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

FORM 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2021

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: 001-09518

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)**

(440) 461-5000
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, $1.00 Par Value	PGR	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Shares, $1.00 par value: 585,164,326 outstanding at June 30, 2021

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

The Progressive Corporation and Subsidiaries

Consolidated Statements of Comprehensive Income

(unaudited)

	Three Months		Six Months	
Periods Ended June 30,	**2021**	**2020**	**2021**	**2020**
(millions — except per share amounts)				
Revenues				
Net premiums earned	$ 10,982.3	$ 9,648.6	$ 21,402.5	$ 19,079.3
Investment income	210.7	243.8	430.9	485.0
Net realized gains (losses) on securities:				
Net realized gains (losses) on security sales	410.1	260.0	553.9	575.2
Net holding period gains (losses) on securities	54.2	630.8	495.7	(238.0)
Net impairment losses recognized in earnings	(2.5)	0	(2.5)	0
Total net realized gains (losses) on securities	461.8	890.8	1,047.1	337.2
Fees and other revenues	176.2	129.5	341.9	283.0
Service revenues	74.5	59.0	128.3	110.6
Total revenues	11,905.5	10,971.7	23,350.7	20,295.1
Expenses				
Losses and loss adjustment expenses	8,406.4	5,321.4	15,516.9	11,476.6
Policy acquisition costs	928.8	795.5	1,803.2	1,578.3
Other underwriting expenses	1,440.5	1,438.9	2,921.6	2,848.8
Policyholder credit expense	0	1,033.4	0	1,033.4
Investment expenses	6.3	4.5	11.9	9.8
Service expenses	67.9	52.8	117.2	100.3
Interest expense	56.4	56.4	112.8	104.4
Total expenses	10,906.3	8,702.9	20,483.6	17,151.6
Net Income				
Income before income taxes	999.2	2,268.8	2,867.1	3,143.5
Provision for income taxes	209.1	478.4	597.0	654.0
Net income	790.1	1,790.4	2,270.1	2,489.5
Other Comprehensive Income (Loss)				
Changes in:				
Total net unrealized gains (losses) on fixed-maturity securities	91.1	567.4	(448.5)	630.2
Net unrealized losses on forecasted transactions	0.3	0.2	0.5	0.4
Foreign currency translation adjustment	(0.5)	0	(0.5)	0
Other comprehensive income (loss)	90.9	567.6	(448.5)	630.6
Comprehensive income	$ 881.0	$ 2,358.0	$ 1,821.6	$ 3,120.1
Computation of Earnings Per Common Share				
Net income	$ 790.1	$ 1,790.4	$ 2,270.1	$ 2,489.5
Less: Preferred share dividends	6.7	6.7	13.4	13.4
Net income available to common shareholders	$ 783.4	$ 1,783.7	$ 2,256.7	$ 2,476.1
Average common shares outstanding - Basic	584.6	584.8	584.7	584.8
Net effect of dilutive stock-based compensation	2.2	2.4	2.1	2.3
Total average equivalent common shares - Diluted	586.8	587.2	586.8	587.1
Basic: Earnings per common share	$ 1.34	$ 3.05	$ 3.86	$ 4.23
Diluted: Earnings per common share	$ 1.34	$ 3.04	$ 3.85	$ 4.22

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Balance Sheets
(unaudited)

(millions — except per share amount)	June 30, 2021	June 30, 2020	December 31, 2020
Assets			
Available-for-sale securities, at fair value:			
Fixed maturities (amortized cost: $42,378.0, $33,467.9, and $35,589.1)	$ 43,031.0	$ 34,726.4	$ 36,810.9
Short-term investments (amortized cost: $1,710.6, $4,700.5, and $5,218.5)	1,710.6	4,700.5	5,218.5
Total available-for-sale securities	44,741.6	39,426.9	42,029.4
Equity securities, at fair value:			
Nonredeemable preferred stocks (cost: $1,536.2, $1,205.4, and $1,358.7)	1,662.3	1,180.6	1,447.9
Common equities (cost: $1,213.4, $1,128.8, and $1,187.3)	4,538.9	3,170.4	4,053.0
Total equity securities	6,201.2	4,351.0	5,500.9
Total investments	50,942.8	43,777.9	47,530.3
Cash and cash equivalents	99.5	108.0	76.5
Restricted cash and cash equivalents	15.1	1.1	0
Total cash, cash equivalents, and restricted cash	114.6	109.1	76.5
Accrued investment income	179.3	190.8	176.4
Premiums receivable, net of allowance for credit losses of $245.2, $437.9, and $356.2	9,436.2	7,557.4	8,160.1
Reinsurance recoverables	4,709.1	3,654.3	4,019.4
Prepaid reinsurance premiums	620.0	361.3	368.1
Deferred acquisition costs	1,360.6	1,154.8	1,237.2
Property and equipment, net of accumulated depreciation of $1,396.5, $1,241.7, and $1,291.4	1,086.4	1,189.8	1,106.0
Goodwill	452.7	452.7	452.7
Intangible assets, net of accumulated amortization of $354.6, $297.8, and $326.1	146.5	199.7	171.4
Other assets	776.1	773.6	800.2
Total assets	$ 69,824.3	$ 59,421.4	$ 64,098.3
Liabilities			
Unearned premiums	$ 15,555.9	$ 13,055.6	$ 13,437.5
Loss and loss adjustment expense reserves	23,895.6	18,512.0	20,265.8
Net federal deferred income taxes	219.4	211.2	310.0
Dividends payable on common shares	58.5	58.5	2,694.5
Accounts payable, accrued expenses, and other liabilities	6,021.8	5,518.8	4,955.8
Debt[1]	5,397.5	5,394.7	5,396.1
Total liabilities	51,148.7	42,750.8	47,059.7
Shareholders' Equity			
Serial Preferred Shares (authorized 20.0)			
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference $1,000 per share) (authorized, issued, and outstanding 0.5)	493.9	493.9	493.9
Common shares, $1.00 par value (authorized 900.0; issued 797.6, 797.5, and 797.5, including treasury shares of 212.4, 212.1, and 212.3)	585.2	585.4	585.2
Paid-in capital	1,712.3	1,614.5	1,672.9
Retained earnings	15,401.0	13,001.8	13,354.9
Accumulated other comprehensive income (loss):			
Net unrealized gains (losses) on fixed-maturity securities	498.8	991.0	947.3
Net unrealized losses on forecasted transactions	(15.1)	(16.0)	(15.6)
Foreign currency translation adjustment	(0.5)	0	0
Total accumulated other comprehensive income (loss)	483.2	975.0	931.7
Total shareholders' equity	18,675.6	16,670.6	17,038.6
Total liabilities and shareholders' equity	$ 69,824.3	$ 59,421.4	$ 64,098.3

[1] Consists of both short-term and long-term debt. See *Note 4 – Debt* for further discussion.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(unaudited)

	Three Months		Six Months	
Periods Ended June 30,	**2021**	**2020**	**2021**	**2020**
(millions — except per share amounts)				
Serial Preferred Shares, No Par Value				
Balance, beginning of period	$ 493.9	$ 493.9	$ 493.9	$ 493.9
Balance, end of period	493.9	493.9	493.9	493.9
Common Shares, $1.00 Par Value				
Balance, beginning of period	585.2	585.3	585.2	584.6
Treasury shares purchased	(0.2)	(0.1)	(1.1)	(0.4)
Net restricted equity awards issued/vested	0.2	0.2	1.1	1.2
Balance, end of period	585.2	585.4	585.2	585.4
Paid-In Capital				
Balance, beginning of period	1,685.5	1,601.9	1,672.9	1,573.4
Amortization of equity-based compensation	26.9	21.9	42.7	45.2
Treasury shares purchased	(0.3)	0	(3.0)	(1.0)
Net restricted equity awards issued/vested	(0.2)	(0.2)	(1.1)	(1.2)
Reinvested dividends on restricted stock units	0.4	0.4	0.8	0.7
Adjustment to carrying amount of redeemable noncontrolling interest	0	(9.5)	0	(2.6)
Balance, end of period	1,712.3	1,614.5	1,712.3	1,614.5
Retained Earnings				
Balance, beginning of period	14,679.6	11,266.2	13,354.9	10,679.6
Net income	790.1	1,790.4	2,270.1	2,489.5
Treasury shares purchased	(10.1)	(2.5)	(91.3)	(27.7)
Cash dividends declared on common shares ($0.10, $0.10, $0.20, and $0.20 per share)	(58.4)	(58.4)	(116.8)	(116.8)
Cash dividends declared on Serial Preferred Shares, Series B ($0, $0, $0, and $26.875 per share)	0	0	0	(13.4)
Reinvested dividends on restricted stock units	(0.4)	(0.4)	(0.8)	(0.7)
Other, net	0.2	6.5	(15.1)	(8.7)
Balance, end of period	15,401.0	13,001.8	15,401.0	13,001.8
Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	392.3	404.2	931.7	341.7
Attributable to noncontrolling interest	0	3.2	0	2.7
Other comprehensive income (loss)	90.9	567.6	(448.5)	630.6
Balance, end of period	483.2	975.0	483.2	975.0
Total shareholders' equity	$ 18,675.6	$ 16,670.6	$ 18,675.6	$ 16,670.6

There are 5.0 million Voting Preference Shares authorized; no such shares have been issued.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Statements of Cash Flows
(unaudited)

Six Months Ended June 30,	**2021**	**2020**
(millions)		
Cash Flows From Operating Activities		
Net income	$ 2,270.1	$ 2,489.5
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	129.4	130.3
Amortization of intangible assets	28.5	28.6
Net amortization of fixed-income securities	62.1	42.5
Amortization of equity-based compensation	42.7	45.2
Net realized (gains) losses on securities	(1,047.1)	(337.2)
Net (gains) losses on disposition of property and equipment	0.5	1.8
Changes in:		
Premiums receivable	(1,183.5)	(50.1)
Reinsurance recoverables	(237.3)	(275.4)
Prepaid reinsurance premiums	(244.6)	265.2
Deferred acquisition costs	(123.4)	(98.3)
Income taxes	(81.0)	590.6
Unearned premiums	2,051.5	666.8
Loss and loss adjustment expense reserves	2,481.0	406.6
Accounts payable, accrued expenses, and other liabilities	717.8	(2.0)
Other, net	71.7	(25.5)
Net cash provided by operating activities	4,938.4	3,878.6
Cash Flows From Investing Activities		
Purchases:		
Fixed maturities	(18,364.5)	(18,193.5)
Equity securities	(416.1)	(671.3)
Sales:		
Fixed maturities	8,703.2	13,749.2
Equity securities	590.2	382.1
Maturities, paydowns, calls, and other:		
Fixed maturities	3,898.2	4,106.4
Equity securities	67.1	79.0
Net (purchases) sales of short-term investments	3,587.0	(2,883.1)
Net unsettled security transactions	316.6	266.0
Purchases of property and equipment	(98.5)	(110.7)
Acquisition of Protective Insurance Corporation, net of cash, cash equivalents, and restricted cash acquired[1]	(313.2)	0
Sales of property and equipment	11.5	4.8
Net cash used in investing activities	(2,018.5)	(3,271.1)
Cash Flows From Financing Activities		
Dividends paid to common shareholders	(2,753.0)	(1,433.9)
Dividends paid to preferred shareholders	(13.4)	(13.4)
Acquisition of treasury shares for restricted stock tax liabilities	(30.4)	(29.1)
Acquisition of treasury shares acquired in open market	(65.0)	0
Payment of acquired company debt[1]	(20.0)	0
Acquisition of additional shares of ARX Holding Corp.	0	(243.0)
Net proceeds from debt issuances	0	986.3
Proceeds from exercise of equity options	0	7.3
Net cash used in financing activities	(2,881.8)	(725.8)
Increase (decrease) in cash, cash equivalents, and restricted cash	38.1	(118.3)
Cash, cash equivalents, and restricted cash – January 1	76.5	227.4
Cash, cash equivalents, restricted cash, and restricted cash equivalents – June 30	$ 114.6	$ 109.1

[1] See *Note 14 – Acquisition* for further discussion.
See notes to consolidated financial statements.

Note 1 ***Basis of Presentation*** — The accompanying consolidated financial statements include the accounts of The Progressive Corporation, our wholly owned insurance and non-insurance subsidiaries and affiliates in which we have a controlling financial interest (Progressive), including, beginning on June 1, 2021, Protective Insurance Corporation and its subsidiaries (Protective Insurance), which Progressive acquired on that date; See *Note 14 – Acquisition* for further discussion.

The consolidated financial statements reflect all normal recurring adjustments that, in the opinion of management, were necessary for a fair statement of the results for the interim periods presented. The results of operations for the period ended June 30, 2021, are not necessarily indicative of the results expected for the full year. These consolidated financial statements and the notes thereto should be read in conjunction with Progressive's audited financial statements and accompanying notes included in Exhibit 13 to our Annual Report on Form 10-K for the year ended December 31, 2020 (2020 Annual Report to Shareholders).

We perform analyses to evaluate our premiums receivables for expected credit losses. See the 2020 Annual Report to Shareholders for a discussion on our premium receivables allowance for credit loss policy. The following table summarizes changes in our allowance for credit loss exposure on our premiums receivables:

	Three Months		Six Months	
Periods Ended June 30,	**2021**	**2020**	**2021**	**2020**
(millions)				
Allowance for credit loss, beginning of period	$ 265.3	$ 344.7	$ 356.2	$ 283.2
Allowance acquired during period[1]	3.5	0	3.5	0
Increase in allowance[2]	87.4	196.2	148.3	366.5
Write-offs[3]	(111.0)	(103.0)	(262.8)	(211.8)
Allowance for credit loss, end of period	$ 245.2	$ 437.9	$ 245.2	$ 437.9

[1] Represents the amount of the allowance acquired in the Protective Insurance acquisition.
[2] Represents the incremental increase in other underwriting expenses.
[3] Represents portion of allowance that is reversed when premiums receivables are written off.

For the three and six months ended June 30, 2021, the increase in our allowance for credit losses was lower than prior periods reflecting greater collections received on outstanding premiums receivable balances, due in part to changes in consumer spending habits and government stimulus and tax refund checks distributed during the periods. In contrast, during the three and six months ended June 30, 2020, the increase in the allowance in part reflects the greater potential for credit losses at that time due to the financial hardships of policyholders as a result of the economic impacts related to the spread of the novel coronavirus, COVID-19.

Other assets on the consolidated balance sheets include certain long-lived assets that are considered "held for sale." The fair value of these held for sale assets, less the estimated costs to sell, was $57.5 million at June 30, 2021, $31.1 million at June 30, 2020, and $56.6 million at December 31, 2020.

Note 2 ***Investments*** — The following tables present the composition of our investment portfolio by major security type, consistent with our classification of how we manage, monitor, and measure the portfolio. Our securities are reported in our consolidated balance sheets at fair value. The changes in fair value for our fixed-maturity securities (other than hybrid securities) are reported as a component of accumulated other comprehensive income, net of deferred income taxes, in our consolidated balance sheets. The net holding period gains (losses) reported below represent the inception-to-date changes in fair value of the securities. The changes in the net holding period gains (losses) between periods for the hybrid securities and equity securities are recorded as a component of net realized gains (losses) on securities in our consolidated statements of comprehensive income.

($ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
June 30, 2021						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	$ 19,339.3	$ 171.3	$ (72.9)	$ 0	$ 19,437.7	38.1 %
State and local government obligations	2,379.1	64.7	(3.3)	0	2,440.5	4.8
Corporate debt securities	10,327.5	372.1	(9.9)	1.2	10,690.9	21.0
Residential mortgage-backed securities	666.9	4.6	(1.1)	0.9	671.3	1.3
Commercial mortgage-backed securities	5,628.2	91.4	(11.5)	0	5,708.1	11.2
Other asset-backed securities	3,865.9	34.6	(1.5)	0	3,899.0	7.7
Redeemable preferred stocks	171.1	1.7	(1.4)	12.1	183.5	0.4
Total fixed maturities	42,378.0	740.4	(101.6)	14.2	43,031.0	84.5
Short-term investments	1,710.6	0	0	0	1,710.6	3.3
Total available-for-sale securities	44,088.6	740.4	(101.6)	14.2	44,741.6	87.8
Equity securities:						
Nonredeemable preferred stocks	1,536.2	0	0	126.1	1,662.3	3.3
Common equities	1,213.4	0	0	3,325.5	4,538.9	8.9
Total equity securities	2,749.6	0	0	3,451.6	6,201.2	12.2
Total portfolio[1]	$ 46,838.2	$ 740.4	$ (101.6)	$ 3,465.8	$ 50,942.8	100.0 %

($ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
June 30, 2020						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	$ 8,814.5	$ 463.4	$ (0.1)	$ 0	$ 9,277.8	21.2 %
State and local government obligations	3,426.0	148.9	(0.6)	0	3,574.3	8.2
Corporate debt securities	10,493.2	571.4	(3.4)	1.3	11,062.5	25.3
Residential mortgage-backed securities	541.0	5.4	(3.4)	0	543.0	1.2
Commercial mortgage-backed securities	5,728.5	89.1	(55.8)	0	5,761.8	13.2
Other asset-backed securities	4,313.3	45.3	(3.7)	0	4,354.9	9.9
Redeemable preferred stocks	151.4	2.0	(1.4)	0.1	152.1	0.3
Total fixed maturities	33,467.9	1,325.5	(68.4)	1.4	34,726.4	79.3
Short-term investments	4,700.5	0	0	0	4,700.5	10.8
Total available-for-sale securities	38,168.4	1,325.5	(68.4)	1.4	39,426.9	90.1
Equity securities:						
Nonredeemable preferred stocks	1,205.4	0	0	(24.8)	1,180.6	2.7
Common equities	1,128.8	0	0	2,041.6	3,170.4	7.2
Total equity securities	2,334.2	0	0	2,016.8	4,351.0	9.9
Total portfolio[1]	$ 40,502.6	$ 1,325.5	$ (68.4)	$ 2,018.2	$ 43,777.9	100.0 %

($ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
December 31, 2020						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	$ 12,437.9	$ 305.8	$ (3.7)	$ 0	$ 12,740.0	26.8 %
State and local government obligations	3,099.4	123.1	(0.7)	0	3,221.8	6.8
Corporate debt securities	9,579.7	601.7	(0.1)	3.9	10,185.2	21.4
Residential mortgage-backed securities	503.3	7.1	(0.9)	0	509.5	1.1
Commercial mortgage-backed securities	6,042.6	142.5	(10.0)	0	6,175.1	13.0
Other asset-backed securities	3,745.0	40.1	(0.5)	0	3,784.6	7.9
Redeemable preferred stocks	181.2	3.6	(1.4)	11.3	194.7	0.4
Total fixed maturities	35,589.1	1,223.9	(17.3)	15.2	36,810.9	77.4
Short-term investments	5,218.5	0	0	0	5,218.5	11.0
Total available-for-sale securities	40,807.6	1,223.9	(17.3)	15.2	42,029.4	88.4
Equity securities:						
Nonredeemable preferred stocks	1,358.7	0	0	89.2	1,447.9	3.1
Common equities	1,187.3	0	0	2,865.7	4,053.0	8.5
Total equity securities	2,546.0	0	0	2,954.9	5,500.9	11.6
Total portfolio[1]	$ 43,353.6	$ 1,223.9	$ (17.3)	$ 2,970.1	$ 47,530.3	100.0 %

[1]Our portfolio reflects the effect of net unsettled security transactions; at June 30, 2021, we had $412.1 million in other liabilities, compared to $277.9 million and $95.5 million at June 30, 2020 and December 31, 2020, respectively.

The total fair value of the portfolio at June 30, 2021 and 2020, and December 31, 2020, included $3.3 billion, $2.3 billion, and $6.2 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of unsettled security transactions. During the first six months of 2021, we used a portion of these investments to pay our common share dividends and repurchase common shares.

At June 30, 2021, bonds and certificates of deposit in the principal amount of $409.4 million were on deposit to meet state insurance regulatory requirements. We did not hold any securities of any one issuer, excluding U.S. government obligations, with an aggregate cost or fair value exceeding 10% of total shareholders' equity at June 30, 2021 or 2020, or December 31, 2020. At June 30, 2021, we did not hold any debt securities that were non-income producing during the preceding 12 months and held $12.7 million of foreign government obligations at June 30, 2021, which we classified in our corporate debt portfolio.

Short-Term Investments Our short-term investments may include commercial paper and other investments that are expected to mature or are redeemable within one year.

We invested in repurchase and reverse repurchase transactions during 2021 and 2020, but did not have any open positions at June 30, 2021 and 2020, or December 31, 2020. To the extent we enter into repurchase or reverse repurchase transactions, consistent with past practice, we would elect not to offset these transactions and would report them on a gross basis on our consolidated balance sheets, despite the option to elect to offset these transactions as long as they were with the same counterparty and subject to an enforceable master netting arrangement.

Hybrid Securities Certain securities in our fixed-maturity portfolio are accounted for as hybrid securities because they contain embedded derivatives that are not deemed to be clearly and closely related to the host investments. These securities are reported at fair value:

	June 30,		
(millions)	**2021**	**2020**	**December 31, 2020**
Fixed Maturities:			
State and local government obligations	$ 0	$ 3.4	$ 0
Corporate debt securities	296.7	84.3	188.4
Residential mortgage-backed securities	163.1	0	0
Other asset-backed securities	66.9	2.2	34.8
Redeemable preferred stocks	132.2	90.2	131.4
Total hybrid securities	$ 658.9	$ 180.1	$ 354.6

Since the embedded derivatives (e.g., change-in-control put option, debt-to-equity conversion, or any other feature unrelated to the credit quality or risk of default of the issuer that could impact the amount or timing of our expected future cash flows) do not have observable intrinsic values, we have elected to record the changes in fair value of these securities through income as a component of net realized gains or losses.

Fixed Maturities The composition of fixed maturities by maturity at June 30, 2021, was:

(millions)	**Cost**	**Fair Value**
Less than one year	$ 4,964.2	$ 4,985.6
One to five years	27,027.8	27,458.0
Five to ten years	10,125.0	10,323.1
Ten years or greater	261.0	264.3
Total	$ 42,378.0	$ 43,031.0

Asset-backed securities are classified in the maturity distribution table based upon their projected cash flows. All other securities, which do not have a single maturity date, are reported based upon expected average maturity. Contractual maturities may differ from expected maturities because the issuers of the securities may have the right to call or prepay obligations.

Gross Unrealized Losses The following tables show the composition of gross unrealized losses, for which no credit related impairment has been recognized, by major security type and by the length of time that individual securities have been in a continuous unrealized loss position:

($ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months			12 Months or Greater		
				No. of Sec.	Fair Value	Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses
June 30, 2021									
U.S. government obligations	59	$ 10,629.4	$ (72.9)	55	$ 10,162.4	$ (66.8)	4	$ 467.0	$ (6.1)
State and local government obligations	81	436.2	(3.3)	72	400.0	(2.6)	9	36.2	(0.7)
Corporate debt securities	292	1,142.5	(9.9)	288	1,065.2	(9.5)	4	77.3	(0.4)
Residential mortgage-backed securities	77	192.2	(1.1)	64	172.4	(0.7)	13	19.8	(0.4)
Commercial mortgage-backed securities	68	1,272.0	(11.5)	61	1,006.9	(10.5)	7	265.1	(1.0)
Other asset-backed securities	119	1,073.6	(1.5)	113	1,043.7	(1.3)	6	29.9	(0.2)
Redeemable preferred stocks	1	11.1	(1.4)	0	0	0	1	11.1	(1.4)
Total fixed maturities	697	$ 14,757.0	$ (101.6)	653	$ 13,850.6	$ (91.4)	44	$ 906.4	$ (10.2)

($ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months			12 Months or Greater		
				No. of Sec.	Fair Value	Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses
June 30, 2020									
U.S. government obligations	4	$ 120.6	$ (0.1)	4	$ 120.6	$ (0.1)	0	$ 0	$ 0
State and local government obligations	17	135.0	(0.6)	16	131.2	(0.6)	1	3.8	0
Corporate debt securities	21	292.8	(3.4)	21	292.8	(3.4)	0	0	0
Residential mortgage-backed securities	40	188.2	(3.4)	21	93.7	(1.7)	19	94.5	(1.7)
Commercial mortgage-backed securities	113	2,536.6	(55.8)	91	2,106.6	(48.3)	22	430.0	(7.5)
Other asset-backed securities	29	331.7	(3.7)	21	299.0	(3.4)	8	32.7	(0.3)
Redeemable preferred stocks	1	11.0	(1.4)	0	0	0	1	11.0	(1.4)
Total fixed maturities	225	$ 3,615.9	$ (68.4)	174	$ 3,043.9	$ (57.5)	51	$ 572.0	$ (10.9)

($ in millions)	Total No. of Sec.	Total Fair Value	Gross Unrealized Losses	Less than 12 Months			12 Months or Greater		
				No. of Sec.	Fair Value	Unrealized Losses	No. of Sec.	Fair Value	Unrealized Losses
December 31, 2020									
U.S. government obligations	9	$ 1,511.0	$ (3.7)	9	$ 1,511.0	$ (3.7)	0	$ 0	$ 0
State and local government obligations	30	208.7	(0.7)	30	208.7	(0.7)	0	0	0
Corporate debt securities	7	129.4	(0.1)	7	129.4	(0.1)	0	0	0
Residential mortgage-backed securities	21	44.4	(0.9)	0	0	0	21	44.4	(0.9)
Commercial mortgage-backed securities	43	893.3	(10.0)	9	93.6	(0.3)	34	799.7	(9.7)
Other asset-backed securities	22	183.7	(0.5)	9	74.4	(0.1)	13	109.3	(0.4)
Redeemable preferred stocks	1	11.0	(1.4)	0	0	0	1	11.0	(1.4)
Total fixed maturities	133	$ 2,981.5	$ (17.3)	64	$ 2,017.1	$ (4.9)	69	$ 964.4	$ (12.4)

The increase in the number of securities in an unrealized loss position since both June 30, 2020 and December 31, 2020, was primarily the result of an increase in interest rates. None of the securities in the table above had their credit ratings downgraded during the second quarter 2021.

A review of the securities in an unrealized loss position indicated that the issuers were current with respect to their interest obligations and that there was no evidence of deterioration of the current cash flow projections that would indicate we would not receive the remaining principal at maturity.

Allowance For Credit and Uncollectible Losses We are required to measure the amount of potential credit losses for all fixed-maturity securities in an unrealized loss position. We did not record any allowances for credit losses or any write-offs for amounts deemed to be uncollectible for the first six months of 2021 and did not have a credit loss allowance balance as of June 30, 2021 and 2020, or December 31, 2020. We considered several factors and inputs related to the individual securities as part of this analysis, including:

- current performance indicators on the business model or underlying assets (e.g., delinquency rates, foreclosure rates, and default rates);
- credit support (via current levels of subordination);
- historical credit ratings; and
- updated cash flow expectations based upon these performance indicators.

In order to determine the amount of credit loss, if any, we initially reviewed securities in a loss position to determine whether it was likely that we would be required, or whether we intended, to sell any of the securities prior to the recovery of their respective cost bases (which could be maturity). If we were likely to, or intended to, sell prior to a potential recovery, we would write off the unrealized loss. For those securities that we determined we were not likely to, or did not intend to, sell prior to a potential recovery, we calculated the net present value (NPV) of the cash flows expected (i.e., expected recovery value) using the current book yield for each security. The NPV was then compared to the security's current amortized value to determine if a credit loss existed. In the event that the NPV was below the amortized value, and the amount was determined to be material individually, or in aggregate, a credit loss would be deemed to exist, and either an allowance for credit losses would be created, or if an allowance already existed, either a recovery of the previous allowance, or an incremental loss, would be recorded to net realized gains (losses) on securities.

As of June 30, 2021, we believe none of the unrealized losses relate to material credit losses on any specific securities, or in the aggregate, based on our review. We continue to expect all the securities in our portfolio to pay their principal and interest obligations.

We reviewed our accrued investment income outstanding on those securities in an unrealized loss position at June 30, 2021, to determine if the accrued interest amounts were deemed to be uncollectible. Based on our analysis, we believe the issuers have sufficient liquidity and capital reserves to meet their current interest and future principal, obligations and, therefore, did not write off any accrued income as uncollectible at June 30, 2021.

Realized Gains (Losses) The components of net realized gains (losses) for the three and six months ended June 30, were:

	Three Months		Six Months	
(millions)	**2021**	**2020**	**2021**	**2020**
Gross realized gains on security sales				
Available-for-sale securities:				
U.S. government obligations	$ 11.3	$ 224.5	$ 77.9	$ 475.6
State and local government obligations	14.1	13.0	44.3	15.0
Corporate and other debt securities	40.1	34.3	60.8	66.7
Residential mortgage-backed securities	0.3	0	0.3	0
Commercial mortgage-backed securities	9.5	4.3	39.3	10.4
Other asset-backed securities	0	0	0.7	0
Redeemable preferred stocks	1.5	0	1.5	0
Total available-for-sale securities	76.8	276.1	224.8	567.7
Equity securities:				
Nonredeemable preferred stocks	6.4	0.1	23.7	19.7
Common equities	345.0	9.1	346.1	75.1
Total equity securities	351.4	9.2	369.8	94.8
Subtotal gross realized gains on security sales	428.2	285.3	594.6	662.5
Gross realized losses on security sales				
Available-for-sale securities:				
U.S. government obligations	(6.9)	(0.6)	(26.5)	(3.3)
State and local government obligations	(2.8)	0	(3.0)	0
Corporate and other debt securities	(3.3)	(5.5)	(5.4)	(6.5)
Commercial mortgage-backed securities	(0.5)	(9.8)	(1.1)	(9.8)
Other asset-backed securities	(0.3)	0	(0.4)	0
Total available-for-sale securities	(13.8)	(15.9)	(36.4)	(19.6)
Equity securities:				
Nonredeemable preferred stocks	(0.4)	(3.0)	(0.4)	(7.4)
Common equities	(3.9)	(6.4)	(3.9)	(60.3)
Total equity securities	(4.3)	(9.4)	(4.3)	(67.7)
Subtotal gross realized losses on security sales	(18.1)	(25.3)	(40.7)	(87.3)
Net realized gains (losses) on security sales				
Available-for-sale securities:				
U.S. government obligations	4.4	223.9	51.4	472.3
State and local government obligations	11.3	13.0	41.3	15.0
Corporate and other debt securities	36.8	28.8	55.4	60.2
Residential mortgage-backed securities	0.3	0	0.3	0
Commercial mortgage-backed securities	9.0	(5.5)	38.2	0.6
Other asset-backed securities	(0.3)	0	0.3	0
Redeemable preferred stocks	1.5	0	1.5	0
Total available-for-sale securities	63.0	260.2	188.4	548.1
Equity securities:				
Nonredeemable preferred stocks	6.0	(2.9)	23.3	12.3
Common equities	341.1	2.7	342.2	14.8
Total equity securities	347.1	(0.2)	365.5	27.1
Subtotal net realized gains (losses) on security sales	410.1	260.0	553.9	575.2
Net holding period gains (losses)				
Hybrid securities	9.9	24.8	(1.0)	(6.4)
Equity securities	44.3	606.0	496.7	(231.6)
Subtotal net holding period gains (losses)	54.2	630.8	495.7	(238.0)
Other asset impairment	(2.5)	0	(2.5)	0
Total net realized gains (losses) on securities	$ 461.8	$ 890.8	$ 1,047.1	$ 337.2

Realized gains (losses) on securities sold are computed using the first-in-first-out method. The other asset impairment loss was recorded as a result of our investment in a federal new markets tax credit fund, which was entered into during the second quarter 2021, and reported in other assets in the consolidated balance sheet.

