REPORT ON EXAMINATION AS TO THE CONDITION OF

SELECTIVE INSURANCE COMPANY OF NEW ENGLAND

AS OF DECEMBER 31, 2017

NAIC COMPANY CODE 11867

NAIC GROUP CODE 0242

Filed
February 6, 2019
Commissioner
Department of Banking &
Insurance

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MARLENE CARIDE
Commissioner

October 5, 2018

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In compliance with your instructions and pursuant to Insurance Laws and Rules of the State of New Jersey, a comprehensive risk focused examination has been made of the books, records and financial condition of

Selective Insurance Company of New England
40 Wantage Avenue
Branchville, New Jersey 07890
NAIC Group Code 0242
NAIC Company Code 11867

hereinafter referred to as the "Company" or, "SICNE". The following examination report as to the condition of the Company is respectfully submitted.

SCOPE OF THE EXAMINATION

The New Jersey Department of Banking and Insurance, hereinafter referred to as the "NJDOBI" or "We", led a full scope coordinated multi-state risk-focused examination with the New York and Indiana Departments of Insurance participating. This examination covers the period of January 1, 2013, through December 31, 2017, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. The principal portion of the examination was conducted at the Company's statutory home office in Branchville, New Jersey.

The Company was last examined as of December 31, 2012. The current examination was conducted concurrent with the examinations of its affiliates, Selective Insurance Company of America ("SICA"), Selective Way Insurance Company ("SWIC"), Selective Auto Insurance Company of New Jersey ("SAICNJ"), Mesa Underwriters Specialty Insurance Company ("MUSIC"), Selective Casualty Insurance Company ("SCIC"), Selective Fire and Casualty Insurance Company ("SFCIC"), Selective Insurance Company of the Southeast ("SICSE"), Selective Insurance Company of South Carolina ("SICSC") and Selective Insurance Company of New York ("SICNY"), (collectively, "The Group").

The NJDOBI conducted the examination in accordance with the 2017 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires NJDOBI to plan and perform the examination in order to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives, NJDOBI obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company's system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as, evaluating the overall Financial Statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, "One of the increased benefits of the enhanced risk-focused approach is to include … consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the enhanced approach, the examiner reviewed the "financial" and "enterprise" risks that existed at the examination "as of" date and will be positioned to assess "financial" and "enterprise" risks that extend or commence during the time the examination was conducted and "prospective" risks which are anticipated to arise or extend past the point of examination completion. Using this approach, examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer."

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

During the course of this examination, consideration was given to work performed by the Company's Internal Audit Department and the Company's external accounting firm. Work reviewed included Sarbanes-Oxley compliance, risk analysis, documentation, test work and remediation efforts over weaknesses identified. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no examination report recommendations from the prior examination as of December 31, 2012.

COMPANY HISTORY

The Company was initially formed as Compensation Mutual Insurance Company ("CMIC") on May 20, 1992 in the State of Maine. Effective October 31, 1998, CMIC demutualized and reformed as a stock insurance company, Cadillac Mountain Insurance Company ("Cadillac"), and all of the outstanding shares of stock were purchased by Acadia Insurance Company ("AIC"). On January 1, 2004, Selective Insurance Group, Inc. ("SIGI") purchased Cadillac from AIC and renamed the Company, Selective Insurance Company of New England. Effective June 1, 2012 the Company was redomesticated from Maine to New Jersey.

The Company is a stock company that, as of June 1, 2012, is authorized in New Jersey to engage in the kinds of insurance specified in paragraphs "a", "b", "e", "f", "g", "i", "j", "k", "l", "m", "n", and "o" per N.J.S.A. 17:17-1; and Legal Services Insurance pursuant to N.J.S.A. 17:46C-4a.(1). The Company is authorized to issue both participating and nonparticipating policies.

The Company's statutory home office in the State of New Jersey is located at 40 Wantage Avenue, Branchville, New Jersey 07890.

Capital Stock

The Company has 500,000 authorized shares issued and outstanding with a $9.00 par value per share. SIGI owns 100% of the Company's outstanding capital stock. The Company has no preferred stock outstanding.

