

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

FORM 10-K

(Mark One)

☒ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2022

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
(State or other jurisdiction of
incorporation or organization)
6300 Wilson Mills Road, Mayfield Village, Ohio
(Address of principal executive offices)

34-0963169
(I.R.S. Employer
Identification No.)
44143
(Zip Code)

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

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

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

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

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☒ Yes ☐ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☒ No

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of the voting common shares held by non-affiliates of the registrant at June 30, 2022: \$67,446,094,306

The number of the registrant's Common Shares, \$1.00 par value, outstanding as of January 31, 2023: 585,340,036

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2023, and the Annual Report to Shareholders of The Progressive Corporation and subsidiaries for the year ended December 31, 2022, included as Exhibit 13 to this Form 10-K, are incorporated by reference in Parts I, II, III, and IV hereof.

PART I

ITEM 1. BUSINESS

General Development of Business

The Progressive Corporation, an insurance holding company, has insurance and non-insurance subsidiaries and affiliates (references in this Item to subsidiaries includes affiliates as well). Our insurance subsidiaries provide personal and commercial auto insurance, personal residential and commercial property insurance, workers' compensation insurance primarily for the transportation industry, business-related general liability insurance, and other specialty property-casualty insurance and related services. Our non-insurance subsidiaries generally support our insurance and investment operations. We operate throughout the United States. Unless noted, references to "state(s)" throughout this report include the District of Columbia. The Progressive Corporation, together with its insurance and non-insurance subsidiaries and affiliates, comprise what we refer to as Progressive.

Progressive's vision is to become consumers', agents', and business owners' number one destination for insurance and other financial needs. Progressive's four strategic pillars of people and culture, broad needs of our customers, leading brand, and competitive prices serve as the foundation of how we will achieve our vision.

Description of Business

Organization

Our executive group oversees the business and corporate functions that support all areas of our organization and consists of the following:

Chief Executive Officer

- | | |
|--|---|
| <ul style="list-style-type: none">• Chief Financial Officer<ul style="list-style-type: none">• Chief Investment Officer• Chief Human Resources Officer• Chief Information Officer• Chief Legal Officer• Chief Marketing Officer• Chief Strategy Officer | <ul style="list-style-type: none">• Personal Lines President<ul style="list-style-type: none">• Property General Manager• Commercial Lines President• Claims President• Customer Relationship Management President |
|--|---|

Our insurance and claims organizations are generally managed on a state-by-state basis due to the nature of insurance, legal and regulatory requirements, and other local factors, and are supplemented by national operations and supported by our corporate functions. State-specific organizations typically report to a regional general manager, who then reports to the applicable group president. In California, we operate a separate agency auto organization with its own management and customer relationship management organization.

Personal Lines

Our Personal Lines segment writes insurance for personal autos and recreational vehicles, which we refer to as our special lines products. This business generally offers more than one program in a single state, with each program targeted to a specific distribution channel, market, or customer group. As of December 31, 2022, we wrote our Personal Lines products in all states, however, our special lines products are not written in the District of Columbia. The Personal Lines business accounted for 77% of our total net premiums written in 2022, 78% in 2021, and 82% in 2020.

The Personal Lines segment consists of personal auto and special lines products.

- Personal auto insurance represented approximately 94% of our total Personal Lines net premiums written in 2022, 2021, and 2020. We ranked third in market share in the U.S. private passenger auto market based on 2021 premiums written. We believe that our market share grew in 2022, however, industry data regarding our ranking for 2022 is not yet available. There are approximately 255 competitors in this market. Progressive and the other leading 15 private passenger auto insurers, each of which writes over \$2.5 billion of premiums annually, comprise 84% of this market. All industry data, including ranking and market share, based on premiums written, has been obtained directly from data reported by either SNL Financial or A.M. Best Company, Inc. (A.M. Best), or was estimated using A.M. Best data as the primary source.

- Special lines products, which include insurance for motorcycles, ATVs, RVs, watercraft, snowmobiles, and similar items, represented the remaining Personal Lines net premiums written for the years mentioned above. Due to the seasonal nature of these products, we typically experience higher losses during the warmer weather months. Our competitors are specialty companies and large multi-line insurance carriers. Although industry figures are not available, based on our analysis of this market, we believe that we are the market share leader for both the motorcycle and boat products and that we are one of the largest providers of RV insurance.

Our Personal Lines products are sold through both the Agency and Direct channels.

- The Agency business includes business written by our network of more than 40,000 independent insurance agencies located throughout the United States, including brokerages in New York and California. These independent insurance agents and brokers have the ability to place business with Progressive for specified insurance coverages within prescribed underwriting guidelines, subject to compliance with our mandated procedures. The agents and brokers do not have authority to establish underwriting guidelines, develop rates, settle or adjust claims, or enter into other transactions or commitments. The Agency business also writes insurance through strategic alliance business relationships with other insurance companies, financial institutions, and national agencies. The total net premiums written through the Agency channel represented 47% of our Personal Lines volume in 2022, and 48% in both 2021 and 2020.
- The Direct business includes business written directly by us on the Internet, through the Progressive mobile app, and over the phone. The total net premiums written by the Direct business represented 53% of our Personal Lines volume in 2022, and 52% in both 2021 and 2020.

Our Personal Lines strategy is to be a competitively priced provider of a broad range of personal auto and special lines insurance products with distinctive service, distributed through whichever channel the customer prefers, and combined with property insurance and other products when appropriate to match our customers' needs. Volume potential is driven by our price competitiveness, the actions of our competitors, brand recognition, and quality service delivered through our dedicated employees who embody the Progressive culture, among other factors. See "Competitive Factors" below for further discussion.

We seek to refine our personal auto segmentation, underwriting models, and pricing over time, and we regularly elevate new product models. At any one time, we could have multiple product models in the marketplace as new versions are being rolled out from state to state. Such new product models generally introduce new risk variables intended to improve its accuracy of matching rate to risk, increase our competitiveness, or make our products more attractive to specific market segments, among other enhancements.

We continue to provide customers in both the Agency and Direct channels the opportunity to improve their auto insurance rates based on their personal driving behavior through Snapshot[®], our usage-based insurance (UBI) program. We offer Snapshot through our hardware-based and/or mobile-app versions in all states, other than California. This mobile app is intended to improve the user experience while also reducing our monitoring costs. In addition to the personal benefits for our customers, the data collected via the mobile app affords us a unique perspective on mobile device usage, vehicle operations, and accidents. Our updated auto product models, discussed above, often also include Snapshot enhancements intended to improve its accuracy and competitiveness and broaden its applicability.

Our Personal Lines business is focused on efforts to form deeper and longer-term relationships with our customers through our Destination Era strategy, which supports the pursuit of our vision described above. Through this strategy, we seek to leverage our Property business, as well as insurance and non-insurance products offered by unaffiliated third parties, to provide our customers access to a range of products addressing their diverse needs and, if the customer chooses, to "bundle" certain of the products together. Bundled products are an integral part of our consumer offerings and an important part of our strategic agenda. Customers who prefer to bundle represent a sizable segment of the insurance market, and our experience is that they tend to stay with us longer and generally have lower claims costs.

