PROGRESSIVE CORP/OH/
Form 424B5
August 17, 2011
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As Filed Pursuant to Rule 424(b)(5)
Registration No. 333-176358

This prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED AUGUST 17, 2011

PROSPECTUS SUPPLEMENT TO PROSPECTUS DATED AUGUST 17, 2011

$500,000,000

The Progressive Corporation

% Senior Notes due

We are offering $500 million aggregate principal amount of % Senior Notes due . The notes will bear interest at a rate of % per annum. Interest will be payable semi-annually on and of each year, commencing on . The notes will mature on . We have the option to redeem all or a portion of the notes at the redemption prices described under the caption Description of Notes Optional Redemption in this prospectus supplement.

The notes will be our senior unsecured obligations and will rank equally in right of payment with all of our existing and future senior indebtedness. The notes will be effectively subordinated to any secured indebtedness we may incur in the future to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.

The notes will be issued in minimum denominations of $2,000 and integral multiples of $1,000 in excess thereof. We do not intend to apply for listing of the notes on any securities exchange.

Investing in the notes involves risks. See the sections entitled Risk Factors beginning on page 11 of our Annual Report on Form 10-K for the year ended December 31, 2010 and in this prospectus supplement beginning on page S-8.

	Price to Public (1)	Underwriting Discounts and Commissions	Proceeds to Progressive
Per Note	%	%	%
Total	$	$	$

(1) Plus accrued interest, if any, from , 2011, if settlement occurs after that date.

The underwriter expects to distribute the notes in book-entry form through the facilities of The Depository Trust Company for the benefit of its direct and indirect participants on or about , 2011.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Credit Suisse

The date of this prospectus supplement is August , 2011.

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We have not, and the underwriter has not, authorized anyone to provide any information other than that contained or incorporated by reference in this prospectus supplement and the accompanying prospectus or in any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are not making an offer or sale of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus is accurate as of any date other than the date of the applicable document.

This document is in two parts. The first part is the prospectus supplement, which describes our business and the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. Generally, when we refer only to the prospectus, we are referring to both parts combined. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

When we use the terms Progressive , the company , we , us or our in this prospectus, we mean The Progressive Corporation, and not any of its subsidiaries or mutual company affiliate, unless we state or the context implies otherwise. The term subsidiaries in this prospectus includes both our subsidiaries and our mutual company affiliate, unless we state or the context implies otherwise.

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FORWARD-LOOKING STATEMENTS

Under the Private Securities Litigation Reform Act of 1995, statements in this prospectus supplement and the accompanying prospectus and the documents incorporated by reference that are not historical fact are forward-looking statements. Such statements use forward-looking words such as believe, plan, anticipate, continue, estimate, expect, may, or other similar words. These statements discuss plans, strategies, ev developments that we expect or anticipate will or may occur in the future, but that are subject to certain risks and uncertainties that could cause actual events and results to differ materially from those discussed herein. You should understand that the following important factors could affect our future results and could cause actual results to differ materially from those expressed in such forward-looking statements:

- uncertainties related to estimates, assumptions, and projections generally;
- inflation and changes in economic conditions (including changes in interest rates and financial markets);
- the possible failure of one or more governmental entities to make scheduled debt payments or satisfy other obligations;
- the potential or actual downgrading of governmental, corporate, or other securities by a rating agency;
- the financial condition of, and other issues relating to the strength of and liquidity available to, issuers of securities held in our investment portfolios and other companies with which we have ongoing business relationships, including counterparties to certain financial transactions;
- the accuracy and adequacy of our pricing and loss reserving methodologies;
- the competitiveness of our pricing and the effectiveness of our initiatives to retain more customers;
- initiatives by competitors and the effectiveness of our response;
- our ability to obtain regulatory approval for requested rate changes and the timing thereof;
- the effectiveness of our brand strategy and advertising campaigns relative to those of competitors;
- legislative and regulatory developments, including, but not limited to, health care reform and tax law changes;
- disputes relating to intellectual property rights;
- the outcome of litigation pending or that may be filed against us;

- weather conditions (including the severity and frequency of storms, hurricanes, snowfalls, hail, and winter conditions);
- changes in driving patterns and loss trends;
- acts of war and terrorist activities;
- our ability to maintain the uninterrupted operation of our facilities, systems (including information technology systems), and business functions;
- court decisions and trends in litigation, and health care and auto repair costs; and
- other matters described from time to time in our releases and publications, and in our periodic reports and other documents filed with the Securities and Exchange Commission (SEC).

