Investor Relations

PROGRESSIVE

2021 Q4

Managing auto rate level at Progressive

Safe Harbor Statement

Under the Private Securities Litigation Reform Act of 1995:

Investors are cautioned that certain statements in this presentation 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 and the continued availability of reinsurance and performance by reinsurers;
- 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 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 and changing 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 acquire or 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 impact on our investment returns and strategies from regulations and societal pressures relating to environmental, social, and other public policy matters;
- the elimination of 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;
- the impacts of the COVID-19 pandemic and measures taken in response; 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, 2021.

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.

Information Relevant to this Presentation

Regulation FD Disclosure Outlets

Progressive disseminates information to the public about Progressive, its products, services and other matters through various outlets in order to achieve broad, non-exclusionary distribution of information to the public. These outlets include its website (progressive.com) and its investor relations website (investors.progressive.com). We encourage investors and others to review the information Progressive makes public through these outlets, as such information distributed through these outlets may be considered to be material information.

Additional Information

Information in this presentation, and related comments by management during the earnings call, should be reviewed together. Additional information can also be found in Progressive's annual report on Form 10-K for the year ending December 31, 2021 filed with the Securities and Exchange Commission. All information, s tatements, and projections in this presentation and the related earnings call speak only as of the date of this presentation and related earnings call. Progressive as sumes no obligation to update any forward-looking or other information included in this presentation or related earnings calls, whether as a result of new information,future developments or events or otherwise.

Tricia Griffith

President & CEO

INVESTOR RELATIONS Q4

Progressive's four cornerstones

Core Values

Who we are

Purpose

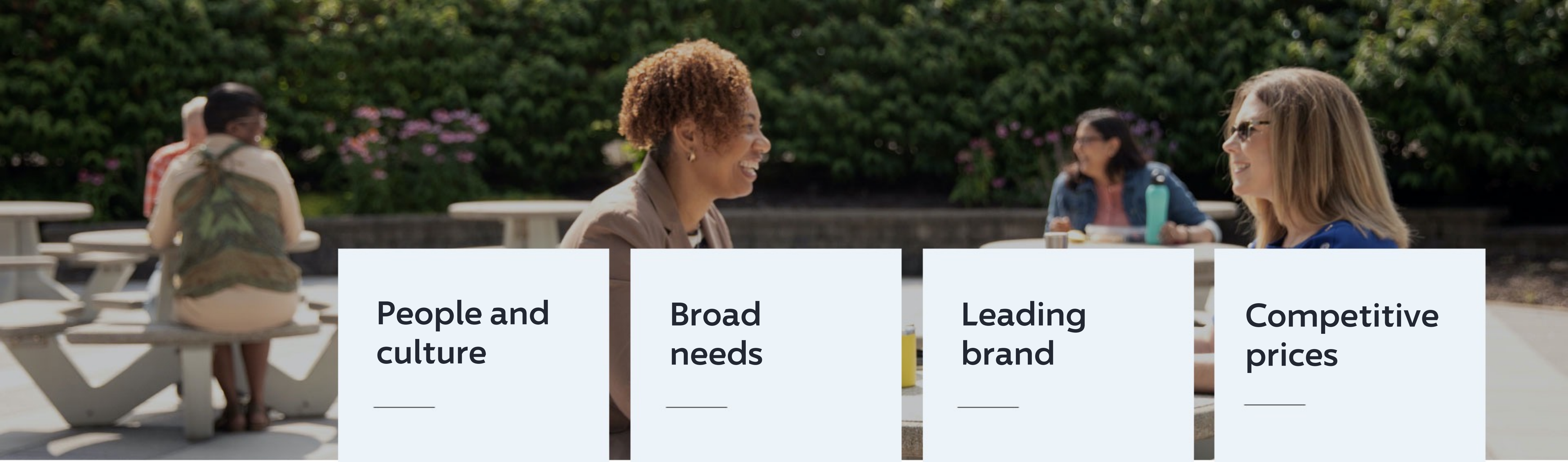
Why we're here

Vision

Where we're headed

Strategy

How we'll get there



People and culture

Progressive people and culture are collectively our most powerful source of competitive advantage.

Broad needs

Meeting the broader needs of our customers throughout their lifetimes.

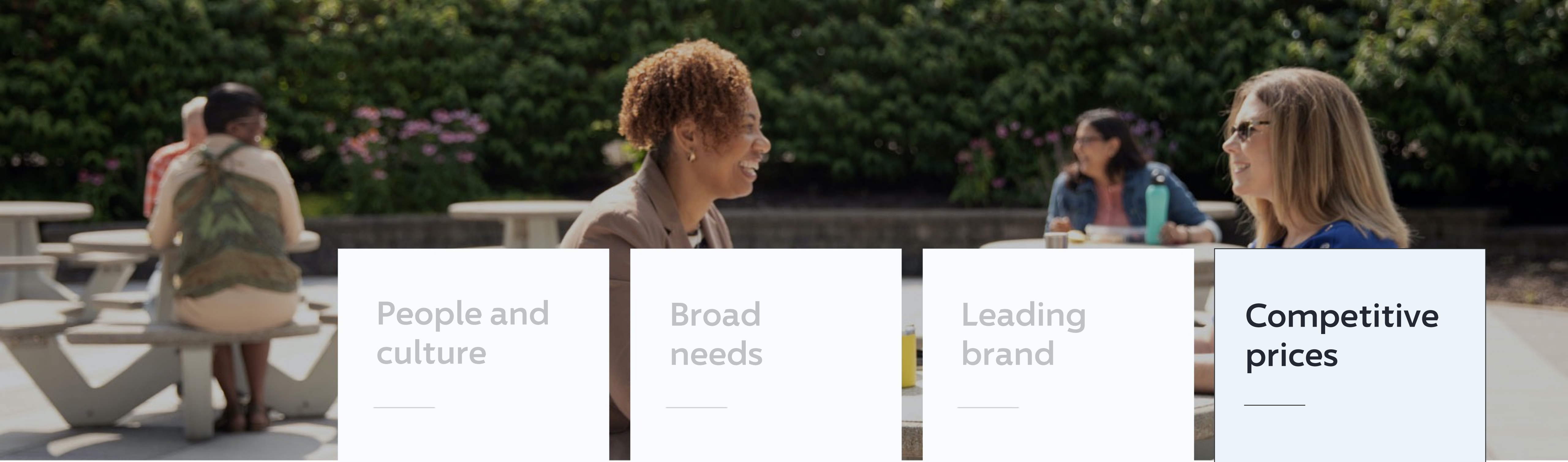
Leading brand

Maintaining a leading brand recognized for innovative offerings and supported by experiences that instill confidence.

Competitive prices

Offering competitive prices driven by industry-leading segmentation, claims accuracy, and operational efficiency.

Progressive's four strategic pillars



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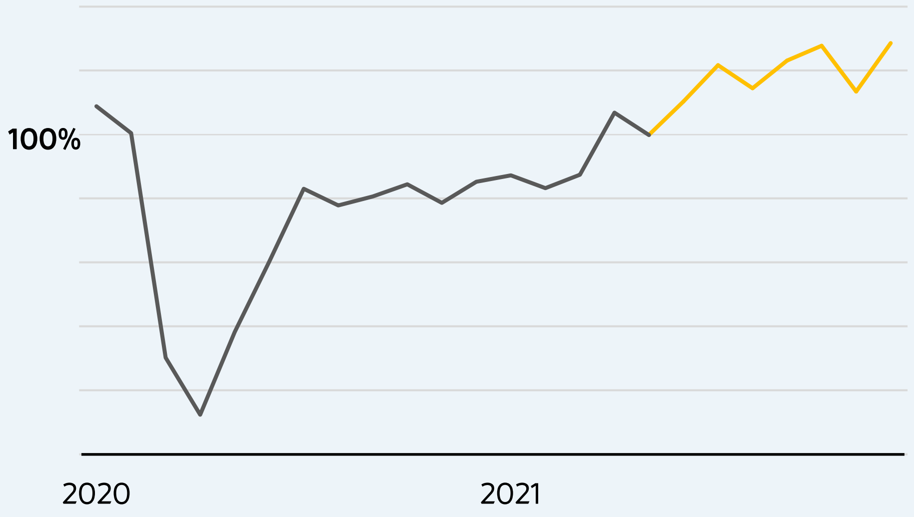
RESULTS

Driven by a sharp increase in loss costs

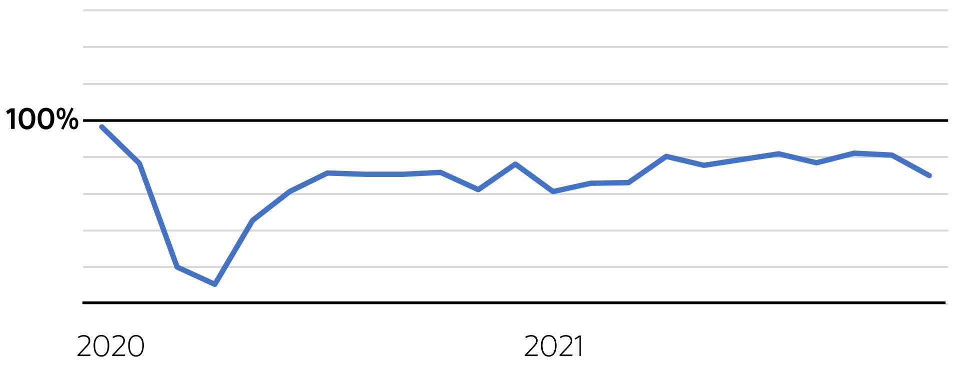
Private passenger auto (All coverages based on property damage earned car years)

2020 – 2021 Pure premium relative to pre-COVID-19



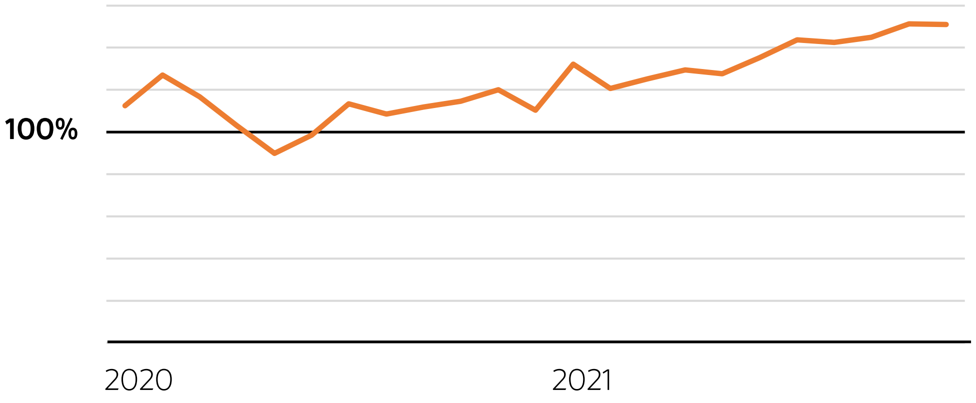
Claims frequency is rebounding but still below Pre-COVID-19 levels

Accident frequency relative to pre-COVID-19



Claims severity has increased sharply, especially for physical damage

Accident severity relative to pre-COVID-19



Source: Internal data
Note: Relativity to pre-COVID 19 is based upon 2019.

And we're taking swift actions to address profitability concerns

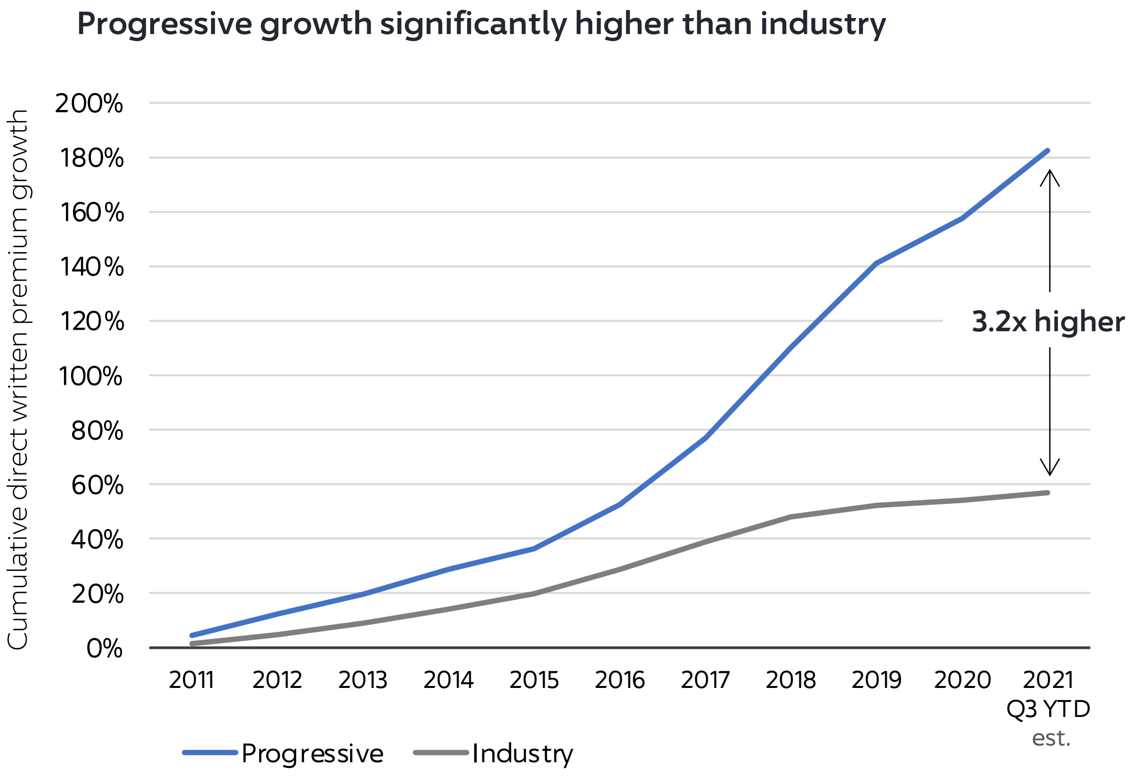
We've raised rates by over 8.0% in 2021, more than offsetting our rate reductions in 2020.

