

REPORT ON EXAMINATION AS TO THE CONDITION OF
PROGRESSIVE GARDEN STATE INSURANCE COMPANY

WEST TRENTON, NEW JERSEY 08628

AS OF DECEMBER 31, 2022

NAIC GROUP CODE 0155

NAIC COMPANY CODE 14800

FILED

June 26, 2024

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

Table of Contents

SALUTATION	2
SCOPE OF EXAMINATION	3
HISTORY AND KIND OF BUSINESS	3
STATUTORY DEPOSIT	4
TERRITORY AND PLAN OF OPERATION	4
REINSURANCE	5
MANAGEMENT AND CONTROL	5
REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS	7
INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS	10
POLICY ON CONFLICT OF INTEREST	12
ACCOUNTS AND RECORDS	12
TREATMENT OF POLICYHOLDERS	14
FINANCIAL STATEMENTS AND OTHER EXHIBITS	15
EXHIBIT A - BALANCE SHEET AS OF DECEMBER 31, 2022	15
EXHIBIT B - SUMMARY OF REVENUE AND EXPENSES FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2022	17
EXHIBIT C - CAPITAL AND SURPLUS ACCOUNT FOR THE FIVE-YEAR PERIOD ENDING DECEMBER 31, 2022	18
NOTES TO THE FINANCIAL STATEMENTS	19
CONCLUSION	20
AFFIDAVIT	21



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF SOLVENCY REGULATION
PO Box 325
TRENTON, NJ 08625-0325

PHIL MURPHY
Governor

TAHESHA L. WAY
Lt. Governor

JUSTIN ZIMMERMAN
Acting Commissioner

TEL (609) 292-7272
FAX (609) 292-6765

May 15, 2024

Honorable Justin Zimmerman
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

**PROGRESSIVE GARDEN STATE INSURANCE COMPANY
WEST TRENTON, NEW JERSEY 08628
NAIC GROUP CODE 0155
NAIC COMPANY CODE 14800**

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, Progressive Garden State Insurance Company will be referred to in this report as the "Company" or "PGS".

SCOPE OF EXAMINATION

This risk-focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by Section 17:23-22 of the New Jersey Revised Statutes (“N.J.S.A.”).

The examination was made as of December 31, 2022, and addressed the five-year period from January 1, 2018, to December 31, 2022. During this five-year period under examination, the Company’s assets increased from \$319,787,550 to \$443,154,826. Liabilities increased from \$251,481,500 to \$340,354,918 and its surplus in regard to policyholders increased from \$68,306,050 to \$102,799,908.

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted the examination in accordance with the 2022 edition of the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires the NJDOBI to plan and perform the examination in order to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. To meet these objectives the NJDOBI obtained information regarding the Company’s corporate governance environment, identified, and assessed inherent risks to which it is exposed and evaluated the Company’s system of internal controls and procedures used to mitigate identified risks. The examination also included 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.

According to the NAIC Handbook, the risk-focused surveillance process provides effective procedures to monitor and assess the solvency of insurers on a continuing basis. The risk-focused surveillance process is embedded in the planning activities and throughout each phase of the risk-focused surveillance process discussed in detail within the Handbook. The revised approach consists of a structured methodology designed to establish a forward-looking view of an insurer’s risk profile and the quality of its risk management practices. This approach permits a direct and specific focus on the areas of greatest risk to an insurer. Through this approach, state insurance regulators can be more proactive and better positioned to identify and respond to any serious threat to the stability of the insurance company from any current or emerging risks. This regulatory approach will benefit all participants in the insurance marketplace.

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

HISTORY AND KIND OF BUSINESS

PGS is a wholly-owned subsidiary of Progressive Direct Holdings, Inc. (“PDH”), a holding company incorporated in Delaware. PDH is a wholly-owned subsidiary of The Progressive Corporation (“TPC”), a publicly traded holding company incorporated in Ohio. On January 10, 2005, CBIP Management, Inc. (“CBIP”), a New Jersey corporation, acquired 100% of the 120,000 issued and outstanding shares of

Salem Insurance Company (“Salem”) from Farmers Mutual Fire Insurance Company of Salem County (“Farmers”), a New Jersey mutual insurance company. Salem was incorporated under the laws of the State of New Jersey on December 12, 1981. Salem commenced business on July 1, 1984.