Our Destination Era strategy involves a number of initiatives, including:

- In our Agency channel, we offer customers the opportunity to bundle our auto, special lines, and Property offerings. To further drive bundling in the Agency channel, we offer the Platinum program to those select agents who have the appropriate customers for our bundled offering. This program combines our auto and home insurance with the compensation, coordinated policy periods, single event deductible, and other features that meet the needs and desires that our agents have expressed. As of December 31, 2022, we had just over 4,000 Platinum agents.
- We offer independent agents an agency quoting system that makes it easier for them to bundle multiple policies with us. Our "Portfolio" quoting system reduces data entry, displays all available products eligible for bundled quotes, simplifies the agents' experience on third-party comparative rater systems, and provides agents and their customers an overview of premium, bundle savings, and applied discounts to allow them to add or remove products with one click. Portfolio is available for all agents appointed to write new business where we offer Property products.

- In the Direct channel, we bundle Progressive auto with Property products in almost all states, as well as with homeowners and renters products provided by unaffiliated insurance carriers nationwide. We offer these bundles by providing a single destination to which consumers may come for both their auto and property insurance needs. In many cases, we may offer discounts to incentivize or reward this bundling.
- Where available, our special lines products and umbrella insurance can be combined with any of the auto, home, or renters coverages that we offer, in either the Direct or Agency channel.
- HomeQuote Explorer® (HGX) is our multi-carrier, direct-to-consumers online property offering. Through HGX, consumers are able to quickly and easily quote and compare homeowners insurance online from Progressive and other carriers. During 2022, we continued to expand the availability of the online buy button, which was active in all states where we write Property products via HGX by the end of 2022.
- As we increase our penetration of the more complex, multi-product customers who are critical to our Destination Era success, we are further expanding the roster of products provided by unaffiliated companies that we make available through online and telephonic referrals and for which we receive commissions, or other compensation, that are reported as service revenues. Our list of unaffiliated company products includes items such as classic and specialty car, pet, health, life, electronics, travel, and event insurance.

Commercial Lines

The Commercial Lines segment writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominately for small businesses, and workers' compensation insurance primarily for the transportation industry. The Commercial Lines business accounted for 18% of our total net premiums written in 2022, 17% in 2021, and 13% in 2020. In 2021, we acquired Protective Insurance Corporation and subsidiaries (Protective Insurance) to expand our portfolio of offerings to larger fleet, workers' compensation coverage for trucking, along with trucking industry independent contractors, and affinity programs.

Unless otherwise noted, the following discussion excludes transportation network company (TNC) business, which is discussed below.

We offer our auto products in all states. Our commercial auto customers insure approximately two vehicles per policy. During 2022, we wrote about 90% of our commercial auto business through the agency channel.

There are approximately 335 competitors in the total U.S. commercial auto market. We primarily compete with about 50 other large companies/groups, each with over \$200 million of commercial auto premiums written annually. Progressive and these leading commercial auto insurers comprise 83% of this market. Our Commercial Lines business ranked number one in the commercial auto insurance market for 2021 based on premiums written, and we believe that we continued to hold that position for 2022.

The Commercial Lines business operates in the following commercial auto business market targets:

- *Business auto* – autos, vans, pick-up trucks used by small businesses (e.g., retailing, manufacturing, farming) and for-hire livery (e.g., non-fleet (i.e., five or fewer vehicles) taxis, black-car services, and airport taxis),
- *For-hire transportation* – tractors, trailers, and straight trucks primarily used by regional general freight and expeditor-type businesses and long-haul operators,
- *Contractor* – vans, pick-up trucks, and dump trucks used by light contractors (e.g., painters, plumbers, landscapers), and heavy construction,
- *For-hire specialty* – dump trucks, log trucks, and garbage trucks used by dirt, sand and gravel, logging, garbage/debris removal, and coal-type businesses, and
- *Tow* – tow trucks and wreckers used in towing services and gas/service station businesses.

As with our personal auto products, we regularly introduce new commercial auto product models designed to improve our pricing accuracy and competitiveness through improved segmentation, the use of additional risk variables, and other enhancements. New models are typically rolled out on a state-by-state basis and, as a result, we often have more than one product version in the marketplace at a time.

Similar to Snapshot in the personal auto business, the Commercial Lines business offers its customers UBI options. Smart Haul® is the UBI program that uses driving data from a motor carrier's existing electronic logging device. Smart Haul offers owner operators and small fleets the ability to receive discounts on their insurance by sharing their electronic logging device generated data with us. Snapshot ProView® is the UBI program for commercial auto customers without their own electronic logging device. Snapshot ProView allows customers to earn upfront discounts and provides value-added services, like fleet management and personalized tips to encourage safe driving. Both programs are available in almost all states.

In addition, we provide commercial auto coverage in the TNC business to Uber Technologies subsidiaries in 13 states and to Lyft's rideshare operations in 4 states. TNC represented about 10% of our Commercial Lines net premiums written in 2022, 6%

in 2021, and 4% in 2020. Premiums written in our TNC business are determined in part by estimating the number of miles to be driven over the life of the policy term, on a policy-by-policy basis. These premium estimates are adjusted monthly based both on actual miles driven and an estimate of miles to be driven during the remaining policy term. During 2022, in addition to increasing rates to address profitability, our TNC business experienced a strong increase in rideshare miles traveled compared to 2021.

We also offer business-related general liability and property insurance through our business owners policy (BOP) insurance. These products are geared specifically to small businesses and are currently available to agents in a majority of states, excluding the District of Columbia, with plans to expand to additional states during 2023. We also continue to act as an agent for business customers to place BOP, general liability, professional liability, and workers' compensation coverage through unaffiliated insurance carriers and are compensated through commissions, which are reported as service revenues. To further help our direct customers, we offer BusinessQuote Explorer® (BQX), a digital application that allows small business owners to obtain quotes for our BOP product and the products offered from a select group of unaffiliated carriers.

Property

Our Property segment writes residential property and renters insurance in virtually all states, primarily in the independent agency channel and through select agents under our Platinum program discussed above. We also act as a participant in the "Write Your Own" program for the National Flood Insurance Program under which we write flood insurance in virtually all states; 100% of this business is reinsured.

Our Property business accounted for 5% of our total net premiums written in 2022, 2021, and 2020. We tend to see more business written during the second and third quarters of the year based on the cyclical nature of property sales. Losses also tend to be higher during the warmer weather months when storms are more prevalent. As a property insurer, we have exposure to losses from catastrophes, including hurricanes, and other severe weather events. See *Item 1A, Risk Factors – II. Insurance Risks* below for more information. To help mitigate these risks, we enter into reinsurance arrangements. See the "Reinsurance" section below for further discussion of our reinsurance programs.

As one of the 15 largest homeowners carriers in the U.S. based on 2021 premiums written, we specialize in residential property insurance for homeowners, other property owners, and renters, as well as insurance for manufactured homes, personal umbrella insurance, and primary and excess flood insurance. There are approximately 370 competitors in the homeowners insurance market nationwide and we compete with many of these companies. Progressive and the other leading 25 large companies/groups, each with over \$800 million of premiums written annually, comprise 77% of the market.

As discussed above, our Property business is an important component of our Destination Era strategy.

Reinsurance

Our reinsurance activity includes both transactions which are regulated and those that are non-regulated (e.g., voluntary). The regulated programs include several mandatory state pools, such as the Michigan Catastrophic Claims Association, Florida Hurricane Catastrophe Fund, and North Carolina Reinsurance Facility, as well as other reinsurance facilities required by specific states for various lines of business. We are also a participant in the "Write Your Own" program for federally regulated plans for flood (National Flood Insurance Program). In 2022, our service contract to act as a servicing agent for Commercial Automobile Insurance Procedures/Plans (CAIP) expired and we did not renew the contract. The CAIP business will be in runoff for a year from its expiration. In addition, we have elected to participate in the Florida Reinsurance to Assist Policyholders Program for 2023. All of these programs are governed by the individual state's insurance regulations.

