

PROGRESSIVE CORP/OH/  
Form 11-K  
June 27, 2011  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 11-K**

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2010

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-9518

A. Full title of the plan and address of the plan, if different from that of the issuer named below:  
THE PROGRESSIVE 401(k) PLAN

(formerly known as THE PROGRESSIVE RETIREMENT SECURITY PROGRAM)

Edgar Filing: PROGRESSIVE CORP/OH/ - Form 11-K

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:  
THE PROGRESSIVE CORPORATION

6300 WILSON MILLS ROAD

MAYFIELD VILLAGE, OHIO 44143

**Table of Contents**

**REQUIRED INFORMATION**

See the attached Financial Statements with Auditors Report for The Progressive 401(k) Plan, for the years ended December 31, 2010 and 2009.

**SIGNATURES**

*The Plan.* Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Plan Administrative Committee, as Administrator of The  
Progressive 401(k) Plan

By: /s/ Cary Zimmerman

Name: Cary Zimmerman  
Title: Corporate Counsel

Date: June 27, 2011

**Table of Contents**

THE PROGRESSIVE 401(k) PLAN  
FINANCIAL STATEMENTS  
WITH  
REPORT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM  
For the Years Ended  
December 31, 2010 and 2009

**Table of Contents**

**INDEX**

	<b>Page</b>
Report of Independent Registered Public Accounting Firm	
Financial Statements:	
<u>Statement of Net Assets Available for Benefits</u>	2
<u>Statement of Changes in Net Assets Available for Benefits</u>	3
<u>Notes to Financial Statements</u>	4 - 17
Supplemental Schedule:	
<u>Schedule of Assets Held for Investment Purposes at End of Year</u>	18

**Table of Contents**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Administrative Committee of

The Progressive 401(k) Plan

We have audited the accompanying Statement of Net Assets Available for Benefits of The Progressive 401(k) Plan ( Plan ) as of December 31, 2010 and 2009, and the related Statement of Changes in Net Assets Available for Benefits for the years then ended. These financial statements are the responsibility of the Plan s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan s internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, during 2010, the Plan retrospectively adopted the changes related to classifying and measuring loans to participants in accordance with ASC 962 Plan Accounting - Defined Contribution Pension Plans.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets held for investment purposes (at end of year) as of December 31, 2010, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by the Department of Labor s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan s management. The supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ MEADEN & MOORE, LTD.

MEADEN & MOORE, LTD.

Certified Public Accountants

June 27, 2011

Cleveland, Ohio

**Table of Contents**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

The Progressive 401(k) Plan

(000 s omitted)

	December 31	
	2010	2009
<b>ASSETS</b>		
Pending trade settlement	\$ 1,258	\$ 169
Notes receivable from participants	43,316	35,961
Investments, at Fair Value:		
The Progressive Corporation Common Shares (cost: \$368,296 and \$330,285)	542,577	472,586
Other investments (cost: \$1,002,063 and \$912,906)	1,156,321	970,182
	<b>1,698,898</b>	1,442,768
Net Assets Available for Benefits at Fair Value	<b>1,743,472</b>	1,478,898
Adjustment from fair value to contract value for fully benefit-responsive investment contracts	<b>(1,705)</b>	2,106
Net Assets Available for Benefits	<b>\$ 1,741,767</b>	\$ 1,481,004

*See accompanying notes.*

**Table of Contents**

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

## The Progressive 401(k) Plan

(000 s omitted)

	Year Ended December 31	
	2010	2009
Additions to Net Assets Attributed to:		
Contributions:		
Employer	\$ 60,941	\$ 59,067
Participants	89,648	87,596
Rollovers	2,453	1,851
	<b>153,042</b>	148,514
Interest income on notes receivable from participants	1,995	2,051
Investment Income:		
Net appreciation in fair value of The Progressive Corporation Common Shares	49,901	84,755
Net appreciation in fair value of other investments	104,764	149,119
Dividends on The Progressive Corporation Common Shares	30,358	
Interest and other dividends	19,531	16,535
Total Investment Income	<b>204,554</b>	250,409
Deductions from Net Assets Attributed to:		
Benefits paid to participants	93,819	75,629
Employee stock ownership plan dividend distribution	4,476	
Other expenses	533	470
Total Deductions	<b>98,828</b>	76,099
Net Increase	<b>260,763</b>	324,875
Net Assets Available for Benefits:		
Beginning of Year	<b>1,481,004</b>	1,156,129
End of Year	<b>\$ 1,741,767</b>	\$ 1,481,004