Dividends to Stockholders

During the examination period, the Company declared and paid ordinary dividends totaling $9,500,000 to SIGI. The dividends were paid as follows:

Year	Amount
2013	$ 2,000,000
2014	2,000,000
2015	1,500,000
2016	2,000,000
2017	2,000,000

Management and Control

The Company's By-laws state that the number of directors who shall serve on the Board be not less than one or more than fifteen, the exact number of which shall be fixed from time to time by resolution of the Board. At December 31, 2017, there were six board members as follows:

Directors	Principal Occupation
Gregory E. Murphy	Chairman of the Board and CEO
John J. Marchioni	President and Chief Operating Officer
Mark A. Wilcox	Executive Vice President and Chief Financial Officer
Vincent M. Senia	Executive Vice President and Chief Actuary
Yanina Montau-Hupka	Senior Vice President, Chief Risk Officer
Michael H. Lanza	Executive Vice President, General Counsel and Chief Compliance Officer

The members serving on the SIGI Audit Committee as of December 31, 2017, were as follows:

John S. Scheid, Chairperson
Ronald L. O'Kelley
John C. Burville
Philip H. Urban
Robert Kelly Doherty

The audit committee of SIGI is comprised entirely of independent directors. Mr. Scheid is currently designated as the committee's financial expert.

N.J.S.A. 17:27A–4d.(3) requires that no less than one-third of the directors be directors who are not officers or employees of the corporation or of any entity controlling, controlled by or under common control with the corporation and who are not beneficial owners of a controlling interest in the voting securities of the corporation or any such entity. N.J.S.A. 17:27A–4d.(5) provides that the provisions of paragraphs (3) and (4) of subsection N.J.S.A. 17:27A–4d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs. SIGI is the parent of the Company, and SIGI has a board of directors and committees thereof that substantially meet the requirements of N.J.S.A. 17:27A–4d.(3) and (4). The Company, therefore, was found to be in compliance with these statutes.

The Company is also required to comply with the provisions of N.J.S.A. 17:27A-4d(4) which states that "The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers." The Company was determined to be in compliance with the provisions of this statute as of the examination date, as the SIGI Audit Committee, Salary and Employee Benefits Committee, and Corporate Governance and Nominating Committee are comprised solely of Directors who are not employees or controlling shareholders of the Company or any affiliate.

The executive officers of the Company as of December 31, 2017, were as follows:

Executive Officer	Title
Gregory E. Murphy	Chief Executive Officer
John J. Marchioni	President and Chief Operating Officer
Michael H. Lanza	General Counsel and Corporate Secretary
Rohan A. Pai	Senior Vice President, Treasurer
Anthony D. Harnett	Senior Vice President, Chief Accounting Officer
Vincent M. Senia	Executive Vice President, Chief Actuary
Mark A. Wilcox	Executive Vice President, Chief Financial Officer
George D. Dufala, Jr.	Executive Vice President

Conflict of Interest Procedures

The Company has established a procedure for disclosure to its Board of any material interest or affiliation on the part of its officers, directors and employees that are in conflict with the official duties of such persons.

Each year, the Company requires its directors, officers and employees to sign a conflict of interest questionnaire and to divulge any potential conflicts of interest that could have an impact on the way they conduct the Company's business. A review of the conflict of interest questionnaires revealed conflicts were being reported as instructed.

