



ANNUAL STATEMENT

For the Year Ended December 31, 2012

of the Condition and Affairs of the

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NAIC Group Code.....155, 155
(Current Period) (Prior Period)

Organized under the Laws of OH

Incorporated/Organized..... August 4, 1975

Statutory Home Office

Main Administrative Office

Mail Address

Primary Location of Books and Records

Internet Web Site Address

Statutory Statement Contact

NAIC Company Code..... 32786

State of Domicile or Port of Entry OH

6300 WILSON MILLS ROAD, W33..... CLEVELAND OH US 44143-2182
(Street and Number) (City or Town, State, Country and Zip Code)

6300 WILSON MILLS ROAD, W33..... CLEVELAND OH US..... 44143-2182 440-461-5000
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

P.O. BOX 89490..... CLEVELAND OH US 44101-6490
(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)

6300 WILSON MILLS ROAD, W33..... CLEVELAND OH US 44143-2182 440-395-4460
(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)

PROGRESSIVE.COM

MARY BETH ANDREANO
(Name)

FINANCIAL_REPORTING@PROGRESSIVE.COM
(E-Mail Address)

Employer's ID Number..... 34-1172685

Country of Domicile US

Commenced Business..... May 26, 1976

440-395-4460
(Area Code) (Telephone Number)

440-446-7168
(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 BAILO	(VICE PRESIDENT)	KATHLEEN MARY CERNY	(ASST. SECRETARY)
JAMES LEE KUSMER	(ASST. TREASURER)		

DIRECTORS OR TRUSTEES

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

Subscribed and sworn to before me

This 14TH day of FEBRUARY, 2013

a. Is this an original filing?

Yes [X] No []

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).....	544,653,787		544,653,787	611,441,045
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	90,496,775		90,496,775	108,377,098
2.2 Common stocks.....	102,928,250		102,928,250	101,693,201
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 (\$.....0, Schedule E-Part 1), cash equivalents (\$.....6,499,891, Schedule E-Part 2) and short-term investments (\$.....4,415,369, Schedule DA).....	10,915,260		10,915,260	200,742
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	9,210,431	9,210,431	0	
9. Receivables for securities.....			0	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).....	758,204,503	9,210,431	748,994,072	821,725,619
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	4,775,324		4,775,324	6,665,931
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	34,840,946	8,446,495	26,394,451	19,385,073
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	155,965,587		155,965,587	141,511,047
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	6,665,302		6,665,302	8,294,002
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.....	20,433,688		20,433,688	21,395,830
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.....	30,504,711		30,504,711	45,657,714
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	6,141,320	5,575,046	566,274	1,134,189
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	1,017,531,381	23,231,972	994,299,409	1,065,769,405
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	1,017,531,381	23,231,972	994,299,409	1,065,769,405

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.....	566,274		566,274	1,134,189
2502. MISCELLANEOUS OTHER ASSETS.....	5,389,114	5,389,114	0	
2503. PREPAID EXPENSES.....	185,932	185,932	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).....	6,141,320	5,575,046	566,274	1,134,189

PROGRESSIVE SPECIALTY INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	217,147,501	199,877,709
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	4,978,502	4,258,048
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	43,354,212	42,157,315
4. Commissions payable, contingent commissions and other similar charges.....	1,036,140	906,016
5. Other expenses (excluding taxes, licenses and fees).....	19,944,840	19,890,497
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	5,108,680	4,132,708
7.1 Current federal and foreign income taxes (including \$.....1,780,643 on realized capital gains (losses)).....	7,229,334	5,162,503
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 \$....280,490,153 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).....	189,117,054	177,167,886
10. Advance premium.....	4,873,125	4,462,525
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	42,208	38,252
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.....	262,564	
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....	32,097,485	31,754,199
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.....	1,786,571	1,223,751
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	526,978,216	491,031,409
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	526,978,216	491,031,409
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.....	106,071,065	82,241,037
35. Unassigned funds (surplus).....	357,750,128	488,996,959
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).....	467,321,193	574,737,996
38. TOTALS (Page 2, Line 28, Col. 3).....	994,299,409	1,065,769,405

DETAILS OF WRITE-INS

2501. OTHER LIABILITIES.....	1,669,608	1,086,735
2502. ESCHEATABLE PROPERTY.....	110,970	129,908
2503. UNEARNED FEE RESERVE.....	5,993	7,108
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).....	1,786,571	1,223,751
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).....	623,470,798	585,036,630
DEDUCTIONS			
2.	Losses incurred (Part 2, Line 35, Column 7).....	403,903,130	360,387,703
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	64,457,556	60,564,769
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	134,650,346	130,270,580
5.	Aggregate write-ins for underwriting deductions.....	0	17
6.	Total underwriting deductions (Lines 2 through 5).....	603,011,032	551,223,069
7.	Net income of protected cells.....		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	20,459,766	33,813,561
INVESTMENT INCOME			
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17).....	27,785,399	36,087,753
10.	Net realized capital gains (losses) less capital gains tax of \$. 949,606 (Exhibit of Capital Gains (Losses)).....	21,363,892	9,344,803
11.	Net investment gain (loss) (Lines 9 + 10).....	49,149,291	45,432,556
OTHER INCOME			
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered \$. 602,489 amount charged off \$. 14,956,608).....	(14,354,119)	(11,899,436)
13.	Finance and service charges not included in premiums.....	25,716,336	23,194,523
14.	Aggregate write-ins for miscellaneous income.....	645,093	738,773
15.	Total other income (Lines 12 through 14).....	12,007,310	12,033,860
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	81,616,367	91,279,977
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).....	81,616,367	91,279,977
19.	Federal and foreign income taxes incurred.....	21,268,871	27,257,170
20.	Net income (Line 18 minus Line 19) (to Line 22).....	60,347,496	64,022,807
CAPITAL AND SURPLUS ACCOUNT			
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	574,737,996	800,352,842
22.	Net income (from Line 20).....	60,347,496	64,022,807
23.	Net transfers (to) from Protected Cell accounts.....		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of \$. 5,525,650.....	10,382,633	(10,684,473)
25.	Change in net unrealized foreign exchange capital gain (loss).....		
26.	Change in net deferred income tax.....	(3,049,019)	(1,403,536)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	1,072,059	(4,113,542)
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.....	23,830,028	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.....	(200,000,000)	(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).....	(107,416,803)	(225,614,846)
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	467,321,193	574,737,996
DETAILS OF WRITE-INS			
0501.	2008 NORTH CAROLINA PRIVATE PASSENGER AUTO ESCROW (REFUNDS).....		17
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).....	0	17
1401.	MISCELLANEOUS INCOME.....	540,919	633,846
1402.	SERVICE BUSINESS REVENUE.....	54,831	72,854
1403.	INTEREST INCOME ON INTERCOMPANY BALANCES.....	49,343	32,073
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).....	645,093	738,773
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 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	612,453,224	566,915,075
2. Net investment income.....	47,288,899	62,589,624
3. Miscellaneous income.....	12,722,059	12,656,336
4. Total (Lines 1 through 3).....	672,464,182	642,161,035
5. Benefit and loss related payments.....	384,284,184	358,968,089
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	196,750,123	192,088,963
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....(1,073,098) tax on capital gains (losses).....	20,151,646	28,107,048
10. Total (Lines 5 through 9).....	601,185,953	579,164,100
11. Net cash from operations (Line 4 minus Line 10).....	71,278,229	62,996,935
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	291,910,623	440,678,103
12.2 Stocks.....	48,401,810	11,848,844
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	140,000	180,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....	13,533	
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	340,465,966	452,706,947
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	234,729,735	228,907,191
13.2 Stocks.....	1,662,437	25,989,459
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		13,533
13.7 Total investments acquired (Lines 13.1 to 13.6).....	236,392,172	254,910,183
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).....	104,073,794	197,796,764
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.....	23,830,028	1,563,898
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....	200,000,000	275,000,000
16.6 Other cash provided (applied).....	11,532,467	(7,430,189)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(164,637,505)	(280,866,291)
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).....	10,714,518	(20,072,592)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	200,742	20,273,334
19.2 End of year (Line 18 plus Line 19.1).....	10,915,260	200,742
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 Net Premiums Written per Column 6, Part 1B	2 Unearned Premiums December 31 Prior Year- per Col. 3, Last Year's Part 1	3 Unearned Premiums December 31 Current Year- per Col. 5, Part 1A	4 Premiums Earned During Year (Cols. 1 + 2 - 3)
1.	Fire.....				0
2.	Allied lines.....				0
3.	Farmowners multiple peril.....				0
4.	Homeowners multiple peril.....	1,965,568	971,067	1,023,564	1,913,071
5.	Commercial multiple peril.....				0
6.	Mortgage guaranty.....				0
8.	Ocean marine.....				0
9.	Inland marine.....	10,640,494	4,671,548	5,066,496	10,245,545
10.	Financial guaranty.....				0
11.1	Medical professional liability - occurrence.....				0
11.2	Medical professional liability - claims-made.....	2,100	184	195	2,089
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.....	4,419,993	2,195,308	2,162,998	4,452,303
17.2	Other liability - claims-made.....	1,830	76,314	25,340	52,804
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.....	363,089,261	93,564,158	98,915,238	357,738,181
19.3, 19.4	Commercial auto liability.....	38,891,141	16,656,510	18,450,989	37,096,661
21.	Auto physical damage.....	216,408,991	59,020,788	63,471,754	211,958,024
22.	Aircraft (all perils).....				0
23.	Fidelity.....	41	10,479	156	10,364
24.	Surety.....	550	1,530	324	1,756
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.....	635,419,968	177,167,886	189,117,054	623,470,799

