

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended SEPTEMBER 30, 1994

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)

OHIO

34-0963169

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

6300 WILSON MILLS ROAD, MAYFIELD VILLAGE, OHIO

44143

(Address of principal executive offices)

(Zip Code)

(216) 461-5000

(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 X 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 par value: 71,297,488 outstanding at September 30, 1994

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

The Progressive Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

Periods Ended September 30,	Three Months			Nine Months		
	1994	1993	% Change	1994	1993	% Change
(millions - except per share amounts)						
NET PREMIUMS WRITTEN	\$633.6	\$476.7	33	\$1,814.4	\$1,357.2	34
REVENUES						
Premiums earned	\$572.3	\$431.9	33	\$1,587.6	\$1,215.4	31
Investment income	40.4	30.6	32	115.2	98.0	18
Net realized gains on security sales	11.4	42.2	(73)	17.7	98.2	(82)
Service revenues	10.0	10.9	(8)	30.0	33.5	(10)
Total revenues	634.1	515.6	23	1,750.5	1,445.1	21
EXPENSES						
Losses and loss adjustment expenses	384.1	262.3	46	1,047.5	747.3	40
Policy acquisition costs	99.8	81.9	22	284.5	229.1	24
Other underwriting expenses	38.1	33.9	12	111.7	102.8	9
Investment expenses	2.0	2.8	(29)	6.4	7.2	(11)
Service expenses	6.5	8.8	(26)	24.1	29.1	(17)
Interest expense	13.8	9.1	52	41.1	28.4	45
Total expenses	544.3	398.8	36	1,515.3	1,143.9	32
NET INCOME						
Income before Federal income taxes	89.8	116.8	(23)	235.2	301.2	(22)
Provision for Federal income taxes	25.0	34.2	(27)	61.8	87.3	(29)
Net income	\$ 64.8	\$ 82.6	(22)	\$ 173.4	\$ 213.9	(19)
PER SHARE						
Primary	\$.85	\$ 1.10	(23)	\$2.25	\$ 2.92	(23)
Fully diluted	.85	1.09	(22)	2.25	2.91	(23)
WEIGHTED NUMBER EQUIVALENT SHARES						
Primary	73.9	73.3	1	74.1	70.8	5
Fully diluted	73.9	73.5	1	74.2	71.2	4

<FN>
See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30,		December 31,
	1994	1993	1993
(millions)			
ASSETS			
Investments:			
Held-to-maturity:			
Fixed maturities, at amortized cost (market: \$349.0, \$271.0 and \$327.4)	\$339.4	\$ 250.0	\$ 309.1
Available-for-sale:			
Fixed maturities, at market (amortized cost: \$2,025.4, \$1,698.9 and \$1,761.9)	2,017.1	1,734.9	1,792.6
Equity securities, at market (cost: \$456.5, \$336.7 and \$433.2)	458.6	351.8	453.9
Short-term investments, at amortized cost (market: \$382.6, \$538.7 and \$231.3)	382.5	538.3	230.8
Total investments	3,197.6	2,875.0	2,786.4
Cash	11.9	12.3	8.7
Accrued investment income	39.6	30.7	33.7
Premiums receivable, net of allowance for doubtful accounts of \$14.6, \$9.2 and \$8.7	509.5	364.3	380.6
Reinsurance recoverables	387.1	387.3	380.9
Prepaid reinsurance premiums	91.0	83.0	84.6
Deferred acquisition costs	160.4	129.7	124.6
Federal income taxes	99.2	70.5	78.5
Property and equipment, net of accumulated depreciation of \$114.0, \$103.8 and \$107.1	139.4	86.0	106.7
Other assets	26.2	25.4	26.6
Total assets	\$4,661.9	\$4,064.2	\$4,011.3
LIABILITIES AND SHAREHOLDERS' EQUITY			
Unearned premiums	\$1,005.2	\$ 761.6	\$ 772.0
Loss and loss adjustment expense reserves	1,475.2	1,332.3	1,348.6
Policy cancellation reserve	50.8	55.0	60.1
Accounts payable and accrued expenses	365.7	393.2	355.6
Funded debt	675.6	568.6	477.1