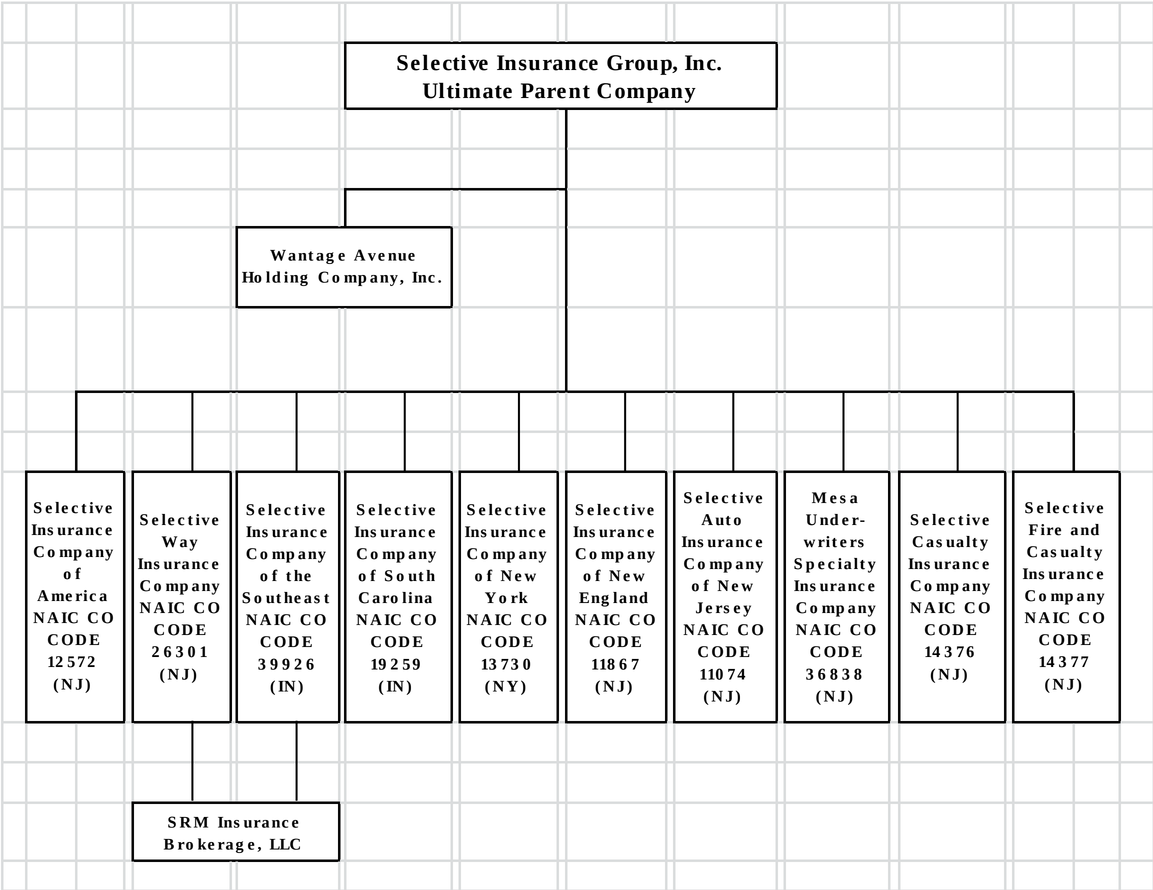
CORPORATE RECORDS

A review was made of the Board minutes and committee minutes for the period of examination. This examination determined that the minutes adequately approve and support the Company's transactions and events.

PARENT, SUBSIDIARIES, AND AFFILIATES

The Company is a member of an insurance company holding system as defined in N.J.S.A. 17:27A-1 et seq. Accordingly, the Company has filed with the State of New Jersey an insurance holding company registration as is required under N.J.S.A. 17:27A-3.

The following abbreviated organizational chart at December 31, 2017, identifies the insurance companies within the holding company organization:



Intercompany Agreements

Service Agreement

Effective July 1, 1995, the Company's affiliates SWIC, SICSC and SICSE, entered into a Service Agreement with SICA, with the Company as an additional signatory on January 1, 2004 and SAICNJ as an additional signatory effective July 1, 2006, and amended as of June 30, 2008. Under this agreement, SICA agrees to perform certain services for these affiliates, including accounting, tax, auditing, underwriting, claims, actuarial, legal, telecommunications and data processing services, and to make certain property, equipment, and facilities available for use. Expenses are charged on a cost reimbursement basis in accordance with reinsurance pooling percentages (see the "Reinsurance" Section of this Report for further details).

Reinsurance Pooling Agreement

SICNE and its affiliated insurance companies entered into the Amended and Restated Reinsurance Pooling Agreement (2012) as of January 1, 2012, in connection with SIGI's acquisition of MUSIC. SICNE and its affiliated insurance companies entered into the Second Amended and Restated Reinsurance Pooling Agreement (2012) as of July 1, 2012, in connection with the formations of SCIC and SFCIC. Effective January 1, 2014, SICNE and its affiliated insurance companies became parties to the Third Amended and Restated Reinsurance Pooling Agreement (2013). Under this agreement, the affiliates cede 100% of their written business, net of third-party reinsurance, to SICA, which serves as reinsurance pooling agent (see the "Reinsurance" Section of this Report for further details).

