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, 1996

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: 71,442,510 outstanding at October 31, 1996

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements.

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

	Three Months			Nine Months		
Periods Ended September 30,	1996	1995	% Change	1996	1995	% Change
(millions - except per share amounts)						

NET PREMIUMS WRITTEN	$878.1	$733.8	20	$2,563.4	$2,175.1	18
REVENUES						
Premiums earned	$827.5	$709.3	17	$2,344.0	$2,011.0	17
Investment income	57.0	51.4	11	163.2	146.2	12
Net realized gains (losses) on security sales	(3.4)	5.3	--	1.2	42.8	(97)
Service revenues	12.8	9.7	32	32.6	29.0	12
Total revenues	893.9	775.7	15	2,541.0	2,229.0	14
EXPENSES						
Losses and loss adjustment expenses	572.7	503.9	14	1,636.7	1,435.4	14
Policy acquisition costs	120.0	119.2	1	359.5	339.8	6
Other underwriting expenses	61.6	43.9	40	153.9	128.7	20
Investment expenses	1.4	1.7	(18)	4.6	6.3	(27)
Service expenses	9.2	5.2	77	30.8	22.4	38
Interest expense	16.1	14.3	13	45.4	42.8	6
Total expenses	781.0	688.2	13	2,230.9	1,975.4	13
NET INCOME						
Income before income taxes	112.9	87.5	29	310.1	253.6	22
Provision for income taxes	32.6	25.0	30	88.1	69.5	27
Net income	$ 80.3	$ 62.5	28	$ 222.0	$ 184.1	21
PER SHARE						
Primary	$ 1.08	$ .81	33	$ 2.91	$2.40	21
Fully diluted	1.08	.81	33	2.89	2.39	21
WEIGHTED NUMBER AVERAGE EQUIVALENT SHARES						
Primary	74.0	74.3	--	74.1	74.1	--
Fully diluted	74.2	74.4	--	74.5	74.4	--

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30,		December 31,
	1996	1995	1995
(millions)			
ASSETS			
Investments:			
Held-to-maturity:			
Fixed maturities, at amortized cost (market: $310.7)	$ --	$ 301.1	$ --
Available-for-sale:			
Fixed maturities, at market (amortized cost: $3,348.5, $2,615.0 and $2,729.5)	3,350.0	2,624.2	2,772.9
Equity securities, at market			
Preferred stocks (cost: $279.9, $335.4 and $379.4)	282.6	339.1	382.3
Common stocks (cost: $438.3, $227.7 and $277.6)	491.7	253.7	310.0
Short-term investments, at amortized cost (market: $124.7, $191.1 and $302.8)	124.7	191.1	302.8
Total investments	4,249.0	3,709.2	3,768.0
Cash	9.3	18.0	16.2
Accrued investment income	41.9	47.8	39.8
Premiums receivable, net of allowance for doubtful accounts of $22.4, $18.0 and $19.2	801.2	635.7	649.9
Reinsurance recoverables	319.3	361.4	338.1
Prepaid reinsurance premiums	90.9	75.7	70.5
Deferred acquisition costs	196.9	183.7	181.9
Income taxes	71.8	64.7	58.3
Property and equipment, net of accumulated depreciation of $122.3, $124.0 and $128.7	165.6	155.1	159.2
Other assets	41.3	24.4	70.6
Total assets	$5,987.2	$5,275.7	$5,352.5
LIABILITIES AND SHAREHOLDERS' EQUITY			
Unearned premiums	$1,449.4	$1,193.3	$1,209.6
Loss and loss adjustment expense reserves	1,764.1	1,604.9	1,610.5
Policy cancellation reserve	42.9	37.9	40.8
Accounts payable and accrued expenses	405.4	371.3	339.9
Funded debt	775.6	675.7	675.9
Total liabilities	4,437.4	3,883.1	3,876.7
Shareholders' equity:			
9 3/8% Serial Preferred Shares, Series A (shares issued and outstanding: 0, 3.5 and 3.4)	--	85.0	83.6
Common Shares, $1.00 par value (net of treasury shares of 11.7, 11.0 and 11.0)	71.4	72.1	72.1

