

Report
of the
Examination of
Progressive Classic Insurance Company
Cleveland, Ohio
As of December 31, 2017

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

Tony Evers, Governor
Mark V. Afable, Commissioner

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March 25, 2019

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Honorable Mark V. Afable
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

PROGRESSIVE CLASSIC INSURANCE COMPANY
Cleveland, Ohio

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Progressive Classic Insurance Company (the company or Progressive Classic) was conducted in 2013 as of December 31, 2012. The current examination covered the intervening period ending December 31, 2017, and included a review of such 2018 and 2019 transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of The Progressive Group. The Ohio Department of Insurance acted in the capacity as the lead state for the coordinated examinations. Work performed by the Ohio Department of Insurance was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks (including those that might materially affect the financial condition,

either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. 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 at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination." Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination.

Actuarial Review by the Ohio Insurance Department

The company is a participant in a comprehensive reinsurance pooling agreement with Progressive Casualty Insurance Company and other affiliates (referred to as the Agency Pool). The company's net loss and loss adjustment expense reserves are the product of the reserves of the Agency Pool, and the company's participation percentage in the pool.

An actuary on the staff of the Ohio Department of Insurance reviewed the adequacy of the company's loss reserves and loss adjustment expense reserves, as a function of its participation in the pool. The results of his work were reported to the examiner-in-charge.

II. HISTORY AND PLAN OF OPERATION

The company was organized in the state of Wisconsin on September 30, 1983, and commenced business on March 5, 1984. The Progressive Corporation (TPC), the ultimate parent company of The Progressive Group, was the parent and sole shareholder of the company until it transferred ownership to a downstream holding company, Drive Insurance Holdings, Inc., on January 1, 2004.

In 2017, the company wrote direct premium in the following states:

Oregon	\$148,876,093	48.7%
Utah	80,219,379	26.3
West Virginia	37,980,206	12.4
Maryland	10,454,647	3.4
Wisconsin	10,153,090	3.3
Georgia	8,448,588	2.8
Washington	6,430,930	2.1
All others	<u>2,931,481</u>	<u>1.0</u>
Total	<u>\$305,494,414</u>	<u>100.0%</u>

The company is licensed in the District of Columbia and the following 33 states:

Alaska, Arizona, Arkansas, Colorado, Delaware, Georgia, Idaho, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, New Mexico, Ohio, Oregon, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia, and Wisconsin. The company is also a qualified or accredited reinsurer in the state of New York.

The major products marketed by the company include private passenger auto liability, auto physical damage, commercial auto liability, inland marine, other liability – occurrence, and homeowners multi-peril. The major products are marketed through a network of approximately 35,000 independent insurance agents. The company also writes insurance through strategic business relationships with other insurance companies, financial institutions, and national agencies.

The company does not have any employees or facilities. Management and administrative services are provided to the company by affiliates, pursuant to services agreements described in the “Affiliated Companies” section of this report. The company’s major operations are conducted in Mayfield Village, Ohio (the corporate headquarters for The

Progressive Group). Additional support services are provided by Progressive Casualty Insurance Company's personnel in a network of call and claim administration centers.

The following table is a summary of the net insurance premiums written by the company in 2017. The growth of the company is discussed in the "Financial Data" section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Homeowners multiple peril	\$ 327,534	\$ 1,547,381	\$ 327,534	\$ 1,547,381
Inland marine	4,845,539	6,206,197	4,845,539	6,206,197
Medical professional liability - claims made		900		900
Other liability – occurrence	2,429,119	2,156,158	2,429,119	2,156,158
Other liability – claims made		8,250		8,250
Private passenger auto liability	208,065,871	222,835,490	208,065,871	222,835,490
Commercial auto liability	68,173	32,101,355	68,173	32,101,355
Auto physical damage	89,758,177	138,290,314	89,758,177	138,290,314
Surety		293		293
Total All Lines	<u>\$305,494,414</u>	<u>\$403,146,338</u>	<u>\$305,494,414</u>	<u>\$403,146,338</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of seven members. Seven directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no additional compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Heather Elizabeth Day Cleveland Heights, Ohio	Business Leader – Agency Distribution The Progressive Corporation	2019
Richard R. Crawley Stow, Ohio	Personal Lines – General Manager The Progressive Corporation	2019
John Allen Curtiss, Jr. Chagrin Falls, Ohio	National Product Development Leader The Progressive Corporation	2019
Kathryn M. Lemieux Chagrin Falls, Ohio	Customer Relations Mgmt Systems Leader The Progressive Corporation	2019
Mark D. Niehaus Granite Bay, California	Personal Lines General Manager The Progressive Corporation	2019
Charles Ernest Conover Hudson, Ohio	Business Leader Agency Systems The Progressive Corporation	2019
Geoffrey T. Souser Hudson, Ohio	Business Leader – Customer Care The Progressive Corporation	2019