*See accompanying notes.*



**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**1 Description of the Plan**

Effective December 3, 2010, The Progressive Corporation Stock Fund was converted to an Employee Stock Ownership Program, or ESOP.

The Progressive Corporation declared a \$1 extraordinary dividend payable on December 29, 2010 for shareholders of record as of December 20, 2010.

Effective January 1, 2009, The Progressive Retirement Security Program was formally renamed The Progressive 401(k) Plan ( Plan ). As part of this change, the Plan also adopted a safe harbor matching contribution formula with immediate vesting. The formula provides a dollar-for-dollar match on contributions up to 6% of eligible compensation. For highly compensated employees, these matching contributions will be capped at \$12,000 annually. The formula allows the Plan to automatically satisfy certain 401(k) nondiscrimination tests required by the Internal Revenue Code.

Also effective January 1, 2009, the Self-Directed Retirement Plan (SDRP) was discontinued, with no additional Company contributions being made. Balances will remain in participants' accounts, and any earnings and dividends will accumulate on a tax-deferred basis. The money in the SDRP will continue to vest and can be transferred/exchanged among the investment options within the Plan.

***General:***

The Plan is designed to encourage employee savings and provide benefits upon an employee's retirement, death, disability or termination of employment.

All employees of The Progressive Corporation ( the Company ) and certain of its subsidiaries that have adopted the Plan, who have met certain requirements are eligible to participate in the Plan after 30 calendar days from the date of employment ( Covered Employee ).

***Contributions:***

Participants may contribute to the Plan, on a pretax or post-tax basis, any combination up to 99.98% of eligible compensation. However, participants who are classified as highly compensated employees under Federal tax law are subject to contribution limits that may vary from year to year. Participant contributions are matched 100% by the Company dollar-for-dollar up to 6% of participants' eligible compensation. Company contributions are payable out of net profits.

Various Internal Revenue Code regulations concerning both employee and Company contributions may limit the contribution amounts defined above. The Company has the right to limit these contributions to conform to applicable regulations.

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**1 Description of the Plan, Continued**

***Vesting:***

The portion of the participant's account in the Plan attributable to the participant's own contributions, including earnings thereon, vests immediately. Each participant is 100% vested in the Company's matching contributions made on or after January 1, 2009. Prior to January 1, 2009, each participant's interest in the Company's matching contributions vests under the following schedule, based on years of service:

<b>Years of Service</b>	<b>Percentage</b>
1	25%
2	50%
3	75%
4	100%

Company matching contributions immediately vest if a participant reaches age 65, becomes disabled or dies while employed by the Company.

Forfeitures are being held pending reinstatements to rehired employees. Company contribution forfeiture activity has been summarized below.

<b>Description</b>	<b>2010</b>	<b>2009</b>
Beginning Forfeiture Balance	\$ 320,782	\$ 602,562
Used to Reduce Company Contributions	(308,557)	(1,500,159)
Contributions Reinstated	(19,147)	(11,433)
Contributions Forfeited	162,359	1,214,617
Dividends	13,568	15,195
Ending Forfeiture Balance	\$ 169,005	\$ 320,782

***Investment Options for Company Match:***

Company matching contributions are invested according to participants' elections.

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**1 Description of the Plan, Continued**

***Notes Receivable From Participants:***

In September 2010, the FASB issued an amendment, Plan Accounting-Defined Contribution Pension Plans (Topic 962): Reporting Loans to Participants by Defined Contribution Pension Plans (ASU 2010-25), which provides guidance on how loans to participants should be classified and measured by defined contribution pension plans. The amendment requires that participant loans be classified as notes receivable from participants, which are segregated from plan investments and measured at their unpaid principal balance plus any accrued but unpaid interest. This amendment requires retrospective application to all periods presented. This amendment was adopted for the year ended December 31, 2010, and retrospectively applied to December 31, 2009. Prior year amounts and disclosures have been revised to reflect the retrospective application of adopting this new amendment. There was no impact to the net assets as of December 31, 2010 and 2009, as a result of the adoption.

