



ANNUAL STATEMENT

For the Year Ended December 31, 2014

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

44143-2182

440-461-5000

440-395-4460

440-395-4460

(Area Code) (Telephone Number) (Extension)

440-603-5500

(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 BARONE BAILO	(VICE PRESIDENT)	KATHLEEN MARY CERNY	(ASST. SECRETARY)
JAMES LEE KUSMER	(ASST. TREASURER)		

DIRECTORS OR TRUSTEES

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

Subscribed and sworn to before me

This 17TH day of FEBRUARY, 2015

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).....	459,986,986		459,986,986	523,944,119
2. Stocks (Schedule D):				
2.1 Preferred stocks.....	23,384,775		23,384,775	26,420,775
2.2 Common stocks.....	147,603,154		147,603,154	144,576,851
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 (\$.....0, Schedule E-Part 2) and short-term investments (\$.....139,019, Schedule DA).....	139,019		139,019	436,826
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....	8,831,854	8,831,854	0	
9. Receivables for securities.....			0	
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).....	639,945,788	8,831,854	631,113,934	695,378,571
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	3,384,360		3,384,360	4,178,499
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	41,063,923	10,375,499	30,688,424	29,439,310
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	173,161,532		173,161,532	168,850,883
15.3 Accrued retrospective premiums.....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	4,757,629		4,757,629	8,011,819
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.....	246,620		246,620	6,079,963
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.....	36,667,407		36,667,407	26,996,000
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other than invested assets.....	3,856,255	3,701,980	154,275	2,341,662
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	903,083,514	22,909,333	880,174,181	941,276,707
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTALS (Lines 26 and 27).....	903,083,514	22,909,333	880,174,181	941,276,707

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.....	154,275		154,275	295,662
2502. MISCELLANEOUS OTHER ASSETS.....	3,562,613	3,562,613	0	
2503. PREPAID EXPENSES.....	139,367	139,367	0	
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	2,046,000
2599. Totals (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	3,856,255	3,701,980	154,275	2,341,662

PROGRESSIVE SPECIALTY INSURANCE COMPANY
LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	233,754,652	231,068,338
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	3,828,289	3,313,520
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	47,969,298	45,220,509
4. Commissions payable, contingent commissions and other similar charges.....	878,977	891,200
5. Other expenses (excluding taxes, licenses and fees).....	27,365,194	24,137,291
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	5,075,270	4,766,538
7.1 Current federal and foreign income taxes (including \$.....(98,751) on realized capital gains (losses)).....	7,480,180	5,768,686
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 \$.....311,489,564 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).....	199,580,391	195,733,501
10. Advance premium.....	5,242,282	5,357,069
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	(2,254,368)	97,085
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.....	437,819	358,965
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.....	34,908,606	36,678,906
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.....	1,762,513	1,660,827
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	566,029,103	555,052,435
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	566,029,103	555,052,435
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.....	144,991,747	129,725,749
35. Unassigned funds (surplus).....	165,653,331	252,998,523
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).....	314,145,078	386,224,272
38. TOTALS (Page 2, Line 28, Col. 3).....	880,174,181	941,276,707

DETAILS OF WRITE-INS		
2501. OTHER LIABILITIES.....	1,448,803	1,646,862
2502. ESCHEATABLE PROPERTY.....	308,724	5,829
2503. UNEARNED FEE RESERVE.....	4,986	8,136
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).....	1,762,513	1,660,827
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).....	694,963,047	658,777,947
DEDUCTIONS			
2.	Losses incurred (Part 2, Line 35, Column 7).....	428,488,806	413,204,145
3.	Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	70,531,566	67,214,807
4.	Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	144,098,270	140,526,991
5.	Aggregate write-ins for underwriting deductions.....	0	3,466
6.	Total underwriting deductions (Lines 2 through 5).....	643,118,642	620,949,409
7.	Net income of protected cells.....		
8.	Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	51,844,405	37,828,538
INVESTMENT INCOME			
9.	Net investment income earned (Exhibit of Net Investment Income, Line 17).....	13,687,860	18,784,744
10.	Net realized capital gains (losses) less capital gains tax of \$.....1,672,482 (Exhibit of Capital Gains (Losses)).....	5,134,692	42,712,421
11.	Net investment gain (loss) (Lines 9 + 10).....	18,822,552	61,497,165
OTHER INCOME			
12.	Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....900,172 amount charged off \$.....19,292,079).....	(18,391,907)	(16,300,473)
13.	Finance and service charges not included in premiums.....	28,013,864	27,000,167
14.	Aggregate write-ins for miscellaneous income.....	1,230,216	675,811
15.	Total other income (Lines 12 through 14).....	10,852,173	11,375,505
16.	Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	81,519,130	110,701,208
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).....	81,519,130	110,701,208
19.	Federal and foreign income taxes incurred.....	24,587,844	23,714,191
20.	Net income (Line 18 minus Line 19) (to Line 22).....	56,931,286	86,987,017
CAPITAL AND SURPLUS ACCOUNT			
21.	Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	386,224,272	467,321,193
22.	Net income (from Line 20).....	56,931,286	86,987,017
23.	Net transfers (to) from Protected Cell accounts.....		
24.	Change in net unrealized capital gains or (losses) less capital gains tax of \$.....3,528,891.....	6,553,366	2,448,145
25.	Change in net unrealized foreign exchange capital gain (loss).....		
26.	Change in net deferred income tax.....	(2,304,452)	(13,034,798)
27.	Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	1,474,608	(1,151,969)
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.....	15,265,998	23,654,684
33.2	Transferred to capital (Stock Dividend).....		
33.3.	Transferred from capital.....		
34.	Net remittances from or (to) Home Office.....		
35.	Dividends to stockholders.....	(150,000,000)	(180,000,000)
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).....	(72,079,194)	(81,096,921)
39.	Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	314,145,078	386,224,272
DETAILS OF WRITE-INS			
0501.	LOSS ON COMMUTATION.....		3,466
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	3,466
1401.	MISCELLANEOUS INCOME.....	1,174,472	610,784
1402.	SERVICE BUSINESS REVENUE.....	41,164	36,918
1403.	INTEREST INCOME ON INTERCOMPANY BALANCES.....	14,580	28,109
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).....	1,230,216	675,811
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.....	689,619,242	648,520,497
2. Net investment income.....	16,872,369	31,065,601
3. Miscellaneous income.....	11,045,244	11,900,685
4. Total (Lines 1 through 3).....	717,536,855	691,486,783
5. Benefit and loss related payments.....	422,033,533	402,294,807
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	208,357,449	202,175,397
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....2,076,265 tax on capital gains (losses).....	24,548,832	25,644,641
10. Total (Lines 5 through 9).....	654,939,814	630,114,845
11. Net cash from operations (Line 4 minus Line 10).....	62,597,041	61,371,938
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	284,464,683	448,168,833
12.2 Stocks.....	19,595,198	68,380,675
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....	189,000	188,000
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	304,248,881	516,737,508
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	220,606,206	433,609,336
13.2 Stocks.....	4,986,683	4,534,753
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	225,592,889	438,144,089
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).....	78,655,992	78,593,419
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.....	15,265,998	23,654,684
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....	150,000,000	180,000,000
16.6 Other cash provided (applied).....	(6,816,838)	5,901,525
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(141,550,840)	(150,443,791)
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).....	(297,807)	(10,478,434)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	436,826	10,915,260
19.2 End of year (Line 18 plus Line 19.1).....	139,019	436,826

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
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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.....	2,627,468	1,109,979	1,342,169	2,395,278
5.	Commercial multiple peril.....				.....0
6.	Mortgage guaranty.....				.....0
8.	Ocean marine.....				.....0
9.	Inland marine.....	11,785,609	5,264,656	5,443,078	11,607,187
10.	Financial guaranty.....				.....0
11.1	Medical professional liability - occurrence.....				.....0
11.2	Medical professional liability - claims-made.....	2,100	201	167	2,135
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.....	4,708,411	2,182,936	2,188,311	4,703,037
17.2	Other liability - claims-made.....	20,170	7,597	5,086	22,681
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.....	398,182,233	102,799,123	103,281,514	397,699,842
19.3, 19.4	Commercial auto liability.....	41,998,101	18,619,447	19,806,780	40,810,768
21.	Auto physical damage.....	239,485,022	65,749,282	67,512,968	237,721,336
22.	Aircraft (all perils).....				.....0
23.	Fidelity.....		16		16
24.	Surety.....	824	262	318	768
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.....	698,809,937	195,733,501	199,580,390	694,963,048

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.....	1,342,169				1,342,169
5.	Commercial multiple peril.....					0
6.	Mortgage guaranty.....					0
8.	Ocean marine.....					0
9.	Inland marine.....	5,443,078				5,443,078
10.	Financial guaranty.....					0
11.1	Medical professional liability - occurrence.....					0
11.2	Medical professional liability - claims-made.....	167				167
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.....	2,188,311				2,188,311
17.2	Other liability - claims-made.....	1,390	3,696			5,086
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.....	103,281,514				103,281,514
19.3, 19.4	Commercial auto liability.....	19,806,780				19,806,780
21.	Auto physical damage.....	67,512,968				67,512,968
22.	Aircraft (all perils).....					0
23.	Fidelity.....					0
24.	Surety.....	318				318
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.....	199,576,694	3,696	0	0	199,580,390
36.	Accrued retrospective premiums based on experience.....					
37.	Earned but unbilled premiums.....					0
38.	Balance (sum of Lines 35 through 37).....					199,580,390

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

(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.....	10,022,749	2,627,468		10,011,886	10,863	2,627,468
5. Commercial multiple peril.....						.....0
6. Mortgage guaranty.....						.....0
8. Ocean marine.....						.....0
9. Inland marine.....	11,884,417	11,785,609		11,884,417		11,785,609
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.....	5,001,691	4,708,411		4,406,617	595,074	4,708,411
17.2 Other liability - claims-made.....		20,170				20,170
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.....	672,137,403	398,182,233		672,137,403		398,182,233
19.3, 19.4 Commercial auto liability.....	26,346,761	41,998,101		26,321,790	24,971	41,998,101
21. Auto physical damage.....	380,400,276	239,485,022		380,400,276		239,485,022
22. Aircraft (all perils).....						.....0
23. Fidelity.....						.....0
24. Surety.....		824				824
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.....	1,105,793,297	698,809,937	.....0	1,105,162,389	630,908	698,809,937

