



# ANNUAL STATEMENT

For the Year Ended December 31, 2016

of the Condition and Affairs of the

## PROGRESSIVE PREFERRED INSURANCE COMPANY

NAIC Group Code.....155, 155 (Current Period) (Prior Period)	NAIC Company Code..... 37834	Employer's ID Number..... 34-1287020
Organized under the Laws of OH	State of Domicile or Port of Entry OH	Country of Domicile US
Incorporated/Organized..... September 24, 1979	Commenced Business..... April 15, 1980	
Statutory Home Office	6300 WILSON MILLS ROAD, W33..... CLEVELAND ..... OH ..... US ..... 44143-2182 <i>(Street and Number) (City or Town, State, Country and Zip Code)</i>	
Main Administrative Office	6300 WILSON MILLS ROAD, W33..... CLEVELAND ..... OH ..... US..... 44143-2182 440-461-5000 <i>(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)</i>	
Mail Address	P.O. BOX 89490..... CLEVELAND ..... OH ..... US ..... 44101-6490 <i>(Street and Number or P. O. Box) (City or Town, State, Country and Zip Code)</i>	
Primary Location of Books and Records	6300 WILSON MILLS ROAD, W33..... CLEVELAND ..... OH ..... US ..... 44143-2182 440-395-4460 <i>(Street and Number) (City or Town, State, Country and Zip Code) (Area Code) (Telephone Number)</i>	
Internet Web Site Address	PROGRESSIVE.COM	
Statutory Statement Contact	MARY BETH ANDREANO <i>(Name)</i> FINANCIAL_REPORTING@PROGRESSIVE.COM <i>(E-Mail Address)</i>	440-395-4460 <i>(Area Code) (Telephone Number) (Extension)</i> 440-4603-5500 <i>(Fax Number)</i>

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

#### OFFICERS

Name	Title	Name	Title
GEOFFREY THOMAS SOUSER	PRESIDENT	PETER JAMES ALBERT	SECRETARY
PATRICK SEAN BRENNAN #	TREASURER		

#### OTHER

PETER JAMES ALBERT	(VICE PRESIDENT)	MARY BETH ANDREANO	(VICE PRESIDENT)
KAREN BARONE BAILO	(VICE PRESIDENT)	KATHLEEN MARY CERNY	(ASST. SECRETARY)
CHRISTINA LYNN CREWS	(ASST. SECRETARY)	JAMES LEE KUSMER	(ASST. TREASURER)

#### DIRECTORS OR TRUSTEES

THOMAS HUDSON HOLLYER	KATHRYN MARGARET LEMIEUX	MARK DONALD NIEHAUS	DAVID LLOYD PRATT
GEOFFREY THOMAS SOUSER			

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) GEOFFREY THOMAS SOUSER	_____ (Signature) CHRISTINA LYNN CREWS	_____ (Signature) JAMES LEE KUSMER
1. (Printed Name) PRESIDENT	2. (Printed Name) ASSISTANT SECRETARY	3. (Printed Name) ASSISTANT TREASURER
(Title)	(Title)	(Title)

Subscribed and sworn to before me  
This 14TH day of FEBRUARY, 2017

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 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	536,350,047		536,350,047	531,108,370
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 (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 (\$.....21,495,019, Schedule E-Part 2) and short-term investments (\$.....64,286,450, Schedule DA).....	85,781,469		85,781,469	26,498,300
6. Contract loans (including \$.....0 premium notes).....			0	
7. Derivatives (Schedule DB).....			0	
8. Other invested assets (Schedule BA).....			0	
9. Receivables for securities.....	157,342		157,342	35,144
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).....	622,288,858	0	622,288,858	557,641,814
13. Title plants less \$.....0 charged off (for Title insurers only).....			0	
14. Investment income due and accrued.....	2,465,287		2,465,287	2,407,218
15. Premiums and considerations:				
15.1 Uncollected premiums and agents' balances in the course of collection.....	4,504,436	2,358,731	2,145,705	4,288,414
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....	110,398,791		110,398,791	95,719,066
15.3 Accrued retrospective premiums (\$.....0) and contracts subject to redetermination (\$.....0).....			0	
16. Reinsurance:				
16.1 Amounts recoverable from reinsurers.....	4,946,612		4,946,612	784,985
16.2 Funds held by or deposited with reinsured companies.....			0	
16.3 Other amounts receivable under reinsurance contracts.....			0	
17. Amounts receivable relating to uninsured plans.....			0	
18.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
18.2 Net deferred tax asset.....	20,399,425		20,399,425	18,016,613
19. Guaranty funds receivable or on deposit.....			0	
20. Electronic data processing equipment and software.....			0	
21. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
22. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
23. Receivables from parent, subsidiaries and affiliates.....	30,412,941		30,412,941	26,230,260
24. Health care (\$.....0) and other amounts receivable.....			0	
25. Aggregate write-ins for other-than-invested assets.....	280,239	133,199	147,040	456,458
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25).....	795,696,589	2,491,930	793,204,659	705,544,828
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
28. TOTAL (Lines 26 and 27).....	795,696,589	2,491,930	793,204,659	705,544,828

## 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 through 1103 plus 1198) (Line 11 above).....	0	0	0	0
2501. NEW YORK STATE ASSESSMENT RECOVERABLE.....	76,720		76,720	377,701
2502. STATE TAX CREDITS.....	57,750		57,750	67,800
2503. STATE UNEARNED SURCHARGE RECOVERABLE.....	12,570		12,570	10,957
2598. Summary of remaining write-ins for Line 25 from overflow page.....	133,199	133,199	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	280,239	133,199	147,040	456,458

## PROGRESSIVE PREFERRED INSURANCE COMPANY

### LIABILITIES, SURPLUS AND OTHER FUNDS

	1 Current Year	2 Prior Year
1. Losses (Part 2A, Line 35, Column 8).....	233,179,049	209,955,137
2. Reinsurance payable on paid losses and loss adjustment expenses (Schedule F, Part 1, Column 6).....	3,686,037	1,081,647
3. Loss adjustment expenses (Part 2A, Line 35, Column 9).....	48,649,997	44,191,154
4. Commissions payable, contingent commissions and other similar charges.....	1,379,955	925,029
5. Other expenses (excluding taxes, licenses and fees).....	29,468,658	27,352,410
6. Taxes, licenses and fees (excluding federal and foreign income taxes).....	5,015,540	3,809,798
7.1 Current federal and foreign income taxes (including \$.....53,808 on realized capital gains (losses)).....	4,782,226	4,597,822
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 \$.....232,934,141 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).....	210,389,044	185,162,256
10. Advance premium.....	5,303,651	4,102,842
11. Dividends declared and unpaid:		
11.1 Stockholders.....		
11.2 Policyholders.....		
12. Ceded reinsurance premiums payable (net of ceding commissions).....	133,277	120,266
13. Funds held by company under reinsurance treaties (Schedule F, Part 3, Column 19).....		
14. Amounts withheld or retained by company for account of others.....		
15. Remittances and items not allocated.....		
16. Provision for reinsurance (including \$.....0 certified) (Schedule F, Part 8).....		
17. Net adjustments in assets and liabilities due to foreign exchange rates.....		
18. Drafts outstanding.....	29,210,127	24,976,530
19. Payable to parent, subsidiaries and affiliates.....		
20. Derivatives.....		
21. Payable for securities.....	54,166	34,841
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.....	285,575	525,799
26. Total liabilities excluding protected cell liabilities (Lines 1 through 25).....	571,537,302	506,835,531
27. Protected cell liabilities.....		
28. Total liabilities (Lines 26 and 27).....	571,537,302	506,835,531
29. Aggregate write-ins for special surplus funds.....	0	0
30. Common capital stock.....	3,003,300	3,003,300
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.....	42,712,474	42,712,474
35. Unassigned funds (surplus).....	175,951,583	152,993,523
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).....	221,667,357	198,709,297
38. TOTAL (Page 2, Line 28, Col. 3).....	793,204,659	705,544,828

#### DETAILS OF WRITE-INS

2501. ESCHEATABLE PROPERTY.....	136,299	195,447
2502. OTHER LIABILITIES.....	96,030	81,469
2503. STATE PLAN LIABILITY.....	53,246	248,883
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	285,575	525,799
2901. ....		
2902. ....		
2903. ....		
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0
2999. Totals (Lines 2901 through 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 through 3203 plus 3298) (Line 32 above).....	0	0

**PROGRESSIVE PREFERRED INSURANCE COMPANY**  
**STATEMENT OF INCOME**

	1 Current Year	2 Prior Year
<b>UNDERWRITING INCOME</b>		
1. Premiums earned (Part 1, Line 35, Column 4).....	662,223,438	604,305,735
DEDUCTIONS:		
2. Losses incurred (Part 2, Line 35, Column 7).....	429,416,013	370,261,594
3. Loss adjustment expenses incurred (Part 3, Line 25, Column 1).....	69,296,223	62,696,016
4. Other underwriting expenses incurred (Part 3, Line 25, Column 2).....	137,974,750	127,043,469
5. Aggregate write-ins for underwriting deductions.....	1,612	0
6. Total underwriting deductions (Lines 2 through 5).....	636,688,598	560,001,079
7. Net income of protected cells.....		
8. Net underwriting gain (loss) (Line 1 minus Line 6 plus Line 7).....	25,534,840	44,304,656
<b>INVESTMENT INCOME</b>		
9. Net investment income earned (Exhibit of Net Investment Income, Line 17).....	10,874,119	11,269,550
10. Net realized capital gains (losses) less capital gains tax of \$.....766,071 (Exhibit of Capital Gains (Losses)).....	1,176,439	2,588,177
11. Net investment gain (loss) (Lines 9 + 10).....	12,050,558	13,857,727
<b>OTHER INCOME</b>		
12. Net gain (loss) from agents' or premium balances charged off (amount recovered \$.....445,253 amount charged off \$.....4,088,527).....	(3,643,274)	(3,413,993)
13. Finance and service charges not included in premiums.....	10,014,689	9,242,876
14. Aggregate write-ins for miscellaneous income.....	595,914	585,365
15. Total other income (Lines 12 through 14).....	6,967,329	6,414,248
16. Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes (Lines 8 + 11 + 15).....	44,552,727	64,576,631
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).....	44,552,727	64,576,631
19. Federal and foreign income taxes incurred.....	16,996,007	21,560,706
20. Net income (Line 18 minus Line 19) (to Line 22).....	27,556,720	43,015,925
<b>CAPITAL AND SURPLUS ACCOUNT</b>		
21. Surplus as regards policyholders, December 31 prior year (Page 4, Line 39, Column 2).....	198,709,297	195,876,433
22. Net income (from Line 20).....	27,556,720	43,015,925
23. Net transfers (to) from Protected Cell accounts.....		
24. Change in net unrealized capital gains or (losses) less capital gains tax of \$.....23,667.....	43,952	(1,570)
25. Change in net unrealized foreign exchange capital gain (loss).....		
26. Change in net deferred income tax.....	2,406,479	87,429
27. Change in nonadmitted assets (Exhibit of Nonadmitted Assets, Line 28, Column 3).....	(349,091)	231,080
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.....		
33.2 Transferred to capital (Stock Dividend).....		
33.3. Transferred from capital.....		
34. Net remittances from or (to) Home Office.....		
35. Dividends to stockholders.....	(6,700,000)	(40,500,000)
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).....	22,958,060	2,832,864
39. Surplus as regards policyholders, December 31 current year (Line 21 plus Line 38) (Page 3, Line 37).....	221,667,357	198,709,297
<b>DETAILS OF WRITE-INS</b>		
0501. LOSS ON COMMUTATION.....	1,612	
0502. ....		
0503. ....		
0598. Summary of remaining write-ins for Line 5 from overflow page.....	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above).....	1,612	0
1401. MISCELLANEOUS INCOME.....	457,936	555,163
1402. INTEREST INCOME ON INTERCOMPANY BALANCES.....	130,896	17,466
1403. SERVICE BUSINESS REVENUE.....	7,082	12,736
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above).....	595,914	585,365
3701. ....		
3702. ....		
3703. ....		
3798. Summary of remaining write-ins for Line 37 from overflow page.....	0	0
3799. Totals (Lines 3701 through 3703 plus 3798) (Line 37 above).....	0	0