Tax Allocation Agreement

The Company and its affiliates, along with the ultimate parent, SIGI, file a consolidated federal income tax return. Effective January 1, 2012, the Company and certain affiliates entered into the Amended and Restated Tax Allocation Agreement (2012), which covers the allocation, settlement, and financial statement presentation of current federal income taxes among companies in the consolidated income tax return of SIGI and its subsidiaries. The Company entered into First Amendment to the Amended and Restated Tax Allocation Agreement (2012) effective July 1, 2012 to add SCIC and SFCIC to the agreement.

Joint Investment Operations Agreement

SICA and its affiliated companies SWIC, SICSC, and SICSE entered into a Joint Investment Operations Agreement effective July 1, 1995, also joined by SICNE as of January 1, 2004, and SAICNJ as of July 1, 2006, and amended as of June 30, 2008. Under this agreement, SICA provides investment services to each of these affiliates on a cost reimbursement basis.

FIDELITY BOND AND OTHER INSURANCE COVERAGE

As of December 31, 2017, SIGI, on behalf of itself and its subsidiaries, including the Company, maintains a fidelity bond with the Federal Insurance Company and has a single loss limit of $5 million and a shared aggregate limit of liability of $10 million. The aggregate limit of liability exceeds the NAIC suggested minimum.

As of December 31, 2017, the Company is also a party to an insurance program whereby its parent, SIGI, has purchased policies to protect itself and its subsidiaries in the following areas, as applicable:

Property - policy provides protection for buildings and contents, business income, information systems and commercial umbrella coverage. It is underwritten by SICA and includes the following limits:

- Building & Business Personal Property - $147,785,184
- Business Income - $25,874,160
- Information Systems - $27,000,000
- Commercial Umbrella - $20 million limit each loss and in the aggregate

Workers' Compensation - provided by SICSC for all Selective employees except those in AZ, CA, CO, DC, FL, KS, LA, NE, NH, OR, TX, VT and WV. Coverage for those states is provided by the Federal Insurance Company. Both policies provide the following limits:

- Workers' Compensation - statutory requirements
- Employers' Liability - $1 million each accident, $1 million policy limit and $1 million each employee

Directors & Officers - total of 11 layers providing a total limit of $100 million with an additional $30 million of Side A only coverage. There are 11 carriers that provide the layers of coverage.

Fiduciary Liability - provided by Federal Insurance Company with a limit of $15 million and $100,000 retention.

Pollution Liability - provided by Admiral Insurance Company with limits of $2 million per pollution condition and $2 million total of all claims and $25,000 deductible.

General Liability - provided by SICA with limits of $1 million each occurrence and $3 million aggregate.

Automobile Liability - provided by Federal Insurance Company with a $1 million combined single limit.

Professional Liability, Errors & Omissions - provided by SICA with a $17 million limit each loss and in the aggregate.

Commercial Umbrella Liability - first layer provided by SWIC with a limit of $20 million; second layer provided by National Surety Corporation with a limit of $20 million in excess of underlying $20 million; third layer provided by Travelers Property Casualty Company of America ("Travelers") with a limit of $10 million in excess of underlying $40 million.

Employment Practices Liability - provided by Lloyds of London Syndicate 623/2623 (Beazley) with an aggregate limit of liability of $10 million and $250,000 retention.

ERISA Bond - provided within the fidelity bond by the Federal Insurance Company with a $5.0 million limit of liability.

TERRITORY AND PLAN OF OPERATION

The Company is 100% owned by SIGI. SIGI is a publicly traded stock company, which through its insurance subsidiaries writes a broad range of property and casualty insurance products.

SICNE is licensed to write business in the states of New Jersey, Maine and New Hampshire. The majority of the Company's business is written in New Jersey and no business was written in Maine during the period of examination. The Company provides a broad range of insurance and alternative risk management products and services to businesses, public entities and individuals. As of December 31, 2017, the Group also distributed these same products and services through approximately 1,250 independent agencies primarily in 25 states and the District of Columbia. In addition, MUSIC writes excess and surplus business in all fifty states and the District of Columbia through approximately 85 wholesale general agents and 9 wholesale brokers. Furthermore, the Group has approximately 5,800 agents selling flood insurance products written under the NFIP's WYO program.

The Group employs a field-based operating model that is supported by their home office in Branchville, New Jersey, and seven full-service regions utilizing branch offices. In addition, the Group has an underwriting and claims service center in Richmond, Virginia.

