

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 March 31, 1995

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 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: 71,835,953 outstanding at April 28, 1995

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

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

Three months ended March 31,	1995	1994	% Change

(millions - except per share amounts)			
NET PREMIUMS WRITTEN	\$686.9	\$558.2	23
=====			
REVENUES			
Premiums earned	\$624.3	\$478.7	30
Investment income	44.8	36.8	22
Net realized gains (losses) on security sales	15.4	(2.6)	--
Service revenues	9.3	9.5	(2)

Total revenues	693.8	522.4	33

EXPENSES			
Losses and loss adjustment expenses	436.9	309.0	41
Policy acquisition costs	106.6	87.1	22
Other underwriting expenses	44.0	38.9	13
Investment expenses	2.1	2.1	--
Service expenses	8.4	8.1	4
Interest expense	14.3	13.5	6

Total expenses	612.3	458.7	33

NET INCOME			
Income before Federal income taxes	81.5	63.7	28
Provision for Federal income taxes	20.8	15.6	33

Net income	\$ 60.7	\$ 48.1	26
=====			
PER SHARE			
Primary	\$.79	\$.62	27
Fully diluted	.79	.62	27
WEIGHTED NUMBER EQUIVALENT SHARES			
Primary	74.0	74.5	(1)
Fully diluted	74.1	74.5	(1)

See notes to consolidated financial statements.

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The Progressive Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31,		December 31,
	1995	1994	1994

(millions)			
ASSETS			
Investments:			
Held-to-maturity:			
Fixed maturities, at amortized cost (market: \$329.0, \$358.8 and \$343.8)	\$ 321.0	\$ 346.9	\$ 337.6
Available-for-sale:			
Fixed maturities, at market (amortized cost: \$2,219.0, \$1,963.3 and \$2,129.7)	2,201.8	1,969.3	2,087.0
Equity securities, at market (cost: \$434.4, \$461.7 and \$481.0)	439.4	472.8	476.3
Short-term investments, at amortized cost (market: \$298.5, \$299.8 and \$279.2)	298.5	299.8	279.1

Total investments	3,260.7	3,088.8	3,180.0
Cash	15.2	17.7	13.4
Accrued investment income	36.5	36.6	43.4
Premiums receivable, net of allowance			

for doubtful accounts of \$16.4, \$8.9 and \$15.6	574.4	421.4	542.4
Reinsurance recoverables	387.7	407.3	379.7
Prepaid reinsurance premiums	77.0	87.8	83.2
Deferred acquisition costs	170.9	138.4	161.6
Federal income taxes	88.4	76.2	103.2
Property and equipment, net of accumulated depreciation of \$121.4, \$108.5 and \$116.7	149.2	116.9	143.3
Other assets	90.9	24.5	24.9
Total assets	\$4,850.9	\$4,415.6	\$4,675.1
LIABILITIES AND SHAREHOLDERS' EQUITY			
Unearned premiums	\$1,093.1	\$ 854.7	\$1,036.7
Loss and loss adjustment expense reserves	1,486.0	1,389.9	1,434.4
Policy cancellation reserve	43.3	56.3	47.3
Accounts payable and accrued expenses	310.9	422.1	329.2
Funded debt	675.7	675.4	675.6
Total liabilities	3,609.0	3,398.4	3,523.2
Shareholders' equity:			
9 3/8% Serial Preferred Shares, Series A (issued and outstanding, 3.5, 3.6 and 3.5)	85.8	87.0	85.8
Common Shares, \$1.00 par value (treasury shares of 11.2, 10.1 and 11.2)	71.8	72.1	71.2
Paid-in capital	368.9	359.2	357.1
Net unrealized appreciation (depreciation) on investment securities	(7.9)	11.1	(30.7)
Retained earnings	723.3	487.8	668.5
Total shareholders' equity	1,241.9	1,017.2	1,151.9
Total liabilities and shareholders' equity	\$4,850.9	\$4,415.6	\$4,675.1

See notes to consolidated financial statements.