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office	2017 Compensation*
Karen Barone Bailo	President	\$11,017
Patrick Sean Brennan	Treasurer	5,537
Peter James Albert	Secretary and Vice President	5,920
Mary Beth Andreano	Vice President	3,324
James Lee Kusmer	Assistant Treasurer	8,276
Christina Lynn Crews	Assistant Secretary	778

* Total 2017 compensation for all officers is allocated among affiliates based on the company's net written premium.

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. The committees at the time of the examination are listed below:

Executive Committee

Mark D. Niehaus, Chair
Richard R. Crawley
Geoffrey T. Souser

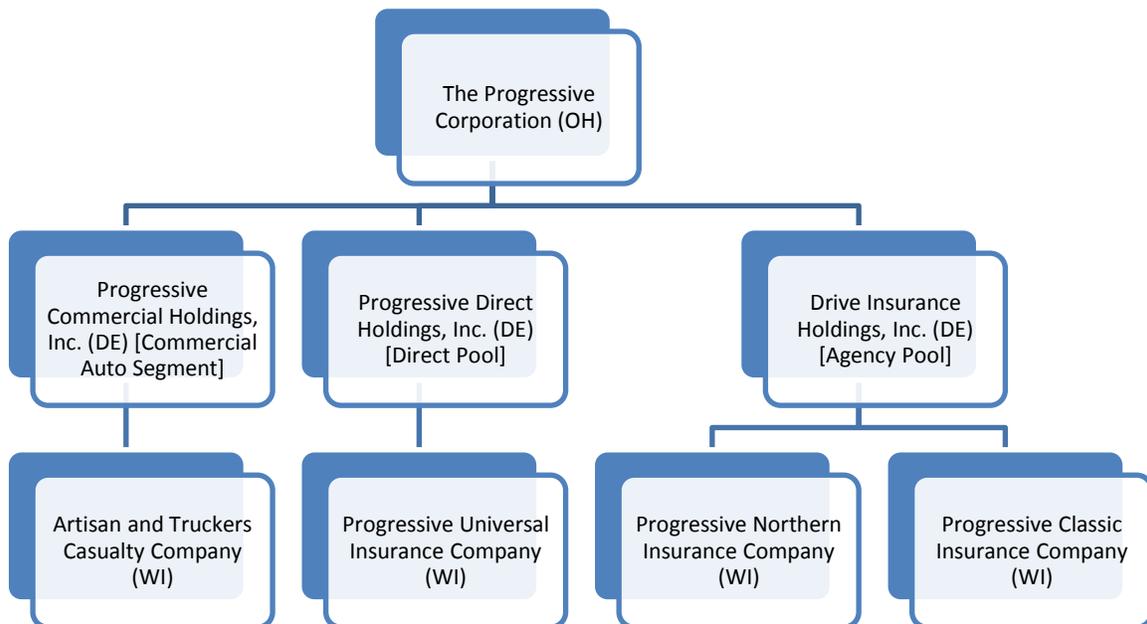
Investment Committee

Mark D. Niehaus, Chair
Richard R. Crawley
Charles E. Conover
Kathryn L. Lemieux, Alternate

IV. AFFILIATED COMPANIES

Progressive Classic is a member of an insurance holding company system under TPC, the ultimate parent company of The Progressive Group. The Progressive Group is organized into segments under separate holding companies, including a Commercial Lines segment (under Progressive Commercial Holdings, Inc.), and a Personal Lines segment. The Personal Lines segment is subdivided into two channels: a Direct Channel, which includes business written directly through the Internet, mobile devices, or over the phone (organized under Progressive Direct Holdings, Inc.), and an Agency Channel, which includes business written by a network of over 35,000 independent agencies located throughout the U.S. (organized under Drive Insurance Holdings, Inc.). Below is an abbreviated organizational chart, which depicts the organization of the group's key business segments, as well as the position of the other Wisconsin-domiciled insurers in the group. A brief description of the significant affiliates follows the organizational chart.

