REPORT ON EXAMINATION AS TO THE CONDITION OF

DRIVE NEW JERSEY INSURANCE COMPANY

WEST TRENTON, NEW JERSEY 08628

AS OF DECEMBER 31, 2017

N.A.I.C. GROUP CODE 0155

N.A.I.C. COMPANY CODE 11410

FILED

May 13, 2019

Commissioner
Department of Banking & Insurance

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State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF SOLVENCY REGULATION
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PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

April 10, 2019

Honorable Marlene Caride
Commissioner of Banking and Insurance
State of New Jersey
20 West State Street
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by the Revised Statutes of New Jersey, an examination has been made of the assets and liabilities, method of conducting business and other affairs of the:

Drive New Jersey Insurance Company
WEST TRENTON, NEW JERSEY 08628
NAIC GROUP CODE 0155
NAIC COMPANY CODE 11410

a domestic insurer duly authorized to transact the business of insurance in the State of New Jersey. Hereinafter, Drive New Jersey Insurance Company will be referred to in this report as the "Company" or " Drive NJ".

SCOPE OF EXAMINATION

This risk focused examination was called by the Commissioner of Banking and Insurance of the State of New Jersey pursuant to the authority granted by Section 17:23-22 of the New Jersey Revised Statutes.

The examination was made as of December 31, 2017 and addressed the five-year period from January 1, 2013 to December 31, 2017. During this five-year period under examination, the Company's assets increased from $152,591,934 to $186,421,425. Liabilities increased from $117,960,974 to $150,524,550 and its surplus as regards policyholders increased from $34,630,960 to $35,896,875.

The New Jersey Department of Banking and Insurance ("NJDOBI") conducted the examination in accordance with the 2017 edition of the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook (the "NAIC Handbook"). The NAIC Handbook requires NJDOBI to plan and perform the examination in order to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives NJDOBI obtained information regarding the Company's corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company's system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as, evaluating the overall Financial Statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC Handbook, "One of the increased benefits of the enhanced risk focused approach is to include … consideration of other than financial risks that could impact the insurer's future solvency. By utilizing the enhanced approach, the examiner reviewed the "financial" and "enterprise" risks that existed at the examination "as of" date and will be positioned to assess "financial" and "enterprise" risks that extend or commence during the time the examination was conducted and "prospective" risks which are anticipated to arise or extend past the point of examination completion. Using this approach examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer."

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

COMPLIANCE WITH PRIOR EXAMINATION REPORT RECOMMENDATIONS

There were no examination report recommendations in the 2012 examination report.

HISTORY AND KIND OF BUSINESS

Before December 1, 2006, the Company was a wholly owned subsidiary of Fireman's Fund Insurance Company (Fireman's), which is a wholly-owned subsidiary of Allianz of America, Inc. and wrote private passenger automobile business in the State of New Jersey.

On December 1, 2006, Drive Insurance Holdings, Inc. ("DIH"), a holding company incorporated in Delaware and a wholly-owned subsidiary of The Progressive Corporation ("TPC"), a publicly traded holding company incorporated in Ohio, acquired 100% of the 35,000 issued and outstanding shares of Parkway Insurance Company ("Parkway") through a share purchase agreement from Fireman's. The acquisition was approved by the New Jersey Department of Banking and Insurance.

On December 19, 2006, Drive New Jersey Insurance Company, a New Jersey based insurance company and subsidiary of DIH, was merged with Parkway. Parkway is the surviving entity. Also, on December 19, 2006, Parkway's name was changed to Drive New Jersey Insurance Company. In accordance with the merger, all previously issued and outstanding shares of both Parkway and Drive New Jersey Insurance Company were cancelled and 12,000 common shares of the Company were issued. The Company received a capital contribution of $14,950,000 from DIH in 2006. As of December 31, 2006, the Company had paid in capital of $1,200,000 consisting of 12,000 shares of common stock with a par value of $100 per share, and gross paid in and contributed surplus of $16,150,000.

The Company participates in a reinsurance and assumption agreement with Fireman's. Under the terms of the agreement, the Company transferred 100% of Parkway's liabilities arising from the conduct of business prior to November 30, 2006, while under the ownership of Fireman's. The Company also participates in an administrative services agreement with Fireman's. Under the terms of the agreement, Fireman's indemnifies the Company and provides administrative services for all business conducted prior to its acquisition by DIH, including adjusting all claims on policies written prior to December 1, 2006.

To comply with minimum statutory common stock balance requirements as directed by the NJDOBI for the various lines of business in which the Company is licensed to write in the State of New Jersey, the Company's Articles of Incorporation were amended effective August 17, 2007, to increase the par value of the Company's 12,000 authorized, issued, and outstanding common shares from a $100 par value each to a $292 par value each. The balance for common capital stock was increased and the balance of gross paid in and contributed surplus was decreased by $2,304,000, resulting in an ending balance of paid in capital of $3,504,000 consisting of 12,000 shares of common capital stock with a par value of $292 per share, and gross paid in and contributed surplus of $13,846,000. The Company was in compliance with the minimum capital and surplus requirements as stated in N.J.S.A. 17:17-6 as of December 31, 2007.