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

Three months ended March 31,	1995	1994
(millions)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 60.7	\$ 48.1
Adjustments to reconcile net income to net cash provided from operating activities:		
Depreciation and amortization	4.8	4.0
Net realized (gains) losses on security sales	(15.4)	2.6
Changes in:		
Unearned premiums	56.4	82.7
Loss and loss adjustment expense reserves	51.6	41.3
Accounts payable and accrued expenses	(12.5)	30.3
Policy cancellation reserve	(4.0)	(3.8)
Prepaid reinsurance	6.2	(3.2)
Reinsurance recoverables	(8.0)	(26.4)
Premiums receivable	(32.0)	(40.8)
Deferred acquisition costs	(9.3)	(13.8)
Federal income taxes	2.4	14.2
Other, net	8.8	6.8
Net cash provided by operating activities	109.7	142.0
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases:		
Held-to-maturity: fixed maturities	--	(46.3)
Available-for-sale: fixed maturities	(752.9)	(429.5)
equity securities	(249.8)	(54.5)
Sales:		
Available-for-sale: fixed maturities	510.8	137.4
equity securities	297.2	28.7
Maturities, paydowns, calls and other:		
Held-to-maturity: fixed maturities	16.0	8.1
Available-for-sale: fixed maturities	164.4	79.6
Net purchases of short-term investments	(19.4)	(69.0)
(Receivable) payable on securities	(68.9)	36.2
Purchase of property and equipment	(11.6)	(14.7)
Net cash used in investing activities	(114.2)	(324.0)

CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from exercise of stock options	6.3	1.0
Tax benefits from exercise of stock options	6.1	--
Proceeds from funded debt	--	198.4
Payments on funded debt	(.1)	(.2)
Dividends paid to shareholders	(6.0)	(5.7)
Acquisition of treasury shares	--	(2.5)
	-----	-----
Net cash provided by financing activities	6.3	191.0
	-----	-----
Increase in cash	1.8	9.0
Cash, January 1	13.4	8.7
	-----	-----
Cash, March 31	\$ 15.2	\$ 17.7
	=====	=====

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 \$6.5 million and \$0 for the periods ended March 31, 1995 and 1994, respectively. Total interest paid was \$6.6 million and \$5.1 million for the periods ended March 31, 1995 and 1994, respectively.

NOTE 2 On March 31, 1995, 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 March 10, 1995. Both dividends were declared by the Board of Directors on February 10, 1995.

On April 28, 1995, 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 dividends are payable June 30, 1995, to shareholders of record as of the close of business on June 9, 1995.

NOTE 3 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 March 31, 1995 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 first quarter 1995, operating income, which excludes net realized gains and losses on security sales, was \$50.7 million, or \$.66 per share, compared to \$49.8 million, or \$.64 per share, last year. The combined ratio was 94.1, compared to 90.9 for the first quarter 1994.

Net premiums written increased 23% over the first quarter 1994, primarily reflecting unit growth in the core automobile insurance business. This growth resulted from the Company maintaining competitive rates due to cost control efforts. Premiums earned, which are a function of the amount of premiums written in the current and prior periods, increased 30% for the quarter. Service revenue decreased 2% to \$9.3 million for the quarter.

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 70% for the quarter, compared to 65% in 1994. During the quarter, the Company raised rates but at a pace slower than its rising loss costs. Policy acquisition costs and other underwriting expenses as a percentage of premiums earned decreased to 24% for the first quarter, compared to 26% in 1994. Service expenses increased 4% for the quarter, primarily reflecting a slight increase in fixed operating expenses.

Recurring investment income (interest and dividends) increased 22% for the quarter, reflecting an increase in the average investment portfolio and a mix shift to taxable securities. The Company had net realized gains on security sales of \$15.4 million for the quarter, compared to net realized losses on security sales of \$2.6 million in the first quarter of 1994. At March 31, 1995, the Company's portfolio had \$4.2 million in total unrealized losses, compared to \$41.1 million in total unrealized losses at December 31, 1994, primarily reflecting a general decline in interest rate levels.

The Company continues to invest in fixed maturity, short-term and equity securities. The majority of the portfolio (\$2,617.0 million, or 80.3%, at March 31, 1995 and \$2,360.8 million, or 76.4%, at March 31, 1994) was in short-term and intermediate-term, investment-grade fixed-income securities. Long-term investment-grade fixed-income securities represented \$53.7 million, or 1.6%, and \$81.5 million, or 2.7% of the total investment portfolio at March 31, 1995 and 1994, respectively.

