

PROGRESSIVE INSURANCE GROUP

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AMB#: 00780

KEY FINANCIAL INDICATORS

Period	Statutory Data (\$000)		
	Direct	Net	Pretax
	Premiums	Premiums	Operating
<u>Ending</u>	<u>Written</u>	<u>Written</u>	<u>Income</u>
2002	9,716,424	9,501,290	1,020,942
2003	12,248,134	11,972,167	1,824,450
2004	13,747,911	13,432,030	2,391,478
2005	14,332,972	14,046,869	2,140,418
2006	14,389,701	14,089,288	2,401,097
09/2006	11,144,644	10,941,014	1,796,151
09/2007	10,861,382	10,689,690	1,213,464

Period	Statutory Data (\$000)		
	Net	Total	Policy-
	Income	Admitted	holders'
<u>Ending</u>	<u>Income</u>	<u>Assets</u>	<u>Surplus</u>
2002	571,249	13,246,877	3,414,443
2003	1,264,569	16,616,436	4,592,988
2004	1,661,748	16,899,638	4,689,621
2005	1,406,506	17,543,252	4,738,034
2006	1,710,426	17,870,983	4,955,060
09/2006	1,220,119	19,112,475	5,288,303
09/2007	904,565	18,885,937	4,894,783

Period	Profitability			Leverage			Liquidity	
	Comb.	Inv.	Pretax	NA Inv	NPW	Net	Overall	Oper.
<u>Ending</u>	<u>Ratio</u>	<u>Yield</u>	<u>ROR</u>	<u>Lev</u>	<u>to PHS</u>	<u>Lev</u>	<u>Liq</u>	<u>Cash-</u>
		<u>(%)</u>	<u>(%)</u>				<u>(%)</u>	<u>flow (%)</u>
2002	92.9	4.5	11.4	34.9	2.8	5.6	134.7	120.7
2003	87.9	3.6	16.0	38.1	2.6	5.2	138.2	122.0
2004	85.7	3.4	18.1	39.2	2.9	5.4	138.9	122.1
2005	88.3	3.5	15.5	46.6	3.0	5.6	137.0	115.1
2006	87.1	3.9	17.0	47.8	2.8	5.4	138.4	113.8
5-Yr Avg	88.1	3.7	15.9	...	...	...	...	...
09/2006	86.5	XX	16.9	XX	2.7	5.2	138.3	116.5
09/2007	92.1	XX	11.6	XX	2.8	5.6	137.4	116.5

(*) Data reflected within all tables of this report has been compiled through the A.M. Best Consolidation of statutory filings. Within several financial tables of this report, this group is compared against the Private Passenger Automobile Composite.

CORPORATE OVERVIEW

The Progressive Corporation (Progressive) is an Ohio based publicly traded holding company that through its subsidiaries is a leading provider of personal and commercial automobile insurance coverage in the United States. Progressive Insurance Group operates through thirty-four property / casualty insurance company subsidiaries and a county mutual affiliate. The parent company was formed in 1965 as an insurance holding company, although the organization dates back to 1937 with the formation of the Progressive Mutual Insurance Company. The Progressive Insurance Group is the third largest writer of private passenger automobile and commercial automobile insurance and ranks among the ten largest property / casualty insurers in the country.

A.M. Best assigns four distinct ratings to the Progressive Insurance Group of property / casualty insurance companies. The first rating unit, The Progressive Agency Pool, is based on the consolidation of a twelve member inter-company pool, led by Progressive Casualty Insurance Company, four non-pooled property / casualty affiliates that receive a "group" rating, one property / casualty affiliate that receives a "reinsured" rating and one county mutual affiliate that receives a "reinsured" rating. The Progressive Agency Pool markets its personal and commercial lines insurance products through a network of more than 30,000 independent agencies. The group also participates in strategic alliance business relationships, which includes relationships with other insurance companies, financial institutions, employers and national brokerage agencies. The second rating unit, The Progressive Direct Pool, is based on the consolidation of a seven member inter-company pool, led by Progressive Direct Insurance Company, three non-pooled property / casualty subsidiaries that receive a "group" rating and two property / casualty affiliates that receive a "reinsured" rating.