Paid-in capital	378.2	374.4	374.8
Net unrealized appreciation on investment securities	37.3	25.3	51.1
Retained earnings	1,062.9	835.8	894.2
Total shareholders' equity	1,549.8	1,392.6	1,475.8
Total liabilities and shareholders' equity	$5,987.2	$5,275.7	$5,352.5

See notes to consolidated financial statements.

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

Nine Months Ended September 30,	1996	1995
(millions)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 222.0	$ 184.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17.9	15.1
Net realized gains on security sales	(1.2)	(42.8)
Changes in:		
Unearned premiums	239.8	156.6
Loss and loss adjustment expense reserves	153.6	170.5
Accounts payable and accrued expenses	65.5	32.0
Policy cancellation reserve	2.1	(9.4)
Prepaid reinsurance	(20.4)	7.5
Reinsurance recoverables	18.8	18.3
Premiums receivable	(151.3)	(93.3)
Deferred acquisition costs	(15.0)	(22.1)
Income taxes	(6.2)	8.2
Other, net	15.1	10.8
Net cash provided by operating activities	540.7	435.5
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases:		
Held-to-maturity: fixed maturities	--	(.2)
Available-for-sale: fixed maturities	(3,289.3)	(2,175.1)
equity securities	(520.2)	(567.5)
Sales:		
Available-for-sale: fixed maturities	2,280.6	1,366.7
equity securities	426.4	485.9
Maturities, paydowns, calls and other:		
Held-to-maturity: fixed maturities	--	34.7
Available-for-sale: fixed maturities	371.1	345.8
equity securities	40.1	10.4
Net sales of short-term investments	178.1	88.0
Payable on securities	26.6	10.1
Purchases of property and equipment	(25.7)	(28.6)
Net cash used in investing activities	(512.3)	(429.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of preferred shares	(80.8)	--
Proceeds from exercise of stock options	5.2	9.9
Tax benefit of stock options exercised	3.8	8.3
Proceeds from funded debt	99.6	--
Payments on funded debt	(.3)	(.3)
Dividends paid to shareholders	(15.3)	(18.1)
Acquisition of treasury shares	(47.5)	(.9)
Net cash used in financing activities	(35.3)	(1.1)
Increase (decrease) in cash	(6.9)	4.6
Cash, January 1	16.2	13.4
Cash, September 30	$ 9.3	$ 18.0

See notes to consolidated financial statements.

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

NOTE 1 SUPPLEMENTAL CASH FLOW INFORMATION. The Company paid income taxes of $75.4 million and $45.5 million for the nine months ended September 30, 1996 and 1995, respectively. Total interest paid was $34.9 million for each of the nine months ended September 30, 1996 and 1995.

NOTE 2 On May 31, 1996, the Company redeemed all of its remaining outstanding 9 3/8% Serial Preferred Shares, Series A (Cumulative, Liquidation Preference $25.00 per share) ("Preferred Shares") at a total cost of $82.1 million, including accrued but unpaid dividends through the redemption date. The redemption was funded through the sale on May 28, 1996, of $100 million of the Company's 7.30% Notes due 2006 at par in an underwritten public offering. The remaining proceeds of the offering were added to the investment portfolios of the Company's subsidiaries and will be available for general corporate purposes, which may include supporting premium growth.