The Company's statutory home office and registered agent upon whom process may be served is designated as The Corporation Trust Company, 820 Bear Tavern Road, Suite 305, West Trenton, New Jersey 08628. The Company's main administrative office is located at 6300 Wilson Mills Road, W33, Cleveland, Ohio 44143-2182.

STATUTORY DEPOSIT

As of December 31, 2017, the Company maintains a $135,000 total par value in US Treasury Notes with the Commissioner of Banking and Insurance of the State of New Jersey for the benefit and security of all of the policyholders of Drive New Jersey Insurance Company.

TERRITORY AND PLAN OF OPERATION

Drive New Jersey Insurance Company is only licensed to operate in the State of New Jersey.

According to its Certificate of Authority, the Company is authorized to write the lines of business specified under N.J.S.A. 17:17-1b and N.J.S.A. 17:17-1e. At December 31, 2017, the Company was writing the following lines of business: Homeowners Multiple Peril, Inland Marine, Other Liability – Occurrence, Other Liability – Claims Made, Private Passenger Automobile Liability, Commercial Automobile Liability, and Auto Physical Damage.

The Company generates its business through the independent agency system. At the examination date, Progressive had approximately 9,400 agents representing the Company in the State.

At the examination date, Drive NJ reported having these office locations in the State:

- 485 Route 1 South, Building A – Suite 400, Iselin, New Jersey 08830.
- 1200 Howard Blvd., Suite 110, Mount Laurel, New Jersey 08054.
- 959 Route 46 East, Suite 404, Parsippany, New Jersey 07054.
- 103 Morgan Lane, Suite 250, Plainsboro, New Jersey 08536.
- 152 West Street, Suite 150, South Plainfield, New Jersey 07080.
- 1011 Zircon Drive, Toms River, New Jersey 08753.
- 290 Veterans Blvd., Suite 150, Rutherford, New Jersey 07070.

REINSURANCE

The Company participates in a 90% quota share reinsurance agreement with Progressive Casualty Insurance Company (“PCIC”), an affiliate domiciled in Ohio. Under the terms of the October 1, 2005 agreement, the Company cedes 90% of all premiums, losses, and loss adjustment expenses. Effective November 3, 2008, Article I – Scope of Treaty was amended to read. “This agreement shall apply to all new and renewal policies that have been issued by Company with an effective date that is during the term of the Agreement.”

The Company participates in a reinsurance and assumption agreement with Fireman’s Fund Insurance Company. Under the terms of the agreement, the Company transfers 100% of Parkway’s liabilities arising from the conduct of business prior to November 30, 2006, while under the ownership of Fireman’s.

Auto Liability – Primary/Excess of Loss – Swiss Reinsurance American Corporation
Policy Limits $2,000,000
Company retention $1,000,000
Reinsurer limit per occurrence $1,000,000

Reinsurer aggregate limit – none

Auto Liability – Primary (Uninsured/Underinsured Motorist UM/UIM)/Excess of Loss – Swiss Reinsurance American Corporation
Policy Limits $2,000,000
Company retention $1,000,000
Reinsurer limit per occurrence $3,000,000
Reinsurer Aggregate Limit - $9,000,000

Other Liability – Primary Quota Share – General Reinsurance Corporation
Policy Limits $2,000,000
Company retention – 50%
Reinsurer aggregate limit – none
Commissions rates – 27.5% of ceded written premium

Other Liability – Primary Quota Share – General Reinsurance Corporation
Policy Limits $5,000,000
Company retention – 20%
Reinsurer Limit per occurrence – 80%
Reinsurer aggregate limit – none
Commission rates – 27.5% of ceded written premium

Other Liability – Primary – Greenwich Insurance Company
Policy limits $2,000,000
Company retention – 0%
Reinsurer limit per occurrence – 100%
Reinsurer aggregate limit – none
Commissions rate – 35% of ceded written premium for July & August 2010, 30% thereafter

MANAGEMENT AND CONTROL

In accordance with Article III, Section 1 of the by-laws, the annual meeting of shareholders shall be held on the first Tuesday in April of each year at such time and place as may be fixed by the Board of Directors and stated in the notice of the meeting, for the election of Directors, the consideration of reports to be laid before such meeting and the transaction of such other business as may properly come before the meeting. Annual meetings of the Board of Directors shall be held immediately following annual meeting of the shareholders, or as soon thereafter as is practicable.

The number of Directors shall be five (5). The number of Directors may be fixed or changed at any annual meeting or at any special meeting called for that purpose by the affirmative vote of the holders of shares entitling them to exercise a majority of the voting power of the Corporation on such proposal, but in no event shall the number of Directors be less than five (5). Each Director of the Corporation shall be at least eighteen (18) years of age, with a majority of the Directors being citizens and residents of the United States.