## CASH FLOW

	1 Current Year	2 Prior Year
<b>CASH FROM OPERATIONS</b>		
1. Premiums collected net of reinsurance.....	675,450,742	607,296,507
2. Net investment income.....	15,691,940	16,140,970
3. Miscellaneous income.....	7,192,616	6,337,550
4. Total (Lines 1 through 3).....	698,335,298	629,775,027
5. Benefit and loss related payments.....	407,749,338	362,104,958
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	199,036,036	183,122,279
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) net of \$.....867,485 tax on capital gains (losses).....	17,577,674	25,387,224
10. Total (Lines 5 through 9).....	624,363,048	570,614,461
11. Net cash from operations (Line 4 minus Line 10).....	73,972,250	59,160,566
<b>CASH FROM INVESTMENTS</b>		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	298,887,647	354,127,875
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....	3,310	
12.7 Miscellaneous proceeds.....	19,325	34,841
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	298,910,282	354,162,716
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	306,999,185	361,909,222
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....	122,198	35,144
13.7 Total investments acquired (Lines 13.1 to 13.6).....	307,121,383	361,944,366
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).....	(8,211,101)	(7,781,650)
<b>CASH FROM FINANCING AND MISCELLANEOUS SOURCES</b>		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....	6,700,000	40,500,000
16.6 Other cash provided (applied).....	222,020	(8,980,221)
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	(6,477,980)	(49,480,221)
<b>RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS</b>		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17).....	59,283,169	1,898,695
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	26,498,300	24,599,605
19.2 End of year (Line 18 plus Line 19.1).....	85,781,469	26,498,300

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

20.0001 .....		
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# PROGRESSIVE PREFERRED 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		.0	.0
2. Allied lines.....	.0		.0	.0
3. Farmowners multiple peril.....	.0		.0	.0
4. Homeowners multiple peril.....	2,780,988	1,314,414	1,449,806	2,645,595
5. Commercial multiple peril.....	.0		.0	.0
6. Mortgage guaranty.....	.0		.0	.0
8. Ocean marine.....	.0		.0	.0
9. Inland marine.....	11,698,029	5,149,849	5,496,696	11,351,182
10. Financial guaranty.....	.0		.0	.0
11.1 Medical professional liability - occurrence.....	.0		.0	.0
11.2 Medical professional liability - claims-made.....	1,800	148	157	1,791
12. Earthquake.....	.0		.0	.0
13. Group accident and health.....	.0		.0	.0
14. Credit accident and health (group and individual).....	.0		.0	.0
15. Other accident and health.....	.0		.0	.0
16. Workers' compensation.....	.0		.0	.0
17.1 Other liability - occurrence.....	4,147,837	1,914,085	1,976,649	4,085,272
17.2 Other liability - claims-made.....	14,207	2,725	1,586	15,346
17.3 Excess workers' compensation.....	.0		.0	.0
18.1 Products liability - occurrence.....	.0		.0	.0
18.2 Products liability - claims-made.....	.0		.0	.0
19.1, 19.2 Private passenger auto liability.....	378,049,182	92,751,079	104,481,752	366,318,510
19.3, 19.4 Commercial auto liability.....	52,721,946	21,295,770	25,416,832	48,600,884
21. Auto physical damage.....	238,036,039	62,733,870	71,565,507	229,204,402
22. Aircraft (all perils).....	.0		.0	.0
23. Fidelity.....	.0		.0	.0
24. Surety.....	199	318	59	457
26. Burglary and theft.....	.0		.0	.0
27. Boiler and machinery.....	.0		.0	.0
28. Credit.....	.0		.0	.0
29. International.....	.0		.0	.0
30. Warranty.....	.0		.0	.0
31. Reinsurance - nonproportional assumed property.....	.0		.0	.0
32. Reinsurance - nonproportional assumed liability.....	.0		.0	.0
33. Reinsurance - nonproportional assumed financial lines.....	.0		.0	.0
34. Aggregate write-ins for other lines of business.....	.0	.0	.0	.0
35. TOTALS.....	687,450,226	185,162,256	210,389,044	662,223,439

### DETAILS OF WRITE-INS

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

**PROGRESSIVE PREFERRED INSURANCE COMPANY  
UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 1A - RECAPITULATION OF ALL PREMIUMS**

Line of Business		1 Amount Unearned (Running One Year or Less from Date of Policy) (a)	2 Amount Unearned (Running More Than One Year from Date of Policy) (a)	3 Earned But Unbilled Premium	4 Reserve for Rate Credits and Retrospective Adjustments Based on Experience	5 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.....	1,449,806				1,449,806
5.	Commercial multiple peril.....					0
6.	Mortgage guaranty.....					0
8.	Ocean marine.....					0
9.	Inland marine.....	5,496,696				5,496,696
10.	Financial guaranty.....					0
11.1	Medical professional liability - occurrence.....					0
11.2	Medical professional liability - claims-made.....	157				157
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.....	1,976,649				1,976,649
17.2	Other liability - claims-made.....	1,320	266			1,586
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.....	104,481,752				104,481,752
19.3, 19.4	Commercial auto liability.....	25,416,832				25,416,832
21.	Auto physical damage.....	71,565,507				71,565,507
22.	Aircraft (all perils).....					0
23.	Fidelity.....					0
24.	Surety.....	59				59
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.....	210,388,778	266	0	0	210,389,044
36.	Accrued retrospective premiums based on experience.....					
37.	Earned but unbilled premiums.....					0
38.	Balance (sum of Lines 35 through 37).....					210,389,044

**DETAILS OF WRITE-INS**

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

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

**PROGRESSIVE PREFERRED 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.....	4,120,531	2,780,988		4,120,531		2,780,988
5. Commercial multiple peril.....						0
6. Mortgage guaranty.....						0
8. Ocean marine.....						0
9. Inland marine.....	13,545,467	11,698,029		13,545,467		11,698,029
10. Financial guaranty.....						0
11.1 Medical professional liability - occurrence.....						0
11.2 Medical professional liability - claims-made.....		1,800				1,800
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.....	5,782,197	4,147,837		5,037,437	744,760	4,147,837
17.2 Other liability - claims-made.....		14,207				14,207
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.....	414,866,294	378,049,182		414,866,294		378,049,182
19.3, 19.4 Commercial auto liability.....	50,132,934	52,721,945		49,940,458	192,475	52,721,946
21. Auto physical damage.....	271,004,041	238,036,039		271,004,041		238,036,039
22. Aircraft (all perils).....						0
23. Fidelity.....						0
24. Surety.....		199				199
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.....	759,451,464	687,450,225	0	758,514,228	937,235	687,450,226

**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 through 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0

(a) Does the company's direct premiums written include premiums recorded on an installment basis? Yes [ ] No [ X ]

If yes: 1. The amount of such installment premiums \$.....0.

2. Amount at which such installment premiums would have been reported had they been recorded on an annualized basis \$.....0.



**UNDERWRITING AND INVESTMENT EXHIBIT**

**PART 2 - LOSSES PAID AND INCURRED**

Line of Business	Losses Paid Less Salvage				5 Net Losses Unpaid Current Year (Part 2A, Col. 8)	6 Net Losses Unpaid Prior Year	7 Losses Incurred Current Year (Cols. 4 + 5 - 6)	8 Percentage of Losses Incurred (Col. 7, Part 2) to Premiums Earned (Col. 4, Part 1)
	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Recovered	4 Net Payments (Cols. 1 + 2 - 3)				
1. Fire.....				0	0	0	0.0	
2. Allied lines.....				0	0	0	0.0	
3. Farmowners multiple peril.....				0	0	0	0.0	
4. Homeowners multiple peril.....	1,230,744	934,687	1,230,744	934,687	219,489	223,350	35.2	
5. Commercial multiple peril.....				0	0	0	0.0	
6. Mortgage guaranty.....				0	0	0	0.0	
8. Ocean marine.....				0	0	0	0.0	
9. Inland marine.....	6,678,572	5,300,379	6,678,572	5,300,379	734,949	499,942	48.8	
10. Financial guaranty.....				0	0	0	0.0	
11.1 Medical professional liability - occurrence.....				0	0	0	0.0	
11.2 Medical professional liability - claims-made.....				0	90	90	(0.0)	
12. Earthquake.....				0	0	0	0.0	
13. Group accident and health.....				0	0	0	0.0	
14. Credit accident and health (group and individual).....				0	0	0	0.0	
15. Other accident and health.....				0	0	0	0.0	
16. Workers' compensation.....		3,195		3,195	112,182	115,377	0.0	
17.1 Other liability - occurrence.....	1,961,709	1,237,620	1,961,709	1,237,620	2,842,455	2,458,396	39.7	
17.2 Other liability - claims-made.....		18,501		18,501	202,151	72,499	965.4	
17.3 Excess workers' compensation.....				0	0	0	0.0	
18.1 Products liability - occurrence.....				0	0	0	0.0	
18.2 Products liability - claims-made.....				0	0	0	0.0	
19.1, 19.2 Private passenger auto liability.....	242,505,467	222,561,507	242,505,467	222,561,507	188,118,159	176,201,368	64.0	
19.3, 19.4 Commercial auto liability.....	11,293,021	20,774,163	11,293,021	20,774,163	39,040,993	28,890,010	63.6	
21. Auto physical damage.....	167,049,028	155,337,753	167,049,028	155,337,753	1,523,027	1,081,339	68.0	
22. Aircraft (all perils).....				0	0	0	0.0	
23. Fidelity.....		(1,227)		(1,227)	372	1,171	(2.026)	
24. Surety.....				0	41	185	(31.4)	
26. Burglary and theft.....				0	0	0	0.0	
27. Boiler and machinery.....				0	0	0	0.0	
28. Credit.....				0	0	0	0.0	
29. International.....				0	0	0	0.0	
30. Warranty.....				0	0	0	0.0	
31. Reinsurance - nonproportional assumed property.....	XXX			0	0	0	0.0	
32. Reinsurance - nonproportional assumed liability.....	XXX	25,525		25,525	385,140	411,412	(747)	
33. Reinsurance - nonproportional assumed financial lines.....	XXX			0	0	0	0.0	
34. Aggregate write-ins for other lines of business.....	0	0	0	0	0	0	0.0	
35. TOTALS.....	430,718,541	406,192,101	430,718,541	406,192,101	233,179,048	209,955,137	429,416,012	64.8

**DETAILS OF WRITE-INS**

3401. ....				0	0	0	0.0
3402. ....				0	0	0	0.0
3403. ....				0	0	0	0.0
3498. Summary of remaining write-ins for Line 34 from overflow page.....	0	0	0	0	0	0	XXX
3499. Totals (Lines 3401 through 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0.0

**UNDERWRITING AND INVESTMENT EXHIBIT**  
**PART 2A - UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES**

Line of Business	Reported Losses				Incurred But Not Reported			8 Net Losses Unpaid (Cols. 4 + 5 + 6 - 7)	9 Net Unpaid Loss Adjustment Expenses
	1 Direct	2 Reinsurance Assumed	3 Deduct Reinsurance Recoverable	4 Net Losses Excluding Incurred but not Reported (Cols. 1 + 2 - 3)	5 Direct	6 Reinsurance Assumed	7 Reinsurance Ceded		
1. Fire.....				0				0	
2. Allied lines.....				0				0	
3. Farmowners multiple peril.....				0				0	
4. Homeowners multiple peril.....	64,356	131,108	64,356	131,108	120,891	88,382	120,892	219,489	48,622
5. Commercial multiple peril.....				0				0	
6. Mortgage guaranty.....				0				0	
8. Ocean marine.....				0				0	
9. Inland marine.....	978,139	479,655	978,139	479,655	255,974	255,295	255,975	734,949	125,448
10. Financial guaranty.....				0				0	
11.1 Medical professional liability - occurrence.....				0				0	
11.2 Medical professional liability - claims-made.....				0		90		90	79
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.....		112,182		112,182				112,182	6,243
17.1 Other liability - occurrence.....	2,772,545	1,983,208	2,772,545	1,983,208	1,782,535	859,246	1,782,534	2,842,455	424,750
17.2 Other liability - claims-made.....		25,821		25,821		176,330		202,151	14,399
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.....	184,939,187	145,306,777	184,939,187	145,306,777	47,447,998	42,811,382	47,447,998	188,118,159	40,252,097
19.3, 19.4 Commercial auto liability.....	23,985,411	33,069,417	23,985,411	33,069,417	4,061,336	5,971,575	4,061,335	39,040,993	5,908,917
21. Auto physical damage.....	9,847,014	8,050,903	9,847,014	8,050,903	(7,722,294)	(6,527,875)	(7,722,293)	1,523,027	1,868,632
22. Aircraft (all perils).....				0				0	
23. Fidelity.....		3		3		369		372	733
24. Surety.....				0		41		41	74
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	87,832		87,832	XXX	297,308		385,140	
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.....	222,586,652	189,246,907	222,586,652	189,246,907	45,946,440	43,932,143	45,946,441	233,179,048	48,649,996
<b>DETAILS OF WRITE-INS</b>									
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 through 3403 plus 3498) (Line 34 above).....	0	0	0	0	0	0	0	0	0