NOTE 3 Funded debt at September 30 consisted of:

	1996		1995	
	Cost	Market Value	Cost	Market Value
7.30% Notes	$ 99.6	$ 99.9	$ --	$ --
6.60% Notes	198.8	193.5	198.6	197.1
7% Notes	148.3	140.2	148.3	145.1
8 3/4% Notes	29.4	31.6	29.2	32.2
10% Notes	149.5	167.0	149.4	172.4
10 1/8% Subordinated Notes	149.5	167.6	149.3	172.4
Other funded debt	.5	.5	.9	.9
	$ 775.6	$ 800.3	$ 675.7	$ 720.1

NOTE 4 On September 30, 1996, the Company paid a quarterly dividend of $.06 per Common Share to shareholders of record as of the close of business on September 13, 1996. The dividend was declared by the Board of Directors on July 26, 1996.

On October 25, 1996, the Board of Directors declared a quarterly dividend of $.06 per Common Share. The dividend is payable December 31, 1996, to shareholders of record as of the close of business on December 13, 1996.

NOTE 5 Certain amounts in the financial statements for 1995 were reclassified to conform with the presentation used for 1996. 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, 1996, are not necessarily indicative of the results expected for the full year.

NOTE 7 SUBSEQUENT EVENT. On November 6, 1996, the Company signed a definitive agreement to acquire Midland Financial Group, Inc. Under the agreement, the Company will acquire all of Midland's outstanding stock, or approximately 5.5 million shares, at a price of $9.00 per share in cash. The transaction is expected to be completed during the first quarter 1997, subject to regulatory approval and other customary conditions. Midland Financial Group underwrites and markets nonstandard private passenger automobile insurance through approximately 8,500 independent agents across 20 states, primarily in the southern and western United States. For the first half of 1996, Midland wrote $76 million of net premiums written.

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

RESULTS OF OPERATIONS

For the third quarter 1996, operating income, which excludes net realized gains/losses on security sales, was $82.5 million, or $1.11 per share, compared to $59.0 million, or $.76 per share, last year. The combined ratio was 91.2, compared to 94.0 for the third quarter 1995. For the nine months ended September 30, 1996, operating income was $221.2 million, or $2.92 per share, compared to $156.2 million, or $2.02 per share, in 1995. The year-to-date combined ratio was 91.7, compared to 94.7 last year.

Net premiums written increased 20% over the third quarter 1995 and 18% year-to-date, primarily reflecting an increase in unit sales. Premiums earned, which are a function of the amount of premiums written in the current and prior periods, increased 17% for both the quarter and the first nine months. Service revenues increased 32% to $12.8 million for the quarter and 12% to $32.6 million for the first nine months, primarily driven by the newly acquired vehicle inspection services company.

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 and costs to settle these claims, decreased as a percentage of premiums earned to 69% for the quarter, compared to 71% in 1995, and 70% for the first nine months, compared to 71% last year. Policy acquisition costs and other underwriting expenses as a percentage of premiums earned decreased to 22% for the third quarter and for the first nine months, compared to 23% for the third quarter and for the first nine months in 1995. Service expenses increased 77% for the quarter and 38% for the first nine months. Excluding current and prior year loss adjustment expense reserve changes and acquisition costs associated with the vehicle inspection services company, the increase in service expenses is consistent with the increase in revenues.

Recurring investment income (interest and dividends) increased 11% for the quarter and 12% for the first nine months, reflecting an increase in the average investment portfolio, partially offset by a decrease in the pretax yields and a shift in the portfolio to common stocks. The Company had net realized losses on security sales of $3.4 million for the quarter and net realized gains on security sales of $1.2 million for the first nine months, compared to net realized gains on security sales of $5.3 million and $42.8 million, respectively, in 1995. On September 30, 1996, the Company's portfolio had $57.6 million in total unrealized gains, compared to $78.7 million at December 31, 1995, primarily reflecting an increase in interest rate levels as evidenced by the 3-year treasury note yield increasing from 5.2% to 6.3% during the first nine months.