Directors shall be elected at the annual meeting of shareholders, but when the annual meeting is not held or Directors are not elected there at, they may be elected at a special meeting called and held for that purpose. Such election shall be by ballot whenever requested by any shareholder entitled to vote at such election: but, unless such request is made, the election may be conducted in any manner approved at such meeting. At such meeting of shareholders for the election of Directors, the persons receiving the greatest number of votes shall be Directors.

The following is a list of Board of Directors serving the Company as of December 31, 2017:

Directors	Occupation
Thomas H. Hollyer - Chagrin Falls, Ohio	Natl. Product Dev. Leader
Karen B. Bailo - Solon, Ohio	Business Leader Agency Distribution
Mark D. Niehaus - Granite Bay, California	Personal Lines GM
Geoffrey T. Souser - Hudson, Ohio	Business Leader CRM Customer Care
Charles E. Conover - Hudson, Ohio	Business Leader Agency System & Exp.

Officers
President - Charles E. Conover
Secretary -Peter J. Albert
Treasurer -Patrick S. Brennan
Asst. Secretary -Christina L. Crews
Asst. Treasurer-James L. Kusmer
VP-Mary B. Andreano
VP - Karen B. Bailo
AVP- Timothy F. Kaselonis

Minutes of meetings held by the Board of Directors or Board Committees revealed adequate approval of the Company's transactions and events including the review and approval of the prior statutory financial examination report.

In accordance with its By-laws the Company shall establish one or more committees consisting of outside Directors to perform the following functions:

- Recommending the selection of independent certified public accountants
- Reviewing the Company's financial condition and the scope and results of independent and internal audits
- Nominating candidates for directors for election by shareholders
- Evaluating the performance of officers deemed to be principal officers of the Corporation
- Recommending the selection and compensation including bonuses or other special payment of the principal officers

In accordance with Article III, Section A and 3 of the By-laws, the Board appointed the following committees:

EXECUTIVE COMMITTEE
Thomas H. Hollyer, Chairman/Member
Charles E. Conover, Member
Geoffrey T. Souser Member

INVESTMENT COMMITTEE
Thomas H. Hollyer, Chairman/Member
Charles E. Conover, Member
Geoffrey T. Souser, Member

N.J.S.A. 17:27A-4d(3) which states, "Not less than one third of the Directors of a domestic insurer, and not less than one third of the members of each committee of the board of directors of any domestic insurer, shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof."

N.J.S.A. 17:27A-4d(4) which states, "The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer's financial condition, the scope and results of the independent audit and any internal audit nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers."

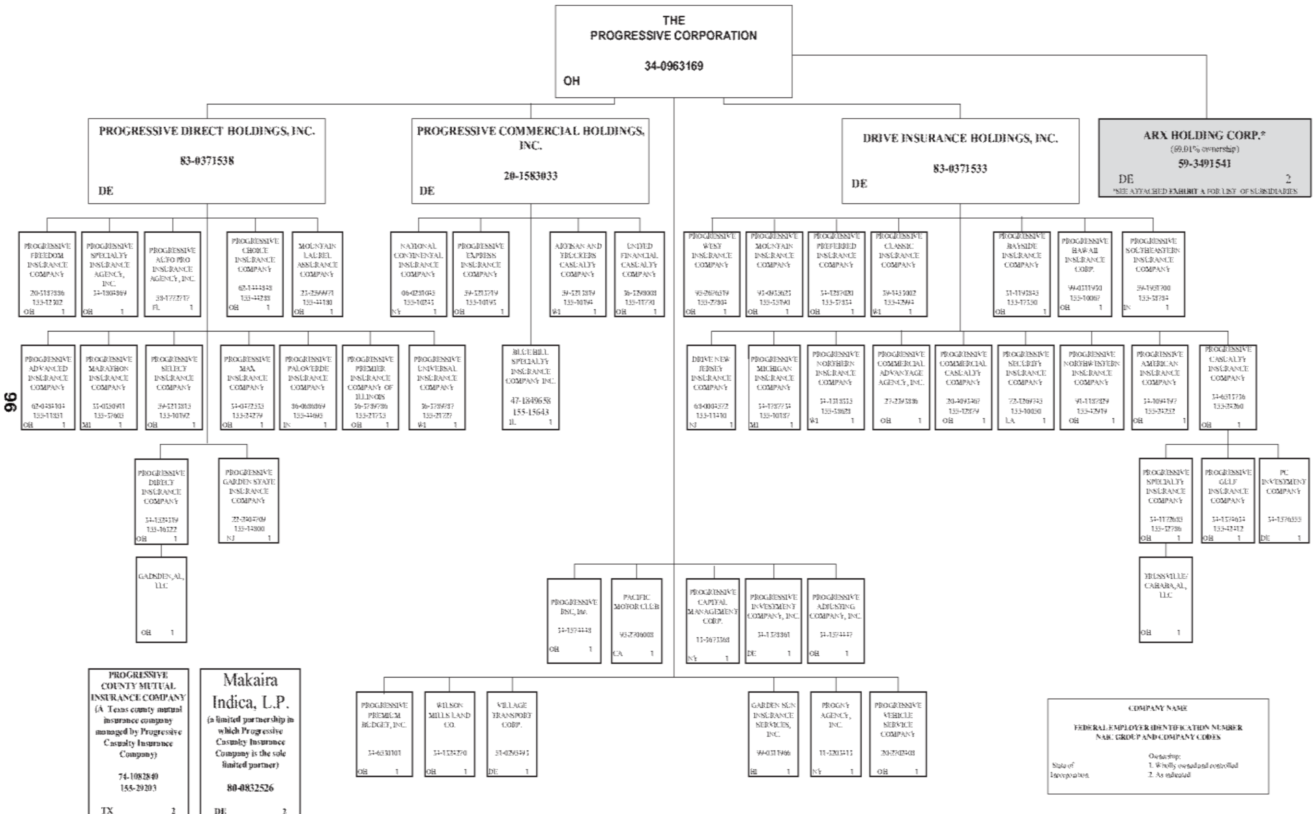
N.J.S.A. 17:27A-4d (5) which states, "The provisions of (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs. The Company satisfies the requirements of N.J.S.A. 17:27A-4d (5) by having an ultimate parent. The Progressive Corporation meets the requirement of this statute.