Participants may borrow up to 50% of their total vested account balance from a minimum of \$1,000 up to a maximum of \$50,000. Two loans may be outstanding at one time. The highest outstanding balance for prior loans plus any new loans may not exceed \$50,000 in a 12-month period. Loan repayment periods are up to four years. The loans are secured by the balance in the participant's account and bear interest at the same rate throughout the life of the loan.

At the beginning of each calendar quarter, the interest rate applied to new loans during that quarter is set at 1% above the prime rate. This interest rate remains constant over the life of the loan. Principal and interest are paid through bi-weekly payroll deductions. A \$35 loan initiation fee and a quarterly maintenance fee of \$3.75 will be deducted from the participant's account for each new loan.

Loan repayments may be suspended for up to (1) year in case of an approved leave of absence. Loans to participants on a leave of absence due to a Qualified Military Leave, will be automatically suspended for the period of the Qualified Military Leave.

Participants who terminate employment at the time a loan is outstanding may arrange with the Administrator to continue to repay the loan by method of automatic or electronic withdrawals or debits from a financial institution known as ACH debits.

**Self-Directed Retirement Plan (discontinued effective January 1, 2009)**

***General:***

The primary purpose of the SDRP was to provide benefits upon a participant's or former participant's retirement, death, disability or termination of employment.

Prior to January 1, 2009, all employees of the Company and certain of its subsidiaries that have adopted the Plan were eligible to participate in the Plan as of the entry date coincident with or immediately following the date such covered employee completed one year of service, had 1,000 hours of service within a service year and had attained age twenty-one (21).

**Table of Contents**

## NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**1 Description of the Plan, Continued****Contributions:**

The SDRP provided for the following contribution rates for employees who met the age and service requirements.

<b>Contribution Rate</b>	<b>Length of Service</b>
1%	One year but less than five years
2%	Five years but less than ten years
3%	Ten years but less than fifteen years
4%	Fifteen years but less than twenty years
5%	Twenty years or more

Contribution rates were applied to eligible compensation not exceeding the social security wage base.

**Vesting:**

Effective January 1, 2007, Progressive adopted a new vesting schedule for SDRP. SDRP contributions made before January 1, 2007 and any earnings on those contributions become 100% vested after completing 5 full years of service. SDRP contributions made after December 31, 2006 and any earnings on those contributions became 100% vested after 3 full years of service.

Company contributions fully vest if while employed by the Company, a participant retires at age 65, becomes permanently and totally disabled or dies.

Upon termination, non-vested Company contributions are forfeited. SDRP forfeiture activity has been summarized below.

<b>Description</b>	<b>2010</b>	<b>2009</b>
Beginning Forfeiture Balance	\$ 723,563	\$ 258,451
Used to Reduce Company Contributions	(291,570)	(500,000)
Contributions Reinstated	(20,710)	(8,122)
Contributions Forfeited	59,296	955,976
Dividends	11,147	17,258
Ending Forfeiture Balance	\$ 481,726	\$ 723,563

**2 Summary of Significant Accounting Policies****Use of Estimates and Basis of Accounting**

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with generally accepted accounting principles ( GAAP ).

Edgar Filing: PROGRESSIVE CORP/OH/ - Form 11-K

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported and the accompanying notes. Actual results could differ from those estimates.

