

PROGRESSIVE CORP/OH/  
Form 10-Q  
August 02, 2012

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the quarterly period ended June 30, 2012

or

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 1-9518

**THE PROGRESSIVE CORPORATION**

(Exact name of registrant as specified in its charter)

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<b>Ohio</b> (State or other jurisdiction of incorporation or organization)	<b>34-0963169</b> (I.R.S. Employer Identification No.)
<b>6300 Wilson Mills Road, Mayfield Village, Ohio</b> (Address of principal executive offices)	<b>44143</b> (Zip Code)
<b>(440) 461-5000</b> (Registrant's telephone number, including area code)	

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company   
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares, \$1.00 par value: 609,158,487 outstanding at June 30, 2012

**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.**

The Progressive Corporation and Subsidiaries

**Consolidated Statements of Comprehensive Income**

(unaudited)

Periods Ended June 30, (millions except per share amounts)	2012	Three Months 2011	% Change	2012	Six Months 2011	% Change
<b>Revenues</b>						
Net premiums earned	\$ 3,996.1	\$ 3,719.9	7	\$ 7,857.6	\$ 7,385.2	6
Investment income	112.5	120.8	(7)	227.2	244.1	(7)
Net realized gains (losses) on securities:						
Other-than-temporary impairment (OTTI) losses:						
Total OTTI losses	(5.1)	(3.1)	65	(5.6)	(4.5)	24
Non-credit losses, net of credit losses recognized on previously recorded non-credit OTTI losses	(.3)	.9	NM	(.7)	.9	NM
Net impairment losses recognized in earnings	(5.4)	(2.2)	145	(6.3)	(3.6)	75
Net realized gains (losses) on securities	.7	28.2	(98)	79.1	129.3	(39)
Total net realized gains (losses) on securities	(4.7)	26.0	NM	72.8	125.7	(42)
Service revenues	10.2	6.0	70	18.4	11.2	64
Gains (losses) on extinguishment of debt	(1.0)	0	NM	(1.7)	0	NM
<b>Total revenues</b>	<b>4,113.1</b>	<b>3,872.7</b>	<b>6</b>	<b>8,174.3</b>	<b>7,766.2</b>	<b>5</b>
<b>Expenses</b>						
Losses and loss adjustment expenses	3,043.7	2,660.9	14	5,806.1	5,169.0	12
Policy acquisition costs	364.5	348.3	5	724.1	695.0	4
Other underwriting expenses	492.8	466.0	6	1,003.6	920.7	9
Investment expenses	3.8	3.5	9	8.0	6.6	21
Service expenses	9.9	4.8	106	18.1	8.8	106
Interest expense	30.7	31.5	(3)	62.6	63.0	(1)
<b>Total expenses</b>	<b>3,945.4</b>	<b>3,515.0</b>	<b>12</b>	<b>7,622.5</b>	<b>6,863.1</b>	<b>11</b>
<b>Net Income</b>						
Income before income taxes	167.7	357.7	(53)	551.8	903.1	(39)
Provision for income taxes	49.1	112.5	(56)	175.6	295.0	(40)
<b>Net income</b>	<b>118.6</b>	<b>245.2</b>	<b>(52)</b>	<b>376.2</b>	<b>608.1</b>	<b>(38)</b>
<b>Other Comprehensive Income (Loss), Net of Tax</b>						
Net unrealized gains (losses) on securities:						
Net non-credit related OTTI losses, adjusted for valuation changes						
	.1	(2.2)	NM	3.1	(3.1)	NM
Other net unrealized gains (losses) on securities	(51.0)	53.5	NM	148.4	84.0	77
Total net unrealized gains (losses) on securities	(50.9)	51.3	NM	151.5	80.9	87
Net unrealized gains on forecasted transactions	(.6)	(.8)	(25)	(1.2)	(1.6)	(25)