On December 1, 2006, PDH acquired 100% of the 120,000 issued and outstanding shares of Salem through a share purchase agreement from CBIP. The acquisition was approved by the NJDOBI.

On December 19, 2006, PGS, a New Jersey insurance company and subsidiary of PDH, was merged with Salem. Salem is the surviving entity. On the same date, Salem’s name was changed to Progressive Garden State. In accordance with the merger, all previously issued and outstanding shares of both Salem and Progressive Garden State were cancelled and 12,000 common shares of the Company were issued. The Company received capital contributions from PDH of \$4,700,000 in 2006. Upon completion of the aforementioned transactions, the Company had paid in capital of \$1,200,000 consisting of 12,000 shares of common stock with a par value of \$100 per share, and gross paid in and contributed surplus of \$5,800,000.

The Company’s statutory home office and registered agent upon whom process may be served is designated as c/o The Corporation Trust Company, 820 Bear Tavern Road, Suite 305, West Trenton, New Jersey 08628. The Company’s main administrative office is located at 6300 Wilson Mills Road, W33, Cleveland, Ohio 44143-2182.

STATUTORY DEPOSIT

As of December 31, 2022, the Company maintains a \$125,000 total par value in US Treasury Notes with the Commissioner of Banking and Insurance of the State of New Jersey for the benefit and security of all of the policyholders of PGS.

TERRITORY AND PLAN OF OPERATION

PGS is only licensed to operate in the State of New Jersey.

According to its Certificate of Authority, the Company is authorized to write the lines of business specified under N.J.S.A. 17:17-1b and N.J.S.A. 17:17-1e. As of December 31, 2022, the Company was writing the following lines of business: Inland Marine, Workers Compensation, Other Liability – Occurrence, Private Passenger Automobile No-Fault, Other Private Passenger Auto Liability, and Private Passenger Auto Physical Damage.

The Company generates its business through the direct channel, both internet and phone.

At the examination date, PGS reported having these office locations in the State:

- 485 Route 1 South, Building A - Suite 400, Iselin, New Jersey 08830
- 1200 Howard Blvd., Suite 110, Mount Laurel, New Jersey 08054
- 103 Morgan Lane, Suite 250, Plainsboro, New Jersey 08536
- 152 West Street, Suite 150, South Plainfield, New Jersey 07080

- 1011 Zircon Drive, Toms River, New Jersey 08753
- 290 Veterans Blvd., Suite 150, Rutherford, New Jersey 07070
- 320 Veterans Blvd., Rutherford, New Jersey 07070

REINSURANCE

The agreement made on October 1, 2005, between Progressive PGS, a New Jersey Company and Progressive Direct Insurance Company, an Ohio Corporation, (hereinafter referred to as Reinsurer).

The agreement shall apply to all new and renewal insurance policies that have been issued by the Company with an effective date that is during the term of this agreement under the following New Jersey rating plans:

- i. Personal lines private passenger automobile insurance program;
- ii. Special lines motorcycle insurance program;
- iii. Special lines recreation vehicle insurance program;
- iv. Special lines boat insurance program.

This agreement does not apply to any new or renewal policies with an effective date that is after the term of this agreement, and such policies are not reinsured hereunder. Policies reinsured hereunder shall collectively be referred to herein as “Policies” and individually referred to as “Policy”.

Under the terms of the agreement, the Company cedes 90% of all premiums, losses, loss adjustment expenses and underwriting expenses. In consideration for the reinsurance ceded and assumed, the Company shall pay the Reinsurer 90% of Net Written Premium.

The Loss Portfolio Transfer Reinsurance Contract between Salem and Farmers was issued on January 10, 2004. Under the terms of the agreement, Farmers is liable for 100% of Salem’s incurred loss and loss adjustment expense arising from the conduct of business prior to December 31, 2003.

MANAGEMENT AND CONTROL

In accordance with Article III, Section 1 of the by-laws, the annual meeting of shareholders shall be held on the first Tuesday in April of each year at such time and place as may be fixed by the Board of Directors and stated in the notice of the meeting, for the election of Directors, the consideration of reports to be laid before such meeting and the transaction of such other business as may properly come before the meeting. Annual meetings of the Board of Directors shall be held immediately following the annual meeting of the shareholders, or as soon thereafter as is practicable.