The third rating unit, Progressive Commercial Auto Group, is based on the consolidation of the lead company, United Financial Casualty Company, and its affiliates, Artisan & Truckers Casualty Company and Progressive Express Insurance Company. The group writes small fleet commercial vehicle insurance throughout the United States. The fourth rating unit, National Continental Insurance Company, is a New York based subsidiary that writes personal and commercial automobile coverages, including policies written under state-mandated involuntary Commercial Auto Insurance Plans (CAIP) and Special Risk Distribution Plans (SRDP), for which the company retains no underwriting risk.

CORPORATE STRUCTURE

<u>AMB#</u>	<u>COMPANY NAME</u>	<u>DOMICILE</u>	<u>%OWN</u>
58454	<i>Progressive Corporation</i>	OH	
51230	<i>Drive Insurance Holdings, Inc.</i>	FL	100.00
11438	Drive New Jersey Ins Co	NJ	100.00
04456	Progressive American Ins Co	FL	100.00
00638	Progressive Bayside Ins Co	FL	100.00
02407	Progressive Casualty Ins Co	OH	100.00
01762	Progressive Gulf Ins Co	OH	100.00
03645	Progressive Specialty Ins Co	OH	100.00
01864	Progressive Classic Ins Co	WI	100.00
11665	Progressive Hawaii Ins Corp	OH	100.00
11761	Progressive Michigan Ins Co	MI	100.00
10724	Progressive Mountain Ins Co	CO	100.00
11652	Progressive Northeastern Ins	NY	100.00
02650	Progressive Northern Ins Co	WI	100.00
01853	Progressive Northwestern Ins	OH	100.00
02609	Progressive Preferred Ins Co	OH	100.00
11698	Progressive Security Ins Co	LA	100.00
02640	Progressive Southeastern Ins	FL	100.00
04287	Progressive West Insurance Co	OH	100.00
51232	<i>Progressive Comm Hldgs, Inc.</i>	DE	100.00
11759	Artisan & Truckers Casualty	FL	100.00
00547	National Continental Ins Co	NY	100.00
11760	Progressive Express Ins Co	FL	100.00
01900	United Financial Casualty Co	OH	100.00
13820	Progressive Commercial Cas Co	OH	100.00
51231	<i>Progressive Direct Hldgs, Inc.</i>	DE	100.00
58416	<i>Midland Financial Group, Inc</i>	TN	100.00
00586	Progressive Advanced Ins Co	OH	100.00
11150	Mountain Laurel Assur Co	PA	100.00
11758	Progressive Select Ins Co	FL	100.00
11088	Progressive Choice Ins Co	OH	100.00
11441	Progressive Freedom Ins Co	NJ	100.00
00649	Progressive Direct Ins Co	OH	100.00
01839	Progressive Garden State Ins	NJ	100.00
10745	Progressive Marathon Ins Co	MI	100.00
02408	Progressive Max Insurance Co	OH	100.00
11246	Progressive Paloverde Ins Co	IN	100.00
11247	Progressive Premier Ins of IL	OH	100.00
11248	Progressive Universal Ins Co	WI	100.00
03690	Progressive Cty Mut Ins Co	TX	

2006 BUSINESS PRODUCTION AND PROFITABILITY (\$000)

Product	Premiums Written		% of	Pure	Loss
			Total	Loss	& LAE
<u>Line</u>	<u>Direct</u>	<u>Net</u>	<u>NPW</u>	<u>Ratio</u>	<u>Reserves</u>
Priv Pass Auto Liab	7,478,869	7,303,836	51.8	52.3	4,089,635
Auto Physical	5,077,442	5,072,380	36.0	58.2	13,142
Comm'l Auto Liab	1,501,570	1,416,297	10.1	50.1	1,174,344
All Other	331,820	296,775	2.1	39.5	86,479
Totals	14,389,701	14,089,288	100.0	54.0	5,363,600

Major 2006 Direct Premium Writings By State (\$000): Florida, \$1,814,856 (12.6%); California, \$1,117,422 (7.8%); Texas, \$1,097,403 (7.6%); New York, \$938,891 (6.5%); Georgia, \$752,084 (5.2%); 48 other jurisdictions, \$8,669,045 (60.2%).