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Foreign currency translation adjustment	(.6)	.3	NM	(.1)	.5	NM
Other comprehensive income (loss)	(52.1)	50.8	NM	150.2	79.8	88
Comprehensive income	\$ 66.5	\$ 296.0	(78)	\$ 526.4	\$ 687.9	(23)
<b>Computation of Net Income Per Share</b>						
Average shares outstanding Basic	604.8	643.6	(6)	605.5	647.6	(7)
Net effect of dilutive stock-based compensation	4.1	4.3	(5)	4.0	4.1	(2)
Total equivalent shares Diluted	608.9	647.9	(6)	609.5	651.7	(6)
Basic: Net income per share	\$ .20	\$ .38	(49)	\$ .62	\$ .94	(34)
Diluted: Net income per share	\$ .19	\$ .38	(49)	\$ .62	\$ .93	(34)
<b>Dividends declared per share<sup>1</sup></b>	<b>\$ 0</b>	<b>\$ 0</b>		<b>\$ 0</b>	<b>\$ 0</b>	

NM = Not Meaningful

<sup>1</sup> Progressive maintains an annual dividend program. See Note 8 *Dividends* for further discussion.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries

**Consolidated Balance Sheets**

(unaudited)

(millions)	June 30, 2012	2011	December 31, 2011
<b>Assets</b>			
Investments Available-for-sale, at fair value:			
Fixed maturities (amortized cost: \$11,723.6, \$11,499.5, and \$11,455.7)	\$ 12,075.9	\$ 11,788.5	\$ 11,759.3
Equity securities:			
Nonredeemable preferred stocks (cost: \$425.4, \$495.5, and \$473.7)	799.3	1,029.7	806.3
Common equities (cost: \$1,494.9, \$1,379.8, and \$1,431.0)	2,055.1	1,867.9	1,845.6
Short-term investments (amortized cost: \$1,679.2, \$1,343.5, and \$1,551.8)	1,679.2	1,343.5	1,551.8
Total investments	16,609.5	16,029.6	15,963.0
Cash	165.5	149.7	155.7
Accrued investment income	96.4	104.3	105.7
Premiums receivable, net of allowance for doubtful accounts of \$118.8, \$109.5, and \$124.2	3,222.1	2,982.6	2,929.8
Reinsurance recoverables, including \$30.4, \$34.3, and \$32.3 on paid losses and loss adjustment expenses	844.7	775.7	818.0
Prepaid reinsurance premiums	71.1	86.7	69.8
Deferred acquisition costs	452.4	451.6	433.6
Income taxes	147.8	111.4	208.0
Property and equipment, net of accumulated depreciation of \$606.6, \$596.4, and \$573.8	914.3	917.1	911.3
Other assets	195.2	198.9	249.9
Total assets	\$ 22,719.0	\$ 21,807.6	\$ 21,844.8
<b>Liabilities and Shareholders Equity</b>			
Unearned premiums	\$ 5,014.6	\$ 4,704.3	\$ 4,579.4
Loss and loss adjustment expense reserves	7,573.2	7,142.6	7,245.8
Accounts payable, accrued expenses, and other liabilities	1,781.8	1,652.1	1,770.8
Debt <sup>1</sup>	2,062.8	1,959.1	2,442.1
Total liabilities	16,432.4	15,458.1	16,038.1
Common Shares, \$1.00 par value (authorized 900.0; issued 797.7, including treasury shares of 188.5, 155.0, and 184.7)	609.2	642.7	613.0
Paid-in capital	1,040.4	1,007.7	1,006.2
Retained earnings	3,794.3	3,835.6	3,495.0
Accumulated other comprehensive income, net of tax:			
Net non-credit related OTTI losses, adjusted for valuation changes	(2.3)	(4.9)	(5.4)
Other net unrealized gains (losses) on securities	836.6	853.1	688.2
Total net unrealized gains (losses) on securities	834.3	848.2	682.8
Net unrealized gains on forecasted transactions	6.7	13.1	7.9
Foreign currency translation adjustment	1.7	2.2	1.8
Total accumulated other comprehensive income	842.7	863.5	692.5
Total shareholders equity	6,286.6	6,349.5	5,806.7
Total liabilities and shareholders equity	\$ 22,719.0	\$ 21,807.6	\$ 21,844.8

<sup>1</sup> Consists of long-term debt. See *Note 4 Debt*.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries

**Consolidated Statements of Cash Flows**

(unaudited)

Six months ended June 30, (millions)	2012	2011
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 376.2	\$ 608.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	45.5	42.6
Amortization of fixed-income securities	98.3	116.4
Amortization of stock-based compensation	31.5	24.5
Net realized (gains) losses on securities	(72.8)	(125.7)
Net (gains) losses on disposition of property and equipment	3.5	7.3
(Gains) losses on extinguishment of debt	1.7	0
Changes in:		
Premiums receivable	(292.3)	(244.2)
Reinsurance recoverables	(26.7)	(34.2)
Prepaid reinsurance premiums	(1.3)	1.4
Deferred acquisition costs	(18.8)	(34.4)
Income taxes	(21.1)	34.1
Unearned premiums	435.2	350.4
Loss and loss adjustment expense reserves	327.4	71.5
Accounts payable, accrued expenses, and other liabilities	230.6	194.4
Other, net	18.2	18.9
Net cash provided by operating activities	1,135.1	1,031.1
<b>Cash Flows From Investing Activities</b>		
Purchases:		
Fixed maturities	(2,628.7)	(4,265.9)
Equity securities	(79.4)	(397.5)
Sales:		
Fixed maturities	1,689.4	3,570.6
Equity securities	101.6	240.9
Maturities, paydowns, calls, and other:		
Fixed maturities	616.6	735.4
Equity securities	3.9	0
Net purchases of short-term investments - other	(128.0)	(252.3)
Net unsettled security transactions	62.4	39.2
Purchases of property and equipment	(53.5)	(35.6)
Sales of property and equipment	1.5	1.2
Net cash used in investing activities	(414.2)	(364.0)
<b>Cash Flows From Financing Activities</b>		
Proceeds from exercise of stock options	.5	5.4
Tax benefit from exercise/vesting of stock-based compensation	4.1	2.4
Payment of debt	(350.0)	0
Reacquisition of debt	(31.9)	0
Dividends paid to shareholders <sup>1</sup>	(251.0)	(263.6)
Acquisition of treasury shares	(83.0)	(420.9)
Net cash used in financing activities	(711.3)	(676.7)

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Effect of exchange rate changes on cash	.2	.4
Increase (decrease) in cash	9.8	(9.2)
Cash, January 1	155.7	158.9
Cash, June 30	\$ 165.5	\$ 149.7

<sup>1</sup> Progressive maintains an annual dividend program. See *Note 8 Dividends* for further discussion.

See notes to consolidated financial statements.



The Progressive Corporation and Subsidiaries

## Notes to Consolidated Financial Statements

(unaudited)

**Note 1 Basis of Presentation** The consolidated financial statements include the accounts of The Progressive Corporation, its subsidiaries, and a mutual company affiliate. All of the subsidiaries and the mutual company affiliate are wholly owned or controlled. The consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, were necessary for a fair statement of the results for the interim periods presented. The results of operations for the period ended June 30, 2012, are not necessarily indicative of the results expected for the full year. These consolidated financial statements and the notes thereto should be read in conjunction with Progressive's audited financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

On January 1, 2012, we adopted, on a prospective basis, the accounting standard update related to the accounting for the deferral of costs associated with the successful acquisition or renewal of insurance contracts. As a result, \$23 million of deferred acquisition costs that no longer met the criteria for deferral upon adoption were recognized as a reduction to income primarily over the first six months of 2012, consistent with our insurance policy terms.

**Note 2 Investments** The following tables present the composition of our investment portfolio by major security type, consistent with our internal classification of how we manage, monitor, and measure the portfolio:

