

Report of the Examination of  
Progressive Northern Insurance Company  
Cleveland, Ohio  
As of December 31, 2022

## TABLE OF CONTENTS

	<b>Page</b>
I. INTRODUCTION .....	2
II. HISTORY AND PLAN OF OPERATION.....	4
III. MANAGEMENT AND CONTROL.....	6
IV. AFFILIATED COMPANIES .....	8
V. REINSURANCE.....	12
VI. FINANCIAL DATA.....	14
VII. SUMMARY OF EXAMINATION RESULTS .....	23
VIII. CONCLUSION .....	24
IX. ACKNOWLEDGMENT .....	25



Wisconsin Office of the  
COMMISSIONER OF INSURANCE  
**FINANCIAL REGULATION**

Tony Evers, Governor of Wisconsin  
Nathan Houdek, Commissioner of Insurance

April 26, 2024

Honorable Nathan D. Houdek  
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 NORTHERN INSURANCE COMPANY  
Cleveland, Ohio

and this report is respectfully submitted.

## I. INTRODUCTION

The previous examination of Progressive Northern Insurance Company (Progressive Northern or the company) was conducted in 2018 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent 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 its 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."

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 concerning the alternative or additional examination steps performed during the examination.

**Actuarial Review by the Ohio 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 incorporated in the state of Wisconsin on August 19, 1980, and commenced business on March 8, 1981. 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, Progressive Agency Holdings, Inc., on January 1, 2004. On December 15, 2009, Progressive Northeastern Insurance Company, which was domiciled in New York, was merged into the company with Progressive Northern as the surviving entity. In 2022, the company wrote direct premium in the following states:

South Carolina	641,091,899	23.6%
Oklahoma	378,140,863	14.0
Illinois	349,404,641	12.9
Iowa	332,845,954	12.3
Nebraska	200,583,971	7.4
Nevada	187,465,097	6.9
Virginia	149,061,983	5.5
New Mexico	129,316,141	4.8
All others	<u>342,293,564</u>	<u>12.6</u>
Total	<u>\$2,710,204,113</u>	<u>100.0%</u>

The company is licensed in the District of Columbia and all states except Alabama, Arkansas, California, Florida, Massachusetts, Michigan, Missouri, New Jersey, North Dakota, Tennessee, and Texas. The company is also a qualified or accredited reinsurer in the state of Michigan.

The major products marketed by the company include private passenger auto liability, auto physical damage, commercial auto liability and commercial auto physical damage, inland marine, other liability – occurrence, homeowners, and commercial multiple peril. The major products are marketed through a network of approximately 40,000 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 2022. The growth of the company is discussed in the "Financial Data" section of this report.

<b>Line of Business</b>	<b>Direct Premium</b>	<b>Reinsurance Assumed</b>	<b>Reinsurance Ceded</b>	<b>Net Premium</b>
Homeowners multiple peril	\$13,596,251	\$7,093,541	\$13,596,251	\$7,093,541
Commercial multiple peril (non-liability portion)	1,194,687	452,178	1,194,687	452,178
Commercial multiple peril (liability portion)	1,442,351	803,689	1,442,351	803,689
Inland marine	66,575,406	50,040,615	66,575,406	50,040,615
Medical professional liability – claims made		4,007		4,007
Other liability – occurrence	22,059,722	14,785,155	22,059,722	14,785,155
Other liability – claims made	95,400	108,385	95,400	108,385
Private passenger auto no-fault (personal injury)	6,379,764	152,312,040	6,379,764	152,312,040
Other private passenger auto liability	1,205,720,290	1,202,850,500	1,205,720,290	1,202,850,501
Commercial auto no-fault (personal injury)	457,599	6,747,087	457,599	6,747,087
Other commercial auto liability	351,098,728	365,114,022	351,098,729	365,114,022
Private passenger auto physical damage	892,256,144	898,918,653	892,256,144	898,918,653
Commercial auto physical damage	149,327,771	116,881,818	149,327,771	116,881,818
Surety		790		790
<b>Total All Lines</b>	<b><u>\$2,710,204,113</u></b>	<b><u>\$2,816,112,481</u></b>	<b><u>\$2,710,204,112</u></b>	<b><u>\$2,816,112,481</u></b>