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 (Running One Year or Less from Date of Policy) (a)	Amount Unearned (Running More Than One Year from Date of Policy) (a)	Earned But Unbilled Premium	Reserve for Rate Credits and Retrospective Adjustments Based on Experience	Total Reserve for Unearned Premiums Cols. 1 + 2 + 3 + 4
1.	Fire.....					0
2.	Allied lines.....					0
3.	Farmowners multiple peril.....					0
4.	Homeowners multiple peril.....	1,023,564				1,023,564
5.	Commercial multiple peril.....					0
6.	Mortgage guaranty.....					0
8.	Ocean marine.....					0
9.	Inland marine.....	5,066,496				5,066,496
10.	Financial guaranty.....					0
11.1	Medical professional liability - occurrence.....					0
11.2	Medical professional liability - claims-made.....	195				195
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.....	2,162,998				2,162,998
17.2	Other liability - claims-made.....	33	25,308			25,340
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.....	98,915,238				98,915,238
19.3, 19.4	Commercial auto liability.....	18,450,989				18,450,989
21.	Auto physical damage.....	63,471,754				63,471,754
22.	Aircraft (all perils).....					0
23.	Fidelity.....		156			156
24.	Surety.....	324				324
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.....	189,091,591	25,463	0	0	189,117,054
36.	Accrued retrospective premiums based on experience.....					
37.	Earned but unbilled premiums.....					0
38.	Balance (sum of Lines 35 through 37).....					189,117,054

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 Direct Business (a)	Reinsurance Assumed		Reinsurance Ceded		6 Net Premiums Written (Cols. 1 + 2 + 3 - 4 - 5)
		2 From Affiliates	3 From Non-Affiliates	4 To Affiliates	5 To Non-Affiliates	
1. Fire.....						0
2. Allied lines.....						0
3. Farmowners multiple peril.....						0
4. Homeowners multiple peril.....		1,965,568				1,965,568
5. Commercial multiple peril.....						0
6. Mortgage guaranty.....						0
8. Ocean marine.....						0
9. Inland marine.....	10,689,833	10,640,494		10,689,833		10,640,494
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.....	3,855,529	4,419,992		3,622,390	233,138	4,419,993
17.2 Other liability - claims-made.....		1,830				1,830
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.....	574,390,658	363,089,261		574,390,658		363,089,261
19.3, 19.4 Commercial auto liability.....	26,144,050	38,891,141		26,121,490	22,560	38,891,141
21. Auto physical damage.....	334,634,527	216,408,991		334,634,527		216,408,991
22. Aircraft (all perils).....						0
23. Fidelity.....		41				41
24. Surety.....	2,346	550		2,346		550
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.....	949,716,943	635,419,967	0	949,461,244	255,698	635,419,968

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

Line of Business		Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
		1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1.	Fire.....				0			0	
2.	Allied lines.....				0			0	
3.	Farmowners multiple peril.....				0			0	
4.	Homeowners multiple peril.....		1,480,516		1,480,516	259,228	159,582	1,580,162	82.6
5.	Commercial multiple peril.....				0			0	
6.	Mortgage guaranty.....				0			0	
8.	Ocean marine.....				0			0	
9.	Inland marine.....	5,204,910	5,357,179	5,204,910	5,357,179	643,549	568,776	5,431,952	53.0
10.	Financial guaranty.....				0			0	
11.1	Medical professional liability - occurrence.....				0			0	
11.2	Medical professional liability - claims-made.....				0	104	105	(0)	(0.0)
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.....		38,057		38,057	51,546	90,628	(1,024)	
17.1	Other liability - occurrence.....	2,478,644	1,332,530	2,478,644	1,332,530	2,207,578	1,981,536	1,558,572	35.0
17.2	Other liability - claims-made.....		522,355		522,355	627,964	968,748	181,571	343.9
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.....	324,797,693	216,570,914	324,797,693	216,570,914	179,876,943	167,780,575	228,667,282	63.9
19.3, 19.4	Commercial auto liability.....	12,328,082	20,406,826	12,328,082	20,406,826	30,708,086	27,316,812	23,798,099	64.2
21.	Auto physical damage.....	218,906,380	140,755,839	218,906,380	140,755,839	2,128,201	307,848	142,576,192	67.3
22.	Aircraft (all perils).....				0			0	
23.	Fidelity.....		144,737		144,737	48,522	113,418	79,841	770.4
24.	Surety.....				0	1,840	4,162	(2,322)	(132.2)
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	24,387		24,387	593,940	585,522	32,805	
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.....	563,715,709	386,633,339	563,715,709	386,633,339	217,147,500	199,877,711	403,903,128	64.8
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

Line of Business		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
		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	Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	Net Unpaid Loss Adjustment Expenses
1.	Fire.....				0				0	
2.	Allied lines.....				0				0	
3.	Farmowners multiple peril.....				0				0	
4.	Homeowners multiple peril.....		173,762		173,762		85,466		259,228	42,391
5.	Commercial multiple peril.....				0				0	
6.	Mortgage guaranty.....				0				0	
8.	Ocean marine.....				0				0	
9.	Inland marine.....	212,938	339,148	212,938	339,148	298,761	304,401	298,761	643,549	112,241
10.	Financial guaranty.....				0				0	
11.1	Medical professional liability - occurrence.....				0				0	
11.2	Medical professional liability - claims-made.....				0		104		104	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.....		51,546		51,546				51,546	1,831
17.1	Other liability - occurrence.....	1,840,135	1,665,934	1,840,135	1,665,934	614,330	541,645	614,331	2,207,578	356,389
17.2	Other liability - claims-made.....		357,169		357,169		270,795		627,964	32,133
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.....	226,785,072	137,223,219	226,785,072	137,223,219	59,361,812	42,653,724	59,361,812	179,876,943	36,444,742
19.3, 19.4	Commercial auto liability.....	22,385,230	25,537,704	22,385,230	25,537,704	3,252,511	5,170,381	3,252,510	30,708,086	5,081,970
21.	Auto physical damage.....	11,037,946	7,146,827	11,037,946	7,146,827	(8,167,839)	(5,018,627)	(8,167,839)	2,128,201	1,277,927
22.	Aircraft (all perils).....				0				0	
23.	Fidelity.....		36,018		36,018		12,504		48,522	4,303
24.	Surety.....				0	117	1,840	117	1,840	193
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	130,219		130,219	XXX	463,721		593,940	
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.....	262,261,321	172,661,547	262,261,321	172,661,547	55,359,692	44,485,954	55,359,692	217,147,500	43,354,212

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 Expenses	Other Underwriting Expenses	Investment Expenses	Total
1. Claim adjustment services:				
1.1 Direct.....	10,955,705			10,955,705
1.2 Reinsurance assumed.....	9,850,592			9,850,592
1.3 Reinsurance ceded.....	10,955,705			10,955,705
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	9,850,592	0	0	9,850,592
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		96,420,963		96,420,963
2.2 Reinsurance assumed, excluding contingent.....		59,894,574		59,894,574
2.3 Reinsurance ceded, excluding contingent.....		96,420,963		96,420,963
2.4 Contingent - direct.....		2,403,606		2,403,606
2.5 Contingent - reinsurance assumed.....		1,205,779		1,205,779
2.6 Contingent - reinsurance ceded.....		2,403,606		2,403,606
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	61,100,353	0	61,100,353
3. Allowances to manager and agents.....		170,631		170,631
4. Advertising.....		5,584,014		5,584,014
5. Boards, bureaus and associations.....	179,112	224,548		403,661
6. Surveys and underwriting reports.....		4,343,992		4,343,992
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	35,194,571	28,298,783	505,912	63,999,265
8.2 Payroll taxes.....	2,469,344	2,083,946	15,746	4,569,036
9. Employee relations and welfare.....	6,284,851	4,747,156	23,600	11,055,607
10. Insurance.....	110,232	122,653		232,885
11. Directors' fees.....				0
12. Travel and travel items.....	2,076,151	595,748	1,433	2,673,332
13. Rent and rent items.....	2,947,721	2,163,719	19,349	5,130,789
14. Equipment.....	202,396	797,684		1,000,080
15. Cost or depreciation of EDP equipment and software.....	2,251,145	5,019,500	116	7,270,761
16. Printing and stationery.....	235,124	642,319	1,231	878,674
17. Postage, telephone and telegraph, exchange and express.....	2,227,938	4,203,698	3,941	6,435,577
18. Legal and auditing.....	280,979	737,043	78,888	1,096,910
19. Totals (Lines 3 to 18).....	54,459,565	59,735,436	650,214	114,845,215
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....4,687.....		10,586,759		10,586,759
20.2 Insurance department licenses and fees.....	51,848	788,182		840,030
20.3 Gross guaranty association assessments.....		(13,631)		(13,631)
20.4 All other (excluding federal and foreign income and real estate).....	18,390	1,950,725		1,969,114
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	70,237	13,312,034	0	13,382,272
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	77,162	502,522	122,167	701,852
25. Total expenses incurred.....	64,457,556	134,650,346	772,382	(a).....199,880,284
26. Less unpaid expenses - current year.....	43,354,212	26,071,882	17,779	69,443,873
27. Add unpaid expenses - prior year.....	42,157,315	24,911,003	18,222	67,086,540
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).....	63,260,659	133,489,467	772,825	197,522,951

DETAILS OF WRITE-INS

2401. MISCELLANEOUS EXPENSES.....	77,162	502,522	122,167	701,852
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).....	77,162	502,522	122,167	701,852

(a) Includes management fees of \$.....115,547,067 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. government bonds.....	(a).....2,244,786	2,231,049
1.1 Bonds exempt from U.S. tax.....	(a).....2,090,588	1,784,502
1.2 Other bonds (unaffiliated).....	(a).....16,524,731	15,398,343
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....7,086,221	6,666,282
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	2,130,658	2,106,202
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).....11,403	11,403
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	360,000	360,000
9. Aggregate write-ins for investment income.....	0	0
10. Total gross investment income.....	30,448,387	28,557,781
11. Investment expenses.....		(g).....772,382
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).....		772,382
17. Net investment income (Line 10 minus Line 16).....		27,785,399