In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established for one or more contingencies. Also, our regular reserve reviews may result in adjustments of varying magnitude as additional information regarding claims activity becomes known. Reported results, therefore, may be volatile in certain accounting periods.

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These factors, and the factors addressed under the heading Risk Factors beginning on page S-8 of this prospectus supplement, Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and any risk factor disclosed in our quarterly reports on Form 10-Q are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on the company s business, financial condition or future results. We undertake no obligation to update publicly any forward-looking statement whether as a result of new information or future events except as required by the federal securities laws.

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SUMMARY

The following is a summary of the more detailed information appearing elsewhere or incorporated by reference in this prospectus supplement and the accompanying prospectus. It does not contain all of the information that may be important to you. You should read this prospectus supplement and the accompanying prospectus in their entirety and the documents we have referred you to, including those incorporated herein and therein by reference, especially the risks of investing in the notes discussed under Risk Factors, before investing in these notes. In this section only, when we use the terms Progressive, the company, we, us or our, we mean The Progressive Corporation and its subsidiaries, on a consolidated basis, unless we state or the context implies otherwise.

The Progressive Corporation

The Progressive insurance organization began business in 1937. The Progressive Corporation, an insurance holding company formed in 1965, currently has 54 subsidiaries and one mutual insurance company affiliate (collectively, the subsidiaries). Our insurance subsidiaries provide personal and commercial automobile insurance and other specialty property-casualty insurance and related services throughout the United States. We maintain geographic diversity in our insurance underwriting business, writing personal auto policies in all 50 states and the District of Columbia and commercial auto policies in 49 states. In 2009, we began writing personal auto insurance on an Internet-only basis in Australia.

Our subsidiaries property-casualty insurance products protect our customers against collision and physical damage to their motor vehicles, uninsured and underinsured bodily injury claims, and liability to others for personal injury or property damage arising out of the use of those vehicles. Our non-insurance subsidiaries generally support our insurance and investment operations. Our business operations include the following:

Our Personal Lines business includes personal automobile insurance and specialty products, such as insurance for motorcycles, recreational vehicles, mobile homes, watercraft and snowmobiles. The Personal Lines business either is generated by independent agents and brokers or is written directly by us over the Internet or by phone.

The Commercial Auto business writes primary liability and physical damage insurance for automobiles and trucks owned by small businesses and is primarily distributed through the independent agency channel. This business operates in the specialty truck and business auto markets.

Our service businesses include providing insurance-related services, primarily policy issuance and claims adjusting services in 43 states for Commercial Auto Insurance Procedures/Plans (CAIP), which are state-supervised plans serving the involuntary markets. Our service businesses also include our alliances with three unaffiliated homeowner s insurance companies through which we offer customers in all but two states home, condo, and renters insurance underwritten by these homeowner s insurance companies.

Our other indemnity businesses primarily manage our run-off businesses.

We manage insurance claims through approximately 320 claims offices located throughout the United States. In addition, we have in operation 54 service centers, in 41 metropolitan areas across the country, that provide concierge-level claims service, which are designed to provide end-to-end resolution for physical damage losses.

Our investment group employs what management believes is a conservative approach to investment and capital management intended to ensure that we have sufficient capital to support all of the insurance premiums that we can profitably write and service. As of June 30, 2011, our portfolio was invested primarily in short-term and intermediate-term, investment-grade fixed-income securities.

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Progressive s insurance businesses operate in a highly regulated environment. Our insurance subsidiaries are subject to regulation and supervision by state insurance departments in all 50 states and the District of Columbia, each of which has a unique and complex set of laws and regulations. State insurance departments have broad administrative power relating to licensing insurers, agents and adjusters; regulating premium changes and policy forms; establishing reserve requirements; prescribing statutory accounting methods and the form and content of statutory financial reports; and regulating the type and amount of investments permitted. In addition, insurance statutes or regulations in many states limit the extent to which insurance companies may pay dividends and transfer assets to their affiliates (including a parent company) and either prohibit, or require prior regulatory approval for, the payment of dividends and other distributions in excess of such limits.