**Organizational Chart (Abbreviated)
As of December 31, 2017**



The Progressive Corporation (TPC)

The Progressive Corporation is an Ohio-domiciled insurance holding company that was formed in 1965. TPC became publicly traded after an initial public offering in 1971, and its common stock is currently listed on the New York Stock Exchange (ticker symbol PGR). As of December 31, 2017, the audited financial statements of TPC reported assets of \$38.7 billion, liabilities of \$28.9 billion, stockholder equity of \$9.3 billion and redeemable non-controlling interest of \$0.5 billion. Operations for 2017 produced net income of \$1.6 billion on total revenues of \$26.8 billion.

Drive Insurance Holdings, Inc. (Drive Holdings)

Drive Insurance Holdings, Inc., is a Delaware-domiciled insurance holding company formed in 2003. Drive Holdings has virtually no expenses, and revenue is solely from dividends from its subsidiaries and any gain/loss on the investments in subsidiaries.

Progressive Casualty Insurance Company (Casualty)

Progressive Casualty Insurance Company, a property casualty insurer domiciled in Ohio, provides administrative services through affiliated agreements discussed below. As of December 31, 2017, the audited financial statements of Casualty reported assets of \$8.4 billion, liabilities of \$6.3 billion, and policyholders' surplus of \$2.1 billion. Operations for 2017 produced net income of \$370.4 million on premium earned of \$6.2 billion.

Agreements with Affiliates

In addition to common staffing and management control, various written agreements affect Progressive Classic's relationship with its affiliates. The pooling agreement is described in the "Reinsurance" section of the report. A brief summary of the other agreements follows:

1. Type: Consolidated Tax Allocation Agreement
Parties: Progressive Classic and other members of the Progressive holding company system
Effective: August 1, 2005
Terms: The agreement establishes that an estimated consolidated tax liability will be computed quarterly for The Progressive Corporation, with each member company's recoverable or payable equal to the amount that the member company would have reported on a nonconsolidated basis. Settlements are to

be made within 90 days of each quarter in which The Progressive Corporation is required to make a federal income tax estimated payment.

2. Type: Cash Management Agreement
Parties: Progressive Classic, Progressive Casualty Insurance Company (Casualty) and other Progressive affiliates
Effective: January 1, 1998
Terms: All cash receipts or disbursements attributable to Progressive Classic and the other affiliates named in the agreement are deposited in or withdrawn from a centralized account (Cashier Account) that is managed by Casualty. Pursuant to the terms of the agreement, Progressive Classic has a balance in this account that reflects its claim against or obligation to the Cashier Account. Casualty provides the company with monthly statements that show the month-end balances. Account balances are considered loans and interest is payable to or receivable from the company's account depending on the balance. The provisions of an Interest Agreement to which Progressive Classic is a party govern the rate of interest. Each participant to the agreement receives a quarter-end balance that represents a net amount against any other intercompany transaction. Settlements are to be in cash or readily marketable securities valued at market value.
3. Type: Interest Agreement
Parties: Progressive Classic, Progressive Casualty Insurance Company and other Progressive affiliates
Effective: The company became a party to this agreement on October 15, 1980, retroactive to January 1, 1980. The original effective date of the agreement was January 1, 1977.
Terms: This agreement establishes the variable interest rate that governs each entity's participation in Casualty's Cashier Account as noted in the Cash Management Agreement in #2 above. Interest is to be computed at the prevailing 90-day U.S. Treasury bill rate on the last day of each month rounded to the nearest quarter of a percent.
4. Type: Investment Services Agreement
Parties: Progressive Classic along with other participating affiliates and Progressive Capital Management Corp. (Progressive Capital). (Progressive Capital was formerly known as PPLP Corporation, then Progressive Partners, Inc., until it changed its name to that currently used on June 8, 1998.)
Effective: July 16, 1992, as subsequently amended
Terms: Progressive Capital provides investment management services to members of the Progressive holding company system named in the agreement. The agreement requires each of the participating companies to reimburse Progressive Capital for an equitable portion of the costs and expenses it incurs in providing its services. Progressive Capital does not charge any additional management fees to the participating companies.

