

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

IN THE MATTER OF:)

Progressive Paloverde Insurance Company)
6300 Wilson Mills Road, W33)
Cleveland, OH 44143)

Examination of Progressive Paloverde 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 Paloverde 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 Paloverde 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.

Date

1/13/14



Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0026 0031 28

STATE OF INDIANA)
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COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)

Progressive Paloverde Insurance Company)
6300 Wilson Mills Road, W33)
Cleveland, OH 44143)

Examination of Progressive Paloverde Insurance Company

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Progressive Paloverde Insurance Company (hereinafter "Company") for the time period January 1, 2008 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on September 20, 2013.

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 November 27, 2013 and was received by the Company on December 3, 2013.

On December 17, 2013, 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, 2012.
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 and Sealed this 13 day of
January, 2014.


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.

Robert A. Campbell

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

PROGRESSIVE PALOVERDE INSURANCE COMPANY
NAIC Co. CODE 44695
NAIC GROUP CODE 0155

As of

December 31, 2012

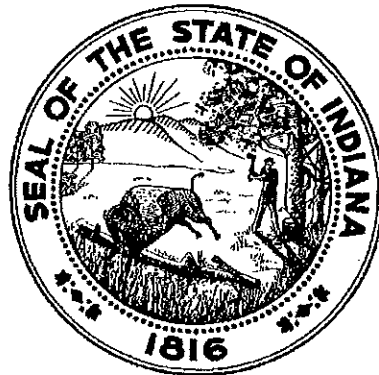


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	3
DIVIDENDS TO STOCKHOLDERS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	4
CONFLICT OF INTEREST.....	5
OATH OF OFFICE.....	5
CORPORATE RECORDS.....	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	6
Organizational Structure.....	6
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE.....	7
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	7
STATUTORY DEPOSITS.....	7
REINSURANCE.....	8
ACCOUNTS AND RECORDS.....	8
FINANCIAL STATEMENTS.....	9
Assets.....	9
Liabilities, Surplus and Other Funds.....	10
Statement of Income.....	11
Capital and Surplus Account Reconciliation.....	12
COMMENTS ON THE FINANCIAL STATEMENTS.....	13
OTHER SIGNIFICANT ISSUES.....	13
SUBSEQUENT EVENTS.....	13
AFFIDAVIT.....	14



STATE OF INDIANA

MICHAEL R. PENCE, Governor

IDOI

INDIANA DEPARTMENT OF INSURANCE
311 W. WASHINGTON STREET, SUITE 300
INDIANAPOLIS, INDIANA 46204-2787
TELEPHONE: (317) 232-2385
FAX: (317) 232-5251

Stephen W. Robertson, Commissioner

September 20, 2013

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 3743, an examination has been made of the affairs and financial condition of:

Progressive Paloverde Insurance Company
6300 Wilson Mills Road, W33
Mayfield Village, 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 Progressive Corporation, "TPC", in Cleveland, Ohio.

The Report of Examination, reflecting the status of the Company as of December 31, 2012, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES
(317) 232-2413

COMPANY COMPLIANCE
(317) 233-0697

CONSUMER SERVICES
(317) 232-2395
In-State 1-800-622-4461

EXAMINATIONS / FINANCIAL SERVICES
(317) 232-2390

MEDICAL MALPRACTICE
(317) 232-2402

SECURITIES / COMPANY RECORDS
(317) 232-1991

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2007. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2008 through December 31, 2012, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating 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.

The examination of the Ohio domestic insurance companies of TPC was called by the 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, INDOI and the state insurance departments representing Louisiana, Michigan, New Jersey, New York, Texas, and Wisconsin served as participants.

Thomas Botsko, ACAS, MAAA, an employee of the OHDOI, conducted a review of the Company's loss and loss adjustment expense reserves as of December 31, 2012. There were no actuarial adjustments resulting from the review.

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

HISTORY

The Company was incorporated under Arizona law by TPC on October 15, 1991, as Paloverde Insurance Company of Arizona and commenced business on January 28, 1992. On January 28, 1997, its name was changed to Progressive Paloverde Insurance Company. Effective May 26, 2006, the Company was redomesticated to Indiana from Arizona. The Company is a 100% owned subsidiary of Progressive Direct Holdings, Inc., (Progressive Direct), a direct 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 1999, TPC became the fourth largest automobile insurance company in the country.