DETAILS OF WRITE-INS

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

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

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - LOSSES PAID AND INCURRED

		Losses Paid Less Salvage				5	6	7	8
		1	2	3	4				
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Recovered	Net Payments (Cols. 1 + 2 - 3)	Net Losses Unpaid Current Year (Part 2A, Col. 8)	Net Losses Unpaid Prior Year	Losses Incurred Current Year (Cols. 4 + 5 - 6)	Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
1.	Fire.....				0			0	0.0
2.	Allied lines.....				0			0	0.0
3.	Farmowners multiple peril.....				0			0	0.0
4.	Homeowners multiple peril.....	1,980,613	1,161,944	1,980,613	1,161,944	206,623	205,257	1,163,310	48.6
5.	Commercial multiple peril.....				0			0	0.0
6.	Mortgage guaranty.....				0			0	0.0
8.	Ocean marine.....				0			0	0.0
9.	Inland marine.....	5,966,366	4,744,168	5,966,366	4,744,168	563,935	600,701	4,707,403	40.6
10.	Financial guaranty.....				0			0	0.0
11.1	Medical professional liability - occurrence.....				0			0	0.0
11.2	Medical professional liability - claims-made.....				0	107	105	3	0.1
12.	Earthquake.....				0			0	0.0
13.	Group accident and health.....				0			0	0.0
14.	Credit accident and health (group and individual).....				0			0	0.0
15.	Other accident and health.....				0			0	0.0
16.	Workers' compensation.....		5,168		5,168	137,693	48,851	94,010	0.0
17.1	Other liability - occurrence.....	504,983	1,433,769	504,983	1,433,769	2,918,428	2,494,008	1,858,189	39.5
17.2	Other liability - claims-made.....		508,856		508,856	239,482	613,247	135,091	595.6
17.3	Excess workers' compensation.....				0			0	0.0
18.1	Products liability - occurrence.....				0			0	0.0
18.2	Products liability - claims-made.....				0			0	0.0
19.1, 19.2	Private passenger auto liability.....	396,160,899	242,740,712	396,160,899	242,740,712	196,497,409	190,347,821	248,890,300	62.6
19.3, 19.4	Commercial auto liability.....	12,771,266	21,998,100	12,771,266	21,998,100	31,731,546	32,947,457	20,782,189	50.9
21.	Auto physical damage.....	256,255,587	153,185,802	256,255,587	153,185,802	981,014	3,280,626	150,886,191	63.5
22.	Aircraft (all perils).....				0			0	0.0
23.	Fidelity.....		(4,418)		(4,418)	3,134	15,450	(16,734)	(102,164.1)
24.	Surety.....				0	436	808	(372)	(48.5)
26.	Burglary and theft.....				0			0	0.0
27.	Boiler and machinery.....				0			0	0.0
28.	Credit.....				0			0	0.0
29.	International.....				0			0	0.0
30.	Warranty.....				0			0	0.0
31.	Reinsurance - nonproportional assumed property.....	XXX			0			0	0.0
32.	Reinsurance - nonproportional assumed liability.....	XXX	28,390		28,390	474,845	514,012	(10,776)	0.0
33.	Reinsurance - nonproportional assumed financial lines.....	XXX			0			0	0.0
34.	Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0	0.0
35.	TOTALS.....	673,639,714	425,802,491	673,639,714	425,802,491	233,754,653	231,068,340	428,488,804	61.7
DETAILS OF WRITE-INS									
3401.	.....				0			0	0.0
3402.	.....				0			0	0.0
3403.	.....				0			0	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	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

		Reported Losses				Incurred But Not Reported			8	9
		1	2	3	4	5	6	7		
Line of Business		Direct	Reinsurance Assumed	Deduct Reinsurance Recoverable	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.....	260,204	118,878	260,204	118,878	244,660	87,745	244,660	206,623	43,287
5.	Commercial multiple peril.....				0				0	
6.	Mortgage guaranty.....				0				0	
8.	Ocean marine.....				0				0	
9.	Inland marine.....	164,954	258,693	164,954	258,693	317,181	305,243	317,181	563,935	106,129
10.	Financial guaranty.....				0				0	
11.1	Medical professional liability - occurrence.....				0				0	
11.2	Medical professional liability - claims-made.....				0		107		107	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.....		137,693		137,693				137,693	6,528
17.1	Other liability - occurrence.....	1,303,217	1,931,721	1,303,217	1,931,721	1,269,188	986,707	1,269,188	2,918,428	532,478
17.2	Other liability - claims-made.....		167,085		167,085		72,396		239,482	40,104
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.....	247,626,306	151,172,462	247,626,306	151,172,462	65,890,598	45,324,947	65,890,598	196,497,409	40,030,503
19.3, 19.4	Commercial auto liability.....	22,001,809	26,302,934	22,001,809	26,302,934	3,219,429	5,428,612	3,219,429	31,731,546	5,556,645
21.	Auto physical damage.....	10,950,900	7,201,651	10,950,900	7,201,651	(10,059,685)	(6,220,637)	(10,059,685)	981,014	1,644,771
22.	Aircraft (all perils).....				0				0	
23.	Fidelity.....		350		350		2,784		3,134	7,665
24.	Surety.....				0		436		436	1,097
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	109,821		109,821	XXX	365,025		474,845	
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.....	282,307,390	187,401,288	282,307,390	187,401,288	60,881,371	46,353,365	60,881,371	233,754,653	47,969,299
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.....	12,423,180			12,423,180
1.2 Reinsurance assumed.....	10,473,105			10,473,105
1.3 Reinsurance ceded.....	12,423,180			12,423,180
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	10,473,105	0	0	10,473,105
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		110,093,951		110,093,951
2.2 Reinsurance assumed, excluding contingent.....		65,108,252		65,108,252
2.3 Reinsurance ceded, excluding contingent.....		110,093,951		110,093,951
2.4 Contingent - direct.....		1,331,653		1,331,653
2.5 Contingent - reinsurance assumed.....		926,620		926,620
2.6 Contingent - reinsurance ceded.....		1,331,653		1,331,653
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	66,034,872	0	66,034,872
3. Allowances to manager and agents.....		383,412		383,412
4. Advertising.....		5,818,481		5,818,481
5. Boards, bureaus and associations.....	193,187	368,588		561,775
6. Surveys and underwriting reports.....		4,506,002		4,506,002
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	39,735,466	30,503,627	438,942	70,678,035
8.2 Payroll taxes.....	2,801,947	2,154,026	15,774	4,971,747
9. Employee relations and welfare.....	7,112,754	5,154,848	24,789	12,292,391
10. Insurance.....	104,413	110,612		215,025
11. Directors' fees.....				0
12. Travel and travel items.....	2,070,829	725,394	2,676	2,798,899
13. Rent and rent items.....	2,805,990	2,517,233	11,337	5,334,560
14. Equipment.....	169,726	813,680		983,407
15. Cost or depreciation of EDP equipment and software.....	2,443,033	4,614,493	3,509	7,061,035
16. Printing and stationery.....	251,787	556,672	1,064	809,524
17. Postage, telephone and telegraph, exchange and express.....	1,966,624	4,220,873	3,168	6,190,665
18. Legal and auditing.....	302,277	640,541	82,466	1,025,284
19. Totals (Lines 3 to 18).....	59,958,035	63,088,482	583,725	123,630,242
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....720.....		11,558,579		11,558,579
20.2 Insurance department licenses and fees.....	61,146	722,403		783,549
20.3 Gross guaranty association assessments.....		38,815		38,815
20.4 All other (excluding federal and foreign income and real estate).....	15,959	2,137,687		2,153,646
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	77,105	14,457,485	0	14,534,590
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	23,321	517,430	78,741	619,492
25. Total expenses incurred.....	70,531,566	144,098,269	662,466	(a).....215,292,301
26. Less unpaid expenses - current year.....	47,969,298	33,299,049	20,392	81,288,739
27. Add unpaid expenses - prior year.....	45,220,509	29,775,451	19,578	75,015,538
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).....	67,782,777	140,574,671	661,653	209,019,100

DETAILS OF WRITE-INS

2401. MISCELLANEOUS EXPENSES.....	23,321	517,430	78,741	619,492
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).....	23,321	517,430	78,741	619,492

(a) Includes management fees of \$.....124,249,734 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....1,281,903	.....832,653
1.1 Bonds exempt from U.S. tax.....	(a).....1,649,024	.....1,504,636
1.2 Other bonds (unaffiliated).....	(a).....7,491,689	.....7,306,607
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....1,614,214	.....1,603,629
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....2,604,048	.....2,599,213
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).....22,588	.....22,588
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....481,000	.....481,000
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....15,144,466	.....14,350,326
11. Investment expenses.....		(g).....662,466
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).....		.....662,466
17. Net investment income (Line 10 minus Line 16).....		.....13,687,860

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 \$.....282,347 accrual of discount less \$.....2,671,903 amortization of premium and less \$.....111,620 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 \$.....22,591 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 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. government bonds.....	.....489,549	.....	.....489,549	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....97,604	.....	.....97,604	.....	.....
1.2 Other bonds (unaffiliated).....	.....1,743,227	.....	.....1,743,227	.....(39,478)	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....2,175,000	.....	.....2,175,000	.....(1,356,000)	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....2,360,235	.....(58,441)	.....2,301,794	.....11,478,024	.....
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	.....(289)	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....6,865,615	.....(58,441)	.....6,807,174	.....10,082,257	.....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).....	8,831,854	9,021,142	189,288
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).....	8,831,854	9,021,142	189,288
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.....	10,375,499	9,403,878	(971,621)
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.....			.....0
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.....	3,701,980	5,958,921	2,256,941
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	22,909,333	24,383,941	1,474,608
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.....0
28. TOTALS (Lines 26 and 27).....	22,909,333	24,383,941	1,474,608

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.....	3,562,613	5,755,702	2,193,089
2502. PREPAID EXPENSES.....	139,367	203,219	63,852
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).....	3,701,980	5,958,921	2,256,941