### III. MANAGEMENT AND CONTROL

#### Board of Directors

The board of directors consists of seven members. All 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:

<b>Name and Residence</b>	<b>Principal Occupation</b>	<b>Term Expires</b>
Charles Ernest Conover Hudson, Ohio	Business Leader - Agent Engagement The Progressive Group of Insurance Companies	2024
James Michael DeVito Shaker Heights, Ohio	Senior Director - Small Business Process The Progressive Group of Insurance Companies	2024
James David Williams Solon, Ohio	Personal Lines General Manager The Progressive Group of Insurance Companies	2024
John Allen Curtiss, Jr. Chagrin Falls, Ohio	National Product Development Leader The Progressive Group of Insurance Companies	2024
Kathryn Margaret Lemieux Gates Mills, Ohio	Business Leader – Customer Relations Mgmt Sales Experience The Progressive Group of Insurance Companies	2024
Heather Elizabeth Day Cleveland Heights, Ohio	General Manager - Customer Experience Strategy The Progressive Group of Insurance Companies	2024
Kanik Varma El Dorado Hills, California	Personal Lines General Manager The Progressive Group of Insurance Companies	2024

#### Officers of the Company

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



<b>Name</b>	<b>Office</b>
James David Williams	Chairman
Meghan Louise McArdle Friesen	President
Patrick Sean Brennan	Treasurer
Peter James Albert	Secretary and Vice President
Michelle Cristen Cavell	Vice President
Christina Lynn Crews	Assistant Secretary
James Lee Kusmer	Assistant Treasurer
Heather Elizabeth Day	Vice President
Ann Catherine Strasser	Assistant Vice President
Jennifer Elizabeth Mineo	Assistant Vice President

### **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**

Kanik Varma, Chair  
 John Allen Curtiss, Jr.  
 James David Williams  
 Kathryn Margaret Lemieux