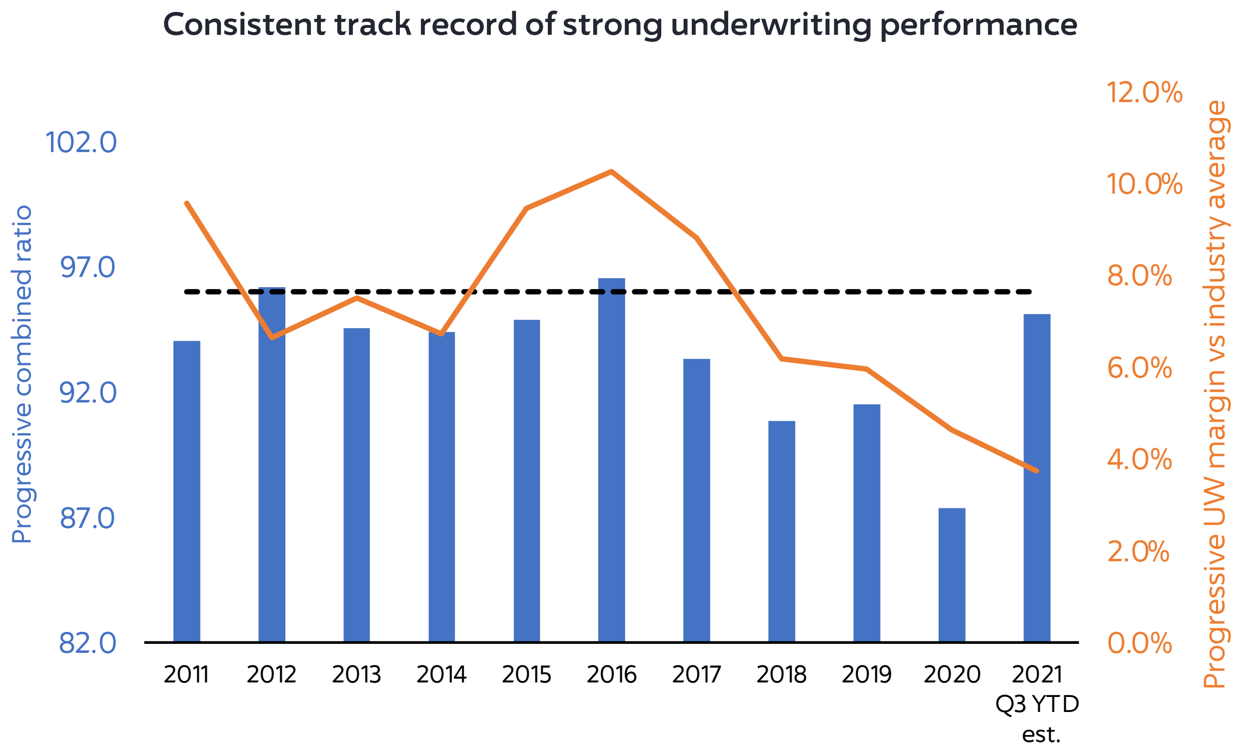
		Personal Lines Combined Ratio	Personal Auto Aggregate Rate Change	Number of States	Personal Auto Average Rate Change Per State
2021	**Q1**	88.7	0.2%	-	-
	Q2	96.2	1.8%	11	4.8%
	Q3	100.2	2.8%	20	5.9%
	Q4	96.3	3.2%	19	6.8%
Total		**95.4**	**8.0%**	**35**	**11.2%**

Notes:
- The counts and average rate change per state represent only states that took rate increases during that quarter
- Aggregate rate change is our countrywide rate change based on all revisions (increase, decrease, or no change)
- All rate info is based on the effective unstabilized off balance at rate revision midpoint

Our approach to rate making has resulted in superior performance

*Operational goal: Grow as **fast** as you can at or below a 96 combined ratio*





Source: S&P Global Market Intelligence/SNL
Note: 2020 and YTD 2021 results are estimates with industry estimated COVID premium credits calculated as expenses. 2021 YTD growth is estimated by annualizing 2019 to 2021 premium growth to normalize for premium credits.

John Curtiss

National Product
Development Leader

Kanik Varma

Personal Lines
General Manager

Agenda

01 / **The science of pricing**

02 / **The application of the science**

03 / **Deployment capabilities**

How does the rate-making process work in Progressive's Personal Auto product?

Rate-making process in Personal Auto

OPERATIONAL GOAL:

Grow as fast as you can at or below a 96 combined ratio

Product R&D
Industry-leading product segmentation

Personal auto pricing
Provide accurate view of overall rate adequacy

Product management
State-level strategy and ownership of product and pricing decisions

What is our rate need?
- Segment level
- Aggregate rate level

Rate-making process in Personal Auto

OPERATIONAL GOAL:

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Product R&D

Industry-leading product segmentation

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What is our rate need?

- Segment level
- Aggregate rate

RATE-MAKING PROCESS

Rate-making process in Personal Auto

OPERATIONAL GOAL:

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Industry-leading product segmentation

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What is our rate need?
- Segment level
- Aggregate rate

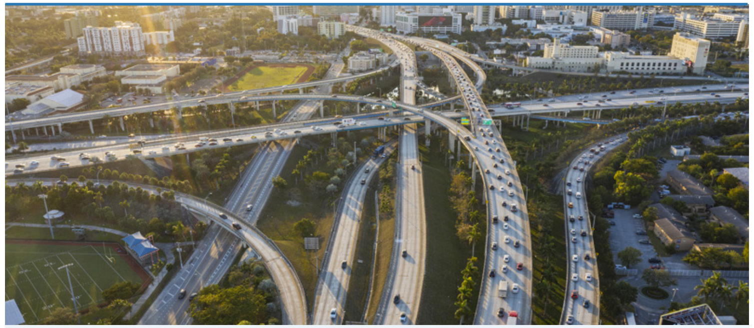
Deploy with speed to market
- Hundreds of revisions per year
- Speed to market
- Responsive to dynamic environment

Consumer rate

How do we determine our aggregate rate need?

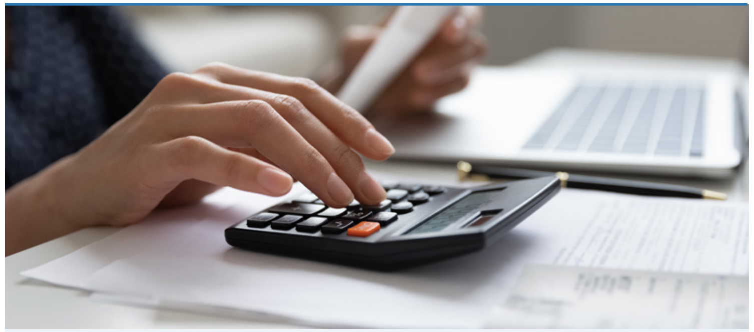
Rate-making key concepts

Comply with state regulations

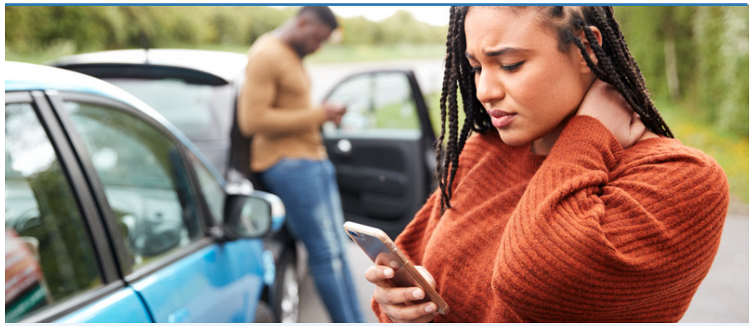


Price to cost

Pricing is prospective



Adhere to actuarial standards



Accident year vs calendar year results

Premium earnings convention

DETERMINING RATE NEED

Personal auto pricing

PRICING GROUP GOAL:

Deliver best-in-class tools to make risk-based decisions and provide an accurate view of rate adequacy

Pricing indication is a critical tool for assessing rate adequacy

How much do we need to increase or lower rates in the upcoming rate revision?

INDICATION CALCULATION

$$\frac{\text{Projected loss ratio}}{\text{Target loss ratio}} - 1$$

Projected loss ratio: What loss ratio would we expect for the policies that we're going to write in the upcoming rate revision at the current rate level?

Target loss ratio: What loss ratio do we need to achieve to have enough premium left over to cover our prospective non-loss costs and profit load?

Target loss ratio

What loss ratio do we need to achieve to have enough premium left over to cover our prospective non-loss costs and profit load?

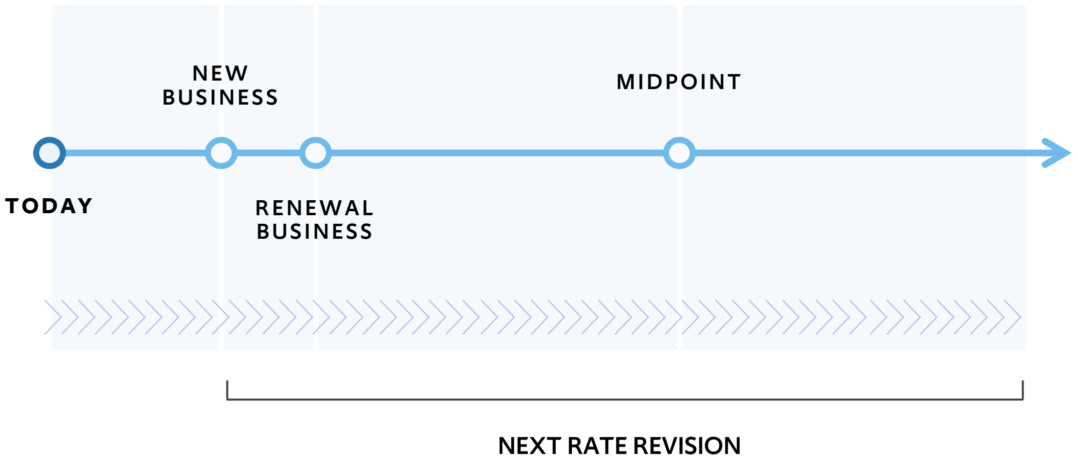
66%	10%	20%	4%
Loss costs	Loss adjustment	Operating & acquisition expenses	Profit

Projected loss ratio

What loss ratio would we expect for the policies that we're going to write in the upcoming rate revision at current rates?

CHALLENGE:
We don't know our cost of goods sold (COGS) when we write a policy.

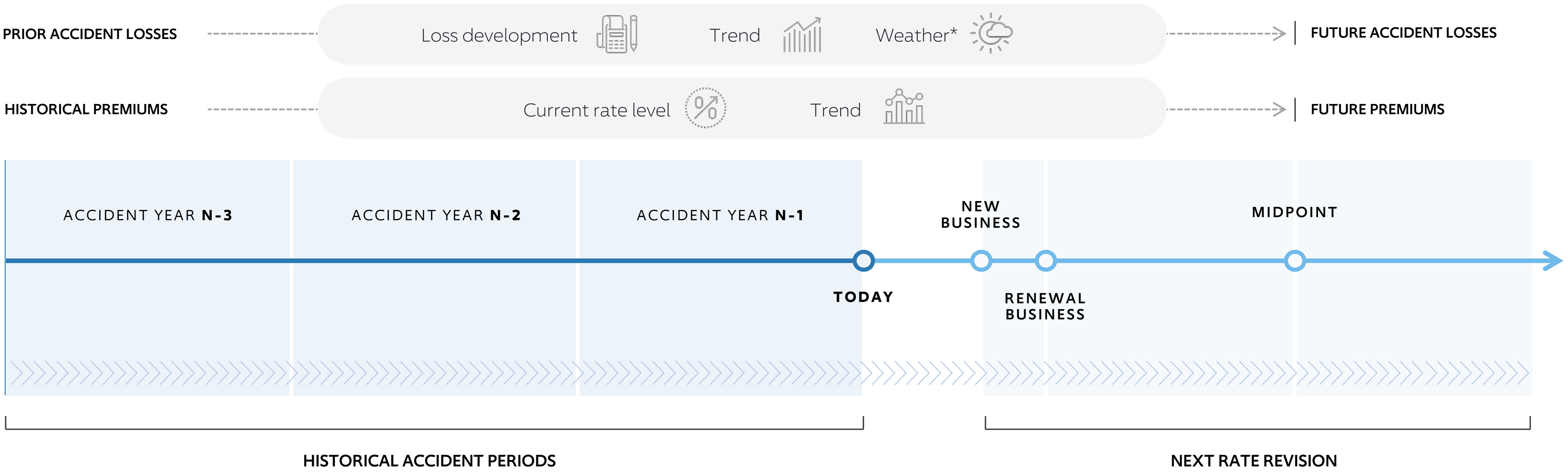
$$\text{PROJECTED LR} = \frac{\text{FUTURE ACCIDENT LOSSES?}}{\text{FUTURE PREMIUMS?}}$$



Projected loss ratio

What loss ratio would we expect for the policies that we're going to write in the upcoming rate revision at current rates?