5. Type: Joint Servicing (Cost Allocation) Agreement
- Parties: Progressive Classic and Casualty
- Effective: July 1, 2007
- Terms: Progressive Classic provides Casualty with underwriting and loss adjustment services for specific business produced, and Casualty provides Progressive Classic with similar services for other specific business provided. In exchange for these services, the companies charge management fees based on each company's use of the other's services.
6. Type: General Agency Agreement
- Parties: Progressive Classic, Progressive Advantage Agency, Inc. (Agency), and other Progressive affiliates
- Effective: December 1, 2006
- Terms: Agency will act as participating companies' respective general agent in the states of California, Kentucky, Louisiana, Washington, and other such states as the parties may agree upon.

V. REINSURANCE

Progressive Classic cedes 100% of its direct business (above minor underlying coverages) to an intercompany reinsurance pool (the Agency Pool), and receives a 3% retrocession back. The agreement became effective January 1, 1988, and was last amended as of January 1, 2007. The agreement contains proper insolvency provisions. The members of the Agency Pool, with their respective pool percentages, are shown below.

Participation:

Progressive Casualty Insurance Company	49%
Progressive Northern Insurance Company	12
Progressive Northwestern Insurance Company	12
Progressive Specialty Insurance Company	7
Progressive Preferred Insurance Company	6
Progressive Michigan Insurance Company	4
Progressive Classic Insurance Company	3
Progressive American Insurance Company	2
Progressive Gulf Insurance Company	2
Progressive Bayside Insurance Company	1
Progressive Mountain Insurance Company	1
Progressive Southeastern Insurance Company	1
Progressive Hawaii Insurance Corp.	0
National Continental Insurance Company	<u>0</u>
Total	<u>100%</u>

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the Commissioner of Insurance in the December 31, 2017, annual statement. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation.

Progressive Classic Insurance Company
Assets
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$361,350,716	\$	\$361,350,716
Cash, cash equivalents, and short-term investments	7,024,727		7,024,727
Receivables for securities	100,000		100,000
Investment income due and accrued	1,254,996		1,254,996
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	9,402,204	1,303,140	8,099,064
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	49,669,919		49,669,919
Reinsurance:			
Amounts recoverable from reinsurers	2,202,679		2,202,679
Net deferred tax asset	6,828,690		6,828,690
Receivable from parent, subsidiaries, and affiliates	15,330,723		15,330,723
Write-ins for other than invested assets:			
State Tax Credits	66,938		66,938
State Unearned Surcharge Recoverable	59,928		59,928
Miscellaneous Other Assets	6,524	6,237	287
Summary of remaining write-ins for Line 25 from overflow page	<u>53,313</u>	<u>53,313</u>	<u> </u>
Total Assets	<u>\$453,351,357</u>	<u>\$1,362,690</u>	<u>\$451,988,667</u>

**Progressive Classic Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2017**

Losses	\$132,778,022
Reinsurance payable on paid loss and loss adjustment expenses	2,405,939
Loss adjustment expenses	28,171,124
Commissions payable, contingent commissions, and other similar charges	942,015
Other expenses (excluding taxes, licenses, and fees)	18,036,444
Taxes, licenses, and fees (excluding federal and foreign income taxes)	3,210,775
Current federal and foreign income taxes	2,539,346
Unearned premiums	126,734,114
Advance premium	1,768,961
Ceded reinsurance premiums payable (net of ceding commissions)	41,365
Drafts outstanding	9,257,618
Write-ins for liabilities:	
State Plan Liability	890,414
Other Liabilities	298,705
Escheatable Property	<u>4,577</u>
 Total Liabilities	 327,079,419
 Common capital stock	 \$ 3,008,000
Gross paid in and contributed surplus	12,273,779
Unassigned funds (surplus)	<u>109,627,469</u>
 Surplus as Regards Policyholders	 <u>124,909,248</u>
 Total Liabilities and Surplus	 <u>\$451,988,667</u>