Our non-regulated arrangements reinsure activities in our Property business and our Commercial Lines business.

Property Programs

The reinsurance program in our Property business is designed to reduce overall risk while, to the extent of coverage purchased, protecting capital from the costs associated with catastrophic events. The Property program includes contracts that cover multi-year periods. We also maintain an excess of loss reinsurance treaty covering our personal umbrella business.

The occurrence excess of loss program supports the goal of maintaining adequate capital and is comprised of privately placed reinsurance, reinsurance placed through catastrophe bond transactions, and coverage obtained through the Florida Hurricane Catastrophe Fund. Under the 2022 occurrence excess of loss reinsurance, we are responsible for the first \$200 million of losses and allocated loss adjustment expenses (ALAE) for the first event. We may be responsible for additional losses if we experience more than two such events or if claims incurred exceed the maximum coverage limits of the reinsurance that is then in place. The coverage limits, net of retention, currently in place are:

- \$2.5 billion for a first event in Florida; and
- \$2.0 billion for a first event outside of Florida.

Coverage for a second event (and, potentially, for subsequent covered events) would depend on several factors, including the location and the extent of covered losses of the earlier events in the contract period. Portions of our program include reinstatement limits providing coverage for subsequent events. Some portions of our occurrence program have an obligatory reinstatement of coverage. Reinstatement premiums would have no effect on our results of operations since, per our contracts, we have separate reinsurance to cover these situations. During 2022, we retained \$200 million, and ceded \$800 million, of losses and ALAE under the occurrence excess of loss reinsurance program, all related to Hurricane Ian.

In addition, from June 1, 2022, through December 31, 2022, we had shared limit coverage in our reinsurance program that provided \$100 million of coverage for named storms (hurricanes and tropical storms as designated by the U.S. National Weather Service). This reinsurance arrangement can, depending on the circumstances, provide additional coverage for a significant covered event, or provide coverage for aggregate losses under our occurrence retention. During 2022, we ceded no losses under this “hurricane season” coverage. We have renewed this coverage from June 1 through December 31, 2023 (i.e., the 2023 hurricane season) for \$125 million of coverage.

During 2022, our Property business also had an aggregate excess of loss program structure, which provided a maximum amount of \$175 million of coverage for non-named storms, and in certain cases for named storms, in multiple layers with varying retention thresholds starting at \$575 million in the aggregate.

Each layer in the aggregate excess of loss program was subject to a per occurrence \$2 million deductible before each loss could be considered for aggregate retention, and each event was subject to a \$98 million coverage limit. During 2022, no losses were ceded under this aggregate excess of loss agreement related to 2022 accident year storms.

In January 2023, the Property business entered into a new aggregate excess of loss program for the 2023 accident year, with the multiple layers providing for a total coverage amount of \$185 million for catastrophe event losses and ALAE. The layers provide coverage, as follows:

- The first layer has retention thresholds ranging from \$500 million to \$575 million, and provides a total of \$100 million of coverage. This layer does not provide coverage for named tropical storms or hurricanes, as designated by the U.S. National Weather Service.
- The second layer has a retention threshold of \$600 million and provides a total of \$100 million of coverage, with Progressive retaining a 15% portion of coverage available under this layer. This layer includes coverage for named tropical storms or hurricanes as designated by the U.S. National Weather Service.

Each aggregate layer is subject to a per occurrence deductible ranging from \$2 million to \$5 million before each loss could be considered for aggregate retention, and each event is subject to a coverage cap ranging from \$95 to \$98 million. In addition, any one portion of the aggregate program does not have to be exhausted before the other portions can be applied.

Commercial Lines Programs

The reinsurance program in our Commercial Lines business is designed to help manage certain exposures in our commercial auto, TNC, BOP, and workers’ compensation products. Our Commercial Lines business uses quota-share reinsurance agreements for TNC, and certain workers’ compensation and BOP coverages. Under each agreement, we cede a portion of premiums, losses, and, in most cases, loss adjustment expenses (LAE).

As part of the Commercial Lines program, we also have excess of loss reinsurance agreements for higher-limit commercial auto liability, and certain BOP and workers’ compensation coverages, which reinsures a portion of loss above a retention threshold. The retention threshold for the BOP and Progressive high-limits auto liability excess of loss agreements is \$1 million, for each casualty occurrence or each property loss. For the Protective Insurance large fleet commercial auto business, we retain the first \$2 million, per occurrence, and have coverage excess of \$2 million up to \$5 million. Under the current program, in certain scenarios, our retention could be reduced to \$1 million, depending on the accumulation of losses in excess of \$1 million. In addition, for the workers’ compensation product, we have catastrophe workers’ compensation coverage up to \$75 million per occurrence pursuant to a \$20 million maximum any one life sublimit. In general, we retain approximately \$1.4 million per occurrence on workers’ compensation through the use of excess of loss and quota-share reinsurance.

For our TNC product, the amounts ceded vary by state. A portion of the quota-share reinsurance contract is written through reinsurers that are owned by the TNC company. Reinsurance recoverables under this arrangement are required by our contracts to be collateralized (i.e., secured by assets held by an independent third party or a letter of credit issued by a commercial bank) at a target of over 100% of the recoverable balance. During 2022, the remaining portion of reinsurance for the TNC product was written by a panel of third-party reinsurers.

Program Evaluation

We evaluate our reinsurance programs during our renewal discussions, if not more frequently, to ensure they continue to effectively address the company’s risk tolerance. We will continue to balance our ability to assume more risk with the availability and costs of various types of reinsurance contracts. See *Item 1A, Risk Factors – II. Insurance Risks* and – *VI. Credit and Other Financial Risks* below and *Note 7 – Reinsurance* in our Annual Report for more information.

Claims

Our employees handle nearly all of our Personal and Commercial Lines claims from either physical claims offices throughout the United States or through a virtual environment, and are supported by centralized functions at our corporate offices and a nationwide network of nearly 2,600 third-party repair shops. During 2022, we used independent claim adjusters opportunistically in our vehicle businesses to help support our claim employees manage claims inventory, and to timely respond to our customers impacted by Hurricane Ian. We do not intend to use independent adjusters as an ongoing significant part of our claims handling model.

For our Property business, we manage claims through a network of independent claim field adjusters and internal claim representatives managing the overall claims process. As of December 31, 2022, we had about 880 claim employees to handle our Property claims; we plan to continue to increase our internal claims staff in 2023.

Competitive Factors

The insurance markets in which we operate are highly competitive. Property-casualty insurers generally compete on the basis of price, agent commission rates, consumer recognition and confidence, coverages offered and other product features, claims handling, financial stability, customer service, and geographic coverage. Vigorous competition is provided by large, well-capitalized national companies in both the agency and direct channels, and by smaller regional insurers. In the agency channel, some of our competitors have broad distribution networks of employed or captive agents. With widely available comparative rating services, consumers can easily compare prices among competitors. Many competitors invest heavily in advertising and marketing efforts and/or expanding their online or mobile service offerings. Over the past two decades, these changes have further intensified the competitive nature of the property-casualty insurance markets in which we operate.

We rely heavily on technology to operate our business and on extensive data gathering and analysis to segment markets and price accurately according to risk. We have remained competitive by refining our risk measurement and price segmentation skills, closely managing expenses, and achieving operating efficiencies. High-quality customer service, fair and accurate claims adjusting, and strong brand recognition are also important factors in our competitive strategy. Competition in our insurance markets is also affected by the pace of technological developments. An insurer's ability to adapt to change, innovate, develop, and implement new applications and other technologies can affect its competitive position. In addition, our competitive position could be adversely impacted if we sustain security breaches or other "cyber attacks" on our systems or are unable to maintain uninterrupted access to our systems, business functions, and the systems of certain third-party providers. See *Item 1A, Risk Factors* below for more information.