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

# PROGRESSIVE PREFERRED 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.....	9,989,261			9,989,261
1.2 Reinsurance assumed.....	11,206,071			11,206,071
1.3 Reinsurance ceded.....	9,989,261			9,989,261
1.4 Net claim adjustment services (1.1 + 1.2 - 1.3).....	11,206,071	0	0	11,206,071
2. Commission and brokerage:				
2.1 Direct, excluding contingent.....		76,860,693		76,860,693
2.2 Reinsurance assumed, excluding contingent.....		64,117,495		64,117,495
2.3 Reinsurance ceded, excluding contingent.....		76,860,693		76,860,693
2.4 Contingent - direct.....		2,077,466		2,077,466
2.5 Contingent - reinsurance assumed.....		1,616,505		1,616,505
2.6 Contingent - reinsurance ceded.....		2,077,466		2,077,466
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	65,734,000	0	65,734,000
3. Allowances to manager and agents.....		401,717		401,717
4. Advertising.....	6,610	6,308,719		6,315,329
5. Boards, bureaus and associations.....	166,610	327,439		494,049
6. Surveys and underwriting reports.....		4,152,559		4,152,559
7. Audit of assureds' records.....				0
8. Salary and related items:				
8.1 Salaries.....	39,360,981	27,831,880	383,185	67,576,046
8.2 Payroll taxes.....	2,732,651	1,833,541	10,357	4,576,549
9. Employee relations and welfare.....	6,702,046	4,427,574	14,378	11,143,999
10. Insurance.....	92,609	78,988		171,598
11. Directors' fees.....				0
12. Travel and travel items.....	1,673,240	470,020	2,290	2,145,550
13. Rent and rent items.....	2,254,127	2,344,410	8,329	4,606,866
14. Equipment.....	167,164	747,131		914,295
15. Cost or depreciation of EDP equipment and software.....	2,600,709	4,227,720	5,335	6,833,764
16. Printing and stationery.....	224,544	396,109	850	621,503
17. Postage, telephone and telegraph, exchange and express.....	1,760,946	3,689,084	2,795	5,452,825
18. Legal and auditing.....	219,283	480,147	13,806	713,236
19. Totals (Lines 3 to 18).....	57,961,520	57,717,038	441,326	116,119,884
20. Taxes, licenses and fees:				
20.1 State and local insurance taxes deducting guaranty association credits of \$.....7,380.....		11,343,838		11,343,838
20.2 Insurance department licenses and fees.....	69,164	629,973		699,137
20.3 Gross guaranty association assessments.....		36,767		36,767
20.4 All other (excluding federal and foreign income and real estate).....	11,740	2,009,134		2,020,874
20.5 Total taxes, licenses and fees (20.1 + 20.2 + 20.3 + 20.4).....	80,905	14,019,711	0	14,100,615
21. Real estate expenses.....				0
22. Real estate taxes.....				0
23. Reimbursements by uninsured plans.....				0
24. Aggregate write-ins for miscellaneous expenses.....	47,728	504,002	78,447	630,177
25. Total expenses incurred.....	69,296,224	137,974,750	519,772	(a) 207,790,746
26. Less unpaid expenses - current year.....	48,649,996	35,862,342	1,811	84,514,149
27. Add unpaid expenses - prior year.....	44,191,154	32,084,636	2,601	76,278,391
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).....	64,837,381	134,197,044	520,563	199,554,988

### DETAILS OF WRITE-INS

2401. MISCELLANEOUS EXPENSES.....	47,728	504,002	78,447	630,177
2402. ....				0
2403. ....				0
2498. Summary of remaining write-ins for Line 24 from overflow page.....	0	0	0	0
2499. Totals (Lines 2401 through 2403 plus 2498) (Line 24 above).....	47,728	504,002	78,447	630,177

(a) Includes management fees of \$.....116,750,060 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).....584,703	.....384,368
1.1 Bonds exempt from U.S. tax.....	(a).....743,553	.....855,116
1.2 Other bonds (unaffiliated).....	(a).....9,642,125	.....9,784,984
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....	.....
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).....365,441	.....369,424
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....11,335,822	.....11,393,892
11. Investment expenses.....	.....	(g).....519,772
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).....	.....	.....519,772
17. Net investment income (Line 10 minus Line 16).....	.....	.....10,874,120

**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 through 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 through 1503 plus 1598) (Line 15 above).....	.....	.....0

- (a) Includes \$.....327,673 accrual of discount less \$.....5,204,353 amortization of premium and less \$.....274,366 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 \$.....312,865 accrual of discount less \$.....19,585 amortization of premium and less \$.....60,023 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.....	.....971,071	.....	.....971,071	.....	.....
1.1 Bonds exempt from U.S. tax.....	.....	.....	.....0	.....	.....
1.2 Other bonds (unaffiliated).....	.....968,129	.....	.....968,129	.....67,619	.....
1.3 Bonds of affiliates.....	.....	.....	.....0	.....	.....
2.1 Preferred stocks (unaffiliated).....	.....	.....	.....0	.....	.....
2.11 Preferred stocks of affiliates.....	.....	.....	.....0	.....	.....
2.2 Common stocks (unaffiliated).....	.....	.....	.....0	.....	.....
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.....	.....3,310	.....	.....3,310	.....	.....
7. Derivative instruments.....	.....	.....	.....0	.....	.....
8. Other invested assets.....	.....	.....	.....0	.....	.....
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....1,942,510	.....0	.....1,942,510	.....67,619	.....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 through 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0	.....0

## 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).....			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
12. Subtotals, cash and invested assets (Lines 1 to 11).....	0	0	0
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.....	2,358,731	1,907,730	(451,001)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			0
15.3 Accrued retrospective premiums and contracts subject to redetermination.....			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.....	133,199	235,109	101,910
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 through 25).....	2,491,930	2,142,839	(349,091)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0
28. TOTALS (Lines 26 and 27).....	2,491,930	2,142,839	(349,091)

## 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 through 1103 plus 1198) (Line 11 above).....	0	0	0
2501. PREPAID EXPENSES.....	112,598	103,720	(8,878)
2502. MISCELLANEOUS OTHER ASSETS.....	20,601	131,389	110,788
2503.....			0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above).....	133,199	235,109	101,910

**NOTES TO FINANCIAL STATEMENTS****Note 1 – Summary of Significant Accounting Policies and Going Concern****A. Accounting Practices**

The accompanying statutory-basis financial statements of Progressive Preferred 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:

	SSAP #	F/S Page	F/S Line #	2016	2015
<b>NET INCOME</b>					
(1) PROGRESSIVE PREFERRED INSURANCE COMPANY state basis (Page 4, Line 20, Columns 1 & 2)	XXX	XXX	XXX	\$ 27,556,720	\$ 43,015,925
(2) State Prescribed Practices that increase/decrease NAIC SAP					
(3) State Permitted Practices that increase/decrease NAIC SAP					
(4) NAIC SAP (1 – 2 – 3 = 4)	XXX	XXX	XXX	\$ 27,556,720	\$ 43,015,925
<b>SURPLUS</b>					
(5) PROGRESSIVE PREFERRED INSURANCE COMPANY state basis (Page 3, line 37, Columns 1 & 2)	XXX	XXX	XXX	\$ 221,667,357	\$ 198,709,297
(6) State Prescribed Practices that increase/decrease NAIC SAP					
(7) State Permitted Practices that increase/decrease NAIC SAP					
(8) NAIC SAP (5 – 6 – 7 = 8)	XXX	XXX	XXX	\$ 221,667,357	\$ 198,709,297

**B. Use of Estimates in the Preparation of the Financial Statement**

The Company is required to make estimates and assumptions when preparing its financial statements and accompanying notes in conformity with NAIC SAP. Actual results may differ from those estimates. Material estimates that are susceptible to significant changes in the near term include the loss and loss adjustment expense ("LAE") reserves.

**C. Accounting Policy**

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 has no investments in joint ventures, partnerships, or limited liability companies.
- The Company has no investments in derivatives.

**NOTES TO FINANCIAL STATEMENTS**

- 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, 2016 and December 31, 2015.
- Realized gains and losses on sales of securities are computed based on the first-in, first-out method.
- The Company's management routinely monitors individual securities in its investment portfolio for pricing changes that might indicate potential impairments and performs detailed reviews of securities with unrealized losses based on predetermined guidelines to determine whether a decline in the value of a security is other-than-temporary. A review for other-than-temporary impairment ("OTTI") requires making certain judgments regarding the materiality of the decline, its effect on the financial statements, the probability, extent, and timing of a valuation recovery, and the Company's ability and intent to hold the security. The scope of this review is broad and requires a forward-looking assessment of the fundamental characteristics of a security, as well as the market-related prospects of the issuer and its industry.

Management assesses valuation declines to determine the extent to which such changes are attributable to (i) fundamental factors specific to the issuer, such as financial conditions, business prospects or other factors, or (ii) market-related factors such as interest rates or equity market declines (i.e., negative returns at either a sector index level or the broader market level), or (iii) credit-related losses where the present value of cash flows expected to be collected are lower than the amortized cost basis of the security (includes only those securities covered under SSAP No. 43R). This evaluation reflects management's assessment of current conditions, as well as predictions of uncertain future events that may have a material effect on the financial statements related to security valuation.

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

**Loss, 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 not 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.

**D. Going Concern**

Management continuously monitors the Company's financial results and compliance with regulatory requirements and found no reason to expect the Company to not continue as a going concern.

**Note 2 – Accounting Changes and Corrections of Errors**

Not applicable

**Note 3 – Business Combinations and Goodwill**

Not applicable

**Note 4 – Discontinued Operations**

Not applicable

**Note 5 – Investments****A. Mortgage Loans, including Mezzanine Real Estate Loans**

Not applicable

**B. Debt Restructuring**

Not applicable

**C. Reverse Mortgages**

Not applicable

**D. Loan-Backed Securities**

1. The sources used to determine prepayment assumptions are derived from updated cash flows from widely utilized reputable industry sources. The Company's portfolio managers review the available cash flow data and prepayment assumptions and make adjustments based on current performance indicators on the underlying assets (e.g., delinquency rates, foreclosure rates, and default rates), credit support (via current levels of subordination), and historical credit ratings.
2. Intent to Sell or Inability to Hold Securities with a Recognized Other-Than-Temporary Impairment  
Not applicable
3. During the year, the Company has not recorded an other-than-temporary impairment for loan-backed and structured debt securities during the current year.

**NOTES TO FINANCIAL STATEMENTS**

4. At the end of the reporting period, 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:

a.	The aggregate amount of unrealized losses:	1.	Less than 12 Months	\$	605,099
		2.	12 Months or Longer	\$	758,175
b.	The aggregate related fair value of securities with unrealized losses:	1.	Less than 12 Months	\$	129,413,542
		2.	12 Months or Longer	\$	34,681,915

5. Additional information

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

F. Real Estate

Not applicable

G. Investments in Low-Income Housing Trade Credits (LIHTC)

Not applicable



**NOTES TO FINANCIAL STATEMENTS****H. Restricted Assets**

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

Restricted Asset Category	Gross (Admitted & Nonadmitted) Restricted							Current Year			
	Current Year							Percentage			
	1	2	3	4	5	6	7	8	9	10	11
	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 Nonadmitted Restricted	Total Admitted Restricted (5 minus 8)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (c)	Admitted Restricted to Total Admitted Assets (d)
a. Subject to contractual obligation for which liability is not shown											
b. Collateral held under security lending arrangements											
c. Subject to repurchase agreements											
d. Subject to reverse repurchase agreements											
e. Subject to dollar repurchase agreements											
f. Subject to dollar reverse repurchase agreements											
g. Placed under option contracts											
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock											
i. FHLB capital stock											
j. On deposit with states	5,093,930				5,093,930	5,102,086	(8,156)		5,093,930	0.640	0.642
k. On deposit with other regulatory bodies											
l. Pledged as collateral to FHLB (including assets backing funding agreements)											
m. Pledged as collateral not captured in other categories											
n. Other restricted assets											
o. Total Restricted Assets	\$ 5,093,930	\$	\$	\$	\$ 5,093,930	\$ 5,102,086	\$ (8,156)		\$ 5,093,930	0.640	0.642%

- (a) Subset of column 1  
(b) Subset of column 3  
(c) Column 5 divided by Asset Page, Column 1, Line 28  
(d) Column 9 divided by Asset Page, Column 3, Line 28