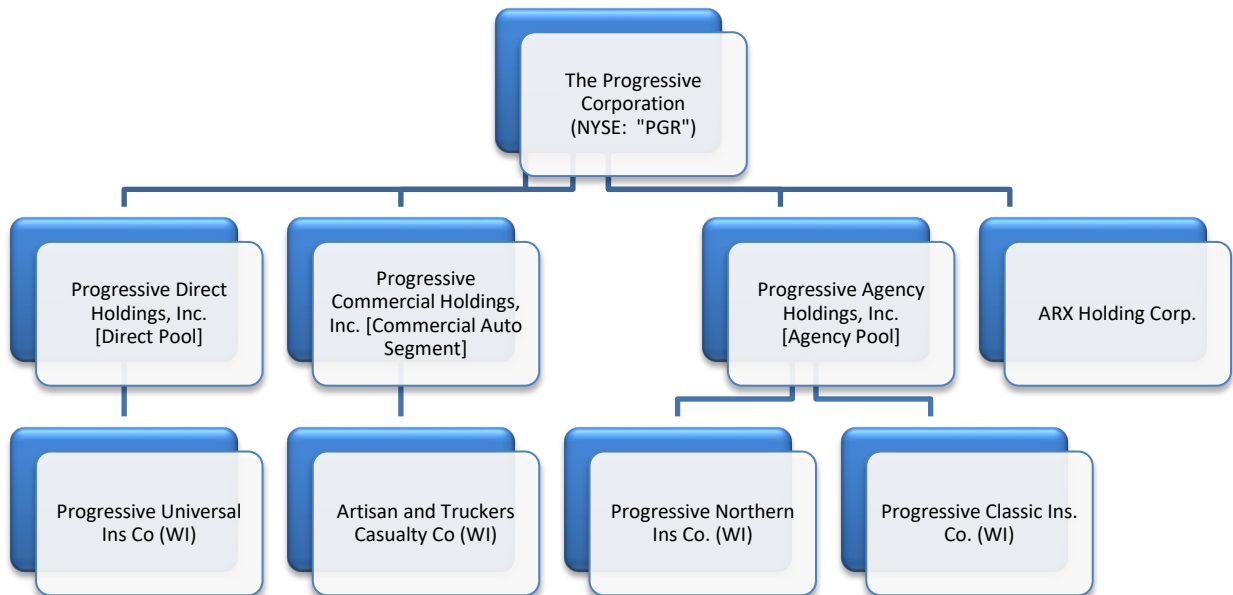
#### **investment Committee**

Kanik Varma, Chair  
 James David Williams  
 Charles Ernest Conover

#### IV. AFFILIATED COMPANIES

Progressive Northern 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 40,000 independent agencies located throughout the U.S. (organized under Progressive Agency 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, 2022**



### **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, 2022, the audited financial statements of TPC reported assets of \$75,465 million, liabilities of \$59,574 million, and shareholders' equity of \$15,891 million. Operations for 2022 produced net income of \$721.5 million.

### **Progressive Agency Holdings, Inc. (Agency Pool)**

Progressive Agency Holdings, Inc. is a Delaware-domiciled insurance holding company that was formed in 2003. Agency 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 provides a property casualty insurer domiciled in Ohio, provides administrative services through affiliated agreements discussed below. As of December 31, 2022, the audited financial statements of Casualty reported assets of \$14,818,868,026, liabilities of \$11,236,156,887, and capital and surplus of \$3,582,711,139. Operations for 2022 produced net income of \$ 922,984,033.

### **Agreements with Affiliates**

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

1. Type: Consolidated Tax Allocation Agreement  
Parties: Progressive Northern along with other members of the Progressive holding company system  
Effective: August 1, 2005, Amended and Restated as of June 1, 2021  
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 Northern, Progressive Casualty Insurance Company (Casualty) and other Progressive affiliates

Effective: January 1, 1998

Terms: All cash receipts or disbursements attributable to Progressive Northern 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 Northern 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 Northern is a party govern the rate of interest. Each participant in 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 Northern, 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 Northern 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, Amended and restated as of March 1, 2023

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 Northern and Progressive Casualty Insurance Company

Effective: July 1, 2007

Terms: The company provides Casualty with underwriting and loss adjustment services for specific business produced, and Casualty provides the company 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 Northern, 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 Northern cedes 100% of its direct business (above minor underlying coverages) to an intercompany reinsurance pool (the Agency Pool) and receives a 12% retrocession back. The agreement became effective on January 1, 1988, and was last amended on January 1, 2019. 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	49.0%
<b>Progressive Northern Insurance Company</b>	<b>12.0</b>
Progressive Northwestern Insurance Company	12.0
Progressive Specialty Insurance Company	7.0
Progressive Preferred Insurance Company	6.0
Progressive Michigan Insurance Company	4.0
Progressive Classic Insurance Company	3.0
Progressive American Insurance Company	2.0
Progressive Gulf Insurance Company	2.0
Progressive Mountain Insurance Company	1.0
Progressive Southeastern Insurance Company	1.0
Progressive Bayside Insurance Company	0.5
Progressive Freedom Insurance Company	<u>0.5</u>
Total	<u>100.0%</u>

**Nonaffiliated Ceding Contracts**

1. Type: Umbrella Excess of Loss
  - Reinsurer:
    - Employers Mutual Casualty Company 15%
    - Waypoint Underwriting Management LLC  
On Behalf of Accident Fund Insurance Company  
Of America 15%
    - Waypoint Underwriting Management LLC  
On Behalf of Insurance Company of the West 15%
    - Swiss Re 55%
  - Scope: Reinsurance of the excess liability under the Personal Umbrella Liability for coverages required for non-resident drivers under the motor vehicle financial responsibility law or the motor vehicle compulsory insurance law following the provisions of the Company's Policies when they include or are deemed to include so-called "Out of State Insurance" provisions
  - Retention: \$1,000,000
  - Coverage: Each Loss Occurrence, Each Insured \$ 4,000,000 in excess of \$1,000,000

