

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
Progressive Southeastern Insurance Company)
6300 Wilson Mills Road, W33)
Cleveland, Ohio 44143-2182)

Examination of: **Progressive Southeastern Insurance Company**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Progressive Southeastern Insurance Company, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of Progressive Southeastern Insurance Company shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

May 30, 2019
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0472

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Examination of: **Progressive Southeastern Insurance Company**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Progressive Southeastern Insurance Company (hereinafter "Company") for the time period January 1, 2013 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 10, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 24, 2019 and was received by the Company on May 24, 2019.

On May 29, 2019, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2017.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance laws of the state of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, as amended, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination, as amended. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 30 day of May, 2019.

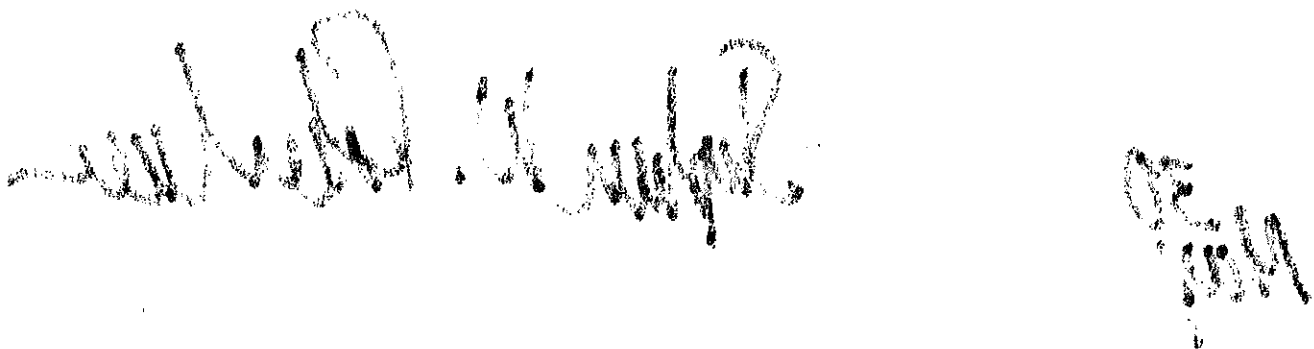

Stephen W. Robertson
Insurance Commissioner

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

The bottom of the page features three distinct handwritten signatures in black ink. The first signature on the left is a cursive name that appears to be 'Michael J. ...'. The middle signature is also cursive and less legible. The third signature on the right is a more stylized cursive name, possibly 'John ...'. These signatures are positioned below the main body of text.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

PROGRESSIVE SOUTHEASTERN INSURANCE COMPANY

NAIC Co. CODE 38784
NAIC GROUP CODE 0155

As of

December 31, 2017

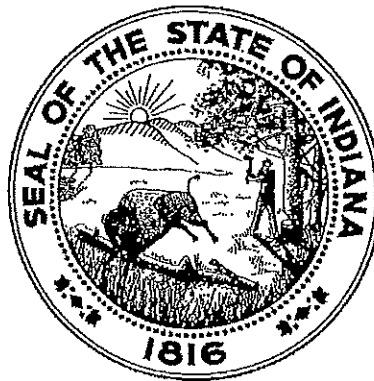


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STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner
311 W. Washington Street, Suite 103
Indianapolis, Indiana 46204-2787
Telephone: 317-232-2385
Fax: 317-232-5251
Website: in.gov/idoi

April 10, 2019

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3964, an examination has been made of the affairs and financial condition of:

Progressive Southeastern Insurance Company
6300 Wilson Mills Road, W33
Cleveland, Ohio 44143-2182

hereinafter referred to as the "Company", an Indiana domestic stock, property and casualty insurance company. The examination was conducted at the corporate offices of the Company in Cleveland, Ohio.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2385/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2008 through December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

The examination of the Ohio domestic insurance companies of The Progressive Corporation (TPC) was called by Ohio Department of Insurance (OHDOI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The OHDOI served as the lead state on the examination, and the INDOI and the states of California, Delaware, Florida, Illinois, Louisiana, Michigan, New Jersey, New York, Texas, and Wisconsin served as participants.

The OHDOI staff provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2017.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company is a property and casualty insurance company incorporated on March 11, 1980, under the laws of the state of Florida and re-domesticated to the state of Indiana on May 26, 2006. The Company is a 100% owned subsidiary of Drive Insurance Holdings, Inc. (Progressive Drive), a subsidiary of TPC.