In addition, there has been a proliferation of patents related to new ways in which technologies can affect competitive positions in the insurance industry. Several of our competitors have many more patents than we do. Some of the patents we currently hold include a usage-based insurance patent (expiring in 2024 or after), two patents on the Name Your Price[®] functionality on our website (expiring in 2028 or after), three multi-product quoting patents (expiring in 2032 or after), three patents for our implementation of a mobile insurance platform and architecture (expiring in 2032 or after), a patent on our system of providing customized insurance quotes based on a user's price and/or coverage preferences (expiring in 2033 or after), two patents for our loyalty call routing system (expiring in 2033 or after), a patent for a multivariate predictive system that processes usage-based data (expiring in 2035 or after), three patents for the implementation of chatbots in online quoting and servicing (expiring in 2038 or after), two patents for our Commercial Lines business classification system (expiring in 2039 or after), and two patents for our automated document classification system (expiring 2040 or after).

We have a substantial amount of "know-how" developed from years of experience with usage-based insurance, and from analyzing the data from over 48 billion driving miles derived from our usage-based devices and our mobile app. We believe this intellectual property provides us with a competitive advantage in the usage-based insurance market.

Insurance Licenses

Our insurance subsidiaries operate under licenses issued by various insurance regulatory authorities. These licenses may be of perpetual duration or renewable periodically, provided the holder continues to meet applicable regulatory requirements. Our licenses govern the kinds of insurance coverages that may be written by our insurance subsidiaries in the issuing jurisdiction. Such licenses are normally issued only after the filing of an appropriate application and the satisfaction of prescribed criteria. All licenses that are material to our subsidiaries' businesses are in good standing.

Insurance Regulation

Our insurance subsidiaries are generally subject to regulation and supervision by insurance departments of the jurisdictions in which they are domiciled or licensed to transact business. At least one of our insurance subsidiaries is licensed and subject to regulation in each of the 50 states, the District of Columbia, Bermuda, Canada, and Puerto Rico. The nature and extent of such regulation and supervision varies from jurisdiction to jurisdiction. Generally, an insurance company is subject to a higher degree of regulation and supervision in its jurisdiction of domicile. Our domestic insurance subsidiaries are domiciled in the states of Florida, Illinois, Indiana, Louisiana, Michigan, New Jersey, New York, Ohio, Texas, and Wisconsin. In addition, California and Florida treat certain of our subsidiaries as domestic insurers for certain purposes under their “commercial domicile” laws. We also have subsidiaries that write excess and surplus lines; these activities do not require a license but are regulated.

Insurance laws impose numerous requirements, conditions, and limitations on the operations of insurance companies. Insurance departments have broad regulatory powers relating to those operations. Regulated areas include, among others:

- licensing of insurers and agents,
- capital and surplus requirements,
- statutory accounting principles specific to insurance companies and the content of required financial and other reports,
- requirements for establishing insurance reserves,
- investments,
- acquisitions of insurers and transactions between insurers and their affiliates,
- limitations on rates of return or profitability,
- rating criteria, rate levels, and rate changes,
- insolvencies of insurance companies,
- assigned risk programs,
- authority to exit a business, and
- numerous requirements relating to other areas of insurance operations, including: required coverages, policy forms, policy cancellations and non-renewals, underwriting standards, and claims handling.

Insurance departments are authorized to conduct periodic and other examinations of regulated insurers’ financial condition and operations to monitor the financial stability of the insurers and to ensure adherence to statutory accounting principles and compliance with insurance laws and regulations. In addition, in some jurisdictions, the attorney general’s office may exercise certain supervisory authority over insurance companies and, from time to time, may investigate certain insurance company practices.

Insurance departments establish and monitor compliance with capital and surplus requirements. Although the ratio of written premiums to surplus that the regulators will allow is a function of a number of factors (including applicable law, the type of business being written, the adequacy of the insurer’s reserves, and the quality of the insurer’s assets), the annual net premiums that an insurer may write historically have been perceived to be limited to a specified multiple of the insurer’s total surplus, generally 3 to 1 for property and casualty insurance, which is the target for our vehicle businesses; our Property business maintains a lower premiums-to-surplus ratio. Thus, the amount of an insurer’s statutory surplus, in certain cases, may limit its ability to grow its business. At year-end 2022, we had net premiums written of \$51.1 billion and statutory surplus of \$17.9 billion. The combined premiums-to-surplus ratio for all of our insurance companies was 2.9 to 1. In addition, as of December 31, 2022, we had access to \$4.4 billion of securities held in a non-insurance subsidiary, portions of which could be contributed to the capital of our insurance subsidiaries to support growth or for other purposes.

The National Association of Insurance Commissioners (NAIC) also has developed a risk-based capital (RBC) program to enable regulators to identify and take appropriate and timely regulatory actions relating to insurers that show signs of weak or deteriorating financial condition. RBC is determined by a series of dynamic surplus-related formulas that contain a variety of factors that are applied to financial balances based on the degree of certain risks, such as asset, credit, and underwriting risks. At December 31, 2022, our RBC ratios were in excess of minimum requirements.

Insurance companies are generally required to file detailed annual and other reports with the insurance department of each jurisdiction in which they conduct business. These reports include:

- the insurer’s financial statements under statutory accounting principles,
- details concerning claims reserves held by the insurer,
- specific investments held by the insurer, and
- numerous other disclosures about the insurer’s financial condition and operations.

Insurance laws and insurance departments also regulate investments that insurers are permitted to make. Limitations are placed on the amounts an insurer may invest in a particular issuer, as well as the aggregate amount an insurer may invest in certain types of investments. Certain investments are prohibited.

Insurance holding company laws enacted in many jurisdictions authorize insurance departments to regulate acquisitions of insurers and certain other transactions and to require periodic disclosure of specified information. These laws impose prior approval requirements for certain transactions between insurers and their affiliates and generally regulate dividend and other distributions, including loans and cash advances, between insurers and their affiliates. See *Note 8 – Statutory Financial Information* in our Annual Report for further discussion.

Under insolvency and guaranty laws, insurers can be assessed or required to contribute to applicable guaranty funds to cover policyholder losses resulting from the insolvency of other insurers. Insurers are also required by many jurisdictions, as a condition of doing business in the jurisdiction, to provide coverage to certain risks that cannot find coverage in the voluntary market. These “assigned risk” plans generally specify the types of insurance and the level of coverage that must be offered to such involuntary risks, as well as the allowable premium. Many jurisdictions also have involuntary market plans, which hire a limited number of servicing carriers to provide insurance to involuntary risks. These plans, through assessments, pass underwriting and administrative expenses on to insurers that write voluntary coverages in those jurisdictions.

Many jurisdictions have laws and regulations that limit an insurer’s ability to exit a market. For example, certain jurisdictions limit an insurer’s ability to cancel or non-renew policies. Certain jurisdictions also prohibit an insurer from withdrawing one or more lines of business from the jurisdiction, except pursuant to a plan that is approved by the jurisdiction’s insurance department. The insurance department may disapprove a plan that may lead to market disruption. Laws and regulations that limit the cancellation or non-renewal of policies, or that subject program withdrawals to prior approval requirements, may delay or restrict an insurer’s ability to exit unprofitable markets or businesses. See *Item 1A, Risk Factors – III. Operating Risks* below for more information.