2. Detail of assets pledged as collateral not captured in other categories (from above table) is as follows:

Not applicable

3. Detail of Other Restricted Assets

Not applicable

4. Collateral Received and reflected as Assets Within the Reporting Entity's Financial Statements

Not applicable

**I. Working Capital Finance Investments**

Not applicable

**J. Offsetting and Netting of Assets and Liabilities**

Not applicable

**K. Structured Notes**

Not applicable

**NOTES TO FINANCIAL STATEMENTS**

## L. 5\* Securities

Not applicable

**Note 6 – Joint Ventures, Partnerships and Limited Liability Companies**

Not applicable

**Note 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

**Note 8 – Derivative Instruments**

Not applicable

**Note 9 – Income Taxes**

## A. Deferred Tax Assets/(Liabilities)

## 1. Components of Net Deferred Tax Asset/(Liability)

Description	2016			2015			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Gross deferred tax assets	\$ 25,016,049	\$ 10,255	\$ 25,026,304	\$ 22,029,620	\$ 38,205	\$ 22,067,825	\$ 2,986,429	\$ (27,950)	\$ 2,958,479
b. Statutory valuation allowance adjustment									
c. Adjusted gross deferred tax assets (1a-1b)	25,016,049	10,255	25,026,304	22,029,620	38,205	22,067,825	2,986,429	(27,950)	2,958,479
d. Deferred tax assets nonadmitted									
e. Subtotal net admitted deferred tax asset (1c-1d)	25,016,049	10,255	25,026,304	22,029,620	38,205	22,067,825	2,986,429	(27,950)	2,958,479
f. Deferred tax liabilities	4,446,672	180,207	4,626,879	3,568,930	482,282	4,051,212	877,742	(302,075)	575,667
g. Net admitted deferred tax assets/(net deferred tax liability) (1e-1f)	\$ 20,569,377	\$ (169,952)	\$ 20,399,425	\$ 18,460,690	\$ (444,077)	\$ 18,016,613	\$ 2,108,687	\$ 274,125	\$ 2,382,812

## 2. Admission Calculation Components

Description	2016			2015			Change		
	1 Ordinary	2 Capital	3 (Col 1+2) Total	4 Ordinary	5 Capital	6 (Col 4+5) Total	7 (Col 1-4) Ordinary	8 (Col 2-5) Capital	9 (Col 7+8) Total
a. Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 23,422,014		\$ 23,422,014	\$ 20,584,510		\$ 20,584,510	\$ 2,837,504		\$ 2,837,504
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:	919,197		919,197	793,010		793,010	126,187		126,187
Adjusted gross deferred tax assets expected to be realized following the balance sheet date	919,197		919,197	793,010		793,010	126,187		126,187
Adjusted gross deferred tax assets allowed per limitation threshold			30,190,190			27,103,903			3,086,287
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	674,838	10,255	685,093	652,100	38,205	690,305	22,738	(27,950)	(5,212)
d. Deferred tax assets admitted as the result of application of SSAP 101.									
Total (2(a)+2(b)+2(c))	\$ 25,016,049	\$ 10,255	\$ 25,026,304	\$ 22,029,620	\$ 38,205	\$ 22,067,825	\$ 2,986,429	\$ (27,950)	\$ 2,958,479

## 3. Other Admissibility Criteria

Description		2016	2015
a.	Ratio percentage used to determine recovery period and threshold limitation amount	910.368%	876.000%
b.	Amount of adjusted capital and surplus used to determine recovery period and threshold limitation in 2(b)2 above	\$ 201,267,932	\$ 180,692,684

**NOTES TO FINANCIAL STATEMENTS**

## 4. Impact of Tax Planning Strategies

(a) Determination of adjusted gross deferred tax assets and net admitted deferred tax assets, by tax character as a percentage.

Description	2016		2015		Change	
	1 Ordinary	2 Capital	3 Ordinary	4 Capital	5 (Col. 1-3) Ordinary	6 (Col. 2-4) Capital
1. Adjusted gross DTAs amount from Note 9A1(c)	\$ 25,016,049	\$ 10,255	\$ 22,029,620	\$ 38,205	\$ 2,986,429	\$ (27,950)
2. Percentage of adjusted gross DTAs by tax character attributable to the impact of tax planning strategies	0 %	0 %	0 %	0 %	0 %	0 %
3. Net Admitted Adjusted Gross DTAs amount from Note 9A1(e)	\$ 25,016,049	\$ 10,255	\$ 22,029,620	\$ 38,205	\$ 2,986,429	\$ (27,950)
4. Percentage of net admitted adjusted gross DTAs by tax character admitted because of the impact of tax planning strategies	0 %	0 %	0 %	0 %	0 %	0 %

(b) Does the company's tax planning strategies include the use of reinsurance? NO

## B. Deferred Tax Liabilities Not Recognized

Not applicable

## C. Current and Deferred Income Taxes

## 1. Current Income Tax

Description	1 2016	2 2015	3 (Col 1-2) Change
a. Federal	\$ 16,996,007	\$ 21,560,706	\$ (4,564,699)
b. Foreign			
c. Subtotal	\$ 16,996,007	\$ 21,560,706	\$ (4,564,699)
d. Federal income tax on net capital gains	766,071	1,390,522	(624,451)
e. Utilization of capital loss carry-forwards			
f. Other			
g. Federal and Foreign income taxes incurred	\$ 17,762,078	\$ 22,951,228	\$ (5,189,150)

**NOTES TO FINANCIAL STATEMENTS**

## 2. Deferred Tax Assets

Description	1 2016	2 2015	3 (Col 1-2) Change
a. Ordinary:			
1. Discounting of unpaid losses	\$ 2,198,769	\$ 2,183,907	\$ 14,862
2. Unearned premium reserve	14,889,940	13,091,787	1,798,153
3. Policyholder reserves			
4. Investments			
5. Deferred acquisition costs			
6. Policyholder dividends accrual			
7. Fixed assets	725,566	578,915	146,651
8. Compensation and benefits accrual	5,622,958	4,909,546	713,412
9. Pension accrual			
10. Receivables - nonadmitted	825,556	667,706	157,850
11. Net operating loss carry-forward			
12. Tax credit carry-forward			
13. Other – other nonadmitted assets	46,619	82,288	(35,669)
14. Other – bad debt reserve	432,400	353,550	78,850
15. Other – foreign currency translation			
16. Other (including items <5% of total ordinary tax assets)	274,241	161,921	112,320
99. Subtotal	\$ 25,016,049	\$ 22,029,620	\$ 2,986,429
b. Statutory valuation allowance adjustment			
c. Nonadmitted			
d. Admitted ordinary deferred tax assets (2a99-2b-2c)	\$ 25,016,049	\$ 22,029,620	\$ 2,986,429
e. Capital:			
1. Investments	\$ 10,255	\$ 38,205	\$ (27,950)
2. Net capital loss carry-forward			
3. Real estate			
4. Other (including items <5% of total capital tax assets)			
99. Subtotal	\$ 10,255	\$ 38,205	\$ (27,950)
f. Statutory valuation allowance adjustment			
g. Nonadmitted			
h. Admitted capital deferred tax assets (2e99-2f-2g)	10,255	38,205	(27,950)
i. Admitted deferred tax assets (2d+2h)	\$ 25,026,304	\$ 22,067,825	\$ 2,958,479

## 3. Deferred Tax Liabilities

Description	1 2016	2 2015	3 (Col 1-2) Change
a. Ordinary:			
1. Investments	\$	\$	\$
2. Fixed assets	3,724,217	2,652,109	1,072,108
3. Deferred and uncollected premium			
4. Policyholder reserves			
5. Other liabilities – prepaid expenses	505,447	692,118	(186,671)
6. Other liabilities – salvage and subrogation	117,781	137,667	(19,886)
7. Other liabilities – foreign currency translation			
8. Other (including items <5% of total ordinary tax liabilities)	99,227	87,036	12,191
99. Subtotal	\$ 4,446,672	\$ 3,568,930	\$ 877,742
b. Capital:			
1. Investments	\$ 180,207	\$ 482,282	\$ (302,075)
2. Real estate			
3. Other (including items <5% of total capital tax liabilities)			
99. Subtotal	180,207	482,282	(302,075)
c. Deferred tax liabilities (3a99+3b99)	\$ 4,626,879	\$ 4,051,212	\$ 575,667
4. Net Deferred Tax Assets (2i – 3c)	\$ 20,399,425	\$ 18,016,613	\$ 2,382,812

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	2016	2015	Change
Total deferred tax assets	\$ 25,026,304	\$ 22,067,825	\$ 2,958,479
Total deferred tax liabilities	4,626,879	4,051,212	575,667
Net deferred tax asset (liability)	\$ 20,399,425	\$ 18,016,613	\$ 2,382,812
Tax effect of unrealized gains (losses)			(23,667)
Change in net deferred income tax			\$ 2,406,479

**NOTES TO FINANCIAL STATEMENTS**

D. Reconciliation of Federal Income Tax Rate to Actual Effective Rate Among the more significant book to tax adjustments were the following:

Description	Tax Effect Amount	Effective Tax Rate
Provision computed at statutory rate	\$ 15,861,579	35%
Exempt interest income	(254,395)	-1%
Dividends received deduction		
Impact of nonadmitted assets	(122,181)	0%
Tax credits	(159,000)	0%
Other	29,596	0%
Total	\$ 15,355,599	34%
Federal and foreign income taxes incurred	\$ 17,762,078	
Change in net deferred income tax	(2,406,479)	
Total statutory income taxes	\$ 15,355,599	

E. Operating Loss and Tax Credit Carryforwards and Protective Tax Deposits

At December 31, 2016, the Company did not have any unused operating loss carryforwards available to offset against future taxable income.

The following is income tax expense for 2016 and 2015 that is available for recoupment in the event of future net losses:

Period	Amount
Current tax year:	\$ 17,432,870
First preceding tax year:	\$ 22,007,452

The amounts that can be recouped may be subject to the alternative minimum tax rules, and therefore may be limited.

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

F. Consolidated Federal Income Tax Return

- 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.
- 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.

G. Federal or Foreign Federal 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.

**Note 10 – Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties**

A. Nature of Relationships

The Company is wholly owned by Drive Insurance Holdings, Inc. ("DIH"), a holding company incorporated in Delaware. The structure of the holding company organization is shown on Schedule Y, Part 1.

B. Detail of Transactions Greater than 1/2% of Admitted Assets

All significant 2016 transactions by the Company or any affiliated insurer with any affiliate are summarized in Schedule Y, Part 2.

See Note 13.4

C. Change in Terms of Intercompany Arrangements

Not applicable

D. Amounts Due to or from Related Parties

The Company reported a \$30,412,941 and \$26,230,260 receivable from parent, subsidiaries, and affiliates at December 31, 2016 and 2015, respectively. These balances are due to cash collections and disbursements on behalf of the Company under the Group's centralized cash management system and the reinsurance and management agreements in which the Company participates. The Company also reported a \$4,782,226 and \$4,597,822 current Federal income tax payable at December 31, 2016 and 2015, 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 cash 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 management agreement with Progressive Casualty Insurance Company ("Casualty"), an insurance affiliate domiciled in Ohio. 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.

**NOTES TO FINANCIAL STATEMENTS**

The Company participates in a program administrator agreement with ASI Underwriters Corp. ("ASIU"), a non-insurance affiliate. Under the terms of the agreement, ASIU charges a fee for designing, implementing, and administering the Company's renters insurance program (see Note 19).

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 DIH.

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 Impairment of Investments in Affiliates

Not applicable

K. Investment in Foreign Insurance Subsidiary

Not applicable

L. Investment in Downstream Non-Insurance Holding Company

Not applicable

M. Subsidiary, Controlled and Affiliated Entities (except insurance subsidiary, controlled and affiliated entities) Value

Not applicable

N. Insurance Subsidiary, Controlled and Affiliated Entities Valuation That Departs From NAIC Statutory Accounting Practices and Procedures

Not applicable

**Note 11 – Debt**

Not applicable

**Note 12 – Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans**

Not applicable

**Note 13 – Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations**

1. Outstanding Shares

The Company has 750 shares of \$4,700 par value common stock authorized and 639 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 DIH in 2017 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 \$27,556,720 in 2017 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 DIH as follows:

Date Paid	Amount Paid	Dividend Type
December 12, 2016	\$ 6,700,000	Ordinary
December 10, 2015	\$ 40,500,000	Ordinary

7. Mutual Surplus Advances

Not applicable

8. Company Stock Held for Special Purposes

Not applicable

9. Changes in Special Surplus Funds

Not applicable

10. The portion of unassigned funds (surplus) represented or reduced by unrealized gains and losses is: \$(27)

11. The reporting entity issued the following surplus debentures or similar obligations:

Not applicable

**NOTES TO FINANCIAL STATEMENTS**

12. The impact of any restatement due to prior quasi-reorganizations is as follows:

Not applicable

13. The effective dates of all quasi-reorganizations in the prior 10 years are:

Not applicable

**Note 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, 2016 and 2015, the Company's estimated liability for state guaranty fund and other assessments was \$404,755 and \$328,521, respectively. The Company did not recognize any premium tax benefit associated with its various assessments.

As of December 31, 2016 and 2015, the Company's estimated liability for various surcharges was \$313,762 and \$299,623, respectively.

C. Gain Contingencies

Not applicable

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

Not applicable

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 the reporting date. 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.

There were two putative statewide class action lawsuits and five 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.

There was a putative class action lawsuit alleging the Company improperly applies a preferred provider reduction to medical payment claims.