The Progressive insurance organization started as Progressive Mutual Insurance Company (PMIC) in 1937 to provide standard automobile insurance for blue-collar workers. PMIC began writing nonstandard automobile insurance in 1957. In 1965, TPC was formed and during the 1960s grew rapidly concentrating its efforts in nonstandard auto. In 1971, TPC became a publicly-traded company. By this time, nonstandard auto represented 90% of its total business. In 1974, TPC moved to its present headquarters in Mayfield Village, Ohio. In 1990, PMIC was liquidated by distributing its surplus to policyholders. In 1993, the private passenger automobile operations were further expanded into the standard and preferred markets. In 2015, TPC acquired a controlling interest in ARX Holding Corp., the parent company of American Strategic Insurance (ASI), a collective group of insurance companies. Through ASI, the Company writes residential property, flood, and umbrella insurance for homeowners, other property owners, and renters.

CAPITAL AND SURPLUS

The Company has 40,000 authorized shares of common stock, of which 30,000 shares are issued and outstanding. All shares have a par value of \$100. All issued and outstanding shares have been owned by Progressive Drive throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid the following dividends to Progressive Drive during the examination period:

<u>Year</u>	<u>Total</u>	<u>Ordinary Dividends</u>	<u>Extraordinary Dividends</u>
2017	\$ -	\$ -	\$ -
2016	-	-	-
2015	3,000,000	3,000,000	-
2014	3,500,000	3,500,000	-
2013	4,000,000	4,000,000	-
Total	<u>\$ 10,500,000</u>	<u>\$ 10,500,000</u>	<u>\$ -</u>

In accordance with IC 27-1-23-4(h), the payment of dividends to holding companies or affiliated insurers may not exceed the greater of 10% of the prior year's surplus or the net income of such insurer of the prior year. Dividends paid during the examination period were ordinary in nature and did not require prior regulatory approval. In accordance with IC 27-1-23-1.5, the Company notified the INDOI of all declared dividends to the parent during the examination period.

TERRITORY AND PLAN OF OPERATION

The companies are serviced by almost 34,000 employees and more than 35,000 independent agents. The Personal Lines products are sold through both the agency and direct channels. In 1995, TPC began marketing on the internet. The total net premiums written represented 55% of the Personal Lines volume in 2017. The direct business includes business written directly online, via mobile devices, and over the phone. The Commercial Auto segment writes primarily liability and physical damage insurance for automobiles and trucks owned by small business though both the independent agency and direct channels.

While the Company writes most of its direct business in Georgia, Indiana, and North Carolina it is a member of the Progressive Agency Pool (Agency Pool) of companies that writes private passenger automobile and other specialty insurance coverages and related services nationally. The Agency Pool also writes commercial automobile business written though both the agency channel and direct channel and consists primarily of liability and physical damage insurance for automobiles and trucks owned by small businesses.

The Company was licensed in Florida, Georgia, Hawaii, Indiana, Mississippi, North Carolina, Ohio, Oklahoma, Texas, and Washington as of December 31, 2017. The Company is an accredited reinsurer in the state of New York.

As of December 31, 2017, all of the Company's direct premium writings were in the following lines of business: Private Passenger Auto Liability (40.2%), Auto Physical Damage (38.4%), Commercial Auto Liability (16%),

Inland Marine (2.9%), Homeowner Multiple Peril (1.6%), and Other Liability-Occurrence (.9%).

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets	Liabilities	Surplus and Other Funds	Premiums Earned	Net Income
2017	\$ 210,946,813	\$ 136,438,680	\$ 74,508,133	\$ 127,202,249	\$ 7,653,768
2016	179,886,055	113,333,529	66,552,526	110,370,573	5,635,701
2015	160,508,484	99,625,004	60,883,480	100,717,622	7,641,234
2014	151,641,136	95,181,274	56,459,862	99,280,435	7,611,050
2013	143,409,662	90,905,668	52,503,994	94,111,135	6,163,921

The Company's largest asset is invested assets, which increased 20.7% throughout the examination period, to approximately \$76.1 million at year end 2017. Losses and loss adjustment expense reserves increased by 44.2% throughout the examination period. This is primarily due to the 42.8% increase in premiums earned throughout the examination period.

The Company has a history of increases in surplus primarily due to net underwriting and investment gains. It was noted that the Company surplus increased 48% or \$24 million throughout the examination period. In addition, capital contributions of \$2,000,000 from Progressive Drive in 2017 were provided.