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	2014	2013
Net income			
(1) Net income, state basis	OH	\$ 56,931,286	\$ 86,987,017
(2) Effect of state prescribed practices			
(3) Effect of state permitted practices			
(4) Net income, NAIC SAP basis (1-2-3=4)	OH	\$ 56,931,286	\$ 86,987,017
Surplus			
(5) Policyholders' surplus, state basis	OH	\$ 314,145,078	\$ 386,224,272
(6) Effect of state prescribed practices			
(7) Effect of state permitted practices			
(8) Policyholders' surplus, NAIC SAP basis (5-6-7=8)	OH	\$ 314,145,078	\$ 386,224,272

B. Use of Estimates

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

C. Accounting Policies

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

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

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

In addition, the Company uses the following accounting policies:

Investments

- Cash and cash equivalents include bank accounts and certificates of deposit as well as short-term investments with original maturities of three months or less that are reported at amortized cost which approximates market value.
- Short-term investments include securities acquired within one year of maturity except for those with original maturities of three months or less (see cash and cash equivalents above) and are reported at amortized cost which approximates market value.
- Investment grade bond valuations are based on NAIC designations or NAIC 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.
- 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.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

- 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, 2014 and December 31, 2013.
- Realized gains and losses on sales of securities are computed based on the first-in, first-out method.
- The Company's management routinely monitors individual securities in its investment portfolio for pricing changes that might indicate potential impairments and performs detailed reviews of securities with unrealized losses based on predetermined guidelines to determine whether a decline in the value of a security is other-than-temporary. A review for OTTI requires making certain judgments regarding the materiality of the decline, its effect on the financial statements, the probability, extent, and timing of a valuation recovery, and the Company's ability and intent to hold the security. The scope of this review is broad and requires a forward-looking assessment of the fundamental characteristics of a security, as well as the market-related prospects of the issuer and its industry.

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, Loss Adjustment Expense, and Premium Deficiency 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).
- The Company does anticipate investment income when evaluating the need for premium deficiency reserves. See Note 30.

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. There have been no changes to the written policy or predefined capitalization threshold from the prior year.

Pharmaceutical Rebate Receivables

- The Company does not write medical insurance or prescription drug coverage.

2. Accounting Changes and Corrections of Errors

Not applicable

3. Business Combinations and Goodwill

Not applicable

4. Discontinued Operations

Not applicable

5. Investments

A. Mortgage Loans, 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

The Company currently does not intend to sell the loan-backed and structured debt securities on which a credit loss was recognized, and determined that it is more likely than not that the Company will not be required to sell these securities prior to recovery (which could be maturity) of their respective cost basis.
3. The Company did not recognize any other-than-temporary impairment for loan-backed and structured debt securities during the current year.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

4. As of December 31, 2014, the Company had \$168,193 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, 2014, 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	\$ 69,459
2. Twelve months or longer	98,734
Total	\$ 168,193
b. Aggregate fair value of securities with unrealized losses	
1. Less than twelve months	\$ 48,944,435
2. Twelve months or longer	11,945,541
Total	\$ 60,889,976

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 and/or Securities Lending Transactions

Not applicable (see Note 1.C Investments)

F. Real Estate

Not applicable

G. Low Income Housing Tax Credits

Not applicable

H. Restricted Assets

1. Restricted assets (including pledged) summarized by restricted asset category are as follows:

Restricted Asset Category	Gross Restricted								Percentage		
	Current Year					6	7		8	9	10
	1	2	3	4	5						
	Total General Account (G/A)	G/A Supporting Protected Cell Account Activity (a)	Total Protected Cell Account Restricted Assets	Protected Cell Account Assets Supporting G/A Activity (b)	Total (1 plus 3)	Total From Prior Year	Increase (Decrease) (5 minus 6)	Total Current Year Admitted Restricted	Gross Restricted to Total Assets	Admitted Restricted to Total Admitted Assets	
	On deposit with state	\$ 3,739,103	\$ --	\$ --	\$ --	\$ 3,739,103	\$ 3,736,181	\$ 2,922	\$ 3,739,103	0.41%	0.42%
Total restricted assets	\$ 3,739,103	\$ --	\$ --	\$ --	\$ 3,739,103	\$ 3,736,181	\$ 2,922	\$ 3,739,103	0.41%	0.42%	

(a) Subset of column 1

(b) Subset of column 3

2. Detail of Assets Pledged as Collateral Not Captured in Other Categories (from above table)

Not applicable

3. Detail of Other Restricted Assets

Not applicable

I. Working Capital Finance Investments

Not applicable

J. Offsetting and Netting of Assets and Liabilities

Not applicable

K. Structured Notes

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 1.C).

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.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

7. Investment Income

A. Accrued Investment Income

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

B. Amounts Nonadmitted

Not applicable

8. Derivative Instruments

Not applicable

9. Income Taxes

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

1. The components of the net DTA/(DTL) at December 31 are as follows:

Description	December 31, 2014			December 31, 2013			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary Income	Capital Gain (Loss)	(Col 1+2) Total	Ordinary Income	Capital Gain (Loss)	(Col 4+5) Total	(Col 1-4) Ordinary Income	(Col 2-5) Capital Gain (Loss)	(Col 7+8) Total
(a) Gross deferred tax assets	\$ 29,852,103	\$ 12,415,811	\$ 42,267,914	\$ 31,299,236	\$ 13,507,587	\$ 44,806,823	\$ (1,447,133)	\$ (1,091,776)	\$ (2,538,909)
(b) Statutory valuation allowance adjustment	--	--	--	--	--	--	--	--	--
(c) Adjusted gross deferred tax assets (1a-1b)	\$ 29,852,103	\$ 12,415,811	\$ 42,267,914	\$ 31,299,236	\$ 13,507,587	\$ 44,806,823	\$ (1,447,133)	\$ (1,091,776)	\$ (2,538,909)
(d) Deferred tax assets nonadmitted	--	--	--	--	--	--	--	--	--
(e) Subtotal (net deferred tax asset) (1c-1d)	\$ 29,852,103	\$ 12,415,811	\$ 42,267,914	\$ 31,299,236	\$ 13,507,587	\$ 44,806,823	\$ (1,447,133)	\$ (1,091,776)	\$ (2,538,909)
(f) Deferred tax liabilities	3,765,679	38,255,615	42,021,294	4,115,689	34,611,171	38,726,860	(350,010)	3,644,444	3,294,434
(g) Net admitted deferred tax assets (net deferred tax liability) 1e-1f)	\$ 26,086,424	\$ (25,839,804)	\$ 246,620	\$ 27,183,547	\$ (21,103,584)	\$ 6,079,963	\$ (1,097,123)	\$ (4,736,220)	\$ (5,833,343)

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

Description	December 31, 2014			December 31, 2013			Change		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	Ordinary Income	Capital Gain (Loss)	(Col 1+2) Total	Ordinary Income	Capital Gain (Loss)	(Col 4+5) Total	(Col 1-4) Ordinary Income	(Col 2-5) Capital Gain (Loss)	(Col 7+8) Total
(a) Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 28,004,342	\$ --	\$ 28,004,342	\$ 28,959,477	\$ --	\$ 28,959,477	\$ (955,135)	\$ --	\$ (955,135)
(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)	1,016,458	--	1,016,458	1,329,182	--	1,329,182	(312,724)	--	(312,724)
1. Adjusted gross deferred tax assets expected to be realized following the balance sheet date	1,016,458	--	1,016,458	1,329,182	--	1,329,182	(312,724)	--	(312,724)
2. Adjusted gross deferred tax assets allowed per limitation threshold			47,084,769			57,021,646			(9,936,878)
(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	831,303	12,415,811	13,247,114	1,010,577	13,507,587	14,518,164	(179,274)	(1,091,776)	(1,271,050)
(d) Deferred tax assets admitted as result of application of SSAP No. 101.									
Total (2(a)+2(b)+2(c))	\$ 29,852,103	\$ 12,415,811	\$ 42,267,914	\$ 31,299,236	\$ 13,507,587	\$ 44,806,823	\$ (1,447,133)	\$ (1,091,776)	\$ (2,538,909)

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

Description	2014	2013
(a) Ratio percentage used to determine recovery period and threshold limitation amount	1140%	1445%
(b) Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 313,898,458	\$ 380,144,309

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

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

Description	December 31, 2014		December 31, 2013		Change	
	(1)	(2)	(3)	(4)	(5)	(6)
	Ordinary Income	Capital Gain (Loss)	Ordinary Income	Capital Gain (Loss)	(Col 1-3) Ordinary Income	(Col 2-4) Capital Gain (Loss)
(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage						
1. Adjusted gross DTAs	\$ 29,852,103	\$ 12,415,811	\$ 31,299,236	\$ 13,507,587	\$ (1,447,133)	\$ (1,091,776)
2. % of adjusted gross DTAs attributable to the impact of tax planning strategies	0%	0%	0%	0%	0%	0%
3. Net admitted adjusted gross DTAs	\$ 29,852,103	\$ 12,415,811	\$ 31,299,236	\$ 13,507,587	\$ (1,447,133)	\$ (1,091,776)
4. % of net admitted adjusted gross DTAs admitted due to tax planning strategies	0%	0%	0%	0%	0%	0%
(b) 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

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

1. Current Income Tax:

Description	(1) December 31, 2014	(2) December 31, 2013	(3) (Col 1-2) Change
(a) Federal	\$ 24,587,844	\$ 23,714,191	\$ 873,653
(b) Foreign	--	--	--
(c) Subtotal	\$ 24,587,844	\$ 23,714,191	\$ 873,653
(d) Federal income tax on net capital gains	1,672,482	469,802	1,202,680
(e) Utilization of capital loss carry-forwards	--	--	--
(f) Other	--	--	--
(g) Federal and foreign income taxes incurred	\$ 26,260,326	\$ 24,183,993	\$ 2,076,333