The number of Directors shall be five (5). The number of Directors may be fixed or changed at any annual meeting or at any special meeting called for that purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Company on such proposal, but in no event shall the number of Directors be less than five (5). Each Director of the Company shall be at least eighteen (18) years of age, with a majority of the Directors being citizens and residents of the United States.

Directors shall be elected at the annual meeting of shareholders, but when the annual meeting is not held or Directors are not elected there at, they may be elected at a special meeting called and held for that purpose.

Such election shall be by ballot whenever requested by any shareholder entitled to vote at such election. But, unless such request is made, the election may be conducted in any manner approved at such meeting. At such meeting of shareholders for the election of Directors, the persons receiving the greatest number of votes shall be Directors.

The following is a list of the Board of Directors serving the Company as of December 31, 2022:

<u>Director</u>	<u>Occupation</u>
<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Daniel J. Witalec	GM Strategy and Intel
Michael V. Esposito	Auto Product Development Leader
Brian J. Gura	Business Leader, CRM Process
Meghan L. Friesen	Personal Lines GM
Scott W. Ziegler	Personal Lines GM

Officers

President - Karen Z. Hardwick

Secretary - Michael R. Uth

Treasurer - Daniel J. Witalec

Asst. Secretary - Karen A. Kosuda

Asst. Treasurer – Sandra L. Rihvalsky

VP – Carl G. Joyce

Minutes of meetings held by the Board of Directors or Board Committees revealed adequate approval of the Company's transactions and events including the review and approval of the prior statutory financial examination report.

In accordance with its By-laws the Company shall establish one (1) or more committees consisting of outside Directors to perform the following functions:

- Recommending the selection of independent certified public accountants
- Reviewing the Company's financial condition and the scope and results of independent and internal audits
- Nominating candidates for Directors for election by shareholders
- Evaluating the performance of officers deemed to be principal officers of the Company.
- Recommending the selection and compensation including bonuses or other special payment of the principal officers

In accordance with Article III, Section A and 3 of the By-laws, the Board appointed the following committees:

Executive Committee

Meghan L.M. Friesen, Chairperson

Daniel J. Witalec

Michael V. Esposito

Investment Committee

Meghan L.M. Friesen, Chairperson

Daniel J. Witalec

Michael V. Esposito

N.J.S.A. 17:27A-4d(3) which states, “Not less than one-third of the directors of a domestic insurer, and not less than one-third of the members of each committee of the board of directors of any domestic insurer, shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof.”

N.J.S.A. 17:27A-4d(4) which states, “The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers.”

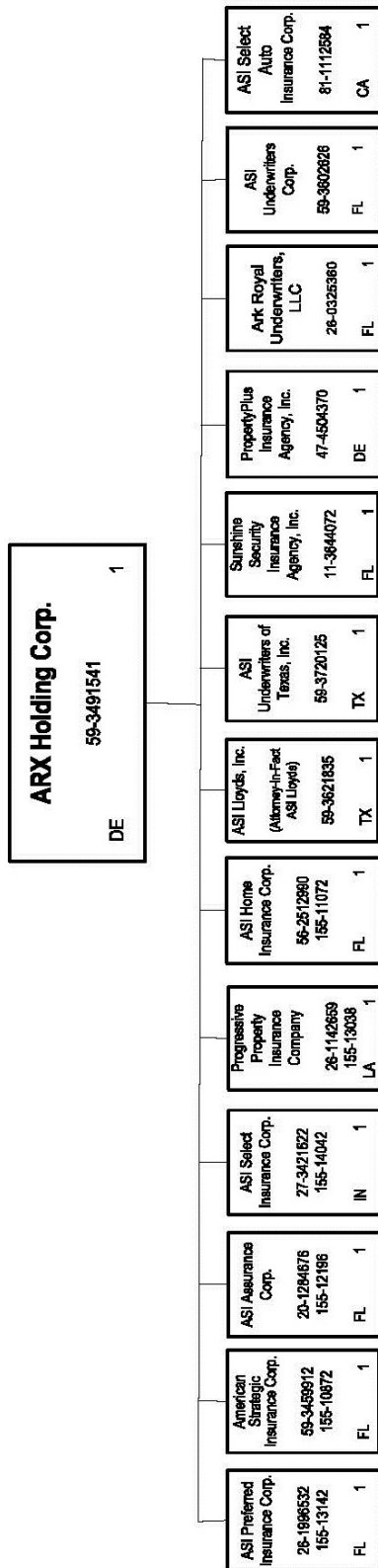
N.J.S.A. 17:27A-4d(5) which states, “The provisions of paragraphs (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer, such as an insurer, a mutual insurance holding company, or a publicly held corporation, is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.” The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5) by having an ultimate parent. TPC meets the requirement of this statute.