The financial results are significantly impacted by the financial results of the Agency Pool, which is comprised of Progressive Casualty Insurance Company (PCIC), the lead company, and thirteen (13) affiliated insurers. All business written in the Agency Pool is pooled, the combined premiums distributed, and losses and expenses prorated. Pooling percentages are reviewed and updated annually, with the Company's participation percentage being 1% as of December 31, 2017.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of no less than five (5) and at least one (1) of the Directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors at December 31, 2017, and their principal occupations as of that date:

Name and Address	Principal Occupation
Charles Ernest Conover Hudson, Ohio	Product Manager The Progressive Corporation
Cheryl Lynn Strawhacker Greenfield, Indiana	Senior Sales Representative The Progressive Corporation
Richard Russell Crawley Stow, Ohio	Personal Lines General Manager The Progressive Corporation
Kathryn Margaret Lemieux Chagrin Falls, Ohio	Business Leader, CRM Systems The Progressive Corporation
Geoffrey Thomas Souser Hudson, Ohio	Business Leader, CRM Customer Care The Progressive Corporation

Officers

The Bylaws state that the officers of the Company elected by the Board shall consist of a President, a Treasurer, a Secretary, and such officers as the Board may deem advisable. The President, any Vice President who succeeds to the office of the president, and the chairman of the board shall be, but the other officers need not be, chosen from among the members of the board of directors. Any two of such offices, other than that of President and Vice President and that of President and Secretary, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity.

The following is a list of key officers and their respective titles as of December 31, 2017:

Name	Office
Geoffrey Thomas Souser	President
Patrick Sean Brennan	Treasurer
Peter James Albert	Secretary
Mary Beth Andreano	Vice President
Karen Barone Bailo	Vice President
Christina Lynn Crews	Assistant Secretary
James Lee Kusmer	Assistant Treasurer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

OATH OF OFFICE

IC 27-1-7-10(i) stipulates that every director, when elected, shall take and subscribe to an oath stating that he or she will faithfully, honestly, and diligently administer the affairs of the Company and will not knowingly violate any of the laws applicable to such Company. It was determined that all directors listed in the Management and Control section of this Report of Examination have subscribed to an oath as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

IC 27-1-7-7(b) states an annual meeting of shareholders, members, or policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. The Company's Bylaws specify that the annual meeting of shareholders is to be held on the third Thursday of April of each year. For each year under review, the annual meeting of shareholders was held within five (5) months following the close of each fiscal year.

TPC committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit Committee, Compensation Committee, Executive Committee, Investment & Capital Committee, and Nominating & Governance Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2017:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
The Progressive Corporation		OH
Drive Insurance Holdings, Inc.		DE
Progressive West Insurance Company	27804	OH
Progressive Mountain Insurance Company	35190	OH
Progressive Preferred Insurance Company	37834	OH
Progressive Classic Insurance Company	42994	WI
Progressive Bayside Insurance Company	17350	OH
Progressive Hawaii Insurance Corp.	10067	OH
Progressive Southeastern Insurance Company	38784	IN
Drive New Jersey Insurance Company	11410	NJ
Progressive Michigan Insurance Company	10187	MI
Progressive Northern Insurance Company	38628	WI
Progressive Commercial Advantage Agency, Inc.		OH
Progressive Commercial Casualty Company	12879	OH
Progressive Security Insurance Company	10050	LA
Progressive Northwestern Insurance Company	42919	OH
Progressive American Insurance Company	24252	OH
Progressive Casualty Insurance Company	24260	OH
Progressive Gulf Insurance Company,	42412	OH
PC Investment Company		DE
Progressive Specialty Insurance Company	32786	OH
Trussville Cahaba, AL, LLC		OH

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Management Agreement

The Company does not have employees or facilities. Management operations and claims services are provided under a Management Agreement with PCIC, an insurance affiliate 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. During 2017, the Company paid PCIC \$22,295,410 for these services.

Investment Services Agreement

The Company participates in an investment services agreement with Progressive Capital Management Corporation. (PCMC), 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. During 2017, the Company paid PCMC \$53,841 for these services.

Administrator Agreement

The Company participates in a program administrator agreement with ASI Underwriters (ASIU), a non-insurance affiliate. Under the terms of the agreement, ASIU charges a fee for designing, implementing, and administering the Company's Renter Insurance Program. During 2017, the Company paid ASIU \$168,037 for these services.