The Group's business strategy targets small and midsized "main street" commercial accounts. This strategy is supported by the Group's formation of strategic business units ("SBU") and regional field offices along with significant advancements in its information technology platforms, integrated systems and internet-based applications. Under this structure, each SBU specializes in a particular market or customer class to provide better service to its customers, become more attuned to areas of opportunity and enhance productivity. All products and services are developed through SBUs in conjunction with Agency Management Specialists ("AMS"), and the branch office network. Under the Group's regional branch office strategy, agents directly interact with approximately 100 AMSs, who live and work in the geographic vicinity of the Group's appointed agents and act as local field underwriters to this group of agencies. AMSs are experienced underwriters who are supported by branch office and corporate underwriters and technical personnel. AMSs work closely with agencies to determine growth and profitability objectives. The Group utilizes on-site claims adjusters known as Claims Management Specialists ("CMS") and Safety Management Specialists ("SMS") - both of which are located throughout their operating territories. The Group also utilizes their field and corporate claim expertise to emphasize personal claims handling.

The Group is committed to the independent agency system and works closely with agents and field underwriters to identify new business opportunities and to develop and market products.

Administrative Offices

While the primary management and financial reporting activities are conducted from the Home Office in Branchville, New Jersey, the Group maintains other regional offices, including the following, as of December 31, 2017:

Region	Office Location
Heartland	Carmel, Indiana
New Jersey	Hamilton, New Jersey
Northeast	Branchville, New Jersey
Mid Atlantic	Allentown, Pennsylvania and Hunt Valley, Maryland
Southern	Charlotte, North Carolina
Southwest	Scottsdale, Arizona
Excess & Surplus	Horsham, Pennsylvania and Scottsdale, Arizona

REINSURANCE

Reinsurance Agreements with Affiliates

The Company is a participant in the Third Amended and Restated Reinsurance Pooling Agreement. Effective January 1, 2014, this agreement was amended to cause cessions under the agreement to be gross of collateralized reinsurance covers associated with catastrophe bonds, insurance-linked securities, or other collateralized reinsurance vehicles, if any, purchased by SICA on behalf, or for the benefit of, the Pooled Companies. Under this agreement, each pool member cedes 100% of its underwriting activity (net of inuring third party reinsurance) to SICA as Lead Company. The remaining net underwriting activity is retroceded to each pool member in accordance with each company's pooling percentage as set forth in the Third Amended and Restated Reinsurance Pooling Agreement.

The pooled percentages as of December 31, 2017, by Company, are as follows:

- Selective Insurance Company of America - 32%
- Selective Way Insurance Company - 21%
- Selective Insurance Company of South Carolina - 9%
- Selective Insurance Company of the Southeast - 7%

- Selective Insurance Company of New York - 7%
- Selective Casualty Insurance Company - 7%
- Selective Auto Insurance Company of New Jersey - 6%
- Mesa Underwriters Specialty Insurance Company - 5%
- Selective Insurance Company of New England - 3%
- Selective Fire and Casualty Insurance Company - 3%

Reinsurance Agreements with Non-Affiliates

The Group assumes required business from its participation in various voluntary and involuntary pools. The Group had the following reinsurance program in effect at December 31, 2017:

CASUALTY

2017 Workers Compensation Quota Share (various reinsurers)

The Company ceded its Workers' Compensation residual markets (involuntary pools) business pursuant to a 100% quota share reinsurance agreement. The reinsurance limit per occurrence is the expected loss ratio for each covered jurisdiction plus forty percentage points. The agreement contains a profit sharing provision whereby 50% of defined reinsurer net profit, up to seven percentage points of reinsurer net profit, is paid to the Company.

2017 Casualty Excess of Loss Treaty (various reinsurers)

	Maximum Retention Each Occurrence	Reinsurance Limit Each Occurrence	Aggregate Limit
First Layer	$2,000,000	$3,000,000	$78,000,000
Second Layer	$5,000,000	$7,000,000	$35,000,000
Third Layer	$12,000,000	$9,000,000	$27,000,000
Fourth Layer	$21,000,000	$9,000,000	$18,000,000
Fifth Layer	$30,000,000	$20,000,000	$40,000,000
Sixth Layer	$50,000,000	$40,000,000	$80,000,000

Each layer is 100% placed with the participating reinsurers.