REGULATION OF INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of the Progressive Corporation holding system as defined by N.J.S.A. 17:27A-1. The Company files holding company registration statements as required by N.J.S.A. 17:27A-3, Section a-j.

The Company had no subsidiaries as of December 31, 2017. The following is the Progressive Corporation holding company system chart as of December 31, 2017:

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP -- PART 1 – ORGANIZATIONAL CHART



12/31/17

Annual Statement for the year 2017 of the **DRIVE NEW JERSEY INSURANCE COMPANY**

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP -- PART 1 – ORGANIZATIONAL CHART

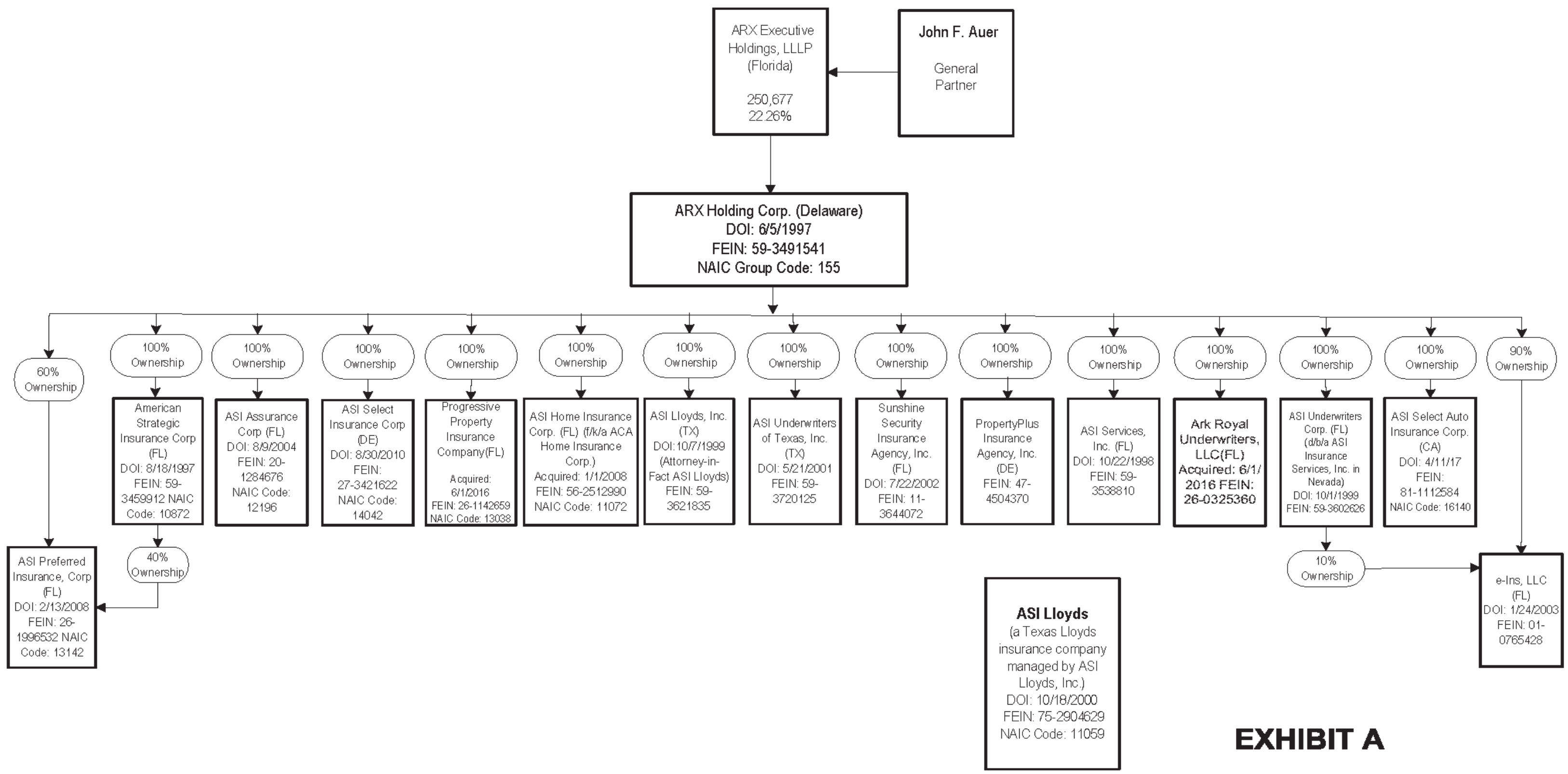


EXHIBIT A

Drive NJ is a wholly owned subsidiary of Drive Insurance Holdings, Inc. Drive Insurance Holdings, Inc is owned by the Progressive Corporation, the ultimate parent.

During the examination period, the Company paid stockholder dividends to its parent as summarized:

2013	$5,500,000
2014	$3,900,000
2015	$2,500,000
2016	$600,000
2017	$2,800,000

INTER-COMPANY AGREEMENTS / RELATED PARTY TRANSACTIONS

This examination verified that the Company was a named party to the following intercompany agreements as of December 31, 2017:

1. Management Agreement
2. Federal Income Tax Sharing Agreement
3. Cash Management Agreement
4. General Agency Agreement
5. Guaranty Association Agreement
6. Interest Agreement
7. Investment Services Agreements
8. Licensing Agreement
9. Non-Exclusive Patent Licensing Agreement

Management Agreement

Effective December 1, 2006, the Company entered into a management (cost allocation) agreement with Progressive Casualty Insurance Company ("PCIC"). Under this agreement, PCIC is obligated to provide the following services: sales and marketing, underwriting, reinsurance, premium billing, appointment and cancelation of agencies, commissions, claim and other policy payments, actuarial, financial reporting, data processing, statistical, accounting, internal record keeping, investment data processing, advertising, office space and furniture, and tax reporting.

The Company is obligated to reimburse PCIC for such expenses, as well as for other expenses incurred by PCIC in discharging its obligations under this agreement. Expenses are classified as either (1) identifiable expenses or (2) non-identifiable expenses. Expenses are to be reimbursed within ninety (90) days after the close of each calendar quarter. The agreement states that PCIC is not entitled to any additional or separate management fees. Termination of the agreement requires 30-day prior notice to the New Jersey Department of Banking and Insurance and the Ohio Department of Insurance. Either party may terminate the agreement by providing 90 day written notice to the other.