CAPITAL AND SURPLUS

The Company has 450 authorized shares of common stock, of which 300 shares are issued and outstanding. All shares have a par value of \$5,000 and all issued and outstanding shares have been owned by Progressive Direct throughout the examination period.

DIVIDENDS TO STOCKHOLDERS

The Company paid no dividends during the examination period.

The Company received two (2) capital contributions from Progressive Direct during the exam period, \$2,000,000 during 2010 and \$2,000,000 during 2009.

TERRITORY AND PLAN OF OPERATION

TPC ranks fourth in market share in the U.S. private passenger auto market based on net premiums written. Its companies are serviced by over 25,000 employees and more than 35,000 independent agents. The Personal Lines products are sold through both the agency and direct channel. In 1995, TPC began marketing on the internet. The total net premiums written through the agency channel represented 56% of the Personal Lines volume in 2012. The direct business includes business written directly online, via mobile devices, and over the phone. The direct channel represented 44% of the Personal Lines volume in 2012. The Commercial Auto segment writes primarily liability and physical damage insurance for automobiles and trucks owned by small businesses through both the independent agency and direct channels. This segment represented approximately 10% of the total net premiums written during each of the last three (3) years.

While the Company writes most of its direct business in Indiana and Louisiana, the Company is a member of the Progressive Direct Pool (Direct Pool) of companies that writes personal automobile coverages nationally. The Company was licensed in Arizona, Indiana, Louisiana, Ohio, Virginia, and West Virginia as of December 31, 2012.

All of the Company's direct premium writings during 2012 were in the following lines of business: Private Passenger Auto Liability (56.0%), Auto Physical Damage (30.6%), Commercial Auto Liability (9.6%), Commercial Auto Physical Damage (2.2%), Inland Marine (1.2%), and Other Liability-Occurrence (.4%).

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Surplus and Other Funds</u>	<u>Premiums Earned</u>	<u>Net Income</u>
2012	\$101,236,441	\$ 68,467,240	\$ 32,769,201	\$ 27,038,684	\$ 2,085,372
2011	99,165,772	68,433,328	30,732,444	25,023,484	2,151,126
2010	83,822,320	55,243,075	28,579,245	23,094,030	1,986,363
2009	72,164,482	47,472,344	24,692,139	20,807,125	1,849,390
2008	64,897,360	44,151,555	20,745,804	18,512,922	1,727,069

Invested assets are the largest asset of the Company and have increased 68.5% throughout the exam period, to \$48.9 million. Loss and loss adjustment expense reserves increased throughout the exam period by 32.4%, primarily due to an increase in net written premiums.

The Company has a history of increases in surplus primarily due to net underwriting and investment gains. It was noted that Company surplus increased 71.6% or \$13.6 million throughout the exam period, \$4 million of which was in capital contributions.

The Company's financial results are significantly impacted by the financial results of the Direct Pool, which is comprised of Progressive Direct, the lead company, and seven (7) affiliated insurers. All business written in the Direct Pool is pooled, the combined premiums distributed, and losses and expenses pro-rated. Pooling percentages are reviewed and updated annually. The Company's participation percentage was .5% as of December 31, 2012.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors consisting of no less than five (5) directors. The shareholder at each annual meeting elects the members of the Board of Directors.

The following is a listing of persons serving as directors at December 31, 2012, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Steven Anthony Broz Chagrin Falls, Ohio	Project Mgmt. Office Leader, Information Technology The Progressive Corporation
Patrick Kevin Callahan Chardon, Ohio	Acquisition Leader, Personal Lines The Progressive Corporation
James Russell Haas Cleveland Heights, Ohio	Process Business Leader, Claims Resolution The Progressive Corporation
James Dean Huscroft, III Carmel, Indiana	Claims Business Leader The Progressive Corporation
Caroline Mae Koran Bay Village, Ohio	Business Leader Customer Care Process, Personal Lines The Progressive Corporation

Officers

The Company's Bylaws state the officers of the Company, who shall be elected by the Board of Directors, shall consist of a President, Secretary, Treasurer, and such other officers as the Board of Directors may deem advisable. The same person may hold any two (2) or more offices.