Our principal executive offices are located at 6300 Wilson Mills Road, Mayfield Village, Ohio 44143 and our phone number is (440) 461-5000. Additional information about The Progressive Corporation and its subsidiaries can be found in our documents filed with the SEC, which are incorporated herein by reference, as provided in the accompanying prospectus in Where You Can Find More Information. Our website is www.progressive.com. Information on our website does not constitute part of this prospectus.

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The Offering

The summary below describes the principal terms of the notes. Certain of the terms and conditions described below are subject to important limitations and exceptions. For a more detailed description of the terms and conditions of the notes, see the section entitled Description of Notes in this prospectus supplement.

Issuer	The Progressive Corporation, an Ohio corporation.
Notes Offered	$500 million in aggregate principal amount of % Senior Notes due .
Maturity Date	.
Interest Rate and Payment Dates	Interest on the notes will accrue at the rate of % per annum, payable semi-annually in cash, in arrears, on each and , commencing on . Interest on the notes will be computed on the basis of a 360-day year comprised of twelve 30-day months.
Optional Redemption	We may redeem all or a portion of the notes at our option at any time from time to time at the redemption prices described under Description of Notes Optional Redemption in this prospectus supplement.
Ranking	The notes will be our senior unsecured obligations. The notes will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness and senior in right of payment to any of our existing or future subordinated indebtedness. The notes will be effectively subordinated to any of our future secured indebtedness to the extent of the value of the assets securing such indebtedness and will be structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries.
	As of June 30, 2011, we had approximately $1,188.7 million of senior unsecured indebtedness and no secured indebtedness outstanding. As of June 30, 2011, our insurance subsidiaries had approximately $13.4 billion of outstanding indebtedness and other liabilities (including unearned premiums, loss and loss adjustment expense reserves, accounts payable, accrued expenses and other liabilities, but excluding intercompany debt) to which the notes would have ranked structurally subordinate. At that date, our subsidiaries had no external borrowings.
Certain Covenants	We will issue the notes under an indenture dated as of September 15, 1993, as supplemented, between us and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee (the Trustee). The indenture governing the notes will, among other things, restrict our ability to:
	incur liens; and

	sell certain assets or merge with or into other companies,
	in each case, unless certain conditions are satisfied.
	These covenants are subject to a number of important qualifications and limitations. For more details, see the section entitled Description of Notes Certain Covenants, in this prospectus supplement.
Use of Proceeds	We estimate that we will receive approximately $ million from the sale of the notes, after deducting underwriter s discounts and commissions and offering expenses. We intend to use such proceeds from time to time for general corporate purposes, which may include the repurchase of our outstanding securities and repayment of outstanding indebtedness, including our $350 million aggregate principal amount of 6.375% Senior Notes due 2012 (the 2012 Notes) and/or $150 million aggregate principal amount of 7% Notes due 2013 (the 2013 Notes), at maturity. Until applied for these purposes, we intend to invest the net proceeds from the offering of the notes in securities that are similar in nature to and of approximately the same quality and maturities as those currently held in the investment portfolios of our subsidiaries.
No Public Trading Market	We do not intend to list the notes on any national securities exchange. There can be no assurance that an active trading market will develop for the notes.
Risk Factors	See the section entitled Risk Factors beginning on page S-8 of this prospectus supplement and the Risk Factors section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which is incorporated by reference into this prospectus supplement and the accompanying prospectus, for a discussion of factors you should carefully consider before deciding to invest in the notes.
Trustee and Paying Agent	U.S. Bank National Association.
Governing Law	The notes and the indenture under which they will be issued will be governed by New York law.

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RISK FACTORS

The notes offered by this prospectus supplement and the accompanying prospectus may involve a high degree of risk. You should read carefully the following risk factors and the Risk Factors section in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, which is incorporated by reference into this prospectus supplement and the accompanying prospectus, in addition to the other information set forth in this prospectus supplement and the accompanying prospectus, before making an investment in the notes.

The inability of our subsidiaries to pay dividends to us in sufficient amounts could negatively impact our ability to meet our obligations under the notes.

We are a holding company and our principal assets are the capital stock of our insurance subsidiaries. We rely primarily on dividends from our subsidiaries to meet our obligations to pay interest and principal on outstanding debt obligations, dividends and other distributions to shareholders and holding company expenses and to repurchase our outstanding securities. The ability of our insurance subsidiaries to pay dividends to us in the future will depend on their statutory surplus, on their earnings and on regulatory restrictions.