2. Deferred Tax Assets:

Description	(1) December 31, 2014	(2) December 31, 2013	(3) (Col 1-2) Change
(a) Ordinary			
(1) Discounting of unpaid losses	\$ 2,786,418	\$ 3,363,964	\$ (577,546)
(2) Unearned premium reserve	14,115,205	13,849,519	265,686
(3) Policyholder reserves	--	--	--
(4) Investments	--	--	--
(5) Deferred acquisition costs	--	--	--
(6) Policyholder dividends accrual	--	--	--
(7) Fixed assets	612,165	769,230	(157,065)
(8) Compensation and benefits accrual	5,523,755	6,074,802	(551,047)
(9) Pension accrual	--	--	--
(10) Receivables - nonadmitted	3,631,425	3,291,357	340,068
(11) Net operating loss carry-forward	--	--	--
(12) Tax credit carry-forward	--	--	--
(13) Other - non admitted assets	1,295,693	2,085,622	(789,929)
(14) Other - bad debt reserve	1,733,771	1,666,196	67,575
(15) Other (including items <5% of total ordinary tax assets)	153,671	198,546	(44,875)
(99) Subtotal	\$ 29,852,103	\$ 31,299,236	\$ (1,447,133)
(b) Statutory valuation allowance adjustment	--	--	--
(c) Nonadmitted	--	--	--
(d) Admitted ordinary deferred tax assets (2a99-2b-2c)	\$ 29,852,103	\$ 31,299,236	\$ (1,447,133)
(e) Capital			
(1) Investments	12,415,811	13,507,587	(1,091,776)
(2) Net capital loss carry-forward	--	--	--
(3) Real estate	--	--	--
(4) Other (including items <5% of total capital tax assets)	--	--	--
(99) Subtotal	\$ 12,415,811	\$ 13,507,587	\$ (1,091,776)
(f) Statutory valuation allowance adjustment	--	--	--
(g) Nonadmitted	--	--	--
(h) Admitted capital deferred tax assets (2e99-2f-2g)	\$ 12,415,811	\$ 13,507,587	\$ (1,091,776)
(i) Admitted deferred tax assets (2d+2h)	\$ 42,267,914	\$ 44,806,823	\$ (2,538,909)

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

3. Deferred Tax Liabilities:

Description	(1) December 31, 2014	(2) December 31, 2013	(3) (Col 1-2) Change
(a) Ordinary			
(1) Investments	\$ 18,890	\$ 28,240	\$ (9,350)
(2) Fixed Assets	2,694,533	2,784,320	(89,787)
(3) Deferred and uncollected premium	--	--	--
(4) Policyholder reserves	--	--	--
(5) Other liabilities- prepaid expenses	763,018	978,847	(215,829)
(6) Other liabilities - salvage and subrogation	176,880	214,767	(37,887)
(7) Other (including items <5% of total ordinary tax liabilities)	112,358	109,515	2,843
(99) Subtotal	3,765,679	4,115,689	(350,010)
(b) Capital			
(1) Investments	38,255,615	34,611,171	3,644,444
(2) Real estate	--	--	--
(3) Other (including items <5% of total capital tax liabilities)	--	--	--
(99) Subtotal	38,255,615	34,611,171	3,644,444
(c) Deferred tax liabilities (3a99+3b99)	\$ 42,021,294	\$ 38,726,860	\$ 3,294,434

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

Description	(1) December 31, 2014	(2) December 31, 2013	(3) (Col 1-2) Change
Net deferred tax asset (liability) (2i-3c)	\$ 246,620	\$ 6,079,963	\$ (5,833,343)

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, 2014	December 31, 2013	Change
Total deferred tax assets	\$ 42,267,914	\$ 44,806,823	\$ (2,538,909)
Total deferred tax liabilities	42,021,294	38,726,860	3,294,434
Net deferred tax asset (liability)	\$ 246,620	\$ 6,079,963	\$ (5,833,343)
Tax effect of unrealized gains (losses)			(3,528,891)
Change in net deferred income tax			\$ (2,304,452)

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	\$ 29,117,064	35%
Exempt interest income	(446,211)	-1%
Dividends received deduction	(548,501)	-1%
Impact of nonadmitted assets	449,862	1%
Other	(7,436)	0%
Total	\$ 28,564,778	34%
Federal and foreign income taxes incurred	\$ 26,260,326	
Change in net deferred income tax	2,304,452	
Total statutory income taxes	\$ 28,564,778	

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:	\$ 25,844,337
First preceding tax year:	\$ 24,014,979

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.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

G.	Federal or Foreign Income Tax Loss Contingencies
	The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.
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 2014 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 \$36,667,407 and \$26,996,000 receivable from parent, subsidiaries, and affiliates at December 31, 2014 and 2013, 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 \$7,480,180 and \$5,768,686 current Federal income tax payable at December 31, 2014 and 2013, respectively. These balances are due to TPC for the Company’s Federal income tax liability. The intercompany balances are settled by the end of the following quarter depending on the timing of investment transactions. These transactions are dependent upon market timing, investment needs and overall portfolio strategy as to the timing of such settlement transactions.
E.	Guarantees or Contingencies for Related Parties
	Not applicable
F.	Management, Service Contracts, Cost Sharing Arrangements
	Management, operations and claims services are provided under a joint management services 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
	The Company is one of three 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 the following employee benefit plans:
A.	Defined Benefit Plans
	Not applicable
B-D.	Description of Investment Policies, Fair Value of Plan Assets, Rate of Return Assumptions
	TPC is responsible for postemployment benefits. See Note 12.G.
E.	Defined Contribution Plans
	TPC sponsors a defined contribution savings plan. See Note 12.G.
F.	Multiemployer Plans
	Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

G. Consolidated / Holding Company Plans

TPC has a defined contribution pension plan (“401(k) Plan”) which covers most employees who are United States residents and have been employed by TPC for at least 30 days. Under this plan, TPC matches 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, including various mutual funds, a self-directed brokerage option, and 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 115 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 includes both non-equity incentive plans (cash) and equity incentive plans. Cash incentive compensation includes a cash bonus program for a limited number of senior executives and TPC’s Gainsharing program for other employees; the structures 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 has expired, and no new awards may be made under this plan; however, equity-based awards granted to key members of management prior to the plan’s expiration remain outstanding. In addition, TPC also grants equity-based awards under the 2010 Equity Incentive Plan.

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

H. Postemployment Benefits and Compensated Absences

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

I. Impact of Medicare Modernization Act on Postretirement Benefits

TPC is responsible for postretirement benefits. See Note 12.G.

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 \$2,655,359 and \$2,566,246 in 2014 and 2013, respectively.

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 2015 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 \$56,931,286 in 2015 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
December 19, 2014	\$ 86,900,000	Ordinary
December 19, 2014	\$ 63,100,000	Extraordinary
December 19, 2013	\$ 60,300,000	Ordinary
December 19, 2013	\$ 119,700,000	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

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

10. Changes in Unassigned Funds (Surplus)

As of December 31, 2014, 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)	\$ 96,093,232
Nonadmitted assets	(22,909,333)
Provision for reinsurance	--
Total	<u>\$ 73,183,899</u>

The unrealized gain is gross of the applicable deferred tax liability of \$33,562,543.

11. Surplus Notes

Not applicable

12,13. Quasi Reorganizations

Not applicable

14. Liabilities, Contingencies and Assessments

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, 2014 and 2013, the Company's estimated liability for state guaranty fund and other assessments was \$1,813,028 and \$1,806,208, respectively. The Company did not recognize any premium tax benefit associated with its various assessments.

As of December 31, 2014 and 2013, the Company's estimated liability for various surcharges was \$112,364 and \$93,120, respectively.

C. Gain Contingencies

Not applicable

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

The Company paid the following amounts in 2014 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 2014	\$ 205,000

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 2014.

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

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

E. Product Warranties

Not applicable

F. Joint and Several Liabilities

Not applicable

G. All Other Contingencies

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.

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, 2014. 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, 2014, there were two putative statewide class action lawsuits and three cases consolidated into multi-district proceedings 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, 2014, 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, 2014, there was a putative class action lawsuit alleging the Company fails to timely review and pay diminished value claims.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

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.
- See Note 1, Investment Policies section for further information regarding methods used to determine fair market value.
- The Company's management evaluated whether the market was distressed or inactive in determining the fair value of the Company's securities 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, management concluded that there was sufficient activity in determining the fair market value of the Company's securities.
- 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. 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.
- Fair Value Measurements at December 31, 2014:

Asset Description	Level 1	Level 2	Level 3	Total
a. Assets on balance sheet at fair value				
Bonds Industrial & Miscellaneous	\$ --	\$ 4,047,311	\$ --	\$ 4,047,311
Common stock Industrial & Miscellaneous	147,603,154	--	--	147,603,154
Preferred stock Industrial & Miscellaneous	--	14,664,000	--	14,664,000
Total assets at fair value	\$ 147,603,154	\$ 18,711,311	\$ --	\$ 166,314,465
b. Liabilities on balance sheet at fair value				
Derivative liabilities	\$ --	\$ --	\$ --	\$ --
Total liabilities at fair value	\$ --	\$ --	\$ --	\$ --

This table excludes the Company's 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
- Not applicable
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 20.A.1 above.

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

5. Derivative Fair Values

Not applicable

B. Other Fair Value Disclosures

Not applicable

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

The table below represents the fair value of all financial instruments at December 31, 2014, however, not all financial instruments are reported at fair value in the Company's financial statements.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Bonds	\$ 463,200,757	\$ 459,986,986	\$ 23,903,927	\$ 439,296,830	\$ --	\$ --
Short-term investments	139,019	139,019	139,019	--	--	--
Common stock	147,603,154	147,603,154	147,603,154	--	--	--
Preferred stock	33,588,700	23,384,775	--	33,588,700	--	--
Total	\$ 644,531,630	\$ 631,113,934	\$ 171,646,100	\$ 472,885,530	\$ --	\$ --

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. Nonadmitted Other Invested Assets

In accordance with reporting and admissibility requirements of SSAP No. 48, Joint Ventures, Partnerships, and Limited Liability Companies and SSAP No. 97, Investments in Subsidiary, Controlled, and Affiliated Entities, the Company nonadmits its investment in Trussville/Cahaba (see Note 1C).

D. Business Interruption Insurance Recoveries

Not applicable

E. State Transferable and Non-transferable Tax Credits

Not applicable

F. Subprime Mortgage Related Risk Exposure

1. Exposure to Subprime 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 subprime exposure, those securities would be listed in Note 21.F.3.