Cash Management Agreement

This agreement, effective January 1, 1998, provides for the Company's participation in the TPC central cash management system (cashier account) in which all the cash of TPC holding company system's companies were deposited. Pursuant to this agreement, PCIC was responsible in a fiduciary capacity for the Company's cash and performed all the Company's duties and operations as they pertain to cash, including the payment of the Company's obligations.

Interest Agreement

The Company became a participant, effective January 1, 1980, to the existing Interest Agreement with PCIC and members of the holding company system. Pursuant to the agreement, the Company agrees to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC as a result of the activity in the cashier account as stated in the Cash Management Agreement. During 2017, the Company paid \$279,208 in interest to PCIC.

Tax Allocation Agreement

The Company's federal income tax return is consolidated with TPC and all of its wholly-owned U.S. subsidiaries. The method of allocation is based upon separate tax return calculations with current credit for net losses utilized in the consolidated tax return. Settlements are to be made within ninety (90) days of each quarter in which TPC is required to make a federal income tax estimated payment.

Reinsurance

See the Reinsurance section of this Report of Examination for further information on affiliated reinsurance agreements.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by the Federal Insurance Company, a member of the Chubb Insurance Group. The bond has a single loss coverage limit of \$10,000,000, with an aggregate amount of \$20,000,000, and a \$2,000,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2017, including but not limited to, commercial property liability, general liability, management indemnity/directors and officers liability, umbrella coverage, and workers' compensation.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company does not have employees or payroll and as such does not have legal obligations for employee benefit plans. Employees of other TPC entities provide management, operations, investment, and claims service under the agreements previously described in the Affiliated Agreements section of this Report of Examination.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits at December 31, 2017:

State	Book Value	Fair Value
For All Policyholders:		
Indiana	\$ 2,682,374	\$ 2,690,497
Florida	2,677,322	2,685,431
All Other Special Deposits:		
Georgia	45,464	45,602
North Carolina	353,609	354,680
Total Deposits	\$ 5,758,769	\$ 5,776,210

REINSURANCE

Reinsurance Pool

The Company is party to various reinsurance agreements including a pooling agreement with Agency Pool. All of the underwriting business of each member company, net of external reinsurance, is ceded to PCIC, the pool manager and a pool participant. The combined premiums, losses, and expenses are then retroceded to each Agency Pool member based on pre-determined pooling percentages. The companies participating in the Agency Pool are listed below, each with their respective pooling percentage:

Name of Pool Members	Percentage of Pool	Domiciliary State
Progressive Casualty Insurance Company	49.0%	OH
Progressive Northern Insurance Company	12.0%	WI
Progressive Northwestern Insurance Company.	12.0%	OH
Progressive Specialty Insurance Company	7.0%	OH
Progressive Preferred Insurance Company	6.0%	OH
Progressive Michigan Insurance Company	4.0%	MI
Progressive Classic Insurance Company	3.0%	WI
Progressive American Insurance Company	2.0%	OH
Progressive Gulf Insurance Company	2.0%	OH
Progressive Bayside Insurance Company	1.0%	OH
Progressive Mountain Insurance Company	1.0%	OH
Progressive Southeastern Insurance Company	1.0%	IN
Progressive Hawaii Insurance Corp.	0.0%	OH
National Continental Insurance Company	0.0%	NY
Total	100.0%	

Ceded Reinsurance

Effective October 11, 2016, the Company and thirty-two (32) affiliates entered into an Excess of Loss Agreement with Swiss Reinsurance America Corporation that applies to commercial vehicle policies with vehicle liability limits in excess of \$1 million, but not to exceed \$2 million per occurrence and subject to a maximum limit of liability of \$5 million in the aggregate under any one (1) contract year. The reinsurance agreement is effective through April 11, 2018.

The Company participates in a quota-share reinsurance agreement with General Reinsurance Corporation. Under the reinsurance agreement, which applies to personal umbrella policies, the Company cedes 50% of premiums and losses on policies with limits of \$2 million or less and 80% of premiums and losses on policies with limits from \$2 million to \$5 million. The maximum gross and net exposure is \$5 million and \$1 million, respectively. The reinsurance agreement is continuous with no stated termination date.