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 \$.....1,210,214 accrual of discount less \$.....18,823,550 amortization of premium and less \$.....311,952 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 \$.....10,702 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	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	935,933	.....	.....935,933	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	7,071,567	.....	.....7,071,567	(528)	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	10,572,746	2,900,219	13,472,965	2,434,937	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	833,033	.....	.....833,033	13,353,165	.....
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	120,711	.....
9. Aggregate write-ins for capital gains (losses).....	0	0	0	0	0
10. Total capital gains (losses).....	19,413,279	2,900,219	22,313,498	15,908,285	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 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (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) and short-term investments (Schedule DA).....			0
6. Contract loans.....			0
7. Derivatives (Schedule DB).....			0
8. Other invested assets (Schedule BA).....	9,210,431	9,229,720	19,289
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).....	9,210,431	9,229,720	19,289
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.....	8,446,495	7,243,864	(1,202,631)
15.2 Deferred premiums, agents' balances and installments booked but 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	7,612,526
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.....	5,575,046	217,922	(5,357,124)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	23,231,972	24,304,032	1,072,060
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	23,231,972	24,304,032	1,072,060

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. MISCELLANEOUS OTHER ASSETS.....	5,389,114	11,458	(5,377,656)
2502. PREPAID EXPENSES.....	185,932	206,464	20,532
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).....	5,575,046	217,922	(5,357,124)

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

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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 as illustrated in the table below:

Description	State of Domicile	2012	2011
Net income			
(1) Net income, state basis	OH	\$ 60,347,496	\$ 64,022,807
(2) Effect of state prescribed practices			
(3) Effect of state permitted practices			
(4) Net income, NAIC SAP basis (1-2-3=4)	OH	\$ 60,347,496	\$ 64,022,807
Surplus			
(5) Policyholders' surplus, state basis	OH	\$ 467,321,193	\$ 574,737,996
(6) Effect of state prescribed practices			
(7) Effect of state permitted practices			
(8) Policyholders' surplus, NAIC SAP basis(5-6-7=8)	OH	\$ 467,321,193	\$ 574,737,996

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.

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 Credit Rating Provider (“CRP”) designations from the Acceptable Rating Organization (“ARO”) list 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 CRP-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 No. 43R, Loan-backed and Structured Securities (“SSAP No. 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 No. 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 debt securities are obtained from available market data, broker/dealers, and/or internal estimates, and are consistent with current interest rate and economic trends.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

- 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.
- The Company may enter into repurchase agreements in which it borrows cash by providing certain underlying securities as collateral for the arrangement. The cash borrowed is invested in cash equivalents and an offsetting liability is established. The cash equivalent investment maturities and the term of the borrowing arrangement on the collateralized securities match, eliminating duration risk exposure to the Company. The Company did not have any open repurchase agreements at December 31, 2012 and December 31, 2011.
- 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 other-than-temporary impairment (“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.

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 No. 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

A. Material Changes in Accounting Principles

Accounting changes adopted to conform to the provisions of the NAIC statutory accounting practices are reported as changes in accounting principle. Effective January 1, 2012, the Company adopted SSAP No. 101, Income Taxes. SSAP No. 101 reflects a revision to the accounting principles regarding deferred tax asset admissibility calculations (see Note 9). The Company’s deferred tax asset was not impacted by applying the provisions of SSAP No. 101.

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

A. Mortgage Loans, Including Mezzanine Real Estate Loans

Not applicable

B. Troubled Debt Restructuring for Creditors

Not applicable

C. Reverse Mortgages

Not applicable

D. Loan-Backed Securities

1. 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.
2. Intent to Sell or Inability to Hold Securities with a Recognized Other-Than-Temporary Impairment

Not applicable

NOTES TO FINANCIAL STATEMENTS

3. The following table shows, as of December 31, 2012, the Company's other-than-temporary impairment for loan-backed and structured debt securities since the adoption of SSAP No. 43R.

(1) CUSIP	(2) Amortized cost before current period other-than- temporary impairment	(3) Projected Cash Flows	(4) Recognized other-than- temporary Impairment	(5) Amortized Cost after other- than-temporary Impairment	(6) Fair Value at time of other- than-temporary impairment	(7) 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

4. As of December 31, 2012, the Company had \$273,991 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.

As of December 31, 2012, the composition of fair 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 is as follows:

Description	Amount
a. Aggregate amount of unrealized losses	
1. Less than twelve months	\$ 136,427
2. Twelve months or longer	137,564
Total	\$ 273,991
b. Aggregate fair value of securities with unrealized losses	
1. Less than twelve months	\$ 20,639,217
2. Twelve months or longer	17,282,834
Total	\$ 37,922,051

5. Under SSAP No. 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.

E. Repurchase Agreements
Not applicable (see Note 1C Investments)

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

NOTES TO FINANCIAL STATEMENTS

9. Income Taxes

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

1. The components of the net deferred tax asset/(liability) at December 31 are as follows:

Description	December 31, 2012			December 31, 2011			Change		
	(1) Ordinary Income	(2) Capital gain (loss)	(3) (Col 1+2) Total	(4) Ordinary Income	(5) Capital gain (loss)	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary Income	(8) (Col 2-5) Capital gain (loss)	(9) (Col 7+8) Total
(a) Gross deferred tax assets	\$ 30,424,395	\$ 28,210,772	\$ 58,635,167	\$ 26,814,853	\$ 36,828,170	\$ 63,643,023	\$ 3,609,542	\$ (8,617,398)	\$ (5,007,856)
(b) Statutory valuation allowance adjustment	-	-	-	-	-	-	-	-	-
(c) Adjusted gross deferred tax assets (1a-1b)	\$ 30,424,395	\$ 28,210,772	\$ 58,635,167	\$ 26,814,853	\$ 36,828,170	\$ 63,643,023	\$ 3,609,542	\$ (8,617,398)	\$ (5,007,856)
(d) Deferred tax assets nonadmitted	-	-	-	-	7,612,526	7,612,526	-	(7,612,526)	(7,612,526)
(e) Subtotal (net deferred tax asset) (1c-1d)	\$ 30,424,395	\$ 28,210,772	\$ 58,635,167	\$ 26,814,853	\$ 29,215,644	\$ 56,030,497	\$ 3,609,542	\$ (1,004,872)	\$ 2,604,670
(f) Deferred tax liabilities	4,407,395	33,794,084	38,201,479	5,419,023	29,215,644	34,634,667	(1,011,628)	4,578,440	3,566,812
(g) Net admitted deferred tax assets (net deferred tax liability) 1e-1f)	\$ 26,017,000	\$ (5,583,312)	\$ 20,433,688	\$ 21,395,830	\$ -	\$ 21,395,830	\$ 4,621,170	\$ (5,583,312)	\$ (962,142)

2. The admission calculation components of the DTA in accordance with SSAP No. 101, Income Taxes, are as follows:

Description	December 31, 2012			December 31, 2011			Change		
	(1) Ordinary Income	(2) Capital gain (loss)	(3) (Col 1+2) Total	(4) Ordinary Income	(5) Capital gain (loss)	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary Income	(8) (Col 2-5) Capital gain (loss)	(9) (Col 7+8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 28,062,077	\$ -	\$ 28,062,077	\$ 21,820,374	\$ -	\$ 21,820,374	\$ 6,241,703	\$ -	\$ 6,241,703
(b) Adjusted gross deferred tax assets expected to be realized (excluding the amount of deferred tax assets from 2(a) above) after application of the threshold limitation. (The lesser of 2(b)1. and 2(b)2. below)	1,105,987	-	1,105,987	-	-	-	1,105,987	-	1,105,987
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,105,987	-	1,105,987	-	-	-	1,105,987	-	1,105,987
2. Adjusted gross deferred tax assets allowed per limitation threshold			67,033,126			80,331,262			(13,298,136)
(c) Adjusted gross deferred tax assets(excluding the amount of deferred tax assets from 2(a) and 2(b) above) offset by gross deferred tax liabilities	1,256,331	28,210,772	29,467,103	4,994,479	29,215,644	34,210,123	(3,738,148)	(1,004,872)	(4,743,020)
(d) Deferred tax assets admitted as result of application of SSAP No. 101.									
Total 2(a)+2(b)+2(c)	\$ 30,424,395	\$ 28,210,772	\$ 58,635,167	\$ 26,814,853	\$ 29,215,644	\$ 56,030,497	\$ 3,609,542	\$ (1,004,872)	\$ 2,604,670

3. Recovery period and threshold limitation information is as follows:

Description	2012	2011
(a) Ratio percentage used to determine recovery period and threshold limitation amount	1929%	n/a
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2. above	\$ 446,887,505	n/a

4. The impact of tax planning strategies is as follows:

Description	December 31, 2012			December 31, 2011			Change		
	(1) Ordinary Percent	(2) Capital Percent	(3) (Col 1+2) Total	(4) Ordinary Percent	(5) Capital Percent	(6) (Col 4+5) Total	(7) (Col 1-4) Ordinary Percent	(8) (Col 2-5) Capital Percent	(9) (Col 7+8) Total
(a) Adjusted gross DTAs (% of total adjusted gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(b) Net admitted adjusted gross DTAs (% of total net admitted adjusted gross DTAs)	0%	0%	0%	0%	0%	0%	0%	0%	0%
(c) Does the Company's tax planning strategies include the use of reinsurance? Yes ___ No <u>X</u>									

B. Regarding deferred tax liabilities that are not recognized:

Not applicable

NOTES TO FINANCIAL STATEMENTS

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

1. Current Income Tax:

Description	(1) December 31, 2012	(2) December 31, 2011	(3) (Col 1-2) Change
(a) Federal	\$ 21,268,871	\$ 27,257,170	\$ (5,988,299)
(b) Foreign	-	-	-
(c) Subtotal	\$ 21,268,871	\$ 27,257,170	\$ (5,988,299)
(d) Federal income tax on net capital gains	949,606	(172,777)	1,122,383
(e) Utilization of capital loss carry-forwards	-	-	-
(f) Other	-	-	-
(g) Federal and foreign income taxes incurred	\$ 22,218,477	\$ 27,084,393	\$ (4,865,916)