Management's review of the investment portfolio for securities with direct subprime 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 1.C). Additionally, securities that were determined to have an indirect subprime 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 subprime 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 subprime risk or that required recognition of losses that would have a significant effect on the financial strength and surplus of the Company.

In 2014, the Company recorded no OTTI write-downs on any securities as a result of direct subprime exposure.

2. Direct Investment in Subprime Mortgage Loans

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

3. Direct Investment in Securities with Underlying Subprime Exposure

At December 31, 2014, the Company had the following securities with underlying subprime exposure:

Investment Type	Actual Cost	Book Adjusted Carrying Value	Fair Market Value	OTTI Recognized
(a) Residential mortgage-backed securities	\$ 25,043,769	\$ 25,041,118	\$ 26,151,006	\$ --
(b) Commercial mortgage-backed securities	--	--	--	--
(c) Collateralized debt obligations	--	--	--	--
(d) Structured securities	--	--	--	--
(e) Equity investment in SCAs	--	--	--	--
(f) Other assets	--	--	--	--
(g) Total	\$ 25,043,769	\$ 25,041,118	\$ 26,151,006	\$ --

4. Mortgage or Financial Guaranty Subprime Exposure

Not applicable

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

At December 31, 2014 and 2013, the Company reported net admitted premiums and agents' balances in course of collection of \$30,688,424 and \$29,439,310, 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 13, 2015 for the statutory statement that was available for issuance by March 1, 2015.

23. Reinsurance

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

At December 31, 2014, 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	\$ 734,080
Total			\$ 734,080

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, 2014.

	Assumed		Ceded		Net	
	Unearned	Commission	Unearned	Commission	Unearned	Commission
	Premiums	Equity	Premiums	Equity	Premiums	Equity
(a) Affiliates	\$ 199,580	\$ --	\$ 311,196	\$ --	\$ (111,616)	\$ --
(b) All Other	--	--	293	78	(293)	(78)
(c) Totals	\$ 199,580	\$ --	\$ 311,489	\$ 78	\$ (111,909)	\$ (78)
(d) Direct Unearned Premium Reserve is \$311,490						

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

I. Certified Reinsurer Downgraded or Status Subject to Revocation

Not applicable

PROGRESSIVE SPECIALTY INSURANCE COMPANY

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 decreased by \$83,075 in 2014, which is less than 1% of the total prior year net unpaid losses and LAE of \$276,288,847. The favorable development is primarily due to passenger auto liability originally anticipated severity for accident years 2011 and prior decreasing by less than 1%, partially offset by originally anticipated severity for accident years 2012 and 2013 increasing by less than 1%. The LAE reserves developed unfavorably primarily due to unfavorable adjusting and other expense reserve development.

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, 2014 and 2013 were as follows:

Company	NAIC Code	2014 Pool %	2013 Pool %
Progressive Casualty Insurance Company (Lead)	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 due 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, 2014, 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)	\$ 63,226,910	\$ 34,861,435
Progressive Northern Insurance Company	7,343,826	11,452,028
Progressive Northwestern Insurance Company	3,018,535	14,354,272
Progressive Specialty Insurance Company	7,111,274	3,828,289
Progressive Preferred Insurance Company	1,547,354	7,367,063
Progressive Michigan Insurance Company	3,553,607	6,140,282
Progressive Classic Insurance Company	2,686,264	3,685,327
Progressive American Insurance Company	3,416,942	8,935,790
Progressive Gulf Insurance Company	--	3,395,759
Progressive Bayside Insurance Company	--	1,447,169
Progressive Mountain Insurance Company	3,933,577	1,656,930
Progressive Southeastern Insurance Company	2,241,542	962,107
Progressive Hawaii Insurance Corp.	--	1,894
National Continental Insurance Company	8,514	--
Total	\$ 98,088,345	\$ 98,088,345

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

27.

Structured Settlements

Not applicable
28.

Health Care Receivables

Not applicable
29.

Participating Accident and Health Policies

Not applicable
30.

Premium Deficiency Reserves

1.

Liability carried for premium deficiency reserves

\$0

2.

Date of most recent evaluation of this liability

December 31, 2014

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,				
	2010	2011	2012	2013	2014
Direct					
Beginning reserves	\$ 14,350	\$ 14,350	\$ 14,350	\$ 14,350	\$ 14,350
Losses and DCC incurred	--	--	--	--	(13,580)
Calendar year payments for losses and DCC	--	--	--	--	--
Ending reserves	\$ 14,350	\$ 14,350	\$ 14,350	\$ 14,350	\$ 770
Assumed Reinsurance					
Beginning reserves	\$ 322,298	\$ 334,130	\$ 226,887	\$ 229,701	\$ 152,505
Losses and DCC incurred	28,921	(54,487)	10,276	(45,836)	139,316
Calendar year payments for losses and DCC	17,089	52,756	7,462	31,360	22,985
Ending reserves	\$ 334,130	\$ 226,887	\$ 229,701	\$ 152,505	\$ 268,836
Net of Ceded Reinsurance					
Beginning reserves	\$ 336,648	\$ 348,480	\$ 241,237	\$ 244,051	\$ 166,855
Losses and DCC incurred	28,921	(54,487)	10,276	(45,836)	125,736
Calendar year payments for losses and DCC	17,089	52,756	7,462	31,360	22,985
Ending reserves	\$ 348,480	\$ 241,237	\$ 244,051	\$ 166,855	\$ 269,606

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

Direct	\$ --
Assumed	69,451
Net	\$ 69,451

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

Direct	\$ 700
Assumed	29,938
Net	\$ 30,638

PROGRESSIVE SPECIALTY INSURANCE COMPANY

NOTES TO FINANCIAL STATEMENTS

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

	December 31,				
	2010	2011	2012	2013	2014
Direct					
Beginning reserves	\$ 3,577	\$ 3,577	\$ 3,577	\$ 3,577	\$ 3,577
Losses and DCC incurred	--	--	--	--	(3,577)
Calendar year payments for losses and DCC	--	--	--	--	--
Ending reserves	\$ 3,577	\$ 3,577	\$ 3,577	\$ 3,577	\$ --
Assumed Reinsurance					
Beginning reserves	\$ 234,666	\$ 206,723	\$ 246,930	\$ 357,328	\$ 565,672
Losses and DCC incurred	(23,699)	39,881	109,969	212,312	496,658
Calendar year payments for losses and DCC	4,244	(326)	(429)	3,968	373,313
Ending reserves	\$ 206,723	\$ 246,930	\$ 357,328	\$ 565,672	\$ 689,017
Net of Ceded Reinsurance					
Beginning reserves	\$ 238,243	\$ 210,300	\$ 250,507	\$ 360,905	\$ 569,249
Losses and DCC incurred	(23,699)	39,881	109,969	212,312	493,081
Calendar year payments for losses and DCC	4,244	(326)	(429)	3,968	373,313
Ending reserves	\$ 210,300	\$ 250,507	\$ 360,905	\$ 569,249	\$ 689,017

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

Direct	\$ --
Assumed	160,833
Net	\$ 160,833

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

Direct	\$ --
Assumed	138,895
Net	\$ 138,895

34. Subscriber Savings Accounts

Not applicable

35. Multiple Peril Crop Insurance

Not applicable

36. Financial Guaranty Insurance

Not applicable

PART 1 - COMMON INTERROGATORIES - GENERAL

15

PROGRESSIVE SPECIALTY INSURANCE COMPANY

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES - GENERAL

10.5	Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>	N/A <input type="checkbox"/>
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. TRACOFF, FCAS, MAAA CORPORATE ACTUARY 6300 WILSON MILLS ROAD MAYFIELD VILLAGE, OH 44143-2182

12.1	Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?	Yes [X]	No []
12.11	Name of real estate holding company		
	PLUM CREEK TIMBER CO INC, PUBLIC STORAGE, VORNADO REALTY TRUST		

12.12	Number of parcels involved	.....0
12.13	Total book/adjusted carrying value	\$.....2,808,359

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	<p>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?</p> <p>a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;</p> <p>b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;</p> <p>c. Compliance with applicable governmental laws, rules and regulations;</p> <p>d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and</p> <p>e. Accountability for adherence to the code.</p>	<p>Yes [X] No []</p>
------	---	--------------------------------

14.11 If the response to 14.1 is no, please explain:

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

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

15.1	Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance 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 <input checked="" type="checkbox"/> No <input type="checkbox"/>
17.	Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

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]

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 []

20.1	Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):	
20.11	To directors or other officers	\$ _____
20.12	To stockholders not officers	\$ _____
20.13	Trustees, supreme or grand (Fraternal only)	\$ _____

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	\$.....
20.22	To stockholders not officers	\$.....
20.23	Trustees, supreme or grand (Fraternal only)	\$.....

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 []

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	.....

PART 1 - COMMON INTERROGATORIES - FINANCIAL

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 [☒]

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 [☒] No [☐]

23.2

If yes, indicate any amounts receivable from parent included in the Page 2 amount.

\$.....36,667,407

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 [☒] No [☐]

24.02

If no, give full and complete information relating thereto.

.....

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 [☒]

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 [☒]

24.08

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

Yes [☐] No [☐] N/A [☒]

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 [☒]

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 [☒] 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

Placed under option agreements

\$.....0

25.26

Letter stock or securities restricted as to sale - excluding FHLB Capital Stock

\$.....0

25.27

FHLB Capital Stock

\$.....0

25.28

On deposit with states

\$.....3,739,103

25.29

On deposit with other regulatory bodies

\$.....0

25.30

Pledged as collateral - excluding collateral pledged to an FHLB

\$.....0

25.31

Pledged as collateral to FHLB - including assets backing funding agreements

\$.....0

25.32

Other

\$.....0

25.3

For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1

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

Yes [☐] No [☒]

26.2

If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? If no, attach a description with this statement.

Yes [☐] No [☐] N/A [☒]

27.1

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

Yes [☐] No [☒]

27.2

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

.....

28.