The following table reflects our holding period realized gains (losses) on equity securities recognized for the three and six months ended June 30, 2021 and 2020, for equity securities held at the respective quarter end:

	Three Months		Six Months	
(millions)	**2021**	**2020**	**2021**	**2020**
Total net gains (losses) recognized during the period on equity securities	$ 391.4	$ 605.8	$ 862.2	$ (204.5)
Less: Net gains (losses) recognized on equity securities sold during the period	347.1	(0.2)	365.5	27.1
Net holding period gains (losses) recognized during the period on equity securities held at period end	$ 44.3	$ 606.0	$ 496.7	$ (231.6)

Net Investment Income The components of net investment income for the three and six months ended June 30, were:

	Three Months		Six Months	
(millions)	**2021**	**2020**	**2021**	**2020**
Available-for-sale securities:				
Fixed maturities:				
U.S. government obligations	$ 37.4	$ 35.7	$ 67.8	$ 98.3
State and local government obligations	11.5	16.1	24.9	25.7
Corporate debt securities	73.2	76.6	158.4	134.6
Residential mortgage-backed securities	2.8	3.8	6.2	8.0
Commercial mortgage-backed securities	34.4	42.6	70.2	76.9
Other asset-backed securities	15.1	24.8	31.0	54.0
Redeemable preferred stocks	2.3	2.1	4.8	10.0
Total fixed maturities	176.7	201.7	363.3	407.5
Short-term investments	0.7	13.7	2.2	20.7
Total available-for-sale securities	177.4	215.4	365.5	428.2
Equity securities:				
Nonredeemable preferred stocks	17.3	14.7	35.2	28.5
Common equities	16.0	13.7	30.2	28.3
Total equity securities	33.3	28.4	65.4	56.8
Investment income	210.7	243.8	430.9	485.0
Investment expenses	(6.3)	(4.5)	(11.9)	(9.8)
Net investment income	$ 204.4	$ 239.3	$ 419.0	$ 475.2

The amount of investment income (interest and dividends) we earn varies based on the average assets held during the year and the book yields of the securities in our portfolio. On a year-over-year basis, investment income decreased 11% for the first six months of 2021, compared to the same period last year, due to a decrease in the portfolio yield, which was partially offset by an increase in average assets. The recurring investment book yield decreased about 23% for the first six months of 2021, compared to the same period in 2020, as a result of investing cash from operations and reinvesting cash from sales, maturities, paydowns, and other redemptions at market yields that were significantly lower than the portfolio's overall yield. The income reduction from the negative yield change was partially offset by an increase in income earned as a result of investing the $1.0 billion of proceeds from the debt issued during March 2020, as well as strong premium growth and underwriting profitability, net of payments of our common and preferred stock dividends.

Note 3 ***Fair Value*** — We have categorized our financial instruments, based on the degree of subjectivity inherent in the method by which they are valued, 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 obligations, which are continually priced on a daily basis, active exchange-traded equity securities, and certain short-term securities).

- *Level 2*: Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain corporate and municipal bonds and certain preferred stocks). 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 our subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

Determining the fair value of the investment portfolio is the responsibility of management. As part of the responsibility, we evaluate whether a market is distressed or inactive in determining the fair value for our portfolio. We review certain market level inputs to evaluate whether sufficient activity, volume, and new issuances exist to create an active market. Based on this evaluation, we concluded that there was sufficient activity related to the sectors and securities for which we obtained valuations.

The composition of the investment portfolio by major security type and our outstanding debt was:

	Fair Value				
(millions)	**Level 1**	**Level 2**	**Level 3**	**Total**	**Cost**
June 30, 2021					
Fixed maturities:					
U.S. government obligations	$ 19,437.7	$ 0	$ 0	$ 19,437.7	$ 19,339.3
State and local government obligations	0	2,440.5	0	2,440.5	2,379.1
Corporate debt securities	0	10,690.9	0	10,690.9	10,327.5
Subtotal	19,437.7	13,131.4	0	32,569.1	32,045.9
Asset-backed securities:					
Residential mortgage-backed	0	671.3	0	671.3	666.9
Commercial mortgage-backed	0	5,708.1	0	5,708.1	5,628.2
Other asset-backed	0	3,899.0	0	3,899.0	3,865.9
Subtotal asset-backed securities	0	10,278.4	0	10,278.4	10,161.0
Redeemable preferred stocks:					
Financials	0	51.3	0	51.3	50.9
Utilities	0	0	0	0	0
Industrials	10.8	121.4	0	132.2	120.2
Subtotal redeemable preferred stocks	10.8	172.7	0	183.5	171.1
Total fixed maturities	19,448.5	23,582.5	0	43,031.0	42,378.0
Short-term investments	1,679.8	30.8	0	1,710.6	1,710.6
Total available-for-sale securities	21,128.3	23,613.3	0	44,741.6	44,088.6
Equity securities:					
Nonredeemable preferred stocks:					
Financials	98.4	1,332.5	128.9	1,559.8	1,456.2
Utilities	0	42.5	0	42.5	39.9
Industrials	0	25.6	34.4	60.0	40.1
Subtotal nonredeemable preferred stocks	98.4	1,400.6	163.3	1,662.3	1,536.2
Common equities:					
Common stocks	4,527.3	0	0	4,527.3	1,201.8
Other risk investments	0	0	11.6	11.6	11.6
Subtotal common equities	4,527.3	0	11.6	4,538.9	1,213.4
Total equity securities	4,625.7	1,400.6	174.9	6,201.2	2,749.6
Total portfolio	$ 25,754.0	$ 25,013.9	$ 174.9	$ 50,942.8	$ 46,838.2
Debt	$ 0	$ 6,446.7	$ 0	$ 6,446.7	$ 5,397.5

(millions)	Fair Value Level 1	Level 2	Level 3	Total	Cost
June 30, 2020					
Fixed maturities:					
U.S. government obligations	$ 9,277.8	$ 0	$ 0	$ 9,277.8	$ 8,814.5
State and local government obligations	0	3,574.3	0	3,574.3	3,426.0
Corporate debt securities	0	11,062.5	0	11,062.5	10,493.2
Subtotal	9,277.8	14,636.8	0	23,914.6	22,733.7
Asset-backed securities:					
Residential mortgage-backed	0	543.0	0	543.0	541.0
Commercial mortgage-backed	0	5,761.8	0	5,761.8	5,728.5
Other asset-backed	0	4,354.9	0	4,354.9	4,313.3
Subtotal asset-backed securities	0	10,659.7	0	10,659.7	10,582.8
Redeemable preferred stocks:					
Financials	0	51.1	0	51.1	51.3
Utilities	0	10.8	0	10.8	10.0
Industrials	9.7	80.5	0	90.2	90.1
Subtotal redeemable preferred stocks	9.7	142.4	0	152.1	151.4
Total fixed maturities	9,287.5	25,438.9	0	34,726.4	33,467.9
Short-term investments	4,428.0	272.5	0	4,700.5	4,700.5
Total available-for-sale securities	13,715.5	25,711.4	0	39,426.9	38,168.4
Equity securities:					
Nonredeemable preferred stocks:					
Financials	108.2	958.3	38.1	1,104.6	1,125.3
Utilities	0	38.7	0	38.7	40.0
Industrials	0	22.1	15.2	37.3	40.1
Subtotal nonredeemable preferred stocks	108.2	1,019.1	53.3	1,180.6	1,205.4
Common equities:					
Common stocks	3,170.1	0	0	3,170.1	1,128.5
Other risk investments	0	0	0.3	0.3	0.3
Subtotal common equities	3,170.1	0	0.3	3,170.4	1,128.8
Total equity securities	3,278.3	1,019.1	53.6	4,351.0	2,334.2
Total portfolio	$ 16,993.8	$ 26,730.5	$ 53.6	$ 43,777.9	$ 40,502.6
Debt	$ 0	$ 6,664.3	$ 0	$ 6,664.3	$ 5,394.7

(millions)	Fair Value Level 1	Level 2	Level 3	Total	Cost
December 31, 2020					
Fixed maturities:					
U.S. government obligations	$ 12,740.0	$ 0	$ 0	$ 12,740.0	$ 12,437.9
State and local government obligations	0	3,221.8	0	3,221.8	3,099.4
Corporate debt securities	0	10,185.2	0	10,185.2	9,579.7
Subtotal	12,740.0	13,407.0	0	26,147.0	25,117.0
Asset-backed securities:					
Residential mortgage-backed	0	509.5	0	509.5	503.3
Commercial mortgage-backed	0	6,175.1	0	6,175.1	6,042.6
Other asset-backed	0	3,784.6	0	3,784.6	3,745.0
Subtotal asset-backed securities	0	10,469.2	0	10,469.2	10,290.9
Redeemable preferred stocks:					
Financials	0	51.6	0	51.6	51.1
Utilities	0	11.7	0	11.7	10.0
Industrials	10.8	120.6	0	131.4	120.1
Subtotal redeemable preferred stocks	10.8	183.9	0	194.7	181.2
Total fixed maturities	12,750.8	24,060.1	0	36,810.9	35,589.1
Short-term investments	4,704.9	513.6	0	5,218.5	5,218.5
Total available-for-sale securities	17,455.7	24,573.7	0	42,029.4	40,807.6
Equity securities:					
Nonredeemable preferred stocks:					
Financials	117.7	1,212.3	35.0	1,365.0	1,278.6
Utilities	0	41.9	0	41.9	40.0
Industrials	0	24.3	16.7	41.0	40.1
Subtotal nonredeemable preferred stocks	117.7	1,278.5	51.7	1,447.9	1,358.7
Common equities:					
Common stocks	4,049.9	0	0	4,049.9	1,184.2
Other risk investments	0	0	3.1	3.1	3.1
Subtotal common equities	4,049.9	0	3.1	4,053.0	1,187.3
Total equity securities	4,167.6	1,278.5	54.8	5,500.9	2,546.0
Total portfolio	$ 21,623.3	$ 25,852.2	$ 54.8	$ 47,530.3	$ 43,353.6
Debt	$ 0	$ 6,793.5	$ 0	$ 6,793.5	$ 5,396.1

Our portfolio valuations, excluding short-term investments, classified as either Level 1 or Level 2 in the above tables are priced exclusively by external sources, including: pricing vendors, dealers/market makers, and exchange-quoted prices.

Our short-term investments classified as Level 1 are highly liquid, actively marketed, and have a very short duration, primarily 90 days or less to redemption. These securities are held at their original cost, adjusted for any accretion of discount, since that value very closely approximates what an active market participant would be willing to pay for such securities. The remainder of our short-term investments are classified as Level 2 and are not priced externally since these securities continually trade at par value. These securities are classified as Level 2 since they are primarily longer-dated securities issued by municipalities that contain either liquidity facilities or mandatory put features within one year.

At June 30, 2021, vendor-quoted prices represented 81% of our Level 1 classifications (excluding short-term investments), compared to 75% and 76% at June 30, 2020 and December 31, 2020, respectively. The securities quoted by vendors in Level 1 primarily represent our holdings in U.S. Treasury Notes, which are frequently traded, and the quotes are considered similar to exchange-traded quotes. The balance of our Level 1 pricing comes from quotes obtained directly from trades made on active exchanges.

At both June 30, 2021 and December 31, 2020, vendor-quoted prices comprised 99% of our Level 2 classifications (excluding short-term investments), while dealer-quoted prices represented the remaining 1%, compared to 97% and 3%, respectively, at June 30, 2020. In our process for selecting a source (e.g., dealer or pricing service) to provide pricing for securities in our portfolio, we reviewed documentation from the sources that detailed the pricing techniques and methodologies used by these sources and determined if their policies adequately considered market activity, either based on specific transactions for the particular security type or based on modeling of securities with similar credit quality, duration, yield, and structure that were recently transacted. Once a source is chosen, we continue to monitor any changes or modifications to their processes by reviewing their documentation on internal controls for pricing and market reviews. We review quality control measures of our sources as they become available to determine if any significant changes have occurred from period to period that might indicate issues or concerns regarding their evaluation or market coverage.

As part of our pricing procedures, we obtain quotes from more than one source to help us fully evaluate the market price of securities. However, our internal pricing policy is to use a consistent source for individual securities in order to maintain the integrity of our valuation process. Quotes obtained from the sources are not considered binding offers to transact. Under our policy, when a review of the valuation received from our selected source appears to be outside of what is considered market level activity (which is defined as trading at spreads or yields significantly different than those of comparable securities or outside the general sector level movement without a reasonable explanation), we may use an alternate source's price. To the extent we determine that it may be prudent to substitute one source's price for another, we will contact the initial source to obtain an understanding of the factors that may be contributing to the significant price variance.

To allow us to determine if our initial source is providing a price that is outside of a reasonable range, we review our portfolio pricing on at least a weekly basis. When necessary, we challenge prices from our sources when a price provided does not match our expectations based on our evaluation of market trends and activity. Initially, we perform a review of our portfolio by sector to identify securities whose prices appear outside of a reasonable range. We then perform a more detailed review of fair values for securities disclosed as Level 2. We review dealer bids and quotes for these and/or similar securities to determine the market level context for our valuations. We then evaluate inputs relevant for each class of securities disclosed in the preceding hierarchy tables.

For our structured debt securities, including commercial, residential, and asset-backed securities, we evaluate available market-related data for these, and similar securities, related to collateral, delinquencies, and defaults for historical trends and reasonably estimable projections, as well as historical prepayment rates and current prepayment assumptions and cash flow estimates. We further stratify each class of our structured debt securities into more finite sectors (e.g., planned amortization class, first pay, second pay, senior, subordinated, etc.) and use duration, credit quality, and coupon to determine if the fair value is appropriate.

For our corporate debt and preferred stock (redeemable and nonredeemable) portfolios, as well as the notes issued by The Progressive Corporation (see *Note 4 – Debt*), we review securities by duration, coupon, and credit quality, as well as changes in interest rate and credit spread movements within that stratification. The review also includes recent trades, including: volume traded at various levels that establish a market, issuer specific fundamentals, and industry specific economic news as it comes to light.

For our municipal securities (e.g., general obligations, revenue, and housing), we stratify the portfolio to evaluate securities by type, coupon, credit quality, and duration to review price changes relative to credit spread and interest rate changes. Additionally, we look to economic data as it relates to geographic location as an indication of price-to-call or maturity predictors. For municipal housing securities, we look to changes in cash flow projections, both historical and reasonably estimable projections, to understand yield changes and their effect on valuation.

Lastly, for our short-term securities, we look at acquisition price relative to the coupon or yield. Since our short-term securities are typically 90 days or less to maturity, with the majority listed in Level 2 being 30 days or less to redemption, we believe that acquisition price is the best estimate of fair value.

We also review data assumptions as supplied by our sources to determine if that data is relevant to current market conditions. In addition, we independently review each sector for transaction volumes, new issuances, and changes in spreads, as well as the overall movement of interest rates along the yield curve to determine if sufficient activity and liquidity exists to provide a credible source for our market valuations.

During each valuation period, we create internal estimations of portfolio valuation (performance returns), based on current market-related activity (i.e., interest rate and credit spread movements and other credit-related factors) within each major sector of our portfolio. We compare our internally generated portfolio results with those generated based on quotes we receive externally and research material valuation differences. We compare our results to index returns for each major sector adjusting for duration and credit quality differences to better understand our portfolio's results. Additionally, we review on a monthly basis our external sales transactions and compare the actual final market sales prices to previous market valuation prices. This review provides us further validation that our pricing sources are providing market level prices, since we explain significant price changes (i.e., greater than 2%) as known events occur in the marketplace and affect a security's price at sale.

This analysis provides us with additional comfort regarding the source's process, the quality of its review, and its willingness to improve its analysis based on feedback from clients. We believe this effort helps ensure that we are reporting the most representative fair values for our securities.

Except as described below, our Level 3 securities are also priced externally; however, due to several factors (e.g., nature of the securities, level of activity, and lack of similar securities trading to obtain observable market level inputs), these valuations are more subjective in nature. Certain private equity investments included in the Level 3 category are valued using external pricing supplemented by internal review and analysis.

After all the valuations are received and our review is complete, if the inputs used by vendors are determined to not contain sufficient observable market information, we will reclassify the affected security valuations to Level 3. At June 30, 2021 and 2020, and December 31, 2020, we did not have any securities in our fixed-maturity portfolio listed as Level 3.

At June 30, 2021, we held eight private nonredeemable preferred securities that were priced internally or by a pricing firm and we held four private nonredeemable preferred securities at both June 30, 2020 and December 31, 2020. At June 30, 2021, we held three Level 3 other risk investments that were priced using the cost method, compared to one Level 3 other risk investment at June 30, 2020 and two Level 3 other risk investments at December 31, 2020.

To the extent we receive prices from external sources for the Level 3 securities, we would review those prices for reasonableness using internally developed assumptions and then compare our derived prices to the prices we received. During 2021 and 2020, there were no material assets or liabilities measured at fair value on a nonrecurring basis.

Based on our review, all prices received from external sources for 2021 remained unadjusted. Due to the relative size of the Level 3 securities' fair values compared to the total portfolio's fair value, any changes in pricing methodology would not have a significant change in valuation that would materially impact net or comprehensive income.

The following tables provide a summary of changes in fair value associated with Level 3 assets for the three and six months ended June 30, 2021 and 2020:

	Level 3 Fair Value							
(millions)	**Fair Value at March 31, 2021**	**Calls/ Maturities/ Paydowns**	**Purchases**	**Sales**	**Net Realized (Gain)/Loss on Sales**	**Change in Valuation**	**Net Transfers In (Out)**	**Fair Value at June 30, 2021**
Equity securities:								
Nonredeemable preferred stocks:								
Financials	$ 35.0	$ 0	$ 60.2	$ 0	$ 0	$ 33.7	$ 0	$ 128.9
Industrials	16.6	0	5.0	(5.0)	(4.5)	22.3	0	34.4
Common equities:								
Other risk investments	3.2	0	8.4	0	0	0	0	11.6
Total Level 3 securities	$ 54.8	$ 0	$ 73.6	$ (5.0)	$ (4.5)	$ 56.0	$ 0	$ 174.9

(millions)	Level 3 Fair Value							
	Fair Value at March 31, 2020	Calls/ Maturities/ Paydowns	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at June 30, 2020
Equity securities:								
Nonredeemable preferred stocks:								
Financials	$ 13.1	$ 0	$ 25.0	$ 0	$ 0	$ 0	$ 0	$ 38.1
Industrials	15.2	0	0	0	0	0	0	15.2
Common equities:								
Other risk investments	0.3	0	0	0	0	0	0	0.3
Total Level 3 securities	$ 28.6	$ 0	$ 25.0	$ 0	$ 0	$ 0	$ 0	$ 53.6

(millions)	Level 3 Fair Value							
	Fair Value at December 31, 2020	Calls/ Maturities/ Paydowns	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at June 30, 2021
Equity securities:								
Nonredeemable preferred stocks:								
Financials	$ 35.0	$ 0	$ 60.2	$ 0	$ 0	$ 33.7	$ 0	$ 128.9
Industrials	16.7	0	5.0	(5.0)	(4.5)	22.2	0	34.4
Common equities:								
Other risk investments	3.1	0	8.5	0	0	0	0	11.6
Total Level 3 securities	$ 54.8	$ 0	$ 73.7	$ (5.0)	$ (4.5)	$ 55.9	$ 0	$ 174.9

(millions)	Level 3 Fair Value							
	Fair Value at December 31, 2019	Calls/ Maturities/ Paydowns	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at June 30, 2020
Equity securities:								
Nonredeemable preferred stocks:								
Financials	$ 27.1	$ 0	$ 25.0	$ 0	$ 0	$ (14.0)	$ 0	$ 38.1
Industrials	16.0	0	0	0	0	(0.8)	0	15.2
Common equities:								
Other risk investments	0.3	0	0	0	0	0	0	0.3
Total Level 3 securities	$ 43.4	$ 0	$ 25.0	$ 0	$ 0	$ (14.8)	$ 0	$ 53.6

The following tables provide a summary of the quantitative information about Level 3 fair value measurements for our applicable securities at June 30, 2021 and 2020, and December 31, 2020:

		Quantitative Information about Level 3 Fair Value Measurements		
($ in millions)	**Fair Value at June 30, 2021**	**Valuation Technique**	**Unobservable Input**	**Unobservable Input Assumption**
Equity securities:				
Nonredeemable preferred stocks:				
Financials	$ 52.5	Pricing firm	Market approach (guideline public company method) price per share	7.7
Financials	16.2	Internal price	Recent transaction price per share	27.5
Financials[1]	22.5	Internal price	Unadjusted purchase price per share	20.1
Financials[1]	12.5	Internal price	Unadjusted purchase price per share	11.8
Financials[1]	10.2	Internal price	Unadjusted purchase price per share	32.1
Financials[1]	15.0	Internal price	Unadjusted purchase price per share	6.8
Industrials	10.7	Internal price	Recent transaction price per share	5.2
Industrials	23.7	Internal price	Recent transaction price per share	9.6
Subtotal Level 3 securities	163.3			
Pricing exemption securities	11.6			
Total Level 3 securities	$ 174.9			

[1] These securities were purchased during second quarter 2021.

		Quantitative Information about Level 3 Fair Value Measurements		
($ in millions)	**Fair Value at June 30, 2020**	**Valuation Technique**	**Unobservable Input**	**Unobservable Input Assumption**
Equity securities:				
Nonredeemable preferred stocks:				
Financials	$ 13.1	Internal price	Market approach (guideline public company method) price per share	4.4
Financials[1]	25.0	Internal price	Unadjusted purchase price per share	3.7
Industrials[2]	7.1	Internal price	Market approach (guideline public company method) price per share	5.6
Industrials[2]	8.1	Internal price	Market approach (guideline public company method) price per share	4.0
Subtotal Level 3 securities	53.3			
Pricing exemption securities	0.3			
Total Level 3 securities	$ 53.6			

[1]This security was purchased in second quarter 2020.
[2]Modified prior year disclosure to present securities individually to conform to the current year presentation.

($ in millions)	Fair Value at December 31, 2020	Quantitative Information about Level 3 Fair Value Measurements: Valuation Technique	Unobservable Input	Unobservable Input Assumption
Equity securities:				
Nonredeemable preferred stocks:				
Financials[1]	$ 25.0	Internal price	Unadjusted purchase price per share	3.7
Financials[2]	10.0	Internal price	Unadjusted purchase price per share	16.9
Industrials	6.9	Pricing firm	Market approach (guideline public company method) price per share	5.4
Industrials	9.8	Pricing firm	Market approach (guideline public company method) price per share	4.8
Subtotal Level 3 securities	51.7			
Pricing exemption securities	3.1			
Total Level 3 securities	$ 54.8			

[1] This security was purchased in second quarter 2020.
[2] This security was purchased in fourth quarter 2020.

Note 4 ***Debt*** — Debt at each of the balance sheet periods consisted of:

(millions)	June 30, 2021 Carrying Value	June 30, 2021 Fair Value	June 30, 2020 Carrying Value	June 30, 2020 Fair Value	December 31, 2020 Carrying Value	December 31, 2020 Fair Value
3.75% Senior Notes due 2021 (issued: $500.0, August 2011)	$ 499.9	$ 502.5	$ 499.6	$ 519.0	$ 499.8	$ 510.9
2.45% Senior Notes due 2027 (issued: $500.0, August 2016)	497.5	529.9	497.1	533.7	497.3	541.1
6 5/8% Senior Notes due 2029 (issued: $300.0, March 1999)	297.0	396.1	296.8	420.7	296.9	409.4
4.00% Senior Notes due 2029 (issued: $550.0, October 2018)	545.7	631.5	545.2	654.2	545.5	660.4
3.20% Senior Notes due 2030 (issued: $500.0, March 2020)	496.3	549.0	496.0	567.6	496.1	575.5
6.25% Senior Notes due 2032 (issued: $400.0, November 2002)	396.1	553.7	395.8	569.6	396.0	582.0
4.35% Senior Notes due 2044 (issued: $350.0, April 2014)	346.8	434.8	346.7	444.9	346.7	459.7
3.70% Senior Notes due 2045 (issued: $400.0, January 2015)	395.6	458.1	395.5	471.4	395.5	481.0
4.125% Senior Notes due 2047 (issued: $850.0, April 2017)	841.8	1,041.4	841.6	1,080.8	841.7	1,113.1
4.20% Senior Notes due 2048 (issued: $600.0, March 2018)	590.1	747.0	589.9	773.8	590.0	806.7
3.95% Senior Notes due 2050 (issued: $500.0, March 2020)	490.7	602.7	490.5	628.6	490.6	653.7
Total	$ 5,397.5	$ 6,446.7	$ 5,394.7	$ 6,664.3	$ 5,396.1	$ 6,793.5

At June 30, 2021 and December 31, 2020, short-term debt consisted of the $500 million 3.75% Senior Notes that mature in August 2021; there was no short-term debt outstanding at June 30, 2020.

The Progressive Corporation has a line of credit with PNC Bank, National Association (PNC), in the maximum principal amount of $250 million, which has the same terms as the line of credit with PNC that expired in April 2021. See the 2020 Annual Report to Shareholders for terms of this line of credit. We had no borrowings under the line of credit during the periods presented.

Note 5 ***Income Taxes*** — Deferred tax assets and liabilities are recorded based on the difference between the financial statement and tax bases of assets and liabilities at the enacted tax rates. We review our deferred tax assets regularly for recoverability. At June 30, 2021 and 2020, and December 31, 2020, we determined that we did not need a valuation allowance on our gross deferred tax assets. Although realization of the deferred tax assets is not assured, management believes that it is more likely than not the deferred tax assets will be realized based on our expectation that we will be able to fully utilize the deductions that are ultimately recognized for tax purposes.

For the six months ended June 30, 2021, there have been no material changes in our reserve for uncertain tax positions.

The effective tax rate for the three and six months ended June 30, 2021, was 20.9% and 20.8%, respectively, compared to 21.1% and 20.8% for the same periods last year.

Net state deferred income tax asset and liability amounts as of June 30, 2020, were reclassified on the consolidated balance sheets into other assets and accounts payable, accrued expenses, and other liabilities, respectively, from net federal deferred income taxes to conform to the current year presentation.

Note 6 ***Loss and Loss Adjustment Expense Reserves*** — Activity in the loss and loss adjustment expense reserves is summarized as follows:

	June 30,	
(millions)	**2021**	**2020**
Balance at January 1	$ 20,265.8	$ 18,105.4
Less reinsurance recoverables on unpaid losses	3,798.2	3,212.2
Net balance at January 1	16,467.6	14,893.2
Net loss and loss adjustment reserve acquired[1]	732.5	0
Total beginning reserves	17,200.1	14,893.2
Incurred related to:		
Current year	15,319.9	11,360.5
Prior years	197.0	116.1
Total incurred	15,516.9	11,476.6
Paid related to:		
Current year	7,849.6	6,180.4
Prior years	5,436.7	5,180.1
Total paid	13,286.3	11,360.5
Net balance at June 30	19,430.7	15,009.3
Plus reinsurance recoverables on unpaid losses	4,464.9	3,502.7
Balance at June 30	$ 23,895.6	$ 18,512.0

[1] Net reserves acquired in Protective Insurance acquisition.

We experienced unfavorable reserve development of $197.0 million and $116.1 million during the first six months of 2021 and 2020, respectively, which is reflected as "Incurred related to prior years" in the table above.

Year-to-date June 30, 2021

- Approximately $100 million of the unfavorable prior year reserve development was attributable to accident year 2019 and $114 million to 2018 and prior accident years, partially offset by favorable development attributable to accident year 2020.
- Our personal auto products incurred about $111 million of unfavorable loss and loss adjustment expense (LAE) reserve development, with about 60% attributable to the Agency business. The unfavorable development was primarily attributable to a higher than anticipated frequency of reopened personal injury protection (PIP) claims, primarily in Florida, and higher than anticipated bodily injury severity, partially offset by less late reported claims than anticipated for accident year 2020.
- Our Commercial Lines business experienced about $73 million of unfavorable development, primarily due to increased injury severity, and the emergence of large injury claims at rates higher than originally anticipated primarily in Texas and Florida.
- Our Property business experienced about $20 million of unfavorable development, primarily due to higher than anticipated severity, reopen activity in Florida, and loss adjustment expense for prior loss years.
- Our special lines business experienced about $7 million of favorable development.

Year-to-date June 30, 2020

- Approximately 68% of the unfavorable prior year reserve development was attributable to accident year 2018, while only 1% was attributable to accident year 2019, with the remainder related to 2017 and prior accident years. During the second quarter 2020, we experienced favorable development on accident year 2019, primarily due to higher than anticipated salvage and subrogation recoveries, which almost fully offset the unfavorable development from accident year 2019 we experienced during the first quarter 2020.
- Our personal auto products incurred about $37 million of unfavorable loss and LAE reserve development, with about two thirds attributable to the Agency business. The unfavorable LAE development was primarily attributable to revised estimates of our per claim settlement costs taken during the first quarter. We also experienced higher than anticipated frequency of reopened PIP claims, primarily in Florida, and late reported losses occurring toward the end 2019 but not reported until 2020, which was significantly offset by higher than anticipated salvage and subrogation recoveries.
- Our Commercial Lines business experienced about $98 million of unfavorable development, primarily due to increased injury severity and the emergence of large injury claims at rates higher than originally anticipated.
- Our special lines and Property businesses experienced about $15 million and $4 million, respectively, of favorable development.

Note 7 ***Supplemental Cash Flow Information*** — Cash and cash equivalents include bank demand deposits and daily overnight reverse repurchase commitments of funds held in bank demand deposit accounts by certain subsidiaries, and are not considered part of the investment portfolio. The amount of reverse repurchase commitments held by these subsidiaries at June 30, 2021 and 2020, and December 31, 2020, were $90.5 million, $96.4 million, and $93.5 million, respectively. At June 30, 2021, $14.8 million of the restricted cash and cash equivalents on our consolidated balance sheets represents collateral held against unpaid premiums in the form of certificates of deposit, with the remainder representing cash restricted to pay flood claims under the National Flood Insurance Program's "Write Your Own" program, for which certain subsidiaries are administrators.

During the six months ended June 30, 2021 and 2020, non-cash activity included declared but unpaid common share dividends of $58.5 million (see *Note 9 – Dividends* for further discussion) for both periods, and operating lease liabilities arising from obtaining right-of-use assets of $55.9 million and $23.9 million, respectively.

We paid the following in the respective periods:

	Six Months Ended June 30,	
(millions)	**2021**	**2020**
Income taxes	$ 574.1	$ 18.0
Interest	112.0	94.1
Operating lease liabilities	44.8	44.7

During the six months ended June 30, 2020, we did not make any estimated federal tax payments as the Internal Revenue Service, in response to the impact of COVID-19 restrictions, postponed the due date of these estimated payments until July 15, 2020.

Note 8 ***Segment Information*** — Our Personal Lines segment writes insurance for personal autos and recreational vehicles (our special lines products). Our Commercial Lines segment writes auto-related liability and physical damage insurance, workers' compensation coverage primarily for the transportation industry, and business-related general liability and property insurance, predominately for small businesses. Our Property segment writes residential property insurance for homeowners, other property owners, and renters. Our service businesses provide insurance-related services, including processing Commercial Automobile Insurance Procedures/Plans (CAIP) business and serving as an agent for homeowners, general liability, and workers' compensation insurance, among other products, through programs in our direct Personal Lines and Commercial Lines businesses. All segment revenues are generated from external customers; all intercompany transactions are eliminated in consolidation.

Following are the operating results for the respective periods:

(millions)	Three Months Ended June 30, 2021 Revenues	Three Months Ended June 30, 2021 Pretax Profit (Loss)	Three Months Ended June 30, 2020 Revenues	Three Months Ended June 30, 2020 Pretax Profit (Loss)	Six Months Ended June 30, 2021 Revenues	Six Months Ended June 30, 2021 Pretax Profit (Loss)	Six Months Ended June 30, 2020 Revenues	Six Months Ended June 30, 2020 Pretax Profit (Loss)
Personal Lines								
Agency	$ 4,220.3	$ 207.5	$ 3,919.0	$ 550.6	$ 8,318.5	$ 755.0	$ 7,747.7	$ 1,152.2
Direct	4,633.9	128.4	4,167.9	647.2	9,065.6	543.0	8,160.3	1,120.2
Total Personal Lines[1]	8,854.2	335.9	8,086.9	1,197.8	17,384.1	1,298.0	15,908.0	2,272.4
Commercial Lines	1,621.8	130.1	1,129.0	179.8	3,039.6	358.6	2,318.0	292.3
Property[2]	502.3	(83.3)	432.7	(188.7)	974.8	(154.0)	853.3	(139.5)
Other indemnity[3]	4.0	0.1	0	0	4.0	0.1	0	0
Total underwriting operations	10,982.3	382.8	9,648.6	1,188.9	21,402.5	1,502.7	19,079.3	2,425.2
Fees and other revenues[4]	176.2	NA	129.5	NA	341.9	NA	283.0	NA
Service businesses	74.5	6.6	59.0	6.2	128.3	11.1	110.6	10.3
Investments[5]	672.5	666.2	1,134.6	1,130.1	1,478.0	1,466.1	822.2	812.4
Interest expense	NA	(56.4)	NA	(56.4)	NA	(112.8)	NA	(104.4)
Consolidated total	$ 11,905.5	$ 999.2	$ 10,971.7	$ 2,268.8	$ 23,350.7	$ 2,867.1	$ 20,295.1	$ 3,143.5

NA = Not applicable

[1] Personal auto insurance accounted for 94% of the total Personal Lines segment net premiums earned during the three and six months ended June 30, 2021 and 2020; insurance for our special lines products (e.g., motorcycles, ATVs, RVs, watercraft, and snowmobiles) accounted for the balance of the Personal Lines net premiums earned.

