

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, OH 44143)

Examination of Progressive Southeastern Insurance Company

NOTICE OF ENTRY OF ORDER

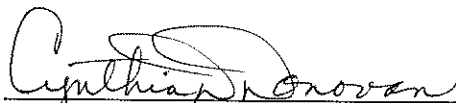
Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of Progressive Southeastern Insurance Company, any relevant examination work papers, and any written submissions or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

Date

1/13/14


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0026 0031 29

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6300 Wilson Mills Road, W33)
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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, 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 2, 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.

A handwritten signature in black ink, appearing to read "Robert S. [unclear]". The signature is written in a cursive style with a large initial 'R' and a long horizontal stroke.

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, 2012

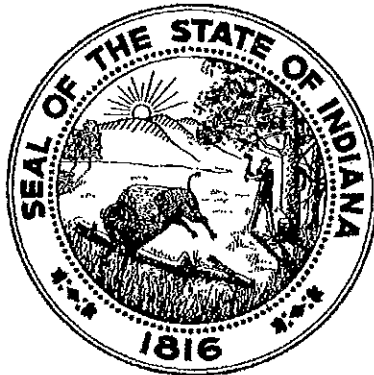


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STATE OF INDIANA

MICHAEL R. PENCE, Governor



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 3742, an examination has been made of the affairs and financial condition of:

**Progressive Southeastern Insurance Company
6300 Wilson Mills Road, W33
Mayfield Village, Ohio 44143-2182**

hereinafter referred to as the "Company", or "PSEIC", 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

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

PSEIC is a property and casualty insurance company incorporated on March 11, 1980, under the laws of the state of Florida. The Company redomesticated to the state of Indiana on May 26, 2006. PSEIC 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 1999, TPC became the fourth largest automobile insurance company in the country.

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 and 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>
2012	\$ -	\$ -	\$ -
2011	5,000,000	1,900,000	3,100,000
2010	4,800,000	4,800,000	-
2009	8,100,000	700,000	7,400,000
2008	6,000,000	6,000,000	-
Total	<u>\$23,900,000</u>	<u>\$13,400,000</u>	<u>\$ 10,500,000</u>

In accordance with Indiana Code (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. The Company paid two (2) extraordinary dividends during the examination period with the prior approval of the INDOI. Other 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.

The Company received no capital contributions during the examination period.

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 business 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 business 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 PSEIC writes most of its direct business in Indiana, Georgia, and North Carolina the Company 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 through 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, 2012.

The Company is an accredited reinsurer in the state of New York.

As of December 31, 2012, all of the Company's direct premium writings were in the following lines of business: Private Passenger Auto Liability (46.2%), Auto Physical Damage (31.5%), Commercial Auto Liability (12.0%), Commercial Auto Physical Damage (4.7%), Inland Marine (2.9%), Homeowner Multiple Peril (1.7%), and Other Liability-Occurrence (1.0%).

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
2012	\$140,519,683	\$ 90,169,436	\$ 50,350,247	\$ 89,067,257	\$ 4,172,944
2011	126,828,334	80,918,901	45,909,433	83,576,661	6,135,208
2010	123,851,109	79,200,782	44,650,327	80,998,541	6,724,640
2009	122,786,082	80,173,177	42,612,905	81,431,607	6,944,142
2008	129,706,088	86,032,586	43,673,502	81,238,503	6,712,041

Invested assets are the largest asset of the Company and have increased 37.2% throughout the exam period, to \$63.1 million. Loss and loss adjustment expense reserves increased throughout the exam period by 5.8%, primarily due to an increase in net written premiums of \$90.7 million or 8.4% in 2012, as compared to 2007.

The Company has a history of increases in surplus primarily due to net underwriting and investment gains. It was noted that Company surplus increased 17.0% or \$7.3 million throughout the exam period.

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 twelve (12) affiliated insurers. All business written in the Agency Pool is pooled, the combined premiums distributed, and losses and expenses pro-rated. Pooling percentages are reviewed and updated annually, with the Company's participation percentage being 1% 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) and no more than eleven (11) 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:

Name and Address	Principal Occupation
Kathryn Margaret Lemieux Chagrin Falls, Ohio	Customer Relations Systems Leader, Personal Lines The Progressive Corporation
Daniel Peter Mascaro Shaker Heights, Ohio	Business Leader Claims Legal, Claims Resolution The Progressive Corporation
David Lloyd Pratt Hudson, Ohio	Business Leader Usage Based Insurance, Personal Lines The Progressive Corporation
David James Skove Richmond, Virginia	Personal Lines Product Management General Manager The Progressive Corporation
Cheryl Lynn Strawhacker Greenfield, Indiana	Senior Sales Representative 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:

Name	Office
David James Skove	President
Thomas Alfred King	Treasurer
Dane Allen Shallow	Secretary
Mary Beth Andreano	Vice President
Karen Marie Bailo	Vice President
James Lee Kusmer	Assistant Treasurer
Kathleen Mary Cerny	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 corporation and will not knowingly violate any of the laws applicable to such corporation. It was noted that each Board member did subscribe 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 shareholder meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

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
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.	17350	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 Security Insurance Company	10050	LA
Progressive Northwestern Insurance Company	42919	OH
Progressive American Insurance Company	24252	OH
Progressive DLP Corp		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 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 PCIC. 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 PCIC \$16,450,470 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 PCIC 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 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 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 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 liability.