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

Yes [☒] No [☐]

28.01

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

1 Name of Custodian(s)	2 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 Name(s)	2 Location(s)	3 Complete Explanation(s)
NONE		

28.03

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

Yes [☐] No [☒]

28.04

If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 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 Central Registration Depository Number(s)	2 Name	3 Address
30107	STATE STREET GLOBAL MARKETS, LLC	225 FRANKLIN ST, BOSTON, MA 02110

PART 1 - COMMON INTERROGATORIES - INVESTMENT

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

Yes [☐] No [☒]

29.2 If yes, complete the following schedule:

1	2	3
CUSIP #	Name of Mutual Fund	Book/Adjusted 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.....	460,126,006	463,339,782	3,213,776
30.2 Preferred stocks.....	23,384,775	33,588,700	10,203,925
30.3 Totals.....	483,510,781	496,928,482	13,417,701

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 [☐] No [☒]

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

Yes [☐] No [☐]

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

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

Yes [☒] No [☐]

32.2 If no, list exceptions:

PART 1 - COMMON INTERROGATORIES - OTHER

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

\$.....56,366

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	2
Name	Amount Paid
INDEPENDENT STATISTICAL SVCS	56,366

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	2
Name	Amount Paid
	0

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	2
Name	Amount Paid
	0

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.

\$.....0

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.

\$.....0

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	2
	Current Year	Prior Year
2.1	Premium Numerator.....	.....
2.2	Premium Denominator.....	\$.....694,963,047.....658,777,947
2.3	Premium Ratio (2.1/2.2).....	.....0.0.....0.0
2.4	Reserve Numerator.....	.....
2.5	Reserve Denominator.....	\$.....485,132,629.....475,335,868
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, 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 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?

THE COMPANY'S ESTIMATED PML IS 7% OF THE SURPLUS. THE COMPANY CARRIES NO EXTERNAL CATASTROPHE REINSURANCE TO COVER ITS LIMITED CATASTROPHE EXPOSURE. THE COMPANY PARTICIPATES IN A POOLING ARRANGEMENT, WHICH SPREADS THE UNDERWRITING RISK INCLUDING THE CATASTROPHE EXPOSURE AMONG ALL PARTIES TO THE POOLING AGREEMENT.

6.4

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

Yes []

No [X]

6.5

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

NONE

16

GENERAL INTERROGATORIES

PART 2 - PROPERTY AND CASUALTY INTERROGATORIES

7.1

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

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]

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:
12.11 Unpaid losses
12.12 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:

\$.....0

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:
12.41 From
12.42 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:
12.61 Letters of credit
12.62 Collateral and other funds

16.1

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 Direct Losses Incurred	2 Direct Losses Unpaid	3 Direct Written Premium	4 Direct Premium Unearned	5 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?

Yes [☐] No [☐]

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:

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.

.....

FIVE-YEAR HISTORICAL DATA

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

	1 2014	2 2013	3 2012	4 2011	5 2010
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).....	1,148,396,870	1,086,068,204	1,010,794,561	941,982,415	876,626,995
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	643,555,324	607,107,958	572,373,844	520,937,898	491,079,707
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	12,650,217	2,992,881	1,965,568	1,876,485	1,880,146
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	824	289	2,936	5,923	508
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	1,804,603,234	1,696,169,332	1,585,136,910	1,464,802,720	1,369,587,356
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).....	444,911,015	425,559,801	406,404,325	379,612,757	360,130,641
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	251,270,631	237,710,650	227,049,484	211,522,046	210,164,326
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	2,627,468	2,123,653	1,965,568	1,876,485	1,880,146
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	824	289	590	1,231	508
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	698,809,937	665,394,393	635,419,968	593,012,518	572,175,621
Statement of Income (Page 4)					
13. Net underwriting gain (loss) (Line 8).....	51,844,405	37,828,538	20,459,766	33,813,561	38,813,779
14. Net investment gain (loss) (Line 11).....	18,822,552	61,497,165	49,149,291	45,432,556	50,672,024
15. Total other income (Line 15).....	10,852,173	11,375,505	12,007,310	12,033,860	10,925,292
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	24,587,844	23,714,191	21,268,871	27,257,170	29,926,772
18. Net income (Line 20).....	56,931,286	86,987,017	60,347,496	64,022,807	70,484,323
Balance Sheet Lines (Pages 2 and 3)					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	880,174,181	941,276,707	994,299,409	1,065,769,405	1,275,310,314
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	30,688,424	29,439,310	26,394,451	19,385,073	12,145,636
20.2 Deferred and not yet due (Line 15.2).....	173,161,532	168,850,883	155,965,587	141,511,047	124,841,562
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	566,029,103	555,052,435	526,978,216	491,031,409	474,957,472
22. Losses (Page 3, Line 1).....	233,754,652	231,068,338	217,147,501	199,877,709	195,454,359
23. Loss adjustment expenses (Page 3, Line 3).....	47,969,298	45,220,509	43,354,212	42,157,315	42,640,274
24. Unearned premiums (Page 3, Line 9).....	199,580,391	195,733,501	189,117,054	177,167,886	169,191,997
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).....	314,145,078	386,224,272	467,321,193	574,737,996	800,352,842
Cash Flow (Page 5)					
27. Net cash from operations (Line 11).....	62,597,041	61,371,938	71,278,229	62,996,935	72,838,408
Risk-Based Capital Analysis					
28. Total adjusted capital.....	314,145,078	386,224,272	467,321,193	574,737,996	800,352,842
29. Authorized control level risk-based capital.....	27,529,636	26,305,786	23,171,733	21,938,667	21,248,481
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).....	72.9	75.3	72.7	74.4	78.6
31. Stocks (Lines 2.1 & 2.2).....	27.1	24.6	25.8	25.6	19.5
32. Mortgage loans on real estate (Lines 3.1 & 3.2).....					
33. Real estate (Lines 4.1, 4.2 & 4.3).....					
34. Cash, cash equivalents and short-term investments (Line 5).....	0.0	0.1	1.5	0.0	1.9
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....	0.0				
38. Receivable for securities (Line 9).....				0.0	
39. Securities lending reinvested collateral assets (Line 10).....					
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.....	8,831,854	9,021,042	9,210,431	9,229,720	9,529,009
48. Total of above lines 42 to 47.....	8,831,854	9,021,042	9,210,431	9,229,720	9,529,009
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).....	2.8	2.3	2.0	1.6	1.2

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

	1	2	3	4	5
	2014	2013	2012	2011	2010
Capital and Surplus Accounts (Page 4)					
51. Net unrealized capital gains (losses) (Line 24).....	6,553,366	2,448,145	10,382,633	(10,684,473)	12,838,218
52. Dividends to stockholders (Line 35).....	(150,000,000)	(180,000,000)	(200,000,000)	(275,000,000)	
53. Change in surplus as regards policyholders for the year (Line 38).....	(72,079,194)	(81,096,921)	(107,416,803)	(225,614,846)	80,481,510
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).....	676,123,753	633,694,914	578,475,101	531,484,966	484,863,421
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	420,151,923	386,481,544	370,224,308	344,835,739	288,235,488
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	3,142,557	939,800	1,480,516	1,141,429	952,477
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(4,418)	90,292	144,737	103,704	36,652
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	28,390	44,456	24,387	58,860	37,210
59. Total (Line 35).....	1,099,442,205	1,021,251,006	950,349,048	877,624,699	774,125,249
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).....	266,686,605	248,544,104	238,870,682	220,610,277	213,875,754
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	157,929,970	149,670,000	146,113,018	134,050,083	121,356,140
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	1,161,944	934,455	1,480,516	1,141,429	952,477
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(4,418)	90,292	144,737	103,704	36,652
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	28,390	44,456	24,387	58,860	37,210
65. Total (Line 35).....	425,802,491	399,283,307	386,633,339	355,964,354	336,258,234
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).....	61.7	62.7	64.8	61.6	59.5
68. Loss expenses incurred (Line 3).....	10.1	10.2	10.3	10.4	10.8
69. Other underwriting expenses incurred (Line 4).....	20.7	21.3	21.6	22.3	22.8
70. Net underwriting gain (loss) (Line 8).....	7.5	5.7	3.3	5.8	6.8
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).....	19.1	19.4	19.3	19.9	20.7
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	71.8	72.9	75.1	72.0	70.3
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).....	222.4	172.3	136.0	103.2	71.5
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).....	(1,351)	3,046	2,223	(4,082)	(9,096)
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).....	(0.3)	0.7	0.4	(0.5)	(1.3)
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).....	2,148	4,143	(6,249)	(13,364)	(8,114)
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).....	0.5	0.7	(0.8)	(1.9)	(1.4)

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

Yes[] No[]

If no, please explain:

SCHEDULE P - ANALYSIS OF LOSSES AND LOSS EXPENSES

SCHEDULE P - PART 1 - SUMMARY

(\$000 Omitted)

Years in Which Premiums Were Earned and Losses Were Incurred	Premiums Earned			Loss and Loss Expense Payments								12 Number of Claims Reported- Direct and Assumed
	1	2	3	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10	11	
	Direct and Assumed	Ceded	Net (Cols. 1 - 2)	4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded	Salvage and Subrogation Received	Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)	
1. Prior.....	.....XXX.....	.....XXX.....	.....XXX.....	.....1,115	.....540	.....35	.....2	.....69	.....	.....73	.....676	.....XXX.....
2. 2005.....	.....706,482	.....12,138	.....694,344	.....396,794	.....9,588	.....13,046	.....343	.....76,127	.....582	.....31,755	.....475,455	.....XXX.....
3. 2006.....	.....667,701	.....10,792	.....656,908	.....373,491	.....9,980	.....11,250	.....396	.....70,411	.....395	.....31,609	.....444,380	.....XXX.....
4. 2007.....	.....606,781	.....8,948	.....597,833	.....353,990	.....5,028	.....9,475	.....85	.....62,993	.....69	.....32,920	.....421,275	.....XXX.....
5. 2008.....	.....578,227	.....7,283	.....570,944	.....350,689	.....4,459	.....9,305	.....261	.....60,481	.....105	.....30,371	.....415,651	.....XXX.....
6. 2009.....	.....579,230	.....7,706	.....571,524	.....338,902	.....5,627	.....9,253	.....397	.....52,624	.....95	.....28,566	.....394,660	.....XXX.....
7. 2010.....	.....575,661	.....8,671	.....566,990	.....346,964	.....6,022	.....9,405	.....320	.....52,033	.....15	.....30,593	.....402,045	.....XXX.....
8. 2011.....	.....592,974	.....7,938	.....585,037	.....362,335	.....3,665	.....7,867	.....54	.....51,321	.....0	.....33,688	.....417,804	.....XXX.....
9. 2012.....	.....629,947	.....6,476	.....623,471	.....383,263	.....2,968	.....6,138	.....17	.....52,179	.....	.....37,494	.....438,595	.....XXX.....
10. 2013.....	.....665,304	.....6,526	.....658,778	.....359,904	.....2,030	.....3,470	.....3	.....51,226	.....	.....36,510	.....412,567	.....XXX.....
11. 2014.....	.....701,791	.....6,828	.....694,963	.....290,685	.....1,205	.....895	.....0	.....43,348	.....	.....25,579	.....333,724	.....XXX.....
12. Totals.....	.....XXX.....	.....XXX.....	.....XXX.....	.....3,558,132	.....51,112	.....80,140	.....1,880	.....572,812	.....1,260	.....319,157	.....4,156,832	.....XXX.....