Progressive Classic Insurance Company
Summary of Operations
For the Year 2017

Underwriting Income

Premiums earned		\$381,606,746
Deductions:		
Losses incurred	\$237,527,922	
Loss adjustment expenses incurred	40,389,576	
Other underwriting expenses incurred	80,086,446	
Write-ins for underwriting deductions:		
Loss on Commutation	1,646	
Total underwriting deductions		358,005,590
Net underwriting gain (loss)		23,601,156

Investment Income

Net investment income earned	5,435,319	
Net realized capital gains (losses)	(3,106,769)	
Net investment gain (loss)		2,328,550

Other Income

Net gain (loss) from agents' or premium balances charged off	(2,558,502)	
Finance and service charges not included in premiums	4,017,995	
Write-ins for miscellaneous income:		
Miscellaneous Income	368,757	
Total other income		1,828,250

Net income (loss) after dividends to policyholders but before federal and foreign income taxes		27,757,956
Federal and foreign income taxes incurred		11,409,640
Net Income		\$ 16,348,316

Progressive Classic Insurance Company
Cash Flow
For the Year 2017

Premiums collected net of reinsurance		\$384,386,060
Net investment income		5,552,057
Miscellaneous income		<u>1,879,073</u>
Total		391,817,190
Benefit- and loss-related payments	\$221,502,490	
Commissions, expenses paid, and aggregate write-ins for deductions	112,375,125	
Federal and foreign income taxes paid (recovered)	<u>9,230,433</u>	
Total deductions		<u>343,108,048</u>
Net cash from operations		48,709,142
Proceeds from investments sold, matured, or repaid:		
Bonds	\$242,091,698	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>59</u>	
Total investment proceeds	242,091,757	
Cost of investments acquired (long- term only):		
Bonds	297,843,800	
Miscellaneous applications	<u>100,000</u>	
Total investments acquired	<u>297,943,800</u>	
Net cash from investments		(55,852,043)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	1,000,000	
Other cash provided (applied)	<u>(9,866,735)</u>	
Net cash from financing and miscellaneous sources		<u>(8,866,735)</u>
Reconciliation:		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		
		(16,009,636)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>23,034,362</u>
End of Year		<u>\$ 7,024,727</u>

**Progressive Classic Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2017**

Assets		\$451,988,667
Less liabilities		<u>327,079,419</u>
Adjusted surplus		124,909,248
Annual premium:		
Lines other than accident and health	\$403,146,338	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>80,629,267</u>
Compulsory Surplus Excess (Deficit)		<u>\$ 44,279,981</u>
Adjusted surplus (from above)		\$124,909,248
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum factor of 110%)		<u>104,011,754</u>
Security Surplus Excess (Deficit)		<u>\$ 20,897,494</u>

**Progressive Classic Insurance Company
Analysis of Surplus
For the Five-Year Period Ending December 31, 2017**

The following schedule details items affecting surplus during the period under examination as reported by the company in its filed annual statements:

	2017	2016	2015	2014	2013
Surplus, beginning of year	\$110,895,334	\$99,452,125	\$98,009,507	\$91,905,713	\$86,857,462
Net income	16,348,316	11,862,748	19,324,756	19,798,207	14,620,811
Change in net deferred income tax	(3,365,311)	1,037,847	203,439	(397,046)	164,096
Change in nonadmitted assets	30,909	(57,386)	14,423	102,633	163,344
Surplus adjustments:					
Paid in	1,000,000				
Dividends to stockholders	<u> </u>	<u>(1,400,000)</u>	<u>(18,100,000)</u>	<u>(13,400,000)</u>	<u>(9,900,000)</u>
Surplus, End of Year	<u>\$124,909,248</u>	<u>\$110,895,334</u>	<u>\$99,452,125</u>	<u>\$98,009,507</u>	<u>\$91,905,713</u>

**Progressive Classic Insurance Company
Insurance Regulatory Information System
For the Five-Year Period Ending December 31, 2017**

The company's NAIC Insurance Regulatory Information System (IRIS) results for the period under examination are summarized below. Unusual IRIS results are denoted with asterisks and discussed below the table.