- 7 -

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**2 Summary of Significant Accounting Policies, Continued**

***Investment Valuation and Income Recognition:***

At the close of business on January 23, 2009, the Fidelity Diversified International Fund, Fidelity Mid-Cap Stock Fund, FMA Small Company Portfolio - Investor Shares, and Fidelity Low-Priced Stock Fund were frozen to new contributions and exchanges in. These funds were liquidated and proceeds were invested in Fidelity Diversified International Fund - K Shares, Fidelity Mid-Cap Stock Fund - K Shares, FMA Small Company-Institutional Shares, and Fidelity Low-Priced Stock Fund - K Shares. Also effective January 23, 2009, the PIMCO Total Return Fund and the Vanguard Total Bond Market Fund were added. At the close of business on February 23, 2009, the Fidelity U.S. Bond Index Fund was frozen to new contributions and exchanges in. This fund was liquidated and proceeds were invested in the Vanguard Total Bond Market Fund.

The fair value of investments in wrap contracts is determined using a discounted cash flow model which considers recent fee bids from recognized dealers, discount rate and the duration of the underlying portfolio of securities. The dealers may consider the following in the bid process: size of the portfolio, performance of the underlying portfolio, and the fair value to contract value ratio. For purposes of benefit responsive withdrawals, investments in wrap contracts are valued at contract value, which could be more or less than fair value. These investment contracts provide for benefit responsive withdrawals at contract value including those instances when, in connection with wrap contracts, underlying investment securities are sold to fund normal benefit payments prior to the maturity of such contracts.

The Fidelity Managed Income Portfolio II investment objective is to seek preservation of capital and a competitive level of income over time. To achieve its investment objective, the Portfolio invests in underlying assets (typically fixed-income securities or bond funds and may include derivative instruments such as futures contracts and swap agreements) and maintains a wrapper contract issued by a third-party. Fidelity Management Trust Company ( FMTC ) seeks to minimize the exposure of the Portfolio to credit risk through, among other means, diversification of the wrap contracts across an approved group of issuers. The Portfolio's ability to receive amounts due pursuant to these contracts is dependent upon the issuers' ability to meet their financial obligations.

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**2 Summary of Significant Accounting Policies, Continued**

*Investment Valuation and Income Recognition, Continued:*

The investment contract and fixed income security commitments are backed solely by the financial resources of the issuer. Participant withdrawals and exchanges are paid at book value (principle and interest accrued to date) during the term of the contract. However, withdrawals prompted by certain events (e.g., an employer-initiated event such as a layoff, sale of a division, plan termination, etc.) may be paid at market value, which may be less than book value. The portfolio strives to maintain a \$1 unit price, but cannot guarantee that it will be able to do so, and its yield will fluctuate.

The fair value of the Fidelity Managed Income Portfolio II investment contract at December 31, 2010 and 2009, was \$172,651,049 and \$167,609,984, respectively. The average yield was 2.25% and 2.74% and the crediting interest rate was 1.82% and 1.53% for 2010 and 2009, respectively. The crediting rate for this investment contract is reset annually by the issuer but cannot be less than zero.

The investment in The Progressive Corporation Stock Fund is valued at the last reported trade price on the New York Stock Exchange on the last business day of the year. Investments in the Brokerage Accounts are valued at quoted market prices, which represent the net asset value of shares held by the Plan at year-end.

The Plan presents in the Statement of Changes in Net Assets Available for Benefits the net appreciation (depreciation) in the fair value of its investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) on those investments.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Market values of securities fluctuate based on the magnitude of changing market conditions; significant changes in market conditions could materially affect the Plan's investments.

Security transactions in The Progressive Corporation Stock Fund are recorded on a trade date basis. All other security transactions are recorded on a settlement date basis. The use of a transaction or trade date basis would not have a material effect on the overall statements of net assets available for benefits or changes in net assets available for benefits as of December 31, 2010 or 2009.

The fair value of the wrapper investment is calculated by discounting the related cash flows based on current yields of similar instruments with comparable durations.

Realized gains and losses on the sale of securities are determined based on the average cost of the securities sold from the Trust's assets. Realized gains and losses on the distribution of Company Common Shares are determined based on the historical cost of the shares distributed.

Dividend income is recorded on the ex-dividend date. Interest and other income are recorded as earned on an accrual basis.