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Realized Gains (Losses) <sup>1</sup>	Fair Value	% of Total Fair Value
<b>June 30, 2012</b>						
Fixed maturities:						
U.S. government obligations	\$ 2,833.0	\$ 105.6	\$ 0	\$ 0	\$ 2,938.6	17.7%
State and local government obligations	1,926.9	51.2	(.5)	0	1,977.6	11.9
Corporate debt securities	2,893.6	114.4	(5.6)	4.8	3,007.2	18.1
Residential mortgage-backed securities	429.2	14.7	(22.3)	0	421.6	2.5
Commercial mortgage-backed securities	2,020.2	74.7	(1.4)	0	2,093.5	12.6
Other asset-backed securities	1,250.8	13.7	(.2)	(.3)	1,264.0	7.6
Redeemable preferred stocks	369.9	21.0	(17.5)	0	373.4	2.3
Total fixed maturities	11,723.6	395.3	(47.5)	4.5	12,075.9	72.7
Equity securities:						
Nonredeemable preferred stocks	425.4	376.5	(1.0)	(1.6)	799.3	4.8
Common equities	1,494.9	591.1	(30.9)	0	2,055.1	12.4
Short-term investments:						
Other short-term investments	1,679.2	0	0	0	1,679.2	10.1
Total portfolio <sup>2,3</sup>	\$ 15,323.1	\$ 1,362.9	\$ (79.4)	\$ 2.9	\$ 16,609.5	100.0%

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Realized Gains (Losses) <sup>1</sup>	Fair Value	% of Total Fair Value
<b>June 30, 2011</b>						
Fixed maturities:						
U.S. government obligations	\$ 2,881.1	\$ 80.3	\$ (.8)	\$ 0	\$ 2,960.6	18.5%
State and local government obligations	1,812.7	46.0	(1.3)	0	1,857.4	11.6
Corporate debt securities	2,765.1	89.5	(5.1)	5.9	2,855.4	17.8
Residential mortgage-backed securities	537.0	12.7	(29.8)	0	519.9	3.2
Commercial mortgage-backed securities	1,755.6	60.4	(3.6)	0	1,812.4	11.3
Other asset-backed securities	1,312.4	15.0	(.8)	1.1	1,327.7	8.3
Redeemable preferred stocks	435.6	28.0	(8.5)	0	455.1	2.8
<b>Total fixed maturities</b>	<b>11,499.5</b>	<b>331.9</b>	<b>(49.9)</b>	<b>7.0</b>	<b>11,788.5</b>	<b>73.5</b>
Equity securities:						
Nonredeemable preferred stocks	495.5	534.8	0	(.6)	1,029.7	6.4
Common equities	1,379.8	494.7	(6.6)	0	1,867.9	11.7
Short-term investments:						
Other short-term investments	1,343.5	0	0	0	1,343.5	8.4
<b>Total portfolio<sup>2,3</sup></b>	<b>\$ 14,718.3</b>	<b>\$ 1,361.4</b>	<b>\$ (56.5)</b>	<b>\$ 6.4</b>	<b>\$ 16,029.6</b>	<b>100.0 %</b>

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Realized Gains (Losses) <sup>1</sup>	Fair Value	% of Total Fair Value
<b>December 31, 2011</b>						
Fixed maturities:						
U.S. government obligations	\$ 2,842.7	\$ 120.3	\$ 0	\$ 0	\$ 2,963.0	18.6 %
State and local government obligations	1,938.6	64.1	(.6)	0	2,002.1	12.5
Corporate debt securities	2,801.5	94.3	(6.5)	6.9	2,896.2	18.1
Residential mortgage-backed securities	452.9	9.3	(35.3)	0	426.9	2.7
Commercial mortgage-backed securities	1,829.8	52.3	(5.5)	0	1,876.6	11.8
Other asset-backed securities	1,210.9	11.3	(1.3)	(.3)	1,220.6	7.6
Redeemable preferred stocks	379.3	18.6	(24.0)	0	373.9	2.3
<b>Total fixed maturities</b>	<b>11,455.7</b>	<b>370.2</b>	<b>(73.2)</b>	<b>6.6</b>	<b>11,759.3</b>	<b>73.6</b>
Equity securities:						
Nonredeemable preferred stocks	473.7	342.6	(3.7)	(6.3)	806.3	5.1
Common equities	1,431.0	440.0	(25.4)	0	1,845.6	11.6
Short-term investments:						
Other short-term investments	1,551.8	0	0	0	1,551.8	9.7
<b>Total portfolio<sup>2,3</sup></b>	<b>\$ 14,912.2</b>	<b>\$ 1,152.8</b>	<b>\$ (102.3)</b>	<b>\$ .3</b>	<b>\$ 15,963.0</b>	<b>100.0 %</b>

<sup>1</sup> Represents net holding period gains (losses) on certain hybrid securities (discussed below).