[2] For the three and six months ended June 30, 2021, pretax profit (loss) includes $14.1 million and $28.3 million, respectively, of amortization expense associated with acquisition-related intangible assets attributable to our Property segment, and $14.1 million and $28.6 million for the same periods in 2020. See *Note 12 – Goodwill and Intangible Assets* for further discussion.

[3] Primarily includes Protective Insurance's run-off business operations.

[4] Pretax profit (loss) for fees and other revenues is allocated to operating segments.

[5] Revenues represent recurring investment income and total net realized gains (losses) on securities; pretax profit is net of investment expense.

Our management uses underwriting margin and combined ratio as primary measures of underwriting profitability. The underwriting margin is the pretax underwriting profit (loss) expressed as a percentage of net premiums earned (i.e., revenues from underwriting operations). Pretax underwriting profit (loss) is calculated as net premiums earned plus fees and other revenues, less: (i) losses and loss adjustment expenses; (ii) policy acquisition costs; (iii) other underwriting expenses; and (iv) policyholder credits. Combined ratio is the complement of the underwriting margin. Following are the underwriting margins and combined ratios for our underwriting operations for the respective periods:

	Three Months Ended June 30, 2021 Under-writing Margin	Three Months Ended June 30, 2021 Combined Ratio	Three Months Ended June 30, 2020 Under-writing Margin	Three Months Ended June 30, 2020 Combined Ratio	Six Months Ended June 30, 2021 Under-writing Margin	Six Months Ended June 30, 2021 Combined Ratio	Six Months Ended June 30, 2020 Under-writing Margin	Six Months Ended June 30, 2020 Combined Ratio
Personal Lines								
Agency	4.9 %	95.1	14.0 %	86.0	9.1 %	90.9	14.9 %	85.1
Direct	2.8	97.2	15.5	84.5	6.0	94.0	13.7	86.3
Total Personal Lines	3.8	96.2	14.8	85.2	7.5	92.5	14.3	85.7
Commercial Lines	8.0	92.0	15.9	84.1	11.8	88.2	12.6	87.4
Property[1]	(16.6)	116.6	(43.6)	143.6	(15.8)	115.8	(16.3)	116.3
Total underwriting operations	3.5	96.5	12.3	87.7	7.0	93.0	12.7	87.3

[1] Included in the three and six months ended June 30, 2021, is 2.8 points and 2.9 points, respectively, of amortization expense predominately associated with intangible assets and 3.3 points and 3.4 points, respectively, for the three and six months ended June 30, 2020.

Note 9 ***Dividends*** — Following is a summary of our common and preferred share dividends that were declared and/or paid during the six months ended June 30, 2021 and 2020:

(millions, except per share amounts)		Amount	
Declared	**Payable**	**Per Share**	**Accrued[1]**
Common - Quarterly Dividends:			
May 2021	July 2021	$ 0.10	$ 58.5
March 2021	April 2021	0.10	58.5
December 2020	January 2021	0.10	58.6
May 2020	July 2020	0.10	58.5
February 2020	April 2020	0.10	58.5
December 2019	January 2020	0.10	58.5
Common - Annual Variable Dividends:			
December 2020	January 2021	4.50	2,635.9
December 2019	January 2020	2.25	1,316.9
Preferred Dividends:			
December 2020	March 2021	26.875	13.4
February 2020	March 2020	26.875	13.4

[1] The accrual is based on an estimate of shares outstanding as of the record date. The dividends accrued at June 30, 2020, were reclassified from accounts payable, accrued expenses, and other liabilities into dividends payable on common shares on the consolidated balance sheets, to conform to the current year presentation.

See *Note 14 – Dividends* in our 2020 Annual Report to Shareholders for a discussion of our common and preferred share dividend policies.

Note 10 ***Other Comprehensive Income (Loss)*** — The components of other comprehensive income (loss), including reclassification adjustments by income statement line item, were as follows:

				Components of Changes in Accumulated Other Comprehensive Income (after tax)			
(millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment	(Income) loss attributable to NCI
Balance at March 31, 2021	**$ 504.6**	**$ (112.3)**	**$ 392.3**	**$ 407.7**	**$ (15.4)**	**$ 0**	**$ 0**
Other comprehensive income (loss) before reclassifications:							
Investment securities	174.7	(36.7)	138.0	138.0	0	0	0
Foreign currency translation adjustment	(0.6)	0.1	(0.5)	0	0	(0.5)	0
Total other comprehensive income (loss) before reclassifications	174.1	(36.6)	137.5	138.0	0	(0.5)	0
Less: Reclassification adjustment for amounts realized in net income by income statement line item:							
Net realized gains (losses) on securities	59.4	(12.5)	46.9	46.9	0	0	0
Interest expense	(0.3)	0	(0.3)	0	(0.3)	0	0
Total reclassification adjustment for amounts realized in net income	59.1	(12.5)	46.6	46.9	(0.3)	0	0
Total other comprehensive income (loss)	115.0	(24.1)	90.9	91.1	0.3	(0.5)	0
Balance at June 30, 2021	**$ 619.6**	**$ (136.4)**	**$ 483.2**	**$ 498.8**	**$ (15.1)**	**$ (0.5)**	**$ 0**

(millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Components of Changes in Accumulated Other Comprehensive Income (after tax)			
				Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment	(Income) loss attributable to NCI
Balance at March 31, 2020	**$ 514.9**	**$ (110.7)**	**$ 404.2**	**$ 423.6**	**$ (16.2)**	**$ 0**	**$ (3.2)**
Reclassification of disproportionate amounts[1]	4.0	(0.8)	3.2	0	0	0	3.2
Adjusted balance at March 31, 2020	518.9	(111.5)	407.4	423.6	(16.2)	0	0
Other comprehensive income (loss) before reclassifications:							
Investment securities	966.2	(202.9)	763.3	763.3	0	0	0
Foreign currency translation adjustment	0	0	0	0	0	0	0
Total other comprehensive income (loss) before reclassifications	966.2	(202.9)	763.3	763.3	0	0	0
Less: Reclassification adjustment for amounts realized in net income by income statement line item:							
Net realized gains (losses) on securities	248.0	(52.1)	195.9	195.9	0	0	0
Interest expense	(0.2)	0	(0.2)	0	(0.2)	0	0
Total reclassification adjustment for amounts realized in net income	247.8	(52.1)	195.7	195.9	(0.2)	0	0
Total other comprehensive income (loss)	718.4	(150.8)	567.6	567.4	0.2	0	0
Balance at June 30, 2020	**$ 1,237.3**	**$ (262.3)**	**$ 975.0**	**$ 991.0**	**$ (16.0)**	**$ 0**	**$ 0**

millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Components of Changes in Accumulated Other Comprehensive Income (after tax)			
				Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment	(Income) loss attributable to NCI
Balance at December 31, 2020	**$ 1,187.4**	**$ (255.7)**	**$ 931.7**	**$ 947.3**	**$ (15.6)**	**$ 0**	**$ 0**
Other comprehensive income (loss) before reclassifications:							
Investment securities	(376.7)	79.1	(297.6)	(297.6)	0	0	0
Foreign currency translation adjustment	(0.6)	0.1	(0.5)	0	0	(0.5)	0
Total other comprehensive income (loss) before reclassifications	(377.3)	79.2	(298.1)	(297.6)	0	(0.5)	0
Less: Reclassification adjustment for amounts realized in net income by income statement line item:							
Net realized gains (losses) on securities	191.1	(40.2)	150.9	150.9	0	0	0
Interest expense	(0.6)	0.1	(0.5)	0	(0.5)	0	0
Total reclassification adjustment for amounts realized in net income	190.5	(40.1)	150.4	150.9	(0.5)	0	0
Total other comprehensive income (loss)	(567.8)	119.3	(448.5)	(448.5)	0.5	(0.5)	0
Balance at June 30, 2021	**$ 619.6**	**$ (136.4)**	**$ 483.2**	**$ 498.8**	**$ (15.1)**	**$ (0.5)**	**$ 0**

(millions)	Pretax total accumulated other comprehensive income (loss)	Total tax (provision) benefit	After tax total accumulated other comprehensive income (loss)	Components of Changes in Accumulated Other Comprehensive Income (after tax)			
				Total net unrealized gains (losses) on securities	Net unrealized gains (losses) on forecasted transactions	Foreign currency translation adjustment	(Income) loss attributable to NCI
Balance at December 31, 2019	**$ 435.7**	**$ (94.0)**	**$ 341.7**	**$ 360.8**	**$ (16.4)**	**$ 0**	**$ (2.7)**
Reclassification of disproportionate amounts[1]	3.4	(0.7)	2.7	0	0	0	2.7
Adjusted balance at December 31, 2019	439.1	(94.7)	344.4	360.8	(16.4)	0	0
Other comprehensive income (loss) before reclassifications:							
Investment securities	1,284.4	(269.7)	1,014.7	1,014.7	0	0	0
Foreign currency translation adjustment	0	0	0	0	0	0	0
Total other comprehensive income (loss) before reclassifications	1,284.4	(269.7)	1,014.7	1,014.7	0	0	0
Less: Reclassification adjustment for amounts realized in net income by income statement line item:							
Net realized gains (losses) on securities	486.7	(102.2)	384.5	384.5	0	0	0
Interest expense	(0.5)	0.1	(0.4)	0	(0.4)	0	0
Total reclassification adjustment for amounts realized in net income	486.2	(102.1)	384.1	384.5	(0.4)	0	0
Total other comprehensive income (loss)	798.2	(167.6)	630.6	630.2	0.4	0	0
Balance at June 30, 2020	**$ 1,237.3**	**$ (262.3)**	**$ 975.0**	**$ 991.0**	**$ (16.0)**	**$ 0**	**$ 0**

[1]Adjustment to reflect the change in value on (income) loss attributable to NCI in conjunction with the purchase transaction.

In an effort to manage interest rate risk, we may enter into forecasted transactions on Progressive's debt issuances. We expect to reclassify $0.6 million (pretax) into interest expense during the next 12 months, related to net unrealized losses on forecasted transactions (see *Note 4 – Debt* in our 2020 Annual Report to Shareholders for further discussion).

Note 11 ***Litigation*** — The Progressive Corporation and/or its insurance subsidiaries are named as defendants in various lawsuits arising out of claims made under insurance policies written by our insurance subsidiaries in the ordinary course of business. We consider all legal actions relating to such claims in establishing our loss and loss adjustment expense reserves.

In addition, The Progressive Corporation and/or its subsidiaries are named as defendants in a number of class action or individual lawsuits that challenge certain of the operations of the subsidiaries. Other insurance companies face many of these same issues.

These cases include those alleging damages as a result of, among other things, our subsidiaries' practices in evaluating or paying medical or injury claims or benefits, including, but not limited to, personal injury protection, medical payments, uninsured motorist/underinsured motorist, bodily injury benefits, and workers' compensation, and for reimbursing medical costs incurred by Medicare/Medicaid beneficiaries; our practices in evaluating or paying physical damage claims, including, but not limited to, our payment of total loss claims and labor rates paid to auto body repair shops; our insurance product design; employment matters; and cases challenging other aspects of our claims, marketing, pricing, or sales practices or other business operations. Other insurance companies face many of these same issues.

The nature and volume of litigation to which The Progressive Corporation is subject is similar to that which was disclosed in *Note 12 – Litigation* in our 2020 Annual Report to Shareholders.

We plan to contest the pending lawsuits vigorously, but may pursue settlement negotiations in some cases, as we deem appropriate. The outcomes of pending cases are uncertain at this time. We establish accruals for these lawsuits when it is probable that a loss has been or will be incurred and we can reasonably estimate potential loss exposure, which may include a range of loss. As to lawsuits for which the loss is considered neither probable or estimable, or is considered probable but not estimable, we do not establish an accrual. Nevertheless, we continue to evaluate this pending litigation to determine if any losses not deemed probable and estimable become so, at which point we would establish an accrual at our best estimate of the loss or range of loss.

With respect to our pending lawsuits that are not related to claims under insurance policies, the accruals that we have established, if any, were not material at June 30, 2021 or 2020, and there were no material settlements during 2020 or the first six months of 2021. For most of these lawsuits, we do not consider any losses to be both probable and estimable, and we are unable to estimate a meaningful range of loss, if any, at this time, due to the factors discussed in *Note 12 – Litigation* in our 2020 Annual Report to Shareholders. In the event that any one or more of these lawsuits results in a substantial judgment against us, or settlement by us, or if our accruals (if any) prove to be inadequate by a significant amount, the resulting liability could have a material adverse effect on our consolidated financial condition, cash flows, and/or results of operations. For a further discussion on our pending litigation and related reserving policies, see *Note 12 – Litigation* in our 2020 Annual Report to Shareholders.

Note 12 ***Goodwill and Intangible Assets***

Goodwill

During the six months ended June 30, 2021, there were no changes to the carrying amount of goodwill. No accumulated goodwill impairment losses exist.

Intangible Assets

The following table is a summary of the net carrying amount of other intangible assets:

(millions)	June 30, 2021	June 30, 2020	December 31, 2020
Intangible assets subject to amortization	$ 134.1	$ 187.3	$ 159.0
Indefinite-lived intangible assets[1]	12.4	12.4	12.4
Total	$ 146.5	$ 199.7	$ 171.4

[1] Indefinite-lived intangible assets are comprised of state insurance and agent licenses. State insurance licenses were previously subject to amortization under superseded accounting guidance and have $0.6 million of accumulated amortization for all periods presented.

Intangible assets subject to amortization consisted of the following:

	June 30, 2021			June 30, 2020			December 31, 2020		
(millions)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Category:									
Policies in force	$ 256.2	$ 228.7	$ 27.5	$ 256.2	$ 192.2	$ 64.0	$ 256.2	$ 210.4	$ 45.8
Agency relationships	159.2	71.1	88.1	159.2	59.7	99.5	159.2	65.4	93.8
Software rights	69.1	54.0	15.1	69.1	45.3	23.8	69.1	49.7	19.4
Trade name	3.6	0.2	3.4	0	0	0	0	0	0
Total	$ 488.1	$ 354.0	$ 134.1	$ 484.5	$ 297.2	$ 187.3	$ 484.5	$ 325.5	$ 159.0

During the second quarter 2021, we recognized a $3.6 million trade name intangible asset, with an estimated two-year life, in connection with the Protective Insurance acquisition.

Amortization expense was $14.3 million and $28.5 million for the three and six months ended June 30, 2021, respectively, compared to $14.1 million and $28.6 million during the same periods last year.

Note 13 ***New Accounting Standards*** — We did not adopt any new accounting standards during the six months ended June 30, 2021. We assessed the adoption impacts of recently issued accounting standards by the Financial Accounting Standards Board on our consolidated financial statements as well as material updates to previous assessments, if any, from our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. There were no new material accounting standards issued in the six months ended June 30, 2021, that impacted The Progressive Corporation.

Note 14 ***Acquisition*** — On June 1, 2021, The Progressive Corporation, through an indirect subsidiary, acquired all of the outstanding Class A and Class B common shares of Protective Insurance for $23.30 per common share in cash, or approximately $338 million in aggregate. Through its subsidiaries, Protective Insurance provides liability and workers' compensation coverage for trucking and public transportation fleets, along with trucking industry independent contractors. As a result of the Protective Insurance acquisition, we will be able to expand our capabilities with the expertise Protective Insurance offers in larger fleet and affinity programs, by providing additional product lines for us to add to our portfolio. Protective Insurance and its subsidiaries would represent about 1% of companywide net premiums written.

All assets and liabilities were recorded at fair value at the date of acquisition. If new information is obtained within 12 months from the date of acquisition about facts and circumstances that existed at the acquisition date, we will adjust the amounts previously recorded. We did record a $3.6 million intangible asset related to the Protective Insurance trade name, which will be amortized over 2 years; no other intangible assets were identified. For income tax purposes, the historical tax bases of the acquired assets and assumed liabilities carried over and were not recorded at fair value; therefore, no tax-basis goodwill was created.

At the date of acquisition, Protective Insurance had total assets of $1.7 billion, including investment securities of $1.1 billion; cash, cash equivalents, and restricted cash and equivalents of $24.3 million; reinsurance recoverables of $452.4 million, and liabilities of $1.4 billion, consisting of unearned premiums of $66.9 million and loss and loss adjustment expense reserves of $1.1 billion. In addition, Protective Insurance had outstanding borrowings of $20.0 million under a revolving credit facility agreement that was repaid subsequent to acquisition. All of Protective Insurance's contingencies were recognized as of the acquisition date.

Acquisition-related costs recognized in 2021 were not material to our results of operations. The pro forma financial information assuming the acquisition had occurred as of the beginning of the calendar year prior to the year of acquisition, as well as the revenues and earnings generated during the year of acquisition, were not material for disclosure purposes. The results of operations and financial condition of Protective Insurance have been included in our consolidated statements of income and consolidated balance sheets from the acquisition date. For the second quarter 2021, our consolidated results included total revenue and net income from Protective Insurance of $46.5 million and $2.3 million, respectively.

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

I. OVERVIEW

The Progressive Corporation's insurance subsidiaries recognized growth in both premiums and policies in force in the second quarter 2021, compared to the same period last year. During the quarter, we generated $11.5 billion of net premiums written, which is an increase of $1.3 billion, or 13%, compared to the second quarter 2020. We ended the second quarter 2021 with 26.4 million companywide policies, which is 2.6 million more policies than were in force at June 30, 2020. Our underwriting profit margin of 3.5% for the second quarter 2021 was 8.8 points lower than the same period last year. Certain growth and profitability comparisons to the same period last year were, in part, impacted by the effects COVID-19 restrictions had on our comparable prior year results. During the second quarter of 2020, shelter-in-place restrictions were in place to help stop the spread of the novel coronavirus, COVID-19. We saw a significant reduction in auto accident frequency resulting from changes in driving patterns in 2020. The impact from the pandemic should be considered when comparing year-over-year changes.

On a year-over-year basis, net income and comprehensive income decreased 56% and 63%, respectively, for the second quarter 2021 and 9% and 42% for the first six months of 2021. The largest contributor to the year-over-year decreases was the reduction of underwriting income, which decreased 68% for the quarter and 38% for the first six months of 2021, partially offset by an increase in net holding period gains for the six months ended June 30, 2021, compared to the same period last year. The decreased underwriting profitability primarily reflected a significant increase in loss and loss adjustment expenses (LAE), which was in part offset by lower underwriting expenses in the second quarter 2021, compared to the second quarter 2020. For the second quarter 2021, losses and LAE reflect higher auto accident frequency and severity in both our personal and commercial auto products, coupled with lower average premiums per policy for our personal auto products. As pandemic-related restrictions were significantly reduced during the second quarter 2021, both frequency and vehicle miles traveled experienced increases, especially later in the second quarter. The increase in personal auto severity reflects higher costs to both repair cars and for medical expenses. The year-over-year increase in collision coverage severity, in part, reflects an increase in the valuation of used vehicles in 2021, which increases total loss costs that are partly offset by higher salvage returns. We also had lower collision severity in the second quarter of 2020, due to a higher volume of subrogation collections relative to new claims made, as a result of the COVID-19 restrictions. Our bodily injury coverage also saw an increase during the quarter due to a higher mix of more severe accidents.

Our underwriting expense ratios were 12.5 points and 6.6 points lower for the second quarter and first six months of 2021, respectively, compared to the same periods last year. In April and May 2020, we issued credits to personal auto policyholders and recognized additional bad debt expense related to the billing leniencies and moratoriums that were in place through the middle of May 2020, which contributed to the year-over-year variances.

During the second quarter 2021, our total capital (debt plus shareholders' equity) increased $839.8 million, to $24.1 billion, primarily reflecting comprehensive income earned during the quarter, partially offset by common share repurchases and dividends declared during the period.

A. Insurance Operations

We evaluate growth in terms of both net premiums written and policies in force growth. All three of our operating segments contributed to our solid premium and policies in force growth during the second quarter on a year-over-year basis. Our companywide net premiums written grew 13%, with Personal Lines growing 6%, Commercial Lines 66%, and Property 15%, primarily reflecting an increase in volume from all of our segments. Our year-over-year Personal Lines growth for the second quarter 2021 was in part impacted by the solid growth experienced in the second quarter 2020 from our special lines business and renewal activity in our personal auto business as the moratoriums and billing leniencies that were in place were lifted. For our Commercial Lines business, in addition to an increase in policies in force, written premium growth also reflected a 20% increase in average written premium per policy on a quarter-over-prior-year quarter basis.

In addition to the increase in our traditional business market targets year-over-year, Commercial Lines premiums growth during the second quarter 2021 reflected an increase in premiums in the transportation network company (TNC) business related to the expansion of our footprint in rideshare coverage and an increase in the estimated number of miles driven during the remainder of the policy terms. Our Property business continued to recognize solid growth for both the second quarter and year-to-date periods. At June 30, 2021, on a year-over-year basis, policies in force grew 11% companywide, with Personal Lines, Commercial Lines, and Property growing 10%, 18%, and 14%, respectively.

During the second quarter 2021, new applications (i.e., issued policies) increased 7%, 52%, and 29% in our Personal Lines, Commercial Lines (excluding TNC and our business owners policy product), and Property segments, respectively. During the quarter, total new personal auto applications increased 9% on a year-over-year basis, with Agency new applications increasing

9% and Direct increasing 10%. While year-over-year new applications were strong at the beginning of the second quarter 2021, by the end of the quarter growth in new applications was lower than the prior year as we started taking actions to address profitability, as discussed below. New applications for our special lines products were up 1% during the second quarter 2021, primarily reflecting the significant new application growth during the second quarter 2020, as people were purchasing more special lines products as a way to practice social distancing.

On a year-over-year basis for the second quarter 2021, our Personal Lines renewal applications increased 9%, and both Commercial Lines and Property increased 8%. Total personal auto renewal applications increased 9% over the second quarter last year.

To grow policies in force, it is critical that we retain our customers for longer periods. Consequently, increasing retention continues to be one of our most important priorities. Our efforts to increase our share of multi-product households remains a key initiative and we will continue to make investments to improve the customer experience to continue to support that goal. Policy life expectancy, which is our actuarial estimate of the average length of time that a policy will remain in force before cancellation or lapse in coverage, is our primary measure of customer retention in our Personal Lines, Commercial Lines, and Property businesses.

Due to insurance market volatility brought on by the COVID-19 virus, it may be difficult to assess the progress we are making against our retention goals. We evaluate retention using a trailing 12-month total auto policy life expectancy and a trailing 3-month policy life expectancy. The latter does not address seasonality and can reflect more volatility. Due to suspending cancellations of policies for nonpayment during the second quarter 2020, which impacted renewal activity, the growth in our auto trailing 3-month policy life expectancy was artificially high during the second quarter 2020. Due to these unusual circumstances, consistent with the second quarter 2020, we have chosen not to disclose the year-over-year decrease in the trailing 3-month measure, as we do not believe the measure is meaningful. As of the end of the second quarter 2021, our trailing 12-month total personal auto policy life expectancy increased 3%, compared to last year. While this measure was also positively impacted during the second quarter 2020 by the inclusion of the items discussed above, it was impacted to a much lesser extent. Our Agency auto and Direct auto trailing 12-month policy life expectancy were both up 3%. Our Commercial Lines trailing 12-month policy life expectancy increased 5% year over year, special lines was flat, and Property decreased 6%.

Our companywide underwriting margin for the second quarter 2021 was 3.5%, compared to 12.3% for the same period last year. Our personal auto incurred accident frequency was up 47% for the second quarter 2021, as compared to the prior year, and severity was up 8%. With more people driving and vehicle miles traveled increasing, loss frequency is more in line with what we were experiencing prior to the onset of the pandemic. Collision is a significant driver of the increased severity we experienced during the current quarter as the increase in the valuation of used vehicles is increasing our total loss and repair costs.

Throughout the second quarter, based on our usage-based insurance data, we observed the number of vehicle miles traveled continue to climb towards pre-pandemic levels. Claims frequency has also been moving towards pre-pandemic levels. Towards the end of the second quarter, the pace at which frequency was returning to pre-pandemic levels accelerated relative to vehicle miles traveled. This, in concert with lower personal auto average premiums and increased claims severity has eroded our underwriting margin. While it is difficult to accurately assess these trends moving forward, we expect continuing pressure on our underwriting margins from these, and potentially other trends, and are taking actions detailed below to strive to meet our stated objective of underwriting margins of at least four points on a calendar year basis.

During the second quarter 2021, rate increases were effective in 11 states, which had an average increase of about 5%. In the aggregate, rate changes for personal auto for the quarter were about 2%. Management continues to assess miles driven, driving patterns, loss severity, weather events, and other components of expected loss costs on a state-by-state basis and, where appropriate, adjust rates accordingly. We are also looking to identify where we may need to tighten underwriting criteria further where losses indicate rate inadequacy. In addition to rate actions, at the beginning of the third quarter 2021, we started reducing advertising spend in certain areas based on performance against our media and underwriting targets. We will continue to look at key performance indicators to assess where additional action is needed and will react swiftly to address those needs. These actions could result in fewer new business applications.

Our Personal and Commercial Lines operating segments were profitable during the second quarter 2021, while our Property business generated an underwriting loss, due to significant catastrophe losses incurred during the quarter. Our Personal Lines segment generated an underwriting profit margin of 3.8% for the second quarter 2021, which was aided minimally by our special lines business, which contributed a favorable 0.2 point impact on our Personal Lines combined ratio for the quarter. Our Commercial Lines underwriting profit margin for the second quarter was 8.0%. Our Property segment had an underwriting loss margin of 16.6% for the quarter. On a net basis (i.e., after reinsurance), our Property business incurred catastrophe losses, during the second quarter, of $128.0 million, or 25.5 points on their combined ratio.

B. Investments

The fair value of our investment portfolio was $50.9 billion at June 30, 2021, compared to $47.5 billion at December 31, 2020. The $3.4 billion increase from year-end 2020 is the result of solid cash flows from operations, net of shareholder dividends, strong investment results, as well as from the acquisition of Protective Insurance Corporation and its subsidiaries (Protective Insurance) (see *Note 14 – Acquisition* for further discussion).

Our asset allocation strategy is to maintain 0%-25% of our portfolio in Group I securities, with the balance (75%-100%) of our portfolio in Group II securities (the securities allocated to Group I and II are defined below under *Results of Operations – Investments*). At June 30, 2021, 16% of our portfolio was allocated to Group I securities and 84% to Group II securities, compared to 14% and 86%, respectively, at December 31, 2020.

Our recurring investment income generated a pretax book yield of 1.9% for the second quarter 2021, compared to 2.5% for the same period in 2020, primarily due to investing new cash at lower interest rates. Our investment portfolio produced a fully taxable equivalent (FTE) total return of 1.7% and 4.5% for the second quarter 2021 and 2020, respectively. Our fixed-income and common stock portfolios had FTE total returns of 1.1% and 7.3%, respectively, for the second quarter 2021, compared to 3.4% and 21.5%, respectively, last year. The year-over-year decrease in our fixed-income FTE total return was the result of an increase in interest rates. The common stock portfolio's FTE total return reflects that during the second quarter last year, our common stock portfolio's FTE total return improved significantly as investors moved back into risk assets, following a decline at the end of the first quarter 2020, which reflected investors' response to the economic uncertainty due to the COVID-19 restrictions.

At June 30, 2021, the fixed-income portfolio had a weighted average credit quality of AA- and a duration of 3.1 years, compared to AA- and 3.0 years and AA- and 2.9 years at June 30, 2020 and December 31, 2020, respectively. While we have slightly lengthened our portfolio duration over the previous twelve months, it remains below the midpoint of our 1.5-year to 5-year range, which we believe provides some protection against a further increase in interest rates.

II. FINANCIAL CONDITION

A. Liquidity and Capital Resources

Progressive's insurance operations create liquidity by collecting and investing premiums from new and renewal business in advance of paying claims. Operations generated positive cash flows of $4.9 billion and $3.9 billion for the six months ended June 30, 2021 and 2020, respectively, in part due to collecting premiums at a faster rate than losses are being paid.

Our total capital (debt plus shareholders' equity) was $24.1 billion, at book value, at June 30, 2021, compared to $22.1 billion at June 30, 2020, and $22.4 billion at December 31, 2020. The increase since year end primarily reflected net income, in part offset by common share repurchases, dividends declared, and other comprehensive loss during the period.

Our debt-to-total capital ratio remained below 30% during all reported periods, consistent with our financial policy. This ratio, which reflects debt as a percent of debt plus shareholders' equity, was 22.4% at June 30, 2021, 24.4% at June 30, 2020, and 24.1% at December 31, 2020. None of our outstanding senior notes have restrictive financial covenants or credit rating triggers.

We seek to deploy capital in a prudent manner and use multiple data sources and modeling tools to estimate the frequency, severity, and correlation of identified exposures, including, but not limited to, catastrophic and other insured losses, natural disasters, and other significant business interruptions, to estimate our potential capital needs.

During the first six months of 2021, we returned capital to shareholders primarily through dividends and common share repurchases. Our Board of Directors declared a $0.10 per common share dividend in both the first and second quarters 2021. These dividends, which were each $58.5 million in the aggregate, were paid in April 2021 and July 2021, respectively. In addition to the common share dividends, in March 2021, we paid Series B Preferred Share dividends in the aggregate amount of $13.4 million. In January 2021, we also paid common share dividends in the aggregate amount of $2.7 billion, or $4.60 per share (see *Note 9 – Dividends* for further discussion). In accordance with our financial policies, during 2021, we repurchased 1.1 million common shares, at a total cost of $95.4 million, either in the open market or to satisfy tax withholding obligations as permitted under our equity compensation plans. We will continue to make decisions on returning capital to shareholders based on the strength of our capital position and the potential capital needs to expand our business operations.

In April 2021, we renewed the unsecured discretionary line of credit (the "Line of Credit") with PNC Bank, National Association, in the maximum principal amount of $250 million. We did not engage in short-term borrowings, including any borrowings under our Line of Credit, to fund our operations or for liquidity purposes during the reported periods.

On June 1, 2021, Progressive acquired all of the outstanding Class A and Class B common shares of Protective Insurance for $23.30 per share, or approximately $338 million in aggregate. The acquisition was funded with cash held by Progressive. See *Note 14 – Acquisition* for further discussion.

Based upon our capital planning and forecasting efforts, we believe we have sufficient capital resources and cash flows from operations to support our current business, scheduled principal and interest payments on our debt, anticipated dividends on our common shares and Series B Preferred Shares, our contractual obligations, and other expected capital requirements for the foreseeable future, including the $500 million of 3.75% Senior Notes maturing in August of 2021. We did not experience a significant change in our liquidity needs during the second quarter 2021. During the first six months of 2021 and at all times during 2020, our total capital exceeded the sum of our regulatory capital layer plus our self-constructed extreme contingency layer, as described in Exhibit 13 to our Annual Report on Form 10-K for the year ended December 31, 2020 (2020 Annual Report to Shareholders).

B. Commitments and Contingencies

Contractual Obligations

During the first six months of 2021, our contractual obligations have not changed materially from those discussed in our 2020 Annual Report to Shareholders.

Off-Balance-Sheet Arrangements

Our off-balance-sheet leverage includes purchase obligations and catastrophe excess of loss reinsurance contracts. There have not been any material changes in off-balance-sheet items from those discussed in our 2020 Annual Report to Shareholders.

III. RESULTS OF OPERATIONS – UNDERWRITING

A. Segment Overview

We report our underwriting operations in three segments: Personal Lines, Commercial Lines, and Property. As a component of our Personal Lines segment, we report our Agency and Direct business results to provide further understanding of our products by distribution channel.

The following table shows the composition of our companywide net premiums written, by segment, for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Personal Lines				
Agency	38 %	40 %	38 %	41 %
Direct	40	43	41	43
Total Personal Lines[1]	78	83	79	84
Commercial Lines	17	12	16	12
Property	5	5	5	4
Total underwriting operations	100 %	100 %	100 %	100 %

[1] Personal auto insurance accounted for 91% of the total Personal Lines segment net premiums written during the three months and 93% during the six months ended June 30, 2021 and 2020; insurance for our special lines products accounted for the balance.