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23	24	25
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21	22	Salvage and Subrogation Anticipated	Total Net Losses and Expenses Unpaid	Number of Claims Outstanding- Direct and Assumed
	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.....	.....10,258	.....9,074	.....608	.....	.....188	.....20	.....70	.....	.....143	.....	.....	.....2,173	.....XXX.....
2. 2005.....	.....4,073	.....3,910	.....10	.....	.....31	.....	.....	.....	.....64	.....	.....	.....267	.....XXX.....
3. 2006.....	.....3,633	.....3,409	.....106	.....95	.....45	.....0	.....	.....	.....70	.....	.....	.....350	.....XXX.....
4. 2007.....	.....3,927	.....3,627	.....429	.....413	.....59	.....0	.....13	.....12	.....88	.....	.....	.....464	.....XXX.....
5. 2008.....	.....5,148	.....4,320	.....408	.....389	.....124	.....1	.....33	.....28	.....125	.....	.....	.....1,102	.....XXX.....
6. 2009.....	.....4,328	.....2,778	.....509	.....488	.....252	.....2	.....48	.....40	.....178	.....	.....	.....2,006	.....XXX.....
7. 2010.....	.....7,051	.....3,801	.....216	.....180	.....503	.....3	.....78	.....66	.....295	.....	.....	.....4,094	.....XXX.....
8. 2011.....	.....10,047	.....2,763	.....3,321	.....791	.....1,200	.....2	.....729	.....54	.....856	.....	.....1,429	.....12,542	.....XXX.....
9. 2012.....	.....23,988	.....4,139	.....3,427	.....206	.....3,347	.....3	.....894	.....23	.....1,877	.....	.....1,487	.....29,164	.....XXX.....
10. 2013.....	.....47,978	.....4,545	.....9,478	.....349	.....5,544	.....7	.....1,535	.....8	.....4,557	.....	.....2,983	.....64,183	.....XXX.....
11. 2014.....	.....110,291	.....953	.....35,041	.....4,289	.....7,643	.....4	.....3,038	.....7	.....14,620	.....	.....15,807	.....165,380	.....XXX.....
12. Totals...	.....230,720	.....43,319	.....53,552	.....7,199	.....18,935	.....41	.....6,438	.....237	.....22,873	.....0	.....21,705	.....281,724	.....XXX.....

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34	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	Inter-Company Pooling Participation Percentage	35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....	.....	.....XXX.....	.....1,792	.....381
2. 2005.	.....490,145	.....14,423	.....475,722	.....69.4	.....118.8	.....68.5	.....	.....	.....7.00	.....172	.....95
3. 2006.	.....459,005	.....14,275	.....444,730	.....68.7	.....132.3	.....67.7	.....	.....	.....7.00	.....235	.....116
4. 2007.	.....430,972	.....9,233	.....421,739	.....71.0	.....103.2	.....70.5	.....	.....	.....7.00	.....316	.....148
5. 2008.	.....426,314	.....9,561	.....416,753	.....73.7	.....131.3	.....73.0	.....	.....	.....7.00	.....847	.....254
6. 2009.	.....406,093	.....9,428	.....396,666	.....70.1	.....122.3	.....69.4	.....	.....	.....7.00	.....1,570	.....436
7. 2010.	.....416,545	.....10,406	.....406,139	.....72.4	.....120.0	.....71.6	.....	.....	.....7.00	.....3,287	.....807
8. 2011.	.....437,675	.....7,330	.....430,346	.....73.8	.....92.3	.....73.6	.....	.....	.....7.00	.....9,813	.....2,728
9. 2012.	.....475,114	.....7,355	.....467,759	.....75.4	.....113.6	.....75.0	.....	.....	.....7.00	.....23,071	.....6,093
10. 2013.	.....483,692	.....6,942	.....476,750	.....72.7	.....106.4	.....72.4	.....	.....	.....7.00	.....52,562	.....11,621
11. 2014.	.....505,562	.....6,458	.....499,104	.....72.0	.....94.6	.....71.8	.....	.....	.....7.00	.....140,090	.....25,290
12. Totals	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....XXX.....	.....0	.....0	.....XXX.....	.....233,755	.....47,969

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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	One Year	Two Year
1. Prior.....	.....106,946	.....102,403	.....102,971	.....100,871	.....100,437	.....100,733	.....100,383	.....100,582	.....100,721	.....101,975	.....1,254	.....1,393
2. 2005.....	.....405,008	.....400,351	.....402,671	.....402,806	.....400,193	.....399,582	.....399,815	.....399,940	.....400,340	.....400,112	.....(228)	.....171
3. 2006.....	.....XXX	.....374,851	.....376,122	.....379,081	.....377,308	.....374,875	.....374,767	.....374,601	.....374,630	.....374,644	.....14	.....43
4. 2007.....	.....XXX	.....XXX	.....362,277	.....362,671	.....363,369	.....361,668	.....358,668	.....358,681	.....358,887	.....358,728	.....(159)	.....46
5. 2008.....	.....XXX	.....XXX	.....XXX	.....358,789	.....358,653	.....359,246	.....357,292	.....355,616	.....356,298	.....356,251	.....(47)	.....635
6. 2009.....	.....XXX	.....XXX	.....XXX	.....XXX	.....350,827	.....345,588	.....346,498	.....344,961	.....343,570	.....343,959	.....389	.....(1,001)
7. 2010.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....354,561	.....354,747	.....355,622	.....356,142	.....353,826	.....(2,316)	.....(1,796)
8. 2011.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....372,454	.....376,844	.....378,181	.....378,169	.....(12)	.....1,325
9. 2012.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....412,371	.....413,497	.....413,703	.....206	.....1,332
10. 2013.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....421,421	.....420,967	.....(453)	.....XXX
11. 2014.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....441,135	.....XXX	.....XXX
12. Totals.....											.....(1,351)	.....2,148

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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014		
1. Prior.....	.....000	.....50,893	.....77,629	.....90,689	.....95,030	.....97,423	.....98,487	.....99,126	.....99,338	.....99,945	.....XXX	.....XXX
2. 2005.....	.....268,608	.....337,999	.....369,752	.....387,868	.....395,266	.....397,961	.....398,805	.....399,474	.....399,836	.....399,909	.....XXX	.....XXX
3. 2006.....	.....XXX	.....254,809	.....321,311	.....349,527	.....364,544	.....370,367	.....372,781	.....373,703	.....374,136	.....374,364	.....XXX	.....XXX
4. 2007.....	.....XXX	.....XXX	.....246,899	.....311,414	.....337,304	.....349,761	.....355,009	.....357,004	.....358,010	.....358,352	.....XXX	.....XXX
5. 2008.....	.....XXX	.....XXX	.....XXX	.....241,481	.....309,419	.....333,264	.....345,678	.....351,722	.....354,319	.....355,275	.....XXX	.....XXX
6. 2009.....	.....XXX	.....XXX	.....XXX	.....XXX	.....230,657	.....295,252	.....320,356	.....333,222	.....339,494	.....342,131	.....XXX	.....XXX
7. 2010.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....233,388	.....301,403	.....329,477	.....343,591	.....350,027	.....XXX	.....XXX
8. 2011.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....249,970	.....322,825	.....352,145	.....366,483	.....XXX	.....XXX
9. 2012.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....272,559	.....355,044	.....386,416	.....XXX	.....XXX
10. 2013.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....272,656	.....361,341	.....XXX	.....XXX
11. 2014.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....290,376	.....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
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. Prior.....	.....16,710	.....5,879	.....2,206	.....679	.....739	.....703	.....518	.....521	.....427	.....678
2. 2005.....	.....31,788	.....9,878	.....4,426	.....2,112	.....63	.....55	.....44	.....20	.....7	.....10
3. 2006.....	.....XXX	.....29,379	.....9,165	.....4,585	.....2,192	.....85	.....53	.....39	.....9	.....11
4. 2007.....	.....XXX	.....XXX	.....29,307	.....8,637	.....4,286	.....2,432	.....77	.....43	.....131	.....18
5. 2008.....	.....XXX	.....XXX	.....XXX	.....31,624	.....8,896	.....4,779	.....2,323	.....72	.....146	.....25
6. 2009.....	.....XXX	.....XXX	.....XXX	.....XXX	.....29,096	.....9,158	.....5,047	.....2,840	.....114	.....29
7. 2010.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....26,736	.....9,142	.....4,169	.....3,006	.....49
8. 2011.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....27,197	.....8,959	.....4,016	.....3,204
9. 2012.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....33,332	.....9,652	.....4,092
10. 2013.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....35,803	.....10,656
11. 2014.....	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....XXX	.....33,783