Total liabilities	3,572.5	3,110.7	3,013.4
Shareholders' equity:			
9 3/8% Serial Preferred Shares, Series A (shares issued and outstanding 3.6, 3.8 and 3.6)	87.0	91.7	87.9
Common Shares, \$1.00 par value (net of treasury shares of 11.0, 10.0 and 10.1)	71.3	72.1	72.1
Paid-in capital	355.5	353.4	357.6
Net unrealized appreciation (depreciation) on investment securities	(4.0)	33.2	33.5
Retained earnings	579.6	403.1	446.8
Total shareholders' equity	1,089.4	953.5	997.9
Total liabilities and shareholders' equity	\$4,661.9	\$4,064.2	\$4,011.3

<FN>

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

Nine Months Ended September 30,	1994	1993

(millions)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$173.4	\$213.9
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14.2	12.3
Net realized gains on security sales	(17.7)	(98.2)
Changes in:		
Unearned premiums	233.2	146.8
Loss and loss adjustment expense reserves	126.6	58.1
Accounts payable and accrued expenses	38.7	20.8
Policy cancellation reserve	(9.3)	2.9
Prepaid reinsurance	(6.4)	(5.0)
Reinsurance recoverables	(6.2)	(29.5)
Premiums receivable	(128.9)	(52.3)
Deferred acquisition costs	(35.8)	(28.4)
Federal income taxes	(.6)	10.0
Other, net	12.1	17.9
Net cash provided by operating activities	393.3	269.3
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase:		
Held-to-maturity: fixed maturities	(71.5)	(37.5)
Available-for-sale: fixed maturities	(1,027.9)	(794.2)
equity securities	(228.4)	(221.3)
Sales:		
Available-for-sale: fixed maturities	507.1	96.7
equity securities	219.3	282.8
Maturities, paydowns, calls and other:		
Held-to-maturity: fixed maturities	39.5	37.9
Available-for-sale: fixed maturities	245.2	396.2
Net purchases of short-term investments	(151.7)	(238.3)
(Receivable) payable on securities	(28.6)	78.9
Purchase of property and equipment	(45.9)	(35.5)
Net cash used in investing activities	(542.9)	(434.3)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	1.7	.4
Proceeds from issuance of Common Shares	--	177.0
Proceeds from funded debt	198.4	170.0
Payments on funded debt	(.3)	(170.2)
Dividends paid to shareholders	(17.5)	(17.4)
Acquisition of treasury shares	(29.5)	(5.4)
Net cash provided by financing activities	152.8	154.4
Increase (decrease) in cash	3.2	(10.6)
Cash, January 1	8.7	22.9

Cash, September 30

\$ 11.9
=====

\$ 12.3
=====

<FN>

See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

NOTE 1 SUPPLEMENTAL CASH FLOW INFORMATION. The Company paid Federal income taxes of \$59.3 million and \$71.6 million for the nine months ended September 30, 1994 and 1993, respectively. Total interest paid was \$33.5 million and \$22.7 million for the nine months ended September 30, 1994 and 1993, respectively.

NOTE 2 In the second quarter, the Company settled the dispute arising out of its 1985 acquisition of American Star Insurance Company over the seller's refusal to pay certain losses on pre-sale business written by American Star.

NOTE 3 During the third quarter 1993, investment income was reduced \$4.6 million as required under Statement of Financial Accounting Standards No. 91.

NOTE 4 On September 30, 1994, the Company paid a quarterly dividend of \$.055 per Common Share and a regular quarterly dividend of approximately \$.59 per share on the 9 3/8% Serial Preferred Shares, Series A, to shareholders of record as of the close of business on September 9, 1994. Both dividends were declared by the Board of Directors on August 5, 1994.