HOW WE GET THERE
Adjust historical accident year losses and premiums to reflect our best estimate of future results

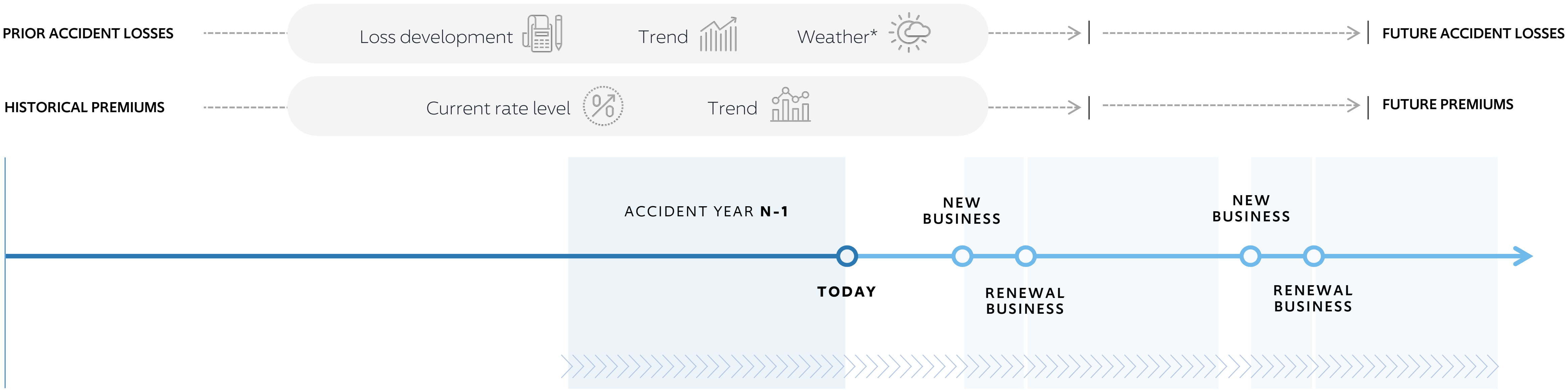


*Adjust to long-term average

Projected loss ratio

What loss ratio would we expect for the policies that we're going to write in the upcoming rate revision at current rates?

MANAGING PRICING RISK
Data scale, frequent revision cadence, and high percentage of six-month policies help minimize pricing risk.



Data scale provides credibility and allows us to be responsive

HISTORICAL ACCIDENT PERIODS

RATE REVISION 1

RATE REVISION 2

Frequent revisions allow us to minimize trend risk
Earn premium more quickly with six-month policies

*Adjust to long-term average

How has COVID-19 impacted the pricing indication?

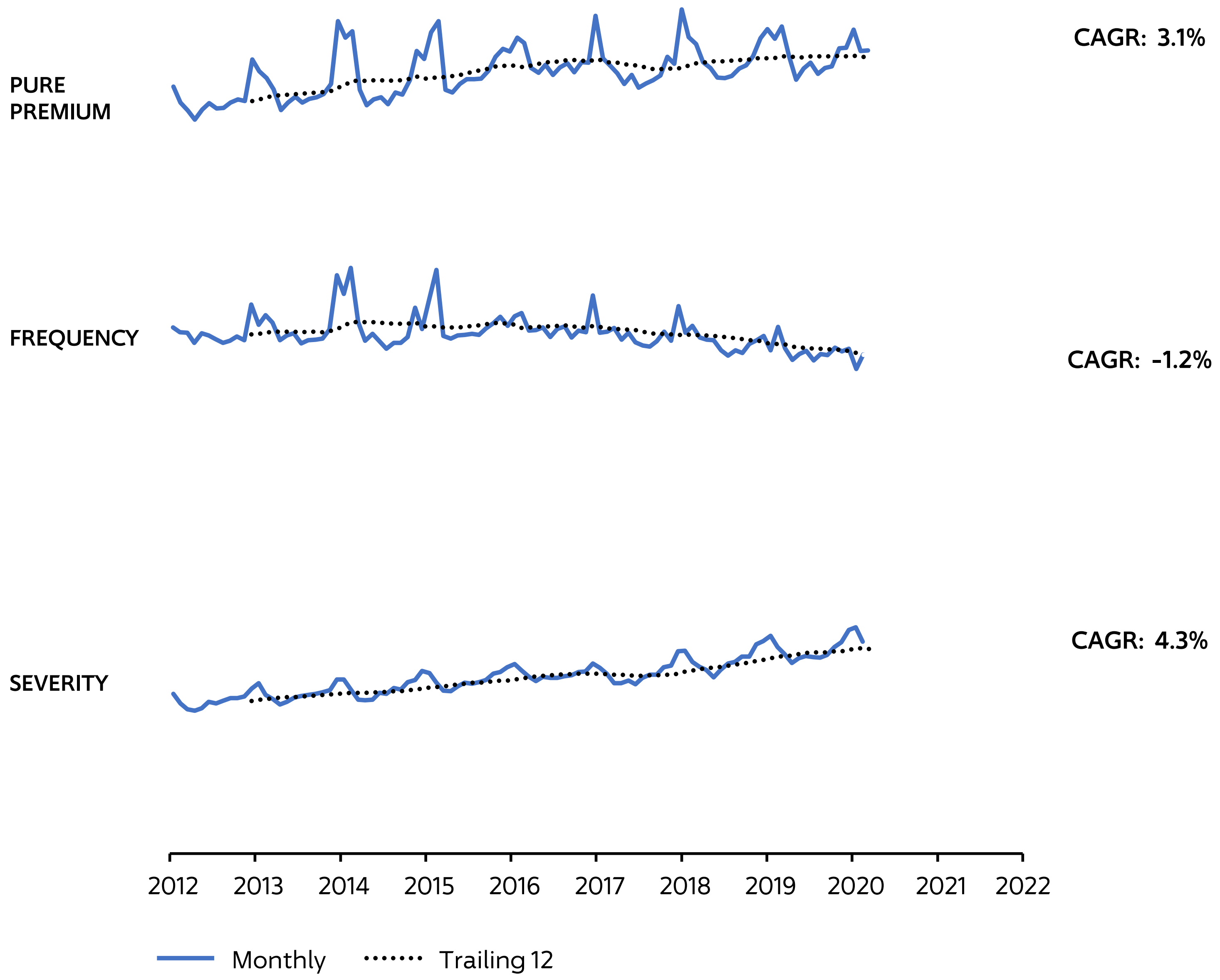
PERSONAL AUTO PRICING

Pre-COVID-19: Trends relatively stable

KEY VARIABLES TRACKED

- Parts prices
- Labor rates
- ADAS systems
- Gas prices
- New and used car prices
- GDP and unemployment

Collision coverage



Source: Internal data

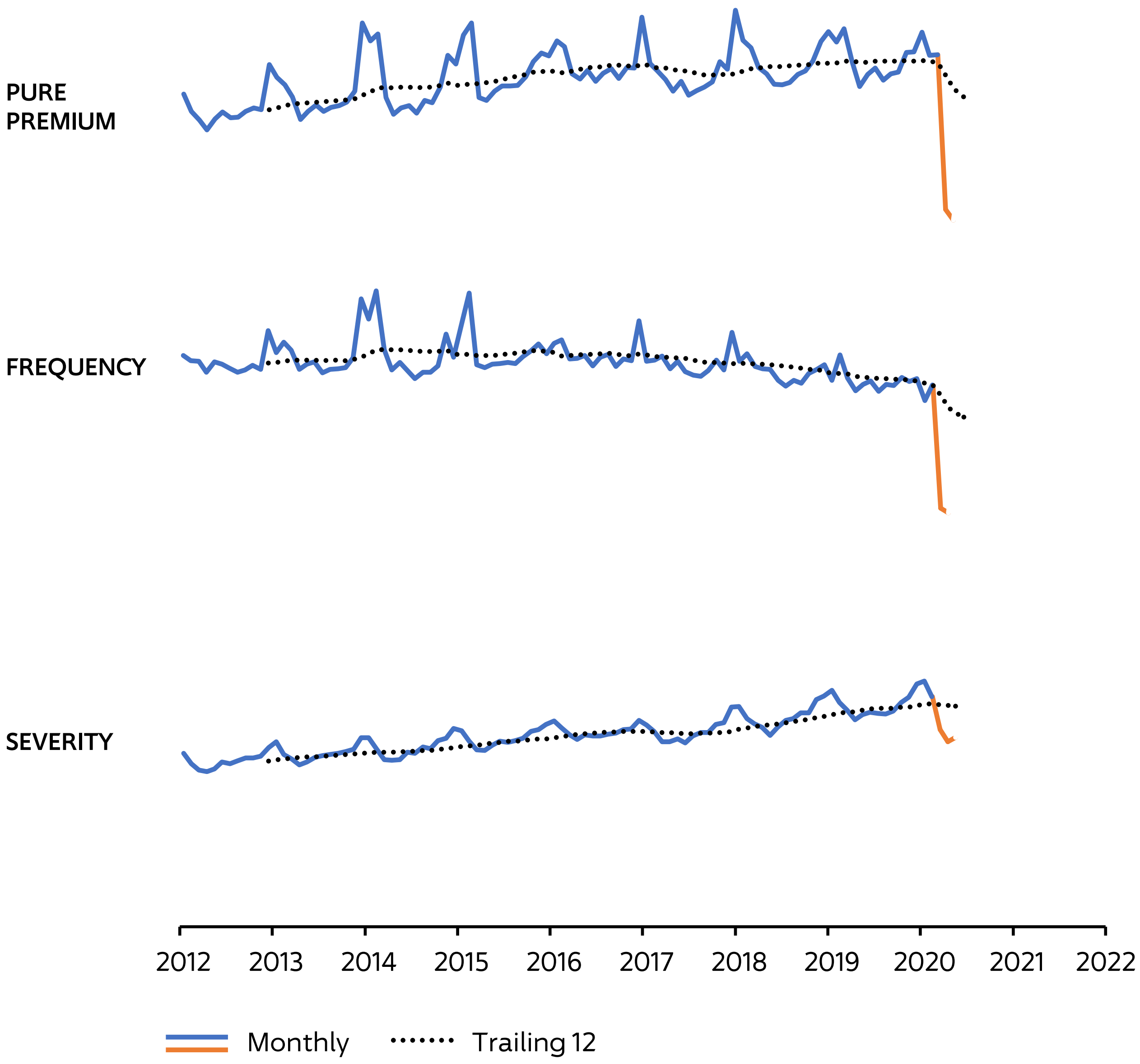
PERSONAL AUTO PRICING

COVID-19 onset: Massive decrease in driving significantly lowers frequency

KEY QUESTION:

How quickly will frequency rebound?

Collision coverage

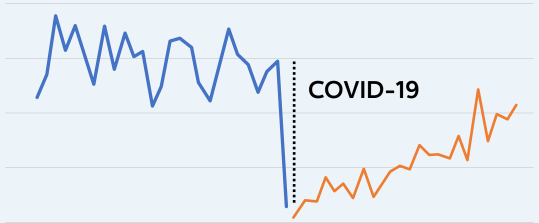


Source: Internal data

Response: leverage data elements to inform future projections of frequency

EMERGING TRENDS

- Rate of MOM increase
- Compare to frequency pre-COVID-19



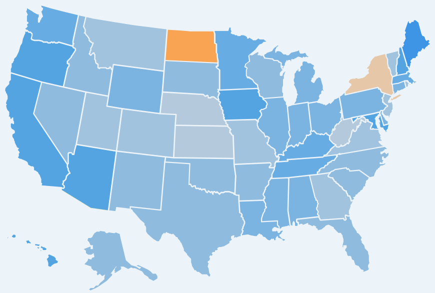
snapshot

VEHICLE MILES TRAVELED (DAILY)

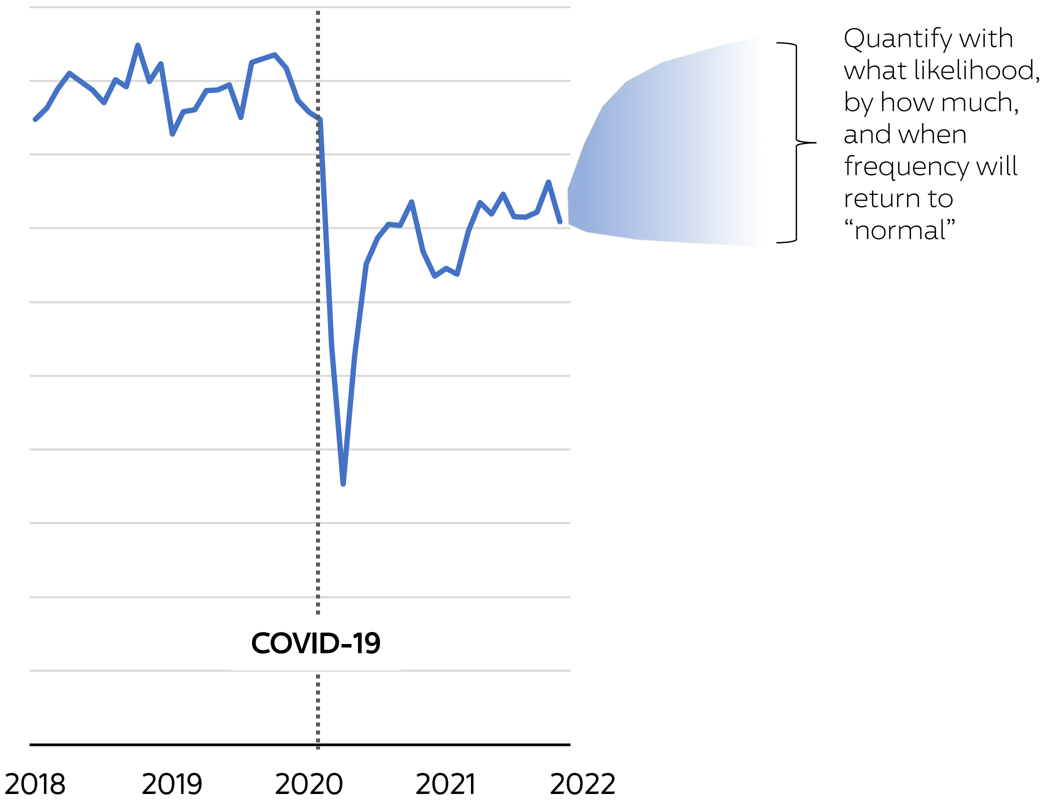
Segmented by driving type (rush-hour)