The Company's ethics policy and its code of ethics is for the Company's directors, officers and employees. All employees are required to disclose any outside activities or affiliations that may be present or appear to present a potential or actual conflict of interest.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of TPC holding system as defined by N.J.S.A. 17:27A-1. The Company files holding company registration statements as required by N.J.S.A. 17:27A-3, Section a-j.

The Company had no subsidiaries as of December 31, 2022. The following is the TPC holding company system chart as of December 31, 2022:



ASI Lloyds
(a Texas Lloyds insurance company managed by ASI Lloyds, Inc.)
75-2904629
155-11058
TX 2

COMPANY NAME	
FEDERAL EMPLOYER IDENTIFICATION NUMBER	
NAIC GROUP AND COMPANY CODES	
Ownership:	
1. Wholly owned	2. Not Indicated
State/Territory of Incorporation	

EXHIBIT A

As previously mentioned, PGS is a wholly owned subsidiary of PDH, and PDH is owned by TPC, the ultimate parent.

During the examination period, the Company received capital contributions from its parent as summarized:

2018	\$500,000
------	-----------

During the examination period, the Company paid dividends to stockholders to its parent as summarized:

2019	\$5,000,000
2020	\$11,500,000

INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

This examination verified that the Company was a named party to the following intercompany agreements as of December 31, 2022:

1. Management (Cost Allocation) Agreement
2. Federal Income Tax Sharing Agreement
3. Cash Management Agreement
4. General Agency Agreement
5. Interest Agreement
6. Investment Services Agreement
7. Licensing Agreement
8. Non-Exclusive Patent Licensing Agreement

Management Agreement

Effective December 1, 2006, the Company entered into a Management (cost allocation) Agreement with Progressive Direct Insurance Company (“PRDRT”). Under this agreement, PRDRT is shall provide the following services: sales and marketing, underwriting, reinsurance, premium billing, appointment and cancellation of agencies, commissions, claim and other policy payments, actuarial, financial reporting, data processing, statistical, accounting, internal record keeping, investment, data processing, advertising, office space and furniture, and tax reporting.

The Company shall reimburse PRDRT for such expenses, as well as for other expenses incurred by PRDRT in discharging its obligations under this agreement. Expenses are classified as either (1) identifiable expenses or (2) non-identifiable expenses. Expenses are to be reimbursed within ninety (90) days after the close of each calendar quarter. The agreement states that PRDRT is not entitled to any additional or separate management fees.

Termination of the agreement requires 30-day prior notice to the NJDOBI and the Ohio Department of Insurance. Either party may terminate the agreement by providing 90-day written notice to the other.

Federal Income Tax Sharing Agreement

Effective December 1, 2006, Drive New Jersey Insurance Company became a party as a subsidiary with

TPC within the Progressive Affiliated Federal Income Tax Sharing Agreement. Under this agreement, TPC will compute an estimated consolidated tax liability on a quarterly basis. TPC will apportion the amount determined under Article (1)(a), whether as a recoverable or as a payable to each member of the Group in an amount equal to the amount of tax that would be allocated to the member in accordance with Treasury Regulation 1.1552-1(a)(2) as modified by Treasury Regulation 1.1502-33(d)(93), with the following modifications: (1) the amount of tax accounted to each member shall be based on the top marginal tax rate as set forth in Internal Revenue Code Section 11 and (2) the benefits of any reduced tax brackets or recapture thereof shall be allocated entirely to Progressive Casualty Insurance Company ("PCIC").

The tax liability allocated to any member shall not exceed the amount that such member would be liable for if it filed a separate income tax return. If a member has a net operating loss as determined on a separate return basis, the member will be reimbursed for such loss to the extent that the loss results in a reduction in the consolidated tax liability of the Group.