Our Personal Lines business writes insurance for personal autos and special lines products (e.g., motorcycles, watercraft, and RVs). We currently write our Personal Lines products in all 50 states. We also offer our personal auto product (not special lines products) in the District of Columbia. Within Personal Lines we often refer to our four consumer segments, which include:

- Sams - inconsistently insured;
- Dianes - consistently insured and maybe a renter;
- Wrights - homeowners who do not bundle auto and home; and
- Robinsons - homeowners who bundle auto and home.

While our personal auto policies are primarily written for 6-month terms, we write 12-month auto policies in our Platinum agencies to promote bundled auto and home growth. At June 30, 2021, 13% of our Agency auto policies in force were 12-month policies, compared to 11% a year earlier. Our special lines products are written for 12-month terms.

Our Commercial Lines business writes auto-related liability and physical damage insurance, workers' compensation coverage primarily for the transportation industry, and business-related general liability and property insurance, predominately for small businesses. The majority of our Commercial Lines business is written through the independent agency channel although our direct business is growing. The amount of commercial auto business written through the direct channel, excluding our TNC business, grew 93% on a quarter-over-prior-year and represented 10% of premiums written for the second quarter 2021, compared to 8% for the same period last year. We write Commercial Lines business in all 50 states and about 90% of these policies are written for 12-month terms. To serve our direct channel customers, we continued to expand our product offerings, including the addition of our business owners policy product in 22 states by the end of the second quarter, through our in-house agency and BusinessQuote Explorer®, our digital platform for small business consumers.

Our Property business writes residential property insurance for single family homes, condominium unit owners, renters, etc. We write the majority of our Property business through the independent agency channel; however, we continue to expand the distribution of our Property product offerings in the direct channel, which represented about 22% of premiums written for the second quarter 2021, compared to 17% for the same period last year. Property policies are written for 12-month terms. We write residential property in 47 states, renters in 48 states, and flood insurance in 46 states; we also write all of these products in the District of Columbia. Our flood insurance is written primarily through the National Flood Insurance Program and is 100% reinsured.

B. Profitability

Profitability for our underwriting operations is defined by pretax underwriting profit, which is calculated as net premiums earned plus fees and other revenues less losses and loss adjustment expenses, policy acquisition costs, and other underwriting expenses. We also use underwriting margin, which is underwriting profit or loss expressed as a percentage of net premiums earned, to analyze our results. For the respective periods, our underwriting profitability results were as follows:

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	Underwriting Profit (Loss)		Underwriting Profit (Loss)		Underwriting Profit (Loss)		Underwriting Profit (Loss)	
($ in millions)	$	Margin	$	Margin	$	Margin	$	Margin
Personal Lines								
Agency	$ 207.5	4.9 %	$ 550.6	14.0 %	$ 755.0	9.1 %	$ 1,152.2	14.9 %
Direct	128.4	2.8	647.2	15.5	543.0	6.0	1,120.2	13.7
Total Personal Lines	335.9	3.8	1,197.8	14.8	1,298.0	7.5	2,272.4	14.3
Commercial Lines	130.1	8.0	179.8	15.9	358.6	11.8	292.3	12.6
Property[1]	(83.3)	(16.6)	(188.7)	(43.6)	(154.0)	(15.8)	(139.5)	(16.3)
Other indemnity[2]	0.1	NM	0	NM	0.1	NM	0	NM
Total underwriting operations	$ 382.8	3.5 %	$ 1,188.9	12.3 %	$ 1,502.7	7.0 %	$ 2,425.2	12.7 %

[1] For the three and six months ended June 30, 2021 and 2020, pretax profit (loss) includes $14.1 million and $28.3 million, respectively, of amortization expense associated with acquisition-related intangible assets attributable to our Property segment, and $14.1 million and $28.6 million for the respective periods last year.

[2] Primarily includes Protective Insurance's run-off business operations. Underwriting margins for our other indemnity business are not meaningful (NM) due to the low level of premiums earned by such business.

The decreases in the companywide underwriting profit margins during the three and six months ended June 30, 2021, compared to the same periods last year, were primarily driven by higher accident frequency and severity. See the *Losses and Loss Adjustment Expenses (LAE)* section below for further discussion of our frequency and severity trends.

Further underwriting results for our Personal Lines business, including results by distribution channel, the Commercial Lines business, the Property business, and our underwriting operations in total, were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
Underwriting Performance[1]	**2021**	**2020**	**Change**	**2021**	**2020**	**Change**
Personal Lines – Agency						
Loss & loss adjustment expense ratio	76.5	53.2	23.3	72.2	58.8	13.4
Underwriting expense ratio	18.6	32.8	(14.2)	18.7	26.3	(7.6)
Combined ratio	95.1	86.0	9.1	90.9	85.1	5.8
Personal Lines – Direct						
Loss & loss adjustment expense ratio	77.0	50.3	26.7	72.8	57.9	14.9
Underwriting expense ratio	20.2	34.2	(14.0)	21.2	28.4	(7.2)
Combined ratio	97.2	84.5	12.7	94.0	86.3	7.7
Total Personal Lines						
Loss & loss adjustment expense ratio	76.8	51.7	25.1	72.5	58.3	14.2
Underwriting expense ratio	19.4	33.5	(14.1)	20.0	27.4	(7.4)
Combined ratio	96.2	85.2	11.0	92.5	85.7	6.8
Commercial Lines						
Loss & loss adjustment expense ratio	71.8	57.3	14.5	67.9	62.9	5.0
Underwriting expense ratio	20.2	26.8	(6.6)	20.3	24.5	(4.2)
Combined ratio	92.0	84.1	7.9	88.2	87.4	0.8
Property						
Loss & loss adjustment expense ratio	87.5	114.0	(26.5)	86.2	86.5	(0.3)
Underwriting expense ratio[2]	29.1	29.6	(0.5)	29.6	29.8	(0.2)
Combined ratio[2]	116.6	143.6	(27.0)	115.8	116.3	(0.5)
Total Underwriting Operations						
Loss & loss adjustment expense ratio	76.5	55.2	21.3	72.5	60.2	12.3
Underwriting expense ratio	20.0	32.5	(12.5)	20.5	27.1	(6.6)
Combined ratio	96.5	87.7	8.8	93.0	87.3	5.7
Accident year – Loss & loss adjustment expense ratio[3]	75.8	55.5	20.3	71.6	59.6	12.0

[1] Ratios are expressed as a percentage of net premiums earned; fees and other revenues are netted with underwriting expenses in the ratio calculations.

[2] Included in the three and six months ended June 30, 2021, are 2.8 points and 2.9 points, respectively, of amortization expense associated with acquisition-related intangible assets attributable to our Property segment, and 3.3 points and 3.4 points for the respective periods last year. Excluding these additional expenses, for the three months ended June 30, 2021 and 2020, the Property business would have reported expense ratios of 26.3 for both periods, and combined ratios of 113.8 and 140.3, respectively. For the six months ended June 30, 2021 and 2020, excluding these additional expenses, the Property business would have reported expense ratios of 26.7 and 26.4, respectively, and combined ratios of 112.9 for both periods.

[3] The accident year ratios include only the losses that occurred during the period noted. As a result, accident period results will change over time, either favorably or unfavorably, as we revise our estimates of loss costs when payments are made or reserves for that accident period are reviewed.

Losses and Loss Adjustment Expenses (LAE)

(millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Increase (decrease) in net loss and LAE reserves	$ 1,603.1	$ 146.5	$ 2,230.6	$ 116.1
Paid losses and LAE	6,803.3	5,174.9	13,286.3	11,360.5
Total incurred losses and LAE	$ 8,406.4	$ 5,321.4	$ 15,516.9	$ 11,476.6

Claims costs, our most significant expense, represent payments made and estimated future payments to be made, to or on behalf of our policyholders, including expenses needed to adjust or settle claims. Claims costs are a function of loss severity and frequency and, for our vehicle businesses, are influenced by inflation and driving patterns, among other factors, some of which are discussed below. In our Property business, severity is primarily a function of construction costs and the age of the structure. Accordingly, anticipated changes in these factors are taken into account when we establish premium rates and loss reserves. Loss reserves are estimates of future costs and our reserves are adjusted as underlying assumptions change and information develops.

Our total loss and LAE ratio increased 21.3 points for the second quarter 2021, compared to the same period last year, and 12.3 points on a year-to-date basis, primarily due to higher accident severity and frequency.

The following table shows our consolidated catastrophe losses, excluding loss adjustment expenses, incurred during the periods:

($ in millions)	Three Months Ended June 30, 2021	Three Months Ended June 30, 2020	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Personal Lines	$ 211.8	$ 164.7	$ 276.9	$ 201.9
Commercial Lines	6.6	6.3	8.4	7.6
Property	128.0	234.8	272.6	276.7
Total net catastrophe losses incurred	$ 346.4	$ 405.8	$ 557.9	$ 486.2
Combined ratio effect	3.2 pts.	4.2 pts.	2.6 pts.	2.5 pts.

During the second quarter 2021, the majority of catastrophe losses were due to wind and hail throughout the United States. We have responded, and plan to continue to respond, promptly to catastrophic events when they occur in order to provide exemplary claims service to our customers.

We do not have catastrophe-specific reinsurance for our Personal Lines or Commercial Lines businesses, but we reinsure portions of our Property business against various risks. The Property business reinsurance programs include: multi-year catastrophe excess of loss, aggregate excess of loss, and catastrophe bonds. During the second quarter 2021, we entered into new reinsurance contracts under our per occurrence excess of loss program for our Property business. The new reinsurance policies carry retention thresholds for losses and allocated loss adjustment expenses (ALAE) from a single catastrophic event of $200 million, an increase from the retention threshold on the prior contracts of $80 million. The increase in the threshold from the prior contract primarily reflects our ability to assume more direct risk on a companywide basis, while balancing this risk against the rising costs for these types of contracts. See *Item 1 – Description of Business-Reinsurance* in our Annual Report on Form 10-K for the year ended December 31, 2020, for a discussion of our various reinsurance programs. As of June 30, 2021, on a year-to-date basis, we have incurred $276.3 million of losses and ALAE subject to our 2021 catastrophe aggregate excess of loss program and have not exceeded the $475 million annual retention threshold.

Under our various Property catastrophe-specific reinsurance, we ceded the following losses and ALAE, including development on prior year storms, during the periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	**2021**	**2020**	**2021**	**2020**
Aggregate excess of loss:				
Current accident year	$ 0	$ 0	$ 0	$ 0
Prior accident years	12.7	NA	13.5	NA
Per occurrence excess of loss:				
Current accident year	(12.5)	0	7.5	0
Prior accident years[1]	15.0	40.0	134.6	80.0
Total	$ 15.2	$ 40.0	$ 155.6	$ 80.0

NA = Not applicable; this reinsurance coverage was entered into on January 1, 2020.

[1] Increase during the six months ended June 30, 2021, primarily represents prior year development on Hurricane Irma. In 2017, we reached our excess of loss retention threshold for Irma and, as a result, all prior year development is fully ceded.

The following discussion of our severity and frequency trends in our personal auto businesses excludes comprehensive coverage because of its inherent volatility, as it is typically linked to catastrophic losses generally resulting from adverse weather. For our commercial auto products, the reported frequency and severity trends include comprehensive coverage. Comprehensive coverage insures against damage to a customer's vehicle due to various causes other than collision, such as windstorm, hail, theft, falling objects, and glass breakage.

Due to the impacts of shelter-in-place requirements that occurred throughout much of 2020, we believe that comparing current year frequency and severity to the prior year are not meaningful for our personal auto businesses. For reference, on a year-over-year basis for the second quarter and the first six months of 2021, frequency increased 47% and 19%, respectively, for all coverages, excluding comprehensive coverage, and severity increased 8% and 6%. The trend comparisons below compare a two-year annualized change between 2021 and 2019 for personal auto frequency and severity, which we feel are more insightful when trying to understand our current year profitability given the impact that COVID-19 restrictions had on our 2020 trends.

We saw the number of vehicle miles driven decrease dramatically when the COVID-19 restrictions were first put in place, especially during the early months of the pandemic. Now that the shelter-in-place restrictions have been eliminated, our usage-based insurance data has shown that the variance between vehicle miles traveled and claims volume decreased as the number of claims grew at a faster pace during the second quarter 2021.

Total personal auto incurred severity (i.e., average cost per claim, including both paid losses and the change in case reserves) on a calendar-year basis increased about 8% during the second quarter and the first six months of 2021, compared to the same period in 2019.

Following are the changes we experienced in severity in our auto coverages on a 2021 year-over-2019 year annualized basis:

- Bodily injury increased about 10% for the second quarter and the first six months of 2021, due in part to a shift in the mix to more severe accidents compared to 2019.
- Personal injury protection (PIP) increased about 10% during the second quarter 2021 and 7% during the first six months of 2021, due in part to reopened claims, primarily in Florida.
- Auto property damage and collision increased about 6% and 9%, respectively, for the second quarter 2021 and 6% and 7% for the first six months of 2021, in part due to shifts in the type of loss experienced, more total losses, and increased used car prices.

It is a challenge to estimate future severity, but we continue to monitor changes in the underlying costs, such as used car prices, vehicle repair costs, medical costs, health care reform, court decisions, and jury verdicts, along with regulatory changes and other factors that may affect severity.

Our personal auto incurred frequency, on a calendar-year annualized basis, decreased about 6% and 8% for the second quarter and for the first six months of 2021, compared to the same periods in 2019. Following are the frequency changes we experienced by coverage, and primarily resulted from changes in driving patterns from those historically experienced:

- Auto property damage, bodily injury, and PIP each decreased about 9% to 10% for the second quarter of 2021 and 11% to 12% for the first six months of 2021, compared to 2019.
- Collision decreased about 2% for the quarter and 5% for the first six months of 2021.

We will continue to analyze trends to distinguish changes in our experience from other external factors, such as changes in the number of vehicles per household, miles driven, vehicle usage, gasoline prices, advances in vehicle safety, and unemployment rates, versus those resulting from shifts in the mix of our business or changes in driving patterns, to allow us to react quickly to price for these trends and to reserve more accurately for our loss exposures.

The changes we are disclosing in the paragraph below for our commercial auto products severity and frequency use a trailing 12-month period and exclude our TNC business. Using a trailing 12-month period addresses inherent seasonality trends in the commercial auto products and lessens the effects of month-to-month variability, including the impact of COVID-19 restrictions. Since the loss patterns in the TNC business are not indicative of our other commercial auto products, disclosing severity and frequency trends excluding that business is more indicative of our overall experience for the majority of our commercial auto products.

For the trailing 12-month period ending June 30, 2021, compared to the same period in 2020, incurred severity in our commercial auto products increased 6% and frequency was flat. The increase in severity is in part due to increased medical costs and actuarially determined reserves due to accelerating paid loss trends and shifts in the mix of business to for-hire transportation, which has higher average severity than the business auto and contractor business market targets. Information from our usage-based insurance data shows commercial auto driving miles and congestion levels are back to pre-pandemic levels, which we believe will result in more claims activity. As a result, we will continue to adjust our pricing and increase our claims staff to prepare for the expected year-over-year increase in our commercial auto claims volume.

The table below presents the actuarial adjustments implemented and the loss reserve development experienced in the following periods on a companywide basis:

	Three Months Ended June 30,		Six Months Ended June 30,	
($ in millions)	**2021**	**2020**	**2021**	**2020**
ACTUARIAL ADJUSTMENTS				
Reserve decrease (increase)				
Prior accident years	$ (22.1)	$ (2.7)	$ (44.2)	$ (12.2)
Current accident year	15.5	28.6	18.4	30.2
Calendar year actuarial adjustment	$ (6.6)	$ 25.9	$ (25.8)	$ 18.0
PRIOR ACCIDENT YEARS DEVELOPMENT				
Favorable (unfavorable)				
Actuarial adjustment	$ (22.1)	$ (2.7)	$ (44.2)	$ (12.2)
All other development	(50.5)	30.7	(152.8)	(103.9)
Total development	$ (72.6)	$ 28.0	$ (197.0)	$ (116.1)
(Increase) decrease to calendar year combined ratio	(0.7) pts.	0.3 pts.	(0.9) pts.	(0.6) pts.

Total development consists of both actuarial adjustments and “all other development” on prior accident years. The actuarial adjustments represent the net changes made by our actuarial staff to both current and prior accident year reserves based on regularly scheduled reviews. Through these reviews, our actuaries identify and measure variances in the projected frequency and severity trends, which allow them to adjust the reserves to reflect the current cost trends. For our Property business, 100% of catastrophe losses are reviewed monthly, and any development on catastrophe reserves are included as part of the actuarial adjustments. For the Personal Lines and Commercial Lines businesses, development for catastrophe losses for the vehicle businesses would be reflected in “all other development,” discussed below, to the extent they relate to prior year reserves. We report these actuarial adjustments separately for the current and prior accident years to reflect these adjustments as part of the total prior accident years development.

“All other development” represents claims settling for more or less than reserved, emergence of unrecorded claims at rates different than anticipated in our incurred but not recorded (IBNR) reserves, and changes in reserve estimates on specific claims. Although we believe the development from both the actuarial adjustments and “all other development” generally results from the same factors, we are unable to quantify the portion of the reserve development that might be applicable to any one or more of those underlying factors.

Our objective is to establish case and IBNR reserves that are adequate to cover all loss costs, while incurring minimal variation from the date the reserves are initially established until losses are fully developed. Our ability to meet this objective is impacted by many factors. Changes in case law, particularly in PIP environments, can make it difficult to estimate reserves timely and with minimal variation. See *Note 6 – Loss and Loss Adjustment Expense Reserves*, for a more detailed discussion of our prior

accident years development. We continue to focus on our loss reserve analysis, attempting to enhance accuracy and to further our understanding of our loss costs.

Underwriting Expenses

The companywide underwriting expense ratio (i.e., policy acquisition costs and other underwriting expenses and policyholder credits, net of fees and other revenues, expressed as a percentage of net premiums earned) decreased 12.5 points for the second quarter and 6.6 points for the first six months of 2021, compared to the same period in 2020, primarily reflecting 10.7 points and 5.4 points of policyholder credits issued to personal auto customers for the three and six months ended June 30, 2020. Our Commercial Lines business also saw a significant decrease in expenses on a year-over-year basis reflecting the work that we did with our Commercial Lines policyholders and agents to provide premium credits and billing allowances during the second quarter 2020, which, along with bad debt exposure, contributed to a 4.0 point and 2.1 point increase in the Commercial Lines expense ratio for the three and six months ended June 30, 2020, respectively.

Progressive's other underwriting expenses, net of fees and other revenues, decreased 3% and increased 1% for the three and six months ended June 30, 2021, compared to the same periods last year. In 2020, we recorded $120.0 million and $191.0 million for the second quarter and year-to-date periods, respectively, to increase our allowance for uncollectable accounts, which reflected our expectation of the additional uncertainty regarding our policyholders' ability to pay as a result of the economic impacts related to COVID-19 restrictions. During the second quarter and the first six months of 2021, our advertising expenditures increased 15% and 20%, compared to the same period last year. We reevaluated our media budget as part of our actions to respond to the compression we are seeing in our underwriting profitability and, as a result, will be reducing our planned spend in certain areas based on performance against our media and underwriting targets.

C. Growth

For our underwriting operations, we analyze growth in terms of both premiums and policies. Net premiums written represent the premiums from policies written during the period, less any premiums ceded to reinsurers. Net premiums earned, which are a function of the premiums written in the current and prior periods, are earned as revenue over the life of the policy using a daily earnings convention. Policies in force, our preferred measure of growth since it removes the variability due to rate changes or mix shifts, represents all policies under which coverage was in effect as of the end of the period specified.

	Three Months Ended June 30,			Six Months Ended June 30,		
($ in millions)	**2021**	**2020**	**% Growth**	**2021**	**2020**	**% Growth**
NET PREMIUMS WRITTEN						
Personal Lines						
Agency	$ 4,326.1	$ 4,104.7	5 %	$ 8,784.8	$ 8,131.2	8 %
Direct	4,574.1	4,326.8	6	9,576.8	8,624.2	11
Total Personal Lines	8,900.2	8,431.5	6	18,361.6	16,755.4	10
Commercial Lines	1,986.3	1,195.1	66	3,780.4	2,339.2	62
Property	590.9	513.4	15	1,064.5	916.7	16
Other indemnity	2.9	0	NM	2.9	0	NM
Total underwriting operations	$ 11,480.3	$ 10,140.0	13 %	$ 23,209.4	$ 20,011.3	16 %
NET PREMIUMS EARNED						
Personal Lines						
Agency	$ 4,220.3	$ 3,919.0	8 %	$ 8,318.5	$ 7,747.7	7 %
Direct	4,633.9	4,167.9	11	9,065.6	8,160.3	11
Total Personal Lines	8,854.2	8,086.9	9	17,384.1	15,908.0	9
Commercial Lines	1,621.8	1,129.0	44	3,039.6	2,318.0	31
Property	502.3	432.7	16	974.8	853.3	14
Other indemnity[1]	4.0	0	NM	4.0	0	NM
Total underwriting operations	$ 10,982.3	$ 9,648.6	14 %	$ 21,402.5	$ 19,079.3	12 %

NM = Not meaningful

[1] Represents Protective Insurance's run-off business.

	June 30,		
(thousands)	**2021**	**2020**	**% Growth**
POLICIES IN FORCE			
Agency auto	8,014.2	7,362.5	9 %
Direct auto	9,581.3	8,507.6	13
Total auto	17,595.5	15,870.1	11
Special lines[1]	5,211.7	4,790.5	9
Personal Lines — total	22,807.2	20,660.6	10
Commercial Lines	916.6	775.8	18
Property	2,655.5	2,336.1	14
Companywide total	26,379.3	23,772.5	11 %

[1] Includes insurance for motorcycles, watercraft, RVs, and similar items.

Although new policies are necessary to maintain a growing book of business, we recognize the importance of retaining our current customers as a critical component of our continued growth. As shown in the tables below, we measure retention by policy life expectancy. We review our customer retention for our personal auto products using both a trailing 3-month and a trailing 12-month period. Although using a trailing 3-month measure does not address seasonality and can reflect more volatility, this measure is more responsive to current experience and generally can be an indicator of how our retention rates are moving. Due to the significant renewal activity during the second quarter 2020, as a result of suspending cancellations of policies for non-payment, we believe the year-over-year change in the trailing 3-month policy life expectancy is not representative of true retention activity and, therefore, we have chosen not to disclose this measure in the tables below as we do not believe the change is meaningful.

We continue to disclose our changes in policy life expectancy using a trailing 12-month period. We believe the measure is indicative of recent experience, mitigates the effect of month-to-month variability, and addresses seasonality. While this measure was also impacted by suspension of policy cancellations last year, it was to a much lesser extent.

To analyze growth, we review new policies, rate levels, and the retention characteristics of our segments.

D. Personal Lines

The following table shows our year-over-year changes for our Personal Lines business:

	Growth Over Prior Year			
	Quarter		Year-to-date	
	2021	2020	2021	2020
Applications				
New	7 %	2 %	11 %	2 %
Renewal	9	12	11	11
Written premium per policy - Auto	(2)	0	(3)	0
Policy life expectancy - Auto				
Trailing 3-months	NM	NM		
Trailing 12-months	3	7		

NM = Not meaningful

In our Personal Lines business, the increase in both new and renewal applications during 2021 resulted from increases in both our personal auto and special lines products. The year-to-date comparisons are impacted by the depressed growth resulting from the impact of COVID-19 restrictions that were put in place toward the end of the first quarter 2020.

During the three and six months ended June 30, 2021, our personal auto new application growth was 9% and 10%, respectively, compared to the same periods last year. During the second quarter 2021, we continued to see strong renewal personal auto application growth, in part aided by rate decreases taken throughout 2020, in addition to the impact from the moratoriums and billing leniency efforts throughout 2020. During the second quarter 2021, rate increases were effective in 11 states, which had an average increase of about 5%. In the aggregate, rate changes for personal auto for the quarter were about 2%. These rate changes, coupled with tightening underwriting criteria in consumer segments where losses indicate rate inadequacy, are part of the actions that we are taking to address the rising trends we are experiencing with auto accident frequency and severity increasing as people are driving more. We will continue to manage growth and profitability in accordance with our long-standing goal of growing as fast as we can as long as we can provide good customer service at or below a companywide 96 combined ratio on a calendar-year basis.

Our special lines products saw new applications increase 1% and 12% during the quarter and year-to-date period. Year-over-year growth in the second quarter 2021 was less than the first six months due to the significant application growth we recorded last year. During the second quarter 2020, we recorded a 22% increase in new applications due to high demand in our special lines products reflecting the overall growth in the RV, boat, and motorcycle industries as consumers focused on activities that promoted social distancing.

At the end of the second quarter 2021, we saw our Robinsons continue to enjoy year-over-year growth in personal auto policies in force that outpaced our other consumer segments (Sams, Dianes, and Wrights). New application growth across all four consumer segments was positive for the quarter. Quote volume increased on a year-over-year basis for the second quarter in all consumer segments, except the Wrights, which decreased slightly. During the second quarter 2021, compared to the same period last year, all consumer segments saw a flat-to-slightly-increased rate of conversion.

We report our Agency and Direct business results separately as components of our Personal Lines segment to provide further understanding of our products by distribution channel. The channel discussions below are focused on personal auto insurance since this product accounted for 91% and 93% of the Personal Lines segment net premiums written during the second quarter and the first six months of 2021, respectively.

The Agency Business

	Growth Over Prior Year			
	Quarter		Year-to-date	
	2021	2020	2021	2020
Applications - Auto				
New	9 %	(13) %	7 %	(8)%
Renewal	6	11	9	10
Written premium per policy - Auto	(1)	1	(1)	1
Policy life expectancy - Auto				
Trailing 3-months	NM	NM		
Trailing 12-months	3	9		

NM = Not meaningful

The Agency business includes business written by more than 40,000 independent insurance agencies that represent Progressive, as well as brokerages in New York and California. During the second quarter and first six months of 2021, the Agency auto business experienced an increase in new application growth. During the quarter, we generated new auto application growth in 39 states and the District of Columbia, including seven of our top 10 largest Agency states. Each of our consumer segments experienced positive new application and policy in force growth, except for our Robinson consumer segment where new applications decreased 2% during the second quarter 2021, compared to last year. Robinsons new applications were relatively less affected by the pandemic than the other consumer segments in 2020.

During the second quarter and first six months of 2021, we experienced an increase in Agency auto quote volume of 6% and 5%, respectively, with a rate of conversion (i.e., converting a quote to a sale) increase of 3% and 2%, compared to the same period last year. For the quarter and year-to-date periods, each consumer segment saw increases in quote volume, except for the Wrights, where growth decreased slightly in both periods, compared to last year. The current year increase in part reflected lower quotes and conversion in 2020 due to shelter-in-place restrictions, which required agents to work from home. Given the impact of the COVID-19 restrictions on the prior year activity, we felt it may be helpful to compare the current year to the second quarter and first six months of 2019. Comparing 2021 to 2019, Agency auto quotes increased 1% and 3%, for the second quarter and first six months, respectively, and conversion decreased 6% and 5%.

We experienced an increase in the percentage of bundled Agency auto policies written for 12-month terms, which have about twice the amount of net premiums written compared to 6-month policies. At the end of the second quarter 2021, 13% of our Agency auto policies in force were 12-month policies, compared to about 11% a year earlier. Written premium per policy on new Agency auto business was up 1% and renewal was down 1%, compared to the second quarter last year. In response to increased frequency and severity resulting from changes in driving patterns during 2021, we are taking rate actions to address our underwriting profitability. During the second quarter 2021, our auto rate changes averaged an increase of 2% countrywide in our Agency auto business.

The Direct Business

	Growth Over Prior Year			
	Quarter		Year-to-date	
	2021	2020	2021	2020
Applications - Auto				
New	10 %	4 %	13 %	5 %
Renewal	12	15	15	13
Written premium per policy - Auto	(4)	0	(4)	0
Policy life expectancy - Auto				
Trailing 3-months	NM	NM		
Trailing 12-months	3	5		

NM = Not meaningful

The Direct business includes business written directly by Progressive on the Internet, through mobile devices, and over the phone. The Direct business experienced solid new and renewal application growth during the second quarter 2021, in part reflecting our increase in advertising spend. During the quarter, we generated new auto application growth in 41 states and the District of Columbia, including nine of our top 10 largest Direct states. During the quarter, we grew our new Direct auto applications and policies in force across all consumer segments, except for our Sam consumer segment, where new applications decreased 1% during the second quarter 2021, compared to last year.

During the second quarter and first six months of 2021, we experienced a decrease in Direct auto quote volume of 4% and an increase of 2%, respectively, while our rate of conversion increased 13% and 11%, compared to the same period last year. All consumer segments saw a decrease in quotes during the quarter, with the Robinsons showing the largest decrease of 9%. On a year-over-year basis, all consumer segments saw flat-to-increased quote growth. Unlike our Agency auto business, by the end of the second quarter 2020, our Direct auto business was returning to more normal activity, as evidenced by overall shopping volume returning to pre-COVID levels. Although the Direct auto business was not impacted to the same extent as our Agency auto business from the COVID-19 restrictions, comparing the second quarter and first six months of 2021 to the comparable periods in 2019, Direct auto quotes increased 3% and 7%, respectively, and conversion increased 11% and 10%.

During the second quarter 2021, written premium per policy for new Direct auto business decreased 4% and renewal business decreased 3%, reflecting rate decreases taken during the last 12 months. Consistent with the Agency auto business, in response to increased frequency and severity during 2021, we are taking rate actions to support our underwriting profitability in our Direct auto business. During the second quarter 2021, our auto rate changes averaged an increase of 2% countrywide in our Direct auto business.

E. Commercial Lines

	Growth Over Prior Year			
	Quarter		Year-to-date	
	2021	2020	2021	2020
Applications - Auto				
New	52 %	(10)%	40 %	(3)%
Renewal	8	7	10	8
Written premium per policy	20	(1)	16	2
Policy life expectancy - Trailing 12-months	5	6		

Note: Table excludes our TNC, BOP, and Protective Insurance products.

Our Commercial Lines business operates in five traditional business markets, which include business auto, for-hire transportation, contractor, for-hire specialty, and tow markets, primarily written through the agency channel. We also write transportation network company (TNC) business and business owners policy (BOP) insurance. With the acquisition of Protective Insurance and its subsidiaries during the quarter, we expanded our offerings to larger fleet, workers' compensation coverage for the transportation industry, and affinity programs.

Similar to our experience in our personal auto businesses, our Commercial Lines business results for the first half of 2020 were negatively impacted by COVID-19 restrictions, which influenced the demands and general consumer habits for goods and services provided by our Commercial Lines customers and required that certain businesses undergo temporary closure.

Commercial Lines experienced very strong new application growth in the second quarter 2021, reflecting continued improvement in the economy and our competitiveness in the marketplace. The new application growth during the second quarter was primarily driven by continued growth in our for-hire transportation business market target.

During the second quarter 2021, demand in our for-hire transportation product drove new consumer shopping, which resulted in a 41% increase in quote volume and an 8% increase in the rate of conversion, compared to the same period last year.

During the second quarter 2021, volume in our TNC business increased significantly, compared to the second quarter last year when COVID-19 restrictions were in place. During the quarter, our net premiums written continued to reflect the increase in rideshare usage we started to experience during the second half of 2020. In addition, we began writing business in an additional state for one of our TNC customers in the second quarter 2021.

F. Property

	Growth Over Prior Year			
	Quarter		Year-to-date	
	2021	2020	2021	2020
Applications				
New	29 %	4 %	28 %	5 %
Renewal	8	15	10	16
Written premium per policy	0	0	0	0
Policy life expectancy - Trailing 12-months	(6)	(3)		

Our Property business writes residential property insurance for homeowners, other property owners, and renters, in the agency and direct channels. During the second quarter 2021, our Property business experienced a solid increase in new applications, primarily driven by growth in our direct channel and our Robinsons consumer segment, and a continued rebound in the housing market for new home sales. Our Property segment was not significantly impacted by COVID-19 restrictions during 2020.

Despite rate increases taken during the last 12 months in our home product, there was no change in written premium per policy on a year-over-year basis due to a shift in the mix of business to a larger share of renters policies, which have lower written premiums per policy. Our policy life expectancy decreased from the same period last last year, primarily due to targeted rate increases being made in hail prone states in 2020.