There was a putative class action lawsuit challenging fees charged to insureds. The Company does consider a loss from this case to be probable and a loss reserve was established accordingly.

There was a putative class action lawsuit alleging the Company improperly reduced amounts paid to their insureds under their underinsured/uninsured motorist coverages by setoffs from their Med-Pay coverages.

**Note 15 – Leases**

Not applicable

**Note 16 – Information About Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk**

Not applicable

**Note 17 – Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

A. Transfers of Receivables Reported as Sales

Not applicable

B. Transfer and Servicing of Financial Assets

Not applicable

C. Wash Sales

Not applicable

**NOTES TO FINANCIAL STATEMENTS****Note 18 – Gain or Loss to the Reporting Entity from Uninsured Plans and the Portion of Partially Insured Plans**

Not applicable

**Note 19 – Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

The Company maintains a Program Administrator Agreement with ASIU (see Note 10.F). The agreement gives ASIU authority for designing, implementing, and administering the Company's renters insurance program. The renters insurance program provides tenants with coverage for damage to personal property, personal liability and medical payments to others. The renters insurance program generated \$692,645 of direct written premiums, which is less than 5% of the Company's surplus.

**Note 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.

As of the reporting date, the Company did not measure and report any securities at fair value on the balance sheet. All bonds were carried at amortized cost.

**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.

**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 the reporting date, 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	\$ 534,728,190	\$ 536,350,047	\$ 10,116,589	\$ 524,611,601	\$	\$
Cash equivalents	21,495,019	21,495,019	21,495,019			
Common stock						
Preferred stock						
Short-term investments	64,271,081	64,286,450	49,955,741	14,315,340		

**D. Not Practicable to Estimate Fair Value**

Not applicable

**Note 21 – Other Items****A. Unusual or Infrequent Items**

Not applicable

**B. Troubled Debt Restructuring Debtors**

Not applicable

**C. Other Disclosures**

Not applicable



**NOTES TO FINANCIAL STATEMENTS****D. Business Interruption Insurance Recoveries**

Not applicable

**E. State Transferable and Non-Transferable Tax Credits**

1. Carrying Value of Transferable and Non-Transferable State Tax Credits Gross of any Related Tax Liabilities and Total Unused Transferable and Non-Transferable State Tax Credits by State and in Total

Description of State Transferable and Non-Transferable Tax Credits	State	Carrying Value	Unused Amount
Low Income Housing Tax Credit (NT)	GA	\$ 57,750	\$ 105,000
Low Income Housing Tax Credit (NT)	GA		8,740
Total		\$ 57,750	\$ 113,740

2. The Company estimated the utilization of the remaining transferable and non-transferable state tax credits by projecting future premium, taking into account policy growth and rate changes, projecting the future tax liability based on projected premium, tax rates, and tax credits, and comparing the projected future tax liability to the availability of remaining transferable and non-transferable state tax credits.
3. The Company recognized an impairment loss of \$0 related to write-downs as a result of impairment analysis of the carrying amount for transferable and non-transferable state tax credits.
4. State Tax Credits Admitted and Nonadmitted

		Total Admitted	Total Nonadmitted
a.	Transferable	\$	\$
b.	Non-Transferable	\$ 57,750	\$

**F. Subprime Mortgage Related Risk Exposure**

1. Exposure to Subprime Mortgage Related Risk

The following subprime 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 and financial market events.

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

2. Direct Exposure Through Investments in Subprime Mortgage Loans

Not applicable

3. Direct Exposure Through Other Investments

		Actual Cost	Book/Adjusted Carrying Value (Excluding Interest)	Fair Value	Other-Than-Temporary Impairment Losses Recognized
a.	Residential mortgage backed securities	\$ 11,641,239	\$ 11,641,239	\$ 11,467,115	\$
b.	Commercial mortgage backed securities				
c.	Collateralized debt obligations				
d.	Structured securities				
e.	Equity investments in SCAs*				
f.	Other assets				
g.	Total	\$ 11,641,239	\$ 11,641,239	\$ 11,467,115	\$

4. Underwriting Exposure to Subprime Mortgage Risk Through Mortgage Guaranty or Financial Guaranty Insurance Coverage

Not applicable

**G. Insurance-Linked Securities (ILS) Contracts**

Not applicable

**Note 22 – Events Subsequent**

The Company was not impacted by any subsequent events. Subsequent events have been considered through February 15, 2017 for the statutory statement that was available for issuance by March 1, 2017.

The Company does not write health insurance and therefore has no premiums subject to assessment under section 9010 of the Affordable Care Act for either the current or prior years.

**NOTES TO FINANCIAL STATEMENTS****Note 23 – Reinsurance**

- A. Unsecured Reinsurance Recoverables at the reporting date the Company had the following unsecured reinsurance recoverable balances which exceeded 3% of policyholders' surplus:

Reinsurer	NAIC Code	Federal ID#	Amount
Progressive Casualty Insurance Company	24260	34-6513736	\$ 550,627,000
Total			\$ 550,627,000

- B. Reinsurance Recoverable in Dispute

Not applicable

- C. Reinsurance Assumed and Ceded

1. The table below summarizes ceded and assumed unearned premiums and the related commission equity at reporting date.

	Assumed Reinsurance		Ceded Reinsurance		Net	
	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity	Premium Reserve	Commission Equity
a. Affiliates	\$ 210,389,000	\$	\$ 232,467,000	\$	\$ (22,078,000)	\$
b. All Other			467,000	104,000	(467,000)	(104,000)
c. Total	\$ 210,389,000	\$	\$ 232,934,000	\$ 104,000	\$ (22,545,000)	\$ (104,000)
d. Direct Unearned Premium Reserves			\$ 232,934,000			

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 Rating Downgraded or Status Subject to Revocation

Not applicable

- J. Reinsurance Agreements Qualifying for Reinsurer Aggregation

Not applicable

**Note 24 – Retrospectively Rated Contracts and Contracts Subject to Redetermination**

Not applicable

**Note 25 – Change in Incurred Losses and Loss Adjustment Expenses**

Incurred losses and LAE attributable to insured events of prior accident years decreased by \$102,181 in 2016, which is less than 1.0% of the total prior year net unpaid losses and LAE of \$254,146,291. The favorable development is primarily due to more salvage and subrogation recoveries than anticipated in auto physical damage. Private passenger auto liability experienced favorable development due to originally anticipated severity for accident years 2015, 2014, and 2013 and prior decreasing less than 1.0%, partially offset by higher than anticipated severity for 2014. LAE reserves developed favorably primarily in adjusting and other expenses for accident years 2014 and 2015.

**Note 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.

**NOTES TO FINANCIAL STATEMENTS**

The pooling percentages for each Agency Pool participant were as follows:

<b>Company</b>	<b>NAIC Code</b>	<b>2016 Pool %</b>	<b>2015 Pool %</b>
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 the reporting period, amounts recoverable from and payable to the Company and all affiliates participating in the Agency Pool are as follows:

<b>Company</b>	<b>Amounts Recoverable</b>	<b>Amounts Payable</b>
Progressive Casualty Insurance Company (Lead)	\$ 151,665,701	\$ 37,971,227
Progressive Northern Insurance Company	919,094	27,400,956
Progressive Northwestern Insurance Company	3,787,464	38,508,271
Progressive Specialty Insurance Company	7,581,874	8,743,210
Progressive Preferred Insurance Company	4,943,760	18,806,806
Progressive Michigan Insurance Company	3,650,619	14,837,533
Progressive Classic Insurance Company	1,476,695	9,792,088
Progressive American Insurance Company	10,621,867	14,177,564
Progressive Gulf Insurance Company	241,945	7,472,808
Progressive Bayside Insurance Company	343,834	3,184,038
Progressive Mountain Insurance Company	4,398,256	3,865,875
Progressive Southeastern Insurance Company	--	4,874,960
Progressive Hawaii Insurance Corp.	--	1,592
National Continental Insurance Company	5,819	--
Total	\$ 189,636,928	\$ 189,636,928

**Note 27 – Structured Settlements**

Not applicable

**Note 28 – Health Care Receivables**

Not applicable

**Note 29 – Participating Policies**

Not applicable

**Note 30 – Premium Deficiency Reserves**

- Liability carried for premium deficiency reserve: \$0
- Date of most recent evaluation of this liability: December 31, 2016
- Was anticipated investment income utilized in the calculation? Yes [X] No [ ]

**Note 31 – High Deductibles**

Not applicable

**NOTES TO FINANCIAL STATEMENTS****Note 32 – Discounting of Liabilities for Unpaid Losses or Unpaid Loss Adjustment Expenses**

Not applicable

**Note 33 – Asbestos/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:

## (1) Direct

	2012	2013	2014	2015	2016
a. Beginning reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 12,300	\$ 12,300	\$ 12,300	\$ 660	\$ 660
b. Incurred losses and loss adjustment expense			(11,640)		419,340
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 12,300	\$ 12,300	\$ 660	\$ 660	\$ 420,000

## (2) Assumed Reinsurance

	2012	2013	2014	2015	2016
a. Beginning reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 194,475	\$ 196,888	\$ 130,720	\$ 230,432	\$ 220,137
b. Incurred losses and loss adjustment expense	8,809	(39,288)	119,413	1,305	6,504
c. Calendar year payments for losses and loss adjustment expenses	6,396	26,880	19,701	11,600	16,001
d. Ending reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 196,888	\$ 130,720	\$ 230,432	\$ 220,137	\$ 210,640

## (3) Net of Ceded Reinsurance

	2012	2013	2014	2015	2016
a. Beginning reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 206,775	\$ 209,188	\$ 143,020	\$ 231,092	\$ 220,797
b. Incurred losses and loss adjustment expense	8,809	(39,288)	107,773	1,305	70,421
c. Calendar year payments for losses and loss adjustment expenses	6,396	26,880	19,701	11,600	16,001
d. Ending reserves (including Case, Bulk + IBNR Loss & LAE)	\$ 209,188	\$ 143,020	\$ 231,092	\$ 220,797	\$ 275,217

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

(1) Direct basis	\$ 336,216
(2) Assumed reinsurance basis	142,902
(3) Net of ceded reinsurance basis	\$ 160,534

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

(1) Direct basis	\$ 210,000
(2) Assumed reinsurance basis	24,840
(3) Net of ceded reinsurance basis	\$ 57,128

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

## (1) Direct

	2012	2013	2014	2015	2016
a. Beginning reserves	\$ 3,066	\$ 3,066	\$ 3,066	\$	\$
b. Incurred losses and loss adjustment expense			(3,066)		
c. Calendar year payments for losses and loss adjustment expenses					
d. Ending reserves	\$ 3,066	\$ 3,066	\$	\$	\$

**NOTES TO FINANCIAL STATEMENTS**

## (2) Assumed Reinsurance

		2012	2013	2014	2015	2016
a.	Beginning reserves	\$ 211,655	\$ 306,281	\$ 484,862	\$ 590,586	\$ 560,988
b.	Incurred losses and loss adjustment expense	94,259	181,982	425,707	6,103	(4,272)
c.	Calendar year payments for losses and loss adjustment expenses	(367)	3,401	319,983	35,701	18,885
d.	Ending reserves	\$ 306,281	\$ 484,862	\$ 590,586	\$ 560,988	\$ 537,831

## (3) Net of Ceded Reinsurance

		2012	2013	2014	2015	2016
a.	Beginning reserves	\$ 214,721	\$ 309,347	\$ 487,928	\$ 590,586	\$ 560,988
b.	Incurred losses and loss adjustment expense	94,259	181,982	422,641	6,103	(4,272)
c.	Calendar year payments for losses and loss adjustment expenses	(367)	3,401	319,983	35,701	18,885
d.	Ending reserves	\$ 309,347	\$ 487,928	\$ 590,586	\$ 560,988	\$ 537,831

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

(1)	Direct basis	\$
(2)	Assumed reinsurance basis	317,580
(3)	Net of ceded reinsurance basis	\$ 317,580

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

(1)	Direct basis	\$
(2)	Assumed reinsurance basis	70,652
(3)	Net of ceded reinsurance basis	\$ 70,652

**Note 34 – Subscriber Savings Accounts**

Not applicable

**Note 35 – Multiple Peril Crop Insurance**

Not applicable

**Note 36 – Financial Guaranty Insurance**

Not applicable

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes  No   
 If yes, complete Schedule Y, Parts 1, 1A and 2.
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes  No  N/A
- 1.3 State regulating? OHIO
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes  No
- 2.2 If yes, date of change: \_\_\_\_\_
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2012
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2012
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 08/06/2013
- 3.4 By what department or departments?  
OHIO
- 3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments? Yes  No  N/A
- 3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes  No  N/A
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes  No
- 4.12 renewals? Yes  No
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes  No
- 4.22 renewals? Yes  No
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes  No
- 5.2 If yes, provide the name of entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes  No
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes  No
- 7.2 If yes,
- 7.21 State the percentage of foreign control \_\_\_\_\_ %
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated with the Federal Reserve Board? Yes  No
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes  No
- 8.4 If the response to 8.3 is yes, please provide below the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