PROGRESSIVE SPECIALTY INSURANCE COMPANY
SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN

Allocated by States and Territories

		1	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4	5	6	7	8	9
			2	3		Direct Losses Paid (Deducting Salvage)	Direct Losses Incurred	Direct Losses Unpaid	Finance and Service Charges not Included in Premiums	Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
States, Etc.		Active Status	Direct Premiums Written	Direct Premiums Earned	Dividends Paid or Credited to Policyholders on Direct Business					
1.	Alabama.....AL	...L....	.....150,600,470	.....150,546,718	.....	.....91,557,117	.....88,921,135	.....50,419,317	.....2,690,182	.....
2.	Alaska.....AK	...L....	.....23,892,039	.....24,222,966	.....	.....12,505,189	.....11,055,936	.....8,124,195	.....369,675	.....
3.	Arizona.....AZ	...L....	.....	.....	.....	.....	.....	.....	.....	.....
4.	Arkansas.....AR	...L....	.....263,514	.....262,449	.....	.....127,345	.....147,168	.....98,670	.....4,915	.....
5.	California.....CA	...L....	.....	.....	.....	.....(2,080)	.....(2,080)	.....	.....	.....
6.	Colorado.....CO	...L....	.....1,601,839	.....1,627,470	.....	.....1,127,661	.....1,470,771	.....749,584	.....17,193	.....
7.	Connecticut.....CT	...L....	.....	.....	.....	.....	.....	.....	.....	.....
8.	Delaware.....DE	...L....	.....	.....	.....	.....	.....	.....	.....	.....
9.	District of Columbia.....DC	...L....	.....	.....	.....	.....	.....	.....	.....	.....
10.	Florida.....FL	...L....	.....	.....	.....	.....(4,852)	.....(4,852)	.....	.....	.....
11.	Georgia.....GA	...L....	.....	.....	.....	.....	.....	.....	.....	.....
12.	Hawaii.....HI	...L....	.....1,363,457	.....1,400,731	.....	.....407,957	.....304,153	.....335,964	.....9,564	.....
13.	Idaho.....ID	...L....	.....	.....	.....	.....	.....	.....	.....	.....
14.	Illinois.....IL	...L....	.....	.....	.....	.....(1,716)	.....(1,716)	.....	.....	.....
15.	Indiana.....IN	...L....	.....	.....	.....	.....(825)	.....(825)	.....	.....	.....
16.	Iowa.....IA	...L....	.....	.....	.....	.....	.....	.....	.....	.....
17.	Kansas.....KS	...L....	.....	.....	.....	.....(1,439)	.....(1,439)	.....	.....	.....
18.	Kentucky.....KY	...L....	.....	.....	.....	.....	.....	.....	.....	.....
19.	Louisiana.....LA	...N....	.....	.....	.....	.....	.....	.....	.....	.....
20.	Maine.....ME	...L....	.....	.....	.....	.....	.....	.....	.....	.....
21.	Maryland.....MD	...L....	.....54,684,354	.....53,366,597	.....	.....31,807,734	.....32,956,519	.....18,515,998	.....851,227	.....
22.	Massachusetts.....MA	...N....	.....	.....	.....	.....	.....	.....	.....	.....
23.	Michigan.....MI	...L....	.....	.....	.....	.....	.....	.....	.....	.....
24.	Minnesota.....MN	...L....	.....11,223,058	.....11,696,158	.....	.....5,983,163	.....5,501,870	.....3,220,684	.....124,165	.....
25.	Mississippi.....MS	...L....	.....	.....	.....	.....	.....	.....	.....	.....
26.	Missouri.....MO	...L....	.....	.....	.....	.....	.....(75)	.....	.....	.....
27.	Montana.....MT	...L....	.....242,600	.....245,868	.....	.....120,487	.....322,880	.....349,761	.....3,202	.....
28.	Nebraska.....NE	...L....	.....	.....	.....	.....	.....	.....	.....	.....
29.	Nevada.....NV	...L....	.....1,539,854	.....1,586,025	.....	.....1,222,713	.....1,177,858	.....442,369	.....22,623	.....
30.	New Hampshire.....NH	...N....	.....	.....	.....	.....	.....	.....	.....	.....
31.	New Jersey.....NJ	...L....	.....	.....	.....	.....	.....	.....	.....	.....
32.	New Mexico.....NM	...L....	.....	.....	.....	.....(837)	.....(837)	.....	.....	.....
33.	New York.....NY	...L....	.....184,791,764	.....183,560,069	.....	.....103,574,205	.....109,631,806	.....64,427,767	.....6,811,882	.....
34.	North Carolina.....NC	...N....	.....	.....	.....	.....	.....	.....	.....	.....
35.	North Dakota.....ND	...L....	.....	.....	.....	.....	.....	.....	.....	.....
36.	Ohio.....OH	...L....	.....396,347,598	.....393,530,043	.....	.....254,311,409	.....252,887,761	.....108,816,486	.....10,773,324	.....
37.	Oklahoma.....OK	...L....	.....	.....	.....	.....	.....	.....	.....	.....
38.	Oregon.....OR	...L....	.....42,884	.....49,253	.....	.....(38)	.....2,804	.....2,478	.....1,471	.....
39.	Pennsylvania.....PA	...L....	.....274,014,131	.....269,208,450	.....	.....166,903,878	.....169,290,836	.....85,801,133	.....6,248,856	.....
40.	Rhode Island.....RI	...L....	.....	.....	.....	.....	.....	.....	.....	.....
41.	South Carolina.....SC	...L....	.....	.....	.....	.....(2,866)	.....(2,866)	.....	.....	.....
42.	South Dakota.....SD	...L....	.....	.....	.....	.....	.....	.....	.....	.....
43.	Tennessee.....TN	...L....	.....	.....	.....	.....(1,658)	.....(1,658)	.....	.....	.....
44.	Texas.....TX	...L....	.....	.....	.....	.....	.....	.....	.....	.....
45.	Utah.....UT	...L....	.....	.....	.....	.....	.....	.....	.....	.....
46.	Vermont.....VT	...L....	.....1,329,854	.....1,395,612	.....	.....1,601,454	.....1,205,690	.....443,053	.....26,655	.....
47.	Virginia.....VA	...L....	.....3,855,880	.....3,991,718	.....	.....2,387,800	.....2,173,075	.....1,441,304	.....58,929	.....
48.	Washington.....WA	...L....	.....	.....	.....	.....17,907	.....17,907	.....	.....	.....
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	.....1,105,793,296	.....1,096,690,127	.....0	.....673,639,708	.....677,051,821	.....343,188,763	.....28,013,863	.....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;

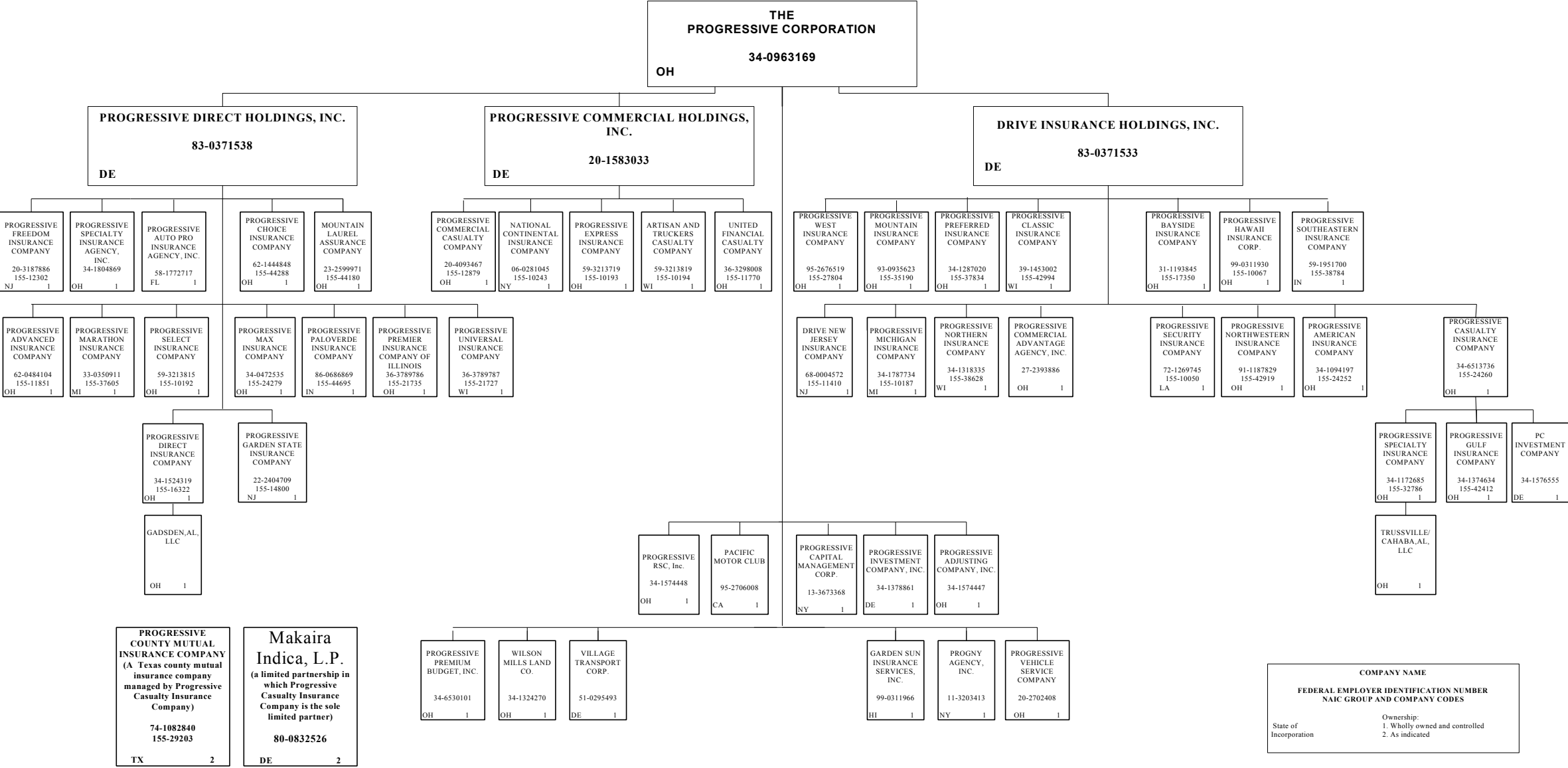
(E) - Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) - None of the above - Not allowed to write business in the state.

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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