If TPC's consolidated tax liability includes a liability for Alternative Minimum Tax ("AMT"), such AMT shall be allocated under the principles of Treasury Regulation 1.1552-1(a)(2) to all members whose separate return tax liability would include a liability for AMT. To the extent a member is allocated a liability for AMT, that member shall also be allocated an equivalent AMT credit carry forward which shall be taken into account in future years.

Amounts calculated as federal income tax recoverable or payable by the Subsidiaries shall be construed as recoverable from or payables to TPC. Intercompany balances are to be settled within 30 days of the end of the quarter in which TPC is required to make a federal income tax estimated payment.

The agreement may not be modified or amended except by the written consent of all the parties and the approval of the appropriate state regulatory agencies. The Agreement was amended and restated on June 1, 2021.

Cash Management Agreement

On October 1, 2005, the Company approved being a named participant under the affiliated Cash Management Agreement with PCIC. Under this agreement, PCIC was appointed as the Company's cash manager and provides it with cash management services.

General Agency Agreement

Effective December 1, 2006, PGS and several Progressive affiliated insurers entered into a General Agency Agreement with Progressive Advantage Agency, Inc. ("PAAI") (f/k/a Progressive Specialty Insurance Agency, Inc.) The purpose of this agreement was to appoint PAAI as their respective general agent in certain states as the parties may from time to time agree and to exercise the rights and perform specified duties.

Interest Agreement

On October 1, 2005, the Company was granted approval to enter into an Interest Agreement with PCIC. Under this agreement, the Company agrees to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC as a result of activity in PCIC's Cashier Account. The amount of these transactions shall be determined by an analysis of the average unpaid balances of these accounts. Interest

will be charged at the prevailing 90-day Treasury bill rate on the last day of each month computed to the nearest quarter of a percent.

Investment Services Agreement

On October 1, 2005, the Company entered into an Investment Services Agreement with Progressive Capital Management Corp. (“PCM”). Under this agreement, PCM is authorized, directed, and agrees to provide investment management services to each participating insurer. Such services shall include, without limitation: (i) development of an investment strategy; (ii) selection of investments; and (iii) management of investment transactions. The Company reaffirmed its approval on April 3, 2012.

Licensing Agreement

Effective December 1, 2006, the Company entered into a Licensing Agreement with PCIC. Under this agreement, PCIC grants the Company the right to use its various proprietary marks, whether now existing or hereafter created. The term of the agreement is indefinite. Either party may terminate the agreement upon 30 days written notice to the other party.

Non-Exclusive Patent Licensing Agreement

Effective October 25, 2010, the Company entered into a Non-Exclusive Patent Licensing Agreement with PCIC. Under this agreement, PCIC grants the Company a non-exclusive right and license to develop, improve, use and exploit PCIC’s various patents, identified in the agreement, whether now existing or hereafter created, whether issued or applied for through the United State Patent and Trademark Office of elsewhere. The term of the agreement is indefinite. A licensee may terminate his rights by giving 10-day notice to the licensor.

POLICY ON CONFLICT OF INTEREST

On an annual basis, each director and officer of the Company is required to complete an on-line conflict of interest form in accordance with the Progressive Way “Code of Conduct”. In accordance with the Company’s code of conduct, each director and officer are required to read the conflict of interest section of the code of conduct and to complete the acknowledgements.

Each director and officer of the Company completed an on-line conflict of interest form for 2022. The Company reported no conflicts.

ACCOUNTS AND RECORDS

The Company uses the following Progressive accounting systems in the preparation of its financial statements:

1. General Ledger System
2. Claims Processing and Reserving Systems
3. Premiums Processing System

The Statutory Accounting and Reporting staff in Corporate Finance – Financial Reporting are responsible for the preparation and review of the statutory quarterly and annual statements. The Director of Statutory Accounting and Reporting and the Chief Accounting Officer have the final responsibility for the Company’s statutory quarterly and annual statements.

General Ledger System

The Company uses Workday General Ledger system to prepare its monthly closing and financial reporting. The system permits both GAAP and statutory reporting. Furthermore, the Company's general ledger system interacts with a number of Progressive sub-systems critical to its financial reporting. These sub-systems include the following:

- Cashier (only for incoming cash)
- Cash Disbursements and Oracle
- Claims (ClaimStation)
- Expenses
- Investments
- ProBill (Receivables)
- ProStar (Premiums and IBNR)

The Cashier sub-system processes various transactions of which some pass through to Progressive's operational accounts receivable system, ProBill via a batch file. ProBill records the entry to the general ledger for the application of cash to the policy.