The Company continues to invest in fixed-maturity, short-term and equity securities. The majority of the portfolio was in short-term and intermediate-term, investment-grade fixed-maturity securities ($3,335.9 million, or 78.5%, at September 30, 1996, and $3,055.6 million, or 82.4%, at September 30, 1995). Long-term investment-grade fixed-maturity securities represented $75.4 million, or $1.8%, and $44.8 million, or 1.2%, of the total investment portfolio at September 30, 1996 and 1995, respectively. As of September 30, 1996 and 1995, the non-investment-grade fixed-maturity portfolio of the Company was $63.4 million, or 1.5%, and $16.0 million, or .4%, respectively, of the total investment portfolio. The duration of the fixed-income portfolio was 3.1 years at September 30, 1996, compared to 1.9 years at September 30, 1995.

Equity investments are comprised of preferred stocks ($282.6 million, or 6.6%, in 1996 and $339.1 million, or 9.2%, in 1995) and common stocks ($491.7 million, or 11.6%, in 1996 and $253.7 million, or 6.8%, in 1995). The increase in common stocks reflects the Company's objectives to increase its position in common stock investments to 15% of the entire portfolio and to optimize returns and further diversify the portfolio through foreign equity investments.

The Company's financial instruments with off-balance-sheet risk had net unrealized losses of $1.4 million as of September 30, 1996, compared to losses of $4.5 million as of September 30, 1995.

The weighted average annualized fully taxable equivalent book yield of the portfolio was 6.6% and 6.9% for the nine months ended September 30, 1996 and 1995, 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, 1996, operations generated a positive cash flow of $540.7 million. During the first nine months, the Company repurchased 997,105 Common Shares at an average cost of $41.59 per share. During the third quarter, the Company repurchased 3,545 Common Shares at an average cost of $52.59 per share, pursuant to an oddlot tender offer.

RECENT DEVELOPMENTS

The Company has previously reported that it entered into a Settlement Stipulation with the California Department of Insurance to settle Pro-West Insurance Company's Proposition 103 rollback obligation for the sum of $1,750,000. The Settlement Stipulation has been approved by the administrative law judge and signed by the California Commissioner of Insurance and became final on September 16, 1996. The Company sought indemnification for this liability from the sellers from whom Pro-West was acquired in October 1990, but the sellers disputed the obligation. A settlement was reached, and, in September, the Company accepted the sellers' payment in the amount of $1,040,000 in full satisfaction of their indemnity obligation. The Company has begun the process of locating eligible policyholders so that the rollback refunds can be distributed.

PART II - OTHER INFORMATION

ITEM 5. Other Information

The Board of Directors on October 25, 1996, elected Charles A. Davis to fill the vacancy on the Company's Board. Mr. Davis is a limited partner with Goldman Sachs Group L.P.

On November 6, 1996, the Company signed a definitive agreement to acquire Midland Financial Group, Inc. Under the agreement, the Company will acquire all of Midland's outstanding stock, or approximately 5.5 million shares, at a price of $9.00 per share in cash. The transaction is expected to be completed during the first quarter 1997, subject to regulatory approval and other customary conditions. Midland Financial Group underwrites and markets nonstandard private passenger automobile insurance through approximately 8,500 independent agents across 20 states, primarily in the southern and western United States. For the first half of 1996, Midland wrote $76 million of net premiums written.

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

(a) Exhibits:

See exhibit index on page 11.

(b) Reports on Form 8-K filed during the quarter ended September 30, 1996: 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: November 13, 1996 BY: /s/ DAVID M. SCHNEIDER
David M. Schneider
Secretary

Date: November 13, 1996 BY: /s/ CHARLES B. CHOKEL
Charles B. Chokel
Chief Financial Officer

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-Q Exhibit No.	Description of Exhibit
10	10	The Progressive Corporation Directors Deferral Plan (Amendment and Restatement), as further amended on October 25, 1996
11	11	Computation of Earnings Per Share
12	12	Computation of Ratio of Earnings to Fixed Charges
27	27	Financial Data Schedule

EXHIBIT NO. 10

THE PROGRESSIVE CORPORATION DIRECTORS DEFERRAL PLAN (AMENDMENT AND RESTATEMENT), AS FURTHER AMENDED ON OCTOBER 25, 1996

THE PROGRESSIVE CORPORATION DIRECTORS DEFERRAL PLAN

(Amendment and Restatement)

1. PURPOSES OF THE PLAN.

The purposes of this Plan are to attract and retain qualified Directors and to provide incentives to these Directors through the ability to defer their receipt of Director Fees and by providing Directors with the opportunity to participate in the Company's growth.