As of March 31, 1995 and 1994, the equity portfolio of the Company was \$439.4 million, or 13.5%, and \$472.8 million, or 15.3%, respectively, of the total investment portfolio. The equity portfolio consists of preferred stocks (\$266.9 million in 1995 and \$360.1 million in 1994), and common stocks (\$172.5 million in 1995 and \$112.7 million in 1994). As of March 31, 1995 and 1994, the non-investment grade fixed-income portfolio of the Company was \$150.6 million, or 4.6%, and \$173.7 million, or 5.6%, respectively, of the total investment portfolio.

The Company's financial instruments with off-balance-sheet risk had a net market value of \$(.6) million and \$.4 million as of March 31, 1995 and 1994, respectively.

The weighted average annualized fully taxable equivalent book yield of the portfolio was 6.8% and 6.5% for the quarters ended March 31, 1995 and 1994, 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 three months ended March 31, 1995, operations generated a positive cash flow of \$109.7 million.

ITEM 4. Submission of Matters to a Vote of Security Holders.

At the April 28, 1995 Annual Meeting of the Shareholders of the Company, 62,019,184 Common Shares were represented in person or by proxy.

The shareholders approved the proposal to fix the number of directors at nine. The proposal received 60,797,276 affirmative votes, 931,173 negative votes and 290,735 abstentions.

At the meeting, the shareholders elected the eight directors named below, each to serve for a term of one year. One vacancy remains on the Board. The votes cast for each director were as follows:

	For	Withheld
	---	-----
Milton N. Allen	61,593,216	425,968
B. Charles Ames	61,604,915	414,269
Stephen R. Hardis	61,618,948	400,236
Janet Hill	61,602,188	416,996
Peter B. Lewis	61,610,796	408,388
Norman S. Matthews	61,618,101	401,083
Donald B. Shackelford	61,615,008	404,176
Paul B. Sigler	61,598,705	420,479

The shareholders approved The Progressive Corporation 1995 Executive Bonus Plan, which provides certain executive officers of the Company with the opportunity to earn performance-based incentive compensation. This proposal received 59,691,280 affirmative votes, 1,410,057 negative votes and 917,847 abstentions.

The shareholders approved The Progressive Corporation Executive Deferred Compensation Plan, pursuant to which certain executive officers and other key employees of the Company may defer receipt and invest some or all of the incentive compensation that they earn. This proposal received 59,219,287 affirmative votes, 1,846,911 negative votes and 952,986 abstentions.

The shareholders approved the Progressive Corporation 1995 Incentive Plan, pursuant to which stock options and other stock-based awards may be granted to officers or other key employees of the Company or its subsidiaries. This proposal received 52,774,485 affirmative votes, 8,538,173 negative votes and 706,526 abstentions.

ITEM 5. Other Information.

On April 28, 1995, Michael C. Murr, the Company's Chief Investment and Capital Officer and the President of Progressive Partners, Inc., resigned.

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

(a) Exhibits:

See exhibit index on page 9.

(b) Reports on Form 8-K during the quarter ended March 31, 1995:

None

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: May 12, 1995

BY: /s/ DAVID M. SCHNEIDER

David M. Schneider
Secretary of the Registrant

Date: May 12, 1995

BY: /s/ CHARLES B. CHOKEL

Charles B. Chokel
Treasurer and 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

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EXHIBIT NO. 11

COMPUTATION OF

EARNINGS PER SHARE

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

	Three Months Ended March 31,			
	1995		1994	
	Amount	Per Share	Amount	Per Share
PRIMARY:				
Net income	\$60.7		\$48.1	
Less: Preferred stock dividends	(2.1)		(2.2)	
Income available to Common Shareholders	\$58.6	\$.79	\$45.9	\$.62
Average shares outstanding	71.5		72.1	
Net effect of dilutive stock options	2.5		2.4	
Total	74.0		74.5	
FULLY DILUTED:				
Net income	\$60.7		\$48.1	
Less: Preferred stock dividends	(2.1)		(2.2)	
Income available to Common Shareholders	\$58.6	\$.79	\$45.9	\$.62
Average shares outstanding	71.5		72.1	
Net effect of dilutive stock options	2.6		2.4	
Total	74.1		74.5	

<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

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THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPUTATION OF PREMIUMS EARNED

(millions)
(unaudited)

	Three Months Ended March 31,		
	1995	1994	% Change
Total direct premiums written	\$726.0	\$605.6	20
Reinsurance ceded, net	(39.1)	(47.4)	18
Net premiums written	686.9	558.2	23
Change in net unearned premiums(1)	(62.6)	(79.5)	21
Premiums earned	\$624.3	\$478.7	30

<FN>

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