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**2 Summary of Significant Accounting Policies, Continued**

***Fair Value:***

As defined in FASB ASC 820, Fair Value Measurements, fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The accounting guidance establishes a framework for measuring fair value, establishes a fair value hierarchy based on inputs used to measure fair value, and expands disclosure about fair value measurements.

The plan has categorized our financial instruments, based on the degree of subjectivity inherent in the valuation technique, into a fair value hierarchy of three levels, as follows:

Level 1: Inputs are unadjusted, quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. Government securities, active exchange-traded equity securities, certain corporate and municipal bonds, certain preferred stocks, certificates of deposit and rights/warrants/options).

Level 2: Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain common/collective trusts and unitized investment funds). This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs that are unobservable. Unobservable inputs reflect the reporting entity's subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).



**Table of Contents**

## NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**2 Summary of Significant Accounting Policies, Continued***Fair Value, Continued:*

The composition of the investment portfolio as of December 31 was:

<b>Description</b>	<b>12/31/2010</b>	<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Mutual Funds:</b>				
Growth funds	\$ 302,072,590	\$ 302,072,590	\$	\$
Balanced funds	253,262,609	253,262,609		
Index funds	242,597,894	242,597,894		
Income funds	111,710,163	111,710,163		
Other funds	24,132,596	24,132,596		
<b>Total mutual funds</b>	<b>933,775,852</b>	<b>933,775,852</b>		
<b>Common Stocks:</b>				
Insurance	542,938,299	542,938,299		
Other	23,060,031	23,060,031		
<b>Total common stocks</b>	<b>565,998,330</b>	<b>565,998,330</b>		
Common/Collective Trusts	172,651,049		172,651,049	
Money Market	25,351,705	25,351,705		
Certificates of Deposit	405,701	405,701		
Unitized Investment Funds	403,775		403,775	
Corporate Bonds	205,406	205,406		
Government Bonds	74,179	74,179		
Preferred Stock	10,840	10,840		
Rights/Warrants/Options	21,062	21,062		
<b>Total</b>	<b>\$ 1,698,897,899</b>	<b>\$ 1,525,843,075</b>	<b>\$ 173,054,824</b>	<b>\$</b>

**Table of Contents**

## NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**2 Summary of Significant Accounting Policies, Continued***Fair Value, Continued:*

Description	12/31/2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Mutual Funds:</b>				
Growth funds	\$ 249,658,363	\$ 249,658,363	\$	\$
Balanced funds	201,117,032	201,117,032		
Index funds	197,236,110	197,236,110		
Income funds	88,161,168	88,161,168		
Other funds	21,087,866	21,087,866		
<b>Total mutual funds</b>	<b>757,260,539</b>	<b>757,260,539</b>		
<b>Common Stocks:</b>				
Insurance	472,992,361	472,992,361		
Other	16,971,062	16,971,062		
<b>Total common stocks</b>	<b>489,963,423</b>	<b>489,963,423</b>		
<b>Common/Collective Trusts</b>				
Money Market	26,883,143	26,883,143		
Certificates of Deposit	452,256	452,256		
Unitized Investment Funds	305,918		305,918	
Corporate Bonds	185,592	185,592		
Government Bonds	85,790	85,790		
Preferred Stock	19,859	19,859		
Rights/Warrants/Options	1,518	1,518		
<b>Total</b>	<b>\$ 1,442,768,022</b>	<b>\$ 1,274,852,120</b>	<b>\$ 167,915,902</b>	<b>\$</b>

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**2 Summary of Significant Accounting Policies, Continued**

***Funding:***

Participant and employer contributions are funded on a bi-weekly basis generally coincident with the pay date.

***Expenses:***

Administrative expenses of the Plan, including trust management, legal and other fees, are paid by the Company and are not expenses paid by the Plan. Investment management fees are expenses of the Plan, but are netted against investment income. Transaction fees for loan initiation, quarterly loan maintenance, exchanges of Company stock and short-term fund trading are paid from assets in participant accounts.

***Risks and Uncertainties:***

The Plan provides for several investment options, which are subject to various risks, such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the Statement of Net Assets Available for Benefits.

***Reclassifications:***

Certain prior year amounts have been reclassified to conform to the current year's presentation.