2. DEFINITIONS.

(a) "Board" means the Board of Directors of the Company.

(b) "Common Shares" means units equivalent in value and dividend rights to Common Shares, $1.00 par value, of the Company.

(c) "Company" means The Progressive Corporation.

(d) "Deferred Account" means the account established by the Company for each Director who elects to defer the Fees payable to him as a Director.

(e) "Director" means any director of the Company who is not an employee of the Company.

(f) "Election Agreement" means the written election to defer Director Fees signed by the Director and in the form provided by the Chief Financial Officer of the Company.

(g) "Fees" means the fees payable to a Director by reason of his serving on the Board either (i) as a retainer (without regard to attendance at meetings) or (ii) on a per meeting basis. "Retainer Fees" means those Fees which are payable to a Director by reason of his serving on the Board as a retainer (without regard to attendance at meetings), and "Meeting Fees" means those Fees which are payable to a Director by reason of his attendance at meetings of the Board or any committee thereof.

(h) "Market Price" means the average of the high and low price at which a share of the Company's Common Stock, $1.00 par value, is traded on the NYSE on a given date.

(i) "Member" means any Director who has at any time deferred the receipt of Director Fees in accordance with this Plan.

(j) "Plan" means The Progressive Corporation Directors Deferral Plan.

(k) "Term" means the duration of the term for which a Director is elected.

(l) "Year" means the calendar year.

(m) Whenever appropriate, words used herein in the singular may be read as the plural and the plural may be read as the singular.

(n) Masculine pronouns used herein shall be deemed to refer to both women and men.

3. ELECTION TO DEFER DIRECTOR FEES.

(a) ELIGIBILITY.

A Director may elect to defer receipt of all or a portion of his Fees for any Year in accordance with Paragraph 3(b) hereof.

(b) TIME OF ELECTION.

A Director desiring to defer all or a portion of his Fees for the upcoming Year must submit an Election Agreement to the Chief Financial Officer of the Company no later than the last day of the Year prior to the Year for which the election is to be effective.

Any Director who was not a Director during the previous Year may make an election to defer all or a portion of the Fees for the Year in which the Director is elected to the Board by delivering an Election Agreement to the Chief Financial Officer of the Company within thirty (30) days of such election to the Board. A Director fulfilling the above requirements shall be considered a "Member" for purposes of this Plan.

(c) DURATION AND NATURE OF ELECTION.

Subject to the following sentence, a Member's election to defer Fees shall continue in effect from Year to Year unless modified or revoked by the Member through written notice to the Chief Financial Officer of the Company prior to the beginning of the Year for which the revocation or modification is to apply. Modifications or revocations shall not apply retroactively, and once a Member has made, or is deemed to have made, an election to defer all or a portion of his Fees for a given Year, such election may not be modified or revoked.

4. THE AMOUNT AND DATE OF DEFERRAL.

The Election Agreement of the Member shall indicate the amount of Fees to be deferred and the date to which the Fees are to be deferred. The deferral of Retainer Fees shall be subject to Paragraph 7 hereof; the deferral of Meeting Fees shall be to the earlier of (1) the date selected by the Member in an Election Agreement, which date shall not be earlier than six months and one day after the date on which such Fees are credited to the Member's Deferred Account or (2) the date of the death of the Member. Subject to the preceding sentence, a Member may (i) select a lump-sum distribution or a series of distributions or installments and (ii) choose the date on which the lump sum shall be paid or the installments shall commence. The installments may not be more frequent than quarterly and may not consist of more than forty (40) quarterly or ten (10) annual installments. All payments will be made on the first business day of a calendar quarter. In the case of the death of the Member, distribution of the deferred Fees shall be made in accordance with Paragraph 8.