PROPERTY

2017 Commercial and Personal Property Excess of Loss Treaty (various reinsurers)

2017 Commercial and Personal Property Excess of Loss Treaty (various reinsurers)			
	Maximum Retention Each Occurrence	Reinsurance Limit Each Occurrence	Aggregate Limit
First Layer	$2,000,000	$8,000,000	-
Second Layer A	$10,000,000	$30,000,000	$120,000,000
Second Layer B	$40,000,000	$5,000,000	$20,000,000
Third Layer	$40,000,000	$20,000,000	$75,000,000

The Second Layer A provides per occurrence coverage on all covered risks, while the Second Layer B provides per occurrence coverage only on policies written on a blanket limit basis. Each layer is 100% placed with the participating reinsurers.

2017 Commercial and Personal Property Catastrophe Treaty (various reinsurers)

	Maximum Retention Each Occurrence		Reinsurance Limit Each Occurrence		Aggregate Limit
First Layer (80% Placed)	$40,000,000		$60,000,000		$120,000,000
Second Layer (95% Placed)	$100,000,000		$125,000,000		$250,000,000
Third Layer (95% Placed)	$225,000,000		$250,000,000		$500,000,000
Fourth Layer (90% Placed)	$475,000,000		$250,000,000		$250,000,000

The Group purchased coverage for catastrophe losses outside of its historical footprint states primarily to protect the growth of their E&S property book although this treaty covers the Group's standard lines as well.

	Maximum Retention Each Occurrence		Reinsurance Limit Each Occurrence		Aggregate Limit
First Layer (85% Placed)	$5,000,000		$35,000,000		$35,000,000

OTHER REINSURANCE

2017 Surety and Fidelity Excess Treaty (various reinsurers)

	Maximum Retention Each Occurrence		Reinsurance Limit Each Occurrence		Aggregate Limit
First Layer (90% Placed)	$1,000,000		$3,000,000		$9,000,000
Second Layer (90% Placed)	$4,000,000		$5,000,000		$10,000,000
Third Layer (90% Placed)	$9,000,000		$3,000,000		$3,000,000

Excess and Surplus Lines
As part of MUSIC's acquisition by SIGI on December 31, 2011, MUSIC entered into several reinsurance agreements that together provide protection for losses on policies written prior to the acquisition and any development on reserves established by MUSIC as of the date of acquisition. The reinsurance recoverables under these treaties are 100% collateralized.

ACCOUNTS AND RECORDS

The Company's accounting books and records are maintained at its main administrative office located at 40 Wantage Avenue, Branchville, New Jersey 07890.

PeopleSoft is the accounting and general ledger system utilized by the Group to record, analyze and report financial results. Standard Insurance Operations premiums and losses are recorded through the use of its in-house computerized systems, CLAS® - commercial lines underwriting system, SelectPLUS® - personal lines underwriting system, eSurety™ - surety/fidelity bond underwriting system and MCS - claims system. Excess and surplus premium and losses are recorded within purchased systems, Dragon One Shield and Claim Zone. Reinsurance premium and loss transactions are primarily recorded in a purchased system – ProCede. Standard Insurance Operations premiums are billed and tracked through the TARABs system, which was subsequently replaced by STG in the fourth quarter of 2017. E&S premiums had converted from the EBIS system to STG in early 2016. The premium receipts are primarily processed through the following sources:

1. Lock Box with Bank of NY Mellon N.A.
2. ORCC - electronic payments, includes ACH and credit cards
3. Agent Payment System - ACH method for agents

The insurance affiliates are parties to a reinsurance pooling agreement and various intercompany service and other agreements under which SICA is the lead insurance company. Premium and losses are received and paid by SICA and are settled with its affiliated insurance companies through intercompany accounts. Transactions to be settled as a result of the intercompany pooling agreement are recorded in the respective assumed and ceded reinsurance accounts.

Investments are recorded in a purchased system, Princeton Asset Management. Each insurance affiliate owns and controls its funds via their respective custodial accounts at State Street Bank and Trust Company.

FINANCIAL STATEMENTS

The following pages contain financial statements showing the Company's financial position as of December 31, 2017, (Exhibit A) and the results of its operations for the five year period ending December 31, 2017, (Exhibit B), including capital and surplus (Exhibit C).