We and our insurance subsidiaries are subject to regulation by some states as an insurance holding company system. These regulations generally provide that transactions among companies within the holding company system must be fair and reasonable. Transfers of assets among affiliated companies, certain dividend payments from insurance subsidiaries and certain material transactions between companies within the system may require prior notice to, or prior approval by, state regulatory authorities. Our principal insurance subsidiaries are domiciled in Indiana, Louisiana, Michigan, New Jersey, New York, Ohio, Texas and Wisconsin. The applicable insurance regulatory restrictions include specific limitations on the maximum amount of dividends available to be paid to us by our subsidiaries without prior approval of insurance regulatory authorities. The ability of our insurance subsidiaries to pay dividends to us also is restricted by regulations that set standards of solvency that must be met and maintained, the nature of and limitation on the investments that may be made by our regulated subsidiaries, the nature of and limitations on dividends to policyholders and shareholders, the nature and extent of required participation in insurance guaranty funds and the involuntary assumption of hard-to-place or high-risk insurance business.

The inability of our insurance subsidiaries to pay dividends to us in an amount sufficient to meet our debt service and other obligations and other cash requirements could negatively impact our ability to meet our obligations under the notes. Based on the laws currently in effect, the insurance subsidiaries may pay aggregate dividends of approximately $949.8 million in 2011 without prior approval from regulatory authorities, provided that any dividend payment is not made within 12 months of a previous dividend paid by the applicable subsidiary. To date, our insurance subsidiaries have paid no dividends for 2011.

The notes will be structurally subordinated to the obligations of our subsidiaries.

Our subsidiaries are separate and distinct legal entities. Except to the extent that we are a creditor with recognized claims against one of our subsidiaries, claims of the subsidiary s creditors, including policyholders, have priority with respect to the assets and earnings of that subsidiary over the claims of our creditors. If any of our subsidiaries should become insolvent, liquidate or otherwise reorganize, our creditors, including holders of the notes, and our shareholders will have no right to proceed against the assets of that subsidiary or to cause the liquidation, bankruptcy or winding-up of the subsidiary under applicable laws. The applicable insurance laws of the jurisdiction where each of our insurance subsidiaries is domiciled would govern any proceedings relating to that insurance subsidiary. The insurance authority of that jurisdiction would act as a liquidator or rehabilitator for the subsidiary. Both creditors and policyholders of the subsidiary would be entitled to payment in full from the subsidiary s assets before we, as a shareholder, would be entitled to receive any distribution from the subsidiary which we might apply to make payments of principal and interest on the notes or other indebtedness.

Accordingly, the payments on our notes will be structurally subordinated to all existing and future indebtedness and other liabilities of our subsidiaries. As of June 30, 2011, our insurance subsidiaries had approximately $13.4 billion of outstanding indebtedness and other liabilities (including unearned premiums, loss and loss adjustment expense reserves, accounts payable, accrued expenses and other liabilities, but excluding intercompany debt) to which the notes would have ranked structurally subordinate. At that date, our subsidiaries had no external borrowings.

The notes will be unsecured and rank effectively subordinate to the claims of secured creditors, if any, to the extent of the value of the collateral securing those claims.

As of June 30, 2011, we had no secured indebtedness. Holders of any secured indebtedness we may incur in the future will have claims that are prior to your claims as holders of the notes to the extent of the value of the assets securing such indebtedness. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of our secured indebtedness will have prior claim to our assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes. In that event, because the notes will not be secured by any of our assets, it is possible that our remaining assets might be insufficient to satisfy your claims in full.

Our level of indebtedness could limit cash flow available for our operations and could adversely affect our ability to service our debt or obtain additional financing, if necessary.

As of June 30, 2011, our total debt outstanding was approximately $1,959.1 million, including $1,188.7 million of senior unsecured debt and $770.4 million of subordinated debt. Also at June 30, 2011, we had available borrowing capacity under our credit facility of $125.0 million, none of which was outstanding. After giving effect to the offering, our total debt outstanding on June 30, 2011 would have been approximately $2,459.1 million.

