

Report of Examination of

Progressive Commercial Casualty Company
Cleveland, Ohio

As of December 31, 2007

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Columbus, Ohio
February 12, 2009

Honorable Alfred W. Gross
Commissioner
Chairman, Financial Condition (E) Committee
National Association of Insurance Commissioners
Division of Insurance
State of Virginia
1300 East Main Street
Richmond, Virginia 23219

Honorable Mary Jo Hudson
Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Madam and Sir:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Progressive Commercial Casualty Company

an Ohio domiciled, stock, property and casualty insurance company, hereinafter referred to as the “Company,” formally Progressive Professional Insurance Company. The examination was conducted at the Company’s home office, located at 6300 Wilson Mills Road, Cleveland, Ohio.

A report of this examination is hereby respectfully submitted.

Scope of Examination

The Department completed a qualifying examination of the Company as of October 31, 2006. The current full scope association examination covers the intervening period to and including December 31, 2007.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook. The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For each year during the period under examination, the Certified Public Accounting firm of PricewaterhouseCoopers, LLP (“PWC”) provided an unqualified opinion based on statutory accounting principles. Relevant work performed by PWC during its annual audit of the Company was reviewed during the examination and incorporated into the examination work papers.

The Department’s property and casualty actuary was retained to review the relevant work performed by the opining actuary, to report on the adequacy of the carried reserves, and to comment on any other statutory matters relating to reserves.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date.

Name	Principal Occupation
William R. Kampf	Progressive Insurance Companies, Commercial Auto Marketing General Manager
Michael J. Miller	Progressive Insurance Companies, Director Regional Marketing
Karen L. Palmer	Progressive Insurance Companies, Product Manager III
Stephen D. Peterson	Progressive Insurance Companies, Audit Business Leader
Brian A. Silva	Progressive Insurance Companies, Director of Special Projects

Officers

As of the examination date, the following officers were elected and serving in accordance with the Company's Bylaws:

Name	Title
William R. Kampf	President
Brian A. Silva	Treasurer
Patricia M. Corwin	Secretary

Insurance Holding Company System

The Company is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the insurance companies as of December 31, 2007:

The Progressive Corporation – Ohio

Progressive RSC, Inc. – Ohio

Pacific Motor Club – California

Progressive Capital Management Corp. – New York

Progressive Investment Company, Inc. – Delaware

Progressive Insurance Agency, Inc. – Ohio

Progressive Adjusting Company, Inc. – Ohio

Progressive Premium Budget, Inc. – Ohio

Wilson Mills Land Company – Ohio

Village Transport Corp. – Delaware

Progressive Corporate Support, Inc. – Ohio

Silver Key Insurance Agency, Inc. – Nevada

Garden Sun Insurance Services, Inc. – Hawaii

Progn Agency, Inc. – New York

Progressive Vehicle Service Company – Ohio

Progressive Direct Holdings, Inc. – Delaware

Progressive Freedom Insurance Company – New Jersey

Progressive Specialty Insurance Agency, Inc. – Ohio

Progressive Auto Pro Insurance Agency, Inc. – Florida

Progressive Choice Insurance Company – Ohio

Mountain Laurel Assurance Company – Ohio

Progressive Marathon Insurance Company – Michigan

Midland Financial Group, Inc. – Ohio

Midland Risk Services, Inc. – Tennessee

Progressive Advanced Insurance Company – Ohio

Progressive Direct Resources Services Company – Ohio

Progressive Select Insurance Company – Florida

Progressive Max Insurance Company – Ohio

Progressive Paloverde Insurance Company – Indiana

Progressive Premier Insurance Company of Illinois – Ohio

Progressive Universal Insurance Company – Wisconsin

Progressive Direct Insurance Company – Ohio

Gadsden, Al, LLC – Ohio

Progressive Garden State Insurance Company – New Jersey

Progressive Commercial Holdings, Inc. – Delaware

National Continental Insurance Company – New York

Progressive Express Insurance Company – Florida

Commercial Resource Services Company – Ohio

Artman and Truckers Casualty Company – Wisconsin

United Financial Casualty Company – Ohio

Progressive Commercial Casualty Company – Ohio
Drive Insurance Holdings, Inc. – Delaware
Progressive West Insurance Company – Ohio
Progressive Mountain Insurance Company – Ohio
Progressive Preferred Insurance Company – Ohio
Progressive Classic Insurance Company – Wisconsin
Progressive Bayside Insurance Company – Florida
Progressive Hawaii Insurance Corp. – Ohio
Progressive Southeastern Insurance Company – Indiana
Progressive Northeastern Insurance Company – New York
Drive Resource Services Company – Ohio
Progressive Michigan Insurance Company – Michigan
Progressive Northern Insurance Company – Wisconsin
Bayside Underwriters Insurance Agency, Inc. – Florida
Progressive Security Insurance Company – Louisiana
Progressive Northwestern Insurance Company – Ohio
Progressive American Insurance Company – Florida
Progressive DLP Corp. – Ohio
Progressive Casualty Insurance Company – Ohio
Progressive Specialty Insurance Company – Ohio
Trussville/Cahaba, AL., LLC - Ohio
Progressive Gulf Insurance Company – Ohio
PC Investment Company – Delaware
Progressive Alliance Insurance Agency, Inc – Washington
Drive New Jersey Insurance Company – New Jersey

Reinsurance

The Company had no ceded or assumed reinsurance.