2. Deferred Tax Assets:

Description	(1) December 31, 2012	(2) December 31, 2011	(3) (Col 1-2) Change
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 3,898,259	\$ 4,033,896	\$ (135,637)
(2) Unearned premium reserve	13,376,880	12,524,860	852,020
(3) Policyholder reserves	-	-	-
(4) Investments	-	-	-
(5) Deferred acquisition costs	-	-	-
(6) Policyholder dividends accrual	-	-	-
(7) Fixed assets	380,316	385,383	(5,067)
(8) Compensation and benefits accrual	6,087,557	5,741,696	345,861
(9) Pension accrual	-	-	-
(10) Receivables - nonadmitted	2,956,273	2,535,352	420,921
(11) Net operating loss carry-forward	-	-	-
(12) Tax credit carry-forward	-	-	-
(13) Other - non admitted assets	1,951,266	76,273	1,874,993
(14) Other - bad debt reserve	1,482,383	1,232,221	250,162
(15) Other (including items <5% of total ordinary tax assets)	291,461	285,172	6,289
(99) Subtotal	\$ 30,424,395	\$ 26,814,853	\$ 3,609,542
(b) Statutory valuation allowance adjustment	-	-	-
(c) Nonadmitted	-	-	-
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	\$ 30,424,395	\$ 26,814,853	\$ 3,609,542
(e) Capital			
(1) Investments	28,210,772	36,828,170	(8,617,398)
(2) Net capital loss carry-forward	-	-	-
(3) Real estate	-	-	-
(4) Other (including items <5% of total capital tax assets)	-	-	-
(99) Subtotal	\$ 28,210,772	\$ 36,828,170	\$ (8,617,398)
(f) Statutory valuation allowance adjustment	-	-	-
(g) Nonadmitted	-	7,612,526	(7,612,526)
(h) Admitted capital deferred tax assets (2e99-2f-2g)	\$ 28,210,772	\$ 29,215,644	\$ (1,004,872)
(i) Admitted deferred tax assets (2d+2h)	\$ 58,635,167	\$ 56,030,497	\$ 2,604,670

3. Deferred Tax Liabilities:

Description	(1) December 31, 2012	(2) December 31, 2011	(3) (Col 1-2) Change
(a) Ordinary			
(1) Investments	\$ 49,213	\$ 142,708	\$ (93,495)
(2) Fixed Assets	3,215,367	3,885,015	(669,648)
(3) Deferred and uncollected premium	-	-	-
(4) Policyholder reserves	-	-	-
(5) Other liabilities- prepaid expenses	817,498	1,070,812	(253,314)
(6) Other liabilities - salvage and subrogation	221,512	219,168	2,344
(7) Other (including items <5% of total ordinary tax liabilities)	103,805	101,320	2,485
(99) Subtotal	\$ 4,407,395	\$ 5,419,023	\$ (1,011,628)
(b) Capital			
(1) Investments	33,794,084	29,215,644	4,578,440
(2) Real estate	-	-	-
(3) Other (including items <5% of total capital tax liabilities)	-	-	-
(99) Subtotal	\$ 33,794,084	\$ 29,215,644	\$ 4,578,440
(c) Deferred tax liabilities (3a99+3b99)	\$ 38,201,479	\$ 34,634,667	\$ 3,566,812

4. Net Deferred Tax Asset (Liability) (2i – 3c):

Description	(1) December 31, 2012	(2) December 31, 2011	(3) (Col 1-2) Change
Net deferred tax asset (liability) (2i-3c)	\$ 20,433,688	\$ 21,395,830	\$ (962,142)

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, 2012	December 31, 2011	Change
Total deferred tax assets	\$ 58,635,167	\$ 63,643,023	\$ (5,007,856)
Total deferred tax liabilities	38,201,479	34,634,667	3,566,812
Net deferred tax asset (liability)	\$ 20,433,688	\$ 29,008,356	\$ (8,574,668)
Tax effect of unrealized gains (losses)			(5,525,649)
Change in net deferred income tax			\$ (3,049,019)

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 Amount	Effective Tax Rate
Provision computed at statutory rate	\$ 28,898,091	35%
Exempt interest income	(637,046)	-1%
Dividends received deduction	(870,571)	0%
Impact of nonadmitted assets	(2,295,914)	-3%
Tax credits	-	0%
Other	172,936	0%
Total	\$ 25,267,496	31%
Federal and foreign income taxes incurred	\$ 22,218,477	
Change in net deferred income tax	3,049,019	
Total statutory income taxes	\$ 25,267,496	

E. Operating Loss and Tax Credit Carryforwards

- 1) The Company has no operating loss or tax credit carryforwards available.
- 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:

Period	Amount
Current tax year:	\$ 21,258,756
First preceding tax year:	\$ 28,281,562

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 2012 transactions by the Company or any affiliated insurer with any affiliate are summarized in Schedule Y, Part 2.

See Note 13.4

C. Change in Terms of Intercompany Arrangements

Not applicable

D. Amounts Due to or from Related Parties

The Company reported a \$30,504,711 and \$45,657,714 receivable from parent, subsidiaries, and affiliates at December 31, 2012 and 2011, 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 \$7,229,334 and \$5,162,503 current Federal income tax payable at December 31, 2012 and 2011, 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

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

- F.

Management, Service Contracts, Cost Sharing Arrangements

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.

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

Effective February 5, 2012, the Company became one of five 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.

A.

Defined Benefit Plans

Not applicable

B.

Defined Contribution Plans

TPC sponsors a defined contribution savings plan. See Note 12D.

C.

Multiemployer Plans

Not applicable

D.

Consolidated / Holding Company Plans

Beginning January 1, 2009, TPC sponsors a defined contribution pension plan ("401(k) plan") which covers all United States employees who are 18 years or older and have been employed by TPC for at least 30 days. Under this plan, TPC will match up to a maximum of 6% of an employee's eligible compensation contributed to the plan. Employee and TPC matching contributions are invested, at the direction of the employee, in a number of investment options available under the plan. As of December 3, 2010, TPC converted the Progressive common stock fund investment option to an employee stock ownership program within the 401(k) plan.

TPC provides various postemployment benefits to former or inactive employees who meet eligibility requirements, and to their beneficiaries and covered dependents. Postemployment benefits include salary continuation and disability-related benefits, including workers' compensation, and, if elected, continuation of health-care benefits for specified limited periods.

TPC provides postretirement health and life insurance benefits to all employees who met requirements as to age and length of service at December 31, 1988. There are approximately 120 people who are eligible for these postretirement benefits. TPC's funding policy for these benefits is to contribute annually, to a 501(c)(9) trust, the maximum amount that can be deducted for Federal income tax purposes.

TPC's incentive compensation plans include both non-equity incentive plans (cash) and equity incentive plans (stock-based). Cash incentive compensation includes a cash bonus program for a limited number of senior executives and TPC's gainsharing program for other employees; the bases of these programs are similar in nature. Equity incentive compensation plans provide for the granting of restricted stock awards and restricted stock unit awards to key members of management.

TPC's 2003 Incentive Plan provides for the granting of equity-based awards to key employees of the Group. In addition, TPC's shareholders approved a 2010 Equity Incentive Plan in April 2010, which also grants equity-based rewards.

TPC maintains The Progressive Corporation Executive Deferred Compensation Plan, which permits eligible executives to defer receipt of some or all of their annual bonuses or all of their annual restricted stock awards.

E.

Postemployment Benefits and Compensated Absences

TPC is responsible for postemployment benefits. See Note 12D.

F.

Impact of Medicare Modernization Act on Postretirement Benefits

TPC is responsible for postretirement benefits. See Note 12D.
- The Company is allocated employee benefit expense based on the 100% pooling reinsurance agreement (see Note 26). The amount of employee benefit expense allocated to the Company was \$2,525,103 and \$2,493,151 in 2012 and 2011, respectively.
- 14.7

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

1. 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.

2. Dividend Rate of Preferred Stock

Not applicable

3,4,5,6. Dividends

The maximum amount of dividends the Company can pay to Casualty in 2013 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 \$60,347,496 in 2013 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 12, 2012	\$ 64,000,000	Ordinary
November 12, 2012	\$ 136,000,000	Extraordinary
November 10, 2011	\$ 80,000,000	Ordinary
November 10, 2011	\$ 195,000,000	Extraordinary

The extraordinary cash dividends were approved by the Ohio DOI.

7. Mutual Surplus Advances

Not applicable

8. Company Stock Held for Special Purposes

Not applicable

9. Changes in Special Surplus Funds

Not applicable

10. Changes in Unassigned Funds (Surplus)

As of December 31, 2012, 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)	\$ 82,243,903
Nonadmitted assets	(23,231,972)
Provision for reinsurance	--
Total	\$ 59,011,931

The unrealized gain is gross of the applicable deferred tax liability of \$28,714,725.

11. Surplus Notes

Not applicable

12,13. 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, 2012 and 2011, the Company's estimated liability for state guaranty fund and other assessments was \$1,664,231 and \$1,478,457, respectively. The Company did not recognize any premium tax benefit associated with its various assessments.

As of December 31, 2012 and 2011, the Company's estimated liability for various surcharges was \$249,071 and \$139,700, respectively.

C. Gain Contingencies

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

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

The Company paid the following amounts in 2012 to settle claims related extra contractual obligations (“ECO”) or bad faith claims stemming from lawsuits:

Description	Direct
Claims related ECO and bad faith losses paid in 2012	\$ 285,000

The table below indicates the number of claims where amounts were paid to settle claims related ECO or bad faith claims resulting from lawsuits during 2012.

(a) 0-25 Claims	(b) 26-50 Claims	(c) 51-100 Claims	(d) 101-500 Claims	(e) More than 500 Claims
X				

(f) Per Claim [] (g) Per Claimant [x]

E. Product Warranties

Not applicable

F. 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, 2012. 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, 2012, 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, 2012, there was a putative class action lawsuit challenging the manner in which the Company grants a discount for anti-theft devices.

As of December 31, 2012, there was a putative class action lawsuit alleging that the Company failed to reimburse legal fees incurred to recover medical damages for personal injury protection benefits.

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

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 in the Company's Financial Statements

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.