PROFITABILITY ANALYSIS

Period <u>Ending</u>	Company				Industry Composite			
	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2002	11.4	16.2	92.9	88.8	10.4	8.4	96.0	89.3
2003	16.0	38.3	87.9	84.6	12.1	24.7	93.6	88.3
2004	18.1	38.3	85.7	82.7	14.5	21.9	90.5	85.8
2005	15.5	31.4	88.3	85.1	14.3	19.1	91.2	86.1
2006	17.0	37.2	87.1	83.5	16.0	23.3	90.2	84.6
5-Yr Avg	15.9	33.4	88.1	84.7	13.7	20.0	92.0	86.6
09/2006	16.9	XX	86.5	83.1	XX	XX	XX	XX
09/2007	11.6	XX	92.1	88.4	XX	XX	XX	XX

UNDERWRITING EXPERIENCE

<u>Year</u>	Net Undrw Income (\$000)	Loss Ratios			Expense Ratios			Div. Pol.	Comb Ratio
		Pure Loss	Loss & LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.		
2002	511,348	57.4	13.5	70.9	7.1	14.8	21.9	...	92.9
2003	1,262,890	54.2	13.3	67.5	7.2	13.1	20.4	...	87.9
2004	1,846,815	51.9	13.1	65.1	7.2	13.4	20.7	...	85.7
2005	1,563,879	54.9	13.2	68.1	7.0	13.3	20.3	...	88.3
2006	1,821,857	54.0	12.5	66.5	6.9	13.6	20.6	...	87.1
5-Yr Avg	...	54.3	13.1	67.4	7.1	13.6	20.7	0.0	88.1
09/2006	1,371,981	53.5	12.9	66.4	XX	XX	20.1	...	86.5
09/2007	780,018	58.7	12.1	70.7	XX	XX	21.3	...	92.1

INVESTMENT INCOME ANALYSIS (\$000)

<u>Year</u>	Company		
	Net Inv Income	Realized Capital Gains	Unrealized Capital Gains
2002	366,873	-7,066	-77,109
2003	373,271	14,323	270,104
2004	400,774	85,488	113,623
2005	442,239	-17,999	75,298
2006	498,438	104,940	93,530
09/2006	364,054	39,982	43,320
09/2007	382,842	83,543	111,745

<u>Year</u>	<u>Company</u>			<u>Industry Composite</u>	
	<u>Inv Inc</u>	<u>Inv</u>	<u>Total</u>	<u>Inv Inc</u>	<u>Inv</u>
	<u>Growth</u>	<u>Yield</u>	<u>Return</u>	<u>Growth</u>	<u>Yield</u>
	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>
2002	2.8	4.5	3.5	-1.3	4.8
2003	1.7	3.6	6.5	-4.3	4.0
2004	7.4	3.4	5.1	1.8	3.6
2005	10.3	3.5	4.0	14.2	3.7
2006	12.7	3.9	5.5	14.7	4.0
5-Yr Avg	7.3	3.7	5.0	5.2	4.0
09/2006	XX	XX	3.4	XX	XX
09/2007	XX	XX	4.4	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

<u>Asset</u> <u>Class</u>	<u>2006 Inv</u>		<u>% of Invested Assets</u>		<u>Annual</u> <u>% Chg</u>
	<u>Assets</u> <u>(\$000)</u>		<u>2006</u>	<u>2005</u>	
Long-Term bonds	8,904,398		68.0	72.5	-4.9
Stocks	2,588,805		19.8	17.3	16.0
Affiliated Investments	1,190,832		9.1	7.5	23.7
Other Inv Assets	412,662		3.2	2.7	17.5
Total	13,096,697		100.0	100.0	1.4

