



ANNUAL STATEMENT

For the Year Ended December 31, 2011

of the Condition and Affairs of the

PROGRESSIVE SPECIALTY INSURANCE COMPANY

|  |  |  |
|--|--|--|
| NAIC Group Code.....155, 155               | NAIC Company Code..... 32786   | Employer's ID Number..... 34-1172685       |
| (Current Period) (Prior Period)            |  |  |
| Organized under the Laws of OH             | State of Domicile or Port of Entry OH                                | Country of Domicile US                     |
| Incorporated/Organized..... August 4, 1975 | Commenced Business..... May 26, 1976                                 |  |
| Statutory Home Office                      | 6300 WILSON MILLS ROAD, W33..... CLEVELAND ..... OH ..... 44143-2182 |  |
|  | (Street and Number) (City or Town, State and Zip Code)               |  |
| Main Administrative Office                 | 6300 WILSON MILLS ROAD, W33..... CLEVELAND ..... OH ..... 44143-2182 | 440-461-5000                               |
|  | (Street and Number) (City or Town, State and Zip Code)               | (Area Code) (Telephone Number)             |
| Mail Address                               | P.O. BOX 89490..... CLEVELAND ..... OH ..... 44101-6490              |  |
|  | (Street and Number or P. O. Box) (City or Town, State and Zip Code)  |  |
| Primary Location of Books and Records      | 6300 WILSON MILLS ROAD, W33..... CLEVELAND ..... OH ..... 44143-2182 | 440-395-4460                               |
|  | (Street and Number) (City or Town, State and Zip Code)               | (Area Code) (Telephone Number)             |
| Internet Web Site Address                  | PROGRESSIVE.COM  |  |
| Statutory Statement Contact                | MARY BETH ANDREANO   | 440-395-4460                               |
|  | (Name)   | (Area Code) (Telephone Number) (Extension) |
|  | FINANCIAL_REPORTING@PROGRESSIVE.COM                                  | 440-446-7168                               |
|  | (E-Mail Address)   | (Fax Number)                               |

POLICYHOLDER SERVICES AND CLAIMS REPORTING -- 1-800-PROGRESSIVE (1-800-776-4737)

OFFICERS

| Name               | Title     | Name               | Title     |
|--------------------|-----------|--------------------|-----------|
| DAVID JAMES SKOVE  | PRESIDENT | PETER JAMES ALBERT | SECRETARY |
| THOMAS ALFRED KING | TREASURER |                    |           |

OTHER

|                    |                   |                     |                   |
|--------------------|-------------------|---------------------|-------------------|
| PETER JAMES ALBERT | (VICE PRESIDENT)  | MARY BETH ANDREANO  | (VICE PRESIDENT)  |
| KAREN MARIE BARONE | (VICE PRESIDENT)  | KATHLEEN MARY CERNY | (ASST. SECRETARY) |
| JAMES LEE KUSMER   | (ASST. TREASURER) |                     |                   |

DIRECTORS OR TRUSTEES

|                    |                          |                     |                   |
|--------------------|--------------------------|---------------------|-------------------|
| KAREN MARIE BARONE | KATHRYN MARGARET LEMIEUX | MARK DONALD NIEHAUS | DAVID LLOYD PRATT |
| DAVID JAMES SKOVE  |                          |                     |                   |

State of..... OHIO  
County of.... CUYAHOGA

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions and Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

|                   |                     |                    |
|-------------------|---------------------|--------------------|
| (Signature)       | (Signature)         | (Signature)        |
| DAVID JAMES SKOVE | KATHLEEN MARY CERNY | THOMAS ALFRED KING |
| 1. (Printed Name) | 2. (Printed Name)   | 3. (Printed Name)  |
| PRESIDENT         | ASSISTANT SECRETARY | TREASURER          |
| (Title)           | (Title)             | (Title)            |

|                                   |                                |                  |
|-----------------------------------|--------------------------------|------------------|
| Subscribed and sworn to before me | a. Is this an original filing? | Yes [ X ] No [ ] |
| This 16TH day of FEBRUARY, 2012   | b. If no                       |                  |
|                                   | 1. State the amendment number  |                  |
|                                   | 2. Date filed                  |                  |
|                                   | 3. Number of pages attached    |                  |

ASSETS

|  | Current Year  |                    |                                   | Prior Year          |
|--|---------------|--------------------|-----------------------------------|---------------------|
|  | 1             | 2                  | 3                                 | 4                   |
|  | Assets        | Nonadmitted Assets | Net Admitted Assets (Cols. 1 - 2) | Net Admitted Assets |
| 1. Bonds (Schedule D).....   | 611,441,045   |                    | 611,441,045                       | 842,384,194         |
| 2. Stocks (Schedule D):  |               |                    |                                   |                     |
| 2.1 Preferred stocks.....  | 108,377,098   |                    | 108,377,098                       | 123,842,105         |
| 2.2 Common stocks.....   | 101,693,201   |                    | 101,693,201                       | 84,965,749          |
| 3. Mortgage loans on real estate (Schedule B):   |               |                    |                                   |                     |
| 3.1 First liens.....   |               |                    | 0                                 |                     |
| 3.2 Other than first liens.....  |               |                    | 0                                 |                     |
| 4. Real estate (Schedule A):   |               |                    |                                   |                     |
| 4.1 Properties occupied by the company (less \$.....0 encumbrances).....   |               |                    | 0                                 |                     |
| 4.2 Properties held for the production of income (less \$.....0 encumbrances).....   |               |                    | 0                                 |                     |
| 4.3 Properties held for sale (less \$.....0 encumbrances).....   |               |                    | 0                                 |                     |
| 5. Cash (\$.....1,593, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....199,149, Sch. DA).....          | 200,742       |                    | 200,742                           | 20,273,334          |
| 6. Contract loans (including \$.....0 premium notes).....  |               |                    | 0                                 |                     |
| 7. Derivatives (Schedule DB).....  |               |                    | 0                                 |                     |
| 8. Other invested assets (Schedule BA).....  | 9,229,720     | 9,229,720          | 0                                 | 0                   |
| 9. Receivables for securities.....   | 13,533        |                    | 13,533                            |                     |
| 10. Securities lending reinvested collateral assets (Schedule DL).....   |               |                    | 0                                 |                     |
| 11. Aggregate write-ins for invested assets.....   | 0             | 0                  | 0                                 | 0                   |
| 12. Subtotals, cash and invested assets (Lines 1 to 11).....   | 830,955,339   | 9,229,720          | 821,725,619                       | 1,071,465,382       |
| 13. Title plants less \$.....0 charged off (for Title insurers only).....  |               |                    | 0                                 |                     |
| 14. Investment income due and accrued.....   | 6,665,931     |                    | 6,665,931                         | 8,196,983           |
| 15. Premiums and considerations:   |               |                    |                                   |                     |
| 15.1 Uncollected premiums and agents' balances in course of collection.....  | 26,628,937    | 7,243,864          | 19,385,073                        | 12,145,636          |
| 15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums)..... | 141,511,047   |                    | 141,511,047                       | 124,841,562         |
| 15.3 Accrued retrospective premiums.....   |               |                    | 0                                 |                     |
| 16. Reinsurance:   |               |                    |                                   |                     |
| 16.1 Amounts recoverable from reinsurers.....  | 8,294,002     |                    | 8,294,002                         | 4,527,536           |
| 16.2 Funds held by or deposited with reinsured companies.....  |               |                    | 0                                 |                     |
| 16.3 Other amounts receivable under reinsurance contracts.....   |               |                    | 0                                 |                     |
| 17. Amounts receivable relating to uninsured plans.....  |               |                    | 0                                 |                     |
| 18.1 Current federal and foreign income tax recoverable and interest thereon.....  |               |                    | 0                                 |                     |
| 18.2 Net deferred tax asset.....   | 29,008,356    | 7,612,526          | 21,395,830                        | 20,456,390          |
| 19. Guaranty funds receivable or on deposit.....   |               |                    | 0                                 |                     |
| 20. Electronic data processing equipment and software.....   |               |                    | 0                                 |                     |
| 21. Furniture and equipment, including health care delivery assets (\$.....0).....   |               |                    | 0                                 |                     |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates.....  |               |                    | 0                                 |                     |
| 23. Receivables from parent, subsidiaries and affiliates.....  | 45,657,714    |                    | 45,657,714                        | 32,242,013          |
| 24. Health care (\$.....0) and other amounts receivable.....   |               |                    | 0                                 |                     |
| 25. Aggregate write-ins for other than invested assets.....  | 1,352,111     | 217,922            | 1,134,189                         | 1,434,812           |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....                                  | 1,090,073,437 | 24,304,032         | 1,065,769,405                     | 1,275,310,314       |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....   |               |                    | 0                                 |                     |
| 28. TOTALS (Lines 26 and 27).....  | 1,090,073,437 | 24,304,032         | 1,065,769,405                     | 1,275,310,314       |

| DETAILS OF WRITE-INS   |           |         |           |           |
|--|-----------|---------|-----------|-----------|
| 1101. ....   |           |         | 0         |           |
| 1102. ....   |           |         | 0         |           |
| 1103. ....   |           |         | 0         |           |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... | 0         | 0       | 0         | 0         |
| 1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....       | 0         | 0       | 0         | 0         |
| 2501. EQUITIES AND DEPOSITS IN POOLS AND ASSOCIATIONS.....               | 1,134,189 |         | 1,134,189 | 1,434,812 |
| 2502. PREPAID EXPENSES.....  | 206,464   | 206,464 | 0         |           |
| 2503. MISCELLANEOUS OTHER ASSETS.....                                    | 11,458    | 11,458  | 0         |           |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0         | 0       | 0         | 0         |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....       | 1,352,111 | 217,922 | 1,134,189 | 1,434,812 |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
LIABILITIES, SURPLUS AND OTHER FUNDS

|  | 1<br>Current Year | 2<br>Prior Year |
|--|-------------------|-----------------|
| 1. Losses (Part 2A, Line 35, Column 8).....  | 199,877,709       | 195,454,359     |
| 2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....   | 4,258,048         | 3,495,318       |
| 3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....  | 42,157,315        | 42,640,274      |
| 4. Commissions payable, contingent commissions and other similar charges.....  | 906,016           | 1,028,775       |
| 5. Other expenses (excluding taxes, licenses and fees).....  | 19,890,497        | 20,042,455      |
| 6. Taxes, licenses and fees (excluding federal and foreign income taxes).....  | 4,132,708         | 4,626,108       |
| 7.1 Current federal and foreign income taxes (including \$.....(242,061) on realized capital gains (losses)).....  | 5,162,503         | 6,185,158       |
| 7.2 Net deferred tax liability.....  |                   |                 |
| 8. Borrowed money \$.....0 and interest thereon \$.....0.....  |                   |                 |
| 9. Unearned premiums (Part 1A, Line 38, Column 5) (after deducting unearned premiums for ceded reinsurance of \$....258,734,248 and including warranty reserves of \$.....0 and accrued accident and health experience rating refunds including \$.....0 for medical loss ratio rebate per the Public Health Service Act)..... | 177,167,886       | 169,191,997     |
| 10. Advance premium.....   | 4,462,525         | 4,985,580       |
| 11. Dividends declared and unpaid:   |                   |                 |
| 11.1 Stockholders.....   |                   |                 |
| 11.2 Policyholders.....  |                   |                 |
| 12. Ceded reinsurance premiums payable (net of ceding commissions).....  | 38,252            | 27,721          |
| 13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....  |                   |                 |
| 14. Amounts withheld or retained by company for account of others.....   |                   |                 |
| 15. Remittances and items not allocated.....   |                   |                 |
| 16. Provision for reinsurance (Schedule F, Part 7).....  |                   |                 |
| 17. Net adjustments in assets and liabilities due to foreign exchange rates.....   |                   |                 |
| 18. Drafts outstanding.....  | 31,754,199        | 26,183,311      |
| 19. Payable to parent, subsidiaries and affiliates.....  |                   |                 |
| 20. Derivatives.....   |                   |                 |
| 21. Payable for securities.....  |                   |                 |
| 22. Payable for securities lending.....  |                   |                 |
| 23. Liability for amounts held under uninsured plans.....  |                   |                 |
| 24. Capital notes \$.....0 and interest thereon \$.....0.....  |                   |                 |
| 25. Aggregate write-ins for liabilities.....   | 1,223,751         | 1,096,416       |
| 26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....   | 491,031,409       | 474,957,472     |
| 27. Protected cell liabilities.....  |                   |                 |
| 28. Total liabilities (Lines 26 and 27).....   | 491,031,409       | 474,957,472     |
| 29. Aggregate write-ins for special surplus funds.....   | 0                 | 0               |
| 30. Common capital stock.....  | 3,500,000         | 3,500,000       |
| 31. Preferred capital stock.....   |                   |                 |
| 32. Aggregate write-ins for other than special surplus funds.....  | 0                 | 0               |
| 33. Surplus notes.....   |                   |                 |
| 34. Gross paid in and contributed surplus.....   | 82,241,037        | 80,677,139      |
| 35. Unassigned funds (surplus).....  | 488,996,959       | 716,175,703     |
| 36. Less treasury stock, at cost:  |                   |                 |
| 36.1 .....0.000 shares common (value included in Line 30 \$.....0).....  |                   |                 |
| 36.2 .....0.000 shares preferred (value included in Line 31 \$.....0).....   |                   |                 |
| 37. Surplus as regards policyholders (Lines 29 to 35, less 36) (Page 4, Line 39).....  | 574,737,996       | 800,352,842     |
| 38. TOTALS (Page 2, Line 28, Col. 3).....  | 1,065,769,405     | 1,275,310,314   |

DETAILS OF WRITE-INS

|  |           |           |
|--|-----------|-----------|
| 2501. OTHER LIABILITIES.....   | 1,086,735 | 1,058,426 |
| 2502. ESCHEATABLE PROPERTY.....  | 129,908   | 32,451    |
| 2503. UNEARNED FEE RESERVE.....  | 7,108     | 5,539     |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0         | 0         |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....       | 1,223,751 | 1,096,416 |
| 2901. ....   |           |           |
| 2902. ....   |           |           |
| 2903. ....   |           |           |
| 2998. Summary of remaining write-ins for Line 29 from overflow page..... | 0         | 0         |
| 2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....       | 0         | 0         |
| 3201. ....   |           |           |
| 3202. ....   |           |           |
| 3203. ....   |           |           |
| 3298. Summary of remaining write-ins for Line 32 from overflow page..... | 0         | 0         |
| 3299. Totals (Lines 3201 thru 3203 plus 3298) (Line 32 above).....       | 0         | 0         |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
STATEMENT OF INCOME

| UNDERWRITING INCOME         |  | 1             | 2            |
|-----------------------------|--|---------------|--------------|
|                             |  | Current Year  | Prior Year   |
| 1.                          | Premiums earned (Part 1, Line 35, Column 4).....   | 585,036,630   | 566,989,790  |
| DEDUCTIONS                  |  |               |              |
| 2.                          | Losses incurred (Part 2, Line 35, Column 7).....   | 360,387,703   | 337,596,166  |
| 3.                          | Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....   | 60,564,769    | 61,247,830   |
| 4.                          | Other underwriting expenses incurred (Part 3, Line 25, Column 2).....  | 130,270,580   | 129,439,981  |
| 5.                          | Aggregate write-ins for underwriting deductions.....   | 17            | (107,966)    |
| 6.                          | Total underwriting deductions (Lines 2 through 5).....   | 551,223,069   | 528,176,011  |
| 7.                          | Net income of protected cells.....   |               |              |
| 8.                          | Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....  | 33,813,561    | 38,813,779   |
| INVESTMENT INCOME           |  |               |              |
| 9.                          | Net investment income earned (Exhibit of Net Investment Income, Line 17).....  | 36,087,753    | 38,709,201   |
| 10.                         | Net realized capital gains (losses) less capital gains tax of \$.....(172,777) (Exhibit of Capital Gains (Losses)).....                                  | 9,344,803     | 11,962,823   |
| 11.                         | Net investment gain (loss) (Lines 9 + 10).....   | 45,432,556    | 50,672,024   |
| OTHER INCOME                |  |               |              |
| 12.                         | Net gain (loss) from agents' or premium balances charged off (amount recovered \$....483,824 amount charged off \$....12,383,260).....                   | (11,899,436)  | (10,356,977) |
| 13.                         | Finance and service charges not included in premiums.....  | 23,194,523    | 20,030,139   |
| 14.                         | Aggregate write-ins for miscellaneous income.....  | 738,773       | 1,252,130    |
| 15.                         | Total other income (Lines 12 through 14).....  | 12,033,860    | 10,925,292   |
| 16.                         | Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....     | 91,279,977    | 100,411,095  |
| 17.                         | Dividends to policyholders.....  |               |              |
| 18.                         | Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Line 16 minus Line 17)..... | 91,279,977    | 100,411,095  |
| 19.                         | Federal and foreign income taxes incurred.....   | 27,257,170    | 29,926,772   |
| 20.                         | Net income (Line 18 minus Line 19) (to Line 22).....   | 64,022,807    | 70,484,323   |
| CAPITAL AND SURPLUS ACCOUNT |  |               |              |
| 21.                         | Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....  | 800,352,842   | 719,871,332  |
| 22.                         | Net income (from Line 20).....   | 64,022,807    | 70,484,323   |
| 23.                         | Net transfers (to) from Protected Cell accounts.....   |               |              |
| 24.                         | Change in net unrealized capital gains or (losses) less capital gains tax of \$....(5,688,945).....  | (10,684,473)  | 12,838,218   |
| 25.                         | Change in net unrealized foreign exchange capital gain (loss).....   |               |              |
| 26.                         | Change in net deferred income tax.....   | (1,403,536)   | (6,685,203)  |
| 27.                         | Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28 Column 3).....  | (4,113,542)   | 3,844,172    |
| 28.                         | Change in provision for reinsurance (Page 3, Line 16, Column 2 minus Column 1).....  |               |              |
| 29.                         | Change in surplus notes.....   |               |              |
| 30.                         | Surplus (contributed to) withdrawn from protected cells.....   |               |              |
| 31.                         | Cumulative effect of changes in accounting principles.....   |               |              |
| 32.                         | Capital changes:   |               |              |
| 32.1                        | Paid in.....   |               |              |
| 32.2                        | Transferred from surplus (Stock Dividend).....   |               |              |
| 32.3                        | Transferred to surplus.....  |               |              |
| 33.                         | Surplus adjustments:   |               |              |
| 33.1                        | Paid in.....   | 1,563,898     |              |
| 33.2                        | Transferred to capital (Stock Dividend).....   |               |              |
| 33.3.                       | Transferred from capital.....  |               |              |
| 34.                         | Net remittances from or (to) Home Office.....  |               |              |
| 35.                         | Dividends to stockholders.....   | (275,000,000) |              |
| 36.                         | Change in treasury stock (Page 3, Lines 36.1 and 36.2, Column 2 minus Column 1).....   |               |              |
| 37.                         | Aggregate write-ins for gains and losses in surplus.....   | 0             | 0            |
| 38.                         | Change in surplus as regards policyholders for the year (Lines 22 through 37).....   | (225,614,846) | 80,481,510   |
| 39.                         | Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....   | 574,737,996   | 800,352,842  |
| DETAILS OF WRITE-INS        |  |               |              |
| 0501.                       | 2008 NORTH CAROLINA PRIVATE PASSENGER AUTO ESCROW (REFUNDS).....   | 17            | (107,966)    |
| 0502.                       | .....  |               |              |
| 0503.                       | .....  |               |              |
| 0598.                       | Summary of remaining write-ins for Line 5 from overflow page.....  | 0             | 0            |
| 0599.                       | Totals (Lines 0501 thru 0503 plus 0598) (Line 5 above).....  | 17            | (107,966)    |
| 1401.                       | MISCELLANEOUS INCOME.....  | 633,846       | 1,095,989    |
| 1402.                       | SERVICE BUSINESS REVENUE.....  | 72,854        | 85,203       |
| 1403.                       | INTEREST INCOME ON INTERCOMPANY BALANCES.....  | 32,073        | 70,938       |
| 1498.                       | Summary of remaining write-ins for Line 14 from overflow page.....   | 0             | 0            |
| 1499.                       | Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....   | 738,773       | 1,252,130    |
| 3701.                       | .....  |               |              |
| 3702.                       | .....  |               |              |
| 3703.                       | .....  |               |              |
| 3798.                       | Summary of remaining write-ins for Line 37 from overflow page.....   | 0             | 0            |
| 3799.                       | Totals (Lines 3701 thru 3703 plus 3798) (Line 37 above).....   | 0             | 0            |

CASH FLOW

|   | 1<br>Current Year | 2<br>Prior Year |
|---|-------------------|-----------------|
| CASH FROM OPERATIONS  |                   |                 |
| 1. Premiums collected net of reinsurance.....   | 566,915,075       | 558,910,854     |
| 2. Net investment income.....   | 62,589,624        | 61,435,717      |
| 3. Miscellaneous income.....  | 12,656,336        | 11,274,055      |
| 4. Total (Lines 1 through 3).....   | 642,161,035       | 631,620,626     |
| 5. Benefit and loss related payments.....   | 358,968,089       | 336,755,947     |
| 6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....                     |                   |                 |
| 7. Commissions, expenses paid and aggregate write-ins for deductions.....                                       | 192,088,963       | 188,587,896     |
| 8. Dividends paid to policyholders.....   |                   |                 |
| 9. Federal and foreign income taxes paid (recovered) net of \$.....(242,775) tax on capital gains (losses)..... | 28,107,048        | 33,438,375      |
| 10. Total (Lines 5 through 9).....  | 579,164,100       | 558,782,218     |
| 11. Net cash from operations (Line 4 minus Line 10).....  | 62,996,935        | 72,838,408      |
| CASH FROM INVESTMENTS   |                   |                 |
| 12. Proceeds from investments sold, matured or repaid:  |                   |                 |
| 12.1 Bonds.....   | 440,678,103       | 343,705,113     |
| 12.2 Stocks.....  | 11,848,844        | 44,693,965      |
| 12.3 Mortgage loans.....  |                   |                 |
| 12.4 Real estate.....   |                   |                 |
| 12.5 Other invested assets.....   | 180,000           | 196,000         |
| 12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....                            |                   |                 |
| 12.7 Miscellaneous proceeds.....  |                   |                 |
| 12.8 Total investment proceeds (Lines 12.1 to 12.7).....  | 452,706,947       | 388,595,078     |
| 13. Cost of investments acquired (long-term only):  |                   |                 |
| 13.1 Bonds.....   | 228,907,191       | 395,887,878     |
| 13.2 Stocks.....  | 25,989,459        | 48,444,308      |
| 13.3 Mortgage loans.....  |                   |                 |
| 13.4 Real estate.....   |                   |                 |
| 13.5 Other invested assets.....   |                   |                 |
| 13.6 Miscellaneous applications.....  | 13,533            | 11              |
| 13.7 Total investments acquired (Lines 13.1 to 13.6).....   | 254,910,183       | 444,332,197     |
| 14. Net increase (decrease) in contract loans and premium notes.....  |                   |                 |
| 15. Net cash from investments (Line 12.8 minus Lines 13.7 minus Line 14).....                                   | 197,796,764       | (55,737,119)    |
| CASH FROM FINANCING AND MISCELLANEOUS SOURCES   |                   |                 |
| 16. Cash provided (applied):  |                   |                 |
| 16.1 Surplus notes, capital notes.....  |                   |                 |
| 16.2 Capital and paid in surplus, less treasury stock.....  | 1,563,898         |                 |
| 16.3 Borrowed funds.....  |                   |                 |
| 16.4 Net deposits on deposit-type contracts and other insurance liabilities.....                                |                   |                 |
| 16.5 Dividends to stockholders.....   | 275,000,000       |                 |
| 16.6 Other cash provided (applied).....   | (7,430,189)       | 3,016,667       |
| 17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....  | (280,866,291)     | 3,016,667       |
| RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS   |                   |                 |
| 18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....    | (20,072,592)      | 20,117,956      |
| 19. Cash, cash equivalents and short-term investments:  |                   |                 |
| 19.1 Beginning of year.....   | 20,273,334        | 155,378         |
| 19.2 End of year (Line 18 plus Line 19.1).....  | 200,742           | 20,273,334      |
| Note: Supplemental disclosures of cash flow information for non-cash transactions:                              |                   |                 |
| 20.0001 .....   |                   |                 |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS EARNED

| Line of Business |  | 1<br>Net<br>Premiums<br>Written per<br>Column 6, Part 1B | 2<br>Unearned Premiums<br>December 31<br>Prior Year-<br>per Col. 3,<br>Last Year's Part 1 | 3<br>Unearned Premiums<br>December 31<br>Current Year-<br>per Col. 5,<br>Part 1A | 4<br>Premiums<br>Earned<br>During Year<br>(Cols. 1 + 2 - 3) |
|------------------|--|--|---|--|---|
| 1.               | Fire.....  |  |   |  | .....0  |
| 2.               | Allied lines.....  |  |   |  | .....0  |
| 3.               | Farmowners multiple peril.....                             |  |   |  | .....0  |
| 4.               | Homeowners multiple peril.....                             | .....1,876,485   | .....964,219  | .....971,067   | .....1,869,637  |
| 5.               | Commercial multiple peril.....                             |  |   |  | .....0  |
| 6.               | Mortgage guaranty.....                                     |  |   |  | .....0  |
| 8.               | Ocean marine.....  |  |   |  | .....0  |
| 9.               | Inland marine.....   | .....9,814,225   | .....4,400,943  | .....4,671,548   | .....9,543,619  |
| 10.              | Financial guaranty.....                                    |  |   |  | .....0  |
| 11.1             | Medical professional liability - occurrence.....           |  |   |  | .....0  |
| 11.2             | Medical professional liability - claims-made.....          | .....2,100   | .....178  | .....184   | .....2,094  |
| 12.              | Earthquake.....  |  |   |  | .....0  |
| 13.              | Group accident and health.....                             |  |   |  | .....0  |
| 14.              | Credit accident and health (group and individual).....     |  |   |  | .....0  |
| 15.              | Other accident and health.....                             |  |   |  | .....0  |
| 16.              | Workers' compensation.....                                 |  |   |  | .....0  |
| 17.1             | Other liability - occurrence.....                          | .....4,597,403   | .....2,221,402  | .....2,195,308   | .....4,623,497  |
| 17.2             | Other liability - claims-made.....                         | .....13,209  | .....310,051  | .....76,314  | .....246,946  |
| 17.3             | Excess workers' compensation.....                          |  |   |  | .....0  |
| 18.1             | Products liability - occurrence.....                       |  |   |  | .....0  |
| 18.2             | Products liability - claims-made.....                      |  |   |  | .....0  |
| 19.1, 19.2       | Private passenger auto liability.....                      | .....340,330,061   | .....89,024,778   | .....93,564,158  | .....335,790,681  |
| 19.3, 19.4       | Commercial auto liability.....                             | .....34,669,985  | .....14,029,872   | .....16,656,510  | .....32,043,347   |
| 21.              | Auto physical damage.....                                  | .....201,707,821   | .....58,154,680   | .....59,020,788  | .....200,841,713  |
| 22.              | Aircraft (all perils).....                                 |  |   |  | .....0  |
| 23.              | Fidelity.....  | .....588   | .....77,307   | .....10,479  | .....67,416   |
| 24.              | Surety.....  | .....643   | .....8,568  | .....1,530   | .....7,680  |
| 26.              | Burglary and theft.....                                    |  |   |  | .....0  |
| 27.              | Boiler and machinery.....                                  |  |   |  | .....0  |
| 28.              | Credit.....  |  |   |  | .....0  |
| 29.              | International.....   |  |   |  | .....0  |
| 30.              | Warranty.....  |  |   |  | .....0  |
| 31.              | Reinsurance - nonproportional assumed property.....        |  |   |  | .....0  |
| 32.              | Reinsurance - nonproportional assumed liability.....       |  |   |  | .....0  |
| 33.              | Reinsurance - nonproportional assumed financial lines..... |  |   |  | .....0  |
| 34.              | Aggregate write-ins for other lines of business.....       | .....0   | .....0  | .....0   | .....0  |
| 35.              | TOTALS.....  | .....593,012,518   | .....169,191,997  | .....177,167,886   | .....585,036,630  |