The following is a list of key officers and their respective titles as of December 31, 2012:

<u>Name</u>	<u>Office</u>
Steven Anthony Broz	President
Daniel Joseph Witalec	Treasurer
Michael Robert Uth	Secretary
James Russell Hass	Vice President
Mariann Wojtkun Marshall	Vice President
Scott Edward Coleman	Assistant Treasurer
Karen Ann Kosuda	Assistant Secretary

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that officers and directors listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of year-end 2012.

OATH OF OFFICE

Indiana Code (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 noted that each Board member subscribed to an Oath of Office.

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 of Directors' quarterly meeting and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

Indiana Code 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. For each year under review, the Company's 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, Corporate Governance, Executive Committee, Investments Committee, and Nominating Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and direct affiliates as of December 31, 2012:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
The Progressive Corporation		OH
Progressive Direct Holdings, Inc.		DE
Progressive Freedom Insurance Company	12302	NJ
Progressive Specialty Insurance Agency		OH
Progressive Auto Pro Insurance Agency		FL
Progressive Choice Insurance Company	44288	OH
Mountain Laurel Assurance Company	44180	OH
Progressive Advanced Insurance Company	11851	OH
Progressive Marathon Insurance Company	37605	MI
Progressive Select Insurance Company	10192	OH
Progressive Max Insurance Company	24279	OH
Progressive Paloverde Insurance Company	44695	IN
Progressive Premier Insurance Company of Illinois	21735	OH
Progressive Universal Insurance Company	21727	WI
Progressive Direct Insurance Company	16322	OH
Progressive Garden State Insurance Company	14800	NJ

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statements and were filed as required with the INDOI in accordance with IC 27-1- 23-4. Various inter-company agreements provide for the pooling of underwriting results as well as centralized cash and investment management systems.

Management Agreement

Management, operations, and claims services are provided under a Management Agreement with Progressive Direct. Under the terms of the agreement, the Company is provided underwriting and loss adjustment expense services for business produced in exchange for a management fee based on the Company's use of services. During 2012, the Company paid Progressive Direct \$7,778,272 for these services.

Investment Services Agreement

The Company participates in an Investment Services Agreement with Progressive Capital Management Corporation, 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.

Cash Management Agreement

This agreement, effective January 1, 1998, provided 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, Progressive Casualty Insurance Company (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 agreed to pay PCIC or to 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.

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 its 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 meets the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage protection in-force at December 31, 2012, including but not limited to, commercial property liability, employment practices liability, management indemnity/directors and officers liability, professional indemnity liability, 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 Agreement section of this Report of Examination.

STATUTORY DEPOSITS

The Company reported the following statutory deposits at December 31, 2012:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 578,955	\$ 608,820
All Other Special Deposits:		
Virginia	274,504	288,665
Total Deposits	<u>\$ 853,459</u>	<u>\$ 897,485</u>

REINSURANCE

The Company is a party to various reinsurance agreements including a pooling agreement with affiliated property casualty companies (Direct Pool). All of the underwriting business of each member company, net of external reinsurance, is ceded to Progressive Direct, the Direct Pool manager and a pool participant. The combined premiums, losses, and expenses are retroceded to each pool member based on pooling percentages.

The Companies participating in the Direct Pool are listed below, each with their respective pooling percentage as of 12/31/12:

<u>Name of Pool Members</u>	<u>Percentage of Pool</u>	<u>State of Domicile</u>
Progressive Direct Insurance Company	77.5%	OH
Progressive Marathon Insurance Company	6.0%	MI
Progressive Max Insurance Company	6.0%	OH
Progressive Advanced Insurance Company	4.0%	OH
Progressive Universal Insurance Company	4.0%	WI
Progressive Premier Insurance Company of Illinois	2.0%	OH
Progressive Paloverde Insurance Company	0.5%	IN
Mountain Laurel Assurance Company	0.0%	OH
Total	<u>100.0%</u>	

The Direct Pool's affiliated assumed reinsurance transactions are a result of 90% quota-share reinsurance agreements with four (4) of its non-pooled insurance affiliates. The Direct Pool's non-affiliated ceded reinsurance transactions primarily arise from its participation in voluntary state-provided reinsurance facilities.

Ceded Reinsurance

Effective April 11, 2011, the Company and thirty-two (32) affiliates entered into an Excess of Loss Agreement with Swiss Reinsurance America Corporation (Swiss Re) that applies to commercial vehicle policies with vehicle liability limits in excess of \$1 million, but not to exceed \$2 million. The companies cede to Swiss Re \$1 million in excess of \$1 million.