As mentioned above, insurance departments have regulatory authority over many other aspects of an insurer’s insurance operations, including coverages, forms, rating criteria, and rate levels. The ability to implement changes to these items on a timely basis is critical to our ability to compete effectively in the marketplace. Rate regulation varies from “use and file,” to “file and use,” to prior approval.

Regulation of insurance constantly changes as real or perceived issues and developments arise. Some changes may be due to economic developments, such as changes in investment laws made to recognize new investment products or to respond to perceived investment risks, while others reflect concerns about consumer privacy, insurance availability, prices, allegations of unfair-discriminatory pricing, underwriting practices, and solvency. In recent years, legislation, regulatory measures, and voter initiatives have been introduced, and in some cases adopted, which deal with use of consumer information, cybersecurity, use of credit and other information in underwriting and rating, insurance rate development, use of artificial intelligence and algorithms, rate of return limitations, and the ability of insurers to cancel or non-renew insurance policies. In addition, from time to time, the United States Congress and certain federal agencies investigate the current condition of the insurance industry to determine whether federal regulation is necessary. The Federal Insurance Office is required to collect information about the insurance industry and monitor the industry for systemic risk.

Investments

Our investment portfolio, which had a fair value of \$53.5 billion at December 31, 2022, compared to \$51.5 billion at December 31, 2021, consists of fixed-maturity securities, short-term investments, and equity securities (nonredeemable preferred stocks and common equity securities). Our fixed-maturity securities, short-term investments, and nonredeemable preferred stocks are collectively referred to as fixed-income securities. Our principal investment goals are to manage our portfolio on a total return basis to support all of the insurance premiums that we can profitably write and contribute to our comprehensive income. In our actively managed fixed-income securities portfolio, we believe that, in addition to many traditional considerations of fixed-income investing, there is less risk in securities that score higher across various environmental, social and governance factors. Therefore, we consider these assessments when evaluating these investment decisions. Our portfolio is invested primarily in short-term and intermediate-term, investment-grade fixed-income securities.

Investment income is affected by the variability of cash flows to or from the portfolio, shifts in the type and quality of investments in the portfolio, changes in yield, and other factors. For securities related to our investment portfolios, total investment income includes interest and dividends, net realized gains (losses) on securities sold, and net holding period gains (losses) on securities (composed primarily of valuation changes on equity securities). Total investment loss, before expenses and taxes, was \$0.7 billion in 2022, compared to investment income of \$2.4 billion in 2021, and \$2.6 billion in 2020. On a pretax total return basis (i.e., total investment income plus changes in net unrealized gains (losses) on our fixed-maturity securities), our investment portfolio generated an investment loss of \$4.3 billion at December 31, 2022, compared to investment income of \$1.2 billion and \$3.3 billion for the years ended December 31, 2021 and 2020, respectively. Outside of our investment portfolio, but reported in impairment losses in the consolidated statements of comprehensive income, were

\$8.6 million and \$5.0 million of other-than-temporary impairment losses resulting from renewable energy tax credit investments during 2022 and 2021, respectively; no other-than-temporary impairment losses were recognized in 2020. For more detailed discussion of our investment portfolio, see *Note 2 – Investments*, *Note 3 – Fair Value*, and *Management’s Discussion and Analysis of Financial Condition and Results of Operations* in the Annual Report.

Service Businesses

Our service businesses, which represent less than 1% of our total revenues and do not have a material effect on our overall operations, primarily include our commission- or fee-based businesses, where we often act as an agent for other insurance companies. We offer home, condominium, and renters insurance, among other products, written by unaffiliated insurance companies in the continental United States in the direct channel. We also offer our customers the ability to package their commercial auto coverage with other commercial coverages that are written by unaffiliated insurance companies. We receive commissions for the policies written under this program and allocate marketing and other administration costs associated with maintaining these programs.

Service revenues also included business related to the CAIP plans. Prior to August 2022, we acted as a servicing carrier, on a nationwide basis, for the CAIP plans, which are state-supervised plans servicing the involuntary market in nearly all states. As a service provider, we provided policy issuance and claims adjusting services and collected fee revenue. Our CAIP service contract expired in August 2022 and we did not renew the contract. The expiration of our participation as a CAIP service provider does not materially affect our financial condition, results of operations, or cash flows.

Liability for Property-Casualty Losses and Loss Adjustment Expenses

The consolidated financial statements include the estimated liability for unpaid losses and loss adjustment expenses (LAE), which include ALAE (e.g., defense and cost containment expenses) and unallocated LAE (e.g., adjusting and other expenses), of our insurance subsidiaries. Our objective is to ensure that total reserves (i.e., case reserves and incurred but not recorded reserves, or IBNR) are adequate to cover all loss costs, while sustaining minimal variation from the time reserves are initially established until losses are fully developed. The liabilities for losses and LAE are determined using actuarial and statistical procedures and represent undiscounted estimates of the ultimate net cost of all unpaid losses and LAE incurred through December 31 of each year. These estimates are subject to the effect of future trends on claims settlement, among other factors.

These estimates are regularly reviewed and adjusted as experience develops and new information becomes known. Adjustments, if any, relating to accidents that occurred in prior years are reflected in the current year results of operations and are referred to as “development” of the prior year estimates. In establishing loss reserves, we take into account projected changes in claim severity caused by a number of factors that vary with the individual type of policy written. This severity is projected based on historical trends, adjusted for anticipated changes in underwriting standards, inflation, policy provisions, claims resolution practices, and general economic trends. These anticipated trends are reconsidered periodically based on actual development and are modified if necessary.

See *Note 6 – Loss and Loss Adjustment Expense Reserves* in the Annual Report for a detailed discussion of our loss reserving practices and a reconciliation of our loss and LAE reserve activity, along with incurred and paid claims development by accident year for our segments, based on definitions pursuant to statutory accounting principles.

Human Capital

We believe that our people and our culture remain our most significant competitive advantage, and that having the right people working together in the right way is critical to driving our results, building our enduring business, and creating long-term shareholder value. Our culture is deeply rooted in our Core Values (Integrity, Golden Rule, Excellence, Objectives, and Profit) and is the foundation for our human capital management strategies to attract, retain, and motivate highly qualified employees.

Our People

We believe that our culture and continued success has enabled us to attract, engage, and retain highly talented people in diverse markets and from a broad range of backgrounds and experiences.

Attract and Hire

We employ extensive recruiting practices towards the goal of developing qualified and deep candidate pools and attracting candidates from both established and new sources. We believe that our recruitment efforts generally have enabled us to present diverse and high-potential pools of job candidates to our hiring managers. In turn, we train our hiring managers about identifying and avoiding unconscious biases they may have during the interview and selection process and the importance of employing individuals with different kinds of experiences and backgrounds. We believe these strategies collectively enhance our applicant pools and contribute to our continued success.

Engage and Retain

We understand that engaged employees are more productive, provide better service to our customers, and are more likely to stay with Progressive. Each year, we survey our people to measure their engagement. Our 2022 engagement and culture survey results placed us in the top 5% of all companies using the survey, which is designed by a nationally-known third party and administered in like form to over 1,000 employers in the United States. We use the results, along with other information, to evaluate our human capital strategies and the health of our culture.

Employee retention is an important part of our strategy. Our annualized employee retention rate for 2022 was 83%, down one point from the prior year, and, as of December 31, 2022, more than 15,000 employees had over 10 years of tenure at the company. Promoting from within is also a key part of our strategy. Many of our leaders, including most current executive team members, joined Progressive in a more junior position and advanced to significant leadership positions within the organization. In 2022, we filled approximately 68% of our open positions above entry level by promoting from within, including just over 2,000 managerial positions.