DETAILS OF WRITE-INS

|       |   |        |        |        |        |
|-------|---|--------|--------|--------|--------|
| 3401. | .....   |        |        |        | .....0 |
| 3402. | .....   |        |        |        | .....0 |
| 3403. | .....   |        |        |        | .....0 |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page.. | .....0 | .....0 | .....0 | .....0 |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....    | .....0 | .....0 | .....0 | .....0 |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT

PART 1A - RECAPITULATION OF ALL PREMIUMS

| Line of Business |  | 1   | 2   | 3                              | 4  | 5  |
|------------------|--|---|---|--------------------------------|--|--|
|                  |  | Amount Unearned<br>(Running One Year<br>or Less from Date<br>of Policy) (a) | Amount Unearned<br>(Running More Than<br>One Year from<br>Date of Policy) (a) | Earned But<br>Unbilled Premium | Reserve for<br>Rate Credits<br>and Retrospective<br>Adjustments Based<br>on Experience | Total Reserve<br>for Unearned<br>Premiums<br>Cols. 1 + 2 + 3 + 4 |
| 1.               | Fire.....  |   |   |                                |  | 0  |
| 2.               | Allied lines.....  |   |   |                                |  | 0  |
| 3.               | Farmowners multiple peril.....                             |   |   |                                |  | 0  |
| 4.               | Homeowners multiple peril.....                             | 971,067   |   |                                |  | 971,067  |
| 5.               | Commercial multiple peril.....                             |   |   |                                |  | 0  |
| 6.               | Mortgage guaranty.....                                     |   |   |                                |  | 0  |
| 8.               | Ocean marine.....  |   |   |                                |  | 0  |
| 9.               | Inland marine.....   | 4,671,548   |   |                                |  | 4,671,548  |
| 10.              | Financial guaranty.....                                    |   |   |                                |  | 0  |
| 11.1             | Medical professional liability - occurrence.....           |   |   |                                |  | 0  |
| 11.2             | Medical professional liability - claims-made.....          | 184   |   |                                |  | 184  |
| 12.              | Earthquake.....  |   |   |                                |  | 0  |
| 13.              | Group accident and health.....                             |   |   |                                |  | 0  |
| 14.              | Credit accident and health (group and individual).....     |   |   |                                |  | 0  |
| 15.              | Other accident and health.....                             |   |   |                                |  | 0  |
| 16.              | Workers' compensation.....                                 |   |   |                                |  | 0  |
| 17.1             | Other liability - occurrence.....                          | 2,195,308   |   |                                |  | 2,195,308  |
| 17.2             | Other liability - claims-made.....                         | 22,005  | 54,309  |                                |  | 76,314   |
| 17.3             | Excess workers' compensation.....                          |   |   |                                |  | 0  |
| 18.1             | Products liability - occurrence.....                       |   |   |                                |  | 0  |
| 18.2             | Products liability - claims-made.....                      |   |   |                                |  | 0  |
| 19.1, 19.2       | Private passenger auto liability.....                      | 93,564,158  |   |                                |  | 93,564,158   |
| 19.3, 19.4       | Commercial auto liability.....                             | 16,656,510  |   |                                |  | 16,656,510   |
| 21.              | Auto physical damage.....                                  | 59,020,788  |   |                                |  | 59,020,788   |
| 22.              | Aircraft (all perils).....                                 |   |   |                                |  | 0  |
| 23.              | Fidelity.....  | 236   | 10,242  |                                |  | 10,479   |
| 24.              | Surety.....  | 438   | 1,092   |                                |  | 1,530  |
| 26.              | Burglary and theft.....                                    |   |   |                                |  | 0  |
| 27.              | Boiler and machinery.....                                  |   |   |                                |  | 0  |
| 28.              | Credit.....  |   |   |                                |  | 0  |
| 29.              | International.....   |   |   |                                |  | 0  |
| 30.              | Warranty.....  |   |   |                                |  | 0  |
| 31.              | Reinsurance - nonproportional assumed property.....        |   |   |                                |  | 0  |
| 32.              | Reinsurance - nonproportional assumed liability.....       |   |   |                                |  | 0  |
| 33.              | Reinsurance - nonproportional assumed financial lines..... |   |   |                                |  | 0  |
| 34.              | Aggregate write-ins for other lines of business.....       | 0   | 0   | 0                              | 0  | 0  |
| 35.              | TOTALS.....  | 177,102,242   | 65,643  | 0                              | 0  | 177,167,886  |
| 36.              | Accrued retrospective premiums based on experience.....    |   |   |                                |  |  |
| 37.              | Earned but unbilled premiums.....                          |   |   |                                |  | 0  |
| 38.              | Balance (sum of Lines 35 through 37).....                  |   |   |                                |  | 177,167,886  |

DETAILS OF WRITE-INS

|       |  |   |   |   |   |   |
|-------|--|---|---|---|---|---|
| 3401. | .....  |   |   |   |   | 0 |
| 3402. | .....  |   |   |   |   | 0 |
| 3403. | .....  |   |   |   |   | 0 |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page..... | 0 | 0 | 0 | 0 | 0 |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....       | 0 | 0 | 0 | 0 | 0 |

(a) State here basis of computation used in each case: Pro Rata

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT

PART 1B - PREMIUMS WRITTEN

| Line of Business   | 1<br><br>Direct<br>Business<br>(a) | Reinsurance Assumed         |                                 | Reinsurance Ceded         |                               | 6<br><br>Net Premiums<br>Written<br>(Cols. 1 + 2 + 3<br>- 4 - 5) |
|--|------------------------------------|-----------------------------|---------------------------------|---------------------------|-------------------------------|--|
|  |                                    | 2<br><br>From<br>Affiliates | 3<br><br>From<br>Non-Affiliates | 4<br><br>To<br>Affiliates | 5<br><br>To<br>Non-Affiliates |  |
| 1. Fire.....   |                                    |                             |                                 |                           |                               | .....0   |
| 2. Allied lines.....   |                                    |                             |                                 |                           |                               | .....0   |
| 3. Farmowners multiple peril.....                              |                                    |                             |                                 |                           |                               | .....0   |
| 4. Homeowners multiple peril.....                              |                                    | 1,876,485                   |                                 |                           |                               | .....1,876,485   |
| 5. Commercial multiple peril.....                              |                                    |                             |                                 |                           |                               | .....0   |
| 6. Mortgage guaranty.....                                      |                                    |                             |                                 |                           |                               | .....0   |
| 8. Ocean marine.....   |                                    |                             |                                 |                           |                               | .....0   |
| 9. Inland marine.....  | 9,822,944                          | 9,814,225                   |                                 | 9,822,944                 |                               | .....9,814,225   |
| 10. Financial guaranty.....                                    |                                    |                             |                                 |                           |                               | .....0   |
| 11.1 Medical professional liability - occurrence.....          |                                    |                             |                                 |                           |                               | .....0   |
| 11.2 Medical professional liability - claims-made.....         |                                    | 2,100                       |                                 |                           |                               | .....2,100   |
| 12. Earthquake.....  |                                    |                             |                                 |                           |                               | .....0   |
| 13. Group accident and health.....                             |                                    |                             |                                 |                           |                               | .....0   |
| 14. Credit accident and health (group and individual).....     |                                    |                             |                                 |                           |                               | .....0   |
| 15. Other accident and health.....                             |                                    |                             |                                 |                           |                               | .....0   |
| 16. Workers' compensation.....                                 |                                    |                             |                                 |                           |                               | .....0   |
| 17.1 Other liability - occurrence.....                         | 4,096,857                          | 4,597,403                   |                                 | 3,901,696                 | 195,161                       | .....4,597,403   |
| 17.2 Other liability - claims-made.....                        |                                    | 13,209                      |                                 |                           |                               | .....13,209  |
| 17.3 Excess workers' compensation.....                         |                                    |                             |                                 |                           |                               | .....0   |
| 18.1 Products liability - occurrence.....                      |                                    |                             |                                 |                           |                               | .....0   |
| 18.2 Products liability - claims-made.....                     |                                    |                             |                                 |                           |                               | .....0   |
| 19.1, 19.2 Private passenger auto liability.....               | 533,622,576                        | 340,330,061                 |                                 | 533,622,576               |                               | .....340,330,061   |
| 19.3, 19.4 Commercial auto liability.....                      | 24,650,225                         | 34,669,985                  |                                 | 24,646,093                | 4,132                         | .....34,669,985  |
| 21. Auto physical damage.....                                  | 299,592,908                        | 201,707,821                 |                                 | 299,592,908               |                               | .....201,707,821   |
| 22. Aircraft (all perils).....                                 |                                    |                             |                                 |                           |                               | .....0   |
| 23. Fidelity.....  |                                    | 588                         |                                 |                           |                               | .....588   |
| 24. Surety.....  | 4,692                              | 643                         |                                 | 4,692                     |                               | .....643   |
| 26. Burglary and theft.....                                    |                                    |                             |                                 |                           |                               | .....0   |
| 27. Boiler and machinery.....                                  |                                    |                             |                                 |                           |                               | .....0   |
| 28. Credit.....  |                                    |                             |                                 |                           |                               | .....0   |
| 29. International.....   |                                    |                             |                                 |                           |                               | .....0   |
| 30. Warranty.....  |                                    |                             |                                 |                           |                               | .....0   |
| 31. Reinsurance - nonproportional assumed property.....        | XXX                                |                             |                                 |                           |                               | .....0   |
| 32. Reinsurance - nonproportional assumed liability.....       | XXX                                |                             |                                 |                           |                               | .....0   |
| 33. Reinsurance - nonproportional assumed financial lines..... | XXX                                |                             |                                 |                           |                               | .....0   |
| 34. Aggregate write-ins for other lines of business.....       | 0                                  | 0                           | 0                               | 0                         | 0                             | .....0   |
| 35. TOTALS.....  | 871,790,202                        | 593,012,518                 | 0                               | 871,590,909               | 199,293                       | .....593,012,518   |

DETAILS OF WRITE-INS

|  |   |   |   |   |   |        |
|--|---|---|---|---|---|--------|
| 3401. ....   |   |   |   |   |   | .....0 |
| 3402. ....   |   |   |   |   |   | .....0 |
| 3403. ....   |   |   |   |   |   | .....0 |
| 3498. Summary of remaining write-ins for Line 34 from overflow page..... | 0 | 0 | 0 | 0 | 0 | .....0 |
| 3499. Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....       | 0 | 0 | 0 | 0 | 0 | .....0 |

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [ X ]  
If yes: 1. The amount of such installment premiums \$.....0.  
2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0.



## UNDERWRITING AND INVESTMENT EXHIBIT

## PART 2 - LOSSES PAID AND INCURRED

|                  |  | Losses Paid Less Salvage |                     |                       |                                | 5  | 6                            | 7  | 8  |
|------------------|--|--------------------------|---------------------|-----------------------|--------------------------------|--|------------------------------|--|--|
|                  |  | 1                        | 2                   | 3                     | 4                              |  |                              |  |  |
| Line of Business |  | Direct Business          | Reinsurance Assumed | Reinsurance Recovered | Net Payments (Cols. 1 + 2 - 3) | Net Losses Unpaid Current Year (Part 2A, Col. 8) | Net Losses Unpaid Prior Year | Losses Incurred Current Year (Cols. 4 + 5 - 6) | Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1) |
| 1.               | Fire.....  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 2.               | Allied lines.....  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 3.               | Farmowners multiple peril.....                             |                          |                     |                       | 0                              |  |                              | .0   |  |
| 4.               | Homeowners multiple peril.....                             |                          | 1,141,429           |                       | 1,141,429                      | 159,582  | 212,013                      | 1,088,999                                      | 58.2   |
| 5.               | Commercial multiple peril.....                             |                          |                     |                       | 0                              |  |                              | .0   |  |
| 6.               | Mortgage guaranty.....                                     |                          |                     |                       | 0                              |  |                              | .0   |  |
| 8.               | Ocean marine.....  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 9.               | Inland marine.....   | 5,515,632                | 4,721,032           | 5,515,632             | 4,721,032                      | 568,776  | 515,967                      | 4,773,841                                      | 50.0   |
| 10.              | Financial guaranty.....                                    |                          |                     |                       | 0                              |  |                              | .0   |  |
| 11.1             | Medical professional liability - occurrence.....           |                          |                     |                       | 0                              |  |                              | .0   |  |
| 11.2             | Medical professional liability - claims-made.....          |                          |                     |                       | 0                              | 105  | 263                          | (159)  | (7.6)  |
| 12.              | Earthquake.....  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 13.              | Group accident and health.....                             |                          |                     |                       | 0                              |  |                              | .0   |  |
| 14.              | Credit accident and health (group and individual).....     |                          |                     |                       | 0                              |  |                              | .0   |  |
| 15.              | Other accident and health.....                             |                          |                     |                       | 0                              |  |                              | .0   |  |
| 16.              | Workers' compensation.....                                 |                          | 2,903               |                       | 2,903                          | 90,628   | 96,351                       | (2,820)  |  |
| 17.1             | Other liability - occurrence.....                          | 1,237,126                | 1,146,663           | 1,237,126             | 1,146,663                      | 1,981,536  | 1,846,322                    | 1,281,876                                      | 27.7   |
| 17.2             | Other liability - claims-made.....                         |                          | 573,294             |                       | 573,294                        | 968,748  | 1,014,567                    | 527,475  | 213.6  |
| 17.3             | Excess workers' compensation.....                          |                          |                     |                       | 0                              |  |                              | .0   |  |
| 18.1             | Products liability - occurrence.....                       |                          |                     |                       | 0                              |  |                              | .0   |  |
| 18.2             | Products liability - claims-made.....                      |                          |                     |                       | 0                              |  |                              | .0   |  |
| 19.1, 19.2       | Private passenger auto liability.....                      | 294,431,551              | 201,300,706         | 294,431,551           | 201,300,706                    | 167,780,575                                      | 165,907,792                  | 203,173,488                                    | 60.5   |
| 19.3, 19.4       | Commercial auto liability.....                             | 15,206,012               | 17,586,711          | 15,206,012            | 17,586,711                     | 27,316,812                                       | 24,690,408                   | 20,213,114                                     | 63.1   |
| 21.              | Auto physical damage.....                                  | 205,270,024              | 129,329,052         | 205,270,024           | 129,329,052                    | 307,848  | 348,962                      | 129,287,937                                    | 64.4   |
| 22.              | Aircraft (all perils).....                                 |                          |                     |                       | 0                              |  |                              | .0   |  |
| 23.              | Fidelity.....  |                          | 103,704             |                       | 103,704                        | 113,418  | 157,406                      | 59,715   | 88.6   |
| 24.              | Surety.....  |                          |                     |                       | 0                              | 4,162  | 7,099                        | (2,937)  | (38.2)   |
| 26.              | Burglary and theft.....                                    |                          |                     |                       | 0                              |  |                              | .0   |  |
| 27.              | Boiler and machinery.....                                  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 28.              | Credit.....  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 29.              | International.....   |                          |                     |                       | 0                              |  |                              | .0   |  |
| 30.              | Warranty.....  |                          |                     |                       | 0                              |  |                              | .0   |  |
| 31.              | Reinsurance - nonproportional assumed property.....        | XXX                      |                     |                       | 0                              |  |                              | .0   |  |
| 32.              | Reinsurance - nonproportional assumed liability.....       | XXX                      | 58,860              |                       | 58,860                         | 585,522  | 657,209                      | (12,826)                                       |  |
| 33.              | Reinsurance - nonproportional assumed financial lines..... | XXX                      |                     |                       | 0                              |  |                              | .0   |  |
| 34.              | Aggregate write-ins for other lines of business.....       | 0                        | 0                   | 0                     | 0                              | 0  | 0                            | .0   |  |
| 35.              | TOTALS.....  | 521,660,345              | 355,964,354         | 521,660,345           | 355,964,354                    | 199,877,711                                      | 195,454,360                  | 360,387,704                                    | 61.6   |

### DETAILS OF WRITE-INS

| DETAILS OF WRITE-INS |   |    |    |   |   |    |    |        |
|----------------------|---|----|----|---|---|----|----|--------|
| 3401.                |   |    |    |   | 0 |    |    | .0     |
| 3402.                |   |    |    |   | 0 |    |    | .0     |
| 3403.                |   |    |    |   | 0 |    |    | .0     |
| 3498.                | Summary of remaining write-ins for Line 34 from overflow page.... | .0 | .0 | 0 | 0 | .0 | .0 | .0 XXX |
| 3499.                | Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....      | .0 | .0 | 0 | 0 | .0 | .0 | .0     |

**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

|                  |  | Reported Losses |                     |   |  | Incurred But Not Reported |                     |                   | 8                                       | 9                                   |
|------------------|--|-----------------|---------------------|---|--|---------------------------|---------------------|-------------------|---|-------------------------------------|
|                  |  | 1               | 2                   | 3   | 4  | 5                         | 6                   | 7                 | Net Losses Unpaid (Cols. 4 + 5 + 6 - 7) | Net Unpaid Loss Adjustment Expenses |
| Line of Business |  | Direct          | Reinsurance Assumed | Deduct Reinsurance Recoverable from Authorized and Unauthorized Companies | Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3) | Direct                    | Reinsurance Assumed | Reinsurance Ceded |   |                                     |
| 1.               | Fire.....  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 2.               | Allied lines.....  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 3.               | Farmowners multiple peril.....                             |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 4.               | Homeowners multiple peril.....                             |                 | 84,814              |   | 84,814   |                           | 74,768              |                   | 159,582                                 | 33,400                              |
| 5.               | Commercial multiple peril.....                             |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 6.               | Mortgage guaranty.....                                     |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 8.               | Ocean marine.....  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 9.               | Inland marine.....   | 337,202         | 284,756             | 337,202   | 284,756  | 276,314                   | 284,019             | 276,313           | 568,776                                 | 97,942                              |
| 10.              | Financial guaranty.....                                    |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 11.1             | Medical professional liability - occurrence.....           |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 11.2             | Medical professional liability - claims-made.....          |                 |                     |   | 0  |                           | 105                 |                   | 105                                     | 92                                  |
| 12.              | Earthquake.....  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 13.              | Group accident and health.....                             |                 |                     |   | 0  |                           |                     |                   | (a) 0                                   |                                     |
| 14.              | Credit accident and health (group and individual).....     |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 15.              | Other accident and health.....                             |                 |                     |   | 0  |                           |                     |                   | (a) 0                                   |                                     |
| 16.              | Workers' compensation.....                                 |                 | 90,628              |   | 90,628   |                           |                     |                   | 90,628                                  | 2,257                               |
| 17.1             | Other liability - occurrence.....                          | 2,969,711       | 1,469,698           | 2,969,711   | 1,469,698  | 546,780                   | 511,837             | 546,779           | 1,981,536                               | 264,005                             |
| 17.2             | Other liability - claims-made.....                         |                 | 593,423             |   | 593,423  |                           | 375,325             |                   | 968,748                                 | 62,554                              |
| 17.3             | Excess workers' compensation.....                          |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 18.1             | Products liability - occurrence.....                       |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 18.2             | Products liability - claims-made.....                      |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 19.1, 19.2       | Private passenger auto liability.....                      | 194,389,856     | 129,458,468         | 194,389,856   | 129,458,468  | 50,322,743                | 38,322,107          | 50,322,743        | 167,780,575                             | 35,808,437                          |
| 19.3, 19.4       | Commercial auto liability.....                             | 21,623,818      | 22,924,381          | 21,623,818  | 22,924,381   | 3,136,237                 | 4,392,431           | 3,136,237         | 27,316,812                              | 4,710,869                           |
| 21.              | Auto physical damage.....                                  | 7,993,109       | 5,446,226           | 7,993,109   | 5,446,226  | (7,629,068)               | (5,138,379)         | (7,629,068)       | 307,848                                 | 1,168,144                           |
| 22.              | Aircraft (all perils).....                                 |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 23.              | Fidelity.....  |                 | 84,393              |   | 84,393   |                           | 29,025              |                   | 113,418                                 | 9,375                               |
| 24.              | Surety.....  |                 |                     |   | 0  | 117                       | 4,162               | 117               | 4,162                                   | 241                                 |
| 26.              | Burglary and theft.....                                    |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 27.              | Boiler and machinery.....                                  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 28.              | Credit.....  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 29.              | International.....   |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 30.              | Warranty.....  |                 |                     |   | 0  |                           |                     |                   | 0                                       |                                     |
| 31.              | Reinsurance - nonproportional assumed property.....        | XXX             |                     |   | 0  | XXX                       |                     |                   | 0                                       |                                     |
| 32.              | Reinsurance - nonproportional assumed liability.....       | XXX             | 127,892             |   | 127,892  | XXX                       | 457,630             |                   | 585,522                                 |                                     |
| 33.              | Reinsurance - nonproportional assumed financial lines..... | XXX             |                     |   | 0  | XXX                       |                     |                   | 0                                       |                                     |
| 34.              | Aggregate write-ins for other lines of business.....       | 0               | 0                   | 0   | 0  | 0                         | 0                   | 0                 | 0                                       | 0                                   |
| 35.              | TOTALS.....  | 227,313,696     | 160,564,679         | 227,313,696   | 160,564,679  | 46,653,123                | 39,313,030          | 46,653,121        | 199,877,711                             | 42,157,315                          |

**DETAILS OF WRITE-INS**

|       |  |   |   |   |   |   |   |   |   |   |
|-------|--|---|---|---|---|---|---|---|---|---|
| 3401. | .....  |   |   |   | 0 |   |   |   | 0 |   |
| 3402. | .....  |   |   |   | 0 |   |   |   | 0 |   |
| 3403. | .....  |   |   |   | 0 |   |   |   | 0 |   |
| 3498. | Summary of remaining write-ins for Line 34 from overflow page..... | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 3499. | Totals (Lines 3401 thru 3403 plus 3498) (Line 34 above).....       | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

(a) Including \$.0 for present value of life indemnity claims.