EXPERT INPUT

State managers inform state-specific trends



Frequency recovery

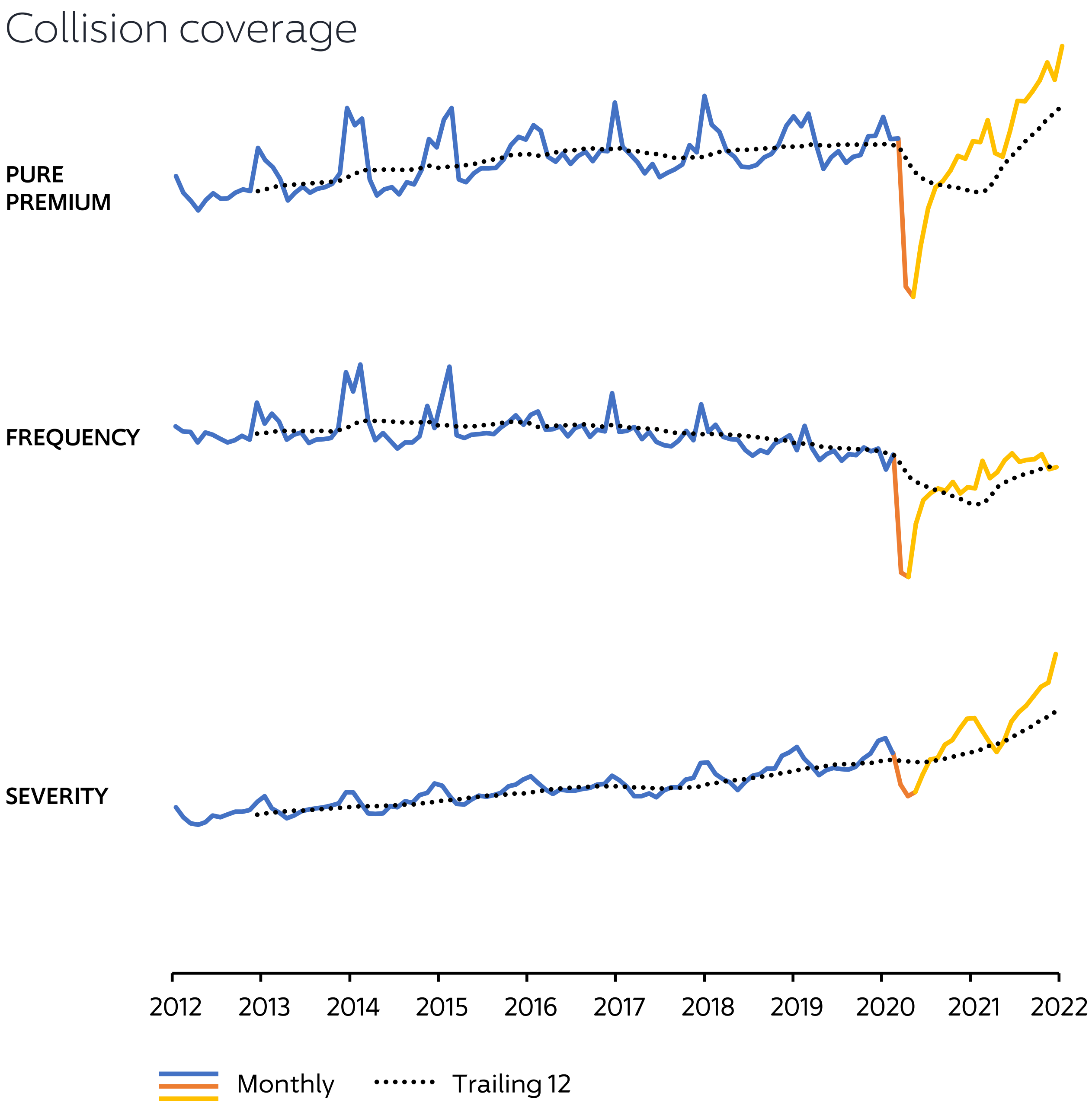


Source: Internal data

COVID-19 recovery: Used car prices are driving high severity

KEY QUESTION:

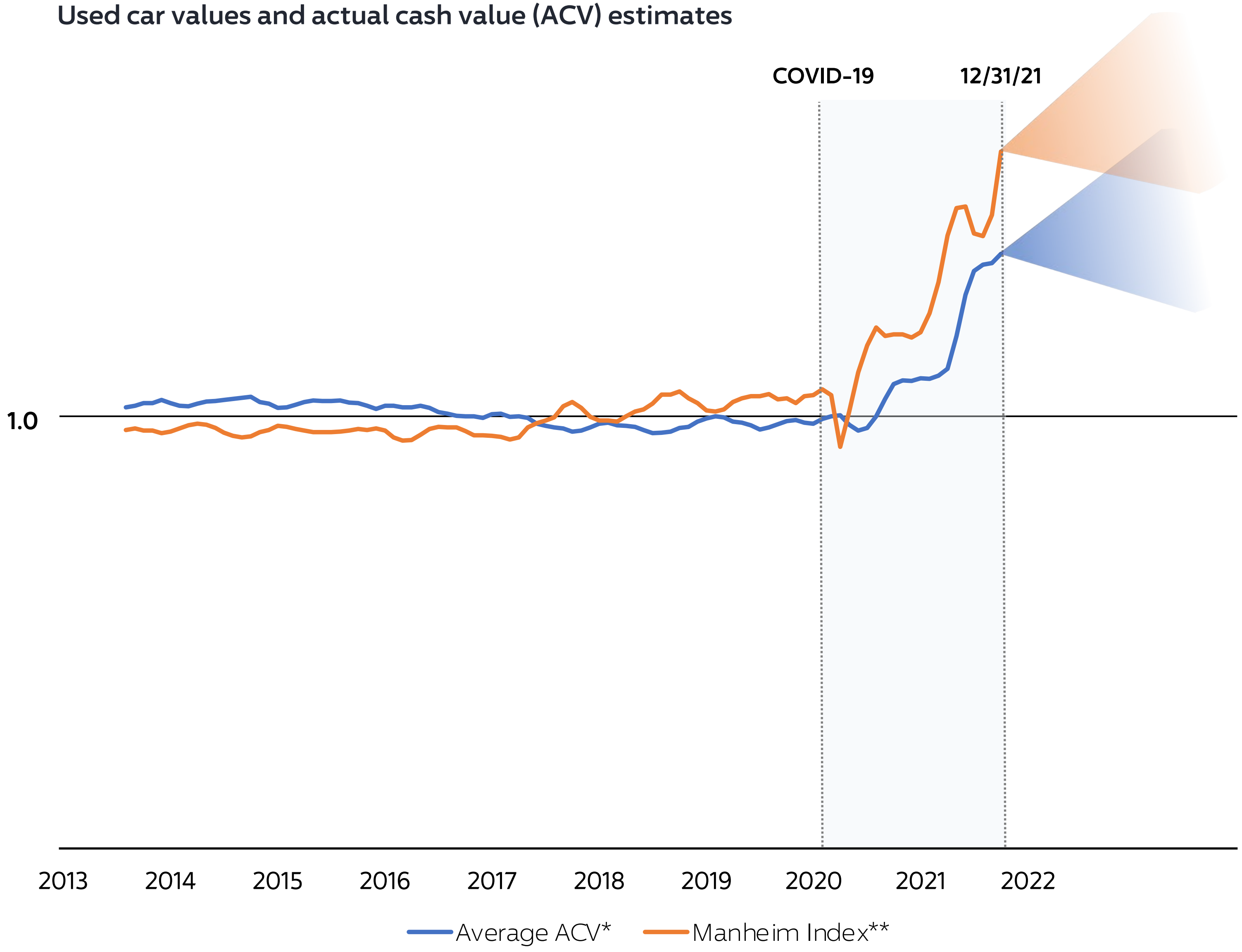
How long will it last?



Source: Internal data

Response: Leverage other data sources to inform future projections of severity

Used car values and actual cash value (ACV) estimates



Sources: Mitchell* and COX Automotive **
Note ACV data is adjusted for vehicle make, model year and vehicle age. Further adjustments are made for state mix and inflation.

How do you ensure you're responsive to changing market conditions?

Frequent updates allow product managers to react quickly to changing market dynamics

4		51		2		13
Produced quarterly	X	States	X	By channel (agency and direct)	X	For each line coverage

Frequent updates allow product managers to react quickly to changing market dynamics

12		51		2		13
Produced monthly	X	States	X	By channel (agency and direct)	X	For each line coverage

How do product managers leverage pricing science in delivering our operational goal of growing as fast as possible at or below a 96 CR?

Product management

OPERATIONAL GOAL:

Grow as fast as you can
at a 96 combined ratio

Our people complement the advanced analytics

PRODUCT MANAGERS

Leveraging local knowledge, tactics, and relationships while acting as chief operating officers of their state

- **STRATEGY FOR THE STATE**
- **OPTIMIZING GROWTH**
- **MANAGING PROFITABILITY**
- **LEGISLATIVE/REGULATORY RELATIONSHIPS**
- **REACT TO MACRO ECONOMIC CONDITIONS/COMPETITION**

Grow as fast as you can at a 96 combined ratio

Our product managers have a toolkit to deliver on each of their objectives

PRODUCT MANAGERS

- STRATEGY FOR THE STATE
- OPTIMIZING GROWTH
- **MANAGING PROFITABILITY**
- LEGISLATIVE/REGULATORY RELATIONSHIPS
- REACT TO MACRO ECONOMIC CONDITIONS /COMPETITION