	Maximum Liability - \$16,000,000
Premium:	Premium Rate 5.75% Deposit Premium \$1,289,155 Minimum Premium (80%) \$1,031,324
Effective date:	January 1, 2022, through January 1, 2023
Termination:	The Company may terminate the share of the Reinsurer at any time, either during the term or after the expiration of this Contract, by giving written notice to the Reinsurer in the event the Reinsurer experiences one or more Special Termination Event(s). The effective date of termination shall be the date selected by the Company, which may be a date that is retroactively applied up to a maximum of 90 days prior to the earliest of either the date of public announcement or the date of discovery, as applicable, of the Reinsurer experiencing one or more Special Termination Event(s), subject to the condition that such selected date must be the last day of a calendar month.

The company has an Allocation Agreement (Umbrella XOL) with several affiliates and Waypoint Underwriting Management LLC for and on behalf of Insurance Company of the West, with respect to the Umbrella Excess of Loss Reinsurance Contract, for the period January 1, 2021, to January 1, 2022, and any renewals thereof. The Umbrella XOL Contract applies for any liability exceeding \$16,000,000 for all losses occurring during any term of the Umbrella XOL Contract. Each party to the contract is responsible for a portion of that excess liability.

## **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, 2022, annual statement.

Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.



**Progressive Northern Insurance Company**  
**Assets**  
**As of December 31, 2022**

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$2,492,622,348	\$	\$2,492,622,348
Stocks:			
Preferred stocks	5,500,000		5,500,000
Common stocks	221,663,781		221,663,781
Cash, cash equivalents, and short-term investments	145,361		145,361
Receivable for securities	1,053,375		1,053,375
Investment income due and accrued	13,789,323		13,789,323
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collection	85,142,850	11,210,507	73,932,343
Deferred premiums, agents' balances, and installments booked but deferred and not yet due	485,740,010		485,740,010
Reinsurance:			
Amounts recoverable from reinsurers	18,856,041		18,856,041
Net deferred tax asset	28,307,361		28,307,361
Guaranty Funds receivable or on deposit	114,000		114,000
Receivable from parent, subsidiaries, and affiliates	124,954,161		124,954,161
Write-ins for other than invested assets:			
State Unearned Surcharge Recoverable	104,834		104,834
VA Uninsured Motorist Refund	25,777		25,777
Prepaid expense	1,421,828	1,421,828	
Overflow page	<u>16,602</u>	<u>16,602</u>	
<b>Total Assets</b>	<b><u>\$3,479,457,652</u></b>	<b><u>\$12,648,937</u></b>	<b><u>\$3,466,808,715</u></b>

**Progressive Northern Insurance Company  
Liabilities, Surplus, and Other Funds  
As of December 31, 2022**

Losses		\$1,136,890,915
Reinsurance payable on paid loss and loss adjustment expenses		11,077,546
Loss adjustment expenses		208,290,875
Commissions payable, contingent commissions, and other similar charges		2,612,951
Other expenses (excluding taxes, licenses, and fees)		107,934,640
Taxes, licenses, and fees (excluding federal and foreign income taxes)		20,044,725
Current federal and foreign income taxes		13,038,892
Unearned premiums		957,696,720
Advance premium		15,926,615
Ceded reinsurance premiums payable (net of ceding commissions)		147,008
Drafts outstanding		96,037,548
Write-ins for liabilities:		
State Plan liability		13,336,447
Escheatable property		729,057
Other liabilities		<u>384,208</u>
 Total Liabilities		 2,584,148,147
 Common capital stock	 \$ 3,008,000	
Gross paid in and contributed surplus	239,551,402	
Unassigned funds (surplus)	<u>640,101,166</u>	
 Surplus as Regards Policyholders		 <u>882,660,568</u>
 Total Liabilities and Surplus		 <u>\$3,466,808,715</u>