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - EXPENSES

|   | 1                           | 2                                 | 3                      | 4                   |
|---|-----------------------------|-----------------------------------|------------------------|---------------------|
|   | Loss Adjustment<br>Expenses | Other<br>Underwriting<br>Expenses | Investment<br>Expenses | Total               |
| 1. Claim adjustment services:   |                             |                                   |                        |                     |
| 1.1 Direct.....   | 9,481,532                   |                                   |                        | 9,481,532           |
| 1.2 Reinsurance assumed.....  | 7,294,614                   |                                   |                        | 7,294,614           |
| 1.3 Reinsurance ceded.....  | 9,481,532                   |                                   |                        | 9,481,532           |
| 1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....  | 7,294,614                   | 0                                 | 0                      | 7,294,614           |
| 2. Commission and brokerage:  |                             |                                   |                        |                     |
| 2.1 Direct, excluding contingent.....   |                             | 88,029,149                        |                        | 88,029,149          |
| 2.2 Reinsurance assumed, excluding contingent.....  |                             | 55,474,567                        |                        | 55,474,567          |
| 2.3 Reinsurance ceded, excluding contingent.....  |                             | 88,029,149                        |                        | 88,029,149          |
| 2.4 Contingent - direct.....  |                             | 2,110,571                         |                        | 2,110,571           |
| 2.5 Contingent - reinsurance assumed.....   |                             | 1,332,904                         |                        | 1,332,904           |
| 2.6 Contingent - reinsurance ceded.....   |                             | 2,110,571                         |                        | 2,110,571           |
| 2.7 Policy and membership fees.....   |                             |                                   |                        | 0                   |
| 2.8 Net commission and brokerage (2.1 + 2.2 - 2.3 + 2.4 + 2.5 - 2.6 + 2.7).....                     | 0                           | 56,807,471                        | 0                      | 56,807,471          |
| 3. Allowances to manager and agents.....  |                             | 205,211                           |                        | 205,211             |
| 4. Advertising.....   |                             | 5,086,389                         |                        | 5,086,389           |
| 5. Boards, bureaus and associations.....  | 163,092                     | 252,248                           |                        | 415,339             |
| 6. Surveys and underwriting reports.....  |                             | 4,245,333                         |                        | 4,245,333           |
| 7. Audit of assureds' records.....  |                             |                                   |                        | 0                   |
| 8. Salary and related items:  |                             |                                   |                        |                     |
| 8.1 Salaries.....   | 32,339,962                  | 30,672,772                        | 639,703                | 63,652,438          |
| 8.2 Payroll taxes.....  | 2,283,828                   | 2,147,211                         | 16,992                 | 4,448,032           |
| 9. Employee relations and welfare.....  | 5,868,246                   | 5,017,895                         | 40,310                 | 10,926,452          |
| 10. Insurance.....  | 132,845                     | 318,765                           |                        | 451,610             |
| 11. Directors' fees.....  |                             |                                   |                        | 0                   |
| 12. Travel and travel items.....  | 2,274,330                   | 659,005                           |                        | 2,933,335           |
| 13. Rent and rent items.....  | 3,204,147                   | 2,240,967                         | 25,599                 | 5,470,713           |
| 14. Equipment.....  | 241,019                     | 734,558                           |                        | 975,577             |
| 15. Cost or depreciation of EDP equipment and software.....   | 3,587,502                   | 2,852,511                         |                        | 6,440,014           |
| 16. Printing and stationery.....  | 238,917                     | 652,954                           | 1,463                  | 893,335             |
| 17. Postage, telephone and telegraph, exchange and express.....                                     | 2,257,667                   | 4,656,743                         | 4,669                  | 6,919,080           |
| 18. Legal and auditing.....   | 595,857                     | 527,924                           | 75,409                 | 1,199,190           |
| 19. Totals (Lines 3 to 18).....   | 53,187,414                  | 60,270,488                        | 804,146                | 114,262,047         |
| 20. Taxes, licenses and fees:   |                             |                                   |                        |                     |
| 20.1 State and local insurance taxes deducting guaranty association credits<br>of \$.....4,676..... |                             | 10,023,468                        |                        | 10,023,468          |
| 20.2 Insurance department licenses and fees.....  |                             | 848,105                           |                        | 848,105             |
| 20.3 Gross guaranty association assessments.....  |                             | (37,999)                          |                        | (37,999)            |
| 20.4 All other (excluding federal and foreign income and real estate).....                          |                             | 2,164,930                         |                        | 2,164,930           |
| 20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....                                | 0                           | 12,998,505                        | 0                      | 12,998,505          |
| 21. Real estate expenses.....   |                             |                                   |                        | 0                   |
| 22. Real estate taxes.....  |                             |                                   |                        | 0                   |
| 23. Reimbursements by uninsured plans.....  |                             |                                   |                        | 0                   |
| 24. Aggregate write-ins for miscellaneous expenses.....   | 82,742                      | 194,118                           | 138,732                | 415,591             |
| 25. Total expenses incurred.....  | 60,564,770                  | 130,270,581                       | 942,878                | (a).....191,778,228 |
| 26. Less unpaid expenses - current year.....  | 42,157,315                  | 24,911,003                        | 18,222                 | 67,086,540          |
| 27. Add unpaid expenses - prior year.....   | 42,640,274                  | 25,681,638                        | 15,701                 | 68,337,612          |
| 28. Amounts receivable relating to uninsured plans, prior year.....                                 |                             |                                   |                        | 0                   |
| 29. Amounts receivable relating to uninsured plans, current year.....                               |                             |                                   |                        | 0                   |
| 30. TOTAL EXPENSES PAID (Lines 25 - 26 + 27 - 28 + 29).....   | 61,047,728                  | 131,041,215                       | 940,357                | 193,029,300         |

DETAILS OF WRITE-INS

|  |        |         |         |         |
|--|--------|---------|---------|---------|
| 2401. MISCELLANEOUS EXPENSES.....  | 82,742 | 194,118 | 138,732 | 415,591 |
| 2402. ....   |        |         |         | 0       |
| 2403. ....   |        |         |         | 0       |
| 2498. Summary of remaining write-ins for Line 24 from overflow page..... | 0      | 0       | 0       | 0       |
| 2499. Totals (Lines 2401 thru 2403 plus 2498) (Line 24 above).....       | 82,742 | 194,118 | 138,732 | 415,591 |

(a) Includes management fees of \$.....114,677,639 to affiliates and \$.....0 to non-affiliates.

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
EXHIBIT OF NET INVESTMENT INCOME

|  | 1<br>Collected<br>During Year | 2<br>Earned<br>During Year |
|--|-------------------------------|----------------------------|
| 1. U.S. government bonds.....  | (a).....2,797,681             | .....2,564,968             |
| 1.1 Bonds exempt from U.S. tax.....  | (a).....3,004,020             | .....2,650,053             |
| 1.2 Other bonds (unaffiliated).....  | (a).....21,006,763            | .....20,079,044            |
| 1.3 Bonds of affiliates.....   | (a).....                      | .....                      |
| 2.1 Preferred stocks (unaffiliated).....                                     | (b).....9,638,906             | .....9,578,984             |
| 2.11 Preferred stocks of affiliates.....                                     | (b).....                      | .....                      |
| 2.2 Common stocks (unaffiliated).....  | .....1,506,617                | .....1,549,885             |
| 2.21 Common stocks of affiliates.....  | .....                         | .....                      |
| 3. Mortgage loans.....   | (c).....                      | .....                      |
| 4. Real estate.....  | (d).....                      | .....                      |
| 5. Contract loans.....   | .....                         | .....                      |
| 6. Cash, cash equivalents and short-term investments.....                    | (e).....7,695                 | .....7,695                 |
| 7. Derivative instruments.....   | (f).....                      | .....                      |
| 8. Other invested assets.....  | .....600,000                  | .....600,000               |
| 9. Aggregate write-ins for investment income.....                            | .....0                        | .....0                     |
| 10. Total gross investment income.....                                       | .....38,561,682               | .....37,030,629            |
| 11. Investment expenses.....   |                               | (g).....942,878            |
| 12. Investment taxes, licenses and fees, excluding federal income taxes..... |                               | (g).....                   |
| 13. Interest expense.....  |                               | (h).....                   |
| 14. Depreciation on real estate and other invested assets.....               |                               | (i).....0                  |
| 15. Aggregate write-ins for deductions from investment income.....           |                               | .....0                     |
| 16. Total deductions (Lines 11 through 15).....                              |                               | .....942,878               |
| 17. Net investment income (Line 10 minus Line 16).....                       |                               | .....36,087,751            |

| DETAILS OF WRITE-INS  |        |        |
|---|--------|--------|
| 0901. ....  |        |        |
| 0902. ....  |        |        |
| 0903. ....  |        |        |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.....   | .....0 | .....0 |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....   | .....0 | .....0 |
| 1501. ....  |        |        |
| 1502. ....  |        |        |
| 1503. ....  |        |        |
| 1598. Summary of remaining write-ins for Line 15 from overflow page.....  |        | .....0 |
| 1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....  |        | .....0 |
| (a) Includes \$.....1,071,867 accrual of discount less \$.....26,040,165 amortization of premium and less \$.....821,137 paid for accrued interest on purchases.              |        |        |
| (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.                                    |        |        |
| (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.                                     |        |        |
| (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.   |        |        |
| (e) Includes \$.....7,713 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.                                 |        |        |
| (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.  |        |        |
| (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts. |        |        |
| (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.   |        |        |
| (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.   |        |        |

EXHIBIT OF CAPITAL GAINS (LOSSES)

|  | 1<br>Realized<br>Gain (Loss)<br>on Sales<br>or Maturity | 2<br>Other<br>Realized<br>Adjustments | 3<br>Total Realized<br>Capital Gain (Loss)<br>(Columns 1 + 2) | 4<br>Change in<br>Unrealized<br>Capital Gain (Loss) | 5<br>Change in<br>Unrealized<br>Foreign Exchange<br>Capital Gain (Loss) |
|--|---|---------------------------------------|---|---|---|
| 1. U.S. government bonds.....  | .....1,344,719  | .....                                 | .....1,344,719  | .....   | .....   |
| 1.1 Bonds exempt from U.S. tax.....                                  | .....   | .....                                 | .....0  | .....   | .....   |
| 1.2 Other bonds (unaffiliated).....                                  | .....4,500,534  | .....(266,903)                        | .....4,233,631  | .....217,715  | .....   |
| 1.3 Bonds of affiliates.....   | .....   | .....                                 | .....0  | .....   | .....   |
| 2.1 Preferred stocks (unaffiliated).....                             | .....2,350,000  | .....                                 | .....2,350,000  | .....(13,365,007)                                   | .....   |
| 2.11 Preferred stocks of affiliates.....                             | .....   | .....                                 | .....0  | .....   | .....   |
| 2.2 Common stocks (unaffiliated).....                                | .....1,243,676  | .....                                 | .....1,243,676  | .....(3,106,837)                                    | .....   |
| 2.21 Common stocks of affiliates.....                                | .....   | .....                                 | .....0  | .....   | .....   |
| 3. Mortgage loans.....   | .....   | .....                                 | .....0  | .....   | .....   |
| 4. Real estate.....  | .....   | .....                                 | .....0  | .....   | .....   |
| 5. Contract loans.....   | .....   | .....                                 | .....0  | .....   | .....   |
| 6. Cash, cash equivalents and short-term investments.....            | .....   | .....                                 | .....0  | .....   | .....   |
| 7. Derivative instruments.....                                       | .....   | .....                                 | .....0  | .....   | .....   |
| 8. Other invested assets.....  | .....   | .....                                 | .....0  | .....(119,289)                                      | .....   |
| 9. Aggregate write-ins for capital gains (losses).....               | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 10. Total capital gains (losses).....                                | .....9,438,929  | .....(266,903)                        | .....9,172,026  | .....(16,373,418)                                   | .....0  |
| DETAILS OF WRITE-INS   |   |                                       |   |   |   |
| 0901. ....   |   |                                       | .....0  |   |   |
| 0902. ....   |   |                                       | .....0  |   |   |
| 0903. ....   |   |                                       | .....0  |   |   |
| 0998. Summary of remaining write-ins for Line 9 from overflow page.. | .....0  | .....0                                | .....0  | .....0  | .....0  |
| 0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....    | .....0  | .....0                                | .....0  | .....0  | .....0  |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
EXHIBIT OF NONADMITTED ASSETS

|   | 1<br>Current Year<br>Total<br>Nonadmitted Assets | 2<br>Prior Year<br>Total<br>Nonadmitted Assets | 3<br>Change in Total<br>Nonadmitted Assets<br>(Col. 2 - Col. 1) |
|---|--|--|---|
| 1. Bonds (Schedule D).....  |  |  | 0   |
| 2. Stocks (Schedule D):   |  |  |   |
| 2.1 Preferred stocks.....   |  |  | 0   |
| 2.2 Common stocks.....  |  |  | 0   |
| 3. Mortgage loans on real estate (Schedule B):  |  |  |   |
| 3.1 First liens.....  |  |  | 0   |
| 3.2 Other than first liens.....   |  |  | 0   |
| 4. Real estate (Schedule A):  |  |  |   |
| 4.1 Properties occupied by the company.....   |  |  | 0   |
| 4.2 Properties held for the production of income.....   |  |  | 0   |
| 4.3 Properties held for sale.....   |  |  | 0   |
| 5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2)<br>and short-term investments (Schedule DA).....          |  |  | 0   |
| 6. Contract loans.....  |  |  | 0   |
| 7. Derivatives (Schedule DB).....   |  |  | 0   |
| 8. Other invested assets (Schedule BA).....   | 9,229,720  | 9,529,009                                      | 299,289   |
| 9. Receivables for securities.....  |  |  | 0   |
| 10. Securities lending reinvested collateral assets (Schedule DL).....  |  |  | 0   |
| 11. Aggregate write-ins for invested assets.....  | 0  | 0  | 0   |
| 12. Subtotals, cash and invested assets (Lines 1 to 11).....  | 9,229,720  | 9,529,009                                      | 299,289   |
| 13. Title plants (for Title insurers only).....   |  |  | 0   |
| 14. Investment income due and accrued.....  |  |  | 0   |
| 15. Premiums and considerations:  |  |  |   |
| 15.1 Uncollected premiums and agents' balances in the course of collection.....   | 7,243,864  | 6,190,342                                      | (1,053,522)   |
| 15.2 Deferred premiums, agents' balances and installments booked but<br>deferred and not yet due.....                       |  |  | 0   |
| 15.3 Accrued retrospective premiums.....  |  |  | 0   |
| 16. Reinsurance:  |  |  |   |
| 16.1 Amounts recoverable from reinsurers.....   |  |  | 0   |
| 16.2 Funds held by or deposited with reinsured companies.....   |  |  | 0   |
| 16.3 Other amounts receivable under reinsurance contracts.....  |  |  | 0   |
| 17. Amounts receivable relating to uninsured plans.....   |  |  | 0   |
| 18.1 Current federal and foreign income tax recoverable and interest thereon.....   |  |  | 0   |
| 18.2 Net deferred tax asset.....  | 7,612,526  | 4,266,557                                      | (3,345,969)   |
| 19. Guaranty funds receivable or on deposit.....  |  |  | 0   |
| 20. Electronic data processing equipment and software.....  |  |  | 0   |
| 21. Furniture and equipment, including health care delivery assets.....   |  |  | 0   |
| 22. Net adjustment in assets and liabilities due to foreign exchange rates.....   |  |  | 0   |
| 23. Receivables from parent, subsidiaries and affiliates.....   |  |  | 0   |
| 24. Health care and other amounts receivable.....   |  |  | 0   |
| 25. Aggregate write-ins for other than invested assets.....   | 217,922  | 204,581  | (13,341)  |
| 26. Total assets excluding Separate Accounts, Segregated Accounts and Protected<br>Cell Accounts (Lines 12 through 25)..... | 24,304,032                                       | 20,190,489                                     | (4,113,543)   |
| 27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....  |  |  | 0   |
| 28. TOTALS (Lines 26 and 27).....   | 24,304,032                                       | 20,190,489                                     | (4,113,543)   |

DETAILS OF WRITE-INS

|  |         |         |          |
|--|---------|---------|----------|
| 1101.....  |         |         | 0        |
| 1102.....  |         |         | 0        |
| 1103.....  |         |         | 0        |
| 1198. Summary of remaining write-ins for Line 11 from overflow page..... | 0       | 0       | 0        |
| 1199. Totals (Lines 1101 thru 1103 plus 1198) (Line 11 above).....       | 0       | 0       | 0        |
| 2501. PREPAID EXPENSES.....  | 206,464 | 190,589 | (15,875) |
| 2502. MISCELLANEOUS OTHER ASSETS.....                                    | 11,458  | 13,992  | 2,534    |
| 2503.....  |         |         | 0        |
| 2598. Summary of remaining write-ins for Line 25 from overflow page..... | 0       | 0       | 0        |
| 2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....       | 217,922 | 204,581 | (13,341) |

**PROGRESSIVE SPECIALTY INSURANCE COMPANY**  
**NOTES TO FINANCIAL STATEMENTS**

| <u>Note #</u> | <u>Description</u>   | <u>Page #</u> |
|---------------|--|---------------|
| 1             | Summary of Significant Accounting Policies   | 14.1          |
| 2             | Accounting Changes and Corrections of Errors   | 14.2          |
| 3             | Business Combinations and Goodwill   | 14.2          |
| 4             | Discontinued Operations  | 14.2          |
| 5             | Investments  | 14.2          |
| 6             | Joint Ventures, Partnerships and Limited Liability Companies   | 14.3          |
| 7             | Investment Income  | 14.3          |
| 8             | Derivative Instruments   | 14.3          |
| 9             | Income Taxes   | 14.3          |
| 10            | Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties  | 14.6          |
| 11            | Debt   | 14.7          |
| 12            | Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans | 14.7          |
| 13            | Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations   | 14.7          |
| 14            | Contingencies  | 14.8          |
| 15            | Leases   | 14.8          |
| 16            | Information about Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk                       | 14.8          |
| 17            | Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities   | 14.8          |
| 18            | Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans   | 14.8          |
| 19            | Direct Premiums Written / Produced by Managing General Agents / Third Party Administrators                                       | 14.9          |
| 20            | Fair Value Measurements  | 14.9          |
| 21            | Other Items  | 14.9          |
| 22            | Events Subsequent  | 14.10         |
| 23            | Reinsurance  | 14.11         |
| 24            | Retrospectively Rated Contracts and Contracts Subject to Redetermination   | 14.11         |
| 25            | Changes in Incurred Losses and Loss Adjustment Expenses  | 14.11         |
| 26            | Intercompany Pooling Arrangements  | 14.11         |
| 27            | Structured Settlements   | 14.12         |
| 28            | Health Care Receivables  | 14.12         |
| 29            | Participating Accident and Health Policies   | 14.12         |
| 30            | Premium Deficiency Reserves  | 14.12         |
| 31            | High Deductibles   | 14.12         |
| 32            | Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses   | 14.12         |
| 33            | Asbestos and Environmental Reserves  | 14.13         |
| 34            | Subscriber Savings Accounts  | 14.14         |
| 35            | Multiple Peril Crop Insurance  | 14.14         |
| 36            | Financial Guaranty Insurance   | 14.14         |

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Accounting Practices

The accompanying statutory-basis financial statements of Progressive Specialty Insurance Company (the “Company”) were prepared on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance (“DOI”).

The Ohio DOI requires insurance companies domiciled in the state of Ohio to prepare their statutory-basis financial statements in accordance with the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual* subject to any deviations prescribed or permitted by the Ohio DOI. No deviations from NAIC statutory accounting practices (“NAIC SAP”) were used in preparing these statutory-basis financial statements.

B. Use of Estimates

The Company is required to make estimates and assumptions when preparing its financial statements and accompanying notes in conformity with NAIC SAP. Actual results may differ from those estimates. Material estimates that are susceptible to significant changes in the near term include the loss and loss adjustment expense (“LAE”) reserves and the Company’s adjustment to realized losses for other-than-temporary impairment (“OTTI”), (see page 12, column 2, Exhibit of Capital Gains (Losses) and Note 1C).

C. Accounting Policies

Insurance premiums written are being earned into income on a pro-rata basis over the period of risk based on a daily earnings convention. Unearned premiums are established to cover the unexpired portion of premiums written. The Company offers a variety of payment plans to meet individual customer needs. Generally, insurance premiums are collected in advance of providing risk coverage, minimizing the Company’s exposure to credit risk.

Acquisition costs, such as agents’ commissions, premium taxes, and other policy initiation costs, are charged to operations as incurred. Advertising costs are expensed as incurred.

Certain assets designated as “nonadmitted assets”, in accordance with Statement of Statutory Accounting Principles (“SSAP”) No. 4, Assets and Nonadmitted Assets, are reported on page 13, Exhibit of Nonadmitted Assets. The change in nonadmitted assets is charged directly against surplus as regards policyholders on page 4, Statement of Income, capital and surplus section.

In addition, the Company uses the following accounting policies:

Investments

- Cash and cash equivalents include bank accounts and certificates of deposit as well as short-term investments with original maturities of three months or less that are reported at amortized cost which approximates market value.
- Short-term investments include securities acquired within one year of maturity except for those with original maturities of three months or less (see cash and cash equivalents above) and are reported at amortized cost which approximates market value.
- Investment grade bond valuations are based on NAIC designations or NAIC Acceptable Rating Organization (“ARO”) designations and are reported at amortized cost using the scientific method which closely approximates the effective interest method. Non-investment grade bond valuations are also based on NAIC designations or NAIC ARO designations and are reported at the lower of amortized cost or fair market value. Loan-backed and structured securities follow the guidance prescribed by SSAP 43R, Loan-backed and Structured Securities (“SSAP 43R”), for the determination of the bond valuation and reporting designation. The difference between the original cost and redemption value of these securities is recognized over the lives of the respective issues and included in net investment gain.
- Common stocks, other than investments in stocks of subsidiaries and affiliates, are reported at fair market values based on active market closing quotations from a regulated exchange. Changes in the fair market values of these securities are reflected directly as unrealized gains or losses in statutory surplus, net of deferred income taxes.
- Non-redeemable preferred stocks are reported at fair market values. Changes in the fair market values of these securities are reflected directly as unrealized gains or losses in statutory surplus, net of deferred income taxes. Investment grade redeemable preferred stocks are reported at amortized cost, while non-investment grade redeemable preferred stocks are reported at the lower of amortized cost or fair market value. The difference between the original cost and redemption value of the redeemable preferred securities is recognized using the scientific method, which closely approximates the effective interest method, over the lives of the respective issues and included in net investment gain.
- The fair market values reported are derived from independent and observable market input evaluations provided by reputable pricing services, independent broker/dealer bid lists, independent broker/dealer quotations, independent broker/dealer pricing services, or active market closing quotations from a regulated exchange. In very rare cases, if none of the aforementioned primary sources are available, matrix pricing using the reporting entity’s own market based assumptions may be utilized. The approved methods for computation of fair market value are prescribed in Part Five of the Securities Valuation Office Purposes and Procedures Manual.
- The Company has no investments in mortgage loans.
- Loan-backed and structured securities are accounted for as prescribed by SSAP 43R. These securities are generally stated at amortized cost as determined by the estimated value of future cash flows. Prepayment assumptions for loan-backed and structured securities are obtained from available market data, broker/dealers, and/or internal estimates, and are consistent with current interest rate and economic trends.
- The Company owns 100% of the surplus of Trussville/Cahaba, AL, LLC (“Trussville/Cahaba”), a non-insurance affiliate incorporated in Ohio that owns investment real estate. In accordance with SSAP No. 4 – Assets and Nonadmitted Assets, this investment is reported as other invested assets in the Company’s statutory-basis financial statements (see Schedule BA). This investment is reported on the equity basis as prescribed in the *Accounting Practices and Procedures Manual* of the NAIC. See Note 21.C.2.
- The Company has no investments in derivatives.
- Realized gains and losses on sales of securities are computed based on the first-in, first-out method.
- The Company’s management routinely monitors individual securities in its investment portfolio for pricing changes that might indicate potential impairments and performs detailed reviews of securities with unrealized losses based on predetermined guidelines to determine whether a decline in the value of a security is other-than-temporary. A review for OTTI requires making certain judgments regarding the materiality of the decline, its effect on the financial statements, the probability, extent, and timing of a valuation recovery, and the Company’s ability and intent to hold the security. The scope of this review is broad and requires a forward-looking assessment of the fundamental characteristics of a security, as well as the market-related prospects of the issuer and its industry.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

Management assesses valuation declines to determine the extent to which such changes are attributable to (i) fundamental factors specific to the issuer, such as financial conditions, business prospects or other factors, or (ii) market-related factors such as interest rates or equity market declines (i.e., negative returns at either a sector index level or the broader market level), or (iii) credit-related losses where the present value of cash flows expected to be collected are lower than the amortized cost basis of the security (includes only those securities covered under SSAP 43R). This evaluation reflects management's assessment of current conditions, as well as predictions of uncertain future events that may have a material effect on the financial statements related to security valuation.