2006 BOND PORTFOLIO ANALYSIS

<u>Asset</u> <u>Class</u>	<u>% of</u>	<u>Mkt Val</u>	<u>Avg.</u>	<u>Class</u>	<u>Class</u>	<u>Struc.</u>	<u>Struc.</u>
	<u>Total</u>	<u>to Stmt</u>	<u>Maturity</u>	<u>1 - 2</u>	<u>3 - 6</u>	<u>Secur.</u>	<u>Secur.</u>
	<u>Bonds</u>	<u>Val(%)</u>	<u>(Yrs)</u>	<u>(%)</u>	<u>(%)</u>	<u>(%)</u>	<u>(% of PHS)</u>
Governments	28.0	0.4	4.2	100.0	...	...	...
States, terr & poss	34.7	-0.3	5.3	100.0	...	...	...
Corporates	37.4	-0.5	3.8	100.0	0.0	66.0	45.8
Total all bonds	100.0	-0.2	4.4	100.0	0.0	24.7	45.8

CAPITAL GENERATION ANALYSIS (\$000)

<u>Year</u>	<u>Source of Surplus Growth</u>		
	Pretax	Total	Net
	Operating	Inv.	Contrib.
	<u>Income</u>	<u>Gains</u>	<u>Capital</u>
2002	1,020,942	-84,175	249,708
2003	1,824,450	284,427	-391,784
2004	2,391,478	199,111	-1,598,264
2005	2,140,418	57,299	-1,446,898
2006	2,401,097	198,470	-1,557,557
5-Yr Total	9,778,385	655,133	-4,744,794
09/2006	1,796,151	83,302	-705,234
09/2007	1,213,464	195,288	-786,559

<u>Year</u>	<u>Source of Surplus Growth</u>		
	Other,	Change	PHS
	Net of	in	Growth
	<u>Tax</u>	<u>PHS</u>	<u>(%)</u>
2002	-454,124	732,351	27.3
2003	-538,548	1,178,545	34.5
2004	-895,693	96,633	2.1
2005	-702,406	48,413	1.0
2006	-824,984	217,026	4.6
5-Yr Total	-3,415,755	2,272,968	...
09/2006	-623,950	550,269	11.6
09/2007	-682,470	-60,277	-1.2

QUALITY OF SURPLUS (\$000)

<u>Year</u>	<u>Year-End</u>	<u>% of PHS</u>			<u>Dividend Requirements</u>		
		Cap Stk/	Un-		Stock-	Div to	Div to
		Contrib.	Other	Surplus	holder	POI	Net Inc.
	<u>PHS</u>	<u>Cap.</u>			<u>Divs</u>	<u>(%)</u>	<u>(%)</u>
2002	3,414,443	45.3	0.0	54.7	-34,565	3.4	6.1
2003	4,592,988	37.3	0.0	62.7	-560,381	30.7	44.3
2004	4,689,621	47.8	0.0	52.2	-2,123,800	88.8	127.8
2005	4,738,034	50.8	0.0	49.2	-1,614,700	75.4	114.8
2006	4,955,060	50.2	0.0	49.8	-1,636,113	68.1	95.7
09/2006	5,288,303	46.8	0.0	53.2	-775,000	43.1	63.5
09/2007	4,894,783	53.1	0.0	46.9	-897,800	74.0	99.3

LEVERAGE ANALYSIS

<u>Year</u>	<u>Company</u>				<u>Industry Composite</u>			
	<u>NPW to</u> <u>PHS</u>	<u>Reserves</u> <u>to PHS</u>	<u>Net</u> <u>Lev</u>	<u>Gross</u> <u>Lev</u>	<u>NPW to</u> <u>PHS</u>	<u>Reserves</u> <u>to PHS</u>	<u>Net</u> <u>Lev</u>	<u>Gross</u> <u>Lev</u>
2002	2.8	1.1	5.6	5.8	1.7	1.0	3.7	4.1
2003	2.6	1.0	5.2	5.3	1.8	0.9	3.8	4.1
2004	2.9	1.1	5.4	5.6	1.7	0.9	3.7	4.0
2005	3.0	1.1	5.6	5.8	1.6	0.9	3.5	3.8
2006	2.8	1.1	5.4	5.6	1.6	0.9	3.4	3.7
09/2006	2.7	1.0	5.2	XX	XX	XX	XX	XX
09/2007	2.8	1.1	5.6	XX	XX	XX	XX	XX