5. DEFERRAL ACCOUNTS.

(a) ACCOUNTS.

The Company shall establish and preserve one or more accounts for each Member. A Member shall designate on the Election Agreement whether to have the account valued on the basis of the Common Shares of the Company in accordance with Paragraph 5(b) hereof or on the basis of cash in accordance with Paragraph 5(c) hereof. A Member may defer a portion of his Fees into each type of account. The Company may establish separate accounts for a Member to properly account for amounts deferred under the two alternatives or during different years. An account valued on the basis of the Company's

Common Shares shall be known as a "Stock Account" and an account valued on the basis of cash shall be known as a "Cash Account." Amounts held in a Stock Account may not be transferred to a Cash Account and vice versa.

(b) STOCK ACCOUNT.

There shall be credited to a Member's Stock Account, on the last day of each quarter, the number of Common Shares (whole or fractional, rounded to the nearest thousandth of a share) equal to the quotient obtained by dividing (i) the sum of the Fees he elects to defer to his Stock Account which otherwise would have been paid to him during the quarter and the dividends payable during such quarter on the Common Shares held in his Stock Account on the first day of such quarter, by (ii) the Market Price of the Common Shares on the last business day of such quarter.

(c) CASH ACCOUNT.

If a Member elects to have a portion of his Fees deferred into a Cash Account, there will be credited to his Cash Account, on the last day of each quarter, an amount equal to the sum of (i) the Fees he elects to defer to his Cash Account which otherwise would have been paid to him during the quarter and (ii) interest on the balance in the Cash Account on the first day of such quarter at a rate based on the rate of interest offered by National City Bank, Cleveland, Ohio, on the last business day of such quarter on new three-month certificates of deposit.

(d) CLAIMS OF GENERAL CREDITORS.

All compensation deferred and amounts credited to the Cash and Stock Accounts under this Plan shall remain a part of the general assets of the Company. Accordingly, the compensation deferred under this Plan is subject to the claims of the Company's general creditors.

6. PAYMENT OF ACCOUNTS.

The accounts established and maintained for each Member shall be distributed in a lump sum or installments. The selection of the distribution date(s) and the method of distribution are to be indicated on the Election Agreement to be submitted by the Member. The election as to the method of and time for payment of the amount of an account relating to Fees deferred for a particular Year may not be altered with respect to that particular Year once the election has been made. Changes in the method of and time for payment of the amount of an account may be effected for future Years by notifying the Chief Financial Officer in writing prior to the beginning of the Year for which the modification is to apply in accordance with Paragraph 3 above.

With respect to all distributions to be made under the Plan, the following rules shall apply:

(i) All distributions, whether from a Stock Account or a Cash Account, shall be paid in cash subject to withholding or deduction by the Company of any taxes, contributions, payments and assessments which the Company is now or may hereafter be required or authorized by law to withhold or deduct from distributions;

(ii) The amount of the distribution from the Stock Account shall be valued based on the Market Price of the Company's Common Shares, $1.00 par value, on the last business day of the calendar quarter immediately preceding the distribution date; and

(iii) The amount of the distribution from the Cash Account shall be valued based on the value of the Cash Account on the last business day of the calendar quarter immediately preceding the distribution date.

In the event a Member elects to receive installment payments, the following rules shall apply:

(i) The balance of the Stock Account shall be credited, pursuant to Paragraph 5(b) above, with additional Common Shares upon the payment of dividends until the Stock Account is completely distributed;

(ii) The balance of the Cash Account shall be credited, pursuant to Paragraph 5(c) above, with interest quarterly until the Cash Account is completely distributed; and

(iii) The amount of each installment shall be determined by dividing the value of the Stock Account, the Cash Account, or both, by the number of installments remaining to be paid to the Member.