Demographic Data

We publish employee and manager demographic information on our DEI website and update this data on an annual basis. We also disclose our consolidated EEO-1 data online.

- As of December 31, 2022, we had about 55,100 employees of whom 59% were women and 39% were people of color, while women comprised 51.3% and people of color comprised 38.3% of the U.S. workforce (based on data obtained from the U.S. Census Bureau's Current Population Survey, November 2022).
- During 2022, we hired more than 15,100 new employees of whom 68% were women and 55% were people of color, representing about 1.9% of the total applicants for a job at Progressive.
- During 2022, our employees promoted into management positions were more gender and racially diverse than our management population during 2021. Specifically, 55% of such promotions were women and 32% were people of color. As of December 31, 2022, women represented 48% of all managers and people of color were 25% of all managers.
- As of December 31, 2022, we had about 1,000 senior leaders of whom 39% were women and 17% were people of color.

Supporting our People and Culture

We strive to support our employees by providing challenging work experiences, career opportunities, and a culture of learning. We are focused on coaching and development, which we believe promotes greater engagement in our business and improved individual performance.

Training and Development

We actively foster a learning culture and offer several leadership development programs, including our Multicultural Leadership Development Program. Two of our career development boot camps (IT Programmer and Analyst) are intended to accelerate career opportunities. Moreover, our professional development program, "Own It," encourages employees to take control of their career through team-building exercises, coaching techniques, and communication strategies. Available to new and tenured employees, our learning solutions are tailored to both individual contributors and leaders and cover a broad swath of skills and competencies. We also leverage our extensive contemporary art collection to offer training sessions to spark conversations about our culture, innovation, ethical obligations, and respecting our differences, among other things.

Ethics

Our Core Values are the foundation for our Code of Business Conduct and Ethics, which provides clear expectations for all our people and confirms our commitment to high ethical standards and compliance with legal requirements. We provide ethics training, as well as regular communications, video series, and outside speakers presenting themes such as Celebrate Disagreement and Courage at our Core, to emphasize our commitment to our ethical and legal responsibilities. Additionally, we have an "open door" policy that empowers every employee to reach out to any manager or any human resource representative when they have a question or concern or they want to share an idea. We also provide a confidential Alertline that is available for employees and others who want to raise a concern anonymously. We encourage our people to speak up, and when they do, we give timely attention to their concerns, take remedial action where appropriate, and do not discriminate or retaliate against them for reporting any concern to us in good faith.

Diversity, Equity, and Inclusion (DEI)

We believe that in order to be consumers', agents', and business owners' number one destination for insurance and other financial needs, we need to anticipate and understand the needs of our customers. We seek to be diverse in our employee demographics, experiences, and perspectives. Our commitment to diversity starts at the top with our highly skilled and diverse

Board of Directors. We are one of the few public companies with a female CEO, as well as a female independent Board Chairperson. Our DEI efforts are overseen by our Compensation Committee on behalf of the entire Board of Directors, and those efforts are implemented at all levels of the organization.

Our efforts focus on four primary objectives, which have been in place for several years: (1) to maintain a fair and inclusive work environment; (2) to reflect the customers we serve; (3) for our leaders to reflect the people they lead; and (4) to contribute to our communities. In line with this focus, in 2020 we introduced an ambitious goal to double the representation of people of color in senior leadership from 10% to 20% by the end of 2025. During 2022, we increased this senior leadership representation from 16% to 17%.

We support DEI awareness among our employees through formal training sessions and workshops focused on building our overall awareness and individual competencies to address difficult topics such as racial inequality, micro-inequities, and unconscious biases. We also have a companywide Courageous Conversations and DEI speakers bureau, where presenters and facilitators lead work teams in discussions around biases, stereotypes, and the development of inclusive behaviors. Additionally, our executive team and managers have job objectives aimed at fostering a diverse and inclusive workplace.

For several years we have hosted an annual weeklong event focused on diversity and inclusion, where employees have the opportunity to attend webinars and panel discussions, take part in group activities, listen to podcasts featuring Progressive employees, and more. Moreover, we support efforts to contribute to our communities, through our Keys to Progress® programs (which include providing vehicles to veterans and furnishing homes for individuals emerging from homelessness), our various education and engagement efforts, and our financial contributions to various community organizations. For over 20 years, we have also contributed to The Progressive Insurance Foundation, which provided matching funds to eligible 501(c)(3) charitable organizations to which employees contributed. To more broadly represent our employees and their communities, in 2020, The Progressive Insurance Foundation began funding national charitable organizations identified by our Employee Resource Groups and, beginning mid-2022, in lieu of matching employee's contributions, each employee can recommend an eligible charity to receive a fixed amount of the Foundation's charitable giving without requiring the employee make an out-of-pocket donation.

We know we still have much more work to do, but we are committed to these efforts. To learn more, please visit our DEI website at: progressive.com/about/diversity-and-inclusion. The information on that website is not incorporated by reference in, and does not form part of, this Annual Report on Form 10-K or any other SEC filing.

Employee Resource Groups

Over a decade ago, our first employee resource groups (ERGs) were created to help build communities for our employees with common backgrounds, life experiences, interests, and professional goals. In the time since their inception, our ERGs have grown in both influence and size with 43% of Progressive people belonging to at least one ERG as of December 31, 2022. We have nine employee resource groups (Progressive African American Network, Asian American Network, Disabilities Awareness Network, Progressive Latin American Networking Association, LGBTQ+ Network, Military Network, Network of Empowering Women, Parent Connection, and Young Professionals Network) that support creation of a space for networking, understanding differences, and sharing experiences.

Compensation and Benefits

We seek to provide competitive pay through a combination of fixed and variable compensation and have designed our compensation programs for employees to earn above market pay when company performance warrants it. We publish, internally, our competitive annualized base pay ranges and annual cash incentive targets for virtually all of our positions. As part of employee compensation, nearly all Progressive people participate in our annual cash incentive program named Gainshare, which measures the growth and profitability of our insurance businesses. We believe Gainshare contributes to the cooperative and collaborative way we work together and, in part, defines our culture. Our executives and other senior leaders also receive compensation in the form of equity awards, which we believe supports a strong pay-for-performance linkage and further aligns their interests with those of our shareholders. We monitor overall pay equity among employees with similar performance, experience, and job responsibilities, and publish the results annually on our DEI website.

Our employee benefits are intended to be competitive and to support the needs of our people and their families. We invest in physical, emotional, and financial health of Progressive people by providing a broad range of benefits, including: medical, prescription drug, dental, and vision benefits; a 401(k) plan with up to a 6% company match; life insurance; long- and short-term disability insurance; and paid parental leave following birth, adoption, or placement of a foster child. Our health and wellness offerings include on-site fitness centers, medical clinics, and healthy seminars. Many of these on-site offerings transitioned to online offerings, such as fitness classes and health discussions, to meet the needs of our employees who are working remotely. We continue to offer a variety of health and wellness programs accessible to employees working from the office or remotely. We also offer an Employee Assistance Program that provides 24-hour support, flexible work arrangements, and provide paid time off to help our people balance their work and personal lives.

Available Information

Our website is located at progressive.com. Except as expressly noted herein, the information on this website does not incorporate by reference in, and does not form part of, this Form 10-K. As soon as reasonably practicable, we make all documents that we file with, or furnish to, the SEC, including our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to these reports, available free of charge via our website at progressive.com/investors. These reports are also available on the SEC's website: <http://www.sec.gov>. Information on our website does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Progressive filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent we specifically incorporate such information by reference in such a filing.