G. Income Taxes

A deferred tax asset or liability is a tax benefit or expense that is expected to be realized in a future period. At June 30, 2021 and 2020, and December 31, 2020, we reported net federal deferred tax liabilities. At June 30, 2021 and 2020, and December 31, 2020, we had net current income taxes payable of $37.2 million, $889.0 million, and $163.5 million, respectively, which were reported as part of other liabilities. During the six months ended June 30, 2020, we deferred $700.0 million of estimated federal tax payments under guidance from the Internal Revenue Service (IRS). In response to the impact on businesses caused by COVID-19 restrictions, the IRS postponed the due date of federal income tax payments that would have otherwise been due between April 1, 2020 and July 15, 2020.

Our effective tax rate for the three and six months ended June 30, 2021, were 20.9% and 20.8%, respectively, compared to 21.1% and 20.8% for the same periods last year.

IV. RESULTS OF OPERATIONS – INVESTMENTS

A. Investment Results

Our management philosophy governing the portfolio is to evaluate investment results on a total return basis. The fully taxable equivalent (FTE) total return includes recurring investment income, adjusted to a fully taxable amount for certain securities that receive preferential tax treatment (e.g., municipal securities), and total net realized, and changes in total net unrealized, gains (losses) on securities.

The following table summarizes investment results for the periods ended June 30:

	Three Months		Six Months	
	2021	2020	2021	2020
Pretax recurring investment book yield (annualized)	1.9 %	2.5 %	2.0 %	2.6 %
Weighted average FTE book yield (annualized)	1.9	2.6	2.0	2.6
FTE total return:				
Fixed-income securities	1.1	3.4	0.2	4.6
Common stocks	7.3	21.5	20.7	(3.4)
Total portfolio	1.7	4.5	1.9	3.9

The decrease in the book yield compared to last year reflects investing new cash from operations and portfolio turnover during the past twelve months in lower interest rate securities. The decrease in our fixed-income total return reflects the increase in interest rates during 2021. In our common stock portfolio, the significant variances year over year, for both quarter and year to date, were the result of the initial market decline due to COVID concerns in early 2020 and the subsequent market rebound. In addition, during 2021, we held common stocks, outside our indexed fund that had significant return volatility.

A further break-down of our FTE total returns for our fixed-income portfolio for the periods ended June 30, follows:

	Three Months		Six Months	
	2021	2020	2021	2020
Fixed-income securities:				
U.S. Treasury Notes	0.4 %	0.7 %	(0.7)%	7.0 %
Municipal bonds	1.4	3.8	0.4	6.6
Corporate bonds	1.3	6.3	(0.3)	5.5
Residential mortgage-backed securities	0.5	4.3	0.9	1.4
Commercial mortgage-backed securities	1.8	4.0	1.0	1.0
Other asset-backed securities	0.5	2.3	0.7	1.8
Preferred stocks	6.2	9.2	6.1	(4.1)
Short-term investments	0	0.4	0.1	0.8

B. Portfolio Allocation

The composition of the investment portfolio was:

($ in millions)		Fair Value	% of Total Portfolio	Duration (years)	Rating[1]
June 30, 2021					
U.S. government obligations	$	19,437.7	38.1 %	3.4	AAA
State and local government obligations		2,440.5	4.8	3.8	AA
Corporate debt securities		10,690.9	21.0	3.3	BBB
Residential mortgage-backed securities		671.3	1.3	1.2	AA-
Commercial mortgage-backed securities		5,708.1	11.2	3.6	A+
Other asset-backed securities		3,899.0	7.7	1.3	AA
Preferred stocks		1,845.8	3.7	3.6	BBB-
Short-term investments		1,710.6	3.3	0.1	A+
Total fixed-income securities		46,403.9	91.1	3.1	AA-
Common equities		4,538.9	8.9	na	na
Total portfolio[2]	$	50,942.8	100.0 %	3.1	AA-
June 30, 2020					
U.S. government obligations	$	9,277.8	21.2 %	3.8	AAA
State and local government obligations		3,574.3	8.2	4.5	AA+
Corporate debt securities		11,062.5	25.3	4.0	BBB+
Residential mortgage-backed securities		543.0	1.2	0.8	AA
Commercial mortgage-backed securities		5,761.8	13.2	2.7	AA
Other asset-backed securities		4,354.9	9.9	1.0	AAA-
Preferred stocks		1,332.7	3.0	3.2	BBB-
Short-term investments		4,700.5	10.8	0.1	BBB+
Total fixed-income securities		40,607.5	92.8	3.0	AA-
Common equities		3,170.4	7.2	na	na
Total portfolio[2]	$	43,777.9	100.0 %	3.0	AA-
December 31, 2020					
U.S. government obligations	$	12,740.0	26.8 %	3.3	AAA
State and local government obligations		3,221.8	6.8	4.4	AA
Corporate debt securities		10,185.2	21.4	3.8	BBB
Residential mortgage-backed securities		509.5	1.1	1.0	AA
Commercial mortgage-backed securities		6,175.1	13.0	3.2	AA-
Other asset-backed securities		3,784.6	7.9	1.0	AA+
Preferred stocks		1,642.6	3.5	3.6	BBB-
Short-term investments		5,218.5	11.0	<0.1	AA
Total fixed-income securities		43,477.3	91.5	2.9	AA-
Common equities		4,053.0	8.5	na	na
Total portfolio[2]	$	47,530.3	100.0 %	2.9	AA-

na = not applicable

[1]Represents ratings at period end. Credit quality ratings are assigned by nationally recognized statistical rating organizations. To calculate the weighted average credit quality ratings, we weight individual securities based on fair value and assign a numeric score of 0-5, with non-investment-grade and non-rated securities assigned a score of 0-1. To the extent the weighted average of the ratings falls between AAA and AA+, we assign an internal rating of AAA-.

[2]Our portfolio reflects the effect of net unsettled security transactions; at June 30, 2021, we had $412.1 million in other liabilities, compared to $277.9 million and $95.5 million at June 30, 2020 and December 31, 2020, respectively.

The total fair value of the portfolio at June 30, 2021 and 2020, and December 31, 2020, included $3.3 billion, $2.3 billion, and $6.2 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions. During the first six months of 2021, we used a portion of these investments to pay our common share dividends and repurchase common shares.

Our asset allocation strategy is to maintain 0%-25% of our portfolio in Group I securities, with the balance (75%-100%) of our portfolio in Group II securities.

We define Group I securities to include:

- common equities,
- nonredeemable preferred stocks,
- redeemable preferred stocks, except for 50% of investment-grade redeemable preferred stocks with cumulative dividends, which are included in Group II, and
- all other non-investment-grade fixed-maturity securities.

Group II securities include:

- short-term securities, and
- all other fixed-maturity securities, including 50% of the investment-grade redeemable preferred stocks with cumulative dividends.

We believe this asset allocation strategy allows us to appropriately assess the risks associated with these securities for capital purposes and is in line with the treatment by our regulators.

The following table shows the composition of our Group I and Group II securities:

	June 30, 2021		June 30, 2020		December 31, 2020	
($ in millions)	**Fair Value**	**% of Total Portfolio**	**Fair Value**	**% of Total Portfolio**	**Fair Value**	**% of Total Portfolio**
Group I securities:						
Non-investment-grade fixed maturities	$ 1,834.2	3.6 %	$ 368.6	0.8 %	$ 1,006.4	2.1 %
Redeemable preferred stocks[1]	91.7	0.2	76.0	0.2	97.3	0.2
Nonredeemable preferred stocks	1,662.3	3.3	1,180.6	2.7	1,447.9	3.1
Common equities	4,538.9	8.9	3,170.4	7.2	4,053.0	8.5
Total Group I securities	8,127.1	16.0	4,795.6	10.9	6,604.6	13.9
Group II securities:						
Other fixed maturities	41,105.1	80.7	34,281.8	78.3	35,707.2	75.1
Short-term investments	1,710.6	3.3	4,700.5	10.8	5,218.5	11.0
Total Group II securities	42,815.7	84.0	38,982.3	89.1	40,925.7	86.1
Total portfolio	$ 50,942.8	100.0 %	$ 43,777.9	100.0 %	$ 47,530.3	100.0 %

[1]We did not hold any non-investment-grade redeemable preferred stocks at June 30, 2021 and 2020, or December 31, 2020.

To determine the allocation between Group I and Group II, we use the credit ratings from models provided by the National Association of Insurance Commissioners (NAIC) for classifying our residential and commercial mortgage-backed securities, excluding interest-only securities, and the credit ratings from nationally recognized statistical rating organizations (NRSRO) for all other debt securities. NAIC ratings are based on a model that considers the book price of our securities when assessing the probability of future losses in assigning a credit rating. As a result, NAIC ratings can vary from credit ratings issued by NRSROs. Management believes NAIC ratings more accurately reflect our risk profile when determining the asset allocation between Group I and Group II securities.

Unrealized Gains and Losses

As of June 30, 2021, our fixed-maturity portfolio had pretax net unrealized gains, recorded as part of accumulated other comprehensive income, of $638.8 million, compared to $1,257.1 million and $1,206.6 million at June 30, 2020 and December 31, 2020, respectively. The decrease from June 30, 2020, reflects sales of securities with unrealized gains in 2020 as well as increasing interest rates during the first six months of 2021. The decrease from December 31, 2020, was primarily due to increasing interest rates, which resulted in valuation decreases in all fixed-maturity sectors, most prominently in the U.S. government and corporate portfolios.

See *Note 2 – Investments* for a further break-out of our gross unrealized gains and losses.

Holding Period Gains and Losses

The following table provides the gross and net holding period gain (loss) balance and activity during the six months ended June 30, 2021:

(millions)	Gross Holding Period Gains	Gross Holding Period Losses	Net Holding Period Gains (Losses)
Balance at December 31, 2020			
Hybrid fixed-maturity securities	$ 15.2	$ 0	$ 15.2
Equity securities	2,961.5	(6.6)	2,954.9
Total holding period securities	2,976.7	(6.6)	2,970.1
Current year change in holding period securities			
Hybrid fixed-maturity securities	0.7	(1.7)	(1.0)
Equity securities	493.5	3.2	496.7
Total changes in holding period securities	494.2	1.5	495.7
Balance at June 30, 2021			
Hybrid fixed-maturity securities	15.9	(1.7)	14.2
Equity securities	3,455.0	(3.4)	3,451.6
Total holding period securities	$ 3,470.9	$ (5.1)	$ 3,465.8

Changes in holding period gains (losses), similar to unrealized gains (losses) in our fixed-maturity portfolio, are the result of changes in market performance as well as sales of securities based on various portfolio management decisions.

Fixed-Income Securities

The fixed-income portfolio is managed internally and includes fixed-maturity securities, short-term investments, and nonredeemable preferred stocks.

Following are the primary exposures for our fixed-income portfolio. Details of our policies related to these exposures can be found in the *Management's Discussion and Analysis* included in our 2020 Annual Report to Shareholders.

- Interest rate risk - our duration of 3.1 years at June 30, 2021, fell within our acceptable range of 1.5 to 5 years. The duration distribution of our fixed-income portfolio, excluding short-term investments, represented by the interest rate sensitivity of the comparable benchmark U.S. Treasury Notes, was:

Duration Distribution	June 30, 2021	June 30, 2020	December 31, 2020
1 year	21.9 %	25.5 %	19.5 %
2 years	18.5	14.1	18.7
3 years	24.4	21.3	24.9
5 years	17.1	20.1	18.5
7 years	12.2	10.4	10.9
10 years	5.9	8.6	7.5
Total fixed-income portfolio	100.0 %	100.0 %	100.0 %

- Credit risk - our credit quality rating of AA- was above our minimum threshold during the second quarter 2021. The credit quality distribution of the fixed-income portfolio was:

Rating	June 30, 2021	June 30, 2020	December 31, 2020
AAA	55.8 %	45.6 %	53.3 %
AA	7.5	8.9	9.8
A	9.3	14.5	11.1
BBB	22.1	29.4	22.9
Non-investment grade/non-rated[1]			
BB	4.3	1.2	2.4
B	0.5	0.2	0.2
CCC and lower	0.1	0	0.1
Non-rated	0.4	0.2	0.2
Total fixed-income portfolio	100.0 %	100.0 %	100.0 %

[1]The ratings in the table above are assigned by NRSROs. The non-investment-grade fixed-income securities based upon our Group I classification represented 5.1% of the total fixed-income portfolio at June 30, 2021, compared to 1.5% at June 30, 2020 and 2.9% at December 31, 2020.

- Concentration risk - we did not have any investments in a single issuer, either overall or in the context of individual assets classes and sectors, that exceeded our thresholds during the second quarter 2021.
- Prepayment and extension risk - we did not experience significant adverse prepayment or extension of principal relative to our cash flow expectations in the portfolio during the second quarter 2021.
- Liquidity risk - our overall portfolio remains very liquid and we believe that it is sufficient to meet expected near-term liquidity requirements.
    - The short-to-intermediate duration of our portfolio provides a source of liquidity, as we expect approximately $2.0 billion, or 7.8%, of principal repayment from our fixed-income portfolio, excluding U.S. Treasury Notes and short-term investments, during the remainder of 2021. Cash from interest and dividend payments provides an additional source of recurring liquidity.
    - The duration of our U.S. government obligations, which are included in the fixed-income portfolio, was comprised of the following at June 30, 2021:

($ in millions)	Fair Value	Duration (years)
U.S. Treasury Notes		
Less than one year	$ 1,426.1	0.6
One to two years	4,882.0	1.6
Two to three years	5,489.7	2.6
Three to five years	4,308.4	4.3
Five to seven years	2,376.2	6.6
Seven to ten years	955.3	8.9
Total U.S. Treasury Notes	$ 19,437.7	3.4

ASSET-BACKED SECURITIES

Included in the fixed-income portfolio are asset-backed securities (ABS), which were comprised of the following at the balance sheet dates listed:

($ in millions)	Fair Value	Net Unrealized Gains (Losses)	% of Asset-Backed Securities	Duration (years)	Rating (at period end)[1]
June 30, 2021					
Residential mortgage-backed securities	$ 671.3	$ 3.5	6.5 %	1.2	AA-
Commercial mortgage-backed securities	5,708.1	79.9	55.6	3.6	A+
Other asset-backed securities	3,899.0	33.1	37.9	1.3	AA
Total asset-backed securities	$ 10,278.4	$ 116.5	100.0 %	2.6	AA-
June 30, 2020					
Residential mortgage-backed securities	$ 543.0	$ 2.0	5.1 %	0.8	AA
Commercial mortgage-backed securities	5,761.8	33.3	54.0	2.7	AA
Other asset-backed securities	4,354.9	41.6	40.9	1.0	AAA-
Total asset-backed securities	$ 10,659.7	$ 76.9	100.0 %	1.9	AA+
December 31, 2020					
Residential mortgage-backed securities	$ 509.5	$ 6.2	4.9 %	1.0	AA
Commercial mortgage-backed securities	6,175.1	132.5	59.0	3.2	AA-
Other asset-backed securities	3,784.6	39.6	36.1	1.0	AA+
Total asset-backed securities	$ 10,469.2	$ 178.3	100.0 %	2.3	AA

[1] The credit quality ratings in the table above are assigned by NRSROs.

Residential Mortgage-Backed Securities (RMBS) The following table details the credit quality rating and fair value of our RMBS, along with the loan classification and a comparison of the fair value at June 30, 2021, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Residential Mortgage-Backed Securities (at June 30, 2021)

($ in millions) Rating[1]	Non-Agency	Agency	Government/GSE[2]	Total	% of Total
AAA	$ 268.5	$ 95.5	$ 3.7	$ 367.7	54.8 %
AA	86.8	0	0.6	87.4	13.1
A	44.6	0	0	44.6	6.6
BBB	51.9	0	0	51.9	7.7
Non-investment grade/non-rated:					
BB	90.9	0	0	90.9	13.5
B	4.0	0	0	4.0	0.6
CCC and lower	7.8	0	0	7.8	1.2
Non-rated	17.0	0	0	17.0	2.5
Total fair value	$ 571.5	$ 95.5	$ 4.3	$ 671.3	100.0 %
Increase (decrease) in value	0.8 %	(0.3)%	6.0 %	0.7 %	

[1]The credit quality ratings in the table above are assigned by NRSROs; when we assign the NAIC ratings for our RMBS, $48.3 million of our non-investment-grade securities are rated investment-grade and classified as Group II, and $71.4 million, or 10.6% of our total RMBS, are not rated by the NAIC and are classified as Group I.

[2]The securities in this category are insured by a Government Sponsored Entity (GSE) and/or collateralized by mortgage loans insured by the Federal Housing Administration (FHA) or the U.S. Department of Veteran Affairs (VA).

In the residential mortgage-backed sector, our portfolio consists of deals that are backed by high-credit quality borrowers or have strong structural protections through underlying loan collateralization. During the first six months of 2021, we selectively added to this sector.

Commercial Mortgage-Backed Securities (CMBS) The following table details the credit quality rating and fair value of our CMBS, along with a comparison of the fair value at June 30, 2021, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Commercial Mortgage-Backed Securities (at June 30, 2021)

($ in millions) Rating[1]	Multi-Borrower	Single-Borrower	Total	% of Total
AAA	$ 330.3	$ 1,510.2	$ 1,840.5	32.2 %
AA	3.1	1,325.8	1,328.9	23.3
A	0	1,131.0	1,131.0	19.8
BBB	0	1,026.6	1,026.6	18.0
Non-investment grade/non-rated:				
BB	0	380.7	380.7	6.7
B	0.4	0	0.4	0
Total fair value	$ 333.8	$ 5,374.3	$ 5,708.1	100.0 %
Increase (decrease) in value	4.2 %	1.2 %	1.4 %	

[1]The credit quality ratings in the table above are assigned by NRSROs; when we assign the NAIC ratings for our CMBS, $34.3 million of our non-investment-grade securities are rated investment-grade and classified as Group II, and $346.8 million, or 6.1% of our total CMBS, are not rated by the NAIC and are classified as Group I.

During the second quarter 2021, we were active in purchasing single-asset/single-borrower securities in both new issue and secondary markets, in addition to focusing on adding to some of our existing positions in the high-credit quality office and life sciences sectors. The strong market indicators from the end of the year continued during the second quarter, with new issues in high demand by investors and credit spreads narrowing.

During the second quarter 2021, we sold some of our AAA-rated securities, in both the fixed-rate and floating-rate sectors and continued scaling back on positions that met or exceeded our performance objectives, or were no longer core to our strategy.

Other Asset-Backed Securities (OABS) The following table details the credit quality rating and fair value of our OABS, along with a comparison of the fair value at June 30, 2021, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Other Asset-Backed Securities (at June 30, 2021)

$ in millions) Rating	Automobile	Collateralized Loan Obligations	Student Loan	Whole Business Securitizations	Equipment	Other	Total	% of Total
AAA	$ 813.2	$ 647.5	$ 113.8	$ 0	$ 465.6	$ 244.2	$ 2,284.3	58.6%
AA	219.4	271.2	16.2	0	132.2	19.1	658.1	16.9
A	38.4	1.0	9.5	0	134.1	100.4	283.4	7.2
BBB	7.2	30.6	0	594.7	0	22.3	654.8	16.8
Non-investment grade/non-rated:								
BB	0	3.0	0	0	0	15.4	18.4	0.5
Total fair value	$ 1,078.2	$ 953.3	$ 139.5	$ 594.7	$ 731.9	$ 401.4	$ 3,899.0	100.0%
Increase (decrease) in value	0.4%	0.1%	1.6%	2.4%	1.2%	1.0%	0.9%	

During the second quarter 2021, we selectively added to our automobile, equipment, whole business securitization, and other OABS sectors mostly through new issuances as we viewed spreads, and potential returns, across this sector to be less attractive compared to previous quarters. Our allocation to collateralized loan obligation securities increased during the quarter, as we perceived the sector provided better return potential than the other OABS sectors, primarily focusing on higher credit tranched securities in the capital structure.

MUNICIPAL SECURITIES

The following table details the credit quality rating of our municipal securities at June 30, 2021, without the benefit of credit or bond insurance:

Municipal Securities (at June 30, 2021)

(millions) Rating	General Obligations	Revenue Bonds	Total
AAA	$ 690.0	$ 243.6	$ 933.6
AA	494.8	733.0	1,227.8
A	0	277.8	277.8
BBB	0	1.0	1.0
Non-rated	0	0.3	0.3
Total	$ 1,184.8	$ 1,255.7	$ 2,440.5

Included in revenue bonds were $493.0 million of single-family housing revenue bonds issued by state housing finance agencies, of which $347.5 million were supported by individual mortgages held by the state housing finance agencies and $145.5 million were supported by mortgage-backed securities.

Of the programs supported by mortgage-backed securities, approximately 25% were collateralized by Fannie Mae and Freddie Mac mortgages; the remaining 75% were collateralized by Ginnie Mae mortgages, which are fully guaranteed by the U.S. government. Of the programs supported by individual mortgages held by the state housing finance agencies, the overall credit quality rating was AA+. Most of these mortgages were supported by the Federal Housing Administration, the U.S. Department of Veterans Affairs, or private mortgage insurance providers.

As spreads tightened during the quarter, we continued to reduce our allocation to the municipal sector. Our sales were primarily in revenue bonds, purchased in 2020, when spreads were wider and offered attractive performance opportunities. As mutual funds continued receiving strong inflows from investors, the municipal sector has performed well. At current valuations, municipal bonds are less attractive to us on a relative value basis.

CORPORATE SECURITIES

The following table details the credit quality rating of our corporate securities at June 30, 2021:

Corporate Securities (at June 30, 2021)

(millions) Rating	Consumer	Industrial	Communication	Financial Services	Agency	Technology	Basic Materials	Energy	Total
AAA	$ 0	$ 0	$ 0	$ 40.8	$ 7.0	$ 1.7	$ 0	$ 0	$ 49.5
AA	97.9	1.8	0.5	119.7	0	18.5	0	16.5	254.9
A	438.3	216.1	244.9	1,101.5	0	157.6	132.6	99.4	2,390.4
BBB	2,228.7	1,583.2	205.3	1,234.4	0	637.0	37.2	672.9	6,598.7
Non-investment grade/non-rated:									
BB	497.2	153.7	127.4	142.0	0	132.5	37.0	43.5	1,133.3
B	179.1	20.3	4.3	4.0	0	4.3	0	0	212.0
CCC and lower	50.6	0	0	0	0	0	0	0	50.6
Non-rated	1.5	0	0	0	0	0	0	0	1.5
Total fair value	$ 3,493.3	$ 1,975.1	$ 582.4	$ 2,642.4	$ 7.0	$ 951.6	$ 206.8	$ 832.3	$ 10,690.9

During the second quarter 2021, our corporate portfolio saw a modest increase as credit spreads continued to tighten; however, we saw fewer opportunities to add to the portfolio. We also shortened the maturity profile of the corporate portfolio to 3.3 years at June 30, 2021, compared to 3.7 years at March 31, 2021. Activity during the quarter was primarily a combination of selling some of our longer maturity holdings we believed either met or exceeded our performance objective, or no longer met our future investment strategy and selectively increased our allocation to high-yield securities that we believed would benefit from the continuation of the economic recovery.

Overall, our corporate securities, as a percentage of the fixed-income portfolio, has remained consistent since the end of the first quarter 2021. At June 30, 2021, the portfolio was approximately 23% of our fixed-income portfolio, compared to 24% at March 31, 2021.

PREFERRED STOCKS – REDEEMABLE AND NONREDEEMABLE

The table below shows the exposure break-down by sector and rating at June 30, 2021:

Preferred Stocks (at June 30, 2021)

	Financial Services						
(millions) Rating	**U.S. Banks**	**Foreign Banks**	**Insurance**	**Other**	**Industrials**	**Utilities**	**Total**
A	$ 50.8	$ 0	$ 0	$ 0	$ 0	$ 0	$ 50.8
BBB	939.1	0	130.1	46.9	132.2	0	1,248.3
Non-investment grade/non-rated:							
BB	235.0	80.3	0	0	25.6	42.5	383.4
Non-rated	0	0	35.0	93.9	34.4	0	163.3
Total fair value	$ 1,224.9	$ 80.3	$ 165.1	$ 140.8	$ 192.2	$ 42.5	$ 1,845.8

The majority of our preferred securities have fixed-rate dividends until a call date and then, if not called, generally convert to floating-rate dividends. The interest rate duration of our preferred securities is calculated to reflect the call, floor, and floating-rate features. Although a preferred security will remain outstanding if not called, its interest rate duration will reflect the variable nature of the dividend. Our non-investment-grade preferred stocks were all with issuers that maintain investment-grade senior debt ratings.

We also face the risk that dividend payments on our preferred stock holdings could be deferred for one or more periods or skipped entirely. As of June 30, 2021, all of our preferred securities continued to pay their dividends in full and on time. Approximately 84% of our preferred stock securities pay dividends that have tax preferential characteristics, while the balance pay dividends that are fully taxable.

During the second quarter 2021, our preferred stock portfolio produced a positive return as equities continued to rally and treasury yields moved lower.

Common Equities

Common equities, as reported on the balance sheets, were comprised of the following:

($ in millions)	**June 30, 2021**		**June 30, 2020**		**December 31, 2020**	
Common stocks	$ 4,527.3	99.7 %	$ 3,170.1	100.0 %	$ 4,049.9	99.9 %
Other risk investments	11.6	0.3	0.3	0	3.1	0.1
Total common equities	$ 4,538.9	100.0 %	$ 3,170.4	100.0 %	$ 4,053.0	100.0 %

The majority of our common stock portfolio is an indexed portfolio, which consists of individual holdings selected based on their contribution to the correlation with the Russell 1000 Index. We held 837 out of 1,024, or 82%, of the common stocks comprising the index at June 30, 2021, which made up 96% of the total market capitalization of the index. At June 30, 2021 and December 31, 2020, the year-to-date total return, based on GAAP income, was within our targeted tracking error, which is +/- 50 basis points, while at June 30, 2020, the year-to-date total return, based on GAAP income, was outside the targeted tracking error.

The other risk investments consist of limited partnership interests. During the second quarter 2021, we funded $1.0 million on a partnership investment and have an open funding commitment of $6.1 million at June 30, 2021 on this investment. In addition, $7.4 million in partnership investments were assumed as part of our acquisition of Protective Insurance.

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: *Investors are cautioned that certain statements in this report not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as "estimate," "expect," "intend," "plan," "believe," and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. Forward-looking statements are based on current expectations and projections about future events, and are subject to certain risks, assumptions and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to:*

- *our ability to underwrite and price risks accurately and to charge adequate rates to policyholders;*
- *our ability to establish accurate loss reserves;*
- *the impact of severe weather, other catastrophe events and climate change;*
- *the effectiveness of our reinsurance programs;*
- *the highly competitive nature of property-casualty insurance markets;*
- *whether we innovate effectively and respond to our competitors' initiatives;*
- *whether we effectively manage complexity as we develop and deliver products and customer experiences;*
- *how intellectual property rights could affect our competitiveness and our business operations;*
- *whether we adjust claims accurately;*
- *our ability to maintain a recognized and trusted brand;*
- *our ability to attract, develop and retain talent and maintain appropriate staffing levels;*
- *compliance with complex laws and regulations;*
- *litigation challenging our business practices, and those of our competitors and other companies;*
- *the impacts of a security breach or other attack involving our computer systems or the systems of one or more of our vendors;*
- *the secure and uninterrupted operation of the facilities, systems, and business functions that are critical to our business;*
- *the success of our efforts to develop new products or enter into new areas of business and navigate related risks;*
- *our continued ability to send and accept electronic payments;*
- *the possible impairment of our goodwill or intangible assets;*
- *the performance of our fixed-income and equity investment portfolios;*
- *the potential elimination of, or change in, the London Interbank Offered Rate;*
- *our continued ability to access our cash accounts and/or convert securities into cash on favorable terms;*
- *the impact if one or more parties with which we enter into significant contracts or transact business fail to perform;*
- *legal restrictions on our insurance subsidiaries' ability to pay dividends to The Progressive Corporation;*
- *limitations on our ability to pay dividends on our common shares under the terms of our outstanding preferred shares;*
- *our ability to obtain capital when necessary to support our business and potential growth;*
- *evaluations by credit rating and other rating agencies;*
- *the variable nature of our common share dividend policy;*
- *whether our investments in certain tax-advantaged projects generate the anticipated returns;*
- *the impact from not managing to short-term earnings expectations in light of our goal to maximize the long-term value of the enterprise;*
- *impacts from the outbreak of the novel coronavirus, or COVID-19, and the restrictions put in place to help slow and/or stop the spread of the virus; and*
- *other matters described from time to time in our releases and publications, and in our periodic reports and other documents filed with the United States Securities and Exchange Commission, including, without limitation, the Risk Factors section of our Annual Report on Form 10-K for the year ending December 31, 2020.*

In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when we establish reserves for one or more contingencies. Also, our regular reserve reviews may result in adjustments of varying magnitude as additional information regarding claims activity becomes known. Reported results, therefore, may be volatile in certain accounting periods.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The duration of the financial instruments held in our portfolio that are subject to interest rate risk was 3.1 years at June 30, 2021, 3.0 years at June 30, 2020, and 2.9 years at December 31, 2020. The weighted average beta of the equity portfolio was 1.04 at June 30, 2021, 1.02 at June 30, 2020, and 1.09 at December 31, 2020. We have not experienced a material impact when compared to the tabular presentations of our interest rate and market risk sensitive instruments in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 4. Controls and Procedures.

We, under the direction of our Chief Executive Officer and our Chief Financial Officer, have established disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Our Chief Executive Officer and our Chief Financial Officer reviewed and evaluated our disclosure controls and procedures as of the end of the period covered by this report. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effectively serving the stated purposes as of the end of the period covered by this report.

There have not been any changes in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1A. Risk Factors.

There have been no material changes in the risk factors from those discussed in *Item 1A, Risk Factors* included in our Annual Report on Form 10-K for the year ended December 31, 2020.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

(c) Share Repurchases

ISSUER PURCHASES OF EQUITY SECURITIES

2021 Calendar Month	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares That May Yet be Purchased Under the Plans or Programs
April	12,180	$ 99.56	3,036,194	21,963,806
May - prior authorization	981	101.99	3,037,175	—
May - current authorization	293	98.97	293	24,999,707
June	100,758	91.50	101,051	24,898,949
Total	114,212	$ 92.46		

In May 2021, the Board of Directors approved an authorization for the Company to repurchase up to 25 million of its common shares. This authorization, which does not have an expiration date, terminated the 21,962,825 shares that remained under the Board's May 2019 authorization to repurchase 25 million shares.

Share repurchases under this authorization may be accomplished through open market purchases, through privately negotiated transactions, pursuant to our equity incentive awards, or otherwise, and may include trading plans entered into with one or more brokerage firms in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934. During the second quarter 2021, all repurchases were accomplished in conjunction with our equity incentive awards or through the open market at the then-current market prices. Progressive's financial policies state that we will repurchase shares to neutralize dilution from equity-based compensation in the year of issuance and as an option to effectively use under leveraged capital.

Item 5. Other Information.

President and CEO Susan Patricia Griffith's quarterly letter to shareholders is included as Exhibit 99 to this Quarterly Report on Form 10-Q. The letter is also posted on Progressive's website at progressive.com/annualreport.

Item 6. Exhibits.

See exhibit index beginning on page 61.

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: August 3, 2021

By: /s/ John P. Sauerland

John P. Sauerland

Vice President and Chief Financial Officer

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-Q Exhibit Number	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
3(ii)	3.1	Code of Regulations of The Progressive Corporation (as amended May 7, 2021)	Filed herewith
4	4.1	Amendment to Discretionary Line Documents - Discretionary Line of Credit from PNC Bank, National Association, to The Progressive Corporation	Filed herewith
10	10.1	Form of Restricted Stock Award Agreement under The Progressive Corporation 2017 Directors Equity Incentive Plan (for 2021)	Filed herewith
10	10.2	First Amendment to The Progressive Corporation 2021 Gainshare Plan	Filed herewith
10	10.3	First Amendment to The Progressive Corporation Executive Separation Allowance Plan (2021 Amendment and Restatement)	Filed herewith
31	31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer, Susan Patricia Griffith	Filed herewith
31	31.2	Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer, John P. Sauerland	Filed herewith
32	32.1	Section 1350 Certification of the Principal Executive Officer, Susan Patricia Griffith	Furnished herewith
32	32.2	Section 1350 Certification of the Principal Financial Officer, John P. Sauerland	Furnished herewith
99	99	Letter to Shareholders from Susan Patricia Griffith, President and Chief Executive Officer (Regulation FD Disclosure)	Furnished herewith
101	101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document	Filed herewith
101	101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith
101	101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith
101	101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith
101	101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith
101	101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith
104	104	Cover Page Interactive Data File (the cover page tags are embedded within the Inline XBRL document)	Filed herewith

Exhibit 3.1

CODE OF REGULATIONS

OF

THE PROGRESSIVE CORPORATION

(as amended on May 7, 2021)

ARTICLE I

Meetings of Shareholders

Section 1. Annual Meetings. The annual meeting of shareholders shall be held at such time and on such date on or before June 30th of each year 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.