NOTES TO FINANCIAL STATEMENTS

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, 2012:

Asset Description	Level 1	Level 2	Level 3	Total
a. Assets on balance sheet at fair value				
Preferred stock				
Industrial & miscellaneous	\$ -	\$ 81,776,000	\$ -	\$ 81,776,000
Parent, subsidiaries and affiliates	-	-	-	-
Total preferred stocks	\$ -	\$ 81,776,000	\$ -	\$ 81,776,000
Bonds				
U.S. governments	\$ -	\$ -	\$ -	\$ -
Industrial & miscellaneous	-	22,068,651	-	22,068,651
Hybrid securities	-	-	-	-
Parent, subsidiaries and affiliates	-	-	-	-
Total bonds	\$ -	\$ 22,068,651	\$ -	\$ 22,068,651
Common stock				
Industrial & miscellaneous	\$ 102,928,250	\$ -	\$ -	\$ 102,928,250
Parent, subsidiaries and affiliates	-	-	-	-
Total common stocks	\$ 102,928,250	\$ -	\$ -	\$ 102,928,250
Derivative assets				
Interest rate contracts	\$ -	\$ -	\$ -	\$ -
Foreign exchange contracts	-	-	-	-
Credit contracts	-	-	-	-
Commodity futures contracts	-	-	-	-
Commodity forward contracts	-	-	-	-
Total derivatives	\$ -	\$ -	\$ -	\$ -
Separate account assets	\$ -	\$ -	\$ -	\$ -
Total assets at fair value	\$ 102,928,250	\$ 103,844,651	\$ -	\$ 206,772,901
b. Liabilities on balance sheet at fair value				
Derivative liabilities	\$ -	\$ -	\$ -	\$ -
Total liabilities at fair value	\$ -	\$ -	\$ -	\$ -

This table excludes investment in Trussville/Cahaba as this investment is reported on the equity basis as described in the *Purposes and Procedures Manual of the Securities Valuation Office* of the NAIC.

2. Roll forward of Level 3 Items

Asset Description	Balance at Jan. 1, 2012	Transfers into level 3	Transfers out of level 3	Total Gains (Losses) included in Net Income	Total Gains (Losses) included in Surplus	Purchases	Issuances	Sales	Settlements	Balance at Dec. 31, 2012
Bonds – Industrial & Miscellaneous	\$ --	\$ 12,704	\$ (12,704)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

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. Fixed-income investments included in the Level 3 category are valued using external pricing supplemented by internal review and analysis.

As of December 31, 2012 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

NOTES TO FINANCIAL STATEMENTS

C. Fair Values for all Financial Instruments by Levels 1, 2, and 3

The table below represents the fair value of all financial instruments however, not all financial instruments are reported at fair value in the Company's financial statements (see Note 1C).

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds	\$ 558,174,960	\$ 544,653,787	\$ 117,071,102	\$ 441,103,858	\$ -	\$ -
Cash equivalents	6,499,891	6,499,891	6,499,891	-	-	-
Short term investments	4,415,369	4,415,369	4,415,369	-	-	-
Common stock	102,928,250	102,928,250	102,928,250	-	-	-
Preferred stock	102,688,379	90,496,775	-	102,688,379	-	-
Total	\$ 774,706,849	\$ 748,994,072	\$ 230,914,612	\$ 543,792,237	\$ -	\$ -

D. Financial Instruments for Which it is Not Practicable to Estimate Fair Values

Not applicable

21. Other Items

A. Extraordinary Items

Not applicable

B. Troubled Debt Restructuring for Debtors

Not applicable

C. Other Disclosures

1. Segregated Funds

At December 31, 2012, securities at the amortized cost of \$3,733,257 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.

In 2012, the Company recorded no OTTI write-downs on any securities as a result of direct sub-prime exposure.

2. Direct Investment in Sub-Prime Mortgage Loans

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

3. Direct Investment in Securities with Underlying Sub-Prime Exposure

At December 31, 2012, the Company had the following securities with underlying sub-prime exposure:

Investment Type	Actual Cost	Book Adjusted Carrying Value	Fair Market Value	OTTI Recognized
(a) Residential mortgage-backed securities	\$ 21,276,741	\$ 21,332,992	\$ 21,467,201	\$ -
(b) Commercial mortgage-backed securities	-	-	-	-
(c) Collateralized debt obligations	-	-	-	-
(d) Structured securities	-	-	-	-
(e) Equity investment in SCAs	-	-	-	-
(f) Other assets	-	-	-	-
(g) Total	\$ 21,276,741	\$ 21,332,992	\$ 21,467,201	\$ -

4. Mortgage or Financial Guaranty Sub-Prime Exposure

Not applicable

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

At December 31, 2012 and 2011, the Company reported net admitted premiums and agents' balances in course of collection of \$26,394,451 and \$19,385,073, 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

The Company was not impacted by any subsequent events. Subsequent events have been considered through February 15, 2013 for the statutory statement that was available for issuance by March 1, 2013.

23. Reinsurance

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

At December 31, 2012, 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	\$ 672,556
Total			\$ 672,556

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, 2012.

	ASSUMED		CEDED		NET	
	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity	Unearned Premiums	Commission Equity
(a) Affiliates	\$ 189,117	\$ --	\$ 280,363	\$ --	\$ (91,246)	\$ --
(b) All Other	--	--	127	33	(127)	(33)
(c) Totals	\$ 189,117	\$ --	\$ 280,490	\$ 33	\$ (91,373)	\$ (33)
(d) Direct Unearned Premium Reserve is \$280,490						

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

NOTES TO FINANCIAL STATEMENTS

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 accident years increased by \$2,139,760 in 2012, which is less than 1.0% of the total prior year net unpaid losses and LAE of \$242,035,024. The increase is primarily due to an increase in originally anticipated severity of 1.7% for private passenger auto liability reserves for accident year 2011, partially offset by favorable development for accident years 2009 and prior. Additionally, originally anticipated severity increased by 1.9% for accident year 2011 for commercial auto liability. The Company also experienced favorable LAE reserve development in 2012.

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.

The pooling percentages for each Agency Pool participant as of December 31, 2012 and 2011 were as follows:

Company	NAIC Code	2012 Pool %	2011 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, 2012, amounts recoverable from and payable to the Company and all affiliates participating in the Agency Pool are as follows:

Company	Amounts Recoverable	Amounts Payable
Progressive Casualty Insurance Company (Lead)	\$ 88,766,261	\$ 40,454,977
Progressive Northern Insurance Company	9,131,570	17,483,416
Progressive Northwestern Insurance Company	5,417,823	19,565,095
Progressive Specialty Insurance Company	6,664,447	6,459,464
Progressive Preferred Insurance Company	4,392,715	12,003,092
Progressive Michigan Insurance Company	2,386,734	4,990,736
Progressive Classic Insurance Company	1,598,156	6,216,344
Progressive American Insurance Company	6,996,952	10,043,345
Progressive Gulf Insurance Company	1,357,669	3,959,791
Progressive Bayside Insurance Company	173,167	1,423,959
Progressive Mountain Insurance Company	2,328,737	3,563,369
Progressive Southeastern Insurance Company	-	3,052,984
Progressive Hawaii Insurance Corp.	-	1,164
National Continental Insurance Company	7,007	3,502
Total	\$ 129,221,238	\$ 129,221,238

27. Structured Settlements

Not applicable

28. Health Care Receivables

Not applicable

29. Participating Accident and Health Policies

Not applicable

NOTES TO FINANCIAL STATEMENTS

30.

Premium Deficiency Reserves

1.

Liability carried for premium deficiency reserves

\$0

2.

Date of most recent evaluation of this liability

January 5, 2013

3.

Was anticipated investment income utilized in the calculation?

Yes [X] No []
31.

High Deductibles

Not applicable
32.

Discounting of Liabilities for Unpaid Losses and Unpaid Loss Adjustment Expenses

Not applicable
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, 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, and Casualty's aggregate stop loss reinsurance agreement with National Continental Insurance Company, an insurance affiliate domiciled in New York, for general liability business written on or before November 25, 1985.

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

	December 31,				
	2008	2009	2010	2011	2012
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	\$ 442,103	\$ 425,179	\$ 322,298	\$ 334,130	\$ 226,887
Losses and DCC incurred	(10,213)	(65,508)	28,921	(54,487)	10,276
Calendar year payments for losses and DCC	6,711	37,373	17,089	52,756	7,462
Ending reserves	\$ 425,179	\$ 322,298	\$ 334,130	\$ 226,887	\$ 229,701
Net of Ceded Reinsurance					
Beginning reserves	\$ 456,453	\$ 439,529	\$ 336,648	\$ 348,480	\$ 241,236
Losses and DCC incurred	(10,213)	(65,508)	28,921	(54,488)	10,277
Calendar year payments for losses and DCC	6,711	37,373	17,089	52,756	7,462
Ending reserves	\$ 439,529	\$ 336,648	\$ 348,480	\$ 241,236	\$ 244,051

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

Direct	\$ --
Assumed	167,284
Net	\$ 167,284

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

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

NOTES TO FINANCIAL STATEMENTS

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

	December 31,				
	2008	2009	2010	2011	2012
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	\$ 159,070	\$ 52,767	\$ 234,666	\$ 206,723	\$ 246,930
Losses and DCC incurred	(106,028)	186,065	(23,699)	39,881	109,969
Calendar year payments for losses and DCC	275	4,166	4,244	(326)	(429)
Ending reserves	\$ 52,767	\$ 234,666	\$ 206,723	\$ 246,930	\$ 357,328
Net of Ceded Reinsurance					
Beginning reserves	\$ 162,647	\$ 56,345	\$ 238,243	\$ 210,300	\$ 250,507
Losses and DCC incurred	(106,027)	186,064	(23,699)	39,881	109,969
Calendar year payments for losses and DCC	275	4,166	4,244	(326)	(429)
Ending reserves	\$ 56,345	\$ 238,243	\$ 210,300	\$ 250,507	\$ 360,905

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

Direct	\$ --
Assumed	231,811
Net	\$ 231,811

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

Direct	\$ 3,157
Assumed	84,183
Net	\$ 87,340

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:

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 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
Affiliate Name	Location (City, State)	FRB	OCC	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?