When persuasive evidence exists that causes management to conclude that a decline in fair value is other-than-temporary, the book value of such security is written down and recognized as a realized loss. All other unrealized gains or losses are reflected in statutory surplus.

Loss and Loss Adjustment Expense Reserves

- Loss reserves represent the estimated liability on claims reported to the Company, plus reserves for losses incurred but not yet reported ("IBNR"). These estimates are reported net of amounts recoverable from salvage and subrogation. LAE reserves represent the estimated expenses required to settle reported claims and IBNR losses. Such loss and LAE reserves could be susceptible to significant change in the near term. The Company conducts extensive reviews each month on portions of its business to help ensure that the Company is meeting its objective of always having reserves that are adequate with minimal variation. Results would differ if different assumptions were made (see Notes 25 and 33).

Capitalization of Assets

- Prepaid assets above a \$100,000 threshold are capitalized. Under certain circumstances, the Company may decide to establish a prepaid expense for amounts less than the threshold. Prepaid assets are nonadmitted.

2. Accounting Changes and Corrections of Errors

Not applicable

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

A. Mortgage Loans

Not applicable

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan-Backed Securities

Under SSAP 43R, the Company analyzes its structured debt securities to determine if the Company intends to sell, or if it is more likely than not that the Company will be required to sell, the security prior to recovery and, if so, the Company writes down the security to its current fair market value with the entire amount of the write-down recorded as a realized loss. To the extent that it is more likely than not that the Company will hold the debt security until recovery (which could be maturity), the Company determines if any of the decline in value is due to a credit loss (i.e., where the present value of cash flows expected to be collected is lower than the amortized cost basis of the security) and, if so, the Company recognizes that portion of the impairment as a realized loss.

The sources used to determine prepayment assumptions are derived from updated cash flows from widely utilized reputable industry sources. The Company's portfolio managers review the available cash flow data and prepayment assumptions and make adjustments based on current performance indicators on the underlying assets (e.g., delinquency rates, foreclosure rates, and default rates), credit support (via current levels of subordination), and historical credit ratings.

As of December 31, 2011, the Company did not intend to sell the loan-backed or structured debt securities on which a credit loss was recognized, and determined that it is more likely than not that the Company will not be required to sell the securities prior to the recovery (which could be maturity) of their respective cost basis.

The following table shows, as of December 31, 2011, the Company's other-than-temporary impairment for loan-backed and structured debt securities since the adoption of SSAP No. 43R.

| CUSIP     | Amortized cost before current period other-than-temporary impairment | Projected Cash Flows | Recognized other-than-temporary Impairment | Amortized Cost after other-than-temporary Impairment | Fair Value at time of other-than-temporary impairment | Financial Statement date when other-than-temporary impairment was reported |
|-----------|--|----------------------|--|--|---|--|
| 33736XBN8 | \$ 289,419   | \$ 234,776           | \$ 54,643                                  | \$ 234,776   | \$ 169,107  | 2010 - Q1  |
| 33736XBN8 | 144,263  | 82,349               | 61,914                                     | 82,349   | 80,410  | 2010 - Q2  |
| 79548CAR7 | 87,994   | 55,617               | 32,377                                     | 55,617   | 23,757  | 2010 - Q2  |
| 07387AGH2 | 1,168,204  | 1,123,318            | 44,886                                     | 1,123,318  | 1,095,831   | 2011 - Q2  |
| 126673BL5 | 460,935  | 304,899              | 156,036                                    | 304,899  | 304,899   | 2011 - Q3  |
| 07387AGH2 | 1,121,043  | 1,055,062            | 65,981                                     | 1,055,062  | 966,930   | 2011 - Q4  |
| Total     | XXX  | XXX                  | \$ 415,837                                 | XXX  | XXX   | XXX  |



PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

As of December 31, 2011, the Company had \$1,194,715 of gross unrealized losses in the Company's loan-backed and structured debt securities. The Company currently does not intend to sell the loan-backed and structured debt securities and determined that it is more likely than not that the Company will not be required to sell these securities for the period of time necessary to recover their cost basis. If the Company's strategy was to change and these securities were determined to be other-than-temporarily impaired, the Company would recognize a write-down in accordance with the Company's stated policy.

The following table shows, as of December 31, 2011, the composition of fair market value and gross unrealized losses on loan-backed and structured debt securities by the length of time that individual securities have been in a continuous unrealized loss position:

| Fair Market Value | Unrealized Loss | Losses less than 12 Months | Losses greater than 12 months | Fair Market Value of losses less than 12 months | Fair Market Value of losses greater than 12 months |
|-------------------|-----------------|----------------------------|-------------------------------|---|--|
| \$ 39,168,422     | \$ 1,194,715    | \$ 744,037                 | \$ 450,678                    | \$ 29,381,717                                   | \$ 9,786,705                                       |

- E. Repurchase Agreements  
Not applicable
- F. Real Estate  
Not applicable
- G. Low Income Housing Tax Credits  
Not applicable
6. Joint Ventures, Partnerships and Limited Liability Companies

A. Detail for Those Greater than 10% of Admitted Assets  
  
The Company has an investment in a limited liability company ("LLC") but it does not exceed 10% of the Company's admitted assets (see Note 1C).

B. Write-downs for Impairment of Joint Ventures, Partnerships, and LLC's  
  
The Company did not recognize any impairment write-down for its investment in the LLC during the statement periods.
7. Investment Income

A. Accrued Investment Income  
  
The Company nonadmits investment income due and accrued if the amounts are greater than 90 days past due.

B. Amounts Nonadmitted  
  
Not applicable
8. Derivative Instruments  
  
Not applicable
9. Income Taxes

A. Components of the net deferred tax asset (liability) ("DTA"/"(DTL)")

1. The components of the DTA in accordance with SSAP 10R, Income Taxes, are as follows:

| Description                                    | December 31, 2011         |                               |                           | December 31, 2010         |                               |                           | Change                                 |  |                           |
|--|---------------------------|-------------------------------|---------------------------|---------------------------|-------------------------------|---------------------------|--|--|---------------------------|
|  | (1)<br>Ordinary<br>Income | (2)<br>Capital<br>gain (loss) | (3)<br>(Col 1+2)<br>Total | (4)<br>Ordinary<br>Income | (5)<br>Capital<br>gain (loss) | (6)<br>(Col 4+5)<br>Total | (7)<br>(Col 1-4)<br>Ordinary<br>Income | (8)<br>(Col 2-5)<br>Capital<br>gain (loss) | (9)<br>(Col 7+8)<br>Total |
| (a) Gross deferred tax assets                  | \$ 26,814,853             | \$ 36,828,170                 | \$ 63,643,023             | \$ 25,457,025             | \$ 39,529,492                 | \$ 64,986,517             | \$ 1,357,828                           | \$ (2,701,322)                             | \$ (1,343,494)            |
| (b) Statutory valuation allowance adjustment   | -                         | -                             | -                         | -                         | -                             | -                         | -                                      | -  | -                         |
| (c) Adjusted gross deferred tax assets (1a-1b) | \$ 26,814,853             | \$ 36,828,170                 | \$ 63,643,023             | \$ 25,457,025             | \$ 39,529,492                 | \$ 64,986,517             | \$ 1,357,828                           | \$ (2,701,322)                             | \$ (1,343,494)            |
| (d) Deferred tax liabilities                   | 5,419,023                 | 29,215,644                    | 34,634,667                | 5,000,635                 | 35,262,935                    | 40,263,570                | 418,388                                | (6,047,291)                                | (5,628,903)               |
| (e) Subtotal (net deferred tax assets) (1c-1d) | \$ 21,395,830             | \$ 7,612,526                  | \$ 29,008,356             | \$ 20,456,390             | \$ 4,266,557                  | \$ 24,722,947             | \$ 939,440                             | \$ 3,345,969                               | \$ 4,285,409              |
| (f) Deferred tax assets nonadmitted            | -                         | 7,612,526                     | 7,612,526                 | -                         | 4,266,557                     | 4,266,557                 | -                                      | 3,345,969                                  | 3,345,969                 |
| (g) Net admitted deferred tax assets (1e-1f)   | \$ 21,395,830             | \$ -                          | \$ 21,395,830             | \$ 20,456,390             | \$ -                          | \$ 20,456,390             | \$ 939,440                             | \$ -                                       | \$ 939,440                |

2. The Company has not elected to admit additional DTAs pursuant to SSAP No. 10R, paragraph 10.e. for the reporting period ended December 31, 2011. The current period election does not differ from the prior year-end.
3. Benefits of adopting SSAP No. 10R, paragraph 10.e.  
  
Not applicable

NOTES TO FINANCIAL STATEMENTS

4. The admission calculation components of the DTA (gross DTA less nonadmitted DTA) in accordance with SSAP No. 10R are as follows:

| Description  | December 31, 2011         |                               |                           | December 31, 2010         |                               |                           | Change                                 |  |                           |
|--|---------------------------|-------------------------------|---------------------------|---------------------------|-------------------------------|---------------------------|--|--|---------------------------|
|  | (1)<br>Ordinary<br>Income | (2)<br>Capital<br>gain (loss) | (3)<br>(Col 1+2)<br>Total | (4)<br>Ordinary<br>Income | (5)<br>Capital<br>gain (loss) | (6)<br>(Col 4+5)<br>Total | (7)<br>(Col 1-4)<br>Ordinary<br>Income | (8)<br>(Col 2-5)<br>Capital<br>gain (loss) | (9)<br>(Col 7+8)<br>Total |
| Deferred Tax Assets admitted pursuant to SSAP No. 10R ¶10.a., ¶10.b., & ¶10.c. |                           |                               |                           |                           |                               |                           |  |  |                           |
| (a) ¶10.a.-amount recovered through loss carrybacks                            | \$ 21,820,374             | \$ -                          | \$ 21,820,374             | \$ 20,514,433             | \$ -                          | \$ 20,514,433             | \$ 1,305,941                           | \$ -                                       | \$ 1,305,941              |
| And  |                           |                               |                           |                           |                               |                           |  |  |                           |
| (b) ¶10.b. (the lesser of paragraph 10.b.i. and 10.b.ii below)                 | -                         | -                             | -                         | -                         | -                             | -                         | -                                      | -  | -                         |
| (c) ¶10.b.i.-amount to be recognized within 1 year                             | -                         | -                             | -                         | -                         | -                             | -                         | -                                      | -  | -                         |
| Or   |                           |                               |                           |                           |                               |                           |  |  |                           |
| (d) ¶10.b.ii.-10% of adjusted surplus  |                           |                               | 80,331,262                |                           |                               | 75,680,627                |  |  | 4,650,635                 |
| And  |                           |                               |                           |                           |                               |                           |  |  |                           |
| (e) ¶10.c.-adjusted deferred tax assets offset by deferred tax liabilities     | 4,994,479                 | 29,215,644                    | 34,210,123                | 4,942,592                 | 35,262,935                    | 40,205,527                | 51,887                                 | (6,047,291)                                | (5,995,404)               |
| (f) Total (4a+4b+4e)   | \$ 26,814,853             | \$ 29,215,644                 | \$ 56,030,497             | \$ 25,457,025             | \$ 35,262,935                 | \$ 60,719,960             | \$ 1,357,828                           | \$ (6,047,291)                             | \$ (4,689,463)            |
| Deferred Tax Assets admitted Pursuant to SSAP No. 10R, ¶10.e.                  |                           |                               |                           |                           |                               |                           |  |  |                           |
| (g) ¶10.e.i.-amounts recovered through loss carrybacks                         | \$ -                      | \$ -                          | \$ -                      | \$ -                      | \$ -                          | \$ -                      | \$ -                                   | \$ -                                       | \$ -                      |
| And  |                           |                               |                           |                           |                               |                           |  |  |                           |
| (h) ¶10.e.ii. (the lesser of paragraph 10.e.ii.a. and 10.e.ii.b. below)        | -                         | -                             | -                         | -                         | -                             | -                         | -                                      | -  | -                         |
| (i) ¶10.e.ii.a.-amount to be recognized within 3 years                         | -                         | -                             | -                         | -                         | -                             | -                         | -                                      | -  | -                         |
| Or   |                           |                               |                           |                           |                               |                           |  |  |                           |
| (j) ¶10.e.ii.b.-15% of adjusted surplus  |                           |                               | -                         |                           |                               | -                         |  |  | -                         |
| And  |                           |                               |                           |                           |                               |                           |  |  |                           |
| (k) ¶10.e.iii.-adjusted deferred tax assets offset by deferred tax liabilities | -                         | -                             | -                         | -                         | -                             | -                         | -                                      | -  | -                         |
| (l) Total (4g+4h+4k)   | \$ -                      | \$ -                          | \$ -                      | \$ -                      | \$ -                          | \$ -                      | \$ -                                   | \$ -                                       | \$ -                      |
| Used in SSAP No. 10R, ¶10.d.   |                           |                               |                           |                           |                               |                           |  |  |                           |
| (m) Total adjusted capital   |                           |                               | \$ 574,737,996            |                           |                               | \$ 800,352,842            |  |  | \$ (225,614,846)          |
| (n) Authorized control level   |                           |                               | \$ 21,938,667             |                           |                               | \$ 21,248,481             |  |  | \$ 690,186                |

5. Additional disclosures pursuant to SSAP No. 10R, paragraph 18.h.

| Description   | December 31, 2011         |                               |                           | December 31, 2010         |                               |                           | Change                                 |  |                           |
|---|---------------------------|-------------------------------|---------------------------|---------------------------|-------------------------------|---------------------------|--|--|---------------------------|
|   | (1)<br>Ordinary<br>income | (2)<br>Capital<br>gain (loss) | (3)<br>(Col 1+2)<br>Total | (4)<br>Ordinary<br>income | (5)<br>Capital<br>gain (loss) | (6)<br>(Col 4+5)<br>Total | (7)<br>(Col 1-4)<br>Ordinary<br>income | (8)<br>(Col 2-5)<br>Capital<br>gain (loss) | (9)<br>(Col 7+8)<br>Total |
| Balances Pursuant to SSAP No. 10R, ¶10.a., ¶10.b., and ¶10.c. |                           |                               |                           |                           |                               |                           |  |  |                           |
| (a) Admitted deferred tax assets                              | \$ 21,395,830             | \$ -                          | \$ 21,395,830             | \$ 20,456,390             | \$ -                          | \$ 20,456,390             | \$ 939,440                             | \$ -                                       | \$ 939,440                |
| (b) Admitted assets   |                           |                               | \$ 1,065,769,405          |                           |                               | \$ 1,275,310,314          |  |  | \$ (209,540,909)          |
| (c) Adjusted statutory surplus*                               |                           |                               | \$ 803,312,617            |                           |                               | \$ 756,806,265            |  |  | \$ 46,506,352             |
| (d) Total adjusted capital from DTAs                          |                           |                               | \$ 21,395,830             |                           |                               | \$ 20,456,390             |  |  | \$ 939,440                |
| Increases due to SSAP No. 10R, ¶10.e.                         |                           |                               |                           |                           |                               |                           |  |  |                           |
| (e) Admitted deferred tax assets                              | \$ -                      | \$ -                          | \$ -                      | \$ -                      | \$ -                          | \$ -                      | \$ -                                   | \$ -                                       | \$ -                      |
| (f) Admitted assets   | \$ -                      | \$ -                          | \$ -                      | \$ -                      | \$ -                          | \$ -                      | \$ -                                   | \$ -                                       | \$ -                      |
| (g) Statutory surplus   | \$ -                      | \$ -                          | \$ -                      | \$ -                      | \$ -                          | \$ -                      | \$ -                                   | \$ -                                       | \$ -                      |

\*As reported on the statutory balance sheet for the most recently filed statement with the domiciliary state commissioner adjusted in accordance with SSAP No. 10R, ¶10.b.ii.

6. Impact of tax planning strategies

Not applicable

B. Regarding deferred tax liabilities that are not recognized:

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

C. Current and deferred income taxes consist of the following major components:

1. Current Income Tax:

| Description   | (1)<br>December 31,<br>2011 | (2)<br>December 31,<br>2010 | (3)<br>(Col 1-2)<br>Change |
|---|-----------------------------|-----------------------------|----------------------------|
| (a) Federal income tax expense (benefit)                                | \$ 27,414,722               | \$ 30,236,552               | \$ (2,821,830)             |
| (b) Foreign income tax expense (benefit)                                | -                           | -                           | -                          |
| (c) Prior year underaccrual (overaccrual)                               | (157,552)                   | (309,780)                   | 152,228                    |
| (d) Subtotal  | \$ 27,257,170               | \$ 29,926,772               | \$ (2,669,602)             |
| (e) Federal income tax (benefit) on net realized capital gains (losses) | 504,264                     | 824,494                     | (320,230)                  |
| (f) Utilization of capital loss carry-forwards                          | -                           | -                           | -                          |
| (g) Prior year underaccrual (overaccrual)                               | (677,041)                   | (5,698,552)                 | 5,021,511                  |
| (h) Subtotal  | \$ (172,777)                | \$ (4,874,058)              | \$ 4,701,281               |
| (i) Federal and Foreign income taxes incurred                           | \$ 27,084,393               | \$ 25,052,714               | \$ 2,031,679               |

2. Deferred Tax Assets:

| Description  | (1)<br>December 31,<br>2011 | (2)<br>December 31,<br>2010 | (3)<br>(Col 1-2)<br>Change |
|--|-----------------------------|-----------------------------|----------------------------|
| (a) Ordinary income  |                             |                             |                            |
| (1) Discounting of unpaid losses and LAE                     | \$ 4,033,896                | \$ 4,309,668                | \$ (275,772)               |
| (2) Unearned premium reserve                                 | 12,524,860                  | 11,977,931                  | 546,929                    |
| (3) Nonadmitted assets                                       | 2,611,625                   | 2,238,223                   | 373,402                    |
| (4) Non-deductible accruals                                  | 7,214,662                   | 6,435,422                   | 779,240                    |
| (5) Depreciable assets                                       | 385,383                     | 446,835                     | (61,452)                   |
| (6) Other (including items <5% of total ordinary tax assets) | 44,427                      | 48,946                      | (4,519)                    |
| (99) Subtotal  | \$ 26,814,853               | \$ 25,457,025               | \$ 1,357,828               |
| (b) Statutory valuation allowance adjustment                 | -                           | -                           | -                          |
| (c) Nonadmitted  | -                           | -                           | -                          |
| (d) Admitted ordinary deferred tax assets (2a99-2b-2c)       | \$ 26,814,853               | \$ 25,457,025               | \$ 1,357,828               |
| (e) Capital losses   |                             |                             |                            |
| (1) Unrealized capital losses                                | 1,103,041                   | 367,660                     | 735,381                    |
| (2) Intercompany deferred losses                             | 514,877                     | -                           | 514,877                    |
| (3) Investment write-downs                                   | 34,548,053                  | 38,652,956                  | (4,104,903)                |
| (4) Other (including items <5% of total capital tax assets)  | 662,199                     | 508,876                     | 153,323                    |
| (99) Subtotal  | \$ 36,828,170               | \$ 39,529,492               | \$ (2,701,322)             |
| (f) Statutory valuation allowance adjustment                 | -                           | -                           | -                          |
| (g) Nonadmitted  | 7,612,526                   | 4,266,557                   | 3,345,969                  |
| (h) Admitted capital loss deferred tax assets (2e99-2f-2g)   | \$ 29,215,644               | \$ 35,262,935               | \$ (6,047,291)             |
| (i) Admitted deferred tax assets (2d+2h)                     | \$ 56,030,497               | \$ 60,719,960               | \$ (4,689,463)             |

3. Deferred Tax Liabilities:

| Description  | (1)<br>December 31,<br>2011 | (2)<br>December 31,<br>2010 | (3)<br>(Col 1-2)<br>Change |
|--|-----------------------------|-----------------------------|----------------------------|
| (a) Ordinary income  |                             |                             |                            |
| (1) Depreciable assets                                       | \$ 3,885,015                | \$ 3,805,457                | \$ 79,558                  |
| (2) Salvage and subrogation                                  | 219,168                     | 256,711                     | (37,543)                   |
| (3) Prepaid expenses   | 1,070,812                   | 839,756                     | 231,056                    |
| (4) Other (including items <5% of total ordinary tax assets) | 244,028                     | 98,711                      | 145,317                    |
| (99) Subtotal  | \$ 5,419,023                | \$ 5,000,635                | \$ 418,388                 |
| (b) Capital gains  |                             |                             |                            |
| (1) Unrealized capital gains                                 | 24,292,117                  | 29,245,681                  | (4,953,564)                |
| (2) Bond discount accretion                                  | -                           | -                           | -                          |
| (3) Intercompany deferred gains                              | 4,923,527                   | 6,017,254                   | (1,093,727)                |
| (4) Other (including items <5% of total capital tax assets)  | -                           | -                           | -                          |
| (99) Subtotal  | \$ 29,215,644               | \$ 35,262,935               | \$ (6,047,291)             |
| (c) Deferred tax liabilities (3a99+3b99)                     | \$ 34,634,667               | \$ 40,263,570               | \$ (5,628,903)             |

4. Net Deferred Tax Asset (Liability):

| Description                                | (1)<br>December 31,<br>2011 | (2)<br>December 31,<br>2010 | (3)<br>(Col 1-2)<br>Change |
|--|-----------------------------|-----------------------------|----------------------------|
| Net deferred tax asset (liability) (2i-3c) | \$ 21,395,830               | \$ 20,456,390               | \$ 939,440                 |

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

The change in net deferred income tax is comprised of the following (this analysis excludes nonadmitted assets; the change in nonadmitted assets is reported separately from the change in net deferred income tax in the Statement of Income, Surplus section):

| Description                             | December 31,<br>2011 | December 31,<br>2010 | Change         |
|---|----------------------|----------------------|----------------|
| Total deferred tax assets               | \$ 63,643,023        | \$ 64,986,517        | \$ (1,343,494) |
| Total deferred tax liabilities          | 34,634,667           | 40,263,570           | (5,628,903)    |
| Net deferred tax asset (liability)      | \$ 29,008,356        | \$ 24,722,947        | \$ 4,285,409   |
| Tax effect of unrealized gains (losses) |                      |                      | 5,688,945      |
| Change in net deferred income tax       |                      |                      | \$ (1,403,536) |

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate

The provision for Federal income taxes is different than that which would be obtained by applying the statutory Federal income tax rate to pre-tax income. The significant book to tax adjustments causing this difference are as follows:

| Description                               | Tax Effect<br>Amount | Effective<br>Tax Rate |
|---|----------------------|-----------------------|
| Provision computed at statutory rate      | \$ 31,887,520        | 35%                   |
| Exempt interest income                    | (919,040)            | -1%                   |
| Dividends received deduction              | (661,186)            | -1%                   |
| Prior year underaccrual (overaccrual)     | 12,132               | 0%                    |
| Impact of nonadmitted assets              | (373,402)            | 0%                    |
| Tax credits                               | (640,289)            | -1%                   |
| Other                                     | (817,806)            | -1%                   |
| Total                                     | \$ 28,487,929        | 31%                   |
| Federal and foreign income taxes incurred | \$ 27,084,393        |                       |
| Change in net deferred income tax         | 1,403,536            |                       |
| Total statutory income taxes              | \$ 28,487,929        |                       |

E. Operating Loss and Tax Credit Carryforwards

- 1) At December 31, 2011, the Company had no operating loss or tax credit carryforwards available for tax purposes.
- 2) The amount of Federal income taxes incurred and available for recoupment by the Company in the event of future net losses is equal to approximately \$27,918,986 for the current tax year and \$29,326,588 for the first preceding year. The amounts that can be recouped may be subject to the alternative minimum tax rules, and therefore may be limited.
- 3) Protective Tax Deposits  
Not applicable

F. Consolidated Federal Income Tax Return

- 1) The Company’s Federal income tax return is consolidated with The Progressive Corporation (“TPC”), a publicly traded holding company incorporated in Ohio, and all of its wholly-owned United States subsidiaries (the “Group”) as detailed in Schedule Y, Part 1.
- 2) The method of allocation between the companies is subject to written agreement and is jointly approved by an officer of TPC and the Company. The allocation is based upon separate tax return calculations with current credit for net losses or other items utilized in the consolidated tax return. Intercompany tax balances are settled quarterly.

10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

A. Nature of Relationships

The Company is wholly owned by Progressive Casualty Insurance Company (“Casualty”), an insurance affiliate domiciled in Ohio. The structure of the holding company organization is shown on Schedule Y, Part 1.

B. Detail of Transactions Greater than ½% of Admitted Assets

All significant 2011 transactions by the Company or any affiliated insurer with any affiliate are summarized in Schedule Y, Part 2.