**3 Participant Accounts**

Each participant's account is credited with the participant's contributions and Company match, Company SDRP contributions prior to January 1, 2009 and an allocation of earnings. Allocations are based on the portion of each participant's account balance to the total account balances for all participants. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

**Table of Contents**

## NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**3 Participant Accounts, Continued**

The Plan uses the share value method for allocating Plan earnings. The share values are determined on a daily basis and are presented excluding contributions receivable and benefits payable. The total number of shares and share values as of December 31, by fund, are as follows:

Investment Options	Total Number of Shares	Net Asset Share Values
<b>2010</b>		
Vanguard Target Retirement Income Fund	414,861.62	11.28
Vanguard Target Retirement 2005 Fund	133,438.65	11.73
Vanguard Target Retirement 2010 Fund	444,517.12	22.31
Vanguard Target Retirement 2015 Fund	546,650.97	12.42
Vanguard Target Retirement 2020 Fund	1,100,709.34	22.10
Vanguard Target Retirement 2025 Fund	1,023,731.31	12.62
Vanguard Target Retirement 2030 Fund	2,107,094.39	21.68
Vanguard Target Retirement 2035 Fund	1,426,612.05	13.09
Vanguard Target Retirement 2040 Fund	1,201,693.86	21.50
Vanguard Target Retirement 2045 Fund	939,389.32	13.50
Vanguard Target Retirement 2050 Fund	244,764.10	21.40
Fidelity Retirement Money Market Portfolio	25,351,704.62	1.00
Fidelity Managed Income Portfolio II-Class 3	170,946,236.64	1.00
Vanguard Total Bond Market	6,157,256.11	10.60
Oakmark Equity and Income Fund-Class 1	3,062,498.34	27.74
Vanguard Value Index Fund-Institutional	1,265,943.17	20.79
ABF Small Cap Value Institutional	1,204,506.28	19.90
Vanguard Institutional Index Fund	1,442,934.70	115.01
Fidelity Low-Priced Stock Fund-K Shares	2,127,630.27	38.36
Fidelity Mid-Cap Stock Fund-K Shares	2,881,792.72	28.82
Wasatch Small Cap Growth Fund	777,139.93	39.50
Fidelity Diversified International Fund-K Shares	3,542,709.18	30.12
Vanguard Total International Stock Index	1,070,166.35	15.76
Vanguard Mid-Cap Index-Institutional	475,684.95	20.36
Vanguard Small-Cap Index-Institutional	222,896.45	34.77
Vanguard Growth Index-Institutional	507,156.28	31.60
PIMCO Total Return Institutional	2,071,297.05	10.85
The Progressive Corporation Stock Fund	27,306,317.62	19.87

**Table of Contents**

## NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**3 Participant Accounts, Continued**

Investment Options	Total Number of Shares	Net Asset Share Values
<b>2009</b>		
Vanguard Target Retirement Income Fund	393,254.57	10.59
Vanguard Target Retirement 2005 Fund	122,233.67	10.98
Vanguard Target Retirement 2010 Fund	435,288.43	20.52
Vanguard Target Retirement 2015 Fund	407,200.86	11.31
Vanguard Target Retirement 2020 Fund	1,013,039.14	19.96
Vanguard Target Retirement 2025 Fund	851,040.99	11.32
Vanguard Target Retirement 2030 Fund	1,851,389.79	19.31
Vanguard Target Retirement 2035 Fund	1,125,825.19	11.62
Vanguard Target Retirement 2040 Fund	979,420.17	19.05
Vanguard Target Retirement 2045 Fund	653,089.96	12.02
Vanguard Target Retirement 2050 Fund	153,569.79	19.11
Fidelity Retirement Money Market Portfolio	26,883,142.59	1.00
Fidelity Managed Income Portfolio II-Class 3	169,715,849.89	1.00
Vanguard Total Bond Market	5,683,895.70	10.35
Oakmark Equity and Income Fund-Class 1	2,895,203.37	25.54
Vanguard Value Index Fund-Institutional	1,130,415.13	18.63
ABF Small Cap Value Institutional	1,049,194.77	15.84
Vanguard Institutional Index Fund	1,395,790.34	101.98
Fidelity Low-Priced Stock Fund-K Shares	2,074,990.69	31.95
Fidelity Mid-Cap Stock Fund-K Shares	2,787,263.95	23.40
Wasatch Small Cap Growth Fund	660,260.22	30.64
Fidelity Diversified International Fund-K Shares	3,499,287.40	27.98
Vanguard Total International Stock Index	894,555.40	14.41
Vanguard Mid-Cap Index-Institutional	349,016.25	16.40
Vanguard Small-Cap Index-Institutional	156,209.92	27.50
Vanguard Growth Index-Institutional	399,838.72	27.32
PIMCO Total Return Institutional	1,177,185.40	10.80
The Progressive Corporation Stock Fund	26,269,344.94	17.99