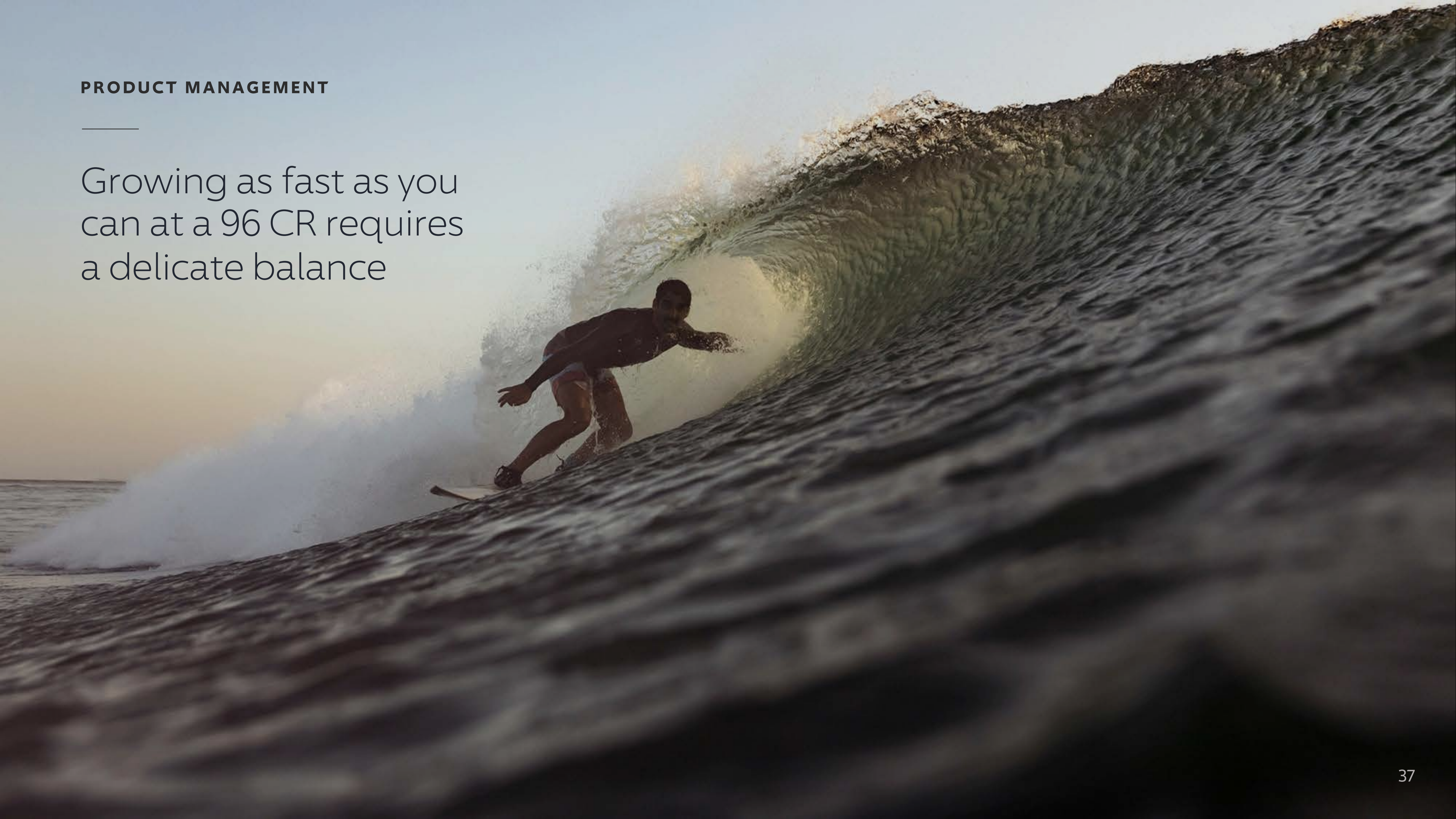
TOOLKIT

To achieve all their key functions

- AGGREGATE RATE LEVEL
- PRODUCT SEGMENTATION
- EXPENSE LEVERS
- VERIFICATION
- PAYMENT OPTIONS

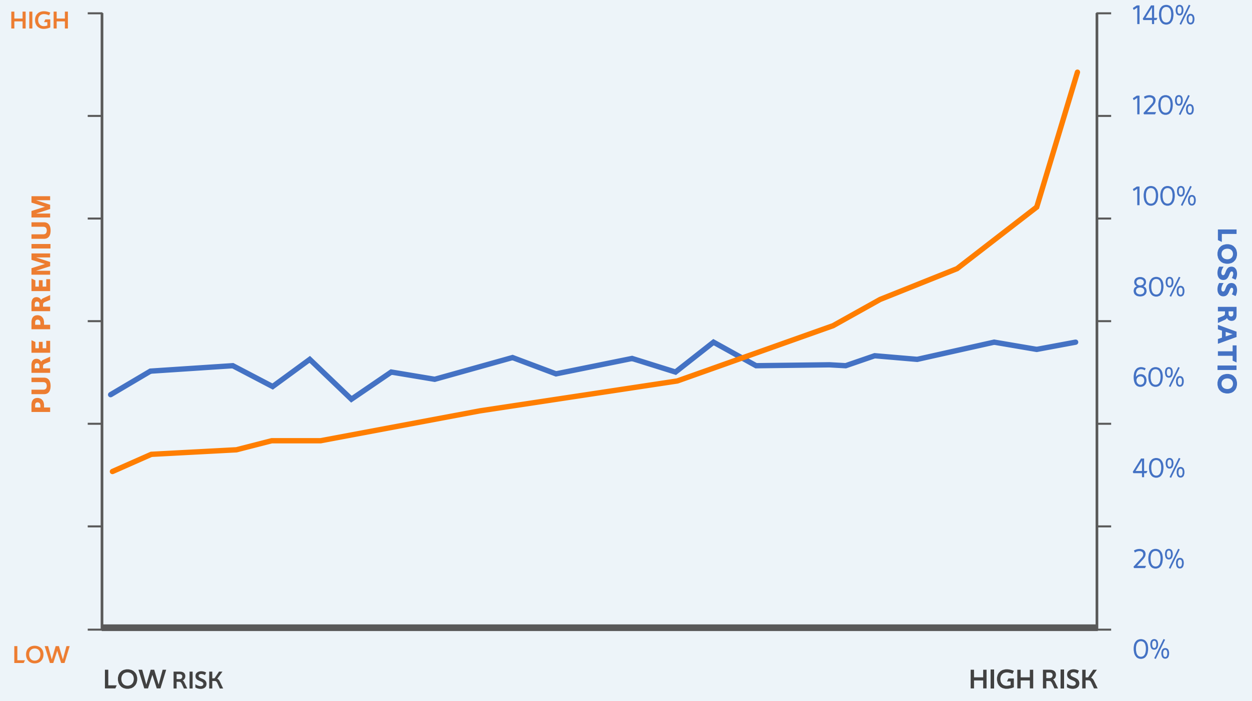
PRODUCT MANAGEMENT

Growing as fast as you can at a 96 CR requires a delicate balance

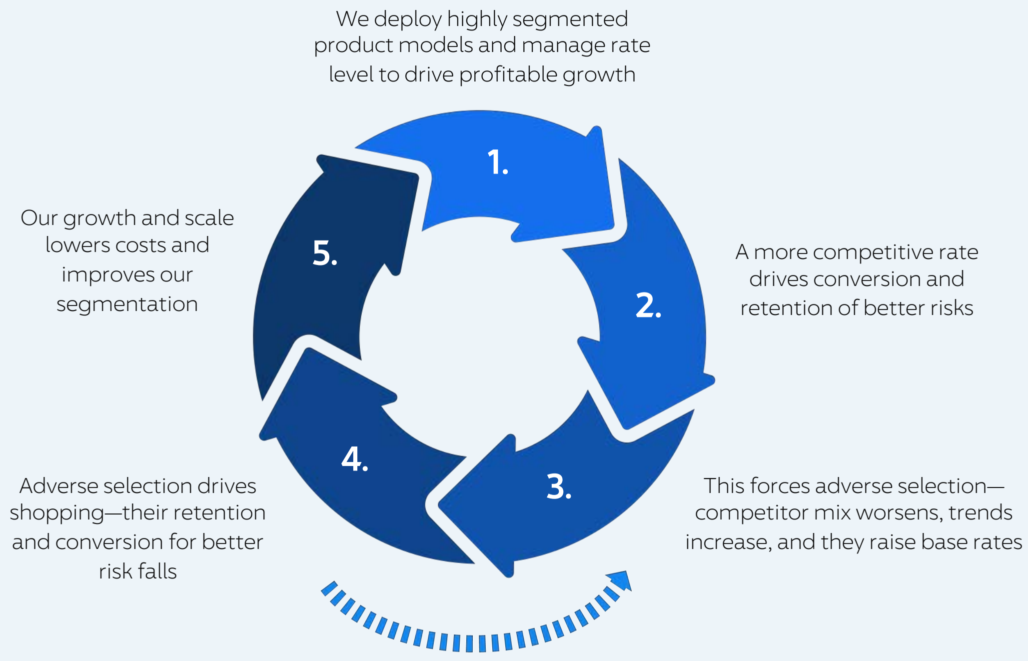


Always matching rate to risk

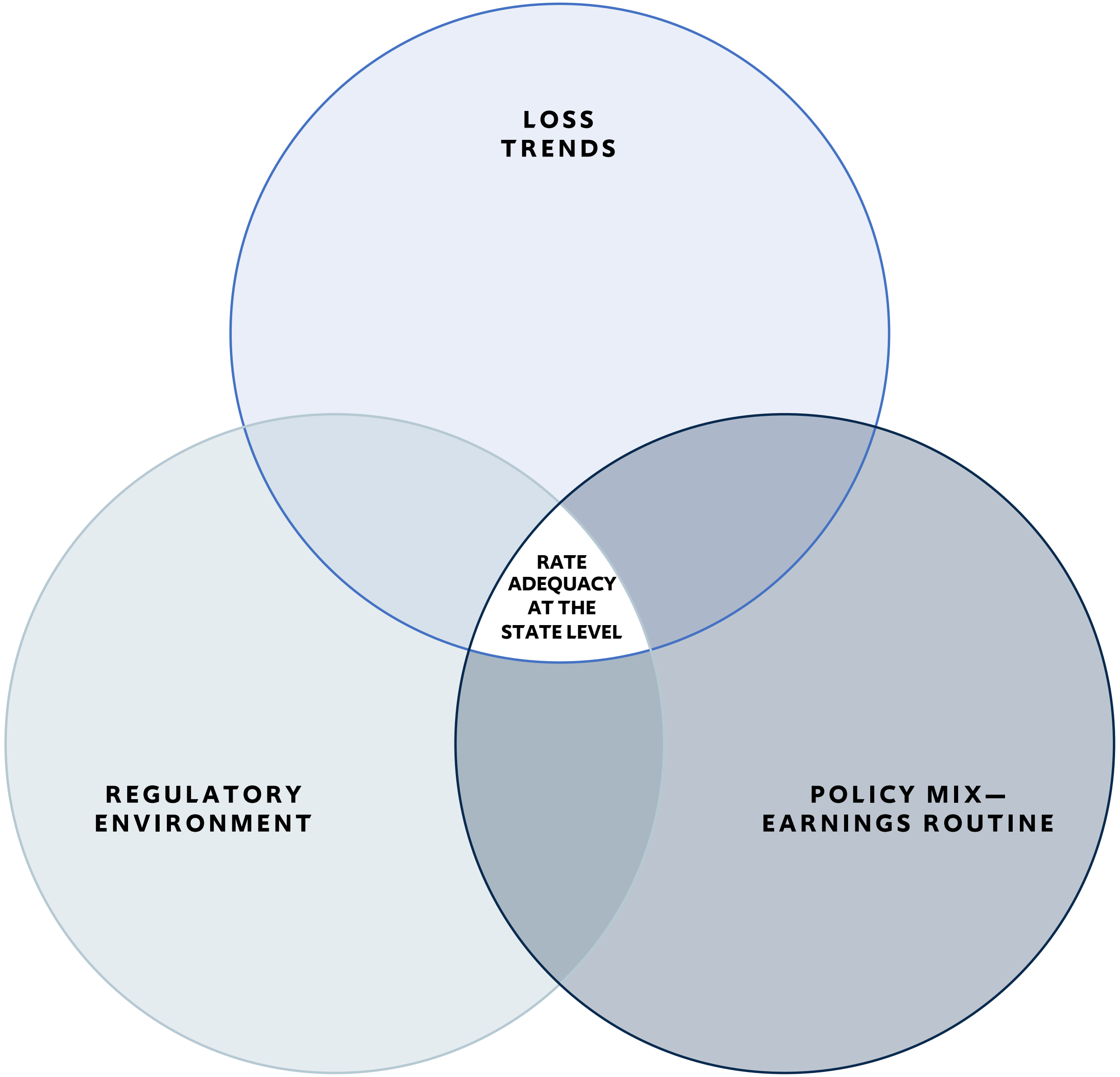
RISK SEGMENTATION



THE VIRTUOUS CYCLE OF RISK SELECTION



Aggregate rate level is determined at the state - channel level



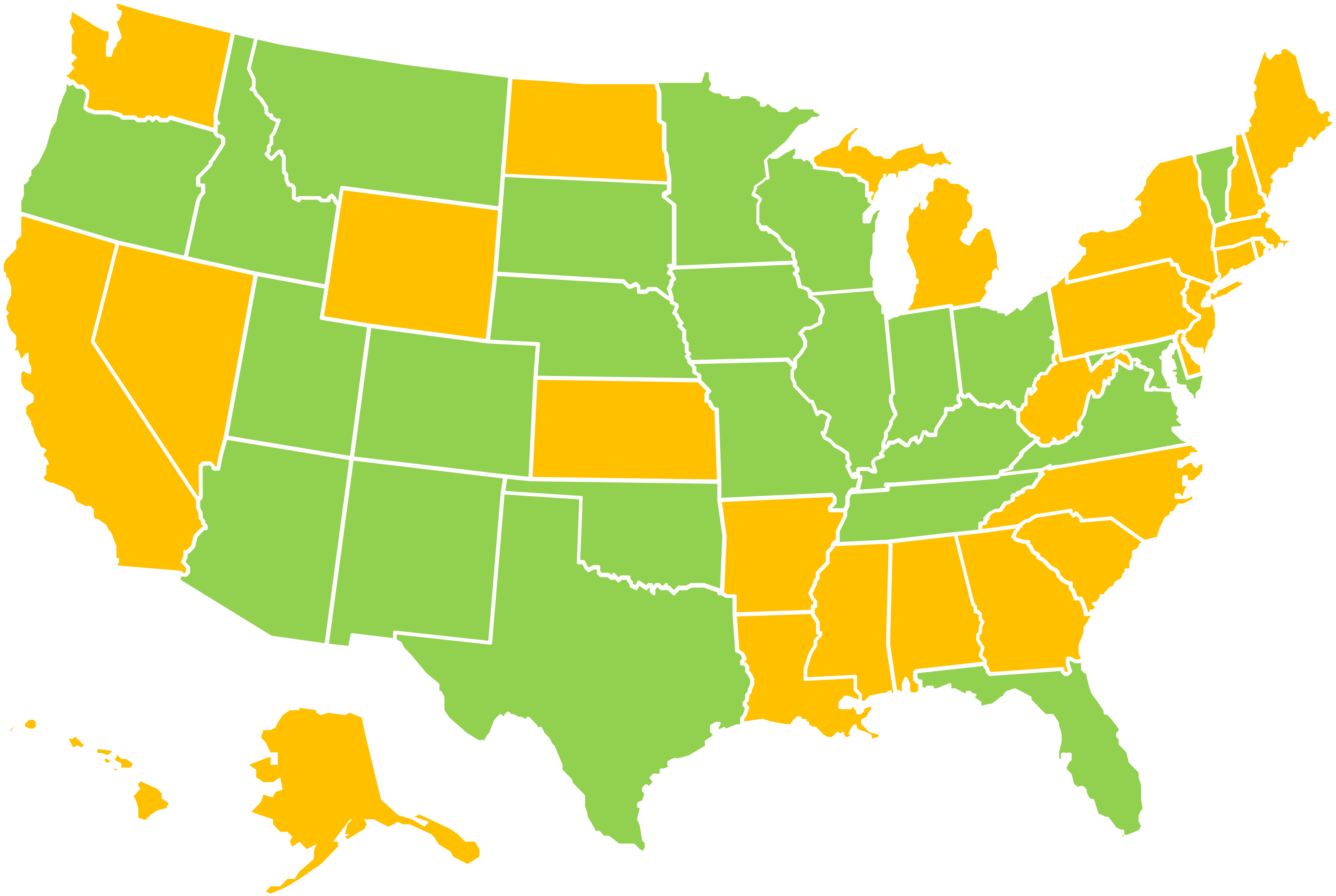
Loss trends vary considerably at the state level