Federal Income Tax Sharing Agreement

Effective December 1, 2006, Drive New Jersey became a party to the Progressive Affiliated Federal Income Tax Sharing Agreement with the Progressive Corporation ("TPC"). Under this agreement, TPC will compute an estimated consolidated tax liability on a quarterly basis. TPC will apportion the amount determined under Article (1)(a), whether as a recoverable or as a payable to each member of the Group in an amount equal to the amount of tax that would be allocated to the member in accordance with Treasury Regulation 1.1552-1(a)(2) as modified by Treasury Regulation 1.1502-33(d)93), with the following modifications: (1) the amount of tax accounted to each member shall be based on the top marginal tax rate as set forth in Internal Revenue Code Section 11 and (2) the benefits of any reduced tax brackets or recapture thereof shall be allocated entirely to Progressive Casualty Insurance Company.

If TPC's consolidated tax liability includes a liability for Alternative Minimum Tax ("AMT"), such AMT shall be allocated under the principles of Treasury Regulation 1.1552-1(a)(2) to all members whose separate return tax liability would include a liability for AMT. To the extent a member is allocated a liability for AMT, that member shall also be allocated an equivalent AMT credit carry forward which shall be taken into account in future years.

Amounts calculated as federal income tax recoverable or payable by the Subsidiaries shall be construed as recoverable from or payables to TPC. Intercompany balances are to be settled within 90 days of the end of the quarter in which TPC is required to make a federal income tax estimated payment.

The agreement may not be modified or amended except by the written consent of all the parties and the approval of the appropriate state regulatory agencies.

Cash Management Agreement

On December 1, 2006, the Company approved of being a named participant under the affiliated cash management agreement with Progressive Casualty Insurance Company ("PCIC"). Under this agreement, PCIC was appointed as the Company's cash manager and provides it with cash management services.

General Agency Agreement

Effective December 1, 2006, Drive New Jersey and a number of Progressive affiliated insurers entered into a general agency agreement with Progressive Specialty Insurance Agency, Inc. ("PSIAI"). The purpose of this agreement was to appoint PSIAI as their respective general agent in certain states as the parties may from time to time agree and to exercise the rights and perform specified duties.