Exhibit A - Balance Sheet as of December 31, 2017

Comparative Statement of Assets
Liabilities, Surplus and Other Funds at December 31, 2017

			Exhibit A
Assets:	Current Examination at 12/31/17	Balance per Company at 12/31/17	Note
Bonds	$152,977,279	$152,977,279	
Cash, cash equivalents & short term investments	4,974,689	4,974,689	1
Investment income due and accrued	1,211,266	1,211,266	
Uncollected premium and agents' balances in the course of collection	8,029,158	8,029,158	
Deferred premiums, agents' balances and installments booked but deferred and not yet due	18,568,374	18,568,374	
Accrued retrospective premiums	36,287	36,287	
Amounts recoverable from reinsurers	2,341,672	2,341,672	
Net deferred tax asset	3,138,552	3,138,552	
Guaranty funds receivable or on deposit	29,671	29,671	
Receivable from parent, subsidiaries and affiliates	1,156,672	1,156,672	
Aggregate write-ins for other than invested assets	1,121,143	1,121,143	
Total Assets	$193,584,763	$193,584,763	
Liabilities:			
Losses	$77,170,433	$77,170,433	2
Reinsurance payable on paid loss and LAE	3,548,488	3,548,488	
Loss adjustment expenses	17,853,596	17,853,596	2
Commission payable, contingent commissions and other similar charges	2,614,549	2,614,549	
Other expenses	2,545,422	2,545,422	
Taxes, licenses and fees	920,434	920,434	
Current federal and foreign income taxes	740,536	740,536	
Unearned premiums	35,884,521	35,884,521	
Advance premiums	169,003	169,003	
Dividends declared and unpaid: policyholders	150,323	150,323	
Ceded reinsurance premiums payable	4,656,282	4,656,282	
Amounts withheld or retained by company for account of others	208,422	208,422	
Provision for reinsurance	10,086	10,086	
Aggregate write ins for liabilities	823,737	823,737	
Total Liabilities	$147,295,832	$147,295,832	
Capital and Surplus:			
Common capital stock	4,500,000	4,500,000	3
Gross paid in and contributed surplus	25,654,873	25,654,873	3
Unassigned funds (surplus)	16,134,058	16,134,058	3
Surplus as regards policyholders	$46,288,931	$46,288,931	3
Total Liabilities and Surplus and Other Funds	$193,584,763	$193,584,763	

Exhibit B – Statement of Operating Results for the Five-Year Period Ending December 31, 2017

Underwriting and Investment Exhibit					
for the five year period ending December 31, 2017					Exhibit B
	2013	2014	2015	2016	2017
Underwriting Income					
Premiums earned	52,123,124	55,578,272	59,697,275	64,487,158	68,730,801
Deductions:					
Losses incurred	27,243,375	27,906,417	27,586,104	29,907,230	33,270,135
Loss adjustment expenses incurred	6,398,790	6,750,521	6,877,378	7,094,882	7,081,773
Other underwriting expenses incurred	18,064,245	19,064,802	21,472,103	23,146,887	24,023,039
Aggregate write-ins for underwriting deductions	16,786	7,987	13,157	7,261	45,652
Total underwriting deductions	51,723,196	53,729,727	55,948,742	60,156,260	64,420,599
Net underwriting income (loss)	399,928	1,848,545	3,748,533	4,330,898	4,310,202
Investment Income					
Net investment income earned	3,810,926	3,798,508	3,699,822	3,873,600	4,580,345
Net realized capital gains	61,831	5,670	(21,818)	(106,845)	49,674
Net investment gain	3,872,757	3,804,178	3,678,004	3,766,755	4,630,019
Other income					
Net gain or loss from agents' or premium balances charged off	(80,906)	(84,667)	(87,575)	(81,331)	(65,799)
Finance and service charges not included in premiums	195,988	186,092	184,446	184,362	178,944
Aggregate write-ins for miscellaneous income	189,094	314,599	34,150	65,549	115,885
Total other income	304,176	416,024	131,021	168,580	229,030
Net income, before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	4,576,861	6,068,747	7,557,558	8,266,233	9,169,251
Dividends to policyholders	128,240	185,460	186,568	109,447	139,025
Net income after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	4,448,621	5,883,287	7,370,990	8,156,786	9,030,226
Federal and foreign income taxes incurred	1,318,465	1,521,983	1,885,971	2,201,683	2,691,987
Net income	3,130,156	4,361,304	5,485,019	5,955,103	6,338,239