**Progressive Northern Insurance Company  
Summary of Operations  
For the Year 2022**

<b>Underwriting Income</b>		
Premiums earned		\$2,719,472,736
Deductions:		
Losses incurred	\$1,835,818,464	
Loss adjustment expenses incurred	235,375,879	
Other underwriting expenses incurred	<u>508,122,010</u>	
Total underwriting deductions		<u>2,579,316,353</u>
Net underwriting gain (loss)		140,156,383
<b>Investment Income</b>		
Net investment income earned	54,559,381	
Net realized capital gains (losses)	<u>31,265,234</u>	
Net investment gain (loss)		85,824,615
<b>Other Income</b>		
Net gain (loss) from agents' or premium balances charged off	(18,818,822)	
Finance and service charges not included in premiums	30,905,926	
Write-ins for miscellaneous income:		
Miscellaneous Other Income	3,801,231	
Interest Income on Intercompany Balances	3,497,031	
Service Business Revenue	<u>464</u>	
Total other income		<u>19,385,830</u>
Net income after dividends to policyholders but before federal and foreign income taxes		245,366,828
Federal and foreign income taxes incurred		<u>51,090,844</u>
Net Income		<u>\$ 194,275,984</u>

**Progressive Northern Insurance Company**  
**Cash Flow**  
**For the Year 2022**

Premiums collected net of reinsurance		\$2,748,996,060
Net investment income		52,427,458
Miscellaneous income		<u>20,099,714</u>
Total		2,821,525,232
Benefit- and loss-related payments	\$1,691,506,322	
Commissions, expenses paid, and aggregate write-ins for deductions	733,974,557	
Federal and foreign income taxes paid (recovered)	<u>52,476,952</u>	
Total deductions		<u>2,477,957,831</u>
Net cash from operations		343,567,401
Proceeds from investments sold, matured, or repaid:		
Bonds	\$724,191,523	
Stocks	76,089,392	
Net gains (losses) on cash, cash equivalents, and short-term investments	<u>(1,558)</u>	
Total investment proceeds		800,279,357
Cost of investments acquired (long-term only):		
Bonds	1,109,937,712	
Stocks	4,081,482	
Miscellaneous applications	<u>1,053,375</u>	
Total investments acquired		<u>1,115,072,569</u>
Net cash from investments		(314,793,212)
Cash from financing and miscellaneous sources:		
Capital and paid in surplus less treasury stock	10,170	
Dividends to stockholders	50,000,000	
Other cash provided (applied)	<u>18,546,970</u>	
Net cash from financing and miscellaneous sources		<u>(31,442,860)</u>
<b>Reconciliation:</b>		
Net Change in Cash, Cash Equivalents, and Short-Term Investments		(2,668,670)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>2,814,031</u>
End of Year		<u>\$ 145,361</u>

**Progressive Northern Insurance Company  
Compulsory and Security Surplus Calculation  
December 31, 2022**

Assets		\$3,466,808,715
Less liabilities		<u>2,584,148,147</u>
Adjusted surplus		882,660,568
Annual premium*:		
Lines other than accident and health	\$2,816,744,271	
Factor	<u>20%</u>	
Compulsory surplus (subject to a minimum of \$2 million)		<u>563,348,854</u>
Compulsory Surplus Excess (Deficit)		<u>\$319,311,714</u>
Adjusted surplus (from above)		\$882,660,568
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>619,683,739</u>
Security Surplus Excess (Deficit)		<u>\$ 262,976,829</u>

\*Adjusted for premiums ceded to unauthorized reinsurers.