See Note 13D

C. Change in Terms of Intercompany Arrangements

Not applicable

D. Amounts Due to or from Related Parties

The Company reported a \$45,657,714 and \$32,242,013 receivable from parent, subsidiaries, and affiliates at December 31, 2011 and 2010, respectively. These balances are due to the timing of security purchases and cash collections and disbursements under the Group’s centralized cash management system and the reinsurance and management agreements in which the Company participates. The Company also reported a \$5,162,503 and \$6,185,158 current Federal income tax payable at December 31, 2011 and 2010, respectively. These balances are due to TPC for the Company’s Federal income tax liability. The intercompany balances are settled quarterly.

E. Guarantees or Contingencies for Related Parties

Not applicable

F. Management, Service Contracts, Cost Sharing Arrangements

The Company does not have employees or facilities. Management, operations and claims services are provided under a management agreement with Casualty. Under the terms of the agreement, the Company is provided underwriting and loss adjustment services for business produced in exchange for a management fee based on the Company’s use of services.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

The Company participates in an investment services agreement with Progressive Capital Management Corp., a non-insurance affiliate. Under the terms of the agreement, the Company is provided investment and capital management services in exchange for an investment management fee based on its use of services.

All intercompany agreements are approved by the participating insurance companies' states of domicile when established.

- G. Nature of Relationships that Could Affect Operations
- All outstanding shares of the Company are owned by Casualty.
- H. Amount Deducted for Investment in Upstream Company
- Not applicable
- I. Detail of Investments in Affiliates Greater than 10% of Admitted Assets
- Not applicable
- J. Write-Downs for Impairments of Investments in Affiliates
- Not applicable
- K. Investment in Foreign Insurance Subsidiary
- Not applicable
- L. Investment in Downstream Non-Insurance Holding Company
- Not applicable
11. Debt
- Not applicable
12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans
- See Note 22
13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations
- A. Outstanding Shares
- The Company has 2,000 shares of \$5,000 par value common stock authorized and 700 shares issued and outstanding. The Company has no preferred stock authorized, issued, or outstanding.
- B. Dividend Rate of Preferred Stock
- Not applicable
- C,D,E,F. Dividends

The maximum amount of dividends the Company can pay to Casualty in 2012 without prior regulatory approval is limited by insurance laws in Ohio. Based on the dividend laws currently in effect, the Company may pay dividends of \$64,022,807 in 2012 without prior approval from the Ohio DOI, provided the dividend payment is not made within 12 months of the previous payment.

Within the limitations described above, there are no additional restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.

The Company paid dividends to Casualty as follows:

| Date Paid         | Amount Paid    | Dividend Type |
|-------------------|----------------|---------------|
| November 10, 2011 | \$ 80,000,000  | Ordinary      |
| November 10, 2011 | \$ 195,000,000 | Extraordinary |

The extraordinary cash dividend was approved by the Ohio DOI.

- G. Mutual Surplus Advances
- Not applicable
- H. Company Stock Held for Special Purposes
- Not applicable
- I. Changes in Special Surplus Funds
- Not applicable
- J. Changes in Unassigned Funds (Surplus)
- As of December 31, 2011, the portion of unassigned funds (surplus) represented or reduced by each item below is as follows:

| Description               | Cumulative Increase (Decrease) in Surplus |
|---------------------------|---|
| Unrealized gain (loss)    | \$ 66,335,622                             |
| Nonadmitted assets        | (24,304,032)                              |
| Provision for reinsurance | --  |
| Total                     | \$ 42,031,590                             |

The unrealized gain is gross of the applicable deferred tax liability of \$23,189,076.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

K. Surplus Notes

Not applicable

L,M. Quasi Reorganizations

Not applicable

14. Contingencies

A. Contingent Commitments

Not applicable

B. Assessments

The Company is subject to state guaranty fund and other assessments by the states in which it writes business. State guaranty fund assessments are accrued at the time of any known insolvencies. Other assessments are accrued either at the time of assessment or at the time the premiums are written. These accruals are based on information received from the states in which the Company writes business and may change due to many factors including the Company's share of the ultimate cost of current insolvencies.

As of December 31, 2011 and 2010, the Company's estimated liability for state guaranty fund and other assessments was \$1,478,457 and \$1,026,078, respectively. The assessments are expected to be paid in various intervals during the next year. The Company did not recognize any premium tax benefit associated with its various assessments.

As of December 31, 2011 and 2010, the Company's estimated liability for various surcharges was \$139,700 and \$139,464, respectively.

C. Gain Contingencies

Not applicable

D. Claims Related to Extra Contractual Obligations and Bad Faith Losses Stemming from Lawsuits

The Company paid the following amounts in 2011 to settle claims related to extra contractual obligations ("ECO") or bad faith claims stemming from lawsuits.

|   |              |
|---|--------------|
|   | Direct       |
| Claims related to ECO and bad faith losses paid | \$ 1,250,000 |

The table below indicates the number of claims where amounts were paid to settle claims related to ECO or bad faith claims resulting from lawsuits during 2011. The claim count information disclosed is per claimant.

| 0-25 Claims | 26-50 Claims | 51-100 Claims | 101-500 Claims | Over 500 Claims |
|-------------|--------------|---------------|----------------|-----------------|
| X           |              |               |                |                 |

E. All Other Contingencies

The Company is named as defendant in various lawsuits arising out of its insurance operations. All legal actions relating to claims made under insurance policies are considered by the Company in establishing its loss and LAE reserves. The Company also has, on a net basis, potential exposure relating to lawsuits due to its participation in a 100% pooling reinsurance agreement for which it is allocated litigation expenses (see Note 26).

The following is a discussion of potentially significant pending cases at December 31, 2011. Unless specifically noted, the Company does not consider a loss from these cases to be probable and is unable to estimate a range of loss, if any, at this time.

As of December 31, 2011, there was a putative class action lawsuit challenging the Company's use of certain automated database vendors or software to assist in the adjustment of bodily injury claims. Plaintiffs allege that these databases or software systematically undervalue the claims.

As of December 31, 2011, the Company was defending a putative statewide class action lawsuit alleging that the Company improperly steers automobile repair work to certain auto body repair shops and challenging the labor rates the Company pays to auto body repair shops.

As of December 31, 2011, there was a putative class action lawsuit challenging the manner in which the Company grants a discount for anti-theft devices.

15. Leases

Not applicable

16. Information About Financial Instruments with Off-Balance Sheet Risk and with Concentrations of Credit Risk

Not applicable

17. Sale, Transfer, and Servicing of Financial Assets and Extinguishments of Liabilities

A. Transfers of Receivables Reported as Sales

Not applicable

B. Transfers and Servicing of Financial Assets

Not applicable

C. Wash Sales

The Company had no wash sales of securities with a NAIC rating of 3 or below during the year.

18. Gain or Loss from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

19. Direct Premiums Written / Produced by Managing General Agents / Third Party Administrators

Not applicable

20. Fair Value Measurements

A. Inputs Used for Assets and Liabilities Measured at Fair Value

1. Fair Value Measurements by Levels 1, 2 and 3

The Company categorizes its financial instruments, based on the degree of subjectivity inherent in the method by which they are valued, into a fair value hierarchy of three levels, as follows:

Level 1 - Inputs are unadjusted, quoted prices in active markets for identical instruments at the measurement date (e.g., active exchange-traded equity securities).

Level 2 - Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly. This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 - Inputs that are unobservable. Unobservable inputs reflect the Company's subjective evaluation about the assumptions market participants would use in pricing the financial instrument.

The Company evaluated whether the market was distressed or inactive in determining the fair value for those securities reported and reviewed certain market level inputs to evaluate whether sufficient activity, volume, and new issuances existed to create an active market. Based on this evaluation, the Company concluded that there was sufficient activity in determining the fair value for those securities reported.

The valuations classified as either Level 1 or Level 2 in the table below are priced exclusively by external sources, including: pricing vendors, dealers/market makers, and exchange-quoted prices. The Company did not have any transfers between Level 1 and Level 2.

Fair Value Measurements at December 31, 2011:

| Asset Description                            | Level 1        | Level 2        | Level 3 | Total          |
|--|----------------|----------------|---------|----------------|
| Bonds – Industrial & Miscellaneous           | \$ --          | \$ 13,532,481  | \$ --   | \$ 13,532,481  |
| Common Stock – Industrial & Miscellaneous    | 101,693,201    | --             | --      | 101,693,201    |
| Preferred Stock – Industrial & Miscellaneous | --             | 99,209,333     | --      | 99,209,333     |
| Total  | \$ 101,693,201 | \$ 112,741,814 | \$ --   | \$ 214,435,015 |

2. Rollforward of Level 3 Items

| Asset Description                  | Balance at Jan. 1, 2011 | Transfers into level 3 | Transfers out of level 3 | Total Realized Gains (Losses) included in Net Income | Total Unrealized Gains (Losses) included in Surplus | Purchases, Issuances, Sales and Settlements | Balance at Dec. 31, 2011 |
|------------------------------------|-------------------------|------------------------|--------------------------|--|---|---|--------------------------|
| Bonds – Industrial & Miscellaneous | \$ 153,536              | \$ --                  | \$ (153,536)             | \$ --  | \$ --   | \$ --                                       | \$ --                    |

With limited exceptions, the Company's Level 3 securities are also priced externally; however, due to several factors (e.g., nature of the securities, level of activity, lack of similar securities trading to obtain observable market level inputs), these valuations are more subjective in nature. Certain private equity investments and fixed-income investments included in the Level 3 category are valued using external pricing supplemented by internal review and analysis.

As of December 31, 2011 there were no securities measured and reported at Level 3.

3. Policy on Transfers Into and Out of Level 3

At the end of each reporting period, the Company evaluates whether or not any event has occurred or circumstances have changed that would cause an instrument to be transferred into or out of Level 3.

4. Inputs and Techniques Used for Level 2 and Level 3 Fair Values

See Note 1C and refer to narrative in Note 20A

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

C. Reasons Not Practical to Estimate Fair Values

Not applicable

21. Other Items

A. Extraordinary Items

Not applicable



PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

- B.

Troubled Debt Restructuring for Debtors

Not applicable
- C.

Other Disclosures

Segregated Funds

1.

At December 31, 2011, securities at the amortized cost of \$3,730,404 were on deposit with various regulatory agencies to meet statutory requirements (see Schedule E, Part 3).

2.

NonAdmitted Other Invested Assets

In accordance with admissibility requirements of SSAP No. 48, Joint Ventures, Partnerships, and Limited Liability Companies, the Company non-admits its investment in Trussville/Cahaba (see Note 1C).
- D.

Uncollectible Premiums Receivable

The Company routinely assesses the collectibility of premiums and agents' balances receivable and records a bad debt reserve for amounts exceeding the nonadmitted balance that the Company believes are uncollectible.
- E.

Business Interruption Insurance Recoveries

Not applicable
- F.

State Transferable and Non-transferable Tax Credits

Not applicable
- G.

Sub-Prime Mortgage Related Risk Exposure

1.

Exposure to Sub-Prime Mortgage Related Risk

The following sub prime disclosure and the review and procedures described within are completed at a consolidated level for all the Progressive companies. To the extent the Company had any direct sub-prime exposure, those securities would be listed in Note 21.G.3.

Management's review of the investment portfolio for securities with direct sub-prime exposure, such as Alt-A residential mortgage loan-backed bonds and home equity loan-backed bonds, is performed in conjunction with the OTTI analysis and procedures (see Note 1C). Additionally, securities that were determined to have an indirect sub-prime exposure were also reviewed as part of the OTTI process.

The Company's management continues to perform a detailed review of its investment portfolio, paying particular attention to the credit profile of the issuers to identify the extent to which any asset values may have been impacted by direct or indirect exposure to the sub-prime mortgage loan disruption, as well as broader credit market events.

For the Company's investment in Trussville/Cahaba (see Note 1C), management's review uncovered no issues related to their exposure to sub-prime risk or that required recognition of losses that would have a significant effect on the financial strength and surplus of the Company.

As of December 31, 2011, the Company recorded a \$.2 million OTTI write-down as a result of sub-prime exposure. This OTTI write-down is not material to the Company's financial position or its surplus.

2.

Direct Investment in Sub-Prime Mortgage Loans

Not applicable

3.

Direct Investment in Securities with Underlying Sub-Prime Exposure

At December 31, 2011, the Company had the following securities with underlying sub-prime exposure:

| Investment Type                        | Actual Cost   | Book Adjusted Carrying Value | Fair Value    | Unrealized Gain (Loss) |
|--|---------------|------------------------------|---------------|------------------------|
| Residential Mortgage Backed Securities | \$ 16,793,709 | \$ 17,094,068                | \$ 16,993,636 | \$ (100,432)           |
| Total                                  | \$ 16,793,709 | \$ 17,094,068                | \$ 16,993,636 | \$ (100,432)           |

4.

Mortgage or Financial Guaranty Sub-Prime Exposure

Not applicable

H.

Agents' Balances Certification, Florida Statute 625.012 (5):

At December 31, 2011 and 2010, the Company reported net admitted premiums and agents' balances in course of collection of \$19,385,073 and \$12,145,636, respectively. Of this amount there were no premiums due from a controlled or controlling person as defined in Florida statute 625.012 (5).
22.

Events Subsequent

Subsequent events have been considered through February 17, 2012 for the statutory statement that was available for issuance by March 1, 2012. Effective February 5, 2012, the Company became one four insurance companies along with several non-insurance companies in the Group that retain employees. The Company participates, but has no legal obligation or direct liability for expenses, in employee benefit plans.
- 14.10



PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

23. Reinsurance

A. Unsecured Reinsurance Recoverable (all amounts in 000's)

At December 31, 2011, the Company had the following unsecured reinsurance recoverable balance which exceeded 3% of policyholders' surplus:

| Reinsurer                              | NAIC Code | Federal ID# | Amount     |
|--|-----------|-------------|------------|
| Progressive Casualty Insurance Company | 24260     | 34-6513736  | \$ 604,247 |
| Total                                  |           |             | \$ 604,247 |

B. Reinsurance Recoverable in Dispute

Not applicable

C. Reinsurance Assumed and Ceded (all amounts in 000's)

- 1) The table below summarizes ceded and assumed unearned premiums and the related commission equity at December 31, 2011.

|  | ASSUMED           |                   | CEDED             |                   | ASSUMED LESS CEDED |                   |
|--|-------------------|-------------------|-------------------|-------------------|--------------------|-------------------|
|  | Unearned Premiums | Commission Equity | Unearned Premiums | Commission Equity | Unearned Premiums  | Commission Equity |
| Affiliates                                   | \$ 177,168        | \$ --             | \$ 258,633        | \$ --             | \$ (81,465)        | \$ --             |
| All Other                                    | --                | --                | 101               | 27                | (101)              | (27)              |
| Totals                                       | \$ 177,168        | \$ --             | \$ 258,734        | \$ 27             | \$ (81,566)        | \$ (27)           |
| Direct Unearned Premium Reserve is \$258,734 |                   |                   |                   |                   |                    |                   |

- 2) The Company has no return commission or profit sharing arrangements.

D. Uncollectible Reinsurance

Not applicable

E. Commutation of Ceded Reinsurance

Not applicable

F. Retroactive Reinsurance

Not applicable

G. Reinsurance Accounted for as a Deposit

Not applicable

H. Disclosures for the Transfer of Property and Casualty Run-off Agreements

Not applicable

24. Retrospectively Rated Contracts and Contracts Subject to Redetermination

Not applicable

25. Changes in Incurred Losses and Loss Adjustment Expenses

Incurred losses and LAE attributable to insured events of prior years decreased by \$4,102,000 in 2011, which is 1.7% of the total prior year net unpaid losses and LAE of \$238,095,000. The net decrease is the result of favorable loss and defense and cost containment ("DCC") reserve development of \$4,082,000 and adjusting and other expense reserves of \$20,000. The majority of the favorable development is primarily attributable to accident years 2010 and 2008 and prior for private passenger auto liability and commercial auto liability business. Originally anticipated severity for accident year 2010 decreased by 0.1% and 0.5% for private passenger auto liability and auto physical damage, respectively.

26. Intercompany Pooling Arrangements

The Company participates in a pooling reinsurance agreement with the property-casualty affiliates listed below (the "Agency Pool") under which 100% of the underwriting business of each member company, net of external reinsurance, is ceded to Casualty, the Agency Pool manager and an Agency Pool participant. The combined premiums, losses, and expenses are then retroceded to each Agency Pool member based on pre-determined pooling percentages.

Progressive Hawaii Insurance Corp. ("Hawaii"), an insurance affiliate domiciled in Ohio and National Continental Insurance Company ("National Continental"), an insurance affiliate domiciled in New York, terminated their future participation in the Agency Pool effective November 5, 2005 and January 1, 1996, respectively. Hawaii and National Continental have zero percent retrocession participation in the Agency Pool for all policies written prior to the dates listed above.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

The pooling percentages for each Agency Pool participant as of December 31, 2011 and 2010 were as follows:

|  | NAIC<br>Code | 2011<br>Pool % | 2010<br>Pool % |
|--|--------------|----------------|----------------|
| Progressive Casualty Insurance Company     | 24260        | 49.0%          | 49.0%          |
| Progressive Northern Insurance Company     | 38628        | 12.0           | 12.0           |
| Progressive Northwestern Insurance Company | 42919        | 12.0           | 12.0           |
| Progressive Specialty Insurance Company    | 32786        | 7.0            | 7.0            |
| Progressive Preferred Insurance Company    | 37834        | 6.0            | 6.0            |
| Progressive Michigan Insurance Company     | 10187        | 4.0            | 4.0            |
| Progressive Classic Insurance Company      | 42994        | 3.0            | 3.0            |
| Progressive American Insurance Company     | 24252        | 2.0            | 2.0            |
| Progressive Gulf Insurance Company         | 42412        | 2.0            | 2.0            |
| Progressive Bayside Insurance Company      | 17350        | 1.0            | 1.0            |
| Progressive Mountain Insurance Company     | 35190        | 1.0            | 1.0            |
| Progressive Southeastern Insurance Company | 38784        | 1.0            | 1.0            |
| Progressive Hawaii Insurance Corp.         | 10067        | --             | --             |
| National Continental Insurance Company     | 10243        | --             | --             |
|  |              | 100.0%         | 100.0%         |

All business written by each Agency Pool participant is subject to pooling. Business ceded by Agency Pool members to non-affiliated reinsurers prior to pooling, is primarily to state-provided reinsurance programs. The Company does not participate in any intercompany sharing of the provision for reinsurance and the write-off of uncollectible reinsurance.

At December 31, 2011, amounts recoverable from and payable to the Company and all affiliates participating in the Agency Pool are as follows:

|   | Amounts Recoverable | Amounts Payable |
|---|---------------------|-----------------|
| Progressive Casualty Insurance Company (Lead) | \$ 76,502,986       | \$ 37,699,357   |
| Progressive Northern Insurance Company        | 10,576,435          | 12,285,620      |
| Progressive Northwestern Insurance Company    | 320,416             | 17,026,433      |
| Progressive Specialty Insurance Company       | 8,293,634           | 9,931,514       |
| Progressive Preferred Insurance Company       | 3,977,487           | 9,064,019       |
| Progressive Michigan Insurance Company        | 1,142,701           | 6,684,962       |
| Progressive Classic Insurance Company         | 3,132,593           | 5,314,241       |
| Progressive American Insurance Company        | 812,337             | 6,988,610       |
| Progressive Gulf Insurance Company            | 3,760,357           | 3,134,563       |
| Progressive Bayside Insurance Company         | --                  | 1,643,442       |
| Progressive Mountain Insurance Company        | 5,058,448           | 2,852,075       |
| Progressive Southeastern Insurance Company    | 603,696             | 1,577,507       |
| Progressive Hawaii Insurance Corp.            | 6,025               | --              |
| National Continental Insurance Company        | 15,228              | --              |
| Total   | \$ 114,202,343      | \$ 114,202,343  |

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Accident and Health Policies

Not applicable

30. Premium Deficiency Reserves

The Company's management evaluated the need to record a premium deficiency reserve for the year ended December 31, 2011. The evaluation, which was completed on January 11, 2012, indicated that there was not a need for a premium deficiency reserve due to reserve adequacy. The Company anticipates investment income as a factor in the premium deficiency calculation.

31. High Deductibles

Not applicable

32. Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

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33. Asbestos and Environmental Reserves

Because the Company is primarily an insurer of motor vehicles, it has limited exposure for asbestos and environmental claims. In accordance with disclosure requirements, the amounts reported for direct, assumed, and net below reflect the Company's pooled share (see Note 26) of the Agency Pool's exposure to asbestos and environmental claims. The Agency Pool's exposure arises from Casualty's participation in various reinsurance pools from 1968 to 1975, which underwrote general liability insurance, Casualty's aggregate stop loss reinsurance agreement with Progressive Max Insurance Company, an insurance affiliate domiciled in Ohio, for various reinsurance pools from 1965 to 1975, and Progressive American Insurance Company's, an insurance affiliate and Agency Pool member domiciled in Ohio, limited number of general liability policies issued from 1972 to 1975.

A. Asbestos reserves direct, assumed, and net of reinsurance are as follows:

|   | December 31, |            |            |            |            |
|---|--------------|------------|------------|------------|------------|
|   | 2007         | 2008       | 2009       | 2010       | 2011       |
| Direct                                    |              |            |            |            |            |
| Beginning reserves                        | \$ 14,350    | \$ 14,350  | \$ 14,350  | \$ 14,350  | \$ 14,350  |
| Losses and DCC incurred                   | -            | -          | -          | -          | -          |
| Calendar year payments for losses and DCC | -            | -          | -          | -          | -          |
| Ending reserves                           | \$ 14,350    | \$ 14,350  | \$ 14,350  | \$ 14,350  | \$ 14,350  |
| Assumed Reinsurance                       |              |            |            |            |            |
| Beginning reserves                        | \$ 228,598   | \$ 442,103 | \$ 425,179 | \$ 322,298 | \$ 334,130 |
| Losses and DCC incurred                   | 239,731      | (10,213)   | (65,508)   | 28,921     | (54,488)   |
| Calendar year payments for losses and DCC | 26,226       | 6,711      | 37,373     | 17,089     | 52,756     |
| Ending reserves                           | \$ 442,103   | \$ 425,179 | \$ 322,298 | \$ 334,130 | \$ 226,886 |
| Net of Ceded Reinsurance                  |              |            |            |            |            |
| Beginning reserves                        | \$ 242,948   | \$ 456,453 | \$ 439,529 | \$ 336,648 | \$ 348,480 |
| Losses and DCC incurred                   | 239,731      | (10,213)   | (65,508)   | 28,921     | (54,488)   |
| Calendar year payments for losses and DCC | 26,226       | 6,711      | 37,373     | 17,089     | 52,756     |
| Ending reserves                           | \$ 456,453   | \$ 439,529 | \$ 336,648 | \$ 348,480 | \$ 241,236 |

B. Ending Reserves for Asbestos Claims for Bulk and IBNR Included in A above (Losses and DCC):

|         |            |
|---------|------------|
| Direct  | \$ --      |
| Assumed | 166,783    |
| Net     | \$ 166,783 |

C. Ending Reserves for Asbestos Claims for DCC Included in A above (Case, Bulk, and IBNR):

|         |          |
|---------|----------|
| Direct  | \$ 4,900 |
| Assumed | --       |
| Net     | \$ 4,900 |

D. Environmental reserves direct, assumed, and net of reinsurance are as follows:

|   | December 31, |            |            |            |            |
|---|--------------|------------|------------|------------|------------|
|   | 2007         | 2008       | 2009       | 2010       | 2011       |
| Direct                                    |              |            |            |            |            |
| Beginning reserves                        | \$ 3,577     | \$ 3,577   | \$ 3,577   | \$ 3,577   | \$ 3,577   |
| Losses and DCC incurred                   | -            | -          | -          | -          | -          |
| Calendar year payments for losses and DCC | -            | -          | -          | -          | -          |
| Ending reserves                           | \$ 3,577     | \$ 3,577   | \$ 3,577   | \$ 3,577   | \$ 3,577   |
| Assumed Reinsurance                       |              |            |            |            |            |
| Beginning reserves                        | \$ 58,442    | \$ 159,070 | \$ 52,768  | \$ 234,666 | \$ 206,723 |
| Losses and DCC incurred                   | 98,689       | (106,027)  | 186,064    | (23,699)   | 39,881     |
| Calendar year payments for losses and DCC | (1,939)      | 275        | 4,166      | 4,244      | (326)      |
| Ending reserves                           | \$ 159,070   | \$ 52,768  | \$ 234,666 | \$ 206,723 | \$ 246,930 |
| Net of Ceded Reinsurance                  |              |            |            |            |            |
| Beginning reserves                        | \$ 62,019    | \$ 162,647 | \$ 56,345  | \$ 238,243 | \$ 210,300 |
| Losses and DCC incurred                   | 98,689       | (106,027)  | 186,064    | (23,699)   | 39,881     |
| Calendar year payments for losses and DCC | (1,939)      | 275        | 4,166      | 4,244      | (326)      |
| Ending reserves                           | \$ 162,647   | \$ 56,345  | \$ 238,243 | \$ 210,300 | \$ 250,507 |

NOTES TO FINANCIAL STATEMENTS

E. Ending Reserves for Environmental Claims for Bulk and IBNR Included in D above (Losses and DCC):

|         |    |         |
|---------|----|---------|
| Direct  | \$ | --      |
| Assumed |    | 210,788 |
| Net     | \$ | 210,788 |

F. Ending Reserves for Environmental Claims for DCC Included in D above (Case, Bulk, and IBNR):

|         |    |       |
|---------|----|-------|
| Direct  | \$ | 3,157 |
| Assumed |    | --    |
| Net     | \$ | 3,157 |

34. Subscriber Savings Accounts

Not applicable

35. Multiple Peril Crop Insurance

Not applicable

36. Financial Guaranty Insurance

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

1.1

Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes [ X ]

No [   ]

1.2

If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes [ X ]

No [   ]

N/A [   ]

1.3

State regulating?