Territory and Plan of Operations

The Company was licensed to transact business in the state of Ohio.

Financial Statements

The financial condition and the results of its operations for the five year period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds
Statement of Operations
Statement of Changes in the Capital and Surplus Account

Statement of Assets, Liabilities, Surplus and Other Funds

December 31, 2007

Admitted assets

Cash and invested assets:

Bonds	\$13,368,347
Total cash and invested assets	<u>13,368,347</u>

Investment income due and accrued	239,022
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Net deferred tax asset	1,015
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Receivables from parent, subsidiaries and affiliates	<u>139,193</u>
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Total admitted assets	<u>\$13,747,577</u>
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December 31, 2007

Liabilities, capital and surplus

Liabilities:

Other expenses	\$ 8,701
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Current federal and foreign income taxes	<u>88,010</u>
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Total liabilities	<u>96,711</u>
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Capital and surplus:

Common capital stock	2,500,000
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Gross paid in and contributed surplus	10,700,000
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Unassigned funds	<u>450,866</u>
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Total capital and surplus	<u>13,650,866</u>
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Total liabilities, capital and surplus	<u>\$13,747,577</u>
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Statement of Operations

December 31, 2007

Other underwriting expenses incurred	\$ 8,926
Net underwriting gain (loss)	<u>(8,926)</u>
Net investment income earned	598,977
Net realized capital gains	<u>60,509</u>
Net investment gain	<u>659,486</u>
Aggregate write-ins for miscellaneous income:	
Interest income on intercompany balances	<u>4,912</u>
Total other income	<u>4,912</u>
Net income before federal and foreign income taxes	655,472
Federal and foreign income taxes incurred	<u>207,040</u>
Net income	<u>\$448,432</u>

Statement of Changes in the Capital and Surplus Account

	2007
Capital and surplus December 31, previous year	<u>\$-0-</u>
Net income	448,432
Change in net deferred income tax	3,045
Change in nonadmitted assets	(2,030)
Capital paid in	2,500,000
Surplus paid in	10,700,000
Aggregate write-in for gains and losses in surplus	
Earned surplus prior to issuance of certificate of authority	<u>1,419</u>
Net change in capital and surplus	<u>13,650,866</u>
Capital and surplus December 31, current year	<u>\$13,650,866</u>

Summary of Examination Changes

There were no changes made as a result of this examination.

Notes to Financial Statements

Investments

At December 31, 2007, the Company's investments, as measured by statement valuations, were composed of:

<u>Invested Assets</u>	<u>Ratio to Total</u>	
	<u>Investments</u>	<u>Assets</u>
Bonds	<u>100.0%</u>	<u>97.2%</u>
Totals	<u>100.0%</u>	<u>97.2%</u>

The bond portfolio included 84.2% of federal government issues and 15.8% special revenue. The NAIC Securities Valuation Office (SVO) and/or a NAIC Acceptable Rating Organization (ARO) rated 100.0% of the bond portfolio as Class 1. Cash includes demand deposits.

The Company's investments were in compliance with Section 3925.08 of the ORC.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2007, and is summarized as follows:

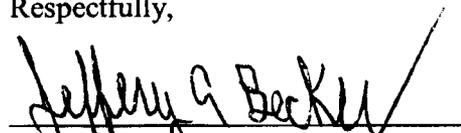
Total Admitted Assets	<u>\$13,747,577</u>
Liabilities	\$ 96,711
Surplus as Regards Policyholders	<u>13,650,866</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$13,747,577</u>

Acknowledgement

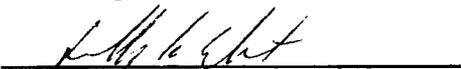
Appreciation is expressed for the assistance extended by the officers and employees of the Company during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: William C. Harrington, CFE, CPA (inactive), Chief Examiner, David T. Finkler, CPA; Methuselah E. Nyangoro, CPA; Richard J. Mack, CFE; Vicky L. Hugo, CPA; Louis F. Radecky, CPA (inactive); Edward J. Nagorny, CPA, CFE; Mark W. Boston, CPA; C. Cameron Piatt, CPCU, CFE; Bradley J. Schroer; Mary D. Miller, FCAS, MAAA; William H. Ward, CPA, CFE; Floyd D. Meeks, AES; and Dominik R. Ilc, AES.

Respectfully,



Jeffery A. Becker, CFE
Examiner-In-Charge
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2007.

Jeffery A. Becker
Jeffery A. Becker, CFE
Examiner-In-Charge

2/12/09
Date

Jeffrey K. Ebert
Jeffrey K. Ebert, CFE
Assistant Chief Examiner

2/12/09
Date

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffery A. Becker, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 12 day of February, 2009.

Elizabeth Chase
Notary Public
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named, Jeffrey K. Ebert, personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 12 day of February, 2009.

Elizabeth Chase
Notary Public
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2012
My Commission Expires