<sup>2</sup> At June 30, 2012, we had \$15.5 million of net unsettled security transactions included in other liabilities, compared to \$7.1 million and \$46.9 million included in other assets at June 30, 2011 and December 31, 2011, respectively.

<sup>3</sup> The total fair value of the portfolio at June 30, 2012 and 2011, and December 31, 2011 included \$1.4 billion, \$1.6 billion, and \$2.0 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

Our other short-term investments include Eurodollar deposits, commercial paper, reverse repurchase transactions, and other investments that are expected to mature within one year.



Included in our fixed-maturity and equity securities are hybrid securities, which are reported at fair value:

(millions)	June 30, 2012	June 30, 2011	December 31, 2011
<b>Fixed maturities:</b>			
Corporate debt securities	\$ 166.8	\$ 230.5	\$ 234.9
Other asset-backed securities	15.9	16.5	15.5
<b>Total fixed maturities</b>	<b>182.7</b>	<b>247.0</b>	<b>250.4</b>
<b>Equity securities:</b>			
Nonredeemable preferred stocks	18.9	22.9	14.2
<b>Total hybrid securities</b>	<b>\$ 201.6</b>	<b>\$ 269.9</b>	<b>\$ 264.6</b>

Certain corporate debt securities are accounted for as hybrid securities since they were acquired at a substantial premium and contain a change-in-control put option (derivative) that permits the investor, at its sole option if and when a change in control is triggered, to put the security back to the issuer at a 1% premium to par. Due to this change-in-control put option and the substantial market premium paid to acquire these securities, there is the potential that the election to put, upon the change in control, could result in an acceleration of the remaining premium paid on these securities, which would result in a loss of \$11.6 million as of June 30, 2012, if all of the bonds experienced a simultaneous change in control and we elected to exercise all of our put options. The put feature limits the potential loss in value that could be experienced in the event a corporate action occurs that results in a change in control which materially diminishes the credit quality of the issuer. We are under no obligation to exercise the put option we hold if a change in control occurs.

The other asset-backed security in the table above represents one hybrid security that was acquired at a deep discount to par due to a failing auction, and contains a put option that allows the investor to put that security back to the auction at par if the auction is restored. This embedded derivative has the potential to more than double our initial investment yield.

The hybrid securities in our nonredeemable preferred stock portfolio are perpetual preferred stocks that have call features with fixed-rate coupons, whereby the change in value of the call features is a component of the overall change in value of the preferred stocks.

Our securities are reported at fair value, with the changes in fair value of these securities (other than hybrid securities and derivative instruments) reported as a component of accumulated other comprehensive income, net of deferred income taxes. The changes in fair value of the hybrid securities and derivative instruments are recorded as a component of net realized gains (losses) on securities.

**Fixed Maturities** The composition of fixed maturities by maturity at June 30, 2012, was:

(millions)	Cost	Fair Value
Less than one year	\$ 1,491.3	\$ 1,514.0
One to five years	8,722.4	8,995.8
Five to ten years	1,424.2	1,479.3
Ten years or greater	85.0	86.1
<b>Total<sup>1</sup></b>	<b>\$ 11,722.9</b>	<b>\$ 12,075.2</b>

<sup>1</sup> Excludes \$0.7 million of gains on the open credit default swap position.

Asset-backed securities are classified in the maturity distribution table based upon their projected cash flows. All other securities which do not have a single maturity date are reported at expected average maturity. Contractual maturities may differ from expected maturities because the issuers of the securities may have the right to call or prepay obligations.