OHIO

2.1

Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes [   ]

No [ X ]

2.2

If yes, date of change:

12/31/2007

3.1

State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2007

3.2

State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2007

3.3

State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

04/07/2009

3.4

By what department or departments?

OHIO

3.5

Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes [   ]

No [   ]

N/A [ X ]

3.6

Have all of the recommendations within the latest financial examination report been complied with?

Yes [ X ]

No [   ]

N/A [   ]

4.1

During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11    sales of new business?

Yes [   ]

No [ X ]

4.12    renewals?

Yes [   ]

No [ X ]

4.2

During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21    sales of new business?

Yes [   ]

No [ X ]

4.22    renewals?

Yes [   ]

No [ X ]

5.1

Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes [   ]

No [ X ]

5.2

If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

|                |               |                   |
|----------------|---------------|-------------------|
| 1              | 2             | 3                 |
| Name of Entity | NAIC Co. Code | State of Domicile |
|                |               |                   |

6.1

Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes [   ]

No [ X ]

6.2

If yes, give full information:

7.1

Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes [   ]

No [ X ]

7.2

If yes,

7.21    State the percentage of foreign control

.....%

7.22    State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)

|             |                |
|-------------|----------------|
| 1           | 2              |
| Nationality | Type of Entity |
|             |                |

8.1

Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes [   ]

No [ X ]

8.2

If response to 8.1 is yes, please identify the name of the bank holding company.

8.3

Is the company affiliated with one or more banks, thrifts or securities firms?

Yes [   ]

No [ X ]

8.4

If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

|                |                        |     |     |     |      |     |
|----------------|------------------------|-----|-----|-----|------|-----|
| 1              | 2                      | 3   | 4   | 5   | 6    | 7   |
| Affiliate Name | Location (City, State) | FRB | OCC | OTS | FDIC | SEC |
|                |                        |     |     |     |      |     |

9.

What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

PRICEWATERHOUSECOOPERS, LLP 200 PUBLIC SQUARE, 18TH FLOOR CLEVELAND, OH 44114-2301

10.1

Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation?

Yes [   ]

No [ X ]

10.2

If the response to 10.1 is yes, provide information related to this exemption:

10.3

Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 17A of the Model Regulation, or substantially similar state law or regulation?

Yes [   ]

No [ X ]

10.4

If the response to 10.3 is yes, provide information related to this exemption:

10.5

Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?

Yes [ X ]

No [   ]

N/A [   ]

10.6

If the answer to 10.5 is no or n/a, please explain.

11.

What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

ALLAN R. NEIS, FCAS, MAAA, CORPORATE ACTUARY 6300 WILSON MILLS ROAD MAYFIELD VILLAGE, OH 44143-2182

12.1

Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes [ X ]

No [   ]

12.11

Name of real estate holding company

PLUM CREEK TIMBER CO INC, PUBLIC STORAGE, VORNADO REALTY TRUST

12.12

Number of parcels involved

.....0

12.13

Total book/adjusted carrying value

\$.....1,995,086

12.2

If yes, provide explanation.

WE HOLD A COMMON STOCK INTEREST IN SEVERAL REAL ESTATE HOLDING COMPANIES.  
THE NUMBER OF PARCELS IS UNKNOWN.

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
GENERAL INTERROGATORIES

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

|       |  |                        |
|-------|--|------------------------|
| N/A   |  |                        |
| 13.2  | Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?   | Yes [ ] No [ ]         |
| 13.3  | Have there been any changes made to any of the trust indentures during the year?   | Yes [ ] No [ ]         |
| 13.4  | If answer to (13.3) is yes, has the domiciliary or entry state approved the changes?   | Yes [ ] No [ ] N/A [ ] |
| 14.1  | Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? | Yes [ X ] No [ ]       |
| a.    | Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;  |                        |
| b.    | Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;   |                        |
| c.    | Compliance with applicable governmental laws, rules and regulations;   |                        |
| d.    | The prompt internal reporting of violations to an appropriate person or persons identified in the code; and  |                        |
| e.    | Accountability for adherence to the code.  |                        |
| 14.11 | If the response to 14.1 is no, please explain:   |                        |

|       |  |                  |
|-------|--|------------------|
| 14.2  | Has the code of ethics for senior managers been amended?                     | Yes [ ] No [ X ] |
| 14.21 | If the response to 14.2 is yes, provide information related to amendment(s). |                  |

|       |  |                  |
|-------|--|------------------|
| 14.3  | Have any provisions of the code of ethics been waived for any of the specified officers? | Yes [ ] No [ X ] |
| 14.31 | If the response to 14.3 is yes, provide the nature of any waiver(s).                     |                  |

|      |  |                  |
|------|--|------------------|
| 15.1 | Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance with a NAIC rating of 3 or below?   | Yes [ ] No [ X ] |
| 15.2 | If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered. |                  |

| 1<br>American Bankers<br>Association (ABA)<br>Routing Number | 2<br>Issuing or Confirming<br>Bank Name | 3<br>Circumstances That Can Trigger<br>the Letter of Credit | 4<br>Amount |
|--|---|---|-------------|
|  |   |   |             |

PART 1 - COMMON INTERROGATORIES - BOARD OF DIRECTORS

|     |   |                  |
|-----|---|------------------|
| 16. | Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?   | Yes [ X ] No [ ] |
| 17. | Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?   | Yes [ X ] No [ ] |
| 18. | Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? | Yes [ X ] No [ ] |

PART 1 - COMMON INTERROGATORIES - FINANCIAL

|       |  |                   |
|-------|--|-------------------|
| 19.   | Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)?                              | Yes [ ] No [ X ]  |
| 20.1  | Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):   |                   |
| 20.11 | To directors or other officers   | \$.....0          |
| 20.12 | To stockholders not officers   | \$.....0          |
| 20.13 | Trustees, supreme or grand (Fraternal only)  | \$.....0          |
| 20.2  | Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):  |                   |
| 20.21 | To directors or other officers   | \$.....0          |
| 20.22 | To stockholders not officers   | \$.....0          |
| 20.23 | Trustees, supreme or grand (Fraternal only)  | \$.....0          |
| 21.1  | Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? | Yes [ ] No [ X ]  |
| 21.2  | If yes, state the amount thereof at December 31 of the current year:   |                   |
| 21.21 | Rented from others   | .....             |
| 21.22 | Borrowed from others   | .....             |
| 21.23 | Leased from others   | .....             |
| 21.24 | Other  | .....             |
| 22.1  | Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?                   | Yes [ ] No [ X ]  |
| 22.2  | If answer is yes:  |                   |
| 22.21 | Amount paid as losses or risk adjustment   | .....             |
| 22.22 | Amount paid as expenses  | .....             |
| 22.23 | Other amounts paid   | .....             |
| 23.1  | Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?  | Yes [ X ] No [ ]  |
| 23.2  | If yes, indicate any amounts receivable from parent included in the Page 2 amount.   | \$.....45,657,714 |

PART 1 - COMMON INTERROGATORIES - INVESTMENT

|      |   |                  |
|------|---|------------------|
| 24.1 | Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date (other than securities lending programs addressed in 24.3)? | Yes [ X ] No [ ] |
| 24.2 | If no, give full and complete information relating thereto.   |                  |

|      |   |                          |
|------|---|--------------------------|
| 24.3 | For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet (an alternative is to reference Note 17 where this information is also provided). |                          |
| N/A  |   |                          |
| 24.4 | Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?  | Yes [ ] No [ ] N/A [ X ] |
| 24.5 | If answer to 24.4 is yes, report amount of collateral for conforming programs.  | .....                    |
| 24.6 | If answer to 24.4 is no, report amount of collateral for other programs.  | .....                    |

PROGRESSIVE SPECIALTY INSURANCE COMPANY

PART 1 - COMMON INTERROGATORIES - INVESTMENT

- 24.7

Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☒ ]
- 24.8

Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☒ ]
- 24.9

Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☒ ]
- 25.1

Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.3)

Yes [ ☒ ]

No [ ☐ ]
- 25.2

If yes, state the amount thereof at December 31 of the current year:
- 25.21

Subject to repurchase agreements

\$.....0
- 25.22

Subject to reverse repurchase agreements

\$.....0
- 25.23

Subject to dollar repurchase agreements

\$.....0
- 25.24

Subject to reverse dollar repurchase agreements

\$.....0
- 25.25

Pledged as collateral

\$.....0
- 25.26

Placed under option agreements

\$.....0
- 25.27

Letter stock or securities restricted as to sale

\$.....0
- 25.28

On deposit with state or other regulatory body

\$.....3,730,404
- 25.29

Other

\$.....0

25.3 For category (25.27) provide the following:

| 1<br>Nature of Restriction | 2<br>Description | 3<br>Amount |
|----------------------------|------------------|-------------|
|                            |                  |             |

- 26.1

Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes [ ☐ ]

No [ ☒ ]
- 26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☒ ]
- If no, attach a description with this statement.

- 27.1

Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes [ ☐ ]

No [ ☒ ]
- 27.2

If yes, state the amount thereof at December 31 of the current year:

.....
28.

Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook?

Yes [ ☒ ]

No [ ☐ ]

28.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

| 1<br>Name of Custodian(s) | 2<br>Custodian's Address                   |
|---------------------------|--|
| CITIBANK, N.A.            | 338 GREENWICH STREET NEW YORK, NY 10013    |
| STATE STREET              | 801 PENNSYLVANIA AVE KANSAS CITY, MO 64105 |

- 28.02

For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:
- | 1<br>Name(s) | 2<br>Location(s) | 3<br>Complete Explanation(s) |
|--------------|------------------|------------------------------|
| NONE         |                  |                              |

- 28.03

Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year?

Yes [ ☐ ]

No [ ☒ ]
- 28.04

If yes, give full and complete information relating thereto:

28.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

| 1<br>Old Custodian | 2<br>New Custodian | 3<br>Date of Change | 4<br>Reason |
|--------------------|--------------------|---------------------|-------------|
| NONE               |                    |                     |             |

- 28.05

Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:
- | 1<br>Central Registration Depository Number(s) | 2<br>Name                        | 3<br>Address                     |
|--|----------------------------------|----------------------------------|
| 30107  | STATE STREET GLOBAL MARKETS, LLC | 225 FRANKLIN ST BOSTON, MA 02110 |

- 29.1

Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])?

Yes [ ☐ ]

No [ ☒ ]
- 29.2

If yes, complete the following schedule:

| 1<br>CUSIP #   | 2<br>Name of Mutual Fund | 3<br>Book/Adj.Carrying Value |
|----------------|--------------------------|------------------------------|
|                |                          |                              |
|                |                          |                              |
| 29.2999. TOTAL |                          | 0                            |

- 29.3

For each mutual fund listed in the table above, complete the following schedule:
- | 1<br>Name of Mutual Fund (from the above table) | 2<br>Name of Significant Holding of the Mutual Fund | 3<br>Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding | 4<br>Date of Valuation |
|---|---|---|------------------------|
|   |   |   |                        |

30.

Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

|                            | 1<br>Statement (Admitted) Value | 2<br>Fair Value  | 3<br>Excess of Statement over Fair Value (-), or Fair Value over Statement (+) |
|----------------------------|---------------------------------|------------------|--|
| 30.1 Bonds.....            | .....611,640,194                | .....627,662,915 | .....16,022,721  |
| 30.2 Preferred stocks..... | .....108,377,098                | .....119,788,247 | .....11,411,149  |
| 30.3 Totals.....           | .....720,017,292                | .....747,451,162 | .....27,433,870  |

- 30.4

Describe the sources or methods utilized in determining the fair values:

THE FAIR MARKET VALUES REPORTED ARE DERIVED FROM INDEPENDENT AND OBSERVABLE MARKET INPUT EVALUATIONS PROVIDED BY WIDELY UTILIZED REPUTABLE PRICING SERVICES, INDEPENDENT BROKER BID LISTS, INDEPENDENT BROKER QUOTATIONS, INDEPENDENT BROKER PRICING SERVICES, OR ACTIVE MARKET CLOSING QUOTATIONS FROM A REGULATED EXCHANGE. IN VERY RARE CASES, IF NONE OF THE AFOREMENTIONED PRIMARY SOURCES ARE AVAILABLE, MATRIX PRICING USING THE REPORTING ENTITY'S OWN MARKET BASED ASSUMPTIONS MAY BE UTILIZED. THE APPROVED METHODS FOR COMPUTATION OF FAIR MARKET VALUE ARE PRESCRIBED IN PART FIVE OF THE SECURITIES VALUATION OFFICE PURPOSES AND PROCEDURES MANUAL.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

PART 1 - COMMON INTERROGATORIES - INVESTMENT

31.1

Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D?

Yes ☒ No ☐

31.2

If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source?

Yes ☐ No ☒

31.3

If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D.

THE COMPANY'S FAIR MARKET VALUATION PROCESS, REGARDLESS OF WHAT PRICING SOURCE IS USED, ANALYZES  
AND COMPARES INDEPENDENT VENDOR QUOTATIONS/SPREADS, INDEPENDENT BROKER BID LISTS, INDEPENDENT  
BROKER QUOTES, INDEPENDENT BROKER PRICING SERVICES, INPUTS FROM THE PORTFOLIO MANAGEMENT TEAM,  
DISCUSSIONS WITH EXTERNAL AUDITORS, AND SECURITY SPECIFIC PARAMETERS TO ENSURE THAT THE VALUATION  
PROCESS REFLECTS THE MOST ACCURATE FAIR VALUE AT THE REPORTING DATE.

32.1

Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes ☒ No ☐

32.2

If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

33.1

Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$.....60,100

33.2

List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

|  |                  |
|--|------------------|
| 1<br>Name                              | 2<br>Amount Paid |
| PROPERTY CASUALTY INSURERS ASSOCIATION | 60,100           |

34.1

Amount of payments for legal expenses, if any?

\$.....0

34.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

|           |                  |
|-----------|------------------|
| 1<br>Name | 2<br>Amount Paid |
|           |                  |

35.1

Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$.....0

35.2

List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

|           |                  |
|-----------|------------------|
| 1<br>Name | 2<br>Amount Paid |
|           |                  |



GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

1.1

Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [ ☐ ]

No [ ☒ X ]

1.2

If yes, indicate premium earned on U.S. business only.

1.3

What portion of item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

1.31

Reason for excluding:

1.4

Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

1.5

Indicate total incurred claims on all Medicare Supplement insurance.

1.6

Individual policies:

Most current three years:

1.61

Total premium earned

1.62

Total incurred claims

1.63

Number of covered lives

All years prior to most current three years:

1.64

Total premium earned

1.65

Total incurred claims

1.66

Number of covered lives

1.7

Group policies:

Most current three years:

1.71

Total premium earned

1.72

Total incurred claims

1.73

Number of covered lives

All years prior to most current three years:

1.74

Total premium earned

1.75

Total incurred claims

1.76

Number of covered lives

2.

Health test:

|                                  | 1<br>Current Year  | 2<br>Prior Year    |
|----------------------------------|--------------------|--------------------|
| 2.1 Premium Numerator.....       | \$.....0           | \$.....0           |
| 2.2 Premium Denominator.....     | \$.....585,036,630 | \$.....566,989,790 |
| 2.3 Premium Ratio (2.1/2.2)..... | .....0.0           | .....0.0           |
| 2.4 Reserve Numerator.....       | \$.....0           | \$.....0           |
| 2.5 Reserve Denominator.....     | \$.....423,460,958 | \$.....410,781,948 |
| 2.6 Reserve Ratio (2.4/2.5)..... | .....0.0           | .....0.0           |

3.1

Does the reporting entity issue both participating and non-participating policies?

Yes [ ☐ ]

No [ ☒ X ]

3.2

If yes, state the amount of calendar year premiums written on:

3.21

Participating policies

3.22

Non-participating policies

4.

FOR MUTUAL REPORTING ENTITIES AND RECIPROCAL EXCHANGES ONLY:

4.1

Does the reporting entity issue assessable policies?

Yes [ ☐ ]

No [ ☐ ]

4.2

Does the reporting entity issue non-assessable policies?

Yes [ ☐ ]

No [ ☐ ]

4.3

If assessable policies are issued, what is the extent of the contingent liability of the policyholders?

.....%

4.4

Total amount of assessments paid or ordered to be paid during the year on deposit notes or contingent premiums.

5.

FOR RECIPROCAL EXCHANGES ONLY:

5.1

Does the exchange appoint local agents?

Yes [ ☐ ]

No [ ☐ ]

5.2

If yes, is the commission paid:

5.21

Out of Attorney's-in-fact compensation

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☐ ]

5.22

As a direct expense of the exchange

Yes [ ☐ ]

No [ ☐ ]

N/A [ ☐ ]

5.3

What expenses of the exchange are not paid out of the compensation of the Attorney-in-fact?

5.4

Has any Attorney-in-fact compensation, contingent on fulfillment of certain conditions, been deferred?

Yes [ ☐ ]

No [ ☐ ]

5.5

If yes, give full information:

6.1

What provision has this reporting entity made to protect itself from an excessive loss in the event of a catastrophe under a workers' compensation contract issued without limit of loss?

THE COMPANY DOES NOT WRITE WORKERS' COMPENSATION INSURANCE.

6.2

Describe the method used to estimate this reporting entity's probable maximum insurance loss, and identify the type of insured exposures comprising that probable maximum loss, the locations of concentrations of those exposures and the external resources (such as consulting firms or computer software models), if any, used in the estimation process:

THE COMPANY'S PROBABLE MAXIMUM LOSS (PML) IS ESTIMATED BY ANALYZING HISTORICAL MAJOR OCCURRENCES AND ESTIMATING FREQUENCY OF LOSS AND SEVERITY BASED ON THE POTENTIAL FORCE OF AN OCCURRENCE AND THE TOTAL NUMBER OF AUTOS AND BOATS EXPOSED. THE ESTIMATE OF THE PML WAS MADE EXCLUSIVELY BY PROGRESSIVE EMPLOYEES. THE COMPANY'S NET COMPREHENSIVE EXPOSURE IN THE CATASTROPHE PRONE STATES OF FLORIDA, LOUISIANA, TEXAS, MISSISSIPPI, ALABAMA AND CALIFORNIA IS LIMITED SINCE THE COMPANY IS A MEMBER OF A 100% POOLING REINSURANCE ARRANGEMENT WITH 11 OF ITS PROPERTY AND CASUALTY AFFILIATES.

6.3

What provision has this reporting entity made (such as a catastrophic reinsurance program) to protect itself from an excessive loss arising from the types and concentrations of insured exposures comprising its probable maximum property insurance loss?

THE PRIMARY PROPERTY COVERAGE SOLD BY THE COMPANY IS COMPREHENSIVE FOR AUTOMOBILE AND INLAND MARINE FOR BOATS. SINCE THE COMPANY'S ESTIMATED PML IS LESS THAN 7% OF THE SURPLUS, THE COMPANY CARRIES NO EXTERNAL CATASTROPHE REINSURANCE TO COVER ITS LIMITED CATASTROPHE EXPOSURE. THE COMPANY PARTICIPATES IN A POOLING ARRANGEMENT, WHICH SPREADS THE UNDERWRITING RISK INCLUDING THE CATASTROPHE EXPOSURE AMONG ALL PARTIES TO THE POOLING AGREEMENT.

6.4

Does the reporting entity carry catastrophe reinsurance protection for at least one reinstatement, in an amount sufficient to cover its estimated probable maximum loss attributable to a single loss event or occurrence?

Yes [ ☐ ]

No [ ☒ X ]

6.5

If no, describe any arrangements or mechanisms employed by the reporting entity to supplement its catastrophe reinsurance program or to hedge its exposure to uninsured catastrophic loss:

NONE

16

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

7.1

Has the reporting entity reinsured any risk with any other entity under a quota share reinsurance contract that includes a provision that would limit the reinsurer's losses below the stated quota share percentage (e.g., a deductible, a loss ratio corridor, a loss cap, an aggregate limit or any similar provisions)?

7.2

If yes, indicate the number of reinsurance contracts containing such provisions.

7.3

If yes, does the amount of reinsurance credit taken reflect the reduction in quota share coverage caused by any applicable limiting provision(s)?

8.1

Has this reporting entity reinsured any risk with any other entity and agreed to release such entity from liability, in whole or in part, from any loss that may occur on this risk, or portion thereof, reinsured?

8.2

If yes, give full information:

9.1

Has the reporting entity ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates) for which during the period covered by the statement: (i) it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; (ii) it accounted for that contract as reinsurance and not as a deposit; and (iii) the contract(s) contain one or more of the following features or other features that would have similar results:  
(a) A contract term longer than two years and the contract is noncancellable by the reporting entity during the contract term;  
(b) A limited or conditional cancellation provision under which cancellation triggers an obligation by the reporting entity, or an affiliate of the reporting entity, to enter into a new reinsurance contract with the reinsurer, or an affiliate of the reinsurer;  
(c) Aggregate stop loss reinsurance coverage;  
(d) A unilateral right by either party (or both parties) to commute the reinsurance contract, whether conditional or not, except for such provisions which are only triggered by a decline in the credit status of the other party;  
(e) A provision permitting reporting of losses, or payment of losses, less frequently than on a quarterly basis (unless there is no activity during the period); or  
(f) Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity?

9.2

Has the reporting entity during the period covered by the statement ceded any risk under any reinsurance contract (or under multiple contracts with the same reinsurer or its affiliates), for which, during the period covered by the statement, it recorded a positive or negative underwriting result greater than 5% of prior year-end surplus as regards policyholders or it reported calendar year written premium ceded or year-end loss and loss expense reserves ceded greater than 5% of prior year-end surplus as regards policyholders; excluding cessions to approved pooling arrangements or to captive insurance companies that are directly or indirectly controlling, controlled by, or under control with (i) one or more unaffiliated policyholders of the reporting entity, or (ii) an association of which one or more unaffiliated policyholders of the reporting entity is a member where:  
(a) The written premium ceded to the reinsurer by the reporting entity or its affiliate represents fifty percent (50%) or more of the entire direct and assumed premium written by the reinsurer based on its most recently available financial statement; or  
(b) Twenty-five percent (25%) or more of the written premium ceded to the reinsurer has been retroceded back to the reporting entity or its affiliates in a separate reinsurance contract?

9.3

If yes to 9.1 or 9.2, please provide the following information in the Reinsurance Summary Supplemental Filing for General Interrogatory 9:  
(a) The aggregate financial statement impact gross of all such ceded reinsurance contracts on the balance sheet and statement of income;  
(b) A summary of the reinsurance contract terms and indicate whether it applies to the contracts meeting the criteria in 9.1 or 9.2; and  
(c) A brief discussion of management's principle objectives in entering into the reinsurance contract including the economic purpose to be achieved.

9.4

Except for transactions meeting the requirements of paragraph 32 of SSAP No. 62R, Property and Casualty Reinsurance, has the reporting entity ceded any risk under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:  
(a) Accounted for that contract as reinsurance (either prospective or retroactive) under statutory accounting principles ("SAP") and as a deposit under generally accepted accounting principles ("GAAP"); or  
(b) Accounted for that contract as reinsurance under GAAP and as a deposit under SAP?

9.5

If yes to 9.4, explain in the Reinsurance Summary Supplemental Filing for General Interrogatory 9 (Section D) why the contract(s) is treated differently for GAAP and SAP.

9.6

The reporting entity is exempt from the Reinsurance Attestation Supplement under one or more of the following criteria:  
(a) The entity does not utilize reinsurance; or  
(b) The entity only engages in a 100% quota share contract with an affiliate and the affiliated or lead company has filed an attestation supplement; or  
(c) The entity has no external cessions and only participates in an intercompany pool and the affiliated or lead company has filed an attestation supplement.

10.

If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurance a reserve equal to that which the original entity would have been required to charge had it retained the risks. Has this been done?

11.1

Has this reporting entity guaranteed policies issued by any other reporting entity and now in force?