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

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?  
PRICEWATERHOUSECOOPERS, LLP 200 PUBLIC SQUARE, 18TH FLOOR CLEVELAND, OH 44114-2301
- 10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes  No
- 10.2 If the response to 10.1 is yes, provide information related to this exemption:
- 10.3 Has the insurer been granted any exemptions related to other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes  No
- 10.4 If the response to 10.3 is yes, provide information related to this exemption:
- 10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes  No  N/A
- 10.6 If the response to 10.5 is no or n/a, please explain:

**GENERAL INTERROGATORIES****PART 1 - COMMON INTERROGATORIES**

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. TRAIKOFF, 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 [ ] No [X]
- 12.11 Name of real estate holding company
- 12.12 Number of parcels involved
- 12.13 Total book/adjusted carrying value \$ 0
- 12.2 If yes, provide explanation
13. **FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:**
- 13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?  
**N/A**
- 13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]
- 13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]
- 13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]
- 14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]
- (a) Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- (b) Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- (c) Compliance with applicable governmental laws, rules and regulations;
- (d) The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- (e) Accountability for adherence to the code.
- 14.11 If the response to 14.1 is no, please explain:
- 14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]
- 14.21 If the response to 14.2 is yes, provide information related to amendment(s).
- 14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]
- 14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).
- 15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance 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 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

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

**FINANCIAL**

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

# GENERAL INTERROGATORIES

## PART 1 - COMMON INTERROGATORIES

### INVESTMENT

24.01 Were all of 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: \$ \_\_\_\_\_ 0

24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2: \$ \_\_\_\_\_ 0

24.103 Total payable for securities lending reported on the liability page: \$ \_\_\_\_\_ 0

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 current 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 sale – excluding FHLB Capital Stock \$ \_\_\_\_\_ 0

25.27 FHLB Capital Stock \$ \_\_\_\_\_ 0

25.28 On deposit with states \$ \_\_\_\_\_ 5,093,930

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? Yes  No  N/A   
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes  No

27.2 If yes, state the amount thereof at December 31 of the current year: \$ \_\_\_\_\_

28. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III - General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping Agreements of the NAIC *Financial Condition Examiners Handbook*? Yes  No

28.01 For all 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

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 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["...that have access to the investment accounts", "... handle securities"].

1 Name of Firm or Individual	2 Affiliation
PROGRESSIVE CAPITAL MANAGEMENT CORP.	A



## GENERAL INTERROGATORIES

### PART 1 - COMMON INTERROGATORIES

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") manage more than 10% of the reporting entity's assets? Yes [ ] No [ ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e. designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ ] No [ ]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1	2	3	4	5
Central Registration Depository Number	Name of Firm or Individual	Legal Entity Identifier (LEI)	Registered With	Investment Management Agreement (IMA) Filed
N/A	PROGRESSIVE CAPITAL MANAGEMENT CORP.		N/A	DS

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D-Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] No [X]

29.2 If yes, complete the following schedule:

1 CUSIP	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		

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

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 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 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1	Bonds	622,131,516	620,494,289	(1,637,227)
30.2	Preferred Stocks	0	0	0
30.3	Totals	622,131,516	620,494,289	(1,637,227)

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 [X]

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 Investment Analysis Office* been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

### OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? \$ 41,222

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

1 Name	2 Amount Paid
INDEPENDENT STATISTICAL SVCS I	\$ 41,222

34.1 Amount of payments for legal expenses, if any? \$ 0

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

1 Name	2 Amount Paid
NONE	\$

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 0

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

1 Name	2 Amount Paid
NONE	\$

## GENERAL INTERROGATORIES

## PART 2 – PROPERTY &amp; 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?	\$			0
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.	\$			0
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	\$			0
1.62	Total incurred claims	\$			0
1.63	Number of covered lives				0
	All years prior to most current three years:				
1.64	Total premium earned	\$			0
1.65	Total incurred claims	\$			0
1.66	Number of covered lives				0
1.7	Group policies:				
	Most current three years:				
1.71	Total premium earned	\$			0
1.72	Total incurred claims	\$			0
1.73	Number of covered lives				0
	All years prior to most current three years:				
1.74	Total premium earned	\$			0
1.75	Total incurred claims	\$			0
1.76	Number of covered lives				0
2.	Health Test:				
			1	2	
			Current Year	Prior Year	
2.1	Premium Numerator	\$	0	0	
2.2	Premium Denominator	\$	662,223,438	604,305,735	
2.3	Premium Ratio (2.1/2.2)				
2.4	Reserve Numerator	\$	0	0	
2.5	Reserve Denominator	\$	495,904,127	440,390,194	
2.6	Reserve Ratio (2.4/2.5)				
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	\$			0
3.22	Non-participating policies	\$			0
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.	\$			0
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? <u>THE COMPANY DOES NOT WRITE WORKERS' COMPENSATION INSURANCE.</u>				
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: <u>THE COMPANY'S PROBABLE MAXIMUM LOSS (PML) IS ESTIMATED BY ANALYZING HISTORICAL MAJOR OCCURRENCES AND ESTIMATING FREQUENCY OF LOSS AND SEVERITY BASED ON THE POTENTIAL FORCE OF AN OCCURRENCE AND THE TOTAL NUMBER OF AUTOS AND BOATS EXPOSED. THE ESTIMATE OF THE PML WAS MADE EXCLUSIVELY BY PROGRESSIVE EMPLOYEES. THE COMPANY'S NET COMPREHENSIVE EXPOSURE IN THE CATASTROPHE PRONE STATES OF FLORIDA, LOUISIANA, TEXAS, MISSISSIPPI, ALABAMA, NEW YORK, NEW JERSEY AND CALIFORNIA IS LIMITED SINCE THE COMPANY IS A MEMBER OF A 100% POOLING REINSURANCE ARRANGEMENT WITH 11 OF ITS PROPERTY AND CASUALTY AFFILIATES. THE PRIMARY PROPERTY COVERAGE SOLD BY THE COMPANY IS COMPREHENSIVE FOR AUTOMOBILE AND INLAND MARINE FOR BOATS. THE ESTIMATE OF THE PML IS 6% OF THE SURPLUS.</u>				
6.3	What provision has this reporting entity made (such as 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? <u>THE COMPANY'S ESTIMATED PML IS 6% 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.</u>				

## GENERAL INTERROGATORIES

## PART 2 – PROPERTY &amp; CASUALTY INTERROGATORIES

- 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
- 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. 0
- 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 common 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, Yes [ ] No [X]
- (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 Yes [ ] No [X]
- (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]
10. If the reporting entity has assumed risks from another entity, there should be charged on account of such reinsurances 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 the reporting entity guaranteed policies issued by any other 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 \$ 0
- 12.12 Unpaid underwriting expenses (including loss adjustment expenses) \$ 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]

**GENERAL INTERROGATORIES****PART 2 – PROPERTY & CASUALTY INTERROGATORIES**

12.6	If yes, state the amount thereof at December 31 of current year:						
	12.61	Letters of Credit			\$	0	
	12.62	Collateral and other funds			\$	0	
13.1	Largest net aggregate amount insured in any one risk (excluding workers' compensation):					\$	3,000,000
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 [X]
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 reporting entity a cedant in a multiple cedant reinsurance contract?						Yes [ ] No [X]
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 [X]
15.2	If yes, give full information						
16.1	Does the reporting entity write any warranty business?						Yes [ ] No [X]
	If yes, disclose the following information for each of the following types of warranty coverage:						
		1	2	3	4	5	
		Direct Losses Incurred	Direct Losses Unpaid	Direct Written Premium	Direct Premium Unearned	Direct Premium Earned	
16.11	Home	\$ 0	\$ 0	\$ 0	\$ 0	0	
16.12	Products	\$ 0	\$ 0	\$ 0	\$ 0	0	
16.13	Automobile	\$ 0	\$ 0	\$ 0	\$ 0	0	
16.14	Other*	\$ 0	\$ 0	\$ 0	\$ 0	0	
	* 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 [X]
	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					\$	0
17.12	Unfunded portion of Interrogatory 17.11					\$	0
17.13	Paid losses and loss adjustment expenses portion of Interrogatory 17.11					\$	0
17.14	Case reserves portion of Interrogatory 17.11					\$	0
17.15	Incurred but not reported portion of Interrogatory 17.11					\$	0
17.16	Unearned premium portion of Interrogatory 17.11					\$	0
17.17	Contingent commission portion of Interrogatory 17.11					\$	0
	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					\$	0
17.19	Unfunded portion of Interrogatory 17.18					\$	0
17.20	Paid losses and loss adjustment expenses portion of Interrogatory 17.18					\$	0
17.21	Case reserves portion of Interrogatory 17.18					\$	0
17.22	Incurred but not reported portion of Interrogatory 17.18					\$	0
17.23	Unearned premium portion of Interrogatory 17.18					\$	0
17.24	Contingent commission portion of Interrogatory 17.18					\$	0
18.1	Do you act as a custodian for health savings accounts?						Yes [ ] No [X]
18.2	If yes, please provide the amount of custodial funds held as of the reporting date.					\$	0
18.3	Do you act as an administrator for health savings accounts?						Yes [ ] No [X]
18.4	If yes, please provide the balance of the funds administered as of the reporting date.					\$	0

## FIVE-YEAR HISTORICAL DATA

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

	1 2016	2 2015	3 2014	4 2013	5 2012
<b>Gross Premiums Written (Page 8, Part 1B, Cols. 1, 2 &amp; 3)</b>					
1. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	905,716,396	809,686,505	779,142,754	772,857,762	769,723,533
2. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	534,283,576	472,266,349	452,056,882	443,366,578	437,134,163
3. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	6,901,519	6,038,815	2,622,699	4,507,569	3,872,074
4. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	199	773	706	248	506
5. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
6. Total (Line 35).....	1,446,901,689	1,287,992,442	1,233,823,040	1,220,732,158	1,210,730,276
<b>Net Premiums Written (Page 8, Part 1B, Col. 6)</b>					
7. Liability lines (Lines 11.1, 11.2, 16, 17.1, 17.2, 17.3, 18.1, 18.2, 19.1, 19.2 & 19.3, 19.4).....	434,934,972	392,666,176	381,352,299	364,765,542	348,346,564
8. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	249,734,068	223,214,960	215,374,827	203,751,985	194,613,844
9. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	2,780,988	2,517,176	2,252,115	1,820,274	1,684,772
10. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	199	773	706	248	506
11. Nonproportional reinsurance lines (Lines 31, 32 & 33).....					
12. Total (Line 35).....	687,450,226	618,399,085	598,979,946	570,338,050	544,645,686
<b>Statement of Income (Page 4)</b>					
13. Net underwriting gain (loss) (Line 8).....	25,534,840	44,304,656	44,438,063	32,424,460	17,536,942
14. Net investment gain (loss) (Line 11).....	12,050,558	13,857,727	18,299,613	13,483,245	11,678,928
15. Total other income (Line 15).....	6,967,329	6,414,248	7,112,388	6,901,198	7,094,109
16. Dividends to policyholders (Line 17).....					
17. Federal and foreign income taxes incurred (Line 19).....	16,996,007	21,560,706	20,232,302	17,416,792	13,614,330
18. Net income (Line 20).....	27,556,720	43,015,925	49,617,762	35,392,111	22,695,649
<b>Balance Sheet Lines (Pages 2 and 3)</b>					
19. Total admitted assets excluding protected cell business (Page 2, Line 26, Col. 3).....	793,204,659	705,544,828	677,110,908	652,455,735	620,710,187
20. Premiums and considerations (Page 2, Col. 3):					
20.1 In course of collection (Line 15.1).....	2,145,705	4,288,414	8,459,470	6,622,358	6,563,216
20.2 Deferred and not yet due (Line 15.2).....	110,398,791	95,719,066	79,771,896	84,530,767	90,138,801
20.3 Accrued retrospective premiums (Line 15.3).....					
21. Total liabilities excluding protected cell business (Page 3, Line 26).....	571,537,302	506,835,531	481,234,475	468,726,997	446,409,968
22. Losses (Page 3, Line 1).....	233,179,049	209,955,137	200,361,131	198,058,576	186,126,429
23. Loss adjustment expenses (Page 3, Line 3).....	48,649,997	44,191,154	41,116,542	38,760,436	37,160,753
24. Unearned premiums (Page 3, Line 9).....	210,389,044	185,162,256	171,068,906	167,771,572	162,100,332
25. Capital paid up (Page 3, Lines 30 & 31).....	3,003,300	3,003,300	3,003,300	3,003,300	3,003,300
26. Surplus as regards policyholders (Page 3, Line 37).....	221,667,357	198,709,297	195,876,433	183,728,738	174,300,219
<b>Cash Flow (Page 5)</b>					
27. Net cash from operations (Line 11).....	73,972,250	59,160,566	61,122,127	59,626,538	51,480,757
<b>Risk-Based Capital Analysis</b>					
28. Total adjusted capital.....	221,667,357	198,709,297	195,876,433	183,728,738	174,300,219
29. Authorized control level risk-based capital.....	22,108,410	20,618,399	21,134,063	20,604,699	18,678,583
<b>Percentage Distribution of Cash, Cash Equivalents and Invested Assets</b> (Page 2, Col. 3) (Item divided by Page 2, Line 12, Col. 3) x 100.0					
30. Bonds (Line 1).....	86.2	95.2	95.5	100.0	97.9
31. Stocks (Lines 2.1 & 2.2).....					
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).....	13.8	4.8	4.5		2.1
35. Contract loans (Line 6).....					
36. Derivatives (Line 7).....					
37. Other invested assets (Line 8).....					
38. Receivables for securities (Line 9).....	0.0	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
<b>Investments in Parent, Subsidiaries and Affiliates</b>					
42. Affiliated bonds (Sch. D, Summary, Line 12, Col. 1).....					
43. Affiliated preferred stocks (Sch. D, Summary, Line 18, Col. 1).....					
44. Affiliated common stocks (Sch. D, Summary, Line 24, Col. 1).....					
45. Affiliated short-term investments (subtotals included in Schedule DA, Verification, Column 5, Line 10).....					
46. Affiliated mortgage loans on real estate.....					
47. All other affiliated.....					
48. Total of above lines 42 to 47.....	0	0	0	0	0
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).....	0.0				