Section 2. Special Meetings. Special meetings of the shareholders shall be called upon the written request of the president, the directors by action at a meeting, a majority of the directors acting without a meeting, or of the holders of shares entitling them to exercise twenty-five percent (25%) of the voting power of the corporation entitled to vote thereat. Calls for such meetings shall specify the purposes thereof. No business other than that specified in the call shall be considered at any special meeting. Special meetings so called shall be held on such date and at such time as may be fixed by the board of directors and stated in the notice of the meeting; provided, however, that in the case of a special meeting called by shareholders in accordance herewith, the date of such special meeting shall not be more than ninety (90) days after the date the president or secretary of the corporation receives the call for such meeting.

Section 3. Notices of Meetings. Unless waived, written notice of each annual or special meeting stating the time, place, and the purposes thereof, and the means, if any, by which shareholders can be present and vote at the meeting through the use of communications equipment, shall be given by the president or the secretary of the corporation, by personal delivery, by mail, by overnight delivery service or by any other means of communication authorized by the shareholder to whom the notice is given, to each shareholder of record entitled to vote at or entitled to notice of the meeting, not more than sixty (60) days nor less than seven (7) days before any such meeting. If mailed or sent by overnight delivery service, such notice shall be directed to the shareholder at his address as the same appears upon the records of the corporation. If sent by any other means of communication authorized by the shareholder, the notice shall be sent to the address furnished by the shareholder for those transmissions. Any shareholder, either before or after any meeting, may waive any notice required to be given by law or under these Regulations.

Section 4. Place of Meetings. Meetings of shareholders shall be held at the principal office of the corporation unless the board of directors determines that a meeting shall be held at some other place within or without the State of Ohio and causes the notice thereof to so state. Notwithstanding the foregoing, the board of directors may determine that a meeting of shareholders shall not be held at any physical place, but instead may be held solely by means of communications equipment as authorized in the following paragraph.

If authorized by the board of directors, the shareholders and proxyholders who are not physically present at a meeting of shareholders may attend a meeting of shareholders by use of communications equipment that enables the shareholder or proxyholder an opportunity to participate in the meeting and to vote on matters submitted to the shareholders, including an opportunity to read or hear the proceedings of the meeting and to speak or otherwise participate in the proceedings contemporaneously with those physically present. Any shareholder using communications equipment will be deemed present in person at the meeting, whether the meeting is to be held at a designated place or solely by means of communications equipment. The directors may adopt guidelines and procedures for the use of communications equipment in connection with a meeting of shareholders to permit the corporation to verify that a person is a shareholder or proxyholder and to maintain a record of any vote or other action.

Section 5. Quorum. The holders of shares entitling them to exercise a majority of the voting power of the corporation entitled to vote at any meeting, present in person or by proxy, shall constitute a quorum for the transaction of business to be considered at such meeting; provided, however, that no action required by law or by the Articles of Incorporation or these Regulations to be authorized or taken by the holders of a designated proportion of the shares of any particular class or of each class may be authorized or taken by a lesser proportion. The holders of a majority of the voting shares represented at a meeting, whether or not a quorum is present, may adjourn such meeting from time to time, until a quorum shall be present.

Section 6. Record Date. The board of directors may fix a record date for any lawful purpose, including, without limiting the generality of the foregoing, the determination of shareholders entitled to (i) receive notice of or to vote at any meeting, (ii) receive payment of any dividend or distribution, (iii) receive or exercise rights of purchase of or subscription for, or exchange or conversion of, shares or other securities, subject to any contract right with respect thereto, or (iv) participate in the execution of written consents, waivers or releases. Said record date, which shall not be a date earlier than the date on which the record date is fixed, shall not be more than sixty (60) days preceding the date of such meeting, the date fixed for the payment of any dividend or distribution or the date fixed for the receipt or the exercise of rights, as the case may be.

If a record date shall not be fixed, the record date for the determination of shareholders who are entitled to notice of, or who are entitled to vote at, a meeting of shareholders, shall be the close of business on the date next preceding the day on which notice is given, or the close of business on the date next preceding the day on which the meeting is held, as the case may be.

Section 7. Proxies. A person who is entitled to attend a shareholders' meeting, to vote thereat, or to execute consents, waivers or releases, may be represented at such meeting or vote thereat, and execute consents, waivers and releases, and exercise any of his other rights, by proxy or proxies appointed by a writing signed by such person or appointed by a verifiable communication authorized by the person.

Section 8. Procedures for Shareholder Proposals. A shareholder (or a legal representative of the shareholder) must be present at the meeting of shareholders in order to make a proposal at such meeting and must also comply with the appropriate section of these Regulations related to such proposal (or Rule 14a-8 under the Securities Exchange Act of 1934). This Section 8 sets forth certain procedures required for shareholders to make proposals at the corporation's meetings of shareholders (other than nominations for the election of directors, the means for which are set forth in Sections 13 and 14 of Article II), including, without limitation, the exclusive means by which a shareholder may make a proposal for business to be considered at an annual meeting of shareholders, if the proposal is not made pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

A shareholder may submit a proposal for consideration at an annual meeting of shareholders only if: (i) the shareholder is a Record Shareholder or Beneficial Owner (as those terms are defined below) (x) at the time of giving of the notice as described in this Section 8, (y) as of the record date for such meeting of shareholders, and (z) as of the date of such meeting; (ii) the business is a proper matter for shareholder action; (iii) written notice of such shareholder's intent to propose such business complying with the requirements of this Section 8 has been given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation, and has been received by the secretary of the corporation, not less than ninety (90) days, nor more than one hundred twenty (120) days, in advance of the first anniversary of the immediately preceding year's annual meeting of shareholders (provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so given and received, not later than the ninetieth (90^{th}) day prior to the current year's annual meeting or, if later, the tenth (10^{th}) day following the day on which public disclosure of the date of the current year's annual meeting is first given to shareholders); and (iv) updates and supplements by such shareholder as required in this Section 8 have been delivered to the secretary of the corporation in the forms and within the time frames set forth in this Section. For purposes of this Section 8, public disclosure of a meeting date shall be deemed to be first given to shareholders when disclosure of the applicable meeting date is first made in a press release reported by the Dow Jones News Services, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

Each such notice shall set forth the following information, together with a representation as to the accuracy of the information, as to (i) each shareholder making the proposal that holds of record shares of the corporation (a "Record Shareholder") ,and (ii) each shareholder making the proposal that holds shares of the corporation through a bank, brokerage or other financial

institution (a "Beneficial Owner") (Record Shareholders and Beneficial Owners are hereinafter referred to as "Holders"):

(a) the name (as it appears on the corporation's stock records, if applicable) and current address of each Record Shareholder and each Beneficial Owner that is making the proposal;

(b) a representation that each proposing shareholder is a holder of record of shares of the corporation, or holds shares of the corporation through a bank, brokerage or other financial institution, and is entitled to vote at such meeting, and that such proposing shareholder intends to (i) appear in person or by proxy at the meeting, and (ii) submit the proposal specified in the notice at the meeting in person or through a representative;

(c) a description of all types of each such Holder's economic and voting interests in the corporation, including a description of:

(i) the class or series and number of shares of the corporation that, directly or indirectly, are owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) by such Holder, together with, in the case of any shares that are not owned of record, proof of such Holder's beneficial ownership of such shares in one of the ways permitted by Rule 14a-8(b)(2)(i) or (ii) under the Securities Exchange Act of 1934; and, in addition thereto, the number of shares (if any) of any class or series of the corporation as to which such Holder has a right, at that time or at any time in the future, to own or acquire record or beneficial ownership;

(ii) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to give such Holder, at that time or at any time in the future, economic risk corresponding or similar to ownership of, or voting power with respect to, any class or series of shares of the corporation, and any other security with a value derived from or related to the value of any class or series of shares of the corporation;

(iii) any proxy, agreement, arrangement, understanding or relationship pursuant to which such Holder has or shares a right to vote any shares of any class or series of the corporation;

(iv) any agreement, arrangement, understanding or relationship, including without limitation any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation to, manage the risk of share price changes for, or increase or decrease the voting power of, such Holder with respect to the shares of any class or series of the

corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation;

(v) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Holder that are separated or separable from the underlying shares of the corporation;

(vi) any performance-related fees (other than an asset-based fee) to which such Holder, or any such Holder's immediate family member or affiliate, is or would be entitled, based on any increase or decrease in the price or value of shares of any class or series of the corporation or any interest described in subsections (ii) and (iv) of this Section 8(c); and

(vii) the aggregate number of voting shares of the corporation held or beneficially owned by all Holders that are subject to or referred to in this Section 8;

(d) a description of all arrangements or understandings between each Holder and any other person(s) or entity(ies) (naming each such person or entity) pursuant to which the proposal or proposals are to be made or pursuant to which any shares of the corporation are to be voted on such proposal or proposals;

(e) any proportionate interest in shares of the corporation or any interest described in subsection (ii) of Section 8(c) that is held, directly or indirectly, by a general or limited partnership, limited liability company or other entity in, or with respect to, which any Holder: is a general or limited partner; beneficially owns, directly or indirectly, an interest in a general or any limited partner of such general or limited partnership; or is a member or manager of, or beneficially owns, directly or indirectly, an interest in a member or manager of, such limited liability company or other entity;

(f) any shares of the corporation, and any arrangements, rights or other interests described in Sections 8(c) through 8(e), held by each Holder's immediate family members or affiliates;

(g) a representation regarding whether each Holder intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to one or more other holders of the corporation's outstanding capital stock, and/or to solicit proxies from other shareholders, in support of such proposal;

(h) any other information relating to each Holder that would be required to be disclosed by such Holder in a proxy statement or other filings required to be made in connection with solicitations by such Holder of proxies for such proposal pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder;

(i) any other information reasonably requested by the corporation; and

(j) a reasonably brief statement of the course of action proposed for the corporation, its management or its board of directors to follow, stated as clearly and specifically as possible; the text of the proposal or business (including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the Articles of Incorporation or Code of Regulations of the corporation, the language of the proposed amendment); the reasons for making such proposal; and any material interest in such business of each Holder (including any anticipated benefit to each Holder, or any of such Holder's affiliates or immediate family members, therefrom);

provided, however, that no information with respect to the ordinary course business activities of a Holder need be given under paragraphs (c)(ii) through (c)(vii), (d), (e) or (f) with respect to any Record Shareholder that is a broker, dealer, commercial bank, trust company or other nominee holding shares on behalf of a Beneficial Owner submitting a proposal under this Section 8.

The foregoing information shall be provided initially as of the date of the notice and, thereafter, shall be updated and supplemented by the shareholder making the proposal (i) as of the record date for the meeting and (ii) as of each date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof. Each such update and supplement shall be given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation, and shall be received by the secretary of the corporation, as follows: as to the update and supplement required as of the record date for the meeting, not later than five (5) business days after such record date; and as to each update or supplement required as of ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, not later than five (5) business days prior to the date of the meeting and, if applicable and if practicable, any adjournment or postponement thereof (and if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed).

The presiding officer at the meeting may refuse to acknowledge the submission of any proposal not made in accordance with the provisions hereof and may declare at such meeting that any such proposal was not properly brought before the meeting and shall not be considered.

This Section 8 shall constitute an "advance notice provision" for annual meetings of shareholders for the purposes of Rule 14a-4(c)(1) under the Securities Exchange Act of 1934.

If any shareholder includes, or a group of shareholders include, a shareholder proposal in the call for a special meeting given pursuant to Section 2 of this Article I, the corporation shall have the right to request that such shareholder(s) provide to the corporation some or all of the information set forth in this Section 8. In such event, each such shareholder shall provide the requested information by the date specified by the corporation in such request and, if so requested by the corporation, shall provide updated information in advance of the special meeting on or before a date specified by the corporation in such request.

For the purpose of this Section 8, “immediate family members” shall include a person’s spouse, parents, stepparents, children, stepchildren, grandchildren, siblings, stepsiblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law, anyone (other than domestic employees) who shares such person’s home, and shall include adoptive relationships; and “affiliates” shall include any corporation or organization of which such person is an officer, director, partner, manager or member or is, directly or indirectly, the beneficial owner of 10 percent or more of any class of equity securities or other equity interest, any trust or estate in which such person has a substantial beneficial interest or as to which such person serves as trustee or in a similar fiduciary capacity, and any other entity that controls, is controlled by, or is under common control with, the Holder or any of the Holder’s immediate family members. For the purposes hereof, “control” shall mean the right or power, alone or with others, to direct the management or policies of such other entity.

ARTICLE II

Directors

Section 1. Number of Directors. The number of directors of the corporation, none of whom need to be a shareholder or resident of the State of Ohio, shall be twelve. All of the directors shall comprise a single class, although the terms of individual directors may vary on an interim basis as provided at Section 3 hereof. The shareholders, acting by the affirmative vote of the holders of record of shares representing a majority of the voting power of the corporation on such proposal, or a majority of the board of directors, may, from time to time, increase or decrease the number of directors, but in no case shall the number of directors be fewer than five or more than thirteen, nor shall any decrease in the number of directors shorten the term of any director then in office.

Section 2. Election of Directors. Directors shall be elected at the annual meeting of shareholders, but when the annual meeting is not held or directors are not elected thereat, 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.

Article TENTH of the corporation's Amended Articles of Incorporation, as amended, sets forth voting standards applicable in the election of directors at each meeting of shareholders to elect directors.

Section 3. Term of Office. Subject to the following sentences, the term of office for each director elected or re-elected at or any time after the corporation's 2013 Annual Meeting of Shareholders shall be one year. Directors elected for multi-year terms prior to the corporation's 2013 Annual Meeting of Shareholders shall serve for the terms for which they were previously elected. Any director elected to fill a vacancy pursuant to Section 5 of this Article shall serve for the term specified therein. Each director shall hold office until the date of the annual meeting of shareholders coinciding with the termination of the term for which he or she was elected, or until the termination of the period specified in Section 5 of this Article (if applicable), ("End-of-Term Date") and until his or her successor shall be elected or until his or her earlier resignation, removal from office or death; provided that:

(a) a director that has not been nominated by the board of directors for re-election in an election of directors at an annual meeting of shareholders coinciding with his or her End-of-Term Date ("End-of-Term Election") shall hold office only until such End-of-Term Date; and

(b) a director that has been nominated for re-election by the board of directors in an End-of-Term Election in which a majority vote is required for his or her re-election by the Amended Articles of Incorporation, as amended, but such director fails to achieve a majority of votes cast with respect to his or her nomination and fails to tender his or her resignation to the board of directors or an appropriate committee thereof, in accordance with applicable procedures adopted by the board of directors or a committee thereof, within 10 days after the results of the

vote have been certified, shall hold office only until the earlier of (i) the date that his or her successor shall be elected or (ii) the expiration of such 10 day period.

Section 4. Removal. All directors, or any individual director, may be removed from office, without assigning any cause, by the affirmative vote of the holders of record of shares representing a majority of the voting power of the corporation with respect to the election of directors, provided that unless all the directors are removed, no individual director shall be removed if the votes of a sufficient number of shares are cast against his or her removal which, if cumulatively voted at an election of all the directors would be sufficient to elect at least one director. In case of any such removal, a new director may be elected at the same meeting for the unexpired term of each director removed.

Section 5. Vacancies. Vacancies in the board of directors may be filled by a majority vote of the remaining directors. Any director so elected by the remaining directors to fill a vacancy shall have a term of office ending on the earlier of the next annual meeting of shareholders or the next special meeting of shareholders held to elect directors. At the expiration of such term, each such director shall then be subject to election by shareholders in accordance with this Article.

Section 6. Quorum and Transaction of Business. A majority of the whole authorized number of directors shall constitute a quorum for the transaction of business, except that a majority of the directors in office shall constitute a quorum for filling a vacancy on the board. Whenever less than a quorum is present at the time and place appointed for any meeting of the board, a majority of those present may adjourn the meeting from time to time, until a quorum shall be present. The act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the board.

Section 7. Annual Meeting. Annual meetings of the board of directors shall be held immediately following annual meetings of the shareholders, or as soon thereafter as is practicable. If no annual meeting of the shareholders is held, or if directors are not elected thereat, then the annual meeting of the board of directors shall be held immediately following any special meeting of the shareholders at which directors are elected, or as soon thereafter as is practicable. If such annual meeting of directors is held immediately following a meeting of the shareholders, it shall be held at the same place at which such meeting of shareholders was held.

Section 8. Regular Meetings. Regular meetings of the board of directors shall be held at such times and places, within or without the State of Ohio, as the board of directors may, by resolution or by-law, from time to time, determine. The secretary shall give notice of each such resolution or bylaw to any director who was not present at the time the same was adopted, but no further notice of such regular meeting need be given.

Section 9. Special Meetings. Special meetings of the board of directors may be called by the chairman of the board, the lead independent director (if one is designated by the independent directors), or the president to be held at such times and places within or without the State of Ohio as the person calling such meeting shall specify. In addition, any two members of the board of

directors may call special meetings of the board of directors to be held at the principal office of the corporation at such times as they may specify.

Section 10. Notice of Annual or Special Meetings. Notice of the time and place of each annual or special meeting of the board of directors shall be given to each director by the secretary or by the person or persons calling such meeting. Such notice need not specify the purpose or purposes of the meeting and may be given in any manner or method and at such time so that the director receiving it may have reasonable opportunity to attend the meeting. Such notice shall, in all events, be deemed to have been properly and duly given to a director (i) if delivered personally or by phone, or if sent by fax, e-mail or other electronic communication to the contact number or other address of such director as then shown upon the secretary's records, at least twenty-four (24) hours prior to the meeting, or (ii) if sent by U.S. mail or overnight courier to the address of such director as shown upon the secretary's records, at least forty-eight (48) hours prior to the meeting. The giving of notice shall be deemed to have been waived by any director who shall attend and participate in such meeting and may be waived, in a writing or by electronic communication, by any director either before or after such meeting.

Section 11. Compensation. The directors, as such, shall be entitled to receive such reasonable compensation for their services as may be fixed from time to time by resolution of the board, and expenses of attendance, if any, may be allowed for attendance of each annual, regular or special meeting of the board. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation therefor. Members of the executive committee or of any standing or special committee may by resolution of the board be allowed such compensation for their services as the board may deem reasonable, and additional compensation may be allowed to directors for special services rendered.

Section 12. By-laws. For the government of its actions, the board of directors may adopt by-laws consistent with the Articles of Incorporation and these Regulations.

Section 13. Procedures for Shareholder Nominations. Subject to the rights of the holders of any class or series of stock of the corporation having a preference over the Common Shares as to dividends or upon liquidation to elect directors under specified circumstances, nominations for the election of directors may be made only by the board of directors or a committee of the board of directors or, subject to this Section 13 and Section 14, by any shareholder entitled to vote in the election of directors generally. A shareholder (or a legal representative of the shareholder) must be present at the meeting of shareholders in order to nominate an individual for election at a meeting of shareholders and must also comply with the appropriate section of these Regulations related to such nomination. This Section 13 sets forth certain procedures required for shareholders to nominate directors if the shareholder does not wish the nomination to be included in the corporation's proxy statement for the annual meeting of shareholders. Section 14 sets forth certain procedures required for shareholders to nominate directors and to have the nomination included in the corporation's proxy statement for the annual meeting of shareholders.

A shareholder may nominate one or more persons for election as directors at a meeting of shareholders only if: (i) the shareholder is a Record Shareholder or Beneficial Owner (x) at the

time of giving of the notice as described in this Section 13, (y) as of the record date for such meeting of shareholders, and (z) as of the date of such meeting; (ii) if the nomination relates to a special meeting of shareholders called in accordance with Section 2 of Article I hereof, the election of directors is a matter specified in such call and in the corporation's notice of such meeting; (iii) written notice of such shareholder's intent to make such nomination(s) has been given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation and has been received by the secretary of the corporation as follows: (A) with respect to an election to be held at an annual meeting of shareholders, the notice required by this Section 13 shall be received not less than ninety (90) days, nor more than one hundred twenty (120) days, in advance of the first anniversary of the immediately preceding year's annual meeting (provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice by the shareholder to be timely must be so given and received not later than the ninetieth (90^{th}) day prior to the current year's annual meeting or, if later, the tenth (10^{th}) day following the day on which public disclosure of the date of the current year's annual meeting is first given to shareholders), or (B) with respect to a special meeting as to which the election of directors is included in the corporation's notice of such meeting, the notice required by this Section 13 shall be received on or before the tenth (10^{th}) day following the date on which public disclosure of the date of such meeting is first given to shareholders; and (iv) updates and supplements by such shareholder as required in this Section 13 have been delivered to the secretary of the corporation in the forms and within the time frames set forth in this Section. For purposes of this Section 13, public disclosure of a meeting date shall be deemed to be first given to shareholders when disclosure of the applicable meeting date is first made in a press release reported by the Dow Jones News Services, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Sections 13, 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

Each such notice shall set forth the following information, together with a representation as to the accuracy of the information, as to each Holder who is making the nomination(s):

(a) the name (as it appears on the corporation's stock records, if applicable) and current address of each Record Shareholder and each Beneficial Owner that is making the nomination(s);

(b) a representation that each proposing shareholder is a holder of record of shares of the corporation, or holds shares of the corporation through a bank, brokerage or other financial institution, and is entitled to vote at such meeting, and that such proposing shareholder intends to (i) appear in person or by proxy at the meeting, and (ii) submit the nomination(s) specified in the notice at the meeting in person or through a representative;

(c) the name, address and principal occupation or employment of each person to be so nominated;

(d) a description of all arrangements or understandings between the nominating shareholder and each nominee and any other person(s) or entity(ies) (naming each such person or

entity) pursuant to which the nomination(s) are to be made by the shareholder or pursuant to which any shares of the corporation are to be voted on such nomination(s);

(e) such other information regarding each nominee proposed by such nominating shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission, as then in effect, had the nominee been nominated, or intended to be nominated, by the board of directors;

(f) a description of all types of each such Holder's economic and voting interests in the corporation, including a description of:

(i) the class or series and number of shares of the corporation that, directly or indirectly, are owned of record or beneficially owned (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934, as amended) by such Holder, together with, in the case of any shares that are not owned of record, proof of such Holder's beneficial ownership of such shares in one of the ways permitted by Rule 14a-8(b)(2)(i) or (ii) under the Securities Exchange Act of 1934; and, in addition thereto, the number of shares (if any) of any class or series of the corporation as to which such Holder has a right, at that time or at any time in the future, to own or acquire record or beneficial ownership;

(ii) any derivative, swap or other transaction or series of transactions engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to give such Holder, at that time or at any time in the future, economic risk corresponding or similar to ownership of, or voting power with respect to, any class or series of shares of the corporation, and any other security with a value derived from or related to the value of any class or series of shares of the corporation;

(iii) any proxy, agreement, arrangement, understanding or relationship pursuant to which such Holder has or shares a right to vote any shares of any class or series of the corporation;

(iv) any agreement, arrangement, understanding or relationship, including without limitation any repurchase or similar so-called "stock borrowing" agreement or arrangement, engaged in, directly or indirectly, by such Holder, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of the corporation to, manage the risk of share price changes for, or increase or decrease the voting power of, such Holder with respect to the shares of any class or series of the corporation, or which provides, directly or indirectly, the opportunity to profit from any decrease in the price or value of the shares of any class or series of the corporation;

(v) any rights to dividends on the shares of any class or series of the corporation owned beneficially by such Holder that are separated or separable from the underlying shares of the corporation;

(vi) any performance-related fees (other than an asset-based fee) to which such Holder, or any such Holder's immediate family member or affiliate, is or would be entitled, based on any increase or decrease in the price or value of shares of any class or series of the corporation or any interest described in subsections (ii) and (iv) of this Section 13(f);

(vii) the aggregate number of voting shares of the corporation held or beneficially owned by all Holders that are subject to or referred to in this Section 13;

(viii) any proportionate interest in shares of the corporation or any interest described in subsection (ii) of this Section 13(f) that is held, directly or indirectly, by a general or limited partnership, limited liability company or other entity in, or with respect to, which any Holder: is a general or limited partner; beneficially owns, directly or indirectly, an interest in a general or any limited partner of such general or limited partnership; or is a member or manager of, or beneficially owns, directly or indirectly, an interest in a member or manager of, such limited liability company or other entity; and

(ix) any shares of the corporation, and any arrangements, rights or other interests described in Sections 13(f)(i) through 13(f)(viii) held by each Holder's immediate family members or affiliates;

(g) a representation regarding whether each Holder intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to one or more other holders of the corporation's outstanding capital stock, and/or to solicit proxies from other shareholders, in support of such nomination(s);

(h) any other information relating to each Holder that would be required to be disclosed by such Holder in a proxy statement or other filings required to be made in connection with solicitations by such Holder of proxies for such nomination(s) pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder; and

(i) any other information reasonably requested by the corporation;

provided, however, that no information with respect to the ordinary course business activities of a Holder need be given under paragraphs (c)(ii) through (c)(vii), (d), (e) or (f) with respect to any Record Shareholder that is a broker, dealer, commercial bank, trust company or other nominee holding shares on behalf of a Beneficial Owner submitting a proposal under this Section 13.

The foregoing information shall be provided initially as of the date of the notice and, thereafter, shall be updated and supplemented by each shareholder making the nomination(s) (i) as of the record date for the meeting and (ii) as of each date that is ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof. Each such update and supplement shall be given, either by personal delivery, overnight courier, or United States mail, postage prepaid, to the secretary of the corporation, and shall be received by the secretary of the corporation, as follows: as to the update and supplement required as of the record date for the meeting, not later than five (5) business days after such record date; and as to each update or supplement required as of ten (10) business days prior to the date of the meeting or any adjournment or postponement thereof, not later than five (5) business days prior to the date of the meeting and, if applicable and if practicable, any adjournment or postponement thereof (and if not practicable, on the first practicable date prior to the date to which the meeting has been adjourned or postponed).

For the purpose of this Section 13, the terms "immediate family members," "affiliates" and "control" shall be the same as set forth in Section 8 of Article I hereof.

To be effective, each notice of intent to make a nomination given hereunder must be accompanied by the written consent of each such nominee to serve as a director of the corporation if elected.

The presiding officer at the meeting may refuse to acknowledge the nomination of any person or persons not made in compliance with the provisions hereof and may declare at such meeting that any such nomination was not properly brought before the meeting and shall not be considered.

This Section 13 shall constitute an "advance notice provision" for annual meetings of shareholders for the purposes of Rule 14a-4(c)(1) under the Securities Exchange Act of 1934.

Section 14. Inclusion of Shareholder Director Nominations in the Corporation's Proxy Materials.

(A) Subject to the terms and conditions set forth in this Section 14, the corporation shall include in its proxy statement for an annual meeting of shareholders the name, together with the Required Information (defined below), of any person nominated for election (the "Shareholder Nominee") to the board of directors by one or more Holders that satisfy the requirements of this Section 14 (such person or group, the "Eligible Shareholder"), and that expressly elects at the time of providing the written notice required by this Section 14 (a "Proxy Access Notice") to have its Shareholder Nominee included in the corporation's proxy materials pursuant to this Section 14. For the purposes of this Section 14:

(1) "Voting Shares" shall mean outstanding shares of capital stock of the corporation entitled to vote generally for the election of directors;

(2) The terms "affiliates" and "control" shall be the same as set forth in Section 8 of Article I hereof; and

(3) a Record Shareholder or Beneficial Owner shall be deemed to "own" only those outstanding shares of Voting Shares of the Corporation as to which the Holder (or any shareholder, fund comprising a Qualifying Fund (as defined below) or beneficial owner whose share ownership is counted for the purposes of qualifying as being an Eligible Shareholder (in Section 14(E)) and possesses both (a) the full voting and investment rights pertaining to the shares and (b) the full economic interest in (including the opportunity for profit and risk of loss on) such shares; provided that the number of shares calculated in accordance with clauses (a) and (b) shall not include any shares (x) sold by such Holder or any of its affiliates in any transaction that has not been settled or closed, including any short sale, (y) borrowed by such Holder or any of its affiliates for any purposes or purchased by such Holder or any of its affiliates pursuant to an agreement to resell, or (z) subject to any option, warrant, forward contract, swap, contract of sale, other derivative or similar agreement entered into by such Holder or any of its affiliates, whether any such instrument or agreement is to be settled with shares or with cash based on the notional amount or value of shares of outstanding capital stock of the corporation, in any such case which instrument or agreement has, or is intended to have, or if exercised by either party thereto would have, the purpose or effect of (i) reducing in any manner, to any extent or at any time in the future, such Holder's or affiliates' full right to vote or direct the voting of any such shares, and/or (ii) hedging, offsetting or altering to any degree gain or loss arising from the full economic ownership of such shares by such Holder or affiliate, other than any such arrangements solely involving a national or multi-national multi-industry market index. A Holder shall "own" shares held in the name of a nominee or other intermediary so long as the Holder retains the right to instruct how the shares are voted with respect to the election of directors and possesses the full economic interest in the shares. A Holder's ownership of shares shall be deemed to continue during any period in which the Holder has loaned such shares or delegated any voting power over such shares by means of a proxy, power of attorney or other instrument or arrangement which in either case is revocable at any time by the Shareholder; provided, however, in the event of a loan, such shares are actually recalled prior to the end of the period in question. The terms "owned," "owning" and other variations of the word "own" shall have correlative meanings.

(B) For purposes of this Section 14, the "Required Information" that the corporation will include in its proxy statement is (1) the information concerning the Shareholder Nominee and the Eligible Shareholder that the corporation determines is required to be disclosed in the corporation's proxy statement by the regulations promulgated under the Securities Exchange Act of 1934; and (2) if the Eligible Shareholder so elects, a Statement (defined below). Nothing in these Regulations shall limit the corporation's ability to solicit against and include in the proxy statement its own statement relating to any Shareholder Nominee.

(C) To be timely, a Shareholder's Proxy Access Notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 120

calendar days before the date of the company's proxy statement released to shareholders in connection with the previous year's annual meeting; provided, however, that if the date of the annual meeting is more than thirty (30) days before or more than sixty (60) days after such anniversary date, notice must be given and received not later than the 120th day prior to the current year's annual meeting or, if later, the tenth (10th) day following the day on which public disclosure of the date of the current year's annual meeting is first given to shareholders. In no event shall any adjournment or postponement of an annual meeting, the date of which has been announced by the corporation, commence a new time period for the giving of a Proxy Access Notice.

(D) The number of Shareholder Nominees (including Shareholder Nominees that were submitted by an Eligible Shareholder for inclusion in the corporation's proxy materials pursuant to this Section 14 but either are subsequently withdrawn or that the board of directors decides to nominate as board of director nominees) appearing in the corporation's proxy materials with respect to an annual meeting of shareholders shall be the greater of (x) one and (y) a number that does not exceed 20% of the number of directors in office as of the last day on which a Proxy Access Notice may be delivered in accordance with the procedures set forth in this Section 14, or if such amount is not a whole number, the closest whole number below 20% (such number that is the greater of that set forth in clause (x) or (y), the "Permitted Number"); provided, however, that the Permitted Number shall be reduced, but not below zero, by (1) the number of such director candidates for which the corporation shall have received one or more valid shareholder notices nominating director candidates pursuant to Section 13 of Article II of these Regulations, (2) the number of directors in office or director candidates that in either case will be included in the corporation's proxy materials with respect to such annual meeting as an unopposed (by the corporation) nominee pursuant to any agreement, arrangement or other understanding with any shareholder or group of shareholders (other than any such agreement, arrangement or understanding entered into in connection with an acquisition of capital stock, by such shareholder or group of shareholders, from the corporation) and (3) the number of directors in office that will be included in the corporation's proxy materials with respect to such annual meeting for whom access to the corporation's proxy materials was previously provided pursuant to this Section 14, other than any such director referred to in clause (2) or this clause (3) who at the time of such annual meeting will have served as a director continuously, as a nominee of the board, for at least two annual terms; provided, further, that in the event that one or more vacancies for any reason occurs on the board of directors at any time before the date of the annual meeting and the board of directors resolves to reduce the size of the board of directors in connection therewith, the Permitted Number shall be calculated based on the number of directors in office as so reduced. In the event that the number of Shareholder Nominees submitted by Eligible Shareholders pursuant to this Section 14 exceeds the Permitted Number, each Eligible Shareholder will select one Shareholder Nominee for inclusion in the Corporation's proxy materials until the Permitted Number is reached, going in order of the amount (largest to smallest) of common shares of the corporation each Eligible Shareholder disclosed as owned in its Proxy Access Notice submitted to the corporation. If the Permitted Number is not reached after each Eligible Shareholder has selected one Shareholder Nominee, this selection process will continue as many times as necessary, following the same order each time, until the Permitted Number is reached.