ITEM 1A. RISK FACTORS

I. Summary

Our business involves various risks and uncertainties, certain of which are discussed in this section. Management divides these risks into five broad categories in assessing how they may affect our financial condition, cash flows, and results of operations, as well as our ability to achieve our strategic business goals and objectives. Our risk categories include:

- **Insurance Risks** - risks associated with assuming, or indemnifying for, the losses or liabilities incurred by policyholders
- **Operating Risks** - risks stemming from external or internal events or circumstances that directly or indirectly may affect our insurance operations
- **Market Risks** - risks that may cause changes in the value of assets held in our investment portfolios
- **Liquidity Risk** - risk that our financial condition will be adversely affected by the inability to meet our short-term cash, collateral, or other financial obligations, and
- **Credit and Other Financial Risks** - risks that the other party to a transaction will fail to perform according to the terms of a contract, or that we will be unable to satisfy our obligations when due or obtain capital when necessary.

We have also included an "Other" section in the discussion below to identify risks that do not fit into one of the categories above.

Although we have organized risks generally according to these categories in the discussion below, many of the risks may have ramifications in more than one category. For example, although presented as an Operating Risk below, governmental regulation of insurance companies also affects our underwriting, investing, and financing activities, which are addressed separately under Insurance Risks, Market Risks, and Credit and Other Financial Risks below. These categories, therefore, should be viewed as a starting point for understanding the significant risks facing us and not as a limitation on the potential impact of the matters discussed.

It also should be noted that our business and that of other insurers may be adversely affected by a downturn in general economic conditions and other forces beyond our control. Issues such as unemployment rates, the number of vehicles sold, technological advances, home ownership trends, inflation or deflation, consumer confidence, and construction spending, among a host of other factors, will have a bearing on the amount of insurance that is purchased by consumers and small businesses and the costs that we incur. Also, to the extent that we have a concentration of business in one or more states or regions of the country, general economic conditions in those states or regions may have a greater impact on our business.

We cannot predict whether the risks and uncertainties discussed in this section, or other risks not presently known to us or that we currently believe to be immaterial, may develop into actual events and impact our businesses. If any one or more of them does so, the events could materially adversely affect our financial condition, cash flows, or results of operations, and the market prices of our equity or debt securities could decline.

This information should be considered carefully together with the other information contained in this report and in the other reports and materials filed by us with the SEC, as well as news releases and other information we publicly disseminate from time to time.

II. Insurance Risks

Our success depends on our ability to underwrite and price risks accurately and to charge adequate rates to policyholders.

Our financial condition, cash flows, and results of operations depend on our ability to underwrite and set rates accurately for a full spectrum of risks. A primary role of the pricing function is to ensure that rates are adequate to generate sufficient premiums to pay losses, loss adjustment expenses, and underwriting expenses, and to earn a profit.

Pricing involves the acquisition and analysis of historical data regarding vehicle accidents, other insured events, and associated losses, and the projection of future trends for such accidents and events, loss costs, expenses, and inflation, among other factors, for each of our products in multiple risk tiers and many different markets. Our ability to price accurately is subject to a number of risks and uncertainties, including, without limitation:

- the availability of sufficient, reliable data
- our ability to conduct a complete and accurate analysis of available data
- uncertainties inherent in estimates and assumptions, generally
- our ability to timely recognize changes in trends and to predict both the severity and frequency of future losses with reasonable accuracy
- our ability to predict changes in operating expenses with reasonable accuracy
- our ability to reflect changes in reinsurance costs in a timely manner
- the development, selection, and application of appropriate rating formulae or other pricing methodologies
- our ability to innovate with new pricing strategies and the success of those strategies
- our ability to implement rate changes and obtain any required regulatory approvals on a timely basis
- our ability to predict policyholder retention accurately
- unanticipated court decisions, legislation, or regulatory actions
- the frequency, severity, duration, and geographic location and scope of severe weather and other catastrophe events, which may be becoming more severe and less predictable as a result of climate change
- our ability to understand the impact of ongoing changes in our claim settlement practices
- changing vehicle usage and driving patterns, which may be influenced by epidemics, pandemics, other widespread health risks or changes in oil and gas prices among other factors, changes in residential occupancy patterns, and the sharing economy
- advancements in vehicle or home technology or safety features, such as accident and loss prevention technologies or the development of autonomous or partially autonomous vehicles
- unexpected changes in the medical sector of the economy, including medical costs and systemic changes resulting from national or state health care laws or regulations
- unforeseen disruptive technologies and events
- the ability to understand the risk profile of significant customers, such as transportation network companies
- unanticipated changes in auto repair costs, auto parts prices, used car prices, or construction requirements or labor and materials costs, or the imposition and impacts of tariffs

We are seeing new insurance regulations, various legislative and regulatory challenges, political initiatives, and other societal pressures that seek to limit or prohibit the use of specific rating factors in insurance policy pricing such as credit, education, and occupation. In our view, these efforts have the potential to significantly undermine the effectiveness of risk-based pricing. If we are unable to use rating factors that have been shown empirically to be highly predictive of risk, we may not be able to as accurately match insurance rates to the applicable risks, which may significantly adversely impact our insurance operating results.

The realization of one or more of these risks may result in our pricing being based on inadequate or inaccurate data or inappropriate analyses, assumptions, or methodologies, and may cause us to estimate incorrectly future changes in the frequency or severity of claims. As a result, we could underprice risks, which would negatively affect our underwriting profit margins, or we could overprice risks, which could reduce our competitiveness and growth prospects. In either event, our financial condition, cash flows, and results of operations could be materially adversely affected. In addition, underpricing insurance policies over time could erode the capital position of one or more of our insurance subsidiaries, thereby constraining our ability to write new business.

Our success depends on our ability to establish accurate loss reserves.

Our financial statements include loss reserves, which represent our best estimate as of the date of the financial statements of the amounts that our insurance subsidiaries ultimately will pay on claims that have been incurred, and the related costs of adjusting those claims. There is inherent uncertainty in the process of establishing property and casualty insurance loss reserves, which can arise from a number of factors which are, or can be, affected by both internal and external events including:

- the availability of sufficient, reliable data
- the difficulty in predicting the rate and direction of changes in frequency and severity trends, including the effects of inflationary pressures or other factors, for multiple products in multiple markets
- unexpected changes in medical costs, auto repair costs, or the costs of construction labor and materials, and the imposition and impacts of tariffs
- labor shortages, which can impact loss expenses directly through higher labor costs, and indirectly through delays in services and through lower quality, as companies hire less experienced workers, to perform services
- unanticipated changes in governing statutes and regulations
- new or changing interpretations of insurance policy provisions and coverage-related issues by courts
- the effects of changes in our claims settlement practices
- our ability to recognize fraudulent or inflated claims
- the accuracy of our estimates regarding claims that have been incurred but not recorded as of the date of the financial statements, including those arising from severe weather or other catastrophe events
- the accuracy and adequacy of actuarial techniques and databases used in estimating loss reserves
- the accuracy of the modeling tools that we use, which rely on the assumption that past loss development patterns will persist into the future
- the accuracy and timeliness of our estimates of loss and loss adjustment expenses as determined for different categories of claims

The ultimate paid losses and loss adjustment expenses may deviate, perhaps substantially, from point-in-time estimates of such losses and expenses, as reflected in the loss reserves included in our financial statements. Consequently, ultimate losses paid could materially exceed reported loss reserves and have a material adverse effect on our financial condition, cash flows, or results of operations.