PREMIUM COMPOSITION & GROWTH ANALYSIS

<u>Period</u> <u>Ending</u>	<u>DPW</u>		<u>GPW</u>	
	<u>(\$000)</u>	<u>(% Chg)</u>	<u>(\$000)</u>	<u>(% Chg)</u>
2002	9,716,424	30.9	9,716,546	30.9
2003	12,248,134	26.1	12,248,135	26.1
2004	13,747,911	12.2	13,747,911	12.2
2005	14,332,972	4.3	14,332,972	4.3
2006	14,389,701	0.4	14,389,701	0.4
5-Yr CAGR	...	14.2	...	14.2
5-Yr Change	...	93.9	...	93.9
09/2006	11,144,644	1.2	22,853,147	-1.9
09/2007	10,861,382	-2.5	22,731,976	-0.5

<u>Period</u> <u>Ending</u>	<u>NPW</u>		<u>NPE</u>	
	<u>(\$000)</u>	<u>(% Chg)</u>	<u>(\$000)</u>	<u>(% Chg)</u>
2002	9,501,290	30.1	8,928,562	24.0
2003	11,972,167	26.0	11,395,499	27.6
2004	13,432,030	12.2	13,227,263	16.1
2005	14,046,869	4.6	13,810,501	4.4
2006	14,089,288	0.3	14,092,677	2.0
5-Yr CAGR	...	14.1	...	14.4
5-Yr Change	...	93.0	...	95.7
09/2006	10,941,014	1.4	10,628,445	3.0
09/2007	10,689,690	-2.3	10,465,521	-1.5

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR (\$000)

Calendar	Original Loss	Developed Reserves	Develop. to	Develop. to	Develop. to	Unpaid Reserves	Unpaid Resrv. to
<u>Year</u>	<u>Reserves</u>	<u>Thru 2006</u>	<u>Orig.(%)</u>	<u>PHS (%)</u>	<u>NPE (%)</u>	<u>@ 12/2006</u>	<u>Dev.(%)</u>
2001	2,870,996	2,779,415	-3.2	-3.4	38.6	80,910	2.9
2002	3,372,833	3,190,356	-5.4	-5.3	35.7	160,211	5.0
2003	4,030,100	3,727,642	-7.5	-6.6	32.7	387,499	10.4
2004	4,554,517	4,138,315	-9.1	-8.9	31.3	997,868	24.1
2005	4,881,383	4,650,047	-4.7	-4.9	33.7	2,246,094	48.3
2006	4,895,706	4,895,706	...	...	34.7	4,895,706	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR (\$000)

Accident	Original Loss	Developed Reserves	Develop. to	Unpaid Reserves	Acc Yr. Loss	Acc Yr. Comb
<u>Year</u>	<u>Reserves</u>	<u>Thru 2006</u>	<u>Orig.(%)</u>	<u>@12/2006</u>	<u>Ratio</u>	<u>Ratio</u>
2001	1,641,258	1,583,520	-3.5	29,869	74.0	97.0
2002	1,968,415	1,887,879	-4.1	79,301	69.8	91.7
2003	2,390,287	2,224,840	-6.9	227,288	66.3	86.7
2004	2,657,710	2,427,977	-8.6	610,369	63.7	84.4
2005	2,767,867	2,648,107	-4.3	1,248,226	69.6	89.8
2006	2,649,612	2,649,612	...	2,649,612	68.5	89.1