7. MINIMUM DEFERRAL.

Retainer Fees shall be deferred as provided in this Paragraph 7. Absent the filing by a Director of an Election Agreement deferring into a Stock Account all Retainer Fees which are payable to such Director until a date which is on or after the Retainer Fee Minimum Deferral Date (as herein defined), the Director shall be deemed to have filed an election deferring such Fees until the Retainer Fee Minimum Deferral Date, electing to have such Fees deposited to a Stock Account and indicating that such Fees shall be

distributed in a lump sum on the first day of the calendar quarter immediately following the Retainer Fee Minimum Deferral Date. For purposes hereof, the Retainer Fee Minimum Deferral Date shall be the later of (a) the date which is six (6) months and one day after the date upon which the Retainer Fees are credited to a Stock Account or (b) the date of the expiration of the Director's then current Term.

8. DEATH OF MEMBER.

A Member may, in the Election Agreement described in Paragraph 3 above, provide that, in the event of his death prior to the date or dates on which his account balance is distributable, the account balance shall be distributed to his estate or designated beneficiary in a single distribution or in the installments contemplated by Paragraph 6 above. This election shall be made at the time of the election contemplated by Paragraph 3 above. If no such election is made, the account balance shall be distributed to the estate of the deceased Member in a single distribution six months after the Member's death.

9. VALUATION OF ACCOUNTS.

Each account shall be valued as of the last day of each calendar quarter until payment of the account in full to the Member in accordance with Paragraph 6. Each Member shall receive a statement of his accounts not less than annually.

10. CAPITAL CHANGES.

In the event of any change in the number of outstanding Common Shares, $1.00 par value, of the Company by reason of any stock dividend or split, recapitalization, merger, consolidation, spin-off, reorganization, combination or exchange of shares or a similar corporate change, the Board shall determine, in its sole discretion, the extent to which such change equitably requires an adjustment in the number of Common Shares

held in the Stock Accounts and such adjustment shall be made by the Company and shall be conclusive and binding on all Members of the Plan.

11. DEFERRED VESTING OF COMMON SHARES.

Retainer Fees credited to a Member's Stock Account (whether as a result of filing an election under Paragraph 3(b) or a deemed election under Paragraph 7) shall not vest upon their being credited to the Member's Stock Account, but shall become vested only upon the expiration of the Term of such Director to which the Fees relate or upon such Director's earlier death, resignation due to disability or removal without cause. If a Director ceases to be a Director for any reason other than death, resignation due to disability or removal without cause, the Director shall forfeit all Retainer Fees credited to his Stock Account during his unexpired Term, along with any dividends attributable thereto, and the Member's Stock Account shall be reduced accordingly.

12. ADMINISTRATION.

This Plan shall be administered by the Board or by an appropriate Committee of Directors selected by the Board. The Board or the appropriate Committee shall have the sole right and authority to interpret and construe the provisions of this Plan, and its decisions on any matter or dispute arising under the Plan shall be binding and conclusive upon the Members. If a Member is part of the Board or Committee that administers this Plan, he shall not participate in any deliberations or actions of the Board or such Committee relating exclusively to his membership or participation in this Plan.

13. TERMINATION OR MODIFICATION OF PLAN.

This Plan may be terminated, modified, or amended at the sole discretion of the Board. If this Plan is terminated, the remaining Deferred Account balances will be distributed pursuant to the terms of this Plan and no additional deferrals will be permitted.

14. NON-ALIENATION.

The amounts credited to any accounts maintained under the Plan may not be pledged, assigned, or transferred by the Director for whom such account is maintained or by any other individual, and any purported pledge, assignment, or transfer shall be void and unenforceable.