Guaranty Association Agreement

Effective December 1, 2009 Drive New Jersey Insurance Company ("Drive") entered into an agreement for periodic settlement of guaranty association amounts with National Continental

Insurance Company ("NCIC"), an affiliate. The agreement states that at the end of each quarter, NCIC shall, as part of an inter-company settlement process, transfer to Drive a right of recoupment equal to the amount Drive has recouped from policyholders in excess of the amount paid to the Association. Any such transfer shall be applied on a dollar for dollar basis when settling inter-company balances between the parties. The parties shall commence the settlement within 30 days after the end of the quarter, and the parties shall use best efforts to complete settlement within 60 days after the end of the quarter.

Interest Agreement

On October 1, 2005, the Company granted approval to enter into an interest agreement with PCIC. Under this agreement, the Company agrees to pay PCIC or receive credit from PCIC for any balances owed to PCIC or owed by PCIC as a result of activity in PCIC's cashier account. The amount of these transactions shall be determined by an analysis of the average unpaid balances of these accounts. Interest will be charged at the prevailing 90-day Treasury bill rate on the last day of each month computed to the nearest quarter of a percent.

Investment Service Agreement

On December 1, 2006, The Company entered into an investment services agreement with Progressive Capital Management Corp ("PCM"). Under the terms of the agreement, the Company is provided investment and capital management services in exchange for an investment management fee based on its use of services.

Licensing Agreement

Effective December 1, 2006, Drive New Jersey entered into a licensing agreement with PCIC. Under this agreement, PCIC grants the Company the right to use its various proprietary marks, whether now existing or hereafter created. The term of the agreement is indefinite. Either party may terminate the agreement upon thirty days written notice to the other party.

Non-Exclusive Patent Licensing Agreement

Effective October 25, 2010, the Company entered into a non-exclusive patent licensing agreement with PCIC. Under this agreement, PCIC grants the Company a non-exclusive right and license to develop, improve, use and exploit PCIC’s various patents, identified in the agreement, whether now existing or hereafter created, whether issued or applied for through the United State Patent and Trademark Office of elsewhere. The term of the agreement is indefinite. A licensee may terminate his rights by giving 10 days’ notice to the licensor.

POLICY ON CONFLICT OF INTEREST

On an annual basis, each director and officer of the Company is required to complete an on-line conflict of interest form in accordance with the Progressive Way “Code of Conduct”. In accordance with the Company’s code of conduct, each director and officer are required to read the conflict of interest section of the code of conduct and to complete the acknowledgements.

Each director and officer of the Company completed an on-line conflict of interest form for 2017. The Company reported no conflicts.

ACCOUNTS AND RECORDS

The Company uses the following Progressive accounting systems in the preparation of its financial statements:

1. General Ledger System
2. Claims Processing and Reserving Systems
3. Premiums Processing System

The Statutory Accounting and Reporting staff in Corporate Finance – Financial Reporting are responsible for the preparation and review of the statutory quarterly and annual statements. The Director of Statutory Accounting and Reporting and the Chief Accounting Officer have the final responsibility for the Company's statutory quarterly and annual statements.

General Ledger System

The Company uses the PeopleSoft General Ledger system to prepare its monthly closing and financial reporting. The system permits both GAAP and statutory reporting. Furthermore, the Company's general ledger system interacts with a number of Progressive sub-systems critical to its financial reporting. These sub-systems include the following:

- Cashier (only for incoming cash)
- Cash Disbursements and Oracle
- Claims (PACMan and ClaimStation)
- Expenses
- Investments
- ProBill (Receivables)
- ProStar (Premiums and IBNR)

The Cashier sub-system processes various transactions of which some pass through to Progressive's operational accounts receivable system, ProBill via a batch file. ProBill records the entry to the general ledger for the application of cash to the policy. Examples of ProBill transactions include: lockbox payments, collection vendor payments, EBPP (electronic bill presentment and payment), and automated lookup payments. For other transactions that remain in Cashier, Cashier will post the entry to the general ledger. Examples of non-ProBill payments include: PACMan salvage/subrogation payments, PACMan claims deductible payments, and manual credit advices.

The Cash Disbursement sub-system is used to disburse and reconcile cash related to claims, premiums, and agent commissions. Claim payments made include those from the Pro**gressive** Automated Claims Management ("PACMan") sub-system. Claim payments are also initiated in ClaimStation and issued from Oracle.

The ProStar sub-system is used to calculate IBNR ("Incurred but Not Recorded") reserves and unearned premium reserves that are posted to the general ledger. It collects, organizes, and reports information in formats designed to support Progressive's actuarial functions.