LOSS COST TRENDS
Internal and external drivers

STATE LAWS + **STATE MIX AND SEASONALITY** + **CLAIMS PROCESSES**

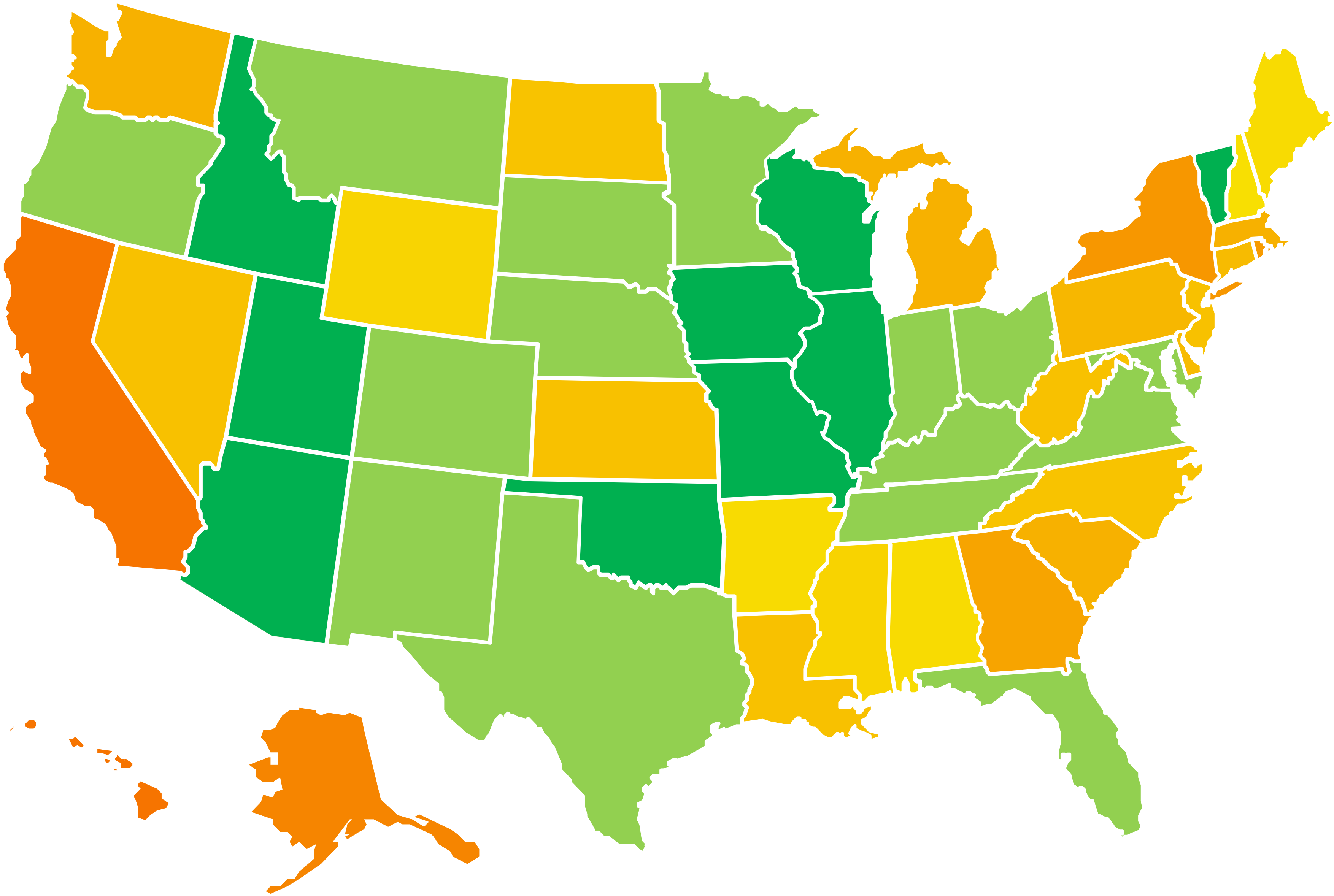
PRODUCT MANAGEMENT

Regulatory environment dictates speed to market



- **Use & File and File & Use**
  (faster speed to market)
- **Prior Approval**
  (slower speed to market)

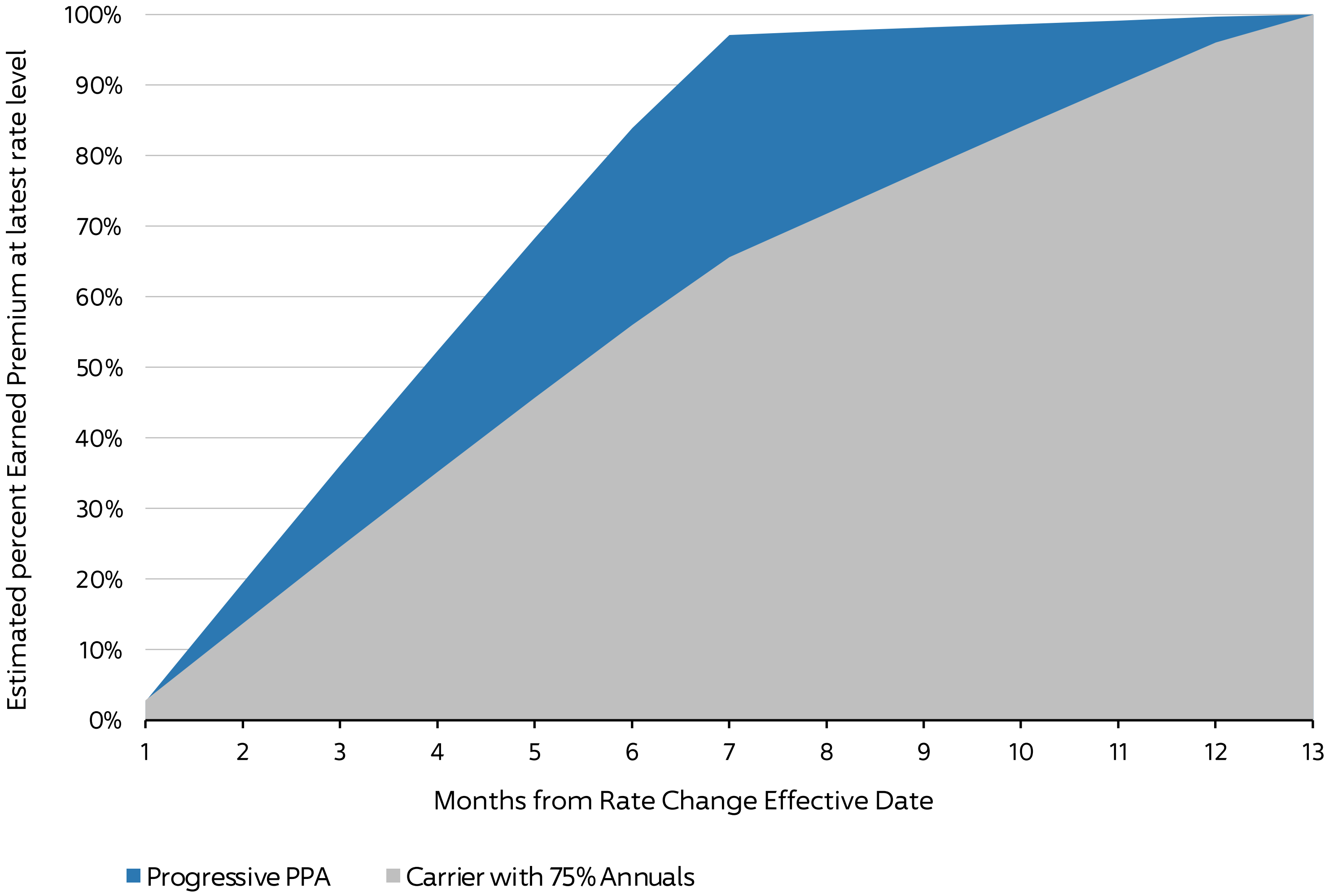
Regulatory environment dictates speed to market