ASBESTOS & ENVIRONMENTAL (A&E) RESERVES ANALYSIS

	Company		
	Net A&E Reserves	Reserve Retention	Net IBNR
<u>Year</u>	<u>(\$000)</u>	<u>(%)</u>	<u>Mix (%)</u>
2002	15,092	85.7	63.8
2003	13,056	84.8	56.3
2004	12,793	88.5	41.0
2005	11,259	87.9	60.1
2006	10,674	79.6	51.9

	Company			Industry Composite		
	Survival Ratio	Comb Ratio	Comb Impact	Survival Ratio	Comb Ratio	Comb Impact
<u>Year</u>	<u>(3 yr)</u>	<u>(1 yr)</u>	<u>(3 yr)</u>	<u>(3 yr)</u>	<u>(1 yr)</u>	<u>(3 yr)</u>
2002	...	0.0	...	...	2.2	...
2003	...	0.0	...	...	1.7	...
2004	444.8	0.0	0.0	8.3	1.4	1.7
2005	22.4	0.0	0.0	8.4	1.0	1.4
2006	11.2	0.0	0.0	7.9	0.5	0.9

CEDED REINSURANCE ANALYSIS (\$000)

Year	Company				Industry Composite			
	Ceded	Business	Rein Rec	Ceded	Business	Rein Rec	Ceded	
	Reins	Retention	to PHS	Reins to	Retention	to PHS	Reins to	
	<u>Total</u>	<u>(%)</u>	<u>(%)</u>	<u>PHS (%)</u>	<u>(%)</u>	<u>(%)</u>	<u>PHS (%)</u>	
2002	531,990	97.8	9.3	15.6	92.3	23.2	36.3	
2003	666,668	97.7	8.5	14.5	93.5	22.2	34.6	
2004	821,793	97.7	10.8	17.5	94.0	19.9	31.2	
2005	799,561	98.0	10.8	16.9	94.0	18.2	28.9	
2006	823,676	97.9	10.6	16.6	93.9	16.9	27.6	

2006 REINSURANCE RECOVERABLES (\$000)

	Paid & Unpaid <u>Losses</u>	IBNR	Unearned <u>Premiums</u>	Other <u>Recov*</u>	Total Reins <u>Recov</u>
US Affiliates	5,327,277	1,065,332	4,382,569	...	10,775,178
US Insurers	56,587	25,533	12,423	...	94,543
Pools/Associations	271,799	55,009	58,225	...	385,033
Other Non-US	15,135	9,690	18,862	...	43,687
Total (ex US Affils)	343,521	90,232	89,510	...	523,263
Grand Total	5,670,798	1,155,564	4,472,079	...	11,298,441

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

Year	Company						Industry Composite	
	Class	Real	Other	Non-Affl			Class	
	3-6	Estate/	Invested	Common	Inv.	Affil	3-6	Common
	<u>Bonds</u>	<u>Mtg.</u>	<u>Assets</u>	<u>Stocks</u>	<u>Lev.</u>	<u>Inv.</u>	<u>Bonds</u>	<u>Stocks</u>
2002	5.1	0.0	0.1	29.6	34.9	21.2	10.0	33.4
2003	3.9	0.0	0.0	34.2	38.1	17.2	4.6	38.6
2004	0.1	0.1	0.1	38.9	39.2	18.9	2.8	39.9
2005	3.2	0.2	0.1	43.2	46.6	20.3	3.6	44.2
2006	0.0	0.1	0.0	47.7	47.8	24.0	2.8	43.5

LIQUIDITY ANALYSIS

Year	Company				Industry Composite			
	Quick	Current	Overall	Gross Agents Bal	Quick	Current	Overall	Gross Agents Bal
	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>to PHS (%)</u>	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>Liq (%)</u>	<u>to PHS (%)</u>
2002	33.0	98.2	134.7	6.1	42.0	121.7	148.5	13.0
2003	32.8	103.7	138.2	5.5	59.0	124.9	149.3	12.2
2004	42.0	105.3	138.9	7.5	65.4	127.6	150.9	11.4
2005	37.2	101.8	137.0	9.6	66.3	130.4	153.7	10.0
2006	38.8	101.4	138.4	10.8	65.6	131.3	155.0	7.4
09/2006	XX	91.2	138.3	11.4	XX	XX	XX	XX
09/2007	XX	92.7	137.4	11.5	XX	XX	XX	XX