15. CLAIMS OF OTHER PERSONS.

The provisions of the Plan shall in no event be construed as giving any person, firm or corporation any legal or equitable right as against the Company or any subsidiary, or the officers, employees, or directors of the Company or any subsidiary, except any such rights as are specifically provided for in the Plan or are hereafter created in accordance with the terms and provisions of the Plan.

16. SEVERABILITY.

The invalidity and unenforceability of any particular provision of the Plan shall not affect any other provision hereof, and the Plan shall be construed in all respects as if such invalid or unenforceable provisions were omitted herefrom.

17. GOVERNING LAW.

The provisions of the Plan shall be governed by and construed in accordance with the laws of the State of Ohio.

AMENDMENT NO. 1
TO
THE PROGRESSIVE CORPORATION
DIRECTORS DEFERRAL PLAN
(AMENDMENT AND RESTATEMENT)

The Progressive Corporation Directors Deferral Plan (Amendment and Restatement) (the "Plan") is hereby amended as follows:

1. Section 2(g) of the Plan is hereby amended to read as follows:

(g) "Fees" means the fees payable to a Director by reason of his or her serving on the Board and includes both "Retainer Fees" and "Meeting and Service Fees." "Retainer Fees" means those Fees which are payable to a Director by reason of his or her serving on the Board (without regard to attendance at meetings). "Meeting and Service Fees" means those Fees which are payable to a Director (i) by reason of his or her attendance at meetings of the Board or any committee thereof, or (ii) for participation in meetings of the Company's management, or other Board-related activities, for which such Director is entitled to receive compensation, as determined in the sole discretion of the Chairman of the Board.

2. All references to "Meeting Fees" contained in the Plan are hereby amended to read "Meeting and Service Fees."

The foregoing amendments will be effective as of October 25, 1996, and will be applicable to all Plan years beginning on or after January 1, 1997.

/s/ David M. Schneider

David M. Schneider
Secretary

EXHIBIT NO. 11

COMPUTATION OF

EARNINGS PER SHARE

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

	Three Months				Nine Months			
Periods Ended September 30,	1996		1995		1996		1995	
	Amount	Per Share	Amount	Per Share	Amount	Per Share	Amount	Per Share
PRIMARY:								
Net income	$80.3		$62.5		$222.0		$184.1	
Less: Preferred stock dividends	--		(2.1)		(3.5)		(6.3)	
Excess of Preferred Stock liquidation price over carrying value	--		--		(2.9)		--	
Income available to common shareholders	$80.3	$1.08	$60.4	$.81	$215.6	$2.91	$177.8	$2.40
Average shares outstanding	71.4		72.0		71.6		71.8	
Net effect of dilutive stock options	2.6		2.3		2.5		2.3	
Total	74.0		74.3		74.1		74.1	
FULLY DILUTED:								
Net income	$80.3		$62.5		$222.0		$184.1	
Less: Preferred stock dividends	--		(2.1)		(3.5)		(6.3)	
Excess of Preferred Stock liquidation price over carrying value	--		--		(2.9)		--	
Income available to common shareholders	$80.3	$1.08	$60.4	$.81	$215.6	$2.89	$177.8	$2.39
Average shares outstanding	71.4		72.0		71.6		71.8	
Net effect of dilutive stock options	2.8		2.4		2.9		2.6	
Total	74.2		74.4		74.5		74.4	

1

EXHIBIT NO. 12

COMPUTATION OF RATIO OF EARNINGS TO

FIXED CHARGES

2

EXHIBIT 12

THE PROGRESSIVE CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
(millions)
(unaudited)

	Nine Months Ended September 30,	
	1996	1995
Income before income taxes	$310.1	$253.6
Fixed Charges:		
Interest and amortization on indebtedness	45.4	42.8
Portion of rents representative of the interest factor	3.3	3.1
Total fixed charges	48.7	45.9
Total income available for fixed charges	$358.8	$299.5
Ratio of earnings to fixed charges	7.4	6.5

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