Our level of indebtedness could restrict our operations and make it more difficult for us to satisfy our obligations under the notes. For example, our level of indebtedness could, among other things:

- affect our liquidity by limiting our ability to obtain additional financing for working capital and other purposes, or limit our ability to obtain financing for capital expenditures and acquisitions or make any available financing more costly;
- require us to dedicate all or a substantial portion of our cash flow to service our debt, which would reduce funds available for other business purposes, such as capital expenditures, dividends or acquisitions;
- limit our flexibility in planning for or reacting to changes in the markets in which we compete;
- place us at a competitive disadvantage relative to our competitors with less indebtedness;
- render us more vulnerable to general adverse economic and industry conditions; and
- make it more difficult for us to satisfy our financial obligations, including those relating to the notes.

In addition, the indenture governing the notes and the terms of the agreements governing our other outstanding indebtedness contain or may in the future contain restrictive covenants that could limit our ability to engage in activities that may be in our long-term best interests. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of some or all of our debt, including the notes.

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Our ability to service our debt and meet our cash requirements depends on many factors, some of which are beyond our control.

Our ability to satisfy our obligations will depend on our future operating performance and financial results, which will be subject, in part, to factors beyond our control, including interest rates and general economic, financial and business conditions and other factors described in the documents incorporated by reference, including those described under Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010. If we are unable to generate sufficient cash flow to service our debt, we may be required to:

- refinance all or a portion of our debt, including the notes;
- obtain additional financing;
- sell some of our assets or operations;
- reduce or delay capital expenditures and/or acquisitions; or
- revise or delay our strategic plans.

If we are required to take any of these actions, it could have a material adverse effect on our business, financial condition and results of operations. In addition, we cannot assure you that we would be able to take any of these actions or take them on satisfactory terms, that these actions would enable us to continue to satisfy our capital requirements or that these actions would be permitted under the terms of our various debt instruments, including the indenture governing the notes.

Restrictive covenants in the agreements governing our indebtedness may reduce our operating flexibility.

The indenture governing the notes offered hereby and the indentures governing our existing indebtedness contain various covenants that limit our ability to:

- incur liens; and
- sell certain assets or merge with or into other companies,

in each case, unless certain conditions are met. These restrictions could limit our ability to obtain future financings, make needed capital expenditures, withstand a future downturn in the economy or our business, conduct operations or otherwise take advantage of business opportunities that may arise.

Our breach of any of these covenants could result in a default under the terms of the relevant indebtedness, which could cause such indebtedness to become immediately due and payable. If we are unable to repay such amount, the lenders could initiate a bankruptcy proceeding or liquidation proceeding or proceed against any collateral granted to them to secure that indebtedness. If our lenders accelerate the repayment of borrowings, we may not have sufficient assets to repay our indebtedness, including the notes.

Despite current indebtedness levels, we and certain of our subsidiaries may incur substantially more debt. This could further exacerbate the risks associated with our leverage.

The terms of the indenture governing the notes do not prohibit us or our subsidiaries from incurring additional indebtedness. If new debt is added to our and our subsidiaries current debt levels, the related risks that we and they now face could intensify.

We may choose to redeem the notes when prevailing interest rates are relatively low.

The notes are redeemable at our option and we may choose to redeem some or all of the notes from time to time, especially when prevailing interest rates are lower than the rate borne by the notes. If prevailing rates are lower at the time of redemption, you would not be able to reinvest the redemption proceeds in a comparable

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security at an effective interest rate as high as the interest rate on the notes being redeemed. Our redemption right also may adversely affect your ability to sell your notes as the optional redemption date or period approaches. See the section entitled Description of Notes Optional Redemption in this prospectus supplement.

There may be no trading market for the notes.

We do not intend to list the notes to be issued under this prospectus supplement on any securities exchange. There is no established market for the notes and there is a risk that:

- an active trading market for the notes will not develop;
- you will not be able to sell your notes at fair market value or at all; or
- you will not receive any specific price upon any sale of the notes.

If a public market for the notes does develop, the notes could trade at prices that may be lower than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and our financial performance.

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USE OF PROCEEDS

We estimate that we will receive approximately $ million from the sale of the notes, after deducting underwriter s discounts and commissions and offering expenses. We intend to use such proceeds from time to time for general corporate purposes, which may include the repurchase of our outstanding securities and repayment of outstanding indebtedness, including our 2012 Notes and/or 2013 Notes, at maturity. Until applied for these purposes, we intend to invest the net proceeds from the offering of the notes in securities that are similar in nature to and of approximately the same quality and maturities as those currently held in the investment portfolios of our subsidiaries.