**Table of Contents**

## NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**4 Investments**

Participants can invest in any of the options offered under the Plan.

The following investments individually represent 5% or more of the Plan's net assets available for benefits as of December 31:

	2010	2009
Fidelity Managed Income Portfolio II-Class 3	\$ 170,946,237	\$ 169,715,850
Vanguard Institutional Index Fund	\$ 165,951,920	\$ 142,342,699
Fidelity Diversified International Fund-K Shares	\$ 106,706,400	\$ 97,910,061
The Progressive Corporation Common Shares	\$ 542,576,531	\$ 472,585,515

**5 Related Party Transactions**

The fund investment options include The Progressive Corporation Stock Fund. This fund consists of shares of the Company's common stock.

Certain Plan investment choices are Fidelity mutual funds managed by Fidelity Management & Research Company (FMR Co.). Fidelity Management Trust Company (FMTTC) is the current trustee and along with FMR Co. is a subsidiary of FMR Corp. These transactions, therefore, qualify as related party transactions.

**6 Income Tax Status**

The Plan obtained its latest determination letter on June 6, 2002, in which the Internal Revenue Service stated that the Plan, as then designed, was in compliance with the applicable requirements of the Internal Revenue Code. The Plan has been amended since receiving the determination letter. However, the Plan administrator and the Plan's tax counsel believe that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code. Therefore, no provision for income taxes has been included in the Plan's financial statements. On December 7, 2009, the Plan applied for an updated determination letter.

**Table of Contents**

NOTES TO FINANCIAL STATEMENTS

The Progressive 401(k) Plan

December 31, 2010 and 2009

**7 Plan Termination**

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts.

**8 Recent Accounting Pronouncements**

In January 2010, the FASB issued Accounting Standard Update 2010-06, which will require additional disclosures related to fair value measurements. The additional disclosures will include a separate disclosure of the amount of significant transfers in and out of Level 1 and 2, including a description of the reason for the transfer. In addition, for the reconciliation of activity in Level 3 measurements, information about purchases, sales, issuances and settlements will need to be reported on a gross basis, rather than as one net number. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The guidance did not affect the financial statements.

**9 Subsequent Events**

Effective January 1, 2011, the Plan was amended to add provisions allowing participants to make Roth elective deferrals to the Plan.

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements.

Subsequent events have been evaluated through June 27, 2011, which is the date the financial statements were available to be issued.