(E) An "Eligible Shareholder" is one or more Record Shareholders who owns and has owned, or is acting on behalf of one or more Beneficial Owners who own and have owned (in each case as defined above), continuously for at least three years as of both the date that the Proxy Access Notice is received by the Corporation pursuant to this Section 14, and the record date for determining shareholders eligible to vote at the annual meeting, capital stock of the Corporation representing at least 3% of the Voting Shares (the "Proxy Access Request Required Shares"), and who continue to own the Proxy Access Request Required Shares at all times between the date such Proxy Access Notice is received by the corporation and the date of the applicable annual meeting of shareholders, provided that the aggregate number of Record Shareholders, and, if and to the extent that a Record Shareholder is acting on behalf of one or more Beneficial Owners, of such Beneficial Owners, whose share ownership is counted for the purpose of satisfying the foregoing ownership requirement shall not exceed twenty. Two or more funds that are part of the same family of funds or sponsored by the same employer (a "Qualifying Fund") shall be treated as one Holder for the purpose of determining the aggregate number of Holders in this Section 14, provided that each fund comprising a Qualifying Fund otherwise meets the requirements set forth in this Section 14. No Holder may be a member of more than one group constituting an Eligible Shareholder under this Section 14 for purposes of any applicable annual meeting of shareholders. A Record Shareholder acting on behalf of a Beneficial Owner will be counted as a Holder only with respect to the shares owned by Beneficial Owners on whose behalf such Record Shareholder has been directed in writing to act, and, with respect to the shares covered by such directions, will be deemed to be the same shareholder as the Beneficial Owner for purposes of determining the number of shareholders whose holdings may be considered as part of an Eligible Shareholder's holdings.

(F) No later than the final date when a nomination pursuant to this Section 14 may be delivered to the Corporation, an Eligible Shareholder (including each Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) must provide the following information in writing to the secretary of the corporation: (1) the name and address of, and number of shares of capital stock of the Corporation owned by such person; (2) one or more written statements from the Record Shareholder of the shares (and from each intermediary through which the shares are or have been held during the requisite three-year holding period) verifying that, as of a date within seven calendar days prior to the date the Proxy Access Notice is delivered to or mailed to and received by the Corporation, such person owns, and has owned continuously for the preceding three years, the Proxy Access Request Required Shares, and such person's agreement to provide, (a) within ten (10) days after the record date for the annual meeting, written statements from the Record Shareholder and intermediaries verifying such person's continuous ownership of the Proxy Access Request Required Shares through the record date, together with any additional information reasonably requested to verify such person's ownership of the Proxy Access Request Required Shares, and (b) immediate notice if the Eligible Shareholder ceases to own any of the Proxy Access Request Required Shares prior to the date of the applicable annual meeting of shareholders; (3) any information relating to such Eligible Shareholder (including any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose Share ownership is counted for the purposes of qualifying as an Eligible Shareholder) and their respective affiliates or associates or others acting in concert therewith, and

any information relating to such Eligible Shareholder's Shareholder Nominee(s), in each case that would be required to be disclosed in a proxy statement and form of proxy or other filings required to be made in connection with solicitations of proxies for the election of such Shareholder Nominee(s) in a contested election pursuant to Section 14 of the Securities Exchange Act of 1934 and the rules and regulations promulgated thereunder; (4) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any other material relationships, between or among the Eligible Shareholder (including any Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) and its or their respective affiliates and associates, or others acting in concert therewith, on the one hand, and each of such Eligible Shareholder's Shareholder Nominees, and his or her respective affiliates and associates, or others acting in concert therewith, on the other hand, including without limitation all information that would be required to be disclosed pursuant to Rule 404 promulgated under Regulation S-K if the Eligible Shareholder (including any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder), or any affiliate or associate thereof or person acting in concert therewith, were the "registrant" for purposes of such rule and the Shareholder Nominee were a director or executive officer of such registrant; (5) the written consent of each Shareholder Nominee to being named in the corporation's proxy statement and form of proxy card as a nominee and to serving as a director if elected; (6) the written agreement of the Shareholder Nominee that (a) the Shareholder Nominee agrees, if elected, to adhere to the corporation's Corporate Governance Guidelines and Code of Conduct and any other publicly available corporation policies and guidelines applicable to directors, and (b) that the Shareholder Nominee is not and will not become a party to any compensatory, payment or other financial agreement, arrangement or understanding with any person or entity in connection with his or her nomination, service or action as a director of the corporation, or any agreement, arrangement or understanding with any person or entity as to how the Shareholder Nominee would vote or act on any issue or question as a director, in each case that has not been disclosed to the corporation on the Proxy Access Notice; (7) a representation that such Holder (a) acquired the Proxy Access Request Required Shares in the ordinary course of business and not with the intent to change or influence control of the corporation, and does not presently have such intent, (b) has not nominated and will not nominate for election to the board of directors at the annual meeting any person other than the Shareholder Nominee(s) being nominated pursuant to this Section 14, (c) has not engaged and will not engage in, and has not and will not be a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Securities Exchange Act of 1934 in support of the election of any individual as a director at the annual meeting of shareholders, other than its Shareholder Nominee(s) or a nominee of the board of directors; (d) will not distribute to any shareholder of the corporation any form of proxy for the annual meeting other than the form distributed by the corporation and (e) will provide facts, statements and other information in all communications with the corporation and its shareholders that are or will be true and correct in all material respects and do not and will not omit to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading and otherwise comply with all applicable laws, rules and regulations in connection with any actions taken pursuant to this Section 14; (8) in the case of a nomination by a group of shareholders that together is such

an Eligible Shareholder, the designation by all group members of one group member that is authorized to act on behalf of all members of the nominating shareholder group with respect to the nomination and matters related thereto, including withdrawal of the nomination; and (9) an undertaking that such person agrees to (a) assume all liability stemming from, and indemnify and hold harmless the corporation and each of its directors, officers and employees individually against any liability, loss or damages in connection with any threatened or pending action, suit or proceeding, whether legal, administrative or investigative, against the corporation or any of its directors, officers or employees arising out of any legal or regulatory violation arising out of the Eligible Shareholder's communications with the shareholders of the corporation or out of the information that the Eligible Shareholder provided to the corporation, and (b) file with the Securities and Exchange Commission any solicitation of the corporation's shareholders by the Eligible Shareholder relating to the annual meeting at which the Shareholder Nominee will be nominated. In addition, no later than the final date on which a Proxy Access Notice may be submitted under this Section 14, a Qualifying Fund whose Share ownership is counted for purposes of qualifying as an Eligible Shareholder must provide to the secretary of the corporation documentation reasonably satisfactory to the board of directors that demonstrates that the funds comprising the Qualifying Fund are either part of the same family of funds or sponsored by the same employer. In order to be considered timely, any information required by this Section 14 to be provided to the Corporation must be supplemented (by delivery to the secretary of the corporation) (1) no later than five (5) days following the record date for the applicable annual meeting, to disclose the foregoing information as of such record date, and (2) no later than five (5) days before the annual meeting to disclose the foregoing information as of the date that is ten days prior to such annual meeting. For the avoidance of doubt, the requirement to update and supplement such information shall not permit any Eligible Shareholder or other person to change or add any proposed Shareholder Nominee or to change the identity of any member of a group that together is an Eligible Shareholder.

(G) The Eligible Shareholder may provide to the secretary of the corporation, at the time the information required by this Section 14 is originally provided, a written statement for inclusion in the corporation's proxy statement for the annual meeting, not to exceed 500 words, in support of the Eligible Shareholder's Shareholder Nominee's candidacy (the "Statement"). Notwithstanding anything to the contrary contained in this Section 14, the corporation may omit from its proxy materials any information or Statement that it, in good faith, believes is materially false or misleading, omits to state any material fact, or would violate any applicable law or regulation.

(H) At the request of the corporation, each Shareholder Nominee must (1) tender to the corporation an irrevocable resignation, in a form to be provided by the corporation, which resignation shall become effective upon a determination by the board of directors or any committee thereof that (x) the Proxy Access Notice pursuant to which the Shareholder Nominee's information was included in the corporation's proxy statement was not filed by shareholders constituting an Eligible Shareholder (or was filed by shareholders that prior to the applicable meeting ceased to be an Eligible Shareholder), or (y) that the Shareholder Nominee breached or failed to comply with the provisions of this Section 14, (2) submit to any background check (including fingerprint analysis) that may be required by any federal or state statute or

regulations applicable to, or by any insurance regulatory authority having jurisdiction over, the operations of the corporation or its subsidiaries or affiliates, (3) complete, sign and submit all questionnaires required of the corporation's directors; and (4) provide such additional information as necessary or appropriate to permit the board of directors to determine (a) if such Shareholder Nominee is independent under the listing standards of each principle U.S. exchange upon which the common shares of the corporation are listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the board of directors in determining and disclosing the independence of the corporation's directors, (b) if such Shareholder Nominee has any direct or indirect relationship with the corporation other than those relationships that have been deemed categorically immaterial pursuant to the corporation's Corporate Governance Guidelines, if applicable, and (c) if such Shareholder Nominee is not and has not been subject to any event specified in Item 401(f) of Regulation S-K (or successor rule) of the Securities and Exchange Commission. In the event that any information or communications provided by the Eligible Shareholder (or any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) or the Shareholder Nominee to the corporation or its shareholders ceases to be true and correct in all material respects or omits a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading, each Eligible Shareholder or Shareholder Nominee, as the case may be, shall promptly notify the secretary of the corporation of any defect in such previously provided information and of the information that is required to correct any such defect.

(I) Any Shareholder Nominee who is included in the Corporation's proxy materials for a particular annual meeting of shareholders but either (1) withdraws from or becomes ineligible or unavailable for election at that annual meeting, or (2) does not receive at least 25% of the votes cast in favor of the Shareholder Nominee's election, will be ineligible to be a Shareholder Nominee pursuant to this Section 14 for the next two annual meetings. Any Shareholder Nominee who is included in the corporation's proxy statement for a particular annual meeting of shareholders, but subsequently is determined not to satisfy the eligibility requirements of this Section 14 or any other provision of the Corporation's Articles of Incorporation, Code of Regulations or other applicable regulation any time before the annual meeting of shareholders, will not be eligible for election at the relevant annual meeting of shareholders and may not be substituted by the Eligible Shareholder that nominated such Shareholder Nominee. Any Eligible Shareholder (including each Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose Share ownership is counted for the purposes of qualifying as an Eligible Shareholder) whose Shareholder Nominee is elected as a director at the annual meeting of Shareholder will not be eligible to nominate or participate in the nomination of a Shareholder Nominee for the following two (2) annual meetings of shareholders other than the nomination of such previously elected Shareholder Nominee.

(J) The corporation shall not be required to include, pursuant to this Section 14, a Shareholder Nominee in its proxy materials for any meeting of shareholders, or, if the proxy statement already has been filed, to allow the nomination of a Shareholder Nominee, notwithstanding that proxies in respect of such vote may have been received by the Corporation: (1) if the Shareholder Nominee or the Eligible Shareholder (or any Shareholder, fund comprising

a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) who has nominated such Shareholder Nominee has engaged in or is currently engaged in, or has been or is a "participant" in another person's, "solicitation" within the meaning of Rule 14a-1(l) under the Securities Exchange Act of 1934 in support of the election of any individual as a director at the annual meeting other than its Shareholder Nominee(s) or a nominee of the board of directors; (2) who is not independent under the listing standards of each principle U.S. exchange upon which the common shares of the corporation are listed, any applicable rules of the Securities and Exchange Commission and any publicly disclosed standards used by the board of directors in determining and disclosing independence of the corporation's directors, in each case as determined by the board of directors, (3) whose service as a member of the board of directors would violate or cause the corporation to be in violation of these Regulations, the Articles of Incorporation, the rules and listing standards of the principle U.S. exchanges upon which the common shares of the corporation are traded, or any applicable law, rule or regulation, including those related to the regulation of insurance and insurance holding companies, (4) who is, at the time of the Proxy Access Notice or at the time of the annual shareholders meeting an officer or director of a competitor of the corporation of one of its subsidiaries or affiliates; (5) if the Eligible Shareholder (or any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is counted for the purposes of qualifying as an Eligible Shareholder) or applicable Shareholder Nominee otherwise breaches or fails to comply with its obligations pursuant to this Section 14, or (6) if the Eligible Shareholder ceases to be an Eligible Shareholder for any reason, including but not limited to not owning the Proxy Access Request Required Shares through the date of the applicable annual meeting. For the purposes of this paragraph, clauses (2), (3) and (4) and, to the extent related to a breach or failure by the Shareholder Nominee, clauses (1) and (5) will result in the exclusion from the proxy materials pursuant to this Section 14 of the specific Shareholder Nominee to whom the ineligibility applies, or, if the proxy statement already has been filed, the ineligibility of the Shareholder Nominees to be nominated; however, clauses (6) and, to the extent related to a breach or failure by an Eligible Shareholder (or any Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose share ownership is intended to be counted for the purposes of qualifying as an Eligible Shareholder), clauses (1) and (5) will result in the Voting Shares owned by such Eligible Shareholder (or Record Shareholder, fund comprising a Qualifying Fund and/or Beneficial Owner whose Share ownership had intended to be counted for the purposes of qualifying as an Eligible Shareholder) being excluded from the Proxy Access Request Required Shares (and, if as a result the Proxy Access Notice shall no longer have been filed by an Eligible Shareholder the exclusion from the proxy materials pursuant to this Section 14 of all of the applicable shareholder's Shareholder Nominees from the applicable annual meeting of shareholders or, if the proxy statement has already been filed, the ineligibility of all of such shareholder's Shareholders Nominees).

ARTICLE III

Committees

Section 1. Executive Committee. The board of directors may from time to time, by resolution passed by a majority of the whole board, create an executive committee of three or more directors, the members of which shall be elected by the board of directors to serve during the pleasure of the board. If the board of directors does not designate a chairman of the executive committee, the executive committee shall elect a chairman from its own number. Except as otherwise provided herein and in the resolution creating an executive committee, such committee shall, during the intervals between the meetings of the board of directors, possess and may exercise all of the powers of the board of directors in the management of the business and affairs of the corporation, other than that of filling vacancies among the directors or in any committee of the directors. The executive committee shall keep full records and accounts of its proceedings and transactions. All action by the executive committee shall be reported to the board of directors at its meeting next succeeding such action and shall be subject to control, revision and alteration by the board of directors, provided that no rights of third persons shall be prejudicially affected thereby. Vacancies in the executive committee shall be filled by the directors, and the directors may appoint one or more directors as alternate members of the committee who may take the place of any absent member or members at any meeting.

Section 2. Meetings of Executive Committee. Subject to the provisions of these Regulations, the executive committee shall fix its own rules of procedure and shall meet as provided by such rules or by resolutions of the board of directors, and it shall also meet at the call of the president, the chairman of the executive committee or any two members of the committee. Unless otherwise provided by such rules or by such resolutions, the provisions of Section 10 of Article II relating to the notice required to be given of meetings of the board of directors shall also apply to meetings of the executive committee. A majority of the executive committee shall be necessary to constitute a quorum. The executive committee may act in a writing, or by telephone with written confirmation, without a meeting, but no such action of the executive committee shall be effective unless concurred in by all members of the committee.

Section 3. Other Committees. The board of directors may by resolution provide for such other standing or special committees as it deems desirable, and discontinue the same at pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be delegated to it by the board of directors. The provisions of Section 1 and Section 2 of this Article shall govern the appointment and action of such committees so far as consistent, unless otherwise provided by the board of directors. Vacancies in such committees shall be filled by the board of directors or as the board of directors may provide.

ARTICLE IV

Officers

Section 1. General Provisions. The board of directors shall elect a president, such number of vice presidents as the board may from time to time determine, a secretary and a treasurer and, in its discretion, a chairman of the board of directors. The board of directors may from time to time create such offices and appoint such other officers, subordinate officers and

assistant officers as it may determine. The chairman of the board shall be, but the other officers need not be, chosen from among the members of the board of directors. Any two of such offices may be held by the same person, but (i) one person may not hold the offices of both president and vice president, and (ii) no officer shall execute, acknowledge or verify any instrument in more than one capacity.

Section 2. Term of Office. The officers of the corporation shall hold office during the pleasure of the board of directors, and, unless sooner removed by the board of directors, until the organization meeting of the board of directors following the date of their election and until their successors are chosen and qualified. The board of directors may remove any officer at any time, with or without cause. A vacancy in any office, however created, shall be filled by the board of directors.

ARTICLE V

Duties of Officers

Section 1. Chairman of the Board. The chairman of the board, if one be elected, shall preside at all meetings of the board of directors and shall have such other powers and duties as may be prescribed by the board of directors. The chairman of the board, if one be elected, or the president, shall preside at all meetings of shareholders.

Section 2. President. The president shall be the chief executive officer of the corporation and shall exercise supervision over the business of the corporation and over its several officers, subject, however, to the control of the board of directors. The president, or the chairman of the board, if one be elected, shall preside at all meetings of shareholders. If the president is a director, the president shall also preside at any meeting of the board of directors at which the chairman of the board and the lead independent director, if either or both has been elected by the Board, are not present. The president shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments requiring the president's signature; and shall have all the powers and duties prescribed by Chapter 1701 of the Revised Code of Ohio and such others as the board of directors may from time to time assign to the president.

Section 3. Vice Presidents. The vice presidents shall have such powers and duties as may from time to time be assigned to them by the board of directors or the president. At the request of the president, or in the case of his absence or disability, the vice president designated by the president (or in the absence of such designation, the vice president designated by the board) shall perform all the duties of the president and, when so acting, shall have all the powers of the president. The authority of vice presidents to sign in the name of the corporation certificates for shares and deeds, mortgages, bonds, agreements, notes and other instruments shall be coordinate with like authority of the president.

Section 4. Secretary. The secretary shall keep minutes of all the proceedings of the shareholders and board of directors and shall make proper record of the same, which shall be attested by him; shall have authority to sign all certificates for shares and all deeds, mortgages, bonds, agreements, notes, and other instruments executed by the corporation requiring his signature; shall give notice of meetings of shareholders and directors; shall produce on request at each meeting of shareholders a certified list of shareholders arranged in alphabetical order; shall keep such books as may be required by the board of directors; and shall have such other powers and duties as may from time to time be assigned to him by the board of directors or the president.

Section 5. Treasurer. The treasurer shall have such powers and duties as are customarily incident to the office and as may from time to time be assigned to him by the board of directors, the president or any vice president. The authority of the Treasurer to sign in the name of the corporation certificates for shares and deeds, mortgages, bonds, agreements, notes and other instruments shall be coordinate with like authority of the president.

Section 6. Assistant and Subordinate Officers. The board of directors may appoint such assistant and subordinate officers as it may deem desirable. Each such officer shall hold office during the pleasure of the board of directors, and perform such duties as the board of directors or the president may prescribe.

The board of directors may, from time to time, authorize any officer to appoint and remove subordinate officers, to prescribe their authority and duties, and to fix their compensation.

Section 7. Duties of Officers May be Delegated. In the absence of any officer of the corporation, or for any other reason the board of directors may deem sufficient, the board of directors may delegate, for the time being, the powers or duties, or any of them, of such officers to any other officer or to any director.

ARTICLE VI

Indemnification and Insurance

Section 1. Indemnification. The corporation shall indemnify each director, officer and employee and each former director, officer and employee of the corporation, and each person who is serving or has served at its request as a director, officer or employee of another corporation, against expenses, judgments, decrees, fines, penalties or amounts paid in settlement in connection with the defense of any past, pending or threatened action, suit or proceeding, criminal or civil, to which he was, is or may be made a party by reason of being or having been such director, officer or employee, provided a determination is made (i) by the directors of the corporation acting at a meeting at which a quorum consisting of directors who neither were nor are parties to or threatened with any such action, suit or proceeding is present, or (ii) by the shareholders of the corporation at a meeting held for such 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 or without a meeting by the written consent of the holders of shares entitling them to exercise two-thirds of the voting power on such proposal, that (a) such director, officer or employee was not, and has not been adjudicated to have been, negligent or guilty of misconduct in the performance of his duty to the corporation of which he is or was a director, officer or employee, (b) he acted in good faith in what he reasonably believed to be the best interest of such corporation, and (c) in any matter the subject of a criminal action, suit or proceeding, he had no reasonable cause to believe that his conduct was unlawful.

Expenses of each person indemnified hereunder incurred in defending a civil, criminal, administrative or investigative action, suit or proceeding (including all appeals) or threat thereof, may be paid by the corporation in advance of the final disposition of such action, suit or proceeding as authorized by the board of directors, whether a disinterested quorum exists or not, upon receipt of an undertaking by or on behalf of the director, officer or employee to repay such expenses unless it shall ultimately be determined that he is entitled to be indemnified by the corporation.

The foregoing rights of indemnification shall not be deemed exclusive of, or in any way to limit, any other rights to which any person indemnified may be, or may become, entitled apart from the provisions of this Article VI.

Section 2. Liability Insurance. The corporation may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or designated agent of the corporation or is or was serving at the request of the corporation as a director, officer, employee or designated agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article or of Chapter 1701 of the Ohio Revised Code.

ARTICLE VII

Certificates for Shares; Uncertificated Shares

Section 1. Form and Execution. Except as provided in Section 2 hereof, certificates for shares, certifying the number of full-paid shares owned, shall be issued to each shareholder in such form as shall be approved by the board of directors. Such certificates shall be signed by the president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer; provided however, that if such certificates are countersigned by a transfer agent and/or registrar the signatures of any of said officers and the seal of the corporation upon such certificates may be facsimiles, which are engraved, stamped or printed thereon. If any officer or officers, who shall have signed, or whose facsimile signature shall have been used, printed, engraved or stamped on any certificate or certificates for shares, shall cease to be such officer or officers, because of death, resignation or otherwise, before such certificate or certificates shall have been delivered by the corporation, such certificate or certificates, if

authenticated by the endorsement thereon of the signature of a transfer agent or registrar, shall nevertheless be conclusively deemed to have been adopted by the corporation by the use and delivery thereof and shall be as effective in all respects as though signed by a duly elected, qualified and authorized officer or officers, and as though the person or persons who signed such certificate or certificates, or whose facsimile signature or signatures shall have been used thereon, had not ceased to be an officer or officers of the corporation.

Section 2. Uncertificated Shares. The board of directors, subject to the immediately succeeding paragraph, may provide by resolution that some or all of any or all classes and series of shares of the corporation shall be uncertificated shares, provided that the resolution shall not apply to shares represented by a certificate until the certificate is surrendered to the corporation and the resolution shall not apply to a certificated security issued in exchange for an uncertificated security. Within a reasonable time after the issuance or transfer of uncertificated shares, the corporation shall send to the registered owner of the shares a written notice containing the information required to be set forth or stated on share certificates in accordance with all applicable laws. Except as expressly provided by law, the rights and obligations of the holders of uncertificated shares and the rights and obligations of the holders of certificates representing shares of the same class and series shall be identical.

Notwithstanding the foregoing provisions of this Section 2, a shareholder of record shall at all times have the right to receive one or more certificates for some or all of the shares held of record by such shareholder in accordance with Section 1 hereof by making a written request therefor to the corporation or any transfer agent for the applicable class of shares, accompanied by such assurances as the corporation or such transfer agent may require as to the genuineness of such request; provided, however, that shareholders holding shares of the corporation under one or more of the corporation's benefit plans for officers, directors and/or employees shall have no such right to have certificates issued unless such a right is provided for under the applicable benefit plan or otherwise ordered by the board of directors or a committee thereof.

Section 3. Registration of Transfer. Any certificate for shares of the corporation shall be transferable in person or by attorney upon the surrender thereof to the corporation or any transfer agent for the class of shares represented by the certificate surrendered of a certificate, properly endorsed for transfer or accompanied by a duly endorsed stock power, together with such assurances as the corporation or such transfer agent may require as to the genuineness and effectiveness of each necessary endorsement or executed stock power. Any uncertificated shares of the corporation shall be transferable in person or by attorney upon written request in form and substance acceptable to the corporation or any transfer agent for the applicable class of shares, accompanied by a duly endorsed stock power and/or such other assurances as the corporation or such transfer agent may require as to the genuineness and effectiveness thereof.

Section 4. Lost, Destroyed or Stolen Certificates. Subject to the provisions of Section 2 hereof, a new share certificate or certificates may be issued in place of any certificate theretofore issued by the corporation which is alleged to have been lost, destroyed or wrongfully taken upon (i) the execution and delivery to the corporation by the person claiming the certificate to have been lost, destroyed or wrongfully taken of an affidavit of that fact, specifying whether or not, at

the time of such alleged loss, destruction or taking, the certificate was endorsed, and (ii) the furnishing to the corporation of indemnity and other assurances satisfactory to the corporation and to all transfer agents and registrars of the class of shares represented by the certificate against any and all losses, damages, costs, expenses or liabilities to which they or any of them may be subjected by reason of the issue and delivery of such new certificate or certificates or in respect of the original certificate.

Section 5. Registered Shareholders. A person in whose name shares are of record on the books of the corporation, whether such shares are evidenced by a certificate or are uncertificated, shall conclusively be deemed the unqualified owner and holder thereof for all purposes and to have capacity to exercise all rights of ownership. Neither the corporation nor any transfer agent of the corporation shall be bound to recognize any equitable interest in or claim to such shares on the part of any other person, whether disclosed upon any such certificate or otherwise, nor shall they be obliged to see to the execution of any trust or obligation.

ARTICLE VIII

Fiscal Year

The fiscal year of the corporation shall end on the 31st day of December in each year, or on such other date as may be fixed from time to time by the board of directors.

ARTICLE IX

Seal

The board of directors may provide a suitable seal containing the name of the corporation. If deemed advisable by the board of directors, duplicate seals may be provided and kept for the purposes of the corporation.

ARTICLE X

Amendments

These Regulations may be amended or repealed: (a) at any meeting of shareholders called for that purpose by the affirmative vote of the holders of record of shares entitling them to exercise a majority of the voting power of the corporation with respect to such proposal; or (b) by the board of directors (to the extent permitted by Ohio law).

Exhibit 4.1

Amendment to Discretionary Line Documents

THIS AMENDMENT TO DISCRETIONARY LINE DOCUMENTS (this "**Amendment**") is made as of April 16, 2021, by and between **THE PROGRESSIVE CORPORATION** (the **"Company"**), and **PNC BANK, NATIONAL ASSOCIATION** (the "**Bank**").

BACKGROUND

A. The Company has executed and delivered to the Bank a Discretionary Line Note and other documents, which are more fully described on attached Exhibit A, which is made a part of this Amendment (collectively, as amended from time to time, the "**Discretionary Line Documents**") which evidence the indebtedness and other obligations of the Company to the Bank in connection with a discretionary line of credit (as used herein, collectively, together with the Obligations, if and as defined in the Discretionary Line Documents, as used in here the "**Obligations**"). Any initially capitalized terms used in this Amendment without definition shall have the meanings assigned to those terms in the Discretionary Line Documents.

B. The Company and the Bank desire to amend the Discretionary Line Documents as provided for in this Amendment.

NOW, THEREFORE, in consideration of the mutual covenants herein contained and intending to be legally bound hereby, the parties hereto agree as follows:

1. Certain of the Discretionary Line Documents are amended as set forth in Exhibit A. Any and all references to any Discretionary Line Document shall be deemed to refer to such Discretionary Line Documents as amended by this Amendment. This Amendment is deemed incorporated into each of the Discretionary Line Documents. To the extent that any term or provision of this Amendment is or may be inconsistent with any term or provision in any Discretionary Line Document, the terms and provisions of this Amendment shall control.

2. The Company hereby certifies that: (a) all of its representations and warranties in the Discretionary Line Documents, as amended by this Amendment, are, except as may otherwise be stated in this Amendment: (i) true and correct as of the date of this Amendment, (ii) ratified and confirmed without condition as if made anew, and (iii) incorporated into this Amendment by reference, (b) no Event of Default or event which, with the passage of time or the giving of notice or both, would constitute an Event of Default, exists under any Discretionary Line Document which will not be cured by the execution and effectiveness of this Amendment, (c) no consent, approval, order or authorization of, or registration or filing with, any third party is required in connection with the execution, delivery and carrying out of this Amendment or, if required, has been obtained, and (d) this Amendment has been duly authorized, executed and delivered so that it constitutes the legal, valid and binding obligation of the Company, enforceable in accordance with its terms. The Company confirms that the Obligations remain outstanding without defense, set off, counterclaim, discount or charge of any kind as of the date of this Amendment.

3. As a condition precedent to the effectiveness of this Amendment, the Company shall comply with the terms and conditions (if any) specified in Exhibit A.

4. To induce the Bank to enter into this Amendment, the Company waives and releases and forever discharges the Bank and its officers, directors, attorneys, agents, and employees (each, an "Indemnified Party") from any liability, damage, claim, loss or expense of any kind that it may have against the Bank or any of them arising out of or relating to the Obligations; provided, however, that the foregoing indemnity shall not apply to any claims, damages, losses, liabilities and expenses solely attributable to an Indemnified Party's gross negligence or willful misconduct. The Company further states that it has carefully read the foregoing release and indemnity, knows the contents thereof and grants the same as its own free act and deed.

5. This Amendment may be signed in any number of counterpart copies and by the parties to this Amendment on separate counterparts, but all such copies shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile transmission shall be effective as delivery of a manually executed counterpart. Upon written request by the other party (which may be made by electronic mail), any party so executing this Amendment by facsimile transmission shall promptly deliver a manually executed counterpart, provided that any failure to do so shall not affect the validity of the counterpart executed by facsimile transmission.

6. Notwithstanding any other provision herein or in the other Discretionary Line Documents, the Company agrees that this Amendment, the Discretionary Line Documents, any other amendments thereto and any other information, notice, signature card, agreement or authorization related thereto (each, a "**Communication**") may, at the Bank's option, be in the form of an electronic record. Any Communication may, at the Bank's option, be signed or executed using electronic signatures. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format) for transmission, delivery and/or retention. The Company and the Bank acknowledge and agree that the methods for delivering Communications, including notices, under the Discretionary Line Documents include electronic transmittal to any electronic address provided by either party to the other party from time to time.

7. The Bank may modify this Amendment for the purposes of completing missing content or correcting erroneous content, without the need for a written amendment, provided that the Bank shall send a copy of any such modification to the Company (which notice may be given by electronic mail).

8. This Amendment will be binding upon and inure to the benefit of the Company and the Bank and their respective heirs, executors, administrators, successors and assigns.

9. This Amendment will be interpreted and the rights and liabilities of the parties hereto determined in accordance with the laws of the State identified in and governing the Discretionary Line Documents that are being amended hereby (the "**State**"), excluding its conflict of laws rules, including without limitation the Electronic Transactions Act (or equivalent) in such State (or, to the extent controlling, the laws of the United States of America, including without limitation the Electronic Signatures in Global and National Commerce Act). This Amendment has been delivered to and accepted by the Bank and will be deemed to be made in the State.

10. Except as amended hereby, the terms and provisions of the Discretionary Line Documents remain unchanged, are and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms and are hereby ratified and confirmed. Except as expressly provided herein, this Amendment shall not constitute an amendment, waiver, consent or release with respect to any provision of any Discretionary Line Document, a waiver of any default or Event of Default under any Discretionary Line Document, or a waiver or release of any of the Bank's rights and remedies (all of which are hereby reserved).

The Company expressly ratifies and confirms the dispute resolution, waiver of jury trial or arbitration provisions, as applicable, contained in the Discretionary Line Documents, all of which are incorporated herein by reference.