Claims Processing System

ClaimStation is the application responsible for automating the claims payment processes to send payments to the vendors and/or claimants. Network Estimate Payments ("NEP") and medical payments are automated and sent via electronic fund transfer to the vendors. Manual payments to insureds, claimants or other parties to a claim also flow through Claimstation Payments and are issued via draft or check. The application supports the claims payment business process and is utilized to ensure that a valid payment for the appropriate amount is made to the right party in the right amount of time. Additionally, ClaimStation automatically validates that the individual has the appropriate authority to authorize the payment amount.

ClaimStation and/or PACMan are used to provide basic claims handling functions, administrative data collection, and enable indemnity assessments and payments on losses. Other integrated applications support the following business processes: claim reporting, vehicle estimating, injury assessment, customer communication, correspondence, and overall claim investigation. All claims applications are relied upon to manage the risks of insurance complaints, lawsuit filings, and federal/state/local statutory requirements.

Premiums Processing System

ProBill is Progressive's operational accounts receivable system. This system operates all billing and cash receivable functionality such as invoicing, applying payments, cancel processing, etc.

ProBill receives information from a number of premium processing sub-systems including the Progressive Online Transaction Enquiry Update System ("Proteus") and PolicyPro. Proteus serves as a database depository for all automobile and special lines policies. PolicyPro is a newer policy issuance system and the Company's state auto and special lines policies have been transferred to this system.

TREATMENT OF POLICYHOLDERS

N.J.S.A. 17:29B-4(10) requires all companies to maintain a complete record of all complaints that it has received since the date of its last examination. A review of Company records indicates that as of December 31, 2017, the Company does maintain a complaint register and is in compliance with this statute.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

EXHIBIT A

DRIVE NEW JERSEY INSURANCE COMPANY
BALANCE SHEET AT DECEMBER 31, 2017

	Current Examination at 12/31/2017	Balance per Company at 12/31/2017	Examination Change	Note Number
Assets				
Bonds	$94,053,824	$94,053,824	$0	1
Investment Income Due and Accrued	$478,515	$478,515		
Uncollected Premiums In Course of Collection	11,043,650	11,043,650	0	
Deferred Premiums Booked but Deferred and Not Yet Due	61,897,264	61,897,264	0	
Amounts Recoverable from Reinsurer	13,373,341	13,373,341		
Net Deferred Tax Asset	1,572,443	1,572,443	0	
Property Liability Insurance Guaranty Association Receivable	3,312,455	3,312,455	0	
PLIGA Unearned Surcharge Recoverable	689,933	689,933	0	
Total Admitted Assets	$186,421,425	$186,421,425	$0	
Liabilities				
Loss and Loss Adjustment Expenses	$24,477,618	$24,477,618	$0	2
Commissions Payable	212,926	212,926	0	
Other Expenses	64,708	64,708	0	
Taxes, Licenses and Fees	5,819,318	5,819,318	0	
Current Federal and Foreign Income Taxes on Realized Capital Gains	357,859	357,859	0	
Unearned Premiums	11,502,606	11,502,606	0	
Advance Premium	1,927,415	1,927,415	0	
Ceded Reinsurance Premiums Payable	84,534,293	84,534,293	0	
Drafts Outstanding	10,525,916	10,525,916	0	
Payable to Parent, Subsidiaries and Affiliates	5,420,489	5,420,489	0	
State Plan Liability	2,951,425	2,951,425	0	
PLIGA Payable	2,017,731	2,017,731	0	
PLIGA Unearned Surcharge Payable	689,933	689,933	0	
Premium Refund Liability	17,957	17,957	0	
Escheatable Property	4,356	4,356	0	
Total Liabilities	$150,524,550	$150,524,550	$0	
Surplus and Other Funds				
Common Capital Stock	$3,504,000	$3,504,000	$0	
Gross Paid In and Contributed Surplus	27,596,000	27,596,000	0	
Unassigned Funds (Surplus)	4,796,875	4,796,875	0	
Surplus as Regards Policyholders	$35,896,875	$35,896,875	$0	3
Total Liabilities, Surplus and Other Funds	$186,421,425	$186,421,425	$0	