**Table of Contents**

## SCHEDULE H-SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES

Part IV Line 4i

The Progressive 401(k) Plan

Plan No. 003

EIN 34-0963169

December 31, 2010

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(e) Current Value
*	Fidelity	2,127,630.27 shares of Fidelity Low-Price Stock Fund-K Shares	\$81,615,897
*	Fidelity	3,542,709.18 shares of Fidelity Diversified International Fund-K Shares	106,706,400
*	Fidelity	2,881,792.72 shares of Fidelity Mid-Cap Stock Fund-K Shares	83,053,266
*	Fidelity	25,351,704.62 shares of Fidelity Retirement Money Market Portfolio	25,351,705
* 2	Fidelity	5,917.23 shares of Fidelity Cash Reserves	5,917
* 1	Fidelity	170,946,236.64 shares of Fidelity Managed Income Portfolio II-Class 3	170,946,237
	Brokerage Account	Various Common Stocks	23,421,799
	Brokerage Account	Various Mutual Funds	24,126,679
	Brokerage Account	Various Preferred Stocks	10,840
	Brokerage Account	Various Unitized Investment Funds	403,775
	Brokerage Account	Various Rights/Warrants/Options	21,062
	Brokerage Account	Various Certificates of Deposit	405,701
	Brokerage Account	Various Corporate Bonds	205,406
	Brokerage Account	Various Government Bonds	74,179
	American Beacon Advisors	1,204,506.28 of ABF Small Cap Value Fund-Institutional Class	23,969,675
	Harris Associates L.P.	3,062,498.34 shares of Oakmark Equity and Income Fund	84,953,704
	Pacific Investment Management Company	2,071,297.05 shares of PIMCO Total Return Fund-Institutional Class	22,473,573
	The Vanguard Group	1,265,943.17 shares of Vanguard Value Index Fund-Institutional Class	26,318,959
	The Vanguard Group	1,070,166.35 shares of Vanguard Total International Stock Fund-Investor Class	16,865,822
	The Vanguard Group	475,684.95 shares of Vanguard Mid-Cap Index Fund-Institutional Class	9,684,946
	The Vanguard Group	222,896.45 shares of Vanguard Small-Cap Index Fund-Institutional Class	7,750,109
	The Vanguard Group	507,156.28 shares of Vanguard Growth Index Fund-Institutional Class	16,026,138
	The Vanguard Group	1,442,934.70 shares of Vanguard Institutional Index Fund	165,951,920
	The Vanguard Group	6,157,256.11 shares of Vanguard Total Bond Market Fund	65,266,915
	The Vanguard Group	414,861.62 shares of Vanguard Target Retirement Income Fund	4,679,639
	The Vanguard Group	133,438.65 shares of Vanguard Target Retirement 2005 Fund	1,565,235
	The Vanguard Group	444,517.12 shares of Vanguard Target Retirement 2010 Fund	9,917,177
	The Vanguard Group	546,650.97 shares of Vanguard Target Retirement 2015 Fund	6,789,405
	The Vanguard Group	1,100,709.34 shares of Vanguard Target Retirement 2020 Fund	24,325,676
	The Vanguard Group	1,023,731.31 shares of Vanguard Target Retirement 2025 Fund	12,919,489
	The Vanguard Group	2,107,094.39 shares of Vanguard Target Retirement 2030 Fund	45,681,806
	The Vanguard Group	1,426,612.05 shares of Vanguard Target Retirement 2035 Fund	18,674,352
	The Vanguard Group	1,201,693.86 shares of Vanguard Target Retirement 2040 Fund	25,836,418
	The Vanguard Group	939,389.32 shares of Vanguard Target Retirement 2045 Fund	12,681,756
	The Vanguard Group	244,764.10 shares of Vanguard Target Retirement 2050 Fund	5,237,952
	Wasatch Advisors, Inc.	777,139.93 shares of Wasatch Small Cap Growth Fund	30,697,027



Edgar Filing: PROGRESSIVE CORP/OH/ - Form 11-K

		1,154,616,556
* The Progressive Corporation	27,306,317.62 shares of Progressive Corporation Common Stock	542,576,531
* Participant Loans	4.25% to 9.25% at various maturities; participant account balances as collateral	43,315,759
		\$1,740,508,846

- \* Party-in-interest
- 1 Amount represents contract value
- 2 Included in The Progressive Corporation Stock Fund for the recordkeeping of fractional shares of stock

**Table of Contents**

**THE PROGRESSIVE 401(k) PLAN**

**EXHIBIT INDEX**

<b>EXHIBIT NO. UNDER REG. S-K ITEM 601</b>	<b>FORM 11-K EXHIBIT NO.</b>	<b>DESCRIPTION OF EXHIBIT</b>
23	23	Consent of Meaden & Moore, Ltd., Independent Registered Public Accounting Firm, dated June 27, 2011, to incorporate by reference their report dated June 27, 2011.