Exhibit C – Changes in Capital and Surplus for the Five-Year Period Ending December 31, 2017

CAPITAL AND SURPLUS					
for the FIVE year period ending December 31, 2017					Exhibit C
	2013	2014	2015	2016	2017
Capital and Surplus Account					
Net income or (loss)	3,130,156	4,361,304	5,485,019	5,955,103	6,338,239
Change in net unrealized capital gains or losses	19,140	(8,818)	(477)	8,938	357
Change in net deferred income tax	110,163	318,875	(411,812)	(306,493)	(2,086,829)
Change in non-admitted assets	248,034	(491,978)	58,820	883,035	393,031
Change in provision for reinsurance	(501)	(1,173)	1,998	(19,756)	13,549
Cumulative effect of changes in accounting principles	0	0	0	0	0
Capital changes - Paid in	0	0	0	0	0
Surplus adjustments - Paid in	375,000	0	0	0	0
Dividends to stockholders	(2,000,000)	(2,000,000)	(1,500,000)	(2,000,000)	(2,000,000)
Aggregate write-ins for gains and losses in surplus	487,476	(1,579,922)	273,844	(179,273)	(80,827)
Change in Surplus as regards to policyholders for the year	2,369,468	598,288	3,907,392	4,341,554	2,577,520
Surplus December 31 previous year	32,494,709	34,864,177	35,462,465	39,369,857	43,711,411
Surplus December 31 current year	34,864,177	35,462,465	39,369,857	43,711,411	46,288,931

NOTES TO FINANCIAL STATEMENTS

(NOTE 1) – STATUTORY DEPOSITS

The following is a list of deposits as of December 31, 2017, for states that require the Company to maintain a deposit for the benefit of all policyholders or the policyholders of a particular state. The securities held are either US Treasury Notes or a specific security and are in the following carrying amounts and for the indicated states:

State	Carrying Value
New Hampshire	$496,053
New Jersey	99,814
Total	$595,867

(NOTE 2) – LOSSES AND LOSS ADJUSTMENT EXPENSES

The Company's reported liabilities at December 31, 2017, for unpaid losses and unpaid loss adjustment expenses, net of reinsurance, amounted to $77,170,433 and $17,853,596, respectively.

The Property and Casualty Actuarial Unit of the NJDOBI, Office of Solvency Regulation performed a review and evaluation of the outstanding gross and net loss and loss adjustment expense reserves. This review determined the year-end loss provisions established by the Company to be reasonable.

Data supplied to the Department's Actuarial Staff was reconciled to the Company's Annual Statement. Detail supporting loss payments and case reserves was provided by the Company and reconciled to Schedule P of the Annual Statements for the years under examination. Samples of reserves and payments were selected and verified to source documents.

(NOTE 3) – SURPLUS AS REGARDS POLICYHOLDERS

The Capital Stock of the Company at December 31, 2017, was $4,500,000 consisting of 500,000 shares issued with a par value of $9.00 each with total authorized shares of 500,000. No changes in capital stock occurred during the examination period. The Gross Paid In and Contributed Surplus and Unassigned Fund (Surplus) reported by the Company and as determined by this examination were $25,654,873 and $16,134,058, respectively. Total Surplus as Regards Policyholders was $46,288,931, as of December 31, 2017, reported by the Company and as determined by this examination.

SUBSEQUENT EVENTS

No significant subsequent events were identified by the examiners for the period from December 31, 2017 through the date of this examination report.

CONCLUSION

The undersigned hereby certifies that an examination has been made of Selective Insurance Company of New England and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,

William Michael, CFE
Examiner-in-Charge
Representing the State of New Jersey
Risk & Regulatory Consulting, LLC

Under the supervision of:

Robert Pietras, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

AFFIDAVIT

I, William Michael, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of Selective Insurance Company of New England in accordance with the NAIC Financial Condition Examiners Handbook and New Jersey State Regulations.

Respectfully submitted,

William Michael

William Michael, CFE
Examiner-in-Charge
Representing the State of New Jersey
Risk & Regulatory Consulting, LLC

Under the supervision of:

Robert Pietras, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila Tkacs, on this 2nd day of January, 2019.

Sheila Sm Tkacs

Notary Public of New Jersey

My commission expires: July 2020