DRIVE NEW JERSEY INSURANCE COMPANY
SUMMARY OF OPERATIONS FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2017

EXHIBIT B

UNDERWRITING INCOME	2017	2016	2015	2014	2013
Premiums Earned	$32,155,985	$29,829,896	$27,866,274	$28,185,209	$27,412,525
Deductions:					
Losses Incurred	$17,659,568	$17,318,019	$16,772,545	$15,792,570	$15,708,452
Loss Adjustment Expenses Incurred	3,539,296	3,330,950	3,564,264	3,485,603	3,010,723
Other Underwriting Expenses Incurred	6,502,990	6,003,537	5,596,993	5,543,371	5,452,354
Total Underwriting Deductions	$27,701,854	$26,652,506	$25,933,802	$24,821,544	$24,171,529
Net Underwriting Gain	$4,454,131	$3,177,390	$1,932,472	$3,363,665	$3,240,996
INVESTMENT INCOME					
Net Investment Income Earned	$1,621,340	$1,216,467	$1,307,343	$1,342,995	$1,526,693
Net Realized Capital Gains or (Losses)	(113,246)	308,396	232,786	102,425	220,395
Net Investment Gain	$1,508,094	$1,524,863	$1,540,129	$1,445,420	$1,747,088
OTHER INCOME					
Net (Loss) from Agents' Balances Charged Off	($367,176)	($347,916)	($336,893)	($409,402)	($389,807)
Finance and Service Charges not Included in Premium	3,838,333	3,836,923	3,456,098	3,579,102	$3,592,180
Aggregate Write-ins for Micellaneous Expense	(3,295,908)	(3,455,200)	(3,105,813)	(3,217,595)	(3,225,167)
Total Other Income (Expenses)	$175,249	$33,807	$13,392	($47,895)	($22,794)
Net Income Before Dividends to Policyholders and before Federal & Foreign Income Taxes	$6,137,474	$4,736,060	$3,485,993	$4,761,190	$4,965,290
Net Income Before Federal Income Taxes	$6,137,474	$4,736,060	$3,485,993	$4,761,190	$4,965,290
Federal Income Taxes Incurred	2,133,082	1,236,011	975,876	1,211,515	1,355,568
Net Income	$4,004,392	$3,500,049	$2,510,117	$3,549,675	$3,609,722

DRIVE NEW JERSEY INSURANCE COMPANY
CAPITAL AND SURPLUS ACCOUNT FOR THE
FIVE-YEAR PERIOD ENDING DECEMBER 31, 2017

EXHIBIT C

	2017	2016	2015	2014	2013
NET INCOME	$4,004,392	$3,500,049	$2,510,117	$3,549,675	$3,609,722
OTHER SURPLUS GAINS OR (-) LOSSES					
Change in Net Deferred Income Tax	($1,001,008)	($161,165)	$8,110	($423,857)	($102,779)
Change in Nonadmitted Assets	89,466	141,671	96,229	623,755	121,538
Cumulative Effect of Changes in Accounting Principles	0	0	0	0	0
Surplus Adjustments Paid In	0	0	0	0	0
Dividend to Stockholders	(2,800,000)	(600,000)	(2,500,000)	(3,900,000)	(5,500,000)
Total Other Surplus Gains or (-) Losses	($3,711,542)	($619,494)	($2,395,661)	($3,700,102)	($5,481,241)
Change in Surplus as Regards Policyholders for the Year	$292,850	$2,880,555	$114,456	($150,427)	($1,871,519)
Surplus as Regards Policyholders December 31, Previous Year	$35,604,025	$32,723,470	$32,609,014	$32,759,441	$34,630,960
Surplus as Regards Policyholders December 31, Current Year	$35,896,875	$35,604,025	$32,723,470	$32,609,014	$32,759,441

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BONDS

At December 31, 2017, PGS reported an asset for bonds of $94,053,824 which was accepted for purposes of this examination.

NOTE 2: LOSSES AND LOSS ADJUSTMENT EXPENSES

At December 31, 2017, the Company reported a net liability for Losses and Loss Adjustment Expenses of $24,477,618. The actuarial review of the Loss and Loss Adjustment Expenses Reserves for Drive New Jersey Insurance Company was done by Gary S. Traicoff, FCAS, MAAA. This review was performed in connection with the Ohio Insurance Department's December 31, 2017 risk focus examination of the Progressive Group.

Gary S. Traicoff, FCAS, MAAA Actuarial report was reviewed by the Property and Casualty Actuarial Division of the New Jersey Department of Banking and Insurance.

On the basis of this review, the Company's gross and net reserves were determined to be reasonable and the balance will be accepted as stated. Net loss reserves, as reported by the Company and as determined by this examination, totaled $20,120,128. Net loss adjustment expense reserves, as reported by the Company and as determined by this examination, totaled $4,357,490.

NOTE 3: SURPLUS AS REGARDS POLICYHOLDERS

Unassigned Funds (Surplus)

The Company reported surplus as regards to policyholders at December 31, 2017 of $35,896,875 which consisted common capital stock of $3,504,000, gross paid in and contributed surplus of $27,596,000 and unassigned funds of $4,796,875.

SUMMARY OF EXAMINATION RECOMMENDATIONS

The full scope risk focused examination of the Company yielded no reportable recommendations.

CONCLUSION

A regular statutory financial condition examination was conducted by the undersigned.

The examination and audit were conducted off-site. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,

Nancy Lee Chice

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Nancy Lee Chice, CFE
Examiner-in-charge

DRIVE NEW JERSEY INSURANCE COMPANY

I, Nancy Lee Chice, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2017 to the best of my information, knowledge and belief.

Respectfully Submitted,

Nancy Lee Chice

Nancy Lee Chice, CFE
Insurance Examiner 1
New Jersey Department of Banking & Insurance
Office of Solvency Regulation
Field Examination Unit

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 13th day of May 2019.

Sheila M. Ikaes
Notary Public of New Jersey

My commission expires: July 2020