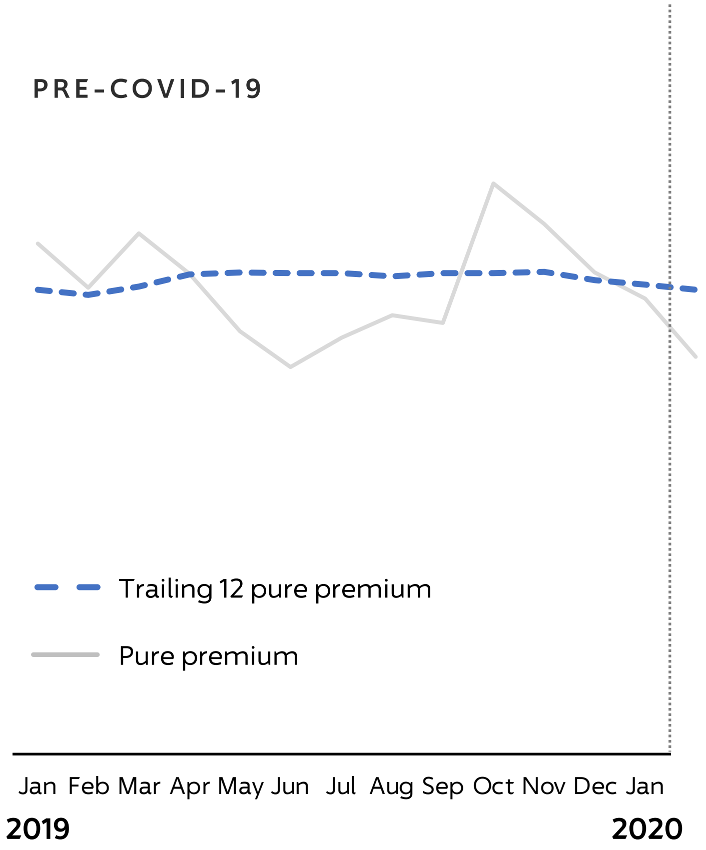
- Use & File
- File & Use

Prior Approval
Less lead time
More lead time

Earnings cadence drives how fast we will see new rate in our financials

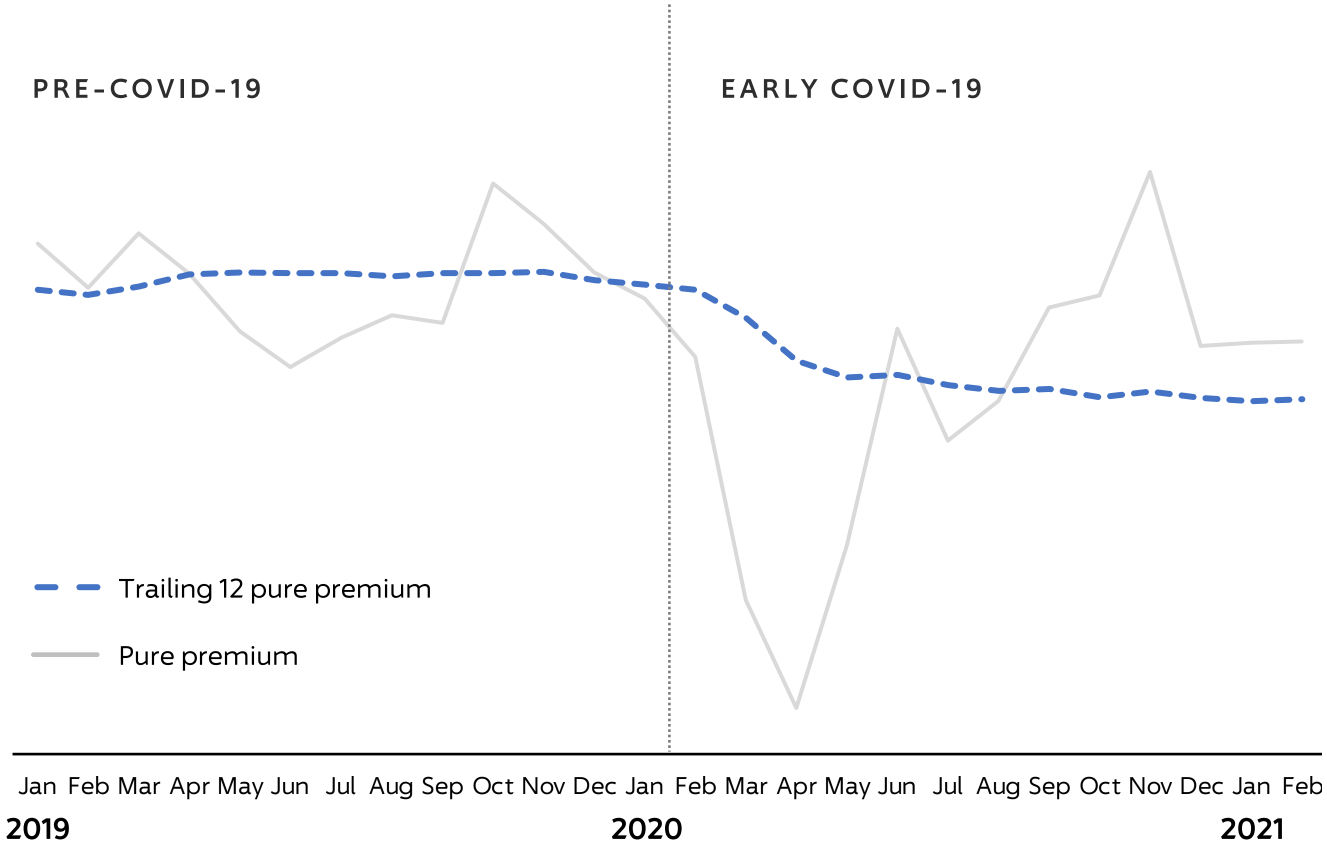


Product managers react to market changes in their states



Note: Pure premium trend for one medium size state

Product managers react to market changes in their states



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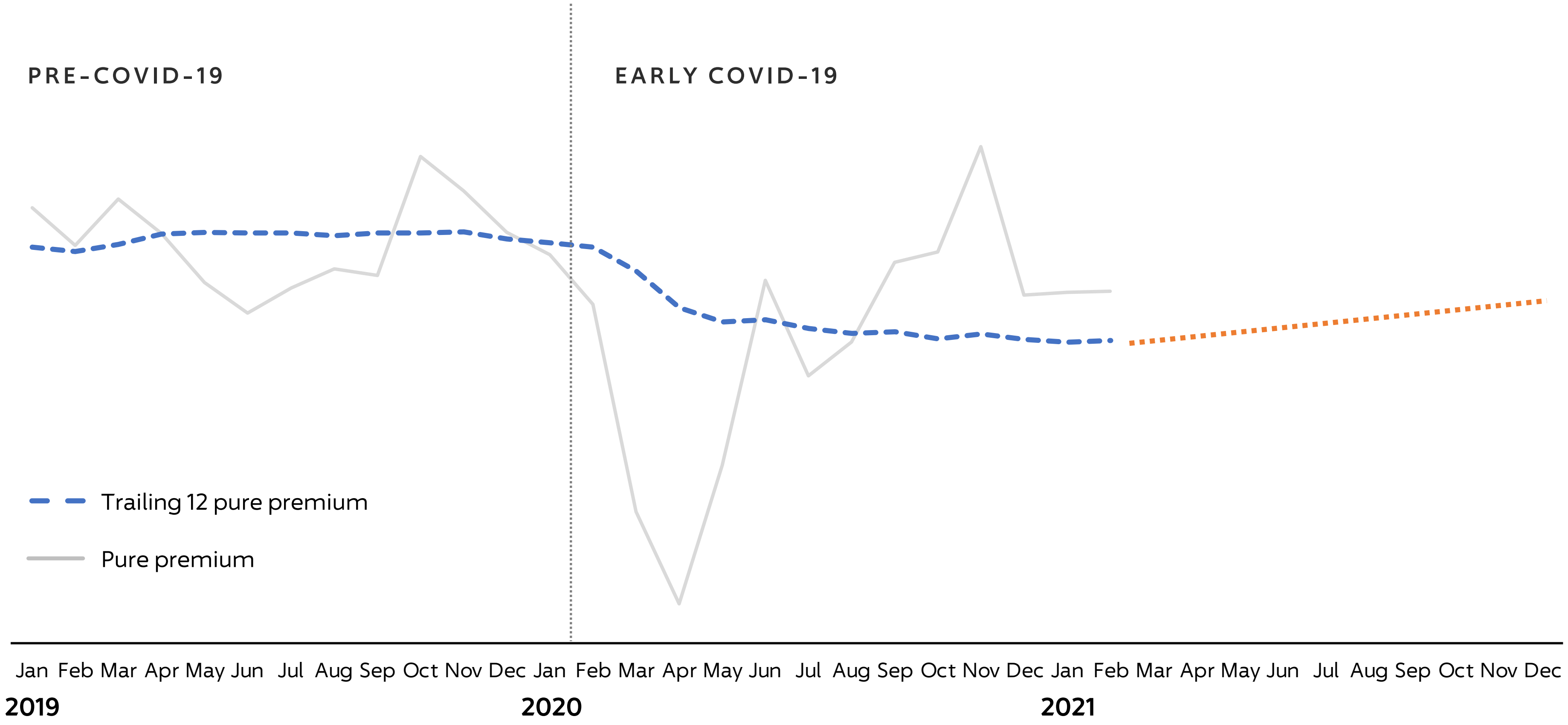
Product managers react to market changes in their states



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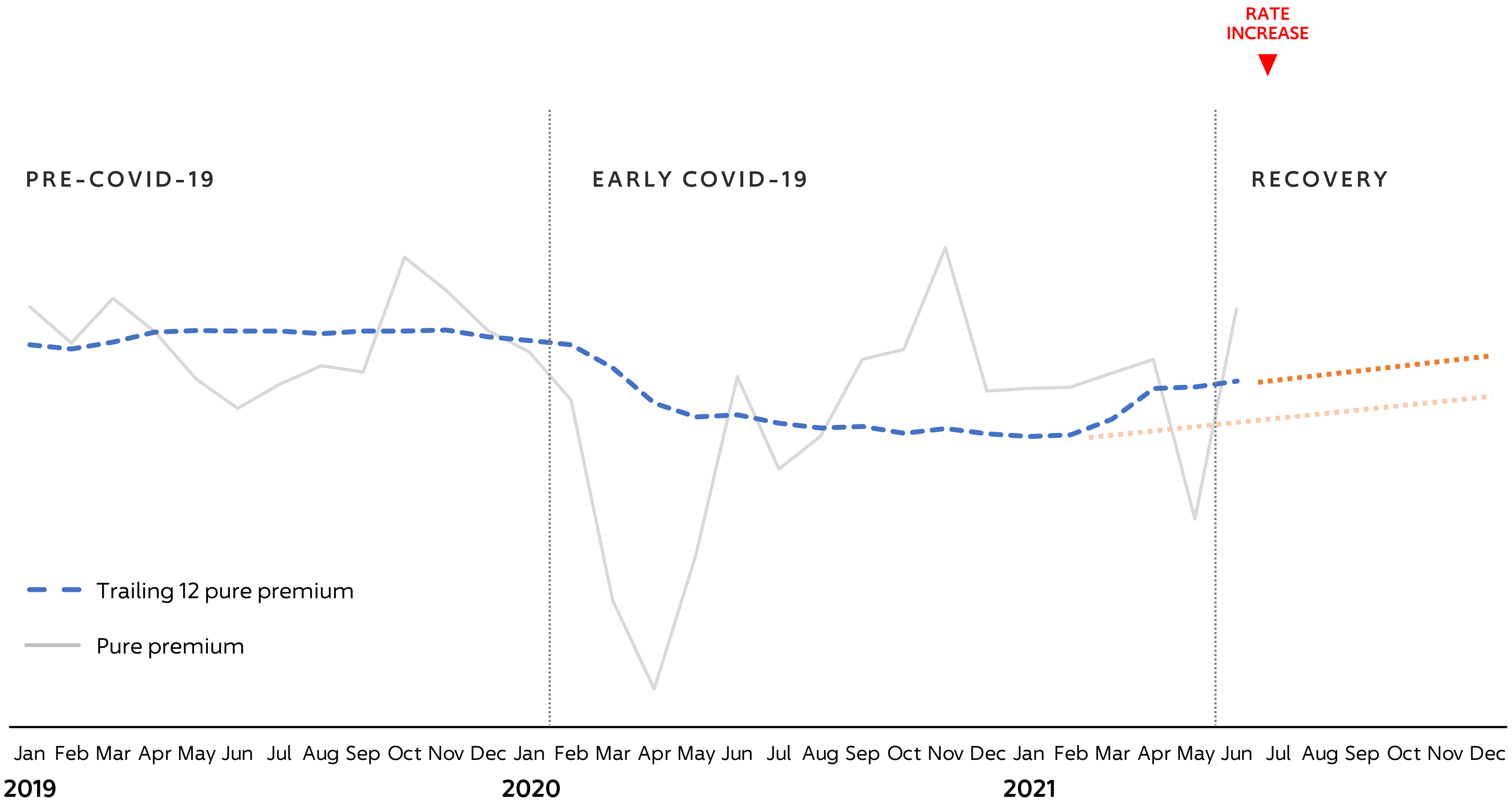
Product managers react to market changes in their states



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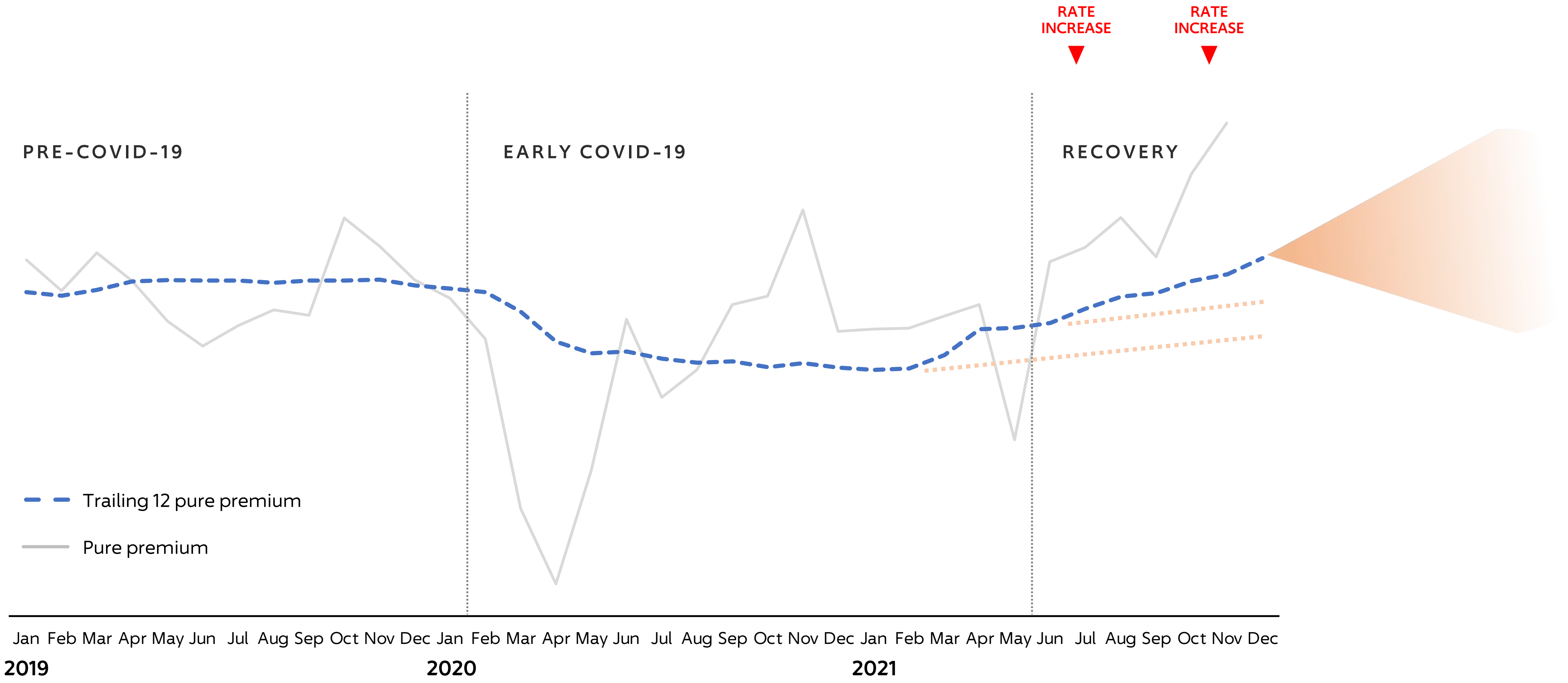
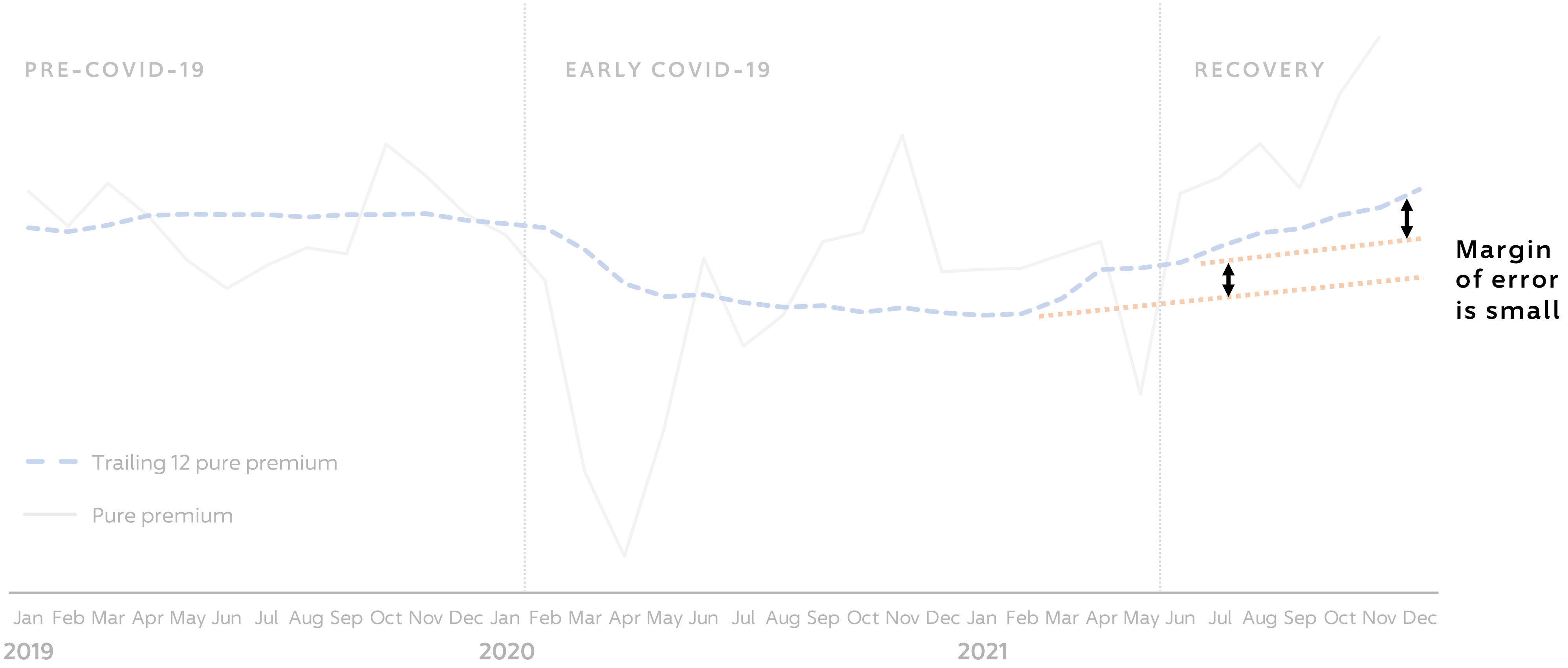
Product managers react to market changes in their states