The Company has policies in place to comply with SSAP 62R and 63.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and December 31, 2017, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2013 through December 31, 2017, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

PROGRESSIVE SOUTHEASTERN INSURANCE COMPANY

Assets

As of December 31, 2017

	<u>Per Examination*</u>
Bonds	\$ 73,139,599
Cash, cash equivalents and short-term investments	3,010,476
Receivables for securities	35,000
Subtotals, cash and invested assets	<u>76,185,075</u>
Investment income due and accrued	706,959
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	14,038,540
Deferred premiums, agents' balances and installments booked but deferred and not yet due	85,397,528
Reinsurance:	
Amounts recoverable from reinsurers	10,257,091
Net deferred tax asset	3,063,089
Receivables from parent, subsidiaries and affiliates	18,578,247
Aggregate write-ins for other-than-invested assets	<u>2,720,284</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	210,946,813
TOTAL	<u>\$ 210,946,813</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROGRESSIVE SOUTHEASTERN INSURANCE COMPANY
 Liabilities, Surplus and Other Funds
 As of December 31, 2017

	Per Examination*
Losses	\$ 44,259,341
Reinsurance payable on paid losses and loss adjustment expenses	801,981
Loss adjustment expenses	9,390,375
Commissions payable, contingent commissions and other similar charges	314,005
Other expenses	6,013,394
Taxes, licenses and fees	1,070,258
Current federal and foreign income taxes on realized capital gains (losses)	1,441,632
Unearned premiums	42,244,705
Advance premium	3,386,765
Ceded reinsurance premiums payable	7,108,137
Drafts outstanding	16,195,722
Aggregate write-ins for liabilities	4,212,365
Total liabilities excluding protected cell liabilities	136,438,680
Total liabilities	136,438,680
Common capital stock	3,000,000
Gross paid in and contributed surplus	15,923,877
Unassigned funds (surplus)	55,584,256
Surplus as regards policyholders	74,508,133
TOTAL	\$ 210,946,813

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROGRESSIVE SOUTHEASTERN INSURANCE COMPANY

Statement of Income

For the Year Ended December 31, 2017

	<u>Per Examination*</u>
UNDERWRITING INCOME	
Premiums earned	\$ 127,202,249
DEDUCTIONS	
Losses incurred	79,175,974
Loss adjustment expenses incurred	13,463,192
Other underwriting expenses incurred	26,695,482
Aggregate write-ins for underwriting deductions	549
Total underwriting deductions	<u>119,335,197</u>
Net underwriting gain (loss)	7,867,052
INVESTMENT INCOME	
Net investment income earned	1,019,595
Net realized capital gains (losses) less capital gains tax	<u>(503,382)</u>
Net investment gain (loss)	516,213
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(4,631,925)
Finance and service charges not included in premiums	8,156,392
Aggregate write-ins for miscellaneous income	347,710
Total other income	<u>3,872,177</u>
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	12,255,442
Dividends to policyholders	
Net income, after dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	<u>12,255,442</u>
Federal and foreign income taxes incurred	4,601,674
Net income	<u>\$ 7,653,768</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

PROGRESSIVE SOUTHEASTERN INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2017	2016	2015	2014	2013
Surplus as regards policyholders, December 31 prior year	\$ 66,552,526	\$ 60,883,480	\$ 56,459,862	\$ 52,503,994	\$ 50,350,247
Net income	7,653,768	5,635,701	7,641,234	7,611,050	6,163,921
Change in net deferred income tax	(1,656,396)	579,729	182,407	(96,627)	135,446
Change in nonadmitted assets	(41,765)	(546,384)	(400,023)	(58,555)	(145,620)
Surplus adjustments:					
Paid in	2,000,000	-	-	-	-
Dividends to stockholders	-	-	(3,000,000)	(3,500,000)	(4,000,000)
Change in surplus as regards policyholders for the year	7,955,607	5,669,046	4,423,618	3,955,868	2,153,747
Surplus as regards policyholders, December 31 current year	<u>\$ 74,508,133</u>	<u>\$ 66,552,526</u>	<u>\$ 60,883,480</u>	<u>\$ 56,459,862</u>	<u>\$ 52,503,994</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues to report.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of fieldwork which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Progressive Southeastern Insurance Company, as of December 31, 2017.

The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of Progressive Southeastern Insurance Company as of December 31, 2017, as determined by the undersigned.

Paul Ellis
Paul Ellis, CFE
Noble Consulting Services, Inc.

Under the Supervision of:

Jerry Ehlers
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 8th day of April, 2019, before me personally appeared, Paul Ellis and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: September 1, 2021

Samuel Patton
Notary Public



SAMUEL PATTON
Notary Public, State of Oh
My Commission Expires
September 1, 2021

SAMUEL PATTON
Notary Public, State of Ohio
My Commission Expires
September 1, 2021