**Progressive Northern Insurance Company  
Analysis of Surplus  
For the 5-Year Period Ending December 31, 2022**

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

	2022	2021	2020	2019	2018
Surplus, beginning of year	\$829,427,908	\$777,877,510	\$716,414,162	\$624,573,578	531,397,382
Net income	194,275,984	157,659,954	309,741,862	233,466,477	209,004,033
Net transfers (to) from protected cell accounts					
Change in net unrealized capital gains/losses	(96,545,035)	58,301,108	37,909,927	41,663,962	(26,210,307)
Change in net deferred income tax	7,778,477	8,331,222	10,640,033	2,523,366	4,084,034
Change in non-admitted assets	(2,286,936)	4,958,114	(3,826,233)	(737,312)	(2,389,120)
Surplus Adjustments:					
Paid in	10,170		(2,241)	(75,909)	687,556
Dividends to stockholders	<u>(50,000,000)</u>	<u>(177,700,000)</u>	<u>(293,000,000)</u>	<u>(185,000,000)</u>	<u>(92,000,000)</u>
Surplus, End of Year	<u>\$882,660,568</u>	<u>\$829,427,908</u>	<u>\$777,877,510</u>	<u>\$716,414,162</u>	<u>\$624,573,578</u>

**Growth of Progressive Northern Insurance Company**

Year	Admitted		Surplus as		Net
	Assets	Liabilities	Regards	Income	
			Policyholders		
2022	\$3,466,808,715	\$2,584,148,147	\$882,660,568	\$194,275,984	
2021	3,148,639,485	2,319,211,577	829,427,908	157,659,954	
2020	2,753,341,758	1,975,464,248	777,877,510	309,741,862	
2019	2,482,902,289	1,766,488,127	716,414,162	233,466,477	
2018	2,180,121,207	1,555,547,629	624,573,578	209,004,033	
2017	1,866,478,948	1,335,081,566	531,397,382	91,699,145	

Year	Gross Premium Written	Net		Loss and LAE Ratio	Expense Ratio	Combined Ratio
		Premium Written	Premium Earned			
2022	\$5,526,316,593	\$2,816,112,481	\$2,719,472,736	76.2%	17.4%	93.6%
2021	5,152,394,993	2,612,129,230	2,498,722,741	74.6	18.0	92.6
2020	4,595,438,991	2,333,964,662	2,258,844,672	63.2	22.5	85.7
2019	4,271,259,582	2,185,886,041	2,114,909,485	69.3	19.0	88.3
2018	3,739,021,261	1,913,279,414	1,818,661,929	68.7	18.9	87.6
2017	3,181,752,131	1,612,585,352	1,526,426,983	72.8	19.1	91.9

During the period under examination, Progressive Northern Insurance Company reported an 85.7% increase in assets, a 93.5% increase in liabilities, and a 66.1% increase in surplus. The company remained profitable and financially stable despite the natural catastrophes, the COVID-19 pandemic, and the increasing cost of insurance losses. The company reported a substantial increase in net income of 237.8%, or \$309.7 million in 2020 compared to year 2017 of \$91.7 million and dropped to \$194.3 million in 2022. The unusual change in net income was due to the increase in premium growth in the commercial segments due to the greater demand for shipping services during the pandemic. The loss and LAE ratio remained in a stable range and was at its lowest in 2020 at 63.2% to offset the highest expense ratio of 22.5% in that year, resulting in a combined ratio of 85.7%, which was at the lowest in its range within the examined period. In 2022, the combined ratio was 93.6% compared to the industry average of 102.5%, according to the NAIC US Property & Casualty Industry Report published on the NAIC website.

**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, 2022, is accepted.



## **VII. SUMMARY OF EXAMINATION RESULTS**

### **Compliance with Prior Examination Report Recommendations**

The were no specific comments or suggestions in the previous examination report.

### **Summary of Current Examination Results**

The current examination resulted in no adverse comments or recommendations.

## **VIII. CONCLUSION**

Progressive Northern was incorporated in the state of Wisconsin on August 19, 1980, and commenced business on March 8, 1981. TPC was the parent and sole shareholder of the company until it transferred ownership to Progressive Agency Holdings, Inc. (formerly Drive Insurance Holdings, Inc.), on January 1, 2004. 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 12% share of the pooled business. The 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, 2022, is accepted.

## IX. ACKNOWLEDGMENT

The courtesy and cooperation extended by the officers and employees of the company during the course of the examination 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:

<b>Name</b>	<b>Title</b>
Takoda Boyd	Insurance Financial Examiner
Nick Hartwig, AFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,

*SLA. Careaga*

Ana Careaga  
Examiner-in-Charge