GARY S. TRAICOFF, FCAS, MAAA CORPORATE ACTUARY

6300 WILSON MILLS ROAD MAYFIELD VILLAGE, OH 44143-2182

PROGRESSIVE SPECIALTY INSURANCE COMPANY
GENERAL INTERROGATORIES

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

\$.....2,141,223

12.2

If yes, provide explanation.

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

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 [X] No []

14.21

If the response to 14.2 is yes, provide information related to amendment(s).

THE COMPANY'S CODE OF ETHICS POLICIES WERE UPDATED WITH THE FOLLOWING:
- A NEW SECTION ON ETHICAL DECISION-MAKING.
- REVISED PROVISIONS ON 1)REPORTING CONCERNS ABOUT POTENTIAL MISCONDUCT, 2)DIVERSITY AND INCLUSION, 3) SOCIAL RESPONSIBILITY, 4)PERSONAL USE OF COMPANY PROVIDED MOBILE DEVICES 5)ALCOHOLIC BEVERAGES, 6)DISCLOSURE OF MINOR TRAFFIC VIOLATIONS, AND 7)CONFLICT OF INTEREST RULES FOR CLAIMS PERSONNEL.

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 where the issuing or confirming bank is not on the SVO Bank List?

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	2	3	4
American Bankers Association (ABA) Routing Number	Issuing or Confirming Bank Name	Circumstances That Can Trigger the Letter of Credit	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.

\$.....30,504,711

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.01

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 24.03)?

Yes [X] No []

24.02

If no, give full and complete information relating thereto.

PART 1 - COMMON INTERROGATORIES - INVESTMENT

24.03 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

24.04 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]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs.

.....

24.06 If answer to 24.04 is no, report amount of collateral for other programs.

.....

24.07 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 [X]

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

Yes [] No [] N/A [X]

24.09 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 [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:

24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2.

24.103 Total payable for securities lending reported on the liability page.

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 24.03)

Yes [X] 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 \$.....3,733,257

25.29 Other \$.....0

25.3 For category (25.27) provide the following:

1	2	3
Nature of Restriction	Description	Amount

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

Yes [] No [X]

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

Yes [] No [] N/A [X]

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 [X]

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 [X] No []

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

1	2
Name of Custodian(s)	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	2	3
Name(s)	Location(s)	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 [X]

28.04 If yes, give full and complete information relating thereto:

1	2	3	4
Old Custodian	New Custodian	Date of Change	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	2	3
Central Registration Depository Number(s)	Name	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 [X]

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adj.Carrying Value
29.2999. TOTAL		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	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	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds.....	555,569,045	569,090,223	13,521,178
30.2 Preferred stocks.....	90,496,775	102,688,379	12,191,604
30.3 Totals.....	646,065,820	671,778,602	25,712,782

PROGRESSIVE SPECIALTY INSURANCE COMPANY

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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/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.

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 [X]

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 [X]

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/DEALER BID LISTS, INDEPENDENT BROKER/DEALER QUOTES, INDEPENDENT BROKER/DEALER 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 [X]

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?

\$.....56,326

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 Name	2 Amount Paid
INDEPENDENT STATISTICAL SVCS	56,326

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 Name	2 Amount Paid
NONE	

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 Name	2 Amount Paid
NONE	

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 Current Year	2 Prior Year
2.1 Premium Numerator.....	\$.....0	\$.....0
2.2 Premium Denominator.....	\$.....623,470,798	\$.....585,036,630
2.3 Premium Ratio (2.1/2.2).....	0.0	0.0
2.4 Reserve Numerator.....	\$.....0	\$.....0
2.5 Reserve Denominator.....	\$.....454,597,269	\$.....423,460,958
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, NEW YORK, NEW JERSEY AND CALIFORNIA IS LIMITED SINCE THE COMPANY IS A MEMBER OF A 100% POOLING REINSURANCE ARRANGEMENT WITH 11 OF ITS PROPERTY AND CASUALTY AFFILIATES. THE PRIMARY PROPERTY COVERAGE SOLD BY THE COMPANY IS COMPREHENSIVE FOR AUTOMOBILE AND INLAND MARINE FOR BOATS. THE ESTIMATE OF THE PML IS LESS THAN 7% OF THE SURPLUS.

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?

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

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)?

Yes [☐]

No [☒ X]

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)?

Yes [☐]

No [☐]

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?

Yes [☐]

No [☒ X]

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?

Yes [☐]

No [☒ X]

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 affiliates 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?

Yes [☐]

No [☒ X]

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 31 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?

Yes [☐]

No [☒ X]

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.

Yes [☐]

No [☒ X]

Yes [☐]

No [☒ X]

Yes [☐]

No [☒ X]

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?

Yes [☒ X]

No [☐]

N/A [☐]

11.1

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

Yes [☐]

No [☒ X]

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)

\$.....0

\$.....0

\$.....0

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?

Yes [☐]

No [☒ X]

N/A [☐]

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?

Yes [☐]

No [☒ X]

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	2	3	4	5
	Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium 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 2012	2 2011	3 2010	4 2009	5 2008
Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 & 3)					
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)...	...1,010,794,561	941,982,415	876,626,995	792,510,880	729,700,075
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	572,373,844	520,937,898	491,079,707	471,519,434	472,522,873
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,965,568	1,876,485	1,880,146	1,893,107	1,860,140
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	2,936	5,923	508	204,121	417,025
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	...1,585,136,910	...1,464,802,720	...1,369,587,356	...1,266,127,542	...1,204,500,113
Net Premiums Written (Page 8, Part 1B, Col. 6)					
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)...	406,404,325	379,612,757	360,130,641	348,284,534	341,371,179
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	227,049,484	211,522,046	210,164,326	215,286,410	220,977,235
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,965,568	1,876,485	1,880,146	1,893,107	1,860,140
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	590	1,231	508	204,121	417,025
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	635,419,968	593,012,518	572,175,621	565,668,172	564,625,579
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	20,459,766	33,813,561	38,813,779	45,488,339	26,417,843
14. Net investment gain (loss) (Line 11).....	49,149,291	45,432,556	50,672,024	49,576,331	(69,542,711)
15. Total other income (Line 15).....	12,007,310	12,033,860	10,925,292	7,165,366	4,250,057
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	21,268,871	27,257,170	29,926,772	31,553,125	23,375,505
18. Net income (Line 20).....	60,347,496	64,022,807	70,484,323	70,676,911	(62,250,316)
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	994,299,409	...1,065,769,405	...1,275,310,314	...1,189,722,596	...1,061,138,660
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	26,394,451	19,385,073	12,145,636	15,899,031	11,136,629
20.2 Deferred and not yet due (Line 15.2).....	155,965,587	141,511,047	124,841,562	107,637,124	98,722,706
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	526,978,216	491,031,409	474,957,472	469,851,264	471,753,725
22. Losses (Page 3, Line 1).....	217,147,501	199,877,709	195,454,359	194,116,427	195,607,189
23. Loss adjustment expenses (Page 3, Line 3).....	43,354,212	42,157,315	42,640,274	43,208,963	44,825,578
24. Unearned premiums (Page 3, Line 9).....	189,117,054	177,167,886	169,191,997	164,006,167	168,359,240
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).....	467,321,193	574,737,996	800,352,842	719,871,332	589,384,935
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	71,278,229	62,996,935	72,838,408	61,645,262	80,083,082
Risk-Based Capital Analysis					
28. Total adjusted capital.....	467,321,193	574,737,996	800,352,842	719,871,332	589,384,935
29. Authorized control level risk-based capital.....	23,171,733	21,938,667	21,248,481	20,946,313	25,353,830
Percentage Distribution of Cash, Cash Equivalents and Invested Assets (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	72.7	74.4	78.6	80.9	75.9
31. Stocks (Lines 2.1 & 2.2).....	25.8	25.6	19.5	18.2	20.3
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).....	1.5	0.0	1.9	0.0	2.8
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....				XXX.....	XXX.....
37. Other invested assets (Line 8).....				1.0	1.1
38. Receivable for securities (Line 9).....		0.0			
39. Securities lending reinvested collateral assets (Line 10).....				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
Investments in Parent, Subsidiaries and Affiliates					
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 (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....	9,210,431	9,229,720	9,529,009	9,608,297	9,797,576
48. Total of above lines 42 to 47.....	9,210,431	9,229,720	9,529,009	9,608,297	9,797,576
49. Total investment in parent included in Lines 42 to 47 above.....					
50. Percentage of investments in parent, subsidiaries and affiliates to surplus as regards policyholders (Line 48 above divided by Page 3, Col. 1, Line 37 x 100.0).....	2.0	1.6	1.2	1.3	1.7