11.2

If yes, give full information:

12.1

If the reporting entity recorded accrued retrospective premiums on insurance contracts on Line 15.3 of the assets schedule, Page 2, state the amount of corresponding liabilities recorded for:  
12.1 Unpaid losses  
12.1 Unpaid underwriting expenses (including loss adjustment expenses)

12.2

Of the amount on Line 15.3, Page 2, state the amount that is secured by letters of credit, collateral and other funds:

12.3

If the reporting entity underwrites commercial insurance risks, such as workers' compensation, are premium notes or promissory notes accepted from its insureds covering unpaid premiums and/or unpaid losses?

12.4

If yes, provide the range of interest rates charged under such notes during the period covered by this statement:  
12.4 From  
12.4 To

12.5

Are letters of credit or collateral and other funds received from insureds being utilized by the reporting entity to secure premium notes or promissory notes taken by a reporting entity, or to secure any of the reporting entity's reported direct unpaid loss reserves, including unpaid losses under loss deductible features of commercial policies?

12.6

If yes, state the amount thereof at December 31 of current year:  
12.6 Letters of credit  
12.6 Collateral and other funds

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

- 13.1

Largest net aggregate amount insured in any one risk (excluding workers' compensation):

\$.....700,000
- 13.2

Does any reinsurance contract considered in the calculation of this amount include an aggregate limit of recovery without also including a reinstatement provision?

Yes [ ☐ ]      No [ ☒ ]
- 13.3

State the number of reinsurance contracts (excluding individual facultative risk certificates, but including facultative programs, automatic facilities or facultative obligatory contracts) considered in the calculation of the amount.

.....1
- 14.1

Is the company a cedant in a multiple cedant reinsurance contract?

Yes [ ☐ ]      No [ ☒ ]
- 14.2

If yes, please describe the method of allocating and recording reinsurance among the cedants:

- 14.3

If the answer to 14.1 is yes, are the methods described in item 14.2 entirely contained in the respective multiple cedant reinsurance contracts?

Yes [ ☐ ]      No [ ☐ ]
- 14.4

If the answer to 14.3 is no, are all the methods described in 14.2 entirely contained in written agreements?

Yes [ ☐ ]      No [ ☐ ]
- 14.5

If the answer to 14.4 is no, please explain:

- 15.1

Has the reporting entity guaranteed any financed premium accounts?

Yes [ ☐ ]      No [ ☒ ]
- 15.2

If yes, give full information:

- 16.1

Does the reporting entity write any warranty business?

Yes [ ☐ ]      No [ ☒ ]
- If yes, disclose the following information for each of the following types of warranty coverage:

|                       | 1<br>Direct Losses<br>Incurred | 2<br>Direct Losses<br>Unpaid | 3<br>Direct Written<br>Premium | 4<br>Direct Premium<br>Unearned | 5<br>Direct Premium<br>Earned |
|-----------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------|-------------------------------|
| 16.11 Home.....       |                                |                              |                                |                                 |                               |
| 16.12 Products.....   |                                |                              |                                |                                 |                               |
| 16.13 Automobile..... |                                |                              |                                |                                 |                               |
| 16.14 Other* .....    |                                |                              |                                |                                 |                               |

\* Disclose type of coverage: .....

- 17.1

Does the reporting entity include amounts recoverable on unauthorized reinsurance in Schedule F-Part 3 that it excludes from Schedule F-Part 5?  
Incurred but not reported losses on contracts in force prior to July 1, 1984, and not subsequently renewed are exempt from inclusion in Schedule F-Part 5.  
Provide the following information for this exemption:

Yes [ ☐ ]      No [ ☒ ]
- 17.11

Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5

.....
- 17.12

Unfunded portion of Interrogatory 17.11

.....
- 17.13

Paid losses and loss adjustment expenses portion of Interrogatory 17.11

.....
- 17.14

Case reserves portion of Interrogatory 17.11

.....
- 17.15

Incurred but not reported portion of Interrogatory 17.11

.....
- 17.16

Unearned premium portion of Interrogatory 17.11

.....
- 17.17

Contingent commission portion of Interrogatory 17.11

.....
- Provide the following information for all other amounts included in Schedule F-Part 3 and excluded from Schedule F-Part 5, not included above:
- 17.18

Gross amount of unauthorized reinsurance in Schedule F-Part 3 excluded from Schedule F-Part 5

.....
- 17.19

Unfunded portion of Interrogatory 17.18

.....
- 17.20

Paid losses and loss adjustment expenses portion of Interrogatory 17.18

.....
- 17.21

Case reserves portion of Interrogatory 17.18

.....
- 17.22

Incurred but not reported portion of Interrogatory 17.18

.....
- 17.23

Unearned premium portion of Interrogatory 17.18

.....
- 17.24

Contingent commission portion of Interrogatory 17.18

.....
- 18.1

Do you act as a custodian for health savings account?

Yes [ ☐ ]      No [ ☒ ]
- 18.2

If yes, please provide the amount of custodial funds held as of the reporting date.

.....
- 18.3

Do you act as an administrator for health savings accounts?

Yes [ ☐ ]      No [ ☒ ]
- 18.4

If yes, please provide the balance of the funds administered as of the reporting date.

.....

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
FIVE-YEAR HISTORICAL DATA

Show amounts in whole dollars only, no cents; show percentages to one decimal place, i.e. 17.6.

|   | 1<br>2011        | 2<br>2010        | 3<br>2009        | 4<br>2008         | 5<br>2007        |
|---|------------------|------------------|------------------|-------------------|------------------|
| <b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>   |                  |                  |                  |                   |                  |
| 1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)...   | .....941,982,415 | .....876,626,995 | .....792,510,880 | .....729,700,075  | .....758,253,645 |
| 2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | .....520,937,898 | .....491,079,707 | .....471,519,434 | .....472,522,873  | .....487,955,984 |
| 3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | .....1,876,485   | .....1,880,146   | .....1,893,107   | .....1,860,140    | .....1,885,963   |
| 4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....  | .....5,923       | .....508         | .....204,121     | .....417,025      | .....474,216     |
| 5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....   |                  |                  |                  |                   |                  |
| 6. Total (Line 35).....   | ...1,464,802,720 | ...1,369,587,356 | ...1,266,127,542 | ...1,204,500,113  | ...1,248,569,807 |
| <b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>   |                  |                  |                  |                   |                  |
| 7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)...   | .....379,612,757 | .....360,130,641 | .....348,284,534 | .....341,371,179  | .....354,725,348 |
| 8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....   | .....211,522,046 | .....210,164,326 | .....215,286,410 | .....220,977,235  | .....228,838,436 |
| 9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....   | .....1,876,485   | .....1,880,146   | .....1,893,107   | .....1,860,140    | .....1,885,963   |
| 10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   | .....1,231       | .....508         | .....204,121     | .....417,025      | .....474,216     |
| 11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  |                  |                  |                  |                   |                  |
| 12. Total (Line 35).....  | .....593,012,518 | .....572,175,621 | .....565,668,172 | .....564,625,579  | .....585,923,962 |
| <b>Statement of Income (Page 4)</b>   |                  |                  |                  |                   |                  |
| 13. Net underwriting gain (loss) (Line 8).....  | .....33,813,561  | .....38,813,779  | .....45,488,339  | .....26,417,843   | .....42,458,795  |
| 14. Net investment gain (loss) (Line 11).....   | .....45,432,556  | .....50,672,024  | .....49,576,331  | .....(69,542,711) | .....40,314,903  |
| 15. Total other income (Line 15).....   | .....12,033,860  | .....10,925,292  | .....7,165,366   | .....4,250,057    | .....4,870,603   |
| 16. Dividends to policyholders (Line 17).....   |                  |                  |                  |                   |                  |
| 17. Federal and foreign income taxes incurred (Line 19).....  | .....27,257,170  | .....29,926,772  | .....31,553,125  | .....23,375,505   | .....26,293,933  |
| 18. Net income (Line 20).....   | .....64,022,807  | .....70,484,323  | .....70,676,911  | .....(62,250,316) | .....61,350,368  |
| <b>Balance Sheet Lines (Pages 2 and 3)</b>  |                  |                  |                  |                   |                  |
| 19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....  | ...1,065,769,405 | ...1,275,310,314 | ...1,189,722,596 | ...1,061,138,660  | ...1,152,639,349 |
| 20. Premiums and considerations (Page 2, Col. 3):   |                  |                  |                  |                   |                  |
| 20.1 In course of collection (Line 15.1).....   | .....19,385,073  | .....12,145,636  | .....15,899,031  | .....11,136,629   | .....17,972,798  |
| 20.2 Deferred and not yet due (Line 15.2).....  | .....141,511,047 | .....124,841,562 | .....107,637,124 | .....98,722,706   | .....98,040,363  |
| 20.3 Accrued retrospective premiums (Line 15.3).....  |                  |                  |                  |                   |                  |
| 21. Total liabilities excluding protected cell business (Page 3, Line 26).....  | .....491,031,409 | .....474,957,472 | .....469,851,264 | .....471,753,725  | .....484,184,926 |
| 22. Losses (Page 3, Line 1).....  | .....199,877,709 | .....195,454,359 | .....194,116,427 | .....195,607,189  | .....197,521,531 |
| 23. Loss adjustment expenses (Page 3, Line 3).....  | .....42,157,315  | .....42,640,274  | .....43,208,963  | .....44,825,578   | .....48,598,756  |
| 24. Unearned premiums (Page 3, Line 9).....   | .....177,167,886 | .....169,191,997 | .....164,006,167 | .....168,359,240  | .....172,403,179 |
| 25. Capital paid up (Page 3, Lines 30 & 31).....  | .....3,500,000   | .....3,500,000   | .....3,500,000   | .....3,500,000    | .....3,500,000   |
| 26. Surplus as regards policyholders (Page 3, Line 37).....   | .....574,737,996 | .....800,352,842 | .....719,871,332 | .....589,384,935  | .....668,454,423 |
| <b>Cash Flow (Page 5)</b>   |                  |                  |                  |                   |                  |
| 27. Net cash from operations (Line 11).....   | .....62,996,935  | .....72,838,408  | .....61,645,262  | .....80,083,082   | .....63,603,284  |
| <b>Risk-Based Capital Analysis</b>  |                  |                  |                  |                   |                  |
| 28. Total adjusted capital.....   | .....574,737,996 | .....800,352,842 | .....719,871,332 | .....589,384,935  | .....668,454,423 |
| 29. Authorized control level risk-based capital.....  | .....21,938,667  | .....21,248,481  | .....20,946,313  | .....25,353,830   | .....33,768,112  |
| <b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b><br>(Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0                          |                  |                  |                  |                   |                  |
| 30. Bonds (Line 1).....   | .....74.4        | .....78.6        | .....80.9        | .....75.9         | .....59.8        |
| 31. Stocks (Lines 2.1 & 2.2).....   | .....25.6        | .....19.5        | .....18.2        | .....20.3         | .....39.1        |
| 32. Mortgage loans on real estate (Lines 3.1 & 3.2).....  |                  |                  |                  |                   |                  |
| 33. Real estate (Lines 4.1, 4.2 & 4.3).....   |                  |                  |                  |                   |                  |
| 34. Cash, cash equivalents and short-term investments (Line 5).....   | .....0.0         | .....1.9         | .....0.0         | .....2.8          | .....0.0         |
| 35. Contract loans (Line 6).....  |                  |                  |                  |                   |                  |
| 36. Derivatives (Line 7).....   |                  |                  | .....XXX         | .....XXX          | .....XXX         |
| 37. Other invested assets (Line 8).....   |                  |                  | .....1.0         | .....1.1          | .....1.0         |
| 38. Receivable for securities (Line 9).....   | .....0.0         |                  |                  |                   | .....0.0         |
| 39. Securities lending reinvested collateral assets (Line 10).....  |                  |                  | .....XXX         | .....XXX          | .....XXX         |
| 40. Aggregate write-ins for invested assets (Line 11).....  |                  |                  |                  |                   |                  |
| 41. Cash, cash equivalents and invested assets (Line 12).....   | .....100.0       | .....100.0       | .....100.0       | .....100.0        | .....100.0       |
| <b>Investments in Parent, Subsidiaries and Affiliates</b>   |                  |                  |                  |                   |                  |
| 42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....  |                  |                  |                  |                   |                  |
| 43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....   |                  |                  |                  |                   |                  |
| 44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....  |                  |                  |                  |                   |                  |
| 45. Affiliated short-term investments (Schedule DA, Verification, Col. 5, Line 10).....   |                  |                  |                  |                   |                  |
| 46. Affiliated mortgage loans on real estate.....   |                  |                  |                  |                   |                  |
| 47. All other affiliated.....   | .....9,229,720   | .....9,529,009   | .....9,608,297   | .....9,797,576    | .....9,986,869   |
| 48. Total of above lines 42 to 47.....  | .....9,229,720   | .....9,529,009   | .....9,608,297   | .....9,797,576    | .....9,986,869   |
| 49. Percentage of investments in parent, subsidiaries and affiliates to surplus<br>as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0)..... | .....1.6         | .....1.2         | .....1.3         | .....1.7          | .....1.5         |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
FIVE-YEAR HISTORICAL DATA  
(Continued)

|   | 1             | 2           | 3           | 4            | 5            |
|---|---------------|-------------|-------------|--------------|--------------|
|   | 2011          | 2010        | 2009        | 2008         | 2007         |
| <b>Capital and Surplus Accounts (Page 4)</b>  |               |             |             |              |              |
| 50. Net unrealized capital gains (losses) (Line 24).....  | (10,684,473)  | 12,838,218  | 39,195,632  | (18,169,583) | (10,464,422) |
| 51. Dividends to stockholders (Line 35).....  | (275,000,000) |             |             |              |              |
| 52. Change in surplus as regards policyholders for the year (Line 38).....  | (225,614,846) | 80,481,510  | 130,486,397 | (79,069,488) | 48,922,368   |
| <b>Gross Losses Paid (Page 9, Part 2, Cols. 1&amp;2)</b>  |               |             |             |              |              |
| 53. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)...  | 531,484,966   | 484,863,421 | 472,427,635 | 459,212,732  | 452,666,483  |
| 54. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 344,835,739   | 288,235,488 | 271,508,803 | 282,331,197  | 290,162,199  |
| 55. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 1,141,429     | 952,477     | 1,101,016   | 1,263,751    | 953,715      |
| 56. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   | 103,704       | 36,652      | 71,859      | 175,810      | 89,385       |
| 57. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  | 58,860        | 37,210      | 50,872      | 14,345       | 27,834       |
| 58. Total (Line 35).....  | 877,624,699   | 774,125,249 | 745,160,184 | 742,997,836  | 743,899,616  |
| <b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>   |               |             |             |              |              |
| 59. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4)...  | 220,610,277   | 213,875,754 | 214,796,225 | 217,961,602  | 221,638,691  |
| 60. Property lines (Lines 1, 2, 9, 12, 21 & 26).....  | 134,050,083   | 121,356,140 | 122,924,935 | 133,121,908  | 133,933,667  |
| 61. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....  | 1,141,429     | 952,477     | 1,101,016   | 1,263,751    | 953,715      |
| 62. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....   | 103,704       | 36,652      | 71,859      | 175,810      | 89,385       |
| 63. Nonproportional reinsurance lines (Lines 31, 32 & 33).....  | 58,860        | 37,210      | 50,872      | 14,345       | 27,834       |
| 64. Total (Line 35).....  | 355,964,354   | 336,258,234 | 338,944,906 | 352,537,417  | 356,643,292  |
| <b>Operating Percentages</b><br>(Page 4) (Item divided by Page 4, Line 1) x 100.0   |               |             |             |              |              |
| 65. Premiums earned (Line 1).....   | 100.0         | 100.0       | 100.0       | 100.0        | 100.0        |
| 66. Losses incurred (Line 2).....   | 61.6          | 59.5        | 59.2        | 61.7         | 59.6         |
| 67. Loss expenses incurred (Line 3).....  | 10.4          | 10.8        | 10.9        | 11.9         | 11.8         |
| 68. Other underwriting expenses incurred (Line 4).....  | 22.3          | 22.8        | 21.9        | 21.8         | 21.5         |
| 69. Net underwriting gain (loss) (Line 8).....  | 5.8           | 6.8         | 8.0         | 4.6          | 7.1          |
| <b>Other Percentages</b>  |               |             |             |              |              |
| 70. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15<br>divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....  | 19.9          | 20.7        | 20.8        | 21.2         | 21.0         |
| 71. Losses and loss expenses incurred to premiums earned<br>(Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....  | 72.0          | 70.3        | 70.1        | 73.5         | 71.4         |
| 72. Net premiums written to policyholders' surplus (Page 8, Part 1B,<br>Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....   | 103.2         | 71.5        | 78.6        | 95.8         | 87.7         |
| <b>One Year Loss Development (000 omitted)</b>  |               |             |             |              |              |
| 73. Development in estimated losses and loss expenses incurred prior<br>to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....   | (4,082)       | (9,096)     | (4,258)     | 1,496        | 4,025        |
| 74. Percent of development of losses and loss expenses incurred to policyholders' surplus<br>of prior year end (Line 73 above divided by Page 4, Line 21, Col. 1 x 100).....                      | (0.5)         | (1.3)       | (0.7)       | 0.2          | 0.7          |
| <b>Two Year Loss Development (000 omitted)</b>  |               |             |             |              |              |
| 75. Development in estimated losses and loss expenses incurred 2 years before the<br>current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....                              | (13,364)      | (8,114)     | (2,735)     | 5,049        | (6,343)      |
| 76. Percent of development of losses and loss expenses incurred to<br>reported policyholders' surplus of second prior year end<br>(Line 75 above divided by Page 4, Line 21, Col. 2 x 100.0)..... | (1.9)         | (1.4)       | (0.4)       | 0.8          | (1.2)        |

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [ ] No [ ]

If no, please explain:

**SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES**

**SCHEDULE P - PART 1 - SUMMARY**

(\$000 Omitted)

| Years in Which<br>Premiums<br>Were<br>Earned and<br>Losses Were<br>Incurred | Premiums Earned                   |                |                               | Loss and Loss Expense Payments    |                |  |                |                                   |                |   |   | 12<br>Number of<br>Claims<br>Reported-<br>Direct and<br>Assumed |
|---|-----------------------------------|----------------|-------------------------------|-----------------------------------|----------------|--|----------------|-----------------------------------|----------------|---|---|---|
|   | 1<br><br>Direct<br>and<br>Assumed | 2<br><br>Ceded | 3<br><br>Net<br>(Cols. 1 - 2) | Loss Payments                     |                | Defense and Cost<br>Containment Payments |                | Adjusting and Other<br>Payments   |                | 10<br><br>Salvage<br>and<br>Subrogation<br>Received | 11<br><br>Total<br>Net Paid<br>(Cols. 4 - 5 +<br>6 - 7 + 8 - 9) |   |
|   |                                   |                |                               | 4<br><br>Direct<br>and<br>Assumed | 5<br><br>Ceded | 6<br><br>Direct<br>and<br>Assumed        | 7<br><br>Ceded | 8<br><br>Direct<br>and<br>Assumed | 9<br><br>Ceded |   |   |   |
|   |                                   |                |                               |                                   |                |  |                |                                   |                |   |   |   |
| 1. Prior.....   | .....XXX.....                     | .....XXX.....  | .....XXX.....                 | .....367                          | .....125       | .....30                                  | .....4         | .....37                           | .....          | .....24   | .....305  | .....XXX.....   |
| 2. 2002.....  | .....592,455                      | .....7,753     | .....584,702                  | .....337,092                      | .....6,096     | .....13,028                              | .....179       | .....65,517                       | .....500       | .....23,522   | .....408,862  | .....XXX.....   |
| 3. 2003.....  | .....756,046                      | .....9,997     | .....746,049                  | .....408,674                      | .....7,265     | .....15,094                              | .....162       | .....80,947                       | .....651       | .....26,705   | .....496,637  | .....XXX.....   |
| 4. 2004.....  | .....734,271                      | .....12,319    | .....721,953                  | .....378,330                      | .....9,367     | .....14,125                              | .....252       | .....74,572                       | .....740       | .....27,001   | .....456,668  | .....XXX.....   |
| 5. 2005.....  | .....706,482                      | .....12,138    | .....694,344                  | .....395,131                      | .....8,699     | .....12,696                              | .....322       | .....75,960                       | .....582       | .....31,666   | .....474,183  | .....XXX.....   |
| 6. 2006.....  | .....667,701                      | .....10,792    | .....656,908                  | .....371,295                      | .....8,948     | .....10,813                              | .....379       | .....70,174                       | .....395       | .....31,472   | .....442,561  | .....XXX.....   |
| 7. 2007.....  | .....606,781                      | .....8,948     | .....597,833                  | .....350,356                      | .....4,037     | .....8,743                               | .....53        | .....62,575                       | .....69        | .....32,619   | .....417,515  | .....XXX.....   |
| 8. 2008.....  | .....578,227                      | .....7,283     | .....570,944                  | .....341,173                      | .....2,875     | .....7,470                               | .....90        | .....59,642                       | .....105       | .....29,792   | .....405,215  | .....XXX.....   |
| 9. 2009.....  | .....579,230                      | .....7,706     | .....571,524                  | .....318,143                      | .....3,102     | .....5,419                               | .....105       | .....50,827                       | .....95        | .....27,577   | .....371,088  | .....XXX.....   |
| 10. 2010.....   | .....575,661                      | .....8,671     | .....566,990                  | .....301,152                      | .....2,840     | .....3,134                               | .....43        | .....48,090                       | .....15        | .....28,455   | .....349,478  | .....XXX.....   |
| 11. 2011.....   | .....592,974                      | .....7,938     | .....585,037                  | .....250,696                      | .....1,459     | .....739                                 | .....5         | .....39,763                       | .....          | .....21,335   | .....289,733  | .....XXX.....   |
| 12. Totals.....   | .....XXX.....                     | .....XXX.....  | .....XXX.....                 | ...3,452,408                      | .....54,814    | .....91,291                              | .....1,593     | .....628,103                      | .....3,150     | .....280,168  | .....4,112,245  | .....XXX.....   |

|               | Losses Unpaid            |                 |                          |                 | Defense and Cost Containment Unpaid |                 |                          |                 | Adjusting and Other Unpaid   |                 | 23<br><br>Salvage and Subrogation Anticipated | 24<br>Total Net Losses and Expenses Unpaid | 25<br><br>Number of Claims Outstanding- Direct and Assumed |
|---------------|--------------------------|-----------------|--------------------------|-----------------|-------------------------------------|-----------------|--------------------------|-----------------|------------------------------|-----------------|---|--|--|
|               | Case Basis               |                 | Bulk + IBNR              |                 | Case Basis                          |                 | Bulk + IBNR              |                 | 21<br><br>Direct and Assumed | 22<br><br>Ceded |   |  |  |
|               | 13<br>Direct and Assumed | 14<br><br>Ceded | 15<br>Direct and Assumed | 16<br><br>Ceded | 17<br>Direct and Assumed            | 18<br><br>Ceded | 19<br>Direct and Assumed | 20<br><br>Ceded |                              |                 |   |  |  |
| 1. Prior..... | .....2,590               | .....2,086      | .....480                 | .....10         | .....80                             | .....21         |                          |                 | .....31                      |                 |   | .....1,065                                 | ....XXX.....   |
| 2. 2002.....  | .....1,437               | .....1,301      | .....13                  |                 | .....19                             | .....0          |                          |                 | .....12                      |                 |   | .....179                                   | ....XXX.....   |
| 3. 2003.....  | .....2,554               | .....2,394      | .....18                  |                 | .....37                             | .....0          |                          |                 | .....24                      |                 | .....19                                       | .....238                                   | ....XXX.....   |
| 4. 2004.....  | .....4,348               | .....3,974      | .....21                  | .....5          | .....92                             | .....2          | .....1                   | .....1          | .....46                      |                 | .....54                                       | .....527                                   | ....XXX.....   |
| 5. 2005.....  | .....4,911               | .....4,121      | .....78                  | .....35         | .....177                            | .....2          | .....3                   | .....2          | .....75                      |                 | .....110                                      | .....1,085                                 | ....XXX.....   |
| 6. 2006.....  | .....5,866               | .....4,179      | .....95                  | .....43         | .....247                            | .....1          | .....4                   | .....2          | .....112                     |                 | .....190                                      | .....2,097                                 | ....XXX.....   |
| 7. 2007.....  | .....6,847               | .....3,765      | .....161                 | .....87         | .....502                            | .....2          | .....8                   | .....5          | .....212                     |                 | .....326                                      | .....3,871                                 | ....XXX.....   |
| 8. 2008.....  | .....10,490              | .....2,463      | .....3,311               | 1,477           | .....1,274                          | .....9          | .....497                 | .....8          | .....604                     |                 | .....600                                      | .....12,218                                | ....XXX.....   |
| 9. 2009.....  | .....20,973              | .....3,053      | .....5,719               | 1,373           | .....3,195                          | .....20         | .....710                 | .....8          | .....1,652                   |                 | .....1,230                                    | .....27,795                                | ....XXX.....   |
| 10. 2010..... | .....42,251              | .....3,373      | .....8,782               | .....936        | .....5,353                          | .....29         | 1,312                    | .....15         | .....4,293                   |                 | .....2,457                                    | .....57,637                                | ....XXX.....   |
| 11. 2011..... | .....91,305              | .....2,298      | .....27,077              | 2,475           | .....6,317                          | .....36         | 2,625                    | .....30         | .....12,837                  |                 | .....12,501                                   | .....135,322                               | ....XXX.....   |
| 12. Totals... | .....193,571             | .....33,006     | .....45,754              | 6,441           | .....17,292                         | .....123        | 5,160                    | .....72         | .....19,899                  | .....0          | .....17,487                                   | .....242,035                               | ....XXX.....   |