On October 21, 1994, the Board of Directors declared a quarterly dividend of \$.055 per Common Share and a regular quarterly dividend of approximately \$.59 per share on the 9 3/8% Serial Preferred Shares, Series A. Both are payable December 31, 1994, to shareholders of record as of the close of business on December 9, 1994.

NOTE 5 Certain amounts in the financial statements for 1993 were reclassified to conform with the presentation used for 1994. These reclassifications had no effect on net income.

NOTE 6 The financial statements reflect all normal recurring adjustments which were, in the opinion of management, necessary to present a fair statement of the results for the interim periods. The results of operations for the period ended September 30, 1994 are not necessarily indicative of the results expected for the full year.

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ITEM 2. Management's Discussion and Analysis of Financial
Condition and Results of Operations.

RESULTS OF OPERATIONS

For the third quarter 1994, operating income, which excludes net realized gains

on security sales, was \$57.4 million, or \$.75 per share, compared to \$54.7 million, or \$.71 per share, last year. The combined ratio was 91.2, compared to 87.5 for the third quarter 1994. For the nine months ended September 30, 1994, operating income was \$161.9 million, or \$2.10 per share, compared to \$148.0 million, or \$1.98 per share, in 1993. The year-to-date combined ratio was 90.9 compared to 88.8 last year.

Net premiums written increased 33% over the third quarter 1993 and 34% year-to-date reflecting unit growth in the core automobile insurance business. This growth resulted from the Company's rates becoming more competitive due to cost control efforts. Premiums earned, which are a function of the amount of premiums written in the current and prior periods, increased 33% for the quarter and 31% for the first nine months. Service revenue decreased 8% to \$10.0 million for the quarter and 10% to \$30.0 million for the first nine months, primarily reflecting the decrease in the size of the CAIP market.

Claim costs, which represent actual and estimated future payments to or for our policyholders, as well as loss estimates for future assignments and assessments under state-mandated assigned risk programs, increased as a percentage of premiums earned to 67% for the quarter, compared to 61% in 1993, and 66% for the first nine months, compared to 61% last year. During the year, the Company has continued to keep rates flat despite rising loss costs. Policy acquisition costs and other underwriting expenses as a percentage of premiums earned decreased to 24% for the third quarter and 25% for the first nine months, compared to 27% for both periods in 1993. Service expenses decreased 26% for the quarter and 17% for the first nine months, primarily reflecting decreased service revenues.

Recurring investment income (interest and dividends) increased 32% for the quarter and 18% for the first nine months, reflecting an increase in the average investment portfolio, partially offset by a mix shift to tax-free securities. During the third quarter 1993, interest income was reduced \$4.6 million as required under Statement of Accounting Standards No. 91. The Company had net realized gains on security sales of \$11.4 million and \$17.7 million for the quarter and first nine months, respectively, compared to \$42.2 million and \$98.2 million in 1993. A significant portion of the 1993 realized gains resulted from the sale of certain equity securities held in the Company's investment portfolio. On September 30, 1994, the Company's portfolio had \$3.5 million in total unrealized gains, compared to \$70.2 million at December 31, 1993, primarily reflecting the general decline in the financial markets.

The provision for Federal income taxes was \$25.0 million, compared to \$34.2 million for the quarter and \$61.8 million, compared to \$87.3 million for the first nine months, reflecting less realized gains in the current year.

The Company continues to invest in fixed maturity, short-term and equity securities. The majority of the portfolio (\$2,504.2 million, or 78.3%, at September 30, 1994 and \$2,296.3 million, or 80.0%, at September 30, 1993) was in short-term and intermediate-term, investment-grade fixed-income securities.

As of September 30, 1994 and 1993, the equity portfolio of the Company was \$458.6 million, or 14.3%, and \$351.8 million, or 12.2%, respectively, of the total investment portfolio. The marketable equity portfolio consists of standard adjustable rate preferreds (\$12.2 million in 1994 and \$99.9 million in 1993), perpetual preferreds with mechanisms that may provide an opportunity to liquidate at par (\$338.9 million in 1994 and \$180.7 million in 1993), and common stocks (\$107.5 million in 1994 and \$71.2 million in 1993).