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CAPITALIZATION

The following table sets forth our capitalization, on a consolidated basis, as of June 30, 2011:

- on an actual basis; and
- as adjusted to give effect to the sale of the notes in this offering.

The unaudited information set forth below should be read in conjunction with our unaudited consolidated financial statements and related notes contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, which is incorporated by reference into this prospectus supplement. See Where You Can Find More Information in the accompanying prospectus.

	As of June 30, 2011	
	Actual	As Adjusted
	(in millions)	
Debt:		
% Senior Notes due	$	$ 500.0
6.375% Senior Notes due 2012	349.8	349.8
7% Notes due 2013	149.7	149.7
6 5/8% Senior Notes due 2029	294.9	294.9
6.25% Senior Notes due 2032	394.3	394.3
6.70% Fixed-to-Floating Rate Junior Subordinated Debentures due 2067	770.4	770.4
Total debt	1,959.1	2,459.1
Shareholders equity:		
Common shares, $1.00 par value (authorized 900.0; issued 797.7, including treasury shares of 155.0)	642.7	642.7
Paid-in capital	1,007.7	1,007.7
Retained earnings	3,835.6	3,835.6
Accumulated other comprehensive income, net of tax:		
Net unrealized gains on securities	848.2	848.2
Net unrealized gains on forecasted transactions	13.1	13.1
Foreign currency translation adjustment	2.2	2.2
Total accumulated other comprehensive income	863.5	863.5
Total shareholders equity	6,349.5	6,349.5
Total debt and shareholders equity	$ 8,308.6	$ 8,808.6

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RATIO OF EARNINGS TO FIXED CHARGES

The following table represents the ratio of earnings to fixed charges of Progressive and its subsidiaries on a consolidated basis for the periods shown:

	Six Months Ended June 30,	Years Ended December 31,				
	2011	2010	2009	2008	2007	2006
Ratio of Earnings to Fixed Charges	14.4x	11.9x	11.3x	(1)	13.5x	24.7x

(1) Earnings were inadequate to cover total fixed charges by $226.8 million for the year ended December 31, 2008.

Earnings consist of income before income taxes, plus fixed charges and amortization of capitalized interest, less capitalized interest. Fixed charges consist of interest and amortization on indebtedness, capitalized interest and the portion of rents representative of the interest factor.

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DESCRIPTION OF NOTES

The following description of the particular terms of the notes supplements the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus (the notes are a series of the debt securities described under the caption Description of Senior Debt Securities in the accompanying prospectus). You should carefully read this entire prospectus supplement and the accompanying prospectus to understand fully the terms of the notes. All of the information set forth below is qualified in its entirety by the more detailed explanation set forth in the accompanying prospectus.

General

The notes are senior debt securities issued by us under the indenture dated as of September 15, 1993, as supplemented, between us and U.S. Bank National Association (as successor in interest to State Street Bank and Trust Company), as trustee, which is more fully described in the accompanying prospectus.

The notes will mature on . We have the option to redeem the notes prior to their stated maturity on the terms described below. Holders of the notes do not have any similar option to require us to redeem the notes before their stated maturity.

We will pay interest on the notes at an annual rate of % from the date of issuance. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Interest will be payable semiannually on and of each year, beginning , to the persons in whose names the notes are registered at the close of business on the preceding or , respectively, except that any interest payable upon maturity or earlier redemption of the notes will be payable to the person to whom the principal of the note is payable. If any interest payment date or the maturity date falls on any date that is not a business day, then the related payment will be made on the next succeeding business day, without any interest or other additional payment in respect of the delay. As used in this prospectus supplement, business day means any day, other than a Saturday or Sunday, that is not a day on which banking institutions or trust companies are generally authorized or required by law, regulation or executive order to close in The City of New York.

The principal amount of the notes that we will issue is initially limited to $500 million, subject to our ability to issue additional notes as described below under Reopening of Series of Notes.

The notes will be our senior unsecured obligations. The notes will rank equal in right of payment with all of our other existing and future senior unsecured indebtedness (including $350 million aggregate principal amount of our outstanding 2012 Notes and $150 million aggregate principal am