|            | Total Losses and<br>Loss Expenses Incurred |                 |               | Loss and Loss Expense Percentage<br>(Incurred/Premiums Earned) |                 |               | Nontabular<br>Discount |                           | 34  | Net Balance Sheet<br>Reserves after Discount |                                  |
|------------|--|-----------------|---------------|--|-----------------|---------------|------------------------|---------------------------|---|--|----------------------------------|
|            | 26<br>Direct<br>and<br>Assumed             | 27<br><br>Ceded | 28<br><br>Net | 29<br>Direct<br>and<br>Assumed                                 | 30<br><br>Ceded | 31<br><br>Net | 32<br><br>Loss         | 33<br><br>Loss<br>Expense | Inter-Company<br>Pooling<br>Participation<br>Percentage | 35<br><br>Losses<br>Unpaid                   | 36<br>Loss<br>Expenses<br>Unpaid |
|            |  |                 |               |  |                 |               |                        |                           |   |  |                                  |
| 1. Prior.. | .....XXX.....                              | .....XXX.....   | .....XXX..... | .....XXX.....  | .....XXX.....   | .....XXX..... |                        |                           | .....XXX.....   | .....974                                     | .....91                          |
| 2. 2002.   | .....417,117                               | .....8,076      | .....409,041  | .....70.4  | .....104.2      | .....70.0     |                        |                           | .....7.00   | .....149                                     | .....30                          |
| 3. 2003.   | .....507,347                               | .....10,472     | .....496,875  | .....67.1  | .....104.8      | .....66.6     |                        |                           | .....7.00   | .....177                                     | .....61                          |
| 4. 2004.   | .....471,535                               | .....14,340     | .....457,195  | .....64.2  | .....116.4      | .....63.3     |                        |                           | .....7.00   | .....390                                     | .....137                         |
| 5. 2005.   | .....489,031                               | .....13,762     | .....475,268  | .....69.2  | .....113.4      | .....68.4     |                        |                           | .....7.00   | .....834                                     | .....251                         |
| 6. 2006.   | .....458,605                               | .....13,947     | .....444,658  | .....68.7  | .....129.2      | .....67.7     |                        |                           | .....7.00   | .....1,738                                   | .....359                         |
| 7. 2007.   | .....429,405                               | .....8,018      | .....421,386  | .....70.8  | .....89.6       | .....70.5     |                        |                           | .....7.00   | .....3,156                                   | .....715                         |
| 8. 2008.   | .....424,460                               | .....7,027      | .....417,434  | .....73.4  | .....96.5       | .....73.1     |                        |                           | .....7.00   | .....9,861                                   | .....2,358                       |
| 9. 2009.   | .....406,639                               | .....7,756      | .....398,883  | .....70.2  | .....100.7      | .....69.8     |                        |                           | .....7.00   | .....22,266                                  | .....5,529                       |
| 10. 2010.  | .....414,367                               | .....7,252      | .....407,115  | .....72.0  | .....83.6       | .....71.8     |                        |                           | .....7.00   | .....46,724                                  | .....10,914                      |
| 11. 2011.  | .....431,358                               | .....6,303      | .....425,055  | .....72.7  | .....79.4       | .....72.7     |                        |                           | .....7.00   | .....113,608                                 | .....21,713                      |
| 12. Totals | .....XXX.....                              | .....XXX.....   | .....XXX..... | .....XXX.....  | .....XXX.....   | .....XXX..... | .....0                 | .....0                    | .....XXX.....   | .....199,878                                 | .....42,157                      |

Note: Parts 2 and 4 are gross of all discounting, including tabular discounting. Part 1 is gross of only nontabular discounting, which is reported in Columns 32 and 33 of Part 1. The tabular discount, if any, is reported in the Notes to Financial Statements which will reconcile Part 1 with Parts 2 and 4.

**SCHEDULE P - PART 2 - SUMMARY**

| Years in Which Losses Were Incurred | Incurred Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted) |               |               |               |               |               |               |               |               |              | DEVELOPMENT   |               |
|-------------------------------------|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---------------|---------------|
|                                     | 1  | 2             | 3             | 4             | 5             | 6             | 7             | 8             | 9             | 10           | 11            | 12            |
|                                     | 2002   | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011         | One Year      | Two Year      |
| 1. Prior.....                       | .....89,818  | .....86,827   | .....83,969   | .....82,814   | .....82,893   | .....83,131   | .....82,940   | .....82,560   | .....82,729   | .....82,630  | .....(99)     | .....70       |
| 2. 2002.....                        | .....348,116   | .....348,283  | .....347,233  | .....344,668  | .....343,834  | .....344,078  | .....343,940  | .....344,004  | .....344,090  | .....344,013 | .....(77)     | .....9        |
| 3. 2003.....                        | .....XXX.....  | .....424,314  | .....421,342  | .....418,864  | .....416,397  | .....416,703  | .....416,841  | .....416,671  | .....416,641  | .....416,555 | .....(86)     | .....(116)    |
| 4. 2004.....                        | .....XXX.....  | .....XXX..... | .....394,834  | .....386,730  | .....385,409  | .....385,190  | .....383,280  | .....383,333  | .....383,403  | .....383,316 | .....(87)     | .....(17)     |
| 5. 2005.....                        | .....XXX.....  | .....XXX..... | .....XXX..... | .....405,008  | .....400,351  | .....402,671  | .....402,806  | .....400,193  | .....399,582  | .....399,815 | .....233      | .....(378)    |
| 6. 2006.....                        | .....XXX.....  | .....XXX..... | .....XXX..... | .....XXX..... | .....374,851  | .....376,122  | .....379,081  | .....377,308  | .....374,875  | .....374,767 | .....(108)    | .....(2,542)  |
| 7. 2007.....                        | .....XXX.....  | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....362,277  | .....362,671  | .....363,369  | .....361,668  | .....358,668 | .....(2,999)  | .....(4,701)  |
| 8. 2008.....                        | .....XXX.....  | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....358,789  | .....358,653  | .....359,246  | .....357,292 | .....(1,954)  | .....(1,361)  |
| 9. 2009.....                        | .....XXX.....  | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....350,827  | .....345,588  | .....346,498 | .....911      | .....(4,329)  |
| 10. 2010.....                       | .....XXX.....  | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....354,561  | .....354,747 | .....186      | .....XXX..... |
| 11. 2011.....                       | .....XXX.....  | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....372,454 | .....XXX..... | .....XXX..... |
| 12. Totals.....                     |  |               |               |               |               |               |               |               |               |              | .....(4,082)  | .....(13,364) |

**SCHEDULE P - PART 3 - SUMMARY**

| Years in Which Losses Were Incurred | Cumulative Paid Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted) |               |               |               |               |               |               |               |               |              | 11  | 12   |
|-------------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------|---|--|
|                                     | 1   | 2             | 3             | 4             | 5             | 6             | 7             | 8             | 9             | 10           | Number of Claims Closed With Loss Payment | Number of Claims Closed Without Loss Payment |
|                                     | 2002  | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011         |   |  |
| 1. Prior.....                       | .....000.....   | .....41,586   | .....65,292   | .....75,123   | .....79,031   | .....80,403   | .....80,927   | .....80,998   | .....81,327   | .....81,596  | .....XXX.....                             | .....XXX.....                                |
| 2. 2002....                         | .....219,741  | .....288,156  | .....320,013  | .....334,365  | .....339,799  | .....342,180  | .....343,202  | .....343,538  | .....343,734  | .....343,845 | .....XXX.....                             | .....XXX.....                                |
| 3. 2003.....                        | .....XXX.....   | .....268,751  | .....360,425  | .....390,814  | .....404,578  | .....411,442  | .....414,704  | .....415,725  | .....416,206  | .....416,341 | .....XXX.....                             | .....XXX.....                                |
| 4. 2004.....                        | .....XXX.....   | .....XXX..... | .....249,367  | .....325,828  | .....353,614  | .....369,734  | .....377,986  | .....380,899  | .....382,287  | .....382,835 | .....XXX.....                             | .....XXX.....                                |
| 5. 2005.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....268,608  | .....337,999  | .....369,752  | .....387,868  | .....395,266  | .....397,961  | .....398,805 | .....XXX.....                             | .....XXX.....                                |
| 6. 2006.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....254,809  | .....321,311  | .....349,527  | .....364,544  | .....370,367  | .....372,781 | .....XXX.....                             | .....XXX.....                                |
| 7. 2007.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....246,899  | .....311,414  | .....337,304  | .....349,761  | .....355,009 | .....XXX.....                             | .....XXX.....                                |
| 8. 2008.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....241,481  | .....309,419  | .....333,264  | .....345,678 | .....XXX.....                             | .....XXX.....                                |
| 9. 2009.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....230,657  | .....295,252  | .....320,356 | .....XXX.....                             | .....XXX.....                                |
| 10. 2010.....                       | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....233,388  | .....301,403 | .....XXX.....                             | .....XXX.....                                |
| 11. 2011....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....249,970 | .....XXX.....                             | .....XXX.....                                |

**SCHEDULE P - PART 4 - SUMMARY**

| Years in Which Losses Were Incurred | Bulk and IBNR Reserves on Net Losses and Defense and Cost Containment Expenses Reported at Year End (\$000 omitted) |               |               |               |               |               |               |               |               |             |
|-------------------------------------|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
|                                     | 1   | 2             | 3             | 4             | 5             | 6             | 7             | 8             | 9             | 10          |
|                                     | 2002  | 2003          | 2004          | 2005          | 2006          | 2007          | 2008          | 2009          | 2010          | 2011        |
| 1. Prior.....                       | .....15,860   | .....6,672    | .....1,945    | .....750      | .....365      | .....591      | .....569      | .....569      | .....569      | .....470    |
| 2. 2002.....                        | .....30,573   | .....10,527   | .....4,374    | .....794      | .....46       | .....25       | .....16       | .....54       | .....38       | .....13     |
| 3. 2003.....                        | .....XXX.....   | .....39,274   | .....11,286   | .....4,174    | .....830      | .....57       | .....30       | .....69       | .....48       | .....18     |
| 4. 2004.....                        | .....XXX.....   | .....XXX..... | .....36,459   | .....10,991   | .....4,638    | .....1,532    | .....64       | .....47       | .....48       | .....17     |
| 5. 2005.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....31,788   | .....9,878    | .....4,426    | .....2,112    | .....63       | .....55       | .....44     |
| 6. 2006.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....29,379   | .....9,165    | .....4,585    | .....2,192    | .....85       | .....53     |
| 7. 2007.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....29,307   | .....8,637    | .....4,286    | .....2,432    | .....77     |
| 8. 2008.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....31,624   | .....8,896    | .....4,779    | .....2,323  |
| 9. 2009.....                        | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....29,096   | .....9,158    | .....5,047  |
| 10. 2010.....                       | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....26,736   | .....9,142  |
| 11. 2011.....                       | .....XXX.....   | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....XXX..... | .....27,197 |

PROGRESSIVE SPECIALTY INSURANCE COMPANY  
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

|              |                               | 1<br><br>Active<br>Status | Gross Premiums, Including Policy and<br>Membership Fees, Less Return Premiums<br>and Premiums on Policies Not Taken |                                    | 4<br><br>Dividends Paid<br>or Credited<br>to Policyholders<br>on Direct<br>Business | 5<br><br>Direct Losses<br>Paid<br>(Deducting<br>Salvage) | 6<br><br>Direct Losses<br>Incurred | 7<br><br>Direct Losses<br>Unpaid | 8<br><br>Finance and<br>Service<br>Charges<br>not Included<br>in Premiums | 9<br><br>Direct Premiums<br>Written for<br>Federal Pur-<br>chasing Groups<br>(Incl. in Col. 2) |
|--------------|-------------------------------|---------------------------|---|------------------------------------|---|--|------------------------------------|----------------------------------|---|--|
|              |                               |                           | 2<br><br>Direct Premiums<br>Written   | 3<br><br>Direct Premiums<br>Earned |   |  |                                    |                                  |   |  |
| States, Etc. |                               |                           |   |                                    |   |  |                                    |                                  |   |  |
| 1.           | Alabama.....AL                | ...L....                  | .....130,603,815  | .....129,542,216                   | .....   | .....81,323,233  | .....79,539,666                    | .....47,644,817                  | .....2,642,913  | .....  |
| 2.           | Alaska.....AK                 | ...L....                  | .....24,208,890   | .....24,228,809                    | .....   | .....14,417,567  | .....14,732,030                    | .....8,340,103                   | .....457,345  | .....  |
| 3.           | Arizona.....AZ                | ...L....                  | .....   | .....                              | .....   | .....(667)   | .....(667)                         | .....                            | .....   | .....  |
| 4.           | Arkansas.....AR               | ...L....                  | .....331,047  | .....346,054                       | .....   | .....254,782   | .....223,570                       | .....118,153                     | .....7,502  | .....  |
| 5.           | California.....CA             | ...L....                  | .....   | .....                              | .....   | .....(1,600)   | .....(1,600)                       | .....                            | .....   | .....  |
| 6.           | Colorado.....CO               | ...L....                  | .....1,806,993  | .....1,872,926                     | .....   | .....1,199,642   | .....1,265,346                     | .....878,412                     | .....26,665   | .....  |
| 7.           | Connecticut.....CT            | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 8.           | Delaware.....DE               | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 9.           | District of Columbia.....DC   | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 10.          | Florida.....FL                | ...L....                  | .....   | .....                              | .....   | .....(3,947)   | .....(3,948)                       | .....                            | .....   | .....  |
| 11.          | Georgia.....GA                | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 12.          | Hawaii.....HI                 | ...L....                  | .....2,103,182  | .....2,231,095                     | .....   | .....2,028,416   | .....1,291,631                     | .....1,185,767                   | .....16,795   | .....  |
| 13.          | Idaho.....ID                  | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 14.          | Illinois.....IL               | ...L....                  | .....   | .....                              | .....   | .....(5,866)   | .....(5,866)                       | .....                            | .....   | .....  |
| 15.          | Indiana.....IN                | ...L....                  | .....   | .....                              | .....   | .....(4,061)   | .....(4,061)                       | .....                            | .....   | .....  |
| 16.          | Iowa.....IA                   | ...L....                  | .....   | .....                              | .....   | .....(633)   | .....(633)                         | .....                            | .....   | .....  |
| 17.          | Kansas.....KS                 | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 18.          | Kentucky.....KY               | ...L....                  | .....   | .....                              | .....   | .....3,425   | .....3,425                         | .....2,622                       | .....   | .....  |
| 19.          | Louisiana.....LA              | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 20.          | Maine.....ME                  | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 21.          | Maryland.....MD               | ...L....                  | .....39,656,249   | .....39,342,842                    | .....   | .....24,617,253  | .....26,064,038                    | .....14,652,001                  | .....491,458  | .....  |
| 22.          | Massachusetts.....MA          | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 23.          | Michigan.....MI               | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 24.          | Minnesota.....MN              | ...L....                  | .....14,998,897   | .....15,827,627                    | .....   | .....8,880,697   | .....7,915,562                     | .....4,586,355                   | .....213,284  | .....  |
| 25.          | Mississippi.....MS            | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 26.          | Missouri.....MO               | ...L....                  | .....   | .....                              | .....   | .....54,784  | .....(98,079)                      | .....40,687                      | .....   | .....  |
| 27.          | Montana.....MT                | ...L....                  | .....333,390  | .....355,448                       | .....   | .....191,811   | .....37,811                        | .....115,861                     | .....5,503  | .....  |
| 28.          | Nebraska.....NE               | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 29.          | Nevada.....NV                 | ...L....                  | .....2,286,703  | .....2,381,372                     | .....   | .....1,271,766   | .....799,875                       | .....675,644                     | .....39,043   | .....  |
| 30.          | New Hampshire.....NH          | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 31.          | New Jersey.....NJ             | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 32.          | New Mexico.....NM             | ...L....                  | .....   | .....                              | .....   | .....34,877  | .....(15,123)                      | .....                            | .....   | .....  |
| 33.          | New York.....NY               | ...L....                  | .....108,933,492  | .....100,781,084                   | .....   | .....53,640,542  | .....60,807,101                    | .....32,192,726                  | .....4,079,351  | .....  |
| 34.          | North Carolina.....NC         | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 35.          | North Dakota.....ND           | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 36.          | Ohio.....OH                   | ...L....                  | .....336,156,870  | .....327,555,701                   | .....   | .....203,875,636   | .....220,189,095                   | .....92,210,560                  | .....10,604,325   | .....  |
| 37.          | Oklahoma.....OK               | ...L....                  | .....   | .....                              | .....   | .....171   | .....171                           | .....443                         | .....   | .....  |
| 38.          | Oregon.....OR                 | ...L....                  | .....64,180   | .....79,887                        | .....   | .....79,629  | .....72,594                        | .....47,460                      | .....2,110  | .....  |
| 39.          | Pennsylvania.....PA           | ...L....                  | .....202,241,308  | .....195,804,393                   | .....   | .....125,176,196   | .....131,130,843                   | .....68,816,885                  | .....4,471,288  | .....  |
| 40.          | Rhode Island.....RI           | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 41.          | South Carolina.....SC         | ...L....                  | .....   | .....                              | .....   | .....(9,817)   | .....(19,696)                      | .....                            | .....   | .....  |
| 42.          | South Dakota.....SD           | ...L....                  | .....   | .....                              | .....   | .....(489)   | .....(489)                         | .....                            | .....   | .....  |
| 43.          | Tennessee.....TN              | ...L....                  | .....   | .....                              | .....   | .....(616)   | .....(616)                         | .....                            | .....   | .....  |
| 44.          | Texas.....TX                  | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 45.          | Utah.....UT                   | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 46.          | Vermont.....VT                | ...L....                  | .....1,923,115  | .....2,028,257                     | .....   | .....1,205,523   | .....916,274                       | .....619,478                     | .....40,614   | .....  |
| 47.          | Virginia.....VA               | ...L....                  | .....6,142,072  | .....6,550,280                     | .....   | .....3,437,218   | .....2,689,483                     | .....1,838,844                   | .....96,328   | .....  |
| 48.          | Washington.....WA             | ...L....                  | .....   | .....                              | .....   | .....(5,123)   | .....(5,123)                       | .....                            | .....   | .....  |
| 49.          | West Virginia.....WV          | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 50.          | Wisconsin.....WI              | ...L....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 51.          | Wyoming.....WY                | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 52.          | American Samoa.....AS         | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 53.          | Guam.....GU                   | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 54.          | Puerto Rico.....PR            | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 55.          | US Virgin Islands.....VI      | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 56.          | Northern Mariana Islands...MP | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 57.          | Canada.....CN                 | ...N....                  | .....   | .....                              | .....   | .....  | .....                              | .....                            | .....   | .....  |
| 58.          | Aggregate Other Alien.....OT  | ...XXX...                 | .....0  | .....0                             | .....0  | .....0   | .....0                             | .....0                           | .....0  | .....0   |
| 59.          | Totals.....                   | (a)....46                 | .....871,790,203  | .....848,927,991                   | .....0  | ...521,660,349   | ...547,522,614                     | ...273,966,818                   | ...23,194,524   | .....0   |

DETAILS OF WRITE-INS

|       |  |            |        |        |        |        |        |        |        |        |
|-------|--|------------|--------|--------|--------|--------|--------|--------|--------|--------|
| 5801. | .....  | ...XXX.... | .....  | .....  | .....  | .....  | .....  | .....  | .....  | .....  |
| 5802. | .....  | ...XXX.... | .....  | .....  | .....  | .....  | .....  | .....  | .....  | .....  |
| 5803. | .....  | ...XXX.... | .....  | .....  | .....  | .....  | .....  | .....  | .....  | .....  |
| 5898. | Summary of remaining write-ins for<br>Line 58 from overflow page | ...XXX.... | .....0 | .....0 | .....0 | .....0 | .....0 | .....0 | .....0 | .....0 |
| 5899. | Totals (Lines 5801 thru 5803+<br>Line 5898) (Line 58 above)      | ...XXX.... | .....0 | .....0 | .....0 | .....0 | .....0 | .....0 | .....0 | .....0 |

(a) Insert the number of "L" responses except for Canada and Other Alien.  
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;  
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

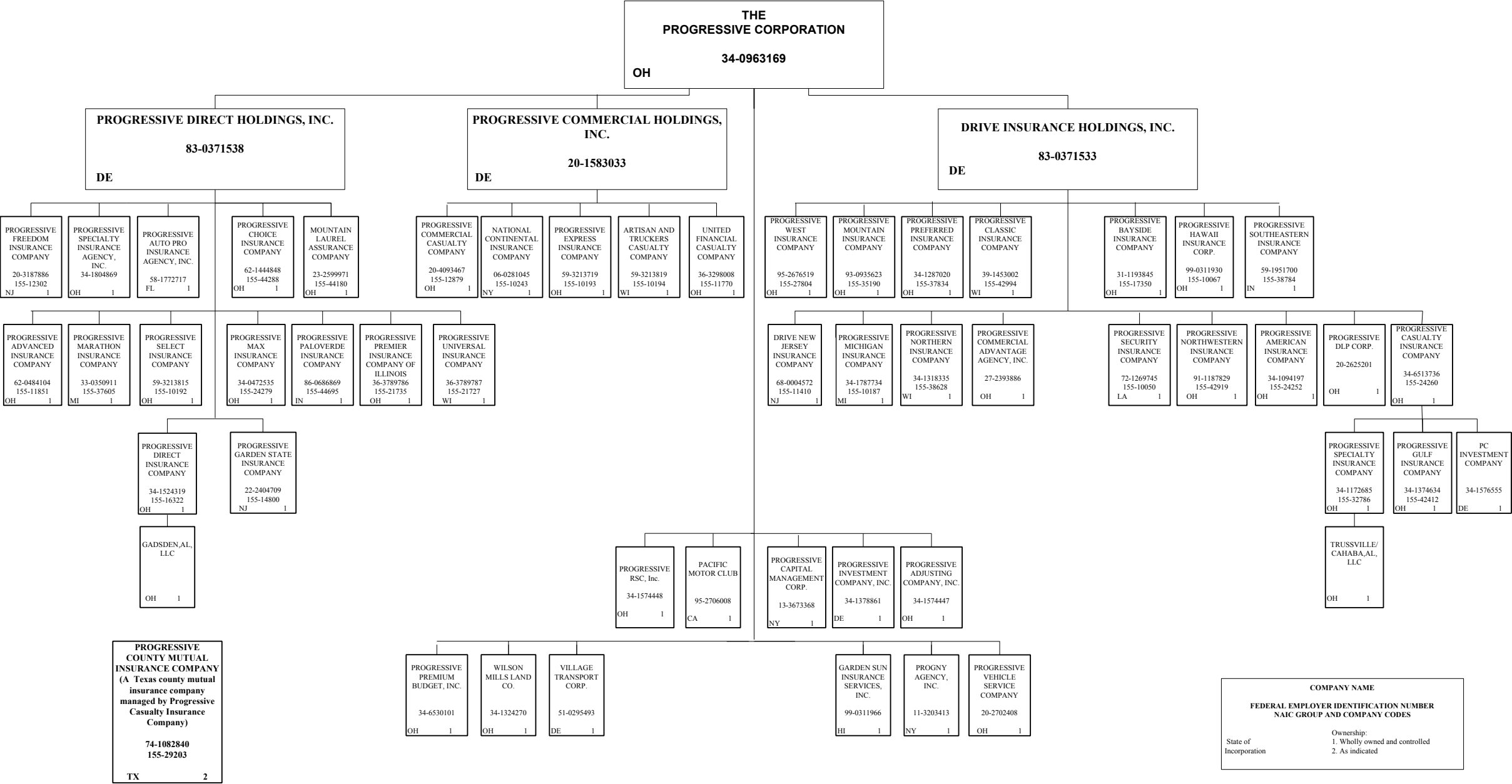
Explanation of Basis of Allocation of Premiums by States, etc.  
Allocation on the basis of the location where the vehicle is principally garaged and used.



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATIONAL CHART

94



| COMPANY NAME                           |   |
|--|---|
| FEDERAL EMPLOYER IDENTIFICATION NUMBER |   |
| NAIC GROUP AND COMPANY CODES           |   |
| State of Incorporation                 | Ownership:<br>1. Wholly owned and controlled<br>2. As indicated |

2011 ALPHABETICAL INDEX -- PROPERTY & CASUALTY ANNUAL STATEMENT BLANK

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