The Company had forward and future positions offset by short forward, future or interest rate swap positions and unmatched positions, with a net market value of \$4.6 million and \$3.7 million as of September 30, 1994 and 1993,

respectively.

The weighted average fully taxable equivalent book yield of the portfolio was 6.6% and 6.9% at September 30, 1994 and 1993, respectively.

FINANCIAL CONDITION

Progressive's insurance operations create liquidity by collecting and investing premiums written from new and renewal business in advance of paying claims. For the nine months ended September 30, 1994, operations generated a positive cash flow of \$393.3 million. During the first nine months, 917,000 Common Shares were repurchased at an average cost of \$31.01 per share and 40,000 9 3/8% Serial Preferred Shares, Series A, were repurchased at an average cost of \$27.05 per share. No shares were purchased during the third quarter 1994.

PART II - OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K.

(a) Exhibits:

See exhibit index on page 9.

(b) Reports on Form 8-K filed during the quarter ended September 30, 1994: None

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE PROGRESSIVE CORPORATION

(Registrant)

Date: NOVEMBER 4, 1994

BY: /S/ DAVID M. SCHNEIDER

David M. Schneider
Secretary of the Registrant

Date: NOVEMBER 4, 1994

BY: /S/ CHARLES B. CHOKEL

Charles B. Chokel
Chief Financial Officer of
the Registrant

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, ITEM 601 -----	Form 10-Q Exhibit NO. -----	DESCRIPTION OF EXHIBIT -----
(11)	11	Computation of Earnings Per Share
(27)	27	Financial Data Schedule
(99)	99	Computation of Premiums Earned

EXHIBIT NO. 11

COMPUTATION OF

EARNINGS PER SHARE

THE PROGRESSIVE CORPORATION AND
 SUBSIDIARIES COMPUTATION OF
 EARNINGS PER SHARE
 (millions - except per share amounts)
 (unaudited)

Periods Ended September 30,	Three Months				Nine Months			
	1994		1993		1994		1993	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
PRIMARY:								
Net income	\$64.8		\$82.6		\$173.4		\$213.9	
Less: Preferred stock dividends	(2.1)		(2.3)		(6.5)		(7.0)	
	\$62.7	\$.85	\$80.3	\$1.10	\$166.9	\$2.25	\$206.9	\$2.92
Average shares outstanding	71.3		70.6		71.7		68.3	
Net effect of dilutive stock options	2.6		2.7		2.4		2.5	
Total	73.9		73.3		74.1		70.8	
FULLY DILUTED:								
Net income	\$64.8		\$82.6		\$173.4		\$213.9	
Less: Preferred stock dividends	(2.1)		(2.3)		(6.5)		(7.0)	
	\$62.7	\$.85	\$80.3	\$1.09	\$166.9	\$2.25	\$206.9	\$2.91
Average shares outstanding	71.3		70.6		71.7		68.3	
Net effect of dilutive stock options	2.6		2.9		2.5		2.9	
Total	73.9		73.5		74.2		71.2	

<ARTICLE> 7

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This schedule contains summary financial information extracted from the Consolidated Balance Sheets and Statements of Income and is qualified in its entirety by reference to such Financial Statements.

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EXHIBIT NO. 99

COMPUTATION OF PREMIUMS EARNED

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
 COMPUTATION OF PREMIUMS EARNED
 (millions)
 (unaudited)

	NINE MONTHS ENDED SEPTEMBER 30,		
	1994	1993	% CHANGE
	-----	-----	-----
Total direct premiums written	\$1,960.9	\$1,458.8	34
Reinsurance ceded, net	(146.5)	(101.6)	44
	-----	-----	
Net premiums written	1,814.4	1,357.2	34
Change in unearned premiums(1)	(226.8)	(141.8)	60
	-----	-----	
Premiums earned	\$1,587.6	\$1,215.4	31
	=====	=====	

<FN>

(1) Represents change in unearned premiums net of prepaid reinsurance premiums.