Our insurance operating results have been and will likely continue to be materially adversely affected by severe weather or other catastrophe events, and climate change may be exacerbating these events and their impacts.

Our insurance operating results have periodically been, and in the future will likely continue to be, materially adversely affected by natural events, such as hurricanes, tornadoes, windstorms, floods, earthquakes, hailstorms, severe winter weather, and fires, or by other events, such as explosions, terrorist attacks, cyber-attacks, epidemics, pandemics or other widespread health risks, riots, and hazardous material releases. The frequency, severity, duration, and geographic location and scope of such events are inherently unpredictable. Moreover, climate change may be contributing to the increase in frequency of severe weather events and other natural disasters, how long they last, and how much insured damage they cause, and may change where the events occur. Catastrophe losses have in the past, and may in the future, adversely affect the profitability of our Property segment more than they affect the profitability of our other businesses. In addition, our Property business has a concentration of policies in force in states with significant exposure to hurricanes and hailstorms and its results have in the past been impacted by catastrophe events in these states to a greater relative degree than other insurers.

The extent of insured losses from a catastrophe event is a function of our total insured exposure in the area affected by the event, the nature, severity, and duration of the event, and the extent of reinsurance that we have obtained with respect to such an event. We use catastrophe modeling tools to help estimate our exposure to such events to price our products and to estimate our losses arising from catastrophe events. Those tools are based on historical data and other assumptions that limit their reliability and predictive value, and they may become even less reliable due to climate change. Therefore, our forecasting efforts may generate projections that prove to be materially inaccurate. As a result, an increase in the frequency, severity or duration, or unanticipated changes in geographic location or scope, of severe weather or other catastrophes could materially adversely affect our financial condition, cash flows, and results of operations.

Our success will depend on our ability to continue to accurately predict our reinsurance needs, obtain sufficient reinsurance coverage for our Property and other businesses at reasonable cost, and collect under our reinsurance contracts.

Our Property business relies on reinsurance contracts, state reinsurance funding, and catastrophe bonds (collectively, “reinsurance arrangements”) to reduce its exposure to certain catastrophe events. We also use reinsurance contracts to reinsure

portions of our Commercial Lines businesses, including our workers' compensation and business owners' policies and the transportation network company business, as well as our umbrella insurance business. See *Item 1, Business – Reinsurance* for further discussion. Reinsurance arrangements are often subject to a threshold below which reinsurance does not apply (often called the retention), so that we are responsible for all losses below the threshold from a covered event. Also, reinsurance policies typically have an aggregate dollar coverage limit, and, therefore, we are further exposed to the extent that our claims liabilities arising from a covered event exceed our reinsurance coverage. In addition, although the reinsurer is liable to us to the extent of the contractual reinsurance coverage, we remain liable under our policies to the insured as the direct insurer on all risks reinsured. As a result, we are subject to the risk that reinsurers will be unable to pay, or will dispute, our reinsurance claims, and this risk may be heightened to the extent climate change or other factors cause higher than anticipated losses for a reinsurer across its businesses. Further, the availability and cost of reinsurance are subject to prevailing reinsurance market conditions, which have been, and in the future could be, adversely impacted by the underwriting capacity of the reinsurance industry. That underwriting capacity can be influenced by several factors, including industry losses, changes in legal and regulatory guidelines, the occurrence of significant reinsured events, such as weather-related catastrophes, among other things. Depending on the impact of any of these factors, we may not be able to obtain reinsurance coverage in the future at all or with commercially reasonable rates, terms and conditions. The unavailability and/or increased cost of reinsurance could adversely affect our business volume, profitability, or financial condition.

III. Operating Risks

Our business depends on the secure and uninterrupted operation of our systems, facilities and business functions and the operation of various third-party systems.

Our business is highly dependent upon our ability to perform necessary business functions in an efficient and uninterrupted manner. The shut-down, disruption, degradation or unavailability of one or more of our systems or facilities, or the inability of large numbers of our employees to communicate in a largely work-from-home environment, for any reason could significantly impair our ability to perform critical business functions on a timely basis. In addition, many of our critical business systems interface with and depend on third-party systems. An interruption or degradation of service from a third-party system for any reason, or a determination by a vendor to abandon or terminate support for a system, product, obligation, or service that is significant to our business, could significantly impair our ability to perform critical business functions, including, but not limited to, impeding customer interactions, preventing access to company or customer data, and interfering with our ability to send or accept electronic payments through credit card or debit card networks and the Automated Clearing House, among other payment systems. If sustained or repeated, and if an alternate system, process, or vendor is not immediately available to us, such events could result in a deterioration of our ability to write and process policies, provide high quality customer service, resolve claims in a timely manner, make payments when required, or perform other necessary business functions. Also, system redundancy and other continuity measures may be ineffective or inadequate, and our business continuity and disaster recovery planning may not be sufficient for all eventualities. Any such event could have a material adverse effect on our financial results and business prospects, as well as cause damage to our reputation, brand and customer goodwill. Catastrophe events that affect one of our larger office locations, a significant technology/data center, critical communications facilities, or one or more of our key vendors, may heighten this risk.

Our business could be materially adversely affected by a security breach or other attack involving our technology systems or the systems of one or more of our vendors.

Our business requires that we develop and maintain large and complex technology systems, and that we rely on third-party systems and applications, to run our operations and to store the significant volume of data that we acquire, including the personal information of our customers and employees and our intellectual property, trade secrets, and other sensitive business and financial information. All of these systems are subject to "cyber-attacks" by third parties with substantial computing resources and capabilities, which are becoming more frequent and more sophisticated, and to unauthorized or illegitimate actions by employees, consultants, agents, and other persons with legitimate access to our systems. Such attacks or actions may include attempts to:

- steal, corrupt, or destroy data, including our intellectual property, financial data, or the personal information of our customers, employees, or other individuals
- misappropriate funds or extract ransom payments
- commit fraud
- disrupt or shut down our systems
- deny customers, agents, brokers, or others access to our systems
- infect our systems with viruses or malware

Some of our systems rely on third-party vendors, through either a connection to, or an integration with, those third-parties' systems. This approach may increase the risk of loss, corruption, or unauthorized publication of our information or the confidential information of our customers and employees or other cyber-attack, and although we may review and assess third-party vendor cyber security controls, our efforts may not be successful in preventing or mitigating the effects of such events. Third-party risks may include, among other factors, the vendor's lax security measures, data location uncertainty, and the possibility of data storage in inappropriate jurisdictions where laws or security measures may be inadequate.

We undertake substantial efforts to protect our systems and sensitive or confidential information. Our information security efforts are designed to evolve with the changing security threat environment through ongoing assessment and measurement. This includes internal processes and technological defenses that are preventative or detective, and other controls designed to provide multiple layers of security protection. In addition, we seek to protect the security and confidentiality of information provided to our vendors under cloud computing or other arrangements through appropriate risk evaluation, security and financial due diligence, contracts designed to require high security and confidentiality standards, and review of third-party compliance with the required standards. While we expend significant resources on these defensive measures, our systems are being threatened on a regular basis and our efforts may be insufficient to prevent or defend against an attack. We have experienced incidents in the past, and there can be no assurance that we will be successful in preventing future attacks or detecting and stopping them once they have begun.

Our business could be significantly damaged by a security breach, data loss or corruption, or cyber-attack. In addition to the potentially high costs of investigating and stopping such an event and implementing necessary fixes, we could incur substantial liability if confidential customer or employee information is stolen. In addition, such an event could cause a significant disruption of our ability to conduct our insurance operations, adversely affect our competitive position if material trade secrets or other confidential information are stolen