded that they are temporarily impaired as of March 31, 2011. This conclusion reflects our current judgment as to the financial position and future prospects of the entity that issued the investment security and underlying collateral. If our judgment about an individual security changes in the future, we may ultimately record a credit loss after having originally concluded that one did not exist, which could have a material impact on our net income and financial position in future periods.

(d) Fixed maturity securities at March 31, 2011, by contractual maturity, are shown below. Mortgage-backed securities are included in the maturity tables using the estimated average life of each security. Expected maturities may differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

Listed below are HTM fixed maturity securities at March 31, 2011:

($ in thousands)	Carrying Value	Fair Value
Due in one year or less	$ 142,978	143,897
Due after one year through five years	670,588	696,378
Due after five years through 10 years	322,824	333,394
Due after 10 years	17,469	18,754
Total HTM fixed maturity securities	$ 1,153,859	1,192,423

Listed below are AFS fixed maturity securities at March 31, 2011:

($ in thousands)	Fair Value
Due in one year or less	$ 148,416
Due after one year through five years	1,564,734
Due after five years through 10 years	700,671
Due after 10 years	22,943
Total AFS fixed maturity securities	$ 2,436,764

(e) The following table outlines a summary of our other investment portfolio by strategy and the remaining commitment amount associated with each strategy:

Other Investments	Carrying Value		March 31, 2011
($ in thousands)	March 31, 2011	December 31, 2010	Remaining Commitment
Alternative Investments			
Energy/power generation	$ 32,309	35,560	10,627
Secondary private equity	26,799	26,709	12,742
Private equity	22,302	21,601	7,918
Distressed debt	21,097	20,432	3,549
Real estate	14,960	14,192	10,706
Mezzanine financing	8,926	10,230	15,123
Venture capital	7,084	6,386	1,200
Total alternative investments	133,477	135,110	61,865
Other securities	2,671	2,755	-
Total other investments	$ 136,148	137,865	61,865

The carrying value of our other investments remained relatively flat compared to year end 2010. The carrying value was impacted in First Quarter 2011 by distributions of $18.3 million partially offset by income of $11.6 million and additional contributions of $5.1 million under our existing commitments.

For a description of our seven alternative investment strategies outlined above, as well as redemption, restrictions, and fund liquidations, refer to Note 5. "Investments" in Item 8. "Financial Statements and Supplementary Data." of our 2010 Annual Report.

The following table sets forth aggregated summarized financial information for the partnerships in our alternative investment portfolio. The last line of the table below reflects our share of the aggregate income, which is the portion included in our consolidated Financial Statements. As the majority of these investments report results to us on a quarter lag, the summarized financial statement information for the three-month periods ended December 31 is as follows:

Income Statement Information Quarter ended December 31, ($ in millions)		2010	2009
Net investment income	$	154.2	148.8
Realized losses		(192.3)	(89.8)
Net change in unrealized appreciation		1,464.2	438.5
Net income	$	1,426.1	497.5
Selective’s insurance subsidiaries’ net income	$	11.6	3.9

(f) At March 31, 2011, we had one fixed maturity security, with a carrying value of $15.5 million, pledged as collateral for our outstanding borrowing with the Federal Home Loan Bank of Indianapolis (“FHLBI”). This borrowing, which has an outstanding principal balance of $13.0 million, is included in “Notes payable” on our Consolidated Balance Sheets. In accordance with the terms of our agreement with the FHLBI, we retain all rights regarding this security, which is included in the “U.S. government and government agencies” classification of our AFS fixed maturity securities portfolio.

(g) The components of net investment income earned were as follows:

		Quarter ended March 31,	
($ in thousands)		2011	2010
Fixed maturity securities	$	33,123	33,196
Equity securities		317	452
Short-term investments		62	100
Other investments		11,666	3,932
Investment expenses		(1,695)	(2,974)
Net investment income earned	$	43,473	34,706

Net investment income earned, before tax, increased by $8.8 million for First Quarter 2011 compared to First Quarter 2010, primarily driven by income from our alternative investments within our investment portfolio. Our alternative investments, which are accounted for under the equity method, primarily consist of investments in limited partnerships, the majority of which report results to us on a one quarter lag. The following table illustrates income by strategy for these partnerships:

		Quarter ended March 31,		
($ in thousands)		2011	2010	Change
Energy/power generation	$	4,555	2,066	2,489
Private equity		2,577	708	1,869
Secondary private equity		1,649	1,019	630
Distressed debt		973	764	209
Real estate		769	(1,865)	2,634
Venture capital		758	266	492
Mezzanine financing		360	937	(577)

Other		25	37	(12)
Total other investment income	$	11,666	3,932	7,734

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(h) The following tables summarize OTTI by asset type for the periods indicated:

First Quarter 2011

($ in thousands)	Gross	Included in Other Comprehensive