**Gross Unrealized Losses** As of June 30, 2012, we had \$48.5 million of gross unrealized losses in our fixed-income securities (i.e., fixed-maturity securities, nonredeemable preferred stocks, and short-term investments) and \$30.9 million in our common equities. We currently

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do not intend to sell the fixed-income securities and determined that it is more likely than not that we will not be required to sell these securities during the periods of time necessary to recover their respective cost bases. A review of our fixed-income securities indicated that the issuers were current with respect to their interest obligations and that there was no evidence of any deterioration of the current cash flow projections that would indicate we would not receive the remaining principal at maturity. In addition, 94% of our common stock portfolio was indexed to the Russell 1000; as such, this portfolio may contain securities in a loss position for an extended period of time, subject to possible write-downs, as described below. We may retain these securities as long as the portfolio and index correlation remain similar. To the extent there is issuer specific deterioration, we may write-down the securities. The remaining 6% of our common stocks are part of a managed equity strategy selected and administered by an external investment advisor. If our strategy were to change and these securities were determined to be other-than-temporarily impaired, we would recognize a write-down in accordance with our stated policy.

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The following tables show the composition of gross unrealized losses by major security type and by the length of time that individual securities have been in a continuous unrealized loss position:

(millions)	Total Fair Value	Gross Unrealized Losses	Less than 12 Months		12 Months or Greater	
			Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>June 30, 2012</b>						
Fixed maturities:						
U.S. government obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State and local government obligations	118.3	(.5)	95.3	(.3)	23.0	(.2)
Corporate debt securities	170.0	(5.6)	111.4	(.4)	58.6	(5.2)
Residential mortgage-backed securities	271.3	(22.3)	32.3	(1.1)	239.0	(21.2)
Commercial mortgage-backed securities	73.5	(1.4)	39.9	(.1)	33.6	(1.3)
Other asset-backed securities	35.0	(.2)	20.0	0	15.0	(.2)
Redeemable preferred stocks	169.4	(17.5)	43.5	(1.5)	125.9	(16.0)
<b>Total fixed maturities</b>	<b>837.5</b>	<b>(47.5)</b>	<b>342.4</b>	<b>(3.4)</b>	<b>495.1</b>	<b>(44.1)</b>
Equity securities:						
Nonredeemable preferred stocks	22.3	(1.0)	0	0	22.3	(1.0)
Common equities	229.0	(30.9)	173.4	(17.8)	55.6	(13.1)
<b>Total equity securities</b>	<b>251.3</b>	<b>(31.9)</b>	<b>173.4</b>	<b>(17.8)</b>	<b>77.9</b>	<b>(14.1)</b>
<b>Total portfolio</b>	<b>\$ 1,088.8</b>	<b>\$ (79.4)</b>	<b>\$ 515.8</b>	<b>\$ (21.2)</b>	<b>\$ 573.0</b>	<b>\$ (58.2)</b>

(millions)	Total Fair Value	Gross Unrealized Losses	Less than 12 Months		12 Months or Greater	
			Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<b>June 30, 2011</b>						
Fixed maturities:						
U.S. government obligations	\$ 33.4	\$ (.8)	\$ 33.4	\$ (.8)	\$ 0	\$ 0
State and local government obligations	163.3	(1.3)	121.1	(.6)	42.2	(.7)
Corporate debt securities	354.7	(5.1)	330.3	(4.7)	24.4	(.4)
Residential mortgage-backed securities	402.1	(29.8)	185.4	(3.0)	216.7	(26.8)
Commercial mortgage-backed securities	220.9	(3.6)	138.6	(2.1)	82.3	(1.5)
Other asset-backed securities	120.0	(.8)	115.5	(.3)	4.5	(.5)
Redeemable preferred stocks	161.7	(8.5)	0	0	161.7	(8.5)
<b>Total fixed maturities</b>	<b>1,456.1</b>	<b>(49.9)</b>	<b>924.3</b>	<b>(11.5)</b>	<b>531.8</b>	<b>(38.4)</b>
Equity securities:						
Nonredeemable preferred stocks	0	0	0	0	0	0
Common equities	95.0	(6.6)	94.7	(6.5)	.3	(.1)
<b>Total equity securities</b>	<b>95.0</b>	<b>(6.6)</b>	<b>94.7</b>	<b>(6.5)</b>	<b>.3</b>	<b>(.1)</b>
<b>Total portfolio</b>	<b>\$ 1,551.1</b>	<b>\$ (56.5)</b>	<b>\$ 1,019.0</b>	<b>\$ (18.0)</b>	<b>\$ 532.1</b>	<b>\$ (38.5)</b>