# PROGRESSIVE PREFERRED INSURANCE COMPANY

## FIVE-YEAR HISTORICAL DATA

(Continued)

	1	2	3	4	5
	2016	2015	2014	2013	2012
<b>Capital and Surplus Accounts (Page 4)</b>					
51. Net unrealized capital gains (losses) (Line 24).....	43,952	(1,570)	(38,076)	(56)	2,403
52. Dividends to stockholders (Line 35).....	(6,700,000)	(40,500,000)	(36,700,000)	(26,500,000)	(14,500,000)
53. Change in surplus as regards policyholders for the year (Line 38).....	22,958,060	2,832,864	12,147,695	9,428,519	10,274,377
<b>Gross Losses Paid (Page 9, Part 2, Cols. 1 &amp; 2)</b>					
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).....	500,355,182	458,271,698	488,663,500	472,765,582	466,962,616
55. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	334,365,731	285,788,806	292,537,176	282,659,971	280,929,876
56. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	2,165,431	1,339,417	1,634,335	1,727,985	1,950,410
57. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(1,227)	(12,398)	(3,787)	77,393	124,060
58. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	25,525	14,280	24,335	38,105	20,903
59. Total (Line 35).....	836,910,642	745,401,803	782,855,558	757,269,036	749,987,865
<b>Net Losses Paid (Page 9, Part 2, Col. 4)</b>					
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).....	244,594,985	222,612,408	228,588,519	213,037,804	204,746,299
61. Property lines (Lines 1, 2, 9, 12, 21 & 26).....	160,638,131	137,132,962	135,368,546	128,288,572	125,239,730
62. Property and liability combined lines (Lines 3, 4, 5, 8, 22 & 27).....	934,687	920,335	995,952	800,961	1,269,013
63. All other lines (Lines 6, 10, 13, 14, 15, 23, 24, 28, 29, 30 & 34).....	(1,227)	(12,398)	(3,787)	77,393	124,060
64. Nonproportional reinsurance lines (Lines 31, 32 & 33).....	25,525	14,280	24,335	38,105	20,903
65. Total (Line 35).....	406,192,101	360,667,587	364,973,564	342,242,835	331,400,005
<b>Operating Percentages (Page 4)</b> (Item divided by Page 4, Line 1) x 100.0					
66. Premiums earned (Line 1).....	100.0	100.0	100.0	100.0	100.0
67. Losses incurred (Line 2).....	64.8	61.3	61.7	62.7	64.8
68. Loss expenses incurred (Line 3).....	10.5	10.4	10.1	10.2	10.3
69. Other underwriting expenses incurred (Line 4).....	20.8	21.0	20.7	21.3	21.6
70. Net underwriting gain (loss) (Line 8).....	3.9	7.3	7.5	5.7	3.3
<b>Other Percentages</b>					
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	19.5	19.4	19.9	19.9
72. Losses and loss expenses incurred to premiums earned (Page 4, Lines 2 + 3 divided by Page 4, Line 1 x 100.0).....	75.3	71.6	71.8	72.9	75.1
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).....	310.1	311.2	305.8	310.4	312.5
<b>One Year Loss Development (000 omitted)</b>					
74. Development in estimated losses and loss expenses incurred prior to current year (Schedule P, Part 2-Summary, Line 12, Col. 11).....	293	(7,930)	(1,158)	2,611	1,905
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).....	0.1	(4.0)	(0.6)	1.5	1.2
<b>Two Year Loss Development (000 omitted)</b>					
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).....	(8,600)	(2,746)	1,841	3,551	(5,356)
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).....	(4.4)	(1.5)	1.1	2.2	(3.3)

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 Direct and Assumed	2 Ceded	3 Net (Cols. 1 - 2)	Loss Payments		Defense and Cost Containment Payments		Adjusting and Other Payments		10 Salvage and Subrogation Received		11 Total Net Paid (Cols. 4 - 5 + 6 - 7 + 8 - 9)
				4 Direct and Assumed	5 Ceded	6 Direct and Assumed	7 Ceded	8 Direct and Assumed	9 Ceded			
1. Prior.....	XXX	XXX	XXX	1,028	854	58	11	54		62	275	XXX
2. 2007.....	520,098	7,669	512,429	303,967	4,753	8,202	77	54,052	59	28,268	361,333	XXX
3. 2008.....	495,623	6,243	489,381	301,549	4,394	8,126	247	51,936	90	26,119	356,880	XXX
4. 2009.....	496,483	6,605	489,878	292,096	5,497	8,231	374	45,311	81	24,615	339,685	XXX
5. 2010.....	493,424	7,432	485,991	300,915	6,440	8,617	290	44,956	13	26,401	347,745	XXX
6. 2011.....	508,264	6,804	501,460	316,167	3,604	7,816	55	44,526	0	29,251	364,851	XXX
7. 2012.....	539,954	5,551	534,403	344,117	3,286	7,905	18	45,974		32,937	394,692	XXX
8. 2013.....	570,261	5,594	564,667	344,701	2,636	7,472	10	47,008		33,094	396,534	XXX
9. 2014.....	601,535	5,852	595,683	343,342	1,858	5,945	6	47,063		34,222	394,486	XXX
10. 2015.....	610,340	6,034	604,306	330,586	1,979	3,514	9	47,075		33,753	379,187	XXX
11. 2016.....	668,261	6,038	662,223	286,819	1,601	902	1	42,743		22,327	328,862	XXX
12. Totals.....	XXX	XXX	XXX	3,165,289	36,904	66,788	1,099	470,699	243	291,049	3,664,530	XXX

	Losses Unpaid				Defense and Cost Containment Unpaid				Adjusting and Other Unpaid		23 Salvage and Subrogation Anticipated	24 Total Net Losses and Expenses Unpaid	25 Number of Claims Outstanding-Direct and Assumed
	Case Basis		Bulk + IBNR		Case Basis		Bulk + IBNR		21 Direct and Assumed	22 Ceded			
	13 Direct and Assumed	14 Ceded	15 Direct and Assumed	16 Ceded	17 Direct and Assumed	18 Ceded	19 Direct and Assumed	20 Ceded					
1. Prior.....	15,176	14,064	658	159	187	19	226	159	233			2,079	XXX
2. 2007.....	2,969	2,852	0		27				62			206	XXX
3. 2008.....	3,488	3,228	277	276	45	0			81			386	XXX
4. 2009.....	3,001	2,645	1,176	1,170	65	1	4	3	94			521	XXX
5. 2010.....	2,311	1,711	993	990	100	1	7	6	104			808	XXX
6. 2011.....	3,902	2,658	543	538	204	0	4	4	164			1,618	XXX
7. 2012.....	6,323	3,055	768	764	449	0	4	4	259			3,980	XXX
8. 2013.....	10,924	3,686	3,286	620	1,179	1	649	2	878		1,064	12,609	XXX
9. 2014.....	18,741	581	5,713	2,683	3,279	1	843	1	1,774		1,168	27,084	XXX
10. 2015.....	45,384	2,891	10,453	2,190	5,881	1	1,463	2	4,489		2,428	62,586	XXX
11. 2016.....	119,804	5,405	32,774	3,320	8,531	1	3,066	5	14,509		16,564	169,952	XXX
12. Totals.....	232,022	42,775	56,643	12,711	19,946	25	6,267	186	22,648	0	21,224	281,829	XXX

	Total Losses and Loss Expenses Incurred			Loss and Loss Expense Percentage (Incurred/Premiums Earned)			Nontabular Discount		34 Inter-Company Pooling Participation Percentage	Net Balance Sheet Reserves after Discount	
	26 Direct and Assumed	27 Ceded	28 Net	29 Direct and Assumed	30 Ceded	31 Net	32 Loss	33 Loss Expense		35 Losses Unpaid	36 Loss Expenses Unpaid
1. Prior..	XXX	XXX	XXX	XXX	XXX	XXX			XXX	1,610	468
2. 2007.	369,280	7,741	361,539	71.0	100.9	70.6			6.00	118	89
3. 2008.	365,502	8,236	357,266	73.7	131.9	73.0			6.00	260	126
4. 2009.	349,977	9,771	340,206	70.5	147.9	69.4			6.00	362	159
5. 2010.	358,004	9,451	348,553	72.6	127.2	71.7			6.00	603	205
6. 2011.	373,328	6,859	366,469	73.5	100.8	73.1			6.00	1,250	368
7. 2012.	405,799	7,127	398,672	75.2	128.4	74.6			6.00	3,272	708
8. 2013.	416,098	6,955	409,143	73.0	124.3	72.5			6.00	9,905	2,704
9. 2014.	426,700	5,130	421,570	70.9	87.7	70.8			6.00	21,190	5,894
10. 2015.	448,845	7,073	441,773	73.5	117.2	73.1			6.00	50,756	11,830
11. 2016.	509,148	10,334	498,814	76.2	171.2	75.3			6.00	143,853	26,100
12. Totals	XXX	XXX	XXX	XXX	XXX	XXX	0	0	XXX	233,179	48,650

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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	One Year	Two Year
1. Prior.....	96,920	97,771	93,640	91,284	91,091	91,227	91,713	92,605	93,035	93,220	184	615
2. 2007.....	310,523	310,861	311,459	310,001	307,430	307,441	307,617	307,481	307,460	307,484	24	3
3. 2008.....	XXX	307,533	307,417	307,925	306,250	304,814	305,398	305,358	305,377	305,339	(38)	(19)
4. 2009.....	XXX	XXX	300,709	296,218	296,999	295,681	294,488	294,822	294,814	294,883	69	61
5. 2010.....	XXX	XXX	XXX	303,910	304,069	304,819	305,264	303,279	303,580	303,505	(75)	226
6. 2011.....	XXX	XXX	XXX	XXX	319,247	323,009	324,155	324,145	321,699	321,778	79	(2,367)
7. 2012.....	XXX	XXX	XXX	XXX	XXX	353,461	354,426	354,602	354,952	352,440	(2,512)	(2,163)
8. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	361,218	360,829	360,617	361,257	640	427
9. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	378,116	371,773	372,732	959	(5,383)
10. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	389,246	390,209	963	XXX
11. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	441,561	XXX	XXX
12. Totals.....											293	(8,600)