CASH FLOW ANALYSIS (\$000)

Year	Company			Industry Composite			
	Underw	Oper	Net	Underw	Oper	Underw	Oper
	Cash Flow	Cash Flow	Cash Flow	Cash Flow (%)	Cash Flow (%)	Cash Flow (%)	Cash Flow (%)
2002	1,565,617	1,682,825	520,638	120.4	120.7	114.8	118.7
2003	2,213,197	2,217,479	-228,546	123.5	122.0	116.8	119.3
2004	2,505,298	2,527,666	574,373	123.4	122.1	119.7	120.9
2005	1,824,597	1,907,514	-686,830	115.3	115.1	115.3	116.1
2006	1,827,357	1,806,832	74,942	114.9	113.8	113.3	113.5
09/2006	1,663,556	1,613,252	397,538	118.2	116.5	XX	XX
09/2007	1,232,211	1,595,902	55,450	113.1	116.5	XX	XX

HISTORY

The Progressive insurance organization began business in 1937 with the formation of Progressive Mutual Insurance Company (currently known as Progressive Max Insurance Company). Progressive Casualty Insurance Company, the lead company of the Progressive Insurance Group, was founded in 1956. The Progressive Corporation, a publicly traded holding company formed in 1965, owns 67 operating subsidiaries and has one mutual insurance company affiliate. The companies provide personal automobile insurance and other specialty property-casualty insurance and related services through both the independent agency channel and the direct channel in the United States.

MANAGEMENT

Management is headed by Peter B. Lewis, chairman of the board, and Glenn M. Renwick, president and chief executive officer. Mr. Lewis and Mr. Renwick have served the Progressive companies in various capacities since 1955 and 1986, respectively. The Progressive Corporation is a publicly traded holding company and trades on the New York Stock Exchange under the symbol PGR.

CONSOLIDATED BALANCE SHEET (\$000)

<u>ADMITTED ASSETS</u>	<u>12/31/2006</u>	<u>12/31/2005</u>	<u>2006 %</u>	<u>2005 %</u>
Bonds	8,904,398	9,365,179	49.8	53.4
Preferred stock	226,617	186,582	1.3	1.1
Common stock	2,362,188	2,045,029	13.2	11.7
Cash & short-term invest	296,878	219,972	1.7	1.3
Real estate, investment	6,071	9,441	0.0	0.1
Other non-affil inv asset	424	2,943	0.0	0.0
Investments in affiliates	463,879	427,036	2.6	2.4
Real estate, offices	726,953	536,004	4.1	3.1
Total invested assets	12,987,409	12,792,187	72.7	72.9
Premium balances	3,420,406	3,340,246	19.1	19.0
Accrued interest	109,288	118,924	0.6	0.7
All other assets	1,353,880	1,291,895	7.6	7.4
Total assets	17,870,983	17,543,252	100.0	100.0

<u>LIABILITIES & SURPLUS</u>	<u>12/31/2006</u>	<u>12/31/2005</u>	<u>2006 %</u>	<u>2005 %</u>
Loss & LAE reserves	5,363,600	5,370,359	30.0	30.6
Unearned premiums	4,245,994	4,249,383	23.8	24.2
Conditional reserve funds	439	1,070	0.0	0.0
All other liabilities	3,305,890	3,184,406	18.5	18.2
Total liabilities	12,915,922	12,805,218	72.3	73.0
Surplus notes	900	900	0.0	0.0
Total policyholders' surplus	4,955,060	4,738,034	27.7	27.0
Total liabilities & surplus	17,870,983	17,543,252	100.0	100.0

CONSOLIDATED SUMMARY OF 2006 OPERATIONS (\$000)