The Company has policies and procedures 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, 2011 and 2012, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2008 through December 31, 2012, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and accounting records were deemed satisfactory.

PROGRESSIVE PALOVERDE INSURANCE COMPANY

Assets

As of December 31, 2012

	Per Examination*
Bonds	\$ 48,963,106
Investment income due and accrued	478,187
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	6,104,286
Deferred premiums, agents' balances and installments booked but deferred and not yet due	45,063,644
Reinsurance:	
Amounts recoverable from reinsurers	(872,201)
Net deferred tax asset	1,499,216
Aggregate write-ins for other than invested assets	203
Totals	<u>\$ 101,236,441</u>

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

PROGRESSIVE PALOVERDE INSURANCE COMPANY
Liabilities, Surplus and Other Funds
As of December 31, 2012

	<u>Per Examination*</u>
Losses	\$ 9,013,072
Reinsurance payable on paid losses and loss adjustment expenses	151,177
Loss adjustment expenses	1,878,228
Commissions payable, contingent commissions and other similar charges	255
Other expenses	82,275
Taxes, licenses and fees	225,790
Current federal and foreign income taxes	167,178
Unearned premiums	7,136,260
Advance premium	1,147,325
Ceded reinsurance premiums payable	1,290,669
Drafts outstanding	11,995,012
Payable to parent, subsidiaries and affiliates	9,309,537
Aggregate write-ins for liabilities	26,070,462
Total liabilities	<u>68,467,240</u>
Common capital stock	1,500,000
Gross paid in and contributed surplus	18,000,000
Unassigned funds (surplus)	13,269,201
Surplus as regards policyholders	<u>32,769,201</u>
Totals	<u>\$ 101,236,441</u>

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

PROGRESSIVE PALOVERDE INSURANCE COMPANY
Statement of Income
For the Year Ended December 31, 2012

	<u>Per Examination*</u>
UNDERWRITING INCOME	
Premiums earned	\$ 27,038,684
DEDUCTIONS	
Losses incurred	17,136,165
Loss adjustment expenses incurred	2,932,323
Other underwriting expenses incurred	5,818,315
Total underwriting deductions	25,886,803
Net underwriting gain (loss)	1,151,881
INVESTMENT INCOME	
Net investment income earned	931,816
Net realized capital gains (losses) less capital gains tax	(5,546)
Net investment gain (loss)	926,270
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(2,818,015)
Finance and service charges not included in premiums	3,580,888
Aggregate write-ins for miscellaneous income	2,951
Total other income	765,824
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	2,843,975
Federal and foreign income taxes incurred	758,603
Net income	\$ 2,085,372

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

PROGRESSIVE PALOVERDE INSURANCE COMPANY
Capital and Surplus Account Reconciliation

	2012	2011	2010	2009	2008
Surplus as regards policyholders, December 31 prior year	\$ 30,732,444	\$ 28,579,245	\$ 24,692,139	\$ 20,745,804	\$ 19,090,868
Net income	2,085,372	2,151,126	1,986,363	1,849,390	1,727,069
Change in net deferred income tax	5,473	252,654	166,381	72,674	132,000
Change in nonadmitted assets	(123,882)	(250,581)	(265,638)	24,271	(204,133)
Cumulative effect of changes in accounting principles	69,794	-	-	-	-
Capital changes: Paid in	-	-	2,000,000	2,000,000	-
Change in surplus as regards policyholders for the year	<u>2,036,757</u>	<u>2,153,199</u>	<u>3,887,106</u>	<u>3,946,335</u>	<u>1,654,936</u>
Surplus as regards policyholders, December 31 current year	<u>\$ 32,769,201</u>	<u>\$ 30,732,444</u>	<u>\$ 28,579,245</u>	<u>\$ 24,692,139</u>	<u>\$ 20,745,804</u>

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2012, 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 field work 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 Paloverde Insurance Company**, as of December 31, 2012.

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 Paloverde Insurance Company** as of December 31, 2012, as determined by the undersigned.

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

State of: Indiana
County of: Marion

On this 25th day of Nov, 2013, before me personally appeared, Paul Ellis, 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: Dec 18, 2016

[Signature]
Notary Public



RYAN McGRAW
NOTARY PUBLIC, STATE OF OHIO
CUYAHOGA COUNTY
My Commission Expires 12/18/2016