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

	1	2	3	4	5
	2012	2011	2010	2009	2008
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....	10,382,633	(10,684,473)	12,838,218	39,195,632	(18,169,583)
52. Dividends to stockholders (Line 35).....	(200,000,000)	(275,000,000)			
53. Change in surplus as regards policyholders for the year (Line 38).....	(107,416,803)	(225,614,846)	80,481,510	130,486,397	(79,069,488)
Gross Losses Paid (Page 9, Part 2, Cols. 1 & 2)					
54. 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)...	578,475,101	531,484,966	484,863,421	472,427,635	459,212,732
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	370,224,308	344,835,739	288,235,488	271,508,803	282,331,197
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,480,516	1,141,429	952,477	1,101,016	1,263,751
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	144,737	103,704	36,652	71,859	175,810
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	24,387	58,860	37,210	50,872	14,345
59. Total (Line 35).....	950,349,048	877,624,699	774,125,249	745,160,184	742,997,836
Net Losses Paid (Page 9, Part 2, Col. 4)					
60. 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)...	238,870,682	220,610,277	213,875,754	214,796,225	217,961,602
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	146,113,018	134,050,083	121,356,140	122,924,935	133,121,908
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,480,516	1,141,429	952,477	1,101,016	1,263,751
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	144,737	103,704	36,652	71,859	175,810
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	24,387	58,860	37,210	50,872	14,345
65. Total (Line 35).....	386,633,339	355,964,354	336,258,234	338,944,906	352,537,417
Operating Percentages (Page 4) (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	64.8	61.6	59.5	59.2	61.7
68. Loss expenses incurred (Line 3).....	10.3	10.4	10.8	10.9	11.9
69. Other underwriting expenses incurred (Line 4).....	21.6	22.3	22.8	21.9	21.8
70. Net underwriting gain (loss) (Line 8).....	3.3	5.8	6.8	8.0	4.6
Other Percentages					
71. Other underwriting expenses to net premiums written (Page 4, Lines 4 + 5 - 15 divided by Page 8, Part 1B, Col. 6, Line 35 x 100.0).....	19.3	19.9	20.7	20.8	21.2
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	75.1	72.0	70.3	70.1	73.5
73. Net premiums written to policyholders' surplus (Page 8, Part 1B, Col. 6, Line 35, divided by Page 3, Line 37, Col. 1 x 100.0).....	136.0	103.2	71.5	78.6	95.8
One Year Loss Development (000 omitted)					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	2,223	(4,082)	(9,096)	(4,258)	1,496
75. Percent of development of losses and loss expenses incurred to policyholders' surplus of prior year end (Line 74 above divided by Page 4, Line 21, Col. 1 x 100).....	0.4	(0.5)	(1.3)	(0.7)	0.2
Two Year Loss Development (000 omitted)					
76. Development in estimated losses and loss expenses incurred 2 years before the current year and prior year (Schedule P, Part 2-Summary, Line 12, Col. 12).....	(6,249)	(13,364)	(8,114)	(2,735)	5,049
77. Percent of development of losses and loss expenses incurred to reported policyholders' surplus of second prior year end (Line 76 above divided by Page 4, Line 21, Col. 2 x 100.0).....	(0.8)	(1.9)	(1.4)	(0.4)	0.8

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?
If no, please explain:

Yes [] No []

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported- Direct and Assumed
	1 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received	11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX.....	XXX.....	XXX.....	346	161	48	2	51	.....	.....56	282	XXX.....
2. 2003.....	756,046	9,997	746,049	408,866	7,387	15,117	162	80,972	651	26,727	496,755	XXX.....
3. 2004.....	734,271	12,319	721,953	378,848	9,621	14,178	253	74,618	740	27,063	457,029	XXX.....
4. 2005.....	706,482	12,138	694,344	395,801	8,938	12,934	324	76,044	582	31,698	474,936	XXX.....
5. 2006.....	667,701	10,792	656,908	372,347	9,339	11,084	389	70,298	395	31,528	443,606	XXX.....
6. 2007.....	606,781	8,948	597,833	352,338	4,438	9,174	69	62,795	69	32,766	419,730	XXX.....
7. 2008.....	578,227	7,283	570,944	347,021	3,668	8,505	136	60,105	105	30,117	411,722	XXX.....
8. 2009.....	579,230	7,706	571,524	329,690	3,775	7,479	173	51,855	95	28,103	384,982	XXX.....
9. 2010.....	575,661	8,671	566,990	327,264	3,758	6,050	79	50,477	15	29,706	379,940	XXX.....
10. 2011.....	592,974	7,938	585,037	322,533	2,743	3,061	26	47,987	.....	.....31,765	370,811	XXX.....
11. 2012.....	629,947	6,476	623,471	273,106	1,344	800	3	40,619	.....	.....24,128	313,178	XXX.....
12. Totals.....	XXX.....	XXX.....	XXX.....	...3,508,161	55,171	88,430	1,618	615,821	2,651	293,657	4,152,971	XXX.....

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding- Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded	Direct and Assumed	Ceded			
1. Prior.....	4,009	3,536	489	.....	.....160	21	.....	.....	.....41	.....	.....	.....1,142	XXX.....
2. 2003.....	2,680	2,582	13	.....	.....22	.....	.....	.....	.....22	.....	.....	.....154	XXX.....
3. 2004.....	3,886	3,715	20	.....	.....34	2	.....	.....	.....38	.....	.....24	261	XXX.....
4. 2005.....	4,430	4,052	24	4	70	1	1	1	55	.....	.....82	522	XXX.....
5. 2006.....	4,536	3,794	72	34	117	1	3	2	69	.....	.....115	967	XXX.....
6. 2007.....	5,561	4,145	83	41	219	1	3	2	115	.....	.....174	1,792	XXX.....
7. 2008.....	6,456	3,161	226	157	530	3	8	5	220	.....	.....287	4,114	XXX.....
8. 2009.....	10,825	3,196	3,235	933	1,278	8	546	7	647	.....	.....575	12,386	XXX.....
9. 2010.....	21,573	2,788	3,877	483	3,209	17	783	9	1,703	.....	.....1,182	27,848	XXX.....
10. 2011.....	42,395	2,316	9,051	1,460	4,999	18	1,379	10	4,255	.....	.....2,669	58,274	XXX.....
11. 2012.....	104,357	4,761	31,474	964	6,904	20	2,836	14	13,231	.....	.....14,285	153,043	XXX.....
12. Totals...	210,707	38,046	48,563	4,077	17,540	92	5,560	50	20,395	0	19,394	260,502	XXX.....

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	.....	.....	.....XXX.....	962	180
2. 2003.	507,692	10,782	496,909	67.2	107.9	66.6	.....	.....	.....7.00	111	44
3. 2004.	471,621	14,331	457,290	64.2	116.3	63.3	.....	.....	.....7.00	190	70
4. 2005.	489,359	13,901	475,457	69.3	114.5	68.5	.....	.....	.....7.00	397	124
5. 2006.	458,526	13,953	444,573	68.7	129.3	67.7	.....	.....	.....7.00	780	186
6. 2007.	430,288	8,766	421,523	70.9	98.0	70.5	.....	.....	.....7.00	1,458	334
7. 2008.	423,071	7,234	415,836	73.2	99.3	72.8	.....	.....	.....7.00	3,364	750
8. 2009.	405,554	8,187	397,368	70.0	106.2	69.5	.....	.....	.....7.00	9,931	2,455
9. 2010.	414,937	7,149	407,788	72.1	82.4	71.9	.....	.....	.....7.00	22,179	5,669
10. 2011.	435,658	6,573	429,085	73.5	82.8	73.3	.....	.....	.....7.00	47,669	10,605
11. 2012.	473,328	7,107	466,221	75.1	109.7	74.8	.....	.....	.....7.00	130,106	22,937
12. Totals	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	0	0	XXX.....	217,148	43,354

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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	One Year	Two Year
1. Prior.....	105,368	101,460	97,740	96,984	97,466	97,138	96,821	97,076	96,900	97,030	130	(46)
2. 2003....	424,314	421,342	418,864	416,397	416,703	416,841	416,671	416,641	416,555	416,566	11	(75)
3. 2004....	XXX.....	394,834	386,730	385,409	385,190	383,280	383,333	383,403	383,316	383,373	57	(30)
4. 2005....	XXX.....	XXX.....	405,008	400,351	402,671	402,806	400,193	399,582	399,815	399,940	126	359
5. 2006....	XXX.....	XXX.....	XXX.....	374,851	376,122	379,081	377,308	374,875	374,767	374,601	(166)	(274)
6. 2007....	XXX.....	XXX.....	XXX.....	XXX.....	362,277	362,671	363,369	361,668	358,668	358,681	13	(2,986)
7. 2008....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	358,789	358,653	359,246	357,292	355,616	(1,676)	(3,630)
8. 2009....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	350,827	345,588	346,498	344,961	(1,538)	(627)
9. 2010....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	354,561	354,747	355,622	875	1,061
10. 2011....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	372,454	376,844	4,390	XXX.....
11. 2012....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	412,371	XXX.....	XXX.....
12. Totals.....											2,223	(6,249)

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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012		
1. Prior.....	000.....	55,563	79,746	89,088	92,841	94,387	94,794	95,318	95,698	95,929	XXX.....	XXX.....
2. 2003....	268,751	360,425	390,814	404,578	411,442	414,704	415,725	416,206	416,341	416,434	XXX.....	XXX.....
3. 2004....	XXX.....	249,367	325,828	353,614	369,734	377,986	380,899	382,287	382,835	383,151	XXX.....	XXX.....
4. 2005....	XXX.....	XXX.....	268,608	337,999	369,752	387,868	395,266	397,961	398,805	399,474	XXX.....	XXX.....
5. 2006....	XXX.....	XXX.....	XXX.....	254,809	321,311	349,527	364,544	370,367	372,781	373,703	XXX.....	XXX.....
6. 2007....	XXX.....	XXX.....	XXX.....	XXX.....	246,899	311,414	337,304	349,761	355,009	357,004	XXX.....	XXX.....
7. 2008....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	241,481	309,419	333,264	345,678	351,722	XXX.....	XXX.....
8. 2009....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	230,657	295,252	320,356	333,222	XXX.....	XXX.....
9. 2010....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	233,388	301,403	329,477	XXX.....	XXX.....
10. 2011....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	249,970	322,825	XXX.....	XXX.....
11. 2012....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	272,559	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
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Prior.....	17,198	6,319	1,545	412	616	585	623	607	483	489
2. 2003.....	39,274	11,286	4,174	830	57	30	69	48	18	13
3. 2004.....	XXX.....	36,459	10,991	4,638	1,532	64	47	48	17	20
4. 2005.....	XXX.....	XXX.....	31,788	9,878	4,426	2,112	63	55	44	20
5. 2006.....	XXX.....	XXX.....	XXX.....	29,379	9,165	4,585	2,192	85	53	39
6. 2007.....	XXX.....	XXX.....	XXX.....	XXX.....	29,307	8,637	4,286	2,432	77	43
7. 2008.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	31,624	8,896	4,779	2,323	72
8. 2009.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	29,096	9,158	5,047	2,840
9. 2010.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	26,736	9,142	4,169
10. 2011.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	27,197	8,959
11. 2012.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	XXX.....	33,332