<u>STATEMENT OF INCOME</u>	<u>12/31/2006</u>	<u>FUNDS PROVIDED FROM OPERATIONS</u>	<u>12/31/2006</u>
Premiums earned	14,092,677	Premiums collected	14,101,074
Losses incurred	7,604,785	Benefit & loss related pmts	7,609,177
LAE incurred	1,765,414	LAE & undrw expenses paid	4,664,540
Undrw expenses incurred	2,900,621	Other income/expense	...
Other expense incurred	0		
Net underwriting income	1,821,857	Undrw cash flow	1,827,357
Net investment income	498,438	Investment income	752,245
Other income/expense	80,802	Other income/expense	83,655
Pre-tax oper income	2,401,097	Pre-tax cash operations	2,663,258
Realized capital gains	104,940	Income taxes pd (recov)	856,426
Income taxes incurred	795,611		
Net income	1,710,426	Net oper cash flow	1,806,832

INTERIM BALANCE SHEET

<u>ADMITTED ASSETS</u>	<u>03/31/2007</u>	<u>06/30/2007</u>	<u>09/30/2007</u>
Cash & short term invest	352,658	252,146	352,329
Bonds	9,003,217	9,304,160	8,497,835
Preferred stock	555,894	734,343	1,174,201
Common stock	2,838,222	2,981,908	2,903,203
Other investments	866,771	771,738	920,171
Total investments	13,616,761	14,044,295	13,847,738
Premium balances	3,642,124	3,585,552	3,568,421
Reinsurance funds	559,743	609,893	562,896
Accrued interest	128,229	119,997	119,565
All other assets	871,218	1,059,289	787,316
Total assets	18,818,075	19,419,025	18,885,937
<u>LIABILITIES & SURPLUS</u>	<u>03/31/2007</u>	<u>06/30/2007</u>	<u>09/30/2007</u>
Loss & LAE reserves	5,380,277	5,518,408	5,610,994
Unearned premiums	4,398,728	4,448,042	4,470,163
Conditional reserve funds	249,237	252,682	250,929
All other liabilities	3,649,272	3,709,317	3,659,068
Total liabilities	13,677,513	13,928,449	13,991,154
Capital & assigned surp	2,576,687	2,580,472	2,599,440
Unassigned surplus	2,563,875	2,910,105	2,295,344
Policyholders' surplus	5,140,562	5,490,577	4,894,783
Total liabilities & surplus	18,818,075	19,419,025	18,885,937

INTERIM INCOME STATEMENT

	<u>Period Ended</u> <u>09/30/2007</u>	<u>Period Ended</u> <u>09/30/2006</u>	<u>Increase/</u> <u>Decrease</u>
Premiums earned	10,465,521	10,628,445	-162,924
Losses incurred	6,138,789	5,687,366	451,424
LAE incurred	1,265,051	1,366,492	-101,442
Underwriters expenses incurred	2,281,663	2,202,606	79,057
Other expenses incurred	0	0	0
Net underwriting income	780,018	1,371,981	-591,963
Net investment income	382,842	364,054	18,788
Other income/expenses	50,604	60,116	-9,512
Pre-tax operating income	1,213,464	1,796,151	-582,687
Realized capital gains	83,543	39,982	43,561
Income taxes incurred	392,443	616,014	-223,571

Net income	904,565	1,220,119	-315,554

INTERIM CASH FLOW

	Period Ended <u>09/30/2007</u>	Period Ended <u>09/30/2006</u>	Increase/ <u>Decrease</u>
Premiums collected	10,613,539	10,789,532	-175,993
Benefit & loss related pmts	5,866,567	5,641,449	225,118
Undrw expenses paid	3,514,761	3,484,527	30,234
Underwriting cash flow	1,232,211	1,663,556	-431,345
Investment income	594,459	528,354	66,105
Other income/expense	51,559	64,179	-12,620
Pre-tax cash operations	1,878,229	2,256,089	-377,860
Income taxes pd (recov)	282,327	642,837	-360,510
Net oper cash flow	1,595,902	1,613,252	-17,350