- Examples of ProBill transactions include lockbox payments, collection vendor payments, EBPP (electronic bill presentment and payment), and automated lookup payments.

For other transactions that remain in Cashier, Cashier will post the entry to the general ledger.

- Examples of non-ProBill payments include salvage/subrogation payments, claims deductible payments, and manual credit advices.

The Cash Disbursement sub-system is used to disburse and reconcile cash related to claims, premiums, and agent commissions. Claim payments are also initiated in ClaimStation and issued from Oracle.

The ProStar sub-system is used to calculate IBNR ("Incurred but Not Recorded") reserves and unearned premium reserves that are posted to the general ledger. It collects, organizes, and reports information in formats designed to support Progressive's actuarial functions.

Claims Processing System

ClaimStation is the application responsible for automating the claims payment processes to send payments to the vendors and/or claimants. Network Estimate Payments and medical payments are automated and sent via electronic fund transfer to the vendors. Manual payments to insureds, claimants or other parties to a claim also flow through Claimstation Payments and are issued via draft or check. The application supports the claims payment business process and is utilized to ensure that a valid payment for the appropriate amount is made to the right party in the right amount of time. Additionally, ClaimStation automatically validates that the individual has the appropriate authority to authorize the payment amount.

ClaimStation is used to provide basic claims handling functions, administrative data collection, and enable indemnity assessments and payments on losses. Other integrated applications support the following business processes: claim reporting, vehicle estimating, injury assessment, customer communication, correspondence, and overall claim investigation. All claims' applications are relied upon to manage the risks of insurance complaints, lawsuit filings, and federal/state/local statutory requirements.

Premiums Processing System

ProBill is Progressive's operational accounts receivable system. This system operates all billing and cash receivable functionality such as invoicing, applying payments, cancel processing, etc.

ProBill receives information from a number of premium processing sub-systems including the Progressive Online Transaction Enquiry Update System ("Proteus") and PolicyPro. Proteus serves as a database depository for all automobile and special lines policies. PolicyPro is a newer policy issuance system and the Company's state auto and special lines policies have been transferred to this system.

TREATMENT OF POLICYHOLDERS

N.J.S.A. 17:29B-4(10) requires all companies to maintain a complete record of all complaints that it has received since the date of its last examination. A review of Company records indicates that as of December 31, 2022, the Company does maintain a complaint register and is in compliance with this statute.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A - Balance Sheet as of December 31, 2022

Exhibit B - Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2022

Exhibit C - Capital and Surplus Account for the Five-Year Period Ending December 31, 2022

EXHIBIT A

PROGRESSIVE GARDEN STATE INSURANCE COMPANY
BALANCE SHEET AT DECEMBER 31, 2022

	Current Examination at 12/31/2022	Balance per Company at 12/31/2022	Examination Change	Note Number
<u>Assets</u>				
Bonds	\$220,051,534	\$220,051,534	\$0	1
Cash and short term investments	5,498,164	5,498,164	0	
Receivable for Securities	1,843,457	1,843,457	0	
Investment Income Due and Accrued	1,135,011	1,135,011	0	
Uncollected Premiums In Course of Collection	20,899,336	20,899,336	0	
Deferred Premiums Booked But Deferred and Not Yet Due	132,907,467	132,907,467	0	
Amounts Recoverable from Reinsurers	49,663,584	49,663,584	0	
Net Deferred Tax Asset	3,157,180	3,157,180	0	
Property Liability Insurance Guaranty Association Receivable	6,858,339	6,858,339	0	
PLIGA Unearned Surcharge Recoverable	1,140,754	1,140,754	0	
	<hr/>	<hr/>	<hr/>	
Total Admitted Assets	\$443,154,826	\$443,154,826	\$0	
<u>Liabilities</u>				
Losses and Loss Adjustment Expenses	\$52,427,179	\$52,427,179	\$0	2
Commissions Payable	63,777	63,777	0	
Other Expenses	40,253	40,253	0	
Taxes, Licenses and Fees	11,815,935	11,815,935	0	
Current Federal and foreign income taxes	739,249	739,249	0	
Unearned Premiums	22,750,827	22,750,827	0	
Advance Premiums	3,580,842	3,580,842	0	
Ceded Reinsurance Premiums Payable	194,638,142	194,638,142	0	
Drafts Outstanding	36,869,013	36,869,013	0	
Payable to Parent, Subsidiaries and Affiliates	11,636,328	11,636,328	0	
PLIGA Payable	4,504,714	4,504,714	0	
PLIGA Unearned Surcharge Payable	1,140,754	1,140,754	0	
State Plan Liability	127,516	127,516	0	
Escheatable Property	20,389	20,389	0	
	<hr/>	<hr/>	<hr/>	
Total Liabilities	\$340,354,918	\$340,354,918	\$0	
<u>Surplus and Other Funds</u>				
Common Capital Stock	\$1,200,000	\$1,200,000	\$0	
Gross Paid In and Contributed Surplus	52,600,000	52,600,000	0	
Unassigned Funds (Surplus)	48,999,908	48,999,908	0	
	<hr/>	<hr/>	<hr/>	
Surplus as Regards Policyholders	\$102,799,908	\$102,799,908	\$0	3
	<hr/>	<hr/>	<hr/>	
Total Liabilities, Surplus and Other Funds	\$443,154,826	\$443,154,826	\$0	