PROGRESSIVE SPECIALTY INSURANCE COMPANY
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

		1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
			2 Direct Premiums Written	3 Direct Premiums Earned						
States, Etc.										
1.	Alabama.....AL	...L....	135,226,202	132,710,415	.....	.....78,397,201	79,449,265	48,696,881	2,836,038	.....
2.	Alaska.....AK	...L....	24,991,504	24,552,531	.....	.....15,145,033	17,184,334	10,379,404	442,813	.....
3.	Arizona.....AZ	...L....	.....	.....	.....	.....	.....	.....	.....	.....
4.	Arkansas.....AR	...L....	292,935	306,280	.....	.....197,282	127,141	48,012	7,049	.....
5.	California.....CA	...L....	.....	.....	.....	.....(1,545)	(1,545)	.....	.....	.....
6.	Colorado.....CO	...L....	1,692,367	1,695,617	.....	.....1,412,306	1,308,284	774,390	23,693	.....
7.	Connecticut.....CT	...L....	.....	.....	.....	.....	.....	.....	.....	.....
8.	Delaware.....DE	...L....	.....	.....	.....	.....	.....	.....	.....	.....
9.	District of Columbia.....DC	...L....	.....	.....	.....	.....	.....	.....	.....	.....
10.	Florida.....FL	...L....	.....	.....	.....	.....(5,152)	(5,152)	.....	.....	.....
11.	Georgia.....GA	...L....	.....	.....	.....	.....	.....	.....	.....	.....
12.	Hawaii.....HI	...L....	1,725,554	1,812,996	.....	.....1,220,695	1,032,798	997,870	13,053	.....
13.	Idaho.....ID	...L....	.....	.....	.....	.....	.....	.....	.....	.....
14.	Illinois.....IL	...L....	.....	.....	.....	.....(6,055)	(6,055)	.....	.....	.....
15.	Indiana.....IN	...L....	.....	.....	.....	.....(3,480)	(3,480)	.....	.....	.....
16.	Iowa.....IA	...L....	.....	.....	.....	.....(1,498)	(1,498)	.....	.....	.....
17.	Kansas.....KS	...L....	.....	.....	.....	.....	.....	.....	.....	.....
18.	Kentucky.....KY	...L....	.....	.....	.....	.....(10,387)	(10,322)	2,687	.....	.....
19.	Louisiana.....LA	...N....	.....	.....	.....	.....	.....	.....	.....	.....
20.	Maine.....ME	...L....	.....	.....	.....	.....	.....	.....	.....	.....
21.	Maryland.....MD	...L....	42,424,401	41,133,317	.....	.....24,880,250	26,012,243	15,783,994	534,027	.....
22.	Massachusetts.....MA	...N....	.....	.....	.....	.....	.....	.....	.....	.....
23.	Michigan.....MI	...L....	.....	.....	.....	.....	.....	.....	.....	.....
24.	Minnesota.....MN	...L....	13,494,321	14,059,993	.....	.....7,233,790	6,406,154	3,758,719	171,083	.....
25.	Mississippi.....MS	...L....	.....	.....	.....	.....	.....	.....	.....	.....
26.	Missouri.....MO	...L....	.....	.....	.....	.....30,441	(7,719)	2,527	.....	.....
27.	Montana.....MT	...L....	275,198	287,567	.....	.....165,978	203,204	153,087	4,748	.....
28.	Nebraska.....NE	...L....	.....	.....	.....	.....	.....	.....	.....	.....
29.	Nevada.....NV	...L....	1,966,341	2,043,806	.....	.....1,251,502	1,106,826	530,968	31,845	.....
30.	New Hampshire.....NH	...N....	.....	.....	.....	.....	.....	.....	.....	.....
31.	New Jersey.....NJ	...L....	.....	.....	.....	.....	.....	.....	.....	.....
32.	New Mexico.....NM	...L....	.....	.....	.....	.....(15)	(15)	.....	.....	.....
33.	New York.....NY	...L....	142,387,617	135,156,118	.....	.....73,221,739	87,174,602	46,145,589	5,458,582	.....
34.	North Carolina.....NC	...N....	.....	.....	.....	.....	.....	.....	.....	.....
35.	North Dakota.....ND	...L....	.....	.....	.....	.....	.....	.....	.....	.....
36.	Ohio.....OH	...L....	353,824,906	347,287,635	.....	.....219,519,493	236,685,611	109,376,678	10,759,500	.....
37.	Oklahoma.....OK	...L....	.....	.....	.....	.....285	(158)	.....	.....	.....
38.	Oregon.....OR	...L....	52,667	62,904	.....	.....55,249	55,579	47,790	1,675	.....
39.	Pennsylvania.....PA	...L....	224,606,005	219,688,076	.....	.....137,058,777	145,998,907	77,757,015	5,316,323	.....
40.	Rhode Island.....RI	...L....	.....	.....	.....	.....	.....	.....	.....	.....
41.	South Carolina.....SC	...L....	.....	.....	.....	.....(634)	(634)	.....	.....	.....
42.	South Dakota.....SD	...L....	.....	.....	.....	.....	.....	.....	.....	.....
43.	Tennessee.....TN	...L....	.....	.....	.....	.....(1,667)	(1,667)	.....	.....	.....
44.	Texas.....TX	...L....	.....	.....	.....	.....	.....	.....	.....	.....
45.	Utah.....UT	...L....	.....	.....	.....	.....	.....	.....	.....	.....
46.	Vermont.....VT	...L....	1,671,356	1,751,553	.....	.....1,014,018	1,110,683	716,143	34,900	.....
47.	Virginia.....VA	...L....	5,085,567	5,412,232	.....	.....2,947,005	3,557,419	2,449,258	81,007	.....
48.	Washington.....WA	...L....	.....	.....	.....	.....(4,904)	(4,904)	.....	.....	.....
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.....CAN	...N....	.....	.....	.....	.....	.....	.....	.....	.....
58.	Aggregate Other Alien.....OT	...XXX..	0	0	0	0	0	0	0	0
59.	Totals.....	(a)...46	949,716,941	927,961,040	0	...563,715,707	...607,369,901	...317,621,012	...25,716,336	0

DETAILS OF WRITE-INS

58001.	.....	...XXX..	.....	.....	.....	.....	.....	.....	.....	.....
58002.	.....	...XXX..	.....	.....	.....	.....	.....	.....	.....	.....
58003.	.....	...XXX..	.....	.....	.....	.....	.....	.....	.....	.....
58998.	Summary of remaining write-ins for Line 58 from overflow page	...XXX..	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 thru 58003+ Line 58998) (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;

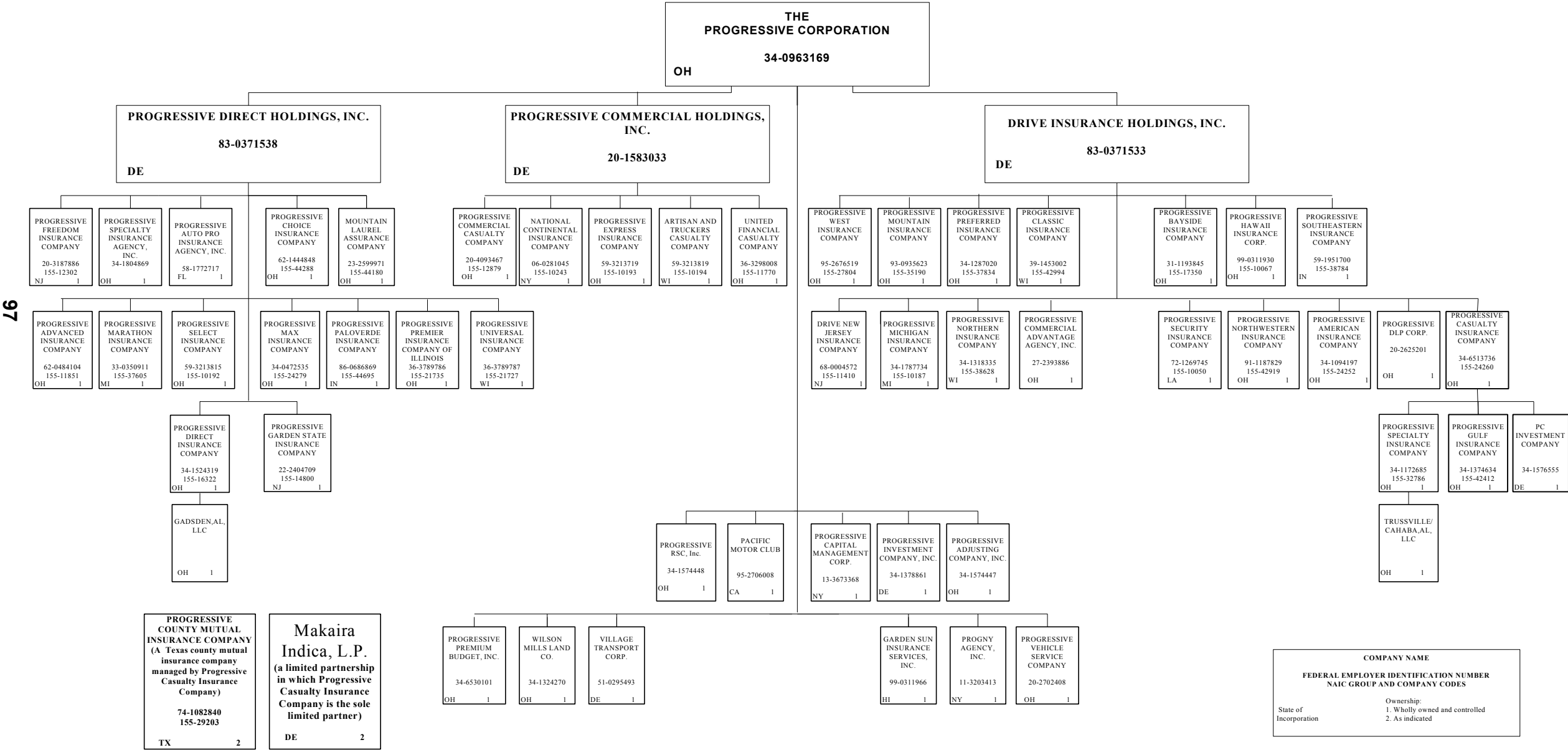
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

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



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