(millions)	Total Fair Value	Gross Unrealized Losses	Less than 12 Months		12 Months or Greater	
			Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
<u>December 31, 2011</u>						
Fixed maturities:						
U.S. government obligations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
State and local government obligations	93.6	(.6)	79.5	(.5)	14.1	(.1)
Corporate debt securities	262.7	(6.5)	137.3	(4.6)	125.4	(1.9)
Residential mortgage-backed securities	308.7	(35.3)	34.4	(2.0)	274.3	(33.3)
Commercial mortgage-backed securities	203.7	(5.5)	161.4	(3.5)	42.3	(2.0)
Other asset-backed securities	284.2	(1.3)	259.7	(1.0)	24.5	(.3)
Redeemable preferred stocks	191.4	(24.0)	43.5	(1.5)	147.9	(22.5)
Total fixed maturities	1,344.3	(73.2)	715.8	(13.1)	628.5	(60.1)
Equity securities:						
Nonredeemable preferred stocks	19.5	(3.7)	19.5	(3.7)	0	0
Common equities	214.6	(25.4)	196.7	(23.1)	17.9	(2.3)
Total equity securities	234.1	(29.1)	216.2	(26.8)	17.9	(2.3)
Total portfolio	\$ 1,578.4	\$ (102.3)	\$ 932.0	\$ (39.9)	\$ 646.4	\$ (62.4)

**Other-Than-Temporary Impairment (OTTI)** The following table shows the total non-credit portion of the OTTI recorded in accumulated other comprehensive income, reflecting the original non-credit loss at the time the credit impairment was determined:

(millions)	June 30,		December 31,
	2012	2011	2011
Fixed maturities:			
Residential mortgage-backed securities	\$ (44.2)	\$ (45.2)	\$ (44.8)
Commercial mortgage-backed securities	(.9)	(1.0)	(1.0)
Total fixed maturities	\$ (45.1)	\$ (46.2)	\$ (45.8)

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The following tables provide rollforwards of the amounts related to credit losses recognized in earnings for the periods ended June 30, 2012 and 2011, for which portions of the OTTI losses were also recognized in accumulated other comprehensive income at the time the credit impairments were determined and recognized:

(millions)	Three Months Ended June 30, 2012			
	Mortgage-Backed		Corporate	Total
	Residential	Commercial	Debt	
Beginning balance at April 1, 2012	\$ 28.3	\$ .8	\$ 0	\$ 29.1
Credit losses for which an OTTI was previously recognized	.2	0	0	.2
Credit losses for which an OTTI was not previously recognized	0	0	0	0
Reductions for securities sold/matured	0	0	0	0
Change in recoveries of future cash flows expected to be collected <sup>1</sup>	(.4)	(.1)	0	(.5)
Reductions for previously recognized credit impairments written-down to fair value <sup>2</sup>	0	0	0	0
Ending balance at June 30, 2012	\$ 28.1	\$ .7	\$ 0	\$ 28.8

(millions)	Six Months Ended June 30, 2012			
	Mortgage-Backed		Corporate	Total
	Residential	Commercial	Debt	
Beginning balance at January 1, 2012	\$ 34.5	\$ 1.3	\$ 0	\$ 35.8
Credit losses for which an OTTI was previously recognized	.1	0	0	.1
Credit losses for which an OTTI was not previously recognized	.2	0	0	.2
Reductions for securities sold/matured	0	(.2)	0	(.2)
Change in recoveries of future cash flows expected to be collected <sup>1</sup>	(2.7)	(.1)	0	(2.8)
Reductions for previously recognized credit impairments written-down to fair value <sup>2</sup>	(4.0)	(.3)	0	(4.3)
Ending balance at June 30, 2012	\$ 28.1	\$ .7	\$ 0	\$ 28.8

(millions)	Three Months Ended June 30, 2011			
	Mortgage-Backed		Corporate	Total
	Residential	Commercial	Debt	
Beginning balance at April 1, 2011	\$ 34.5	\$ 1.0	\$ 6.5	