EXHIBIT B

**PROGRESSIVE GARDEN STATE INSURANCE COMPANY
SUMMARY OF OPERATIONS FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2022**

<u>UNDERWRITING INCOME</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Premiums Earned	\$88,922,903	\$82,227,352	\$78,171,918	\$74,466,149	\$67,859,649
Deductions:					
Losses Incurred	\$60,455,604	\$59,232,889	\$36,656,989	\$43,940,098	\$41,370,403
Loss Adjustment Expenses Incurred	11,626,784	10,213,683	8,543,577	9,106,066	8,110,812
Other Underwriting Expenses Incurred	13,304,325	15,121,005	15,830,123	12,596,648	10,899,793
Total Underwriting Deductions	<u>\$85,386,713</u>	<u>\$84,567,577</u>	<u>\$61,030,689</u>	<u>\$65,642,812</u>	<u>\$60,381,008</u>
Net Underwriting Gain or (Loss)	<u>\$3,536,190</u>	<u>(\$2,340,225)</u>	<u>\$17,141,229</u>	<u>\$8,823,337</u>	<u>\$7,478,641</u>
<u>INVESTMENT INCOME</u>					
Net Investment Income Earned	\$4,304,172	\$4,543,337	\$4,809,013	\$4,460,445	\$3,744,065
Net Realized Capital Gains or (Losses)	<u>(158,085)</u>	<u>1,797,203</u>	<u>2,375,945</u>	<u>825,702</u>	<u>(49,285)</u>
Net Investment Gain or (Loss)	<u>\$4,146,087</u>	<u>\$6,340,540</u>	<u>\$7,184,958</u>	<u>\$5,286,147</u>	<u>\$3,694,780</u>
<u>OTHER INCOME</u>					
Net Gain or (Loss) from Agents' Balances Charged Off	(\$899,769)	(\$1,125,276)	(\$1,213,338)	(\$1,177,240)	(\$1,080,694)
Finance and Service Charges not Included in Premium	9,198,394	8,924,113	7,795,638	7,536,689	6,462,713
Aggregate Write-ins for Miscellaneous Income	<u>(6,870,201)</u>	<u>(7,945,596)</u>	<u>(6,837,346)</u>	<u>(5,736,635)</u>	<u>(4,938,686)</u>
Total Other Income	<u>\$1,428,424</u>	<u>(\$146,759)</u>	<u>(\$255,046)</u>	<u>\$622,814</u>	<u>\$443,333</u>
Net Income Before Dividends to Policyholders and before Federal & Foreign Income Taxes	<u>\$9,110,701</u>	<u>\$3,853,556</u>	<u>\$24,071,141</u>	<u>\$14,732,298</u>	<u>\$11,616,754</u>
Net Income Before Federal Income Taxes	\$9,110,701	\$3,853,556	\$24,071,141	\$14,732,298	\$11,616,754
Federal and Foreign Income Taxes Incurred	<u>1,990,482</u>	<u>579,595</u>	<u>4,538,256</u>	<u>2,995,265</u>	<u>2,567,744</u>
Net Income	<u><u>\$7,120,219</u></u>	<u><u>\$3,273,961</u></u>	<u><u>\$19,532,885</u></u>	<u><u>\$11,737,033</u></u>	<u><u>\$9,049,010</u></u>