Note: Pure premium trend for one medium size state

Regular adjustments deliver higher level of accuracy



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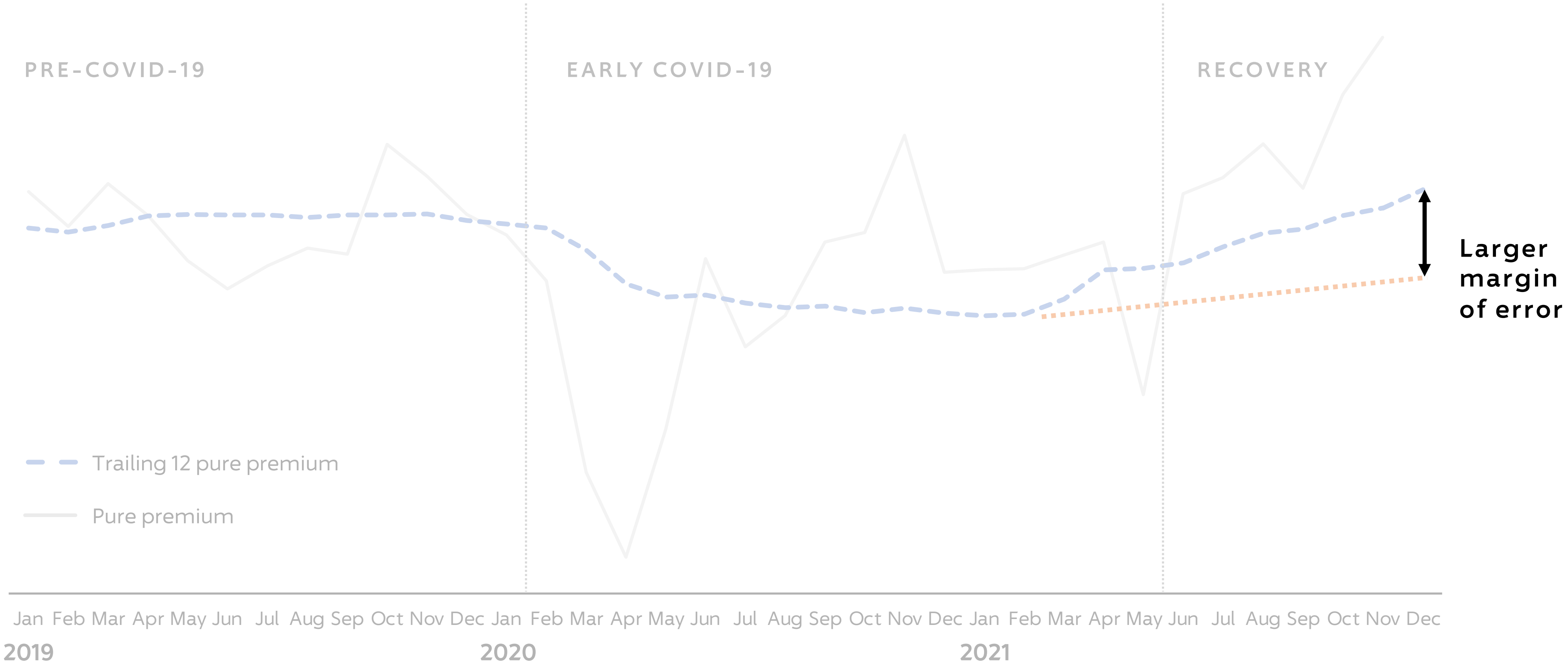
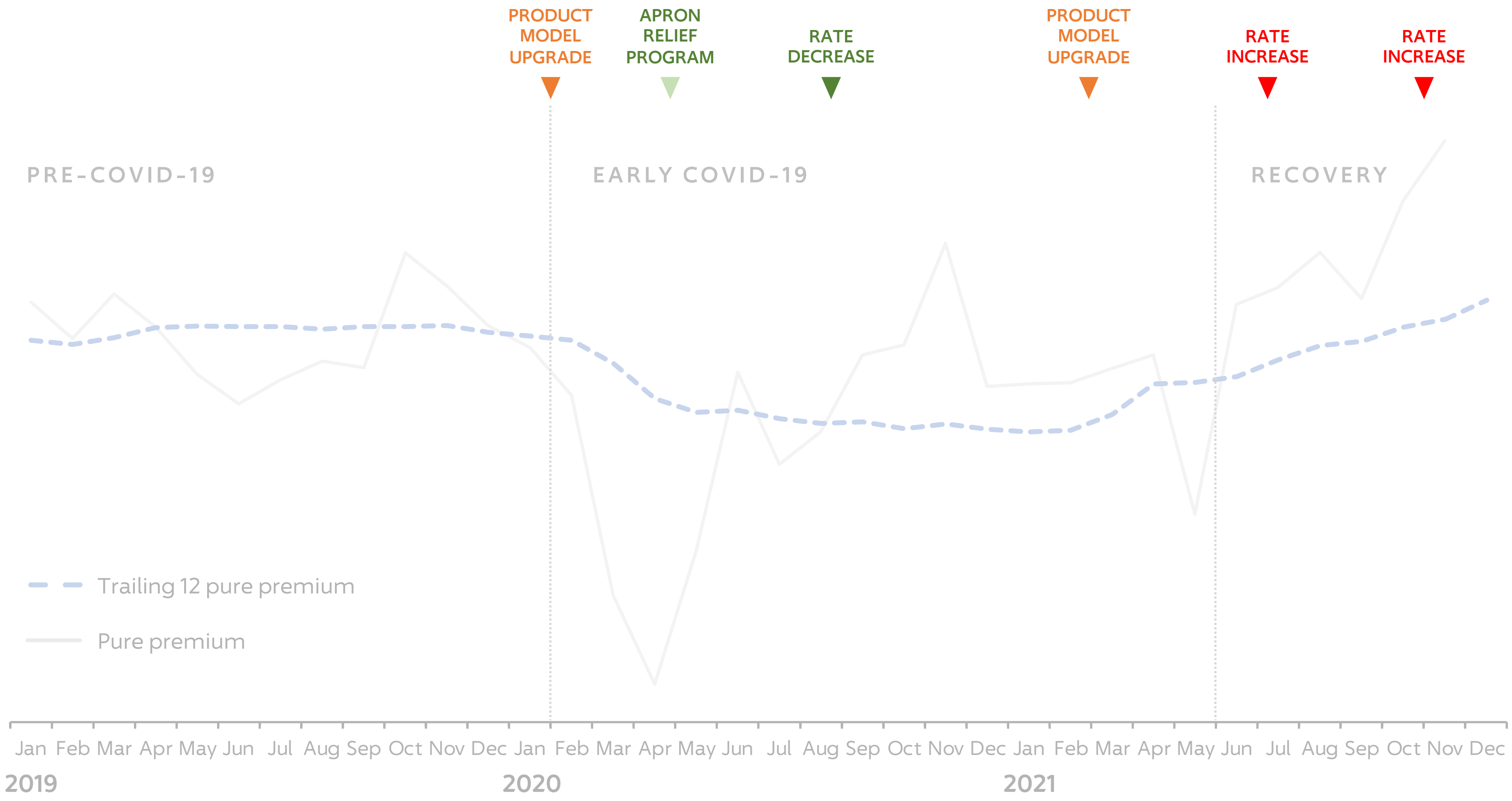
Regular adjustments deliver higher level of accuracy



Note: Pure premium trend for one medium size state

What are Progressive's deployment capabilities?

Product managers rely heavily on our rate revision factory



Note: Pure premium trend for one medium size state

Deployment capabilities give us agility and speed to market

Support hundreds of rate revisions per year

Dedicated product model team to develop and deploy new model every 18 months

Large pricing and rate revision team and significant investment supporting our auto product in each state

Added flexibility from:

- Separate systems infrastructure of each tool in the toolkit
- Ability to shorten rate revision duration
- Onshore/offshore capabilities
- Complex state expertise

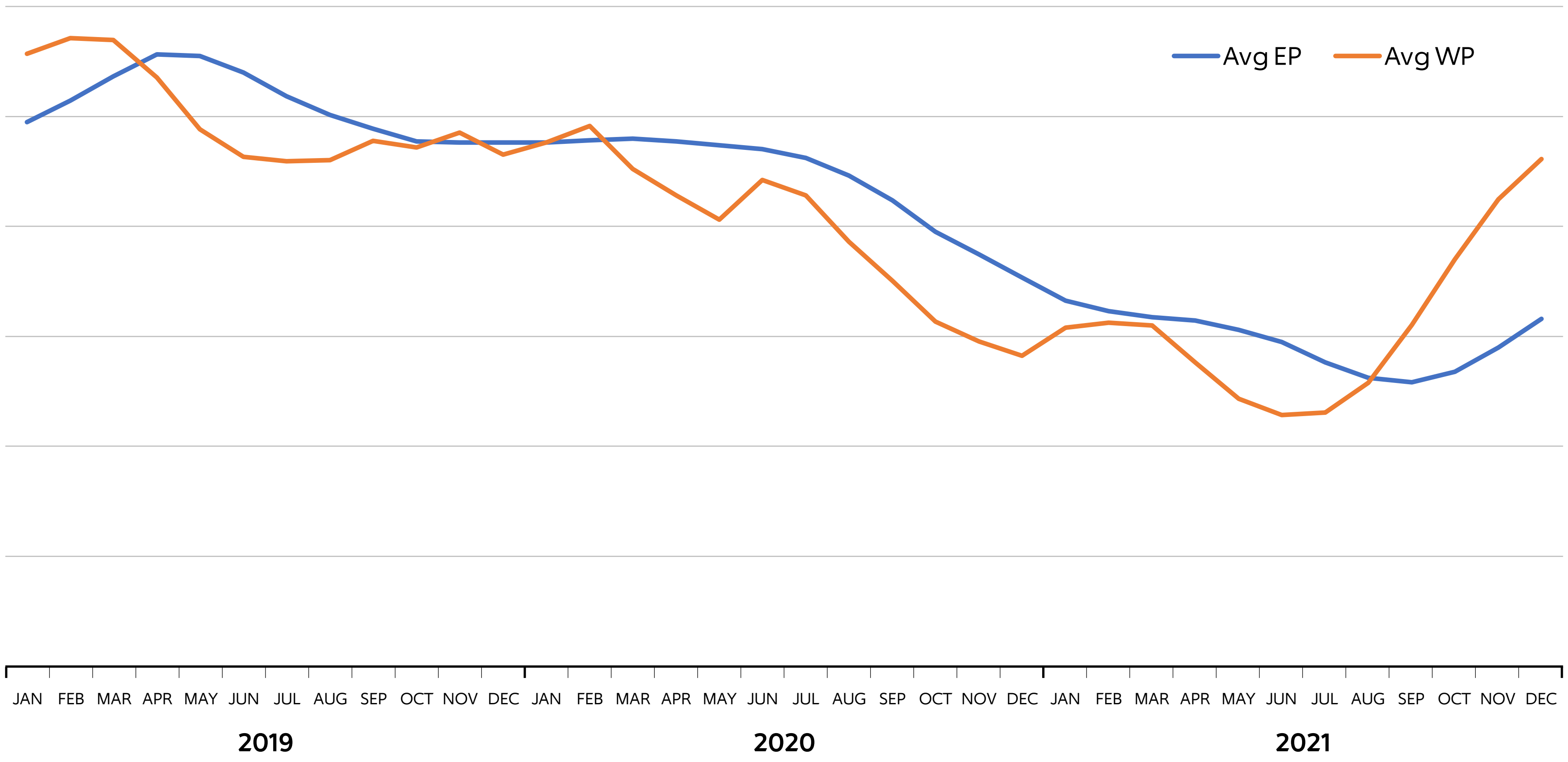
AUTO DEPLOYMENTS LAST YEAR

~ 4
Revisions/state

~ 60%
Premium on latest model

Source: Internal data

Responsiveness during market disruptions creates opportunities



Source: Internal data,
trailing 3 month average

Thank you

INVESTOR RELATIONS Q4

PROGRESSIVE