**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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016		
1. Prior.....	000	50,907	73,841	83,193	86,899	88,809	89,672	90,451	91,153	91,374	XXX	XXX
2. 2007.....	211,628	266,926	289,118	299,795	304,294	306,004	306,865	307,159	307,309	307,339	XXX	XXX
3. 2008.....	XXX	206,984	265,217	285,655	296,295	301,476	303,702	304,522	304,927	305,034	XXX	XXX
4. 2009.....	XXX	XXX	197,706	253,073	274,590	285,619	290,995	293,255	294,070	294,456	XXX	XXX
5. 2010.....	XXX	XXX	XXX	200,047	258,345	282,409	294,507	300,023	302,013	302,802	XXX	XXX
6. 2011.....	XXX	XXX	XXX	XXX	214,260	276,707	301,838	314,128	318,712	320,324	XXX	XXX
7. 2012.....	XXX	XXX	XXX	XXX	XXX	233,622	304,323	331,214	343,644	348,719	XXX	XXX
8. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	233,705	309,721	336,367	349,526	XXX	XXX
9. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	248,894	318,158	347,423	XXX	XXX
10. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	252,954	332,112	XXX	XXX
11. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	286,119	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
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Prior.....	13,540	6,322	2,566	724	527	497	380	599	600	565
2. 2007.....	25,120	7,404	3,674	2,085	66	37	112	15	9	0
3. 2008.....	XXX	27,106	7,625	4,096	1,991	62	125	21	14	0
4. 2009.....	XXX	XXX	24,939	7,850	4,326	2,434	98	25	12	7
5. 2010.....	XXX	XXX	XXX	22,916	7,836	3,573	2,577	42	10	5
6. 2011.....	XXX	XXX	XXX	XXX	23,311	7,680	3,442	2,747	11	6
7. 2012.....	XXX	XXX	XXX	XXX	XXX	28,570	8,273	3,508	2,931	4
8. 2013.....	XXX	XXX	XXX	XXX	XXX	XXX	30,689	9,134	3,752	3,314
9. 2014.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	28,957	9,390	3,872
10. 2015.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	28,057	9,724
11. 2016.....	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	32,514



**PROGRESSIVE PREFERRED INSURANCE COMPANY**  
**SCHEDULE T - EXHIBIT OF PREMIUMS WRITTEN**

Allocated by States and Territories

States, Etc.	1 Active Status	Gross Premiums, Including Policy and Membership Fees Less Return Premiums and Premiums on Policies Not Taken		4 Dividends Paid or Credited to Policyholders on Direct Business	5 Direct Losses Paid (Deducting Salvage)	6 Direct Losses Incurred	7 Direct Losses Unpaid	8 Finance and Service Charges not Included in Premiums	9 Direct Premiums Written for Federal Purchasing Groups (Incl. in Col. 2)
		2 Direct Premiums Written	3 Direct Premiums Earned						
1. Alabama.....AL	N								
2. Alaska.....AK	L								
3. Arizona.....AZ	L	158,047,777	148,503,950		94,055,171	103,487,237	51,088,671	2,262,436	
4. Arkansas.....AR	N								
5. California.....CA	N								
6. Colorado.....CO	L	127,895,355	124,236,674		88,872,248	87,068,945	58,036,639	1,371,916	
7. Connecticut.....CT	N								
8. Delaware.....DE	L								
9. District of Columbia.....DC	L								
10. Florida.....FL	N								
11. Georgia.....GA	L	4,526,489	4,703,800		3,342,628	2,468,763	3,309,548	36,129	
12. Hawaii.....HI	L	5,324,874	4,090,891		1,374,457	2,448,557	1,097,946	45,525	
13. Idaho.....ID	L								
14. Illinois.....IL	N								
15. Indiana.....IN	L								
16. Iowa.....IA	L								
17. Kansas.....KS	N								
18. Kentucky.....KY	L								
19. Louisiana.....LA	N								
20. Maine.....ME	L								
21. Maryland.....MD	L								
22. Massachusetts.....MA	N								
23. Michigan.....MI	L								
24. Minnesota.....MN	L	295,837,412	283,824,934		163,964,977	173,648,217	93,517,143	4,050,113	
25. Mississippi.....MS	L								
26. Missouri.....MO	L	15,018,155	15,821,878		9,247,336	7,683,128	8,204,301	204,993	
27. Montana.....MT	L								
28. Nebraska.....NE	L								
29. Nevada.....NV	L	3,866,245	4,005,156		2,266,449	2,432,886	1,679,056	57,759	
30. New Hampshire.....NH	N								
31. New Jersey.....NJ	L								
32. New Mexico.....NM	L	1,671,769	1,706,248		1,074,228	767,170	704,542	19,479	
33. New York.....NY	L	(31,775)	(31,775)		2,025,731	(942,797)	1,429,095	670	
34. North Carolina.....NC	L								
35. North Dakota.....ND	N								
36. Ohio.....OH	L	89,060,130	83,540,388		31,055,823	47,883,685	29,120,768	1,231,967	
37. Oklahoma.....OK	L								
38. Oregon.....OR	L	93,290	197,228		158,183	128,238	115,071	3,746	
39. Pennsylvania.....PA	L	57,975,344	56,482,815		33,231,666	31,673,316	20,097,236	728,525	
40. Rhode Island.....RI	L								
41. South Carolina.....SC	L								
42. South Dakota.....SD	L								
43. Tennessee.....TN	L								
44. Texas.....TX	L								
45. Utah.....UT	L				(66)	(66)			
46. Vermont.....VT	N								
47. Virginia.....VA	L				(819)	(819)			
48. Washington.....WA	L	166,399	173,447		50,531	45,678	133,074	1,431	
49. West Virginia.....WV	L								
50. Wisconsin.....WI	N								
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) 37		759,451,464	727,255,634	0	430,718,543	458,792,138	268,533,090	10,014,689	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.

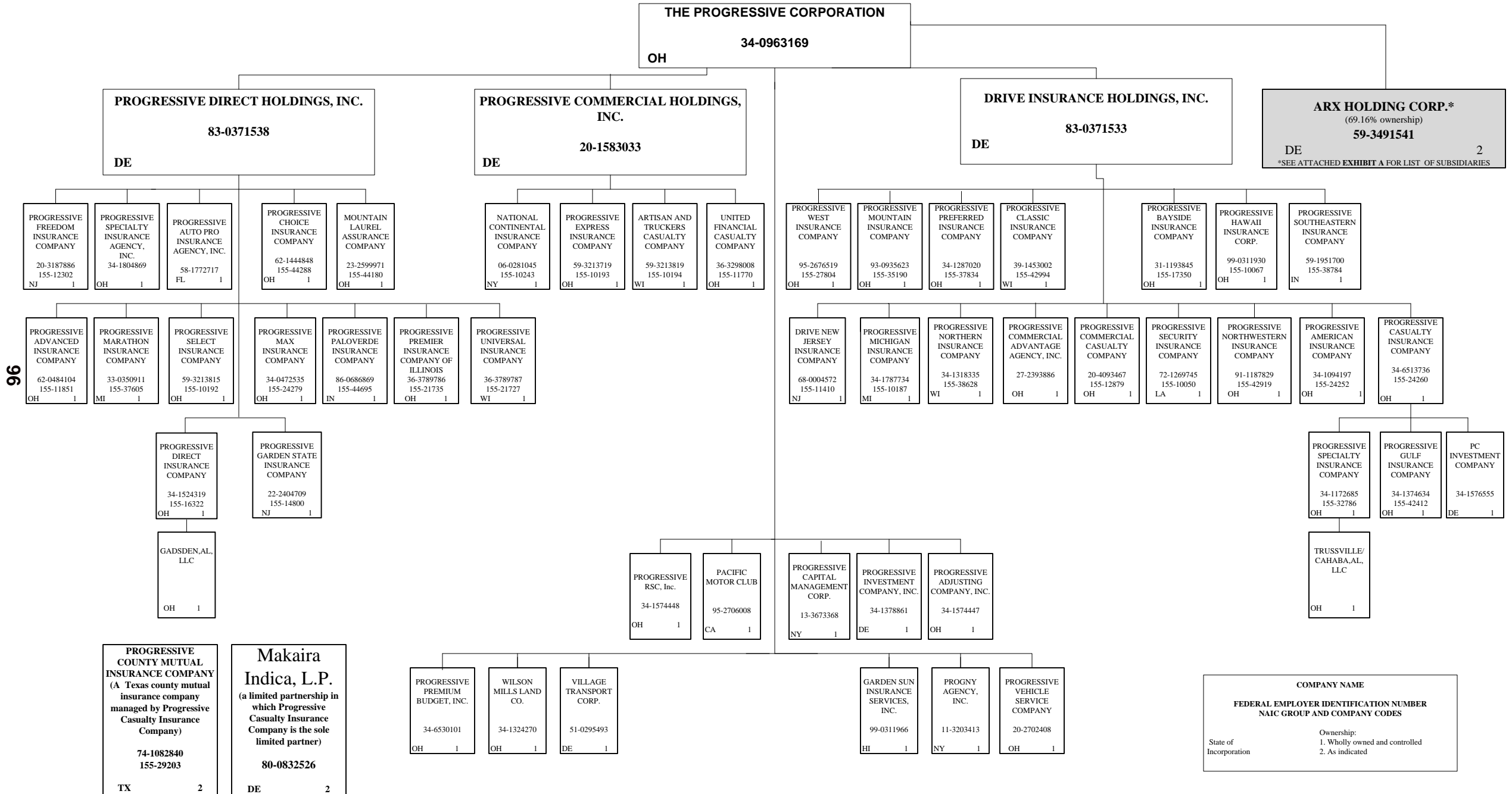
(L) - Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) - Registered - Non-domiciled RRGs; (Q) - Qualified - Qualified or Accredited Reinsurer;

(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.

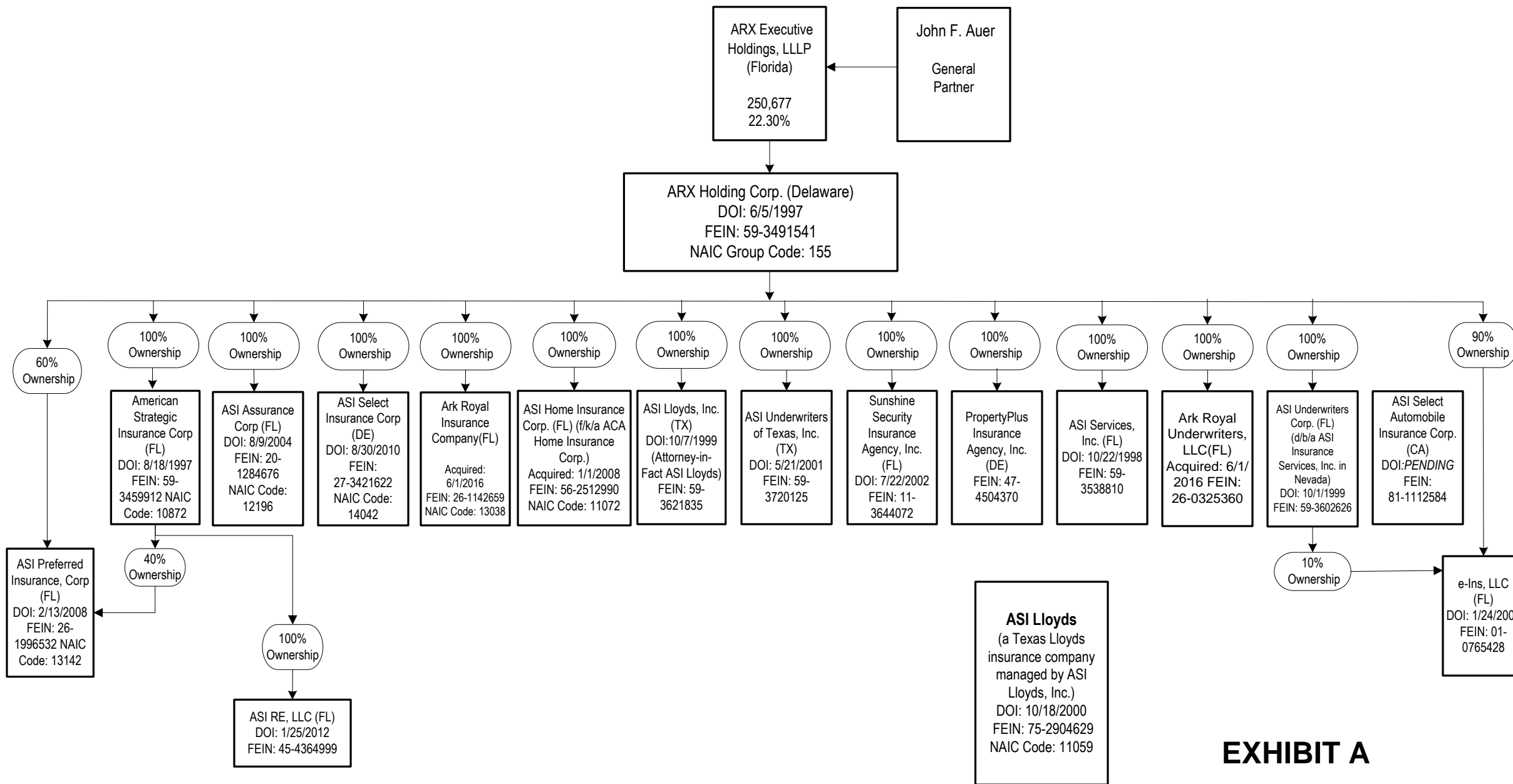
Allocation on the basis of the location where the vehicle is principally garaged and used.

**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP -- PART 1 – ORGANIZATIONAL CHART**



**SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP -- PART 1 – ORGANIZATIONAL CHART**

96.1



**EXHIBIT A**

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