EXHIBIT C

PROGRESSIVE GARDEN STATE INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
NET INCOME	<u>\$7,120,219</u>	<u>\$3,273,961</u>	<u>\$19,532,885</u>	<u>\$11,737,033</u>	<u>\$9,049,010</u>
<u>OTHER SURPLUS GAINS OR (-) LOSSES</u>					
Change in Net Unrealized Capital Gains or (losses)	(\$469,174)	(\$9,875)			
Change in Net Deferred Income Tax	125,441	(576,728)	503,973	8,306	285,597
Change in Nonadmitted Assets	(932,101)	3,481,064	(2,367,734)	387,515	(655,534)
Paid in Surplus					500,000
Dividends to stockholders			<u>(11,500,000)</u>	<u>(5,000,000)</u>	
Total Other Surplus Gains or (-) Losses	<u>(\$1,275,834)</u>	<u>\$2,894,461</u>	<u>(\$13,363,761)</u>	<u>(\$4,604,179)</u>	<u>\$130,063</u>
Change in Surplus as Regards					
Policyholders for the Year	\$5,844,385	\$6,168,422	\$6,169,124	\$7,132,854	\$9,179,073
Surplus as Regards Policyholders					
December 31, Previous Year	<u>\$96,955,523</u>	<u>\$90,787,101</u>	<u>\$84,617,977</u>	<u>\$77,485,123</u>	<u>\$68,306,050</u>
Surplus as Regards Policyholders					
December 31, Current Year	<u>\$102,799,908</u>	<u>\$96,955,523</u>	<u>\$90,787,101</u>	<u>\$84,617,977</u>	<u>\$77,485,123</u>

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

As of December 31, 2022, PGS reported an asset for bonds of \$220,051,534 which was accepted for purposes of this examination.

NOTE 2: LOSSES AND LOSS ADJUSTMENT EXPENSES

As of December 31, 2022, the Company reported a net liability for Losses and Loss Adjustment Expenses of \$52,427,179. The actuarial review of the Loss and Loss Adjustment Expenses Reserves for PGS was done by Thomas Botsko, ACAS, MAAA. This review was performed in connection with the Ohio Insurance Department's December 31, 2022 risk-focused examination of the Progressive Group.

Thomas Botsko, ACAS, MAAA Actuarial report was reviewed by the Property and Casualty Actuarial Division of the NJDOBI.

On the basis of this review, the Company's gross and net reserves were determined to be reasonable and the balance will be accepted as stated. Net loss reserves, as reported by the Company and as determined by this examination, totaled \$41,869,504. Net loss adjustment expense reserves, as reported by the Company and as determined by this examination, totaled \$10,557,675.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

Unassigned Funds (Surplus)

The Company reported surplus as regards to policyholders as of December 31, 2022, of \$102,799,908 which consisted common capital stock of \$1,200,000, gross paid in and contributed surplus of \$52,600,000 and unassigned funds of \$48,999,908.

CONCLUSION

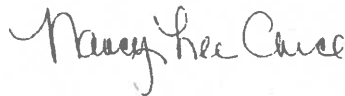
The undersigned hereby certifies that an examination has been made of PGS, and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,

A handwritten signature in cursive script, reading "Brian H Sewell".

Brian H Sewell.
CFE Examiner-in-charge
Noble Consulting Services Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of,

A handwritten signature in cursive script, reading "Nancy Lee Chice".

Nancy Lee Chice, CFE Reviewer
New Jersey Department of Banking and Insurance

AFFIDAVIT

I, Brian H. Sewell, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of PGS in accordance with the NAIC Handbook and New Jersey State Regulations.

Respectfully Submitted,

Brian H. Sewell

Brian H Sewell, CFE
Examiner-in-charge
Noble Consulting Services Inc.
Representing the State of New Jersey
Department of Banking and Insurance

Under the supervision of,

Nancy Lee Chice

Nancy Lee Chice, CFE Reviewer
New Jersey Department of Banking and Insurance

State of New Jersey

County of Mercer

Subscribed and sworn to before me,
day of May, 2024.

Margaret M. Greco, on this 29th

[Signature]
Notary Public of New Jersey

My commission expires:

3/17/2028