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WITNESS the due execution of this Amendment as a document under seal as of the date first written above.

THE PROGRESSIVE CORPORATION

By: /s/ Patrick S. Brennan
Patrick S. Brennan (SEAL)
Treasurer

PNC BANK, NATIONAL ASSOCIATION

By: /s/ John W. Thompson
John W. Thompson (SEAL)
Managing Director

EXHIBIT A TO
AMENDMENT TO DISCRETIONARY LINE DOCUMENTS
DATED AS OF APRIL 16, 2021
THE PROGRESSIVE CORPORATION

A. **Discretionary Line Documents.** The "Discretionary Line Documents" that are the subject of this Amendment include the following (as each of such documents has been amended, modified or otherwise supplemented previously)

1. Confirmation Letter – Discretionary Line of Credit dated April 28, 2017 between the Company and the Bank (the **"Confirmation Letter"**).

2. Discretionary Line of Credit Note dated April 28, 2017 in the principal amount of $250,000,000.00 executed and delivered to the Bank by the Company (the **"Discretionary Line Note"**).

3. Reapproval of Discretionary Line of Credit dated April 3, 2018 Between the Company and the Bank.

4. Reapproval of Discretionary Line of Credit dated April 22, 2019 Between the Company and the Bank.

5. Amendment to Discretionary Line Documents dated as of April 28, 2020 Between the Company and the Bank.

6. All other documents, instruments, agreements, and certificates executed and delivered in connection with the Discretionary Line Documents listed in this Section A.

B. **Amendment(s).** The Discretionary Line Documents are amended as follows:

1. We are pleased to inform you that PNC Bank, National Association (the "Bank") has recently reapproved the $250,000,000.00 discretionary line of credit to The Progressive Corporation (the "Company"). Effective on May 1, 2021, the Expiration Date set forth in our Confirmation Letter dated April 28, 2017, is extended from April 30, 2021 to April 30, 2022. All other terms and conditions contained in the Note dated April 28, 2017, and the Confirmation Letter, remain in full force and effect, including but not limited to the fact that the facility remains discretionary, and the Bank may terminate the line or decline to make advances at any time and for any reason without prior notice.

2. The introductory paragraph of the Amendment to Discretionary Line Documents dated as of April 28, 2020, is hereby amended and restated to read in its entirety as follows:

"**THIS AMENDMENT TO DISCRETIONARY LINE DOCUMENTS** (this "**Amendment**") is made as of April 28, 2020, by and between **THE PROGRESSIVE CORPORATION** (the **"Company"**), and **PNC BANK, NATIONAL ASSOCIATION** (the "**Bank**")."

3. **Even though the Expiration Date has been extended, this is not a committed line of credit. The Company acknowledges and agrees that advances made under this line of credit, if any, shall**

be made at the sole discretion of the Bank. The Bank may decline to make advances under the line or terminate the line at any time and for any reason without prior notice to the Company.

4. The following provision hereby replaces the Section entitled "**Anti-Money Laundering/International Trade Law Compliance**" in each promissory note executed and delivered to the Bank by the Borrower (or, alternatively, is hereby added to any such promissory note that does not already include a provision entitled "Anti-Money Laundering/International Trade Law Compliance"):

"**Anti-Money Laundering/International Trade Law Compliance.** The Borrower represents, warrants and covenants to the Bank, as of the date hereof, the date of each advance of proceeds under the Facility, the date of any renewal, extension or modification of the Facility, and at all times until the Facility has been terminated and all amounts thereunder have been indefeasibly paid in full, that: (a) no Covered Entity (i) is a Sanctioned Person; (ii) has any of its assets in a Sanctioned Jurisdiction or in the possession, custody or control of a Sanctioned Person; or (iii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Jurisdiction or Sanctioned Person; (b) the proceeds of the Facility will not be used to fund any operations in, finance any investments or activities in, or, make any payments to, a Sanctioned Jurisdiction or Sanctioned Person; (c) the funds used to repay the Facility are not derived from any unlawful activity; (d) each Covered Entity is in compliance with, and no Covered Entity engages in any dealings or transactions prohibited by, any laws of the United States, including but not limited to any Anti-Terrorism Laws; and (e) no Collateral is or will become Embargoed Property. The Borrower covenants and agrees that (a) it shall immediately notify the Bank in writing upon the occurrence of a Reportable Compliance Event; and (b) if, at any time, any Collateral becomes Embargoed Property, in addition to all other rights and remedies available to the Bank, upon request by the Bank, the Borrower shall provide substitute Collateral acceptable to the Bank that is not Embargoed Property.

As used in this provision, the following terms shall have the following meanings: "**Anti-Terrorism Laws**" means any laws relating to terrorism, trade sanctions programs and embargoes, import/export licensing, money laundering, or bribery, all as amended, supplemented or replaced from time to time; "**Bank**" means PNC Bank, National Association; "**Collateral**" means any collateral securing any debt, liabilities or other obligations of any Obligor to the Bank; "**Compliance Authority**" means each and all of the (a) U.S. Treasury Department/Office of Foreign Assets Control, (b) U.S. Treasury Department/Financial Crimes Enforcement Network, (c) U.S. State Department/Directorate of Defense Trade Controls, (d) U.S. Commerce Department/Bureau of Industry and Security, (e) U.S. Internal Revenue Service, (f) U.S. Justice Department, and (g) U.S. Securities and Exchange Commission; "**Covered Entity**" means the Borrower, its affiliates and subsidiaries, all guarantors, pledgors of collateral, all owners of the foregoing, and all brokers or other agents of the Borrower acting in any capacity in connection with the Facility; "**Embargoed Property**" means any property (a) in which a Sanctioned Person holds an interest; (b) beneficially owned, directly or indirectly, by a Sanctioned Person; (c) that is due to or from a Sanctioned Person; (d) that is located in a Sanctioned Jurisdiction; or (e) that would otherwise cause any actual or possible violation by the Bank of any applicable Anti-Terrorism Law if the Bank were to obtain an encumbrance on, lien on, pledge of or security interest in such property or provide services in consideration of such property; "**Facility**" means the loan evidenced by this Note; "**Obligor**" means the Borrower and any guarantor of, or any pledgor, mortgagor or other person or entity providing collateral support for, the Borrower's obligations to the Bank existing on the date of this Note or arising in the future; "**Reportable Compliance Event**" means (1) any Covered Entity becomes a Sanctioned Person, or is indicted, arraigned, investigated or custodially detained, or receives an inquiry from regulatory or law enforcement officials, in connection with any Anti-Terrorism Law or any predicate

crime to any Anti-Terrorism Law, or self-discovers facts or circumstances implicating any aspect of its operations with the actual or possible violation of any Anti-Terrorism Law; (2) any Covered Entity engages in a transaction that has caused or may cause the Bank to be in violation of any Anti-Terrorism Laws, including a Covered Entity's use of any proceeds of the Facility to fund any operations in, finance any investments or activities in, or, make any payments to, directly or indirectly, a Sanctioned Jurisdiction or Sanctioned Person; or (3) any Collateral becomes Embargoed Property; "**Sanctioned Jurisdiction**" means a country subject to a sanctions program maintained by any Compliance Authority; and "**Sanctioned Person**" means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any order or directive of any Compliance Authority or otherwise subject to, or specially designated under, any sanctions program maintained by any Compliance Authority."

C. **Conditions to Effectiveness of Amendment.** The Bank's willingness to agree to the amendments set forth in this Amendment are subject to the execution by all parties and delivery to the Bank of this Amendment.

Exhibit 10.1

THE PROGRESSIVE CORPORATION
2017 DIRECTORS EQUITY INCENTIVE PLAN
RESTRICTED STOCK AWARD AGREEMENT

This Agreement ("Agreement") is made this _____, by and between <name of participant> ("Participant") and The Progressive Corporation (the "Company").

1. Award of Restricted Stock. The Company hereby grants to Participant an award (the "Award") of restricted stock (the "Restricted Stock") consisting of <number of shares> of the Company's Common Shares, $1 Par Value ("Common Shares"), pursuant to, and subject to the terms of, The Progressive Corporation 2017 Directors Equity Incentive Plan (the "Plan").

2. Condition to Participant's Rights under this Agreement. This Agreement shall not become effective, and Participant shall have no rights with respect to the Award or the Restricted Stock, unless and until Participant has fully executed this Agreement and delivered it to the Company (in the Company's discretion, such execution and delivery may be accomplished through electronic means).

3. Restrictions; Vesting. The Restricted Stock shall be subject to the restrictions and other terms and conditions set forth in the Plan, which are hereby incorporated herein by reference, and in this Agreement. Subject to the terms and conditions of the Plan and this Agreement, Participant's rights in and to the shares of Restricted Stock shall vest on April 7, 2022.

The shares of Restricted Stock awarded under this Agreement shall vest as set forth above unless, prior to such vesting date, the Award and the applicable shares of Restricted Stock are forfeited or have become subject to accelerated vesting under the terms and conditions of the Plan or this Agreement. Until the shares of Restricted Stock vest, Participant shall not sell, transfer, pledge, assign or otherwise encumber such shares of Restricted Stock or any interest therein.

4. Manner In Which Shares Will Be Held. All shares of Restricted Stock awarded to Participant hereunder shall be issued in book-entry form and held by the Company, or its designee, in such form, and as such, no stock certificates evidencing such shares will be issued or held with respect to such Restricted Stock. Certain terms, conditions and restrictions applicable to such Restricted Stock will be noted in the records of the Company's transfer agent and in the book-entry system. At the Company's discretion, and subject to the provisions of this Paragraph 4, stock certificates evidencing the shares of Restricted Stock awarded under this Agreement may be issued and registered in the name of Participant. In such event, such certificates shall be delivered to and held in custody by the Company, or its designee, until the restrictions thereon shall have lapsed or any conditions to the vesting of such Award, or a portion thereof, have been satisfied, and such certificates shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Award.

Participant hereby irrevocably authorizes the Company and the Compensation Committee of the Board of Directors (the "Committee") to take any and all appropriate action with respect to the evidence of Participant's Restricted Stock, including, without limitation, issuing certificates for such Restricted Stock, issuing such Restricted Stock in book-entry form, transferring any previously issued certificates into book-entry form, transferring any Restricted Stock (whether held in certificate or book-entry form) into unrestricted form at vesting, or canceling any Restricted Stock (whether held in certificate or book-entry form) as and when required by this Agreement or the Plan, or undertaking any other action which

may be done lawfully by the Company or the Committee in the administration of the Plan and this Agreement. Participant specifically acknowledges and agrees that such certificates and/or book-entry evidence of Participant's Restricted Stock may be transferred or cancelled pursuant to this Agreement and the Plan without requiring that a Stock Power be executed and delivered by Participant or requiring any other action on the part of Participant, and Participant authorizes the Company to undertake each such action without such Stock Powers.

Participant hereby further irrevocably appoints the Secretary of the Company and any employee of the Company who may be designated by the Secretary, and each of them, Participant's true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for Participant and in his or her name, place and stead, in any and all capacities, to execute and deliver each and every document (including, without limitation, any such Stock Powers) which may be necessary or appropriate in connection with the issuance, transfer, cancellation or other action taken in connection with the Restricted Stock awarded hereunder pursuant to this Agreement or the Plan. The rights granted by Participant under this paragraph shall automatically expire as to shares of Restricted Stock awarded hereunder upon the transfer of such shares into unrestricted form at vesting or upon the cancellation of such shares at any time, as applicable, pursuant to this Agreement and the Plan.

5. Rights of Shareholder. Except as otherwise provided in this Agreement or the Plan, Participant shall have, with respect to the shares of Restricted Stock awarded hereunder, all of the rights of a shareholder of the Company, including the right to vote the shares and the right to receive any dividends as declared by the Company's Board of Directors.

6. Shares Non-Transferable. No shares of Restricted Stock shall be transferable by Participant other than by will or by the laws of descent and distribution. In the event any Award is transferred or assigned pursuant to a court order, such transfer or assignment shall be without liability to the Company, and the Company shall have the right to offset against such Award any expenses (including attorneys' fees) incurred by the Company in connection with such transfer or assignment.

7. Restricted Stock Deferral Plan. If Participant is eligible, and if Participant has made the appropriate election, to defer all or a portion of the Restricted Stock awarded hereunder into The Progressive Corporation Directors Restricted Stock Deferral Plan (the "Deferral Plan"), then the Common Shares that would otherwise vest in accordance with the terms of this Agreement and are subject to such election, instead of being delivered to Participant, shall be credited to Participant's account and distributed in accordance with the terms of the Deferral Plan and Participant's deferral election thereunder.

8. Dividends. Participant acknowledges and agrees that the Company will pay, or cause to be paid, any cash dividends payable in respect of Restricted Stock through such method(s) of payment as the Company deems advisable, on or promptly after the date established by the Board of Directors for the payment of such cash dividend to holders of the Company's Common Shares (the "Dividend Payment Date"), including, but not limited to: (i) payment by the Company's transfer agent through the procedures established generally for shareholders of record; or (ii) payment by the Company to Participant directly by appropriate check, draft or automatic deposit, provided, however, that in the event a Vesting Date falls between a record date and a Dividend Payment Date for any such dividend and Participant has deferred the Award pursuant to and in accordance with the terms of the Deferral Plan, then such dividend shall not be paid to Participant but instead shall be reinvested in accordance with the Deferral Plan.

9. Termination of Service. Except as otherwise provided in the Plan or as determined by the Committee, if Participant's service as a member of the Board of Directors terminates for any reason other than death or Disability, all Restricted Stock held by Participant which is unvested or subject to restriction at the time of such termination shall be automatically forfeited immediately after such termination. In the event Participant dies while serving on the Board of Directors, all Restricted Stock held by Participant shall vest in full immediately after Participant's death, and the Company shall process such vesting within thirty (30) days of receipt of notice thereof. In the event Participant resigns or is removed from the Board of Directors as a result of Participant's Disability, all Restricted Stock held by Participant shall vest in full immediately after such resignation or removal, and the Company shall process such vesting within thirty (30) days of the date on which the Committee determines that such resignation or removal was the result of Participant's Disability (but not later than December 31 of the year of such resignation or removal, or if later, the 15th day of the third calendar month following such resignation or removal).

10. Entire Agreement. This Agreement constitutes the entire agreement between the parties and supersedes and cancels any other agreement, representation or communication, whether oral or in writing, between the parties hereto relating to the subject matter hereof; provided, however, that the Agreement shall be at all times subject to the Plan as provided above.

11. Amendment. The Committee, in its sole discretion, may hereafter amend the terms of this Award to the fullest extent permitted by Section 13 of the Plan.

12. Definitions: Unless otherwise defined in this Agreement, each capitalized term in this Agreement shall have the meaning given to it in the Plan.

13. Acknowledgment. Participant hereby: (i) acknowledges receiving a copy of the Plan Description relating to the Plan, and represents that he or she is familiar with all of the material provisions of the Plan, as set forth in such Plan Description; (ii) accepts this Agreement and the Restricted Stock awarded pursuant hereto subject to all provisions of the Plan and this Agreement; and (iii) agrees to accept as binding, conclusive and final all decisions and interpretations of the Committee relating to the Plan, this Agreement or the Restricted Stock awarded hereunder.

Agreed to as of the day and year first written above.

_____
<name of participant>

THE PROGRESSIVE CORPORATION

By: _____
Daniel P. Mascaro
Vice President & Secretary

Exhibit 10.2

THE PROGRESSIVE CORPORATION
AMENDMENT NO. 1 TO 2021 GAINSHARING PLAN

This Amendment No. 1 is dated as of March 5, 2021. In accordance with Section 13 of The Progressive Corporation 2021 Gainsharing Plan ("Plan"), Section 2 of the Plan is hereby amended and restated in its entirety to read as follows:

2. **Participants.** Subject to the last sentence of this Section 2, plan participants for each Plan year shall include all officers and regular employees of Progressive unless determined otherwise by the Committee. Temporary employees are not eligible to participate in the Plan. Throughout this Plan, references to "executive officers" refer to executive officers of The Progressive Corporation within the meaning of any Securities and Exchange Commission ("SEC") or New York Stock Exchange rule applicable to the Company. Notwithstanding the foregoing, employees of Protective Insurance Corporation ("Protective") and its subsidiaries and affiliates will not be eligible to participate in the Plan for the calendar year in which the closing of the transactions contemplated by that certain merger agreement among The Progressive Corporation, an indirect wholly-owned subsidiary thereof, and Protective, dated February 14, 2021, occurs.

Exhibit 10.3

FIRST AMENDMENT TO THE PROGRESSIVE CORPORATION EXECUTIVE SEPARATION ALLOWANCE PLAN (2021 AMENDMENT AND RESTATEMENT)

WHEREAS, The Progressive Corporation ("Company") currently maintains The Progressive Corporation Executive Separation Allowance Plan ("Plan") pursuant to the 2021 Amendment and Restatement; and

WHEREAS, the Company desires to amend the Plan;

NOW, THEREFORE, the Plan is hereby amended as follows, effective as of May 6, 2021:

1. Section 1.17 of the Plan is hereby amended and restated in its entirety to provide as follows:

"1.17 'Plan' means The Progressive Corporation Executive Separation Allowance Plan (2021 Amendment and Restatement), as set forth herein and as the same may be amended from time to time."

2. Section 4.1 of the Separation Agreement and General Release attached to the Plan as Exhibit A is hereby amended and restated in its entirety to provide as follows:

"4.1 An Eligible Employee who resigns or whose employment has been terminated under the Plan may elect to continue his/her and his/her covered dependents' medical, dental and vision coverages, if any, under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), as further provided in the Applicable Group Insurance Plan (to the extent he/she and his/her dependents were receiving such coverages immediately prior to his/her Separation Date), for the period specified in the Applicable Group Insurance Plan and subject to the terms and conditions thereof. If an Eligible Employee who is entitled to a separation allowance under the preceding provisions of this Plan elects to continue his/her and/or his/her covered dependents' medical, dental and/or vision coverages under the Applicable Group Insurance Plan, the Eligible Employee will be entitled to receive such coverages at the contribution amount set forth in the Applicable Group Insurance Plan (referred to therein as the "Separation Allowance Contribution") for a period not to exceed the lesser of (i) the COBRA continued coverage period or (ii) the number of weeks of Compensation used in computing the amount of his/her separation allowance under Section 3.1 above, provided that the Eligible Employee pays such Separation Allowance Contribution to the Participating Employer at such times as the Participating Employer shall specify. Eligible Employees may also qualify for a reduction of the Separation Allowance Contribution under the American Rescue Plan Act of 2021 ("ARPA"). Any subsidies required by ARPA shall be provided automatically in the

manner and timing required by federal law, regardless of whether the Eligible Employee signs a release."

3. Section 2(b) of the Separation Agreement and General Release attached to the Plan as Exhibit A is hereby amended and restated to read in its entirety to provide as follows:

> "b. If you are participating in The Progressive Health, Life and Disability Benefits Plan ("Group Insurance Plan"), you may elect to continue your and your dependents' medical, dental and vision coverages under the Group Insurance Plan for the periods specified in the Group Insurance Plan, subject to the terms, conditions and limitations of the Group Insurance Plan. If you elect to continue any of such coverages, Progressive shall pay the cost of continuing such coverages for a period not to exceed the greater of (a) the number of weeks of Compensation used in computing the amount of your separation allowance under Paragraph 1 above or (b) any period required under the American Rescue Plan Act of 2021 ("ARPA"), provided that you make payments at such times and in such manner as Progressive shall specify equal to the contributions you would have had to make for those coverages for such period had you continued to receive those coverages as an active employee during such period, all as determined by Progressive. For any period subject to subsidies pursuant to ARPA, Progressive will subsidize the full cost of coverage and you will not be required to make any contributions. Further, the subsidies provided pursuant to ARPA will be provided as a matter of law, regardless of whether you sign this release. You also shall be entitled to the conversion privileges, if any, applicable to your life insurance and/or other coverages under the Group Insurance Plan."

IN WITNESS WHEREOF, The Progressive Corporation has hereunto caused this Amendment to be executed by its duly authorized representative on the 12th day of May, 2021.

THE PROGRESSIVE CORPORATION
By: /s/ Daniel P. Mascaro
Daniel P. Mascaro, Vice President and Secretary

Exhibit 31.1

CERTIFICATION

I, Susan Patricia Griffith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Progressive Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ Susan Patricia Griffith

Susan Patricia Griffith

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John P. Sauerland, certify that:

1. I have reviewed this quarterly report on Form 10-Q of The Progressive Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 3, 2021

/s/ John P. Sauerland
John P. Sauerland
Vice President and Chief Financial Officer

Exhibit 32.1

SECTION 1350 CERTIFICATION

I, Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2021 (the "Report"), which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Susan Patricia Griffith
Susan Patricia Griffith
President and Chief Executive Officer
August 3, 2021

Exhibit 32.2

SECTION 1350 CERTIFICATION

I, John P. Sauerland, Chief Financial Officer of The Progressive Corporation (the "Company"), certify, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

(1) the Quarterly Report on Form 10-Q of the Company for the period ended June 30, 2021 (the "Report"), which this certification accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John P. Sauerland
John P. Sauerland
Vice President and Chief Financial Officer
August 3, 2021

Exhibit 99

Letter to Shareholders
Second Quarter 2021

As quickly as trends shifted during the second quarter of 2020, they all but reversed through the second quarter of 2021, especially later in the quarter. The global pandemic, which affected every industry, pressed us to be nimble on many fronts. We believe that agility in execution is where we excel and has always been our strength. We had no reason to believe that the pandemic, or its aftermath, would be any different and see this as an opportunity rather than a setback.

For this quarter, aside from discussing the second quarter in its totality, I will also give some insights into our June results and, more importantly, our actions and plans to react to the increase in our combined ratio (CR) for that month.

But first, the numbers. The second quarter 2021 continued with strong companywide results with net premium written (NPW) growth of 13% at a 96.5 CR. Policies in force (PIF) growth was 11%.

For the quarter, Personal Lines grew NPW and PIFs 6% and 10%, respectively, at a CR of 96.2, which was an 11 point increase over the second quarter of 2020. Last year's second quarter was heavily influenced by the start of the pandemic with observed drops in vehicle miles traveled (VMTs) and frequency. As pandemic-related restrictions were significantly reduced during the second quarter 2021, both frequency and VMTs experienced significant increases. With more people driving, loss frequency was more in line with what we were experiencing prior to the onset of the pandemic. Our personal auto accident frequency increased 47% for the second quarter 2021, following a 39% drop in auto frequency in the second quarter last year, and VMTs were up 20% year over year, following a drop of 23% in the second quarter last year. In addition, we experienced increased auto loss severity in both of the first two quarters of 2021. Collision is a driver of increased severity as we are seeing a rise in the valuation of used vehicles, which increases our total loss and repair costs. These loss frequency and severity trends, combined with lower average premium per policy, contributed to the compressed margins during the quarter.

Like personal auto, our special lines products, which includes motorcycles, boats, RVs, etc., experienced increases in frequency and severity, compared to the prior year. Severity was up in all of our special lines products, while frequency trends were mixed by product. Motorcycles, like auto, saw an increase in frequency on a year-over-year basis, especially early in the second quarter at the start of the riding season. Boats, on the other hand, saw a decrease in accident frequency in the second quarter 2021, compared to last year, reflecting the significant spike in new boaters and crowded waterways during 2020 as people were finding activities that were socially distanced during the COVID-19 shelter-in-place restriction periods. In spite of these quarter trends, on a year-to-date basis through June 2021, our Personal Lines CR is at a 92.5 and remains below our full year companywide target of a 96 CR.

We continue to deploy our 8.6 auto product model and now have 22 states in market. This product is meeting expectations in the marketplace and is continuing to experience significant improvement in the conversion of new business quotes to customers, specifically in the more preferred market, for example those with prior insurance and multi-vehicle households. Early in the first quarter 2021, we launched our 8.7 product and by end of the second quarter we are in market in ten states.

For the quarter, Commercial Lines NPW was up 66% at a CR of 92.0, including the results from Protective Insurance Corporation and its subsidiaries for the month of June. In addition to a low 2020 pandemic-related denominator, growth is being driven by our strength in the trucking segment and economic drivers influencing the business. The core commercial auto business continues to benefit from a strong and accelerated uptick in consumer spending on durable goods this year, supply chain disruptions, and favorable macro-economic indicators for our business auto and contractors business market targets. As economic conditions continue to improve and ride-share usage increases, we are seeing ridesharing mileage and premium for our transportation network company (TNC) line of business recover relative to the same quarter last year and first quarter 2021.

Market indicators of the health of the economy and small business sector, both of which are important in our business, all point to a continued positive outlook ahead. To support our growth and anticipated sales and servicing demands, we have increased staff in our Commercial Lines customer and agent servicing organization. Information from our usage-based insurance data shows driving miles and congestion levels are back to pre-pandemic levels,

which we believe will result in more claims activity. As a result, we will continue to adjust our pricing and increase our Commercial Lines claims staff to prepare for the expected year-over-year increase in claims volume.

We rolled out our 8.0 commercial auto product along with our new policy administration system in three additional states and now have 15 states successfully operating on our new system. Our expansion into the business owners policy (BOP) product line continues. We added three states bringing the state footprint to 22 states at the end of the quarter that represented 43% of the commercial multi-peril market. We plan to be in 35 states with the BOP product by the end of the year.

We completed the acquisition of Protective Insurance Corporation on June 1 and are thrilled to be adding Protective's products and capabilities to our Commercial Lines business. We remain focused on providing our customers, partners, and clients with the exceptional service they expect and deserve, as we work towards making decisions on how to best integrate and operate our businesses to provide greater opportunities for growth. We will provide updates on those plans as we make decisions and have more details to share.
Our Property NPW increased 15% to $591 million, and our CR was 116.6 for the second quarter 2021. We experienced 17 industry-defined weather events during the quarter, which added 25 points to the CR. Our product managers continue to act to address rate adequacy and product deployment. We've increased homeowner rates, on average, by approximately 4% countrywide in the second quarter 2021 and 6% year-to-date (YTD). We have minimum deductible requirements in 13 states with heavy notable hail exposure. Our 4.0 product version is now live in 33 states and our newest product, 4.1, is live in one state.

The second quarter total return on our investment portfolio was 1.7%, as we saw strong performance across both our fixed-income and equity portfolios. After a significant increase over the previous six months, treasury yields moved lower in the second quarter. Even at these lower yield levels we maintained our duration, as we felt valuations reflected upside and downside risks. As credit markets continued to recover, we reduced our allocation to non-Treasury fixed-income sectors due to our concerns with valuation. We believe our portfolio asset allocation is appropriate for the current environment and believe we are in a position to withstand investment market volatility that could arise as we continue to face an uncertain macro environment.

All of you should be very familiar with our long-standing goal of growing as fast as we can at or below a 96 CR on a calendar-year basis. We do not intend to waver from this goal as it has served us well since we started publicly stating it 50 years ago when we first went public in 1971 and likely longer than that. *If* we have to make a choice, profit trumps growth as profit is one of our five core values. On occasion, we have had to make this trade-off and we did so delicately and surgically to both reach our goals and retain our customers. This time will be no different. As a reference, our YTD companywide CR is a 93.

On a companywide basis, our CR for the month of June was 100.5. Although June typically has the highest monthly CR, with the trends we are starting to see, we are not treating this as an anomaly. The last time we reported a monthly CR in excess of 100 was in August 2017 and that was due to 12.6 points of catastrophe losses primarily from Hurricane Harvey.

Based on our usage-based insurance data, we are seeing the gap of VMTs and claims volume swiftly close. As quickly as people came off the roads to shelter-in-place, it appears that the pent-up demand to see friends and family has come and losses are following. While we are not surprised, we always watch for data to support our current hypothesis.

So, what's our plan? We are doing what we always do when faced with pressure on profitability. We assembled a core group across product lines to establish and evaluate key performance indicators to assess where we need to take actions. In addition, our product managers are continually evaluating the performance of their specific state(s) relative to our stated operating objective and will take rate action where they deem it appropriate. During the second quarter 2021, rate increases were effective in 11 states, which had an average increase of about 5%. In the aggregate, rate changes for personal auto for the quarter were about 2%. Our product managers are also tightening underwriting criteria in consumer segments where losses indicate rate inadequacy. Furthermore, we re-evaluated our media budget and reduced our spend in certain areas based on performance against our targets. As stated previously, we pride ourselves on our nimbleness and will approach this challenge the same way.

To help support our objective to grow as long as we are able to provide high-quality customer service, we recently announced publicly that we plan to hire up to 6,400 new employees through the end of 2021, including the Commercial Lines hiring discussed above, with the largest emphasis (about 5,900 new roles) being in contact center positions and field and centralized claims jobs. Our recruiting machine continues to send us really incredible candidates and I am honored to see that first-hand as I speak to each new-hire class.

With our surgical focus on profitable growth, we have not lost any focus on what we call our Destination Era strategy and our goal to grow and retain customers who purchase more than one product with Progressive. These multi-product households are generally our most loyal customers. Year to date through June, our year-over-year growth in multi-product households has increased 18%, which has significantly outpaced our monoline products.

We have a strong focus on auto and home bundlers, which we refer to as our "Robinson" consumer segment. These customers are already our most loyal, and we continue to work on improving and integrating their customer experience to keep them even longer. For example, our online and mobile app servicing now allow for a single set of credentials to access service across Progressive auto and home products, and we support real-time data feeds between these products for comprehensive, personalized experiences. We are also actively working on property invoicing, payment, and digital communications capabilities to align and integrate with what we have in auto.

While our focus may be on the Robinsons, our multi-product households go beyond auto and home. Our motorcycle, boat, recreational vehicle, and Commercial Lines' products are strong and central to our multi-product efforts. Renters insurance is an increasingly important product for "future Robinsons," and we have expanded opportunities to offer our renters insurance product both digitally and in our customer relationship management (CRM) centers. We also have many affiliations with external companies to sell their products – including, but certainly not limited to, pet, life, classic car, and device insurance. We have integrated these products within our internal systems to more easily identify customers across products, share relevant information, and improve the customer experience.

A key lever in our multi-product household growth is marketing "additional protection" offers to existing customers. True to our data and analytical roots, our campaigns are built around propensity modeling and data triggers to improve customer acceptance. As an example, recently we have seen an increasing number of our customers moving their residences as home buying generally has grown. Our campaigns, that use external data around purchasing a new home, have been very effective for us in improving homeowner insurance sales. To make our offers more effective, we have provided our CRM consultants, who take millions of calls from our customers every year, with digital tools to indicate which customers are best suited for additional protection offers, which products to offer and when to offer them.

I always like to be able to give firm examples of how our strategies play out in the real world, so I thought that I'd share this example, courtesy of Will from our CRM organization, to confirm why having personalized and open dialogue with consumers helps them protect what matters to them most and deepens our relationships.

"In addition to completing a home quote, I was able to make both Small Business Insurance and SimpliSafe offers to a customer today! The conversation went really well. I was able to discuss small business insurance when asking the 'Do you do any business with clients or customers in your home?' question in the quote flow and she indicated that she and her husband run an online shop. I brought up the fact that we offer small business insurance and she was all about it! Later on when it came to security, she mentioned they had a security doorbell and I told her about the fact that we partner with SimpliSafe, and that they have special offers for Progressive customers and she was all for that one as well! All in all, I think this is going really well, it's very easy to do, and I am super excited that I got to offer all of this protection to this customer. She bought the policy and left a very satisfied customer."

In keeping with our goal of promoting diversity and inclusion at Progressive, during June, we had our annual Inclusion Week, with 2021 focusing on unlocking the power of allyship. We took a deep dive into topics like what allyship is and why it is important, successes, missteps, and things we have learned and why it is critical to make allyship a priority and actions we can take to make that happen. I was able to attend over a dozen virtual events and sit on a panel during two events and I always feel both enlightened and invigorated after the week concludes.

One step to return to some sense of normalcy is that we are going back to, on occasion, highlighting functional areas or topics during our quarterly Investor Webcasts. The second quarter event, scheduled for August 4, will highlight Commercial Lines with guest speakers Karen Bailo, Commercial Lines President, and Jochen Schunter, Commercial Lines controller. As always, we will have time for a question and answer session.

Just when we thought we were starting to come out of the pandemic, the CDC released new restrictions for the safety of all of us. This is one more example of why we need to remain flexible as we navigate these unprecedented times. Stay safe.

Best,

/s/ Tricia Griffith
Tricia Griffith
President and Chief Executive Officer