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	\$ 2,666,065	\$ 2,781,679
Florida	2,666,065	2,781,679
All Other Special Deposits:		
Georgia	45,273	47,236
North Carolina	352,122	367,392
Total Deposits	<u>\$ 5,729,525</u>	<u>\$ 5,977,986</u>

REINSURANCE

The Company is party to various reinsurance agreements including a pooling agreement with affiliated property and casualty companies (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:

<u>Name of Pool Members</u>	<u>Percentage of Pool</u>	<u>State of Domicile</u>
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
Total	<u>100.0%</u>	

The Agency Pool's affiliated assumed reinsurance transactions are a result of: (1) 90% quota-share reinsurance agreements with three (3) of its non-pooled insurance affiliates, (2) a 100% quota-share reinsurance agreement with Progressive County Mutual Insurance Company (PCMIC), an affiliate, and (3) an aggregate excess of loss reinsurance agreement with National Continental Insurance Company. The Agency Pool's ceded non-affiliated reinsurance transactions are primarily a result of business written under state-mandated involuntary Commercial Auto Insurance Plans/Procedures, for which the Agency Pool retains no indemnity risk, and state-provided reinsurance facilities.

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 Agency Pool's remaining reinsurance primarily arises from its umbrella product.

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 SOUTHEASTERN INSURANCE COMPANY

Assets

As of December 31, 2012

	Per Examination*
Bonds	\$ 63,139,561
Investment income due and accrued	375,061
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	9,024,128
Deferred premiums, agents' balances and installments booked but deferred and not yet due	49,209,323
Reinsurance:	
Amounts recoverable from reinsurers	4,499,097
Net deferred tax asset	3,918,530
Receivables from parent, subsidiaries and affiliates	9,622,193
Aggregate write-ins for other than invested assets	731,790
Totals	<u>\$ 140,519,683</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, 2012

	Per Examination *
Losses	\$ 31,021,071
Reinsurance payable on paid losses and loss adjustment expenses	711,211
Loss adjustment expenses	6,193,459
Commissions payable, contingent commissions and other similar charges	148,020
Other expenses	2,850,126
Taxes, licenses and fees	729,811
Current federal and foreign income taxes on realized capital gains (losses)	732,930
Unearned premiums	27,016,722
Advance premium	1,707,981
Ceded reinsurance premiums payable	5,492,959
Drafts outstanding	12,427,309
Aggregate write-ins for liabilities	1,137,837
Total liabilities	90,169,436
Common capital stock	3,000,000
Gross paid in and contributed surplus	13,923,877
Unassigned funds (surplus)	33,426,370
Surplus as regards policyholders	50,350,247
Totals	\$ 140,519,683

* 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, 2012

	Per Examination *
UNDERWRITING INCOME	
Premiums earned	\$ 89,067,257
DEDUCTIONS	
Losses incurred	57,700,447
Loss adjustment expenses incurred	9,208,222
Other underwriting expenses incurred	19,235,764
Total underwriting deductions	86,144,433
Net underwriting gain (loss)	2,922,824
INVESTMENT INCOME	
Net investment income earned	956,454
Net realized capital gains (losses) less capital gains tax	(91,133)
Net investment gain (loss)	865,321
OTHER INCOME	
Net gain (loss) from agents' or premium balances charged off	(3,525,113)
Finance and service charges not included in premiums	6,462,845
Aggregate write-ins for miscellaneous income	99,992
Total other income	3,037,724
Net income before dividends to policyholders, after capital gains tax and before all other federal and foreign income taxes	6,825,869
Federal and foreign income taxes incurred	2,652,925
Net income	\$ 4,172,944

* 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

	2012	2011	2010	2009	2008
Surplus as regards policyholders, December 31 prior year	\$ 45,909,433	\$ 44,650,327	\$ 42,612,905	\$ 43,673,502	\$ 43,042,270
Net income	4,172,944	6,135,208	6,724,640	6,944,142	6,712,041
Change in net deferred income tax	363,355	220,807	(32,045)	(38,924)	(135,627)
Change in nonadmitted assets	(95,485)	(96,909)	144,827	134,185	54,818
Dividends to stockholders		(5,000,000)	(4,800,000)	(8,100,000)	(6,000,000)
Change in surplus as regards policyholders for the year	4,440,814	1,259,106	2,037,422	(1,060,597)	631,232
Surplus as regards policyholders, December 31 current year	<u>\$ 50,350,247</u>	<u>\$ 45,909,433</u>	<u>\$ 44,650,327</u>	<u>\$ 42,612,905</u>	<u>\$ 43,673,502</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 Southeastern 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 Southeastern 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

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RYAN MCGRAW
HOVAY PUBLIC STATE OF OHIO
CUYAHOGA COUNTY
My Commission Expires 12/31/78