Ratio	2017	2016	2015	2014	2013
#1 Gross Premium to Surplus	567%	546%	549%	554%	594%
#2 Net Premium to Surplus	323*	310*	311*	306*	310*
#3 Change in Net Premiums Written	17	11	3	5	5
#4 Surplus Aid to Surplus	0	0	0	0	0
#5 Two-Year Overall Operating Ratio	92	93	91	91	92
#6 Investment Yield	1.6*	0.8*	1.0*	1.6*	1.6*
#7 Gross Change in Surplus	13	12	1	7	6
#8 Change in Adjusted Surplus	12	12	1	7	6
#9 Liabilities to Liquid Assets	75	72	72	72	72
#10 Agents' Balances to Surplus	6	0	0	3	3
#11 One-Year Reserve Development to Surplus	1	0	-4	-1	2
#12 Two-Year Reserve Development to Surplus	0	-4	-1	1	2
#13 Estimated Current Reserve Deficiency to Surplus	1	-6	-5	4	1

Ratio No. 2 measures the company's net premium to surplus. The exceptional results for Ratio No. 2 are due to the growth in net writings, as well as stockholder dividends paid by the company during the period under examination.

Ratio No. 6 measures the company's investment yield. The exceptional results for Ratio No. 6 over the examination cycle are due to the continued low interest rate environment for the bond market, as well as the company's conservative investment policy.

Growth of Progressive Classic Insurance Company

Year	Admitted Assets	Liabilities	Surplus as Regards Policyholders	Net Income
2017	\$451,988,667	\$327,079,419	\$124,909,248	\$16,348,316
2016	391,540,766	280,645,432	110,895,334	11,862,748
2015	348,822,966	249,370,841	99,452,125	19,324,756
2014	334,832,098	236,822,591	98,009,507	19,798,207
2013	322,819,487	230,913,774	91,905,713	14,620,811
2012	309,875,640	223,018,178	86,857,462	9,762,151

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss and LAE Ratio	Expense Ratio	Combined Ratio
2017	\$708,640,752	\$403,146,338	\$381,606,746	72.8%	19.4%	92.2%
2016	605,980,782	343,725,114	331,111,719	75.3	19.6	94.9
2015	546,401,634	309,199,542	302,152,867	71.6	20.0	91.6
2014	542,698,730	299,489,973	297,841,306	71.8	19.9	91.7
2013	545,970,645	285,169,025	282,333,406	72.9	20.4	93.3
2012	571,110,344	272,322,842	267,201,770	75.1	20.1	95.2

The company experienced a 48% growth in net written premiums over the examination period. The company's operations were continuously profitable over the course of the examination period, which allowed the company to pay stockholder dividends in four out of five years.

Reconciliation of Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2017, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There were no specific comments and recommendations in the previous examination report.

Summary of Current Examination Results

The current examination resulted in no adverse comments or recommendations.

VIII. CONCLUSION

The company was incorporated in the state of Wisconsin on September 30, 1983, and commenced business on March 5, 1984. The Progressive Corporation was the parent and sole shareholder of the company until it transferred ownership to a downstream holding company, Drive Insurance Holdings, Inc., on January 1, 2004.

Progressive Classic has no employees. All operations are conducted by employees of Progressive subsidiaries in accordance with affiliated agreements.

The company participates in an affiliated reinsurance pooling agreement with certain affiliates (the Agency Pool), whereby the company assumes a 3% share of the pooled business. This business is written primarily through independent insurance agencies that represent the Agency Pool, as well as brokerages in New York and California.

The current examination resulted in no adverse comments or recommendations. No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2017, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

The current examination resulted in no adverse comments or recommendations.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
David A. Jensen, CFE	IT Specialist

Respectfully submitted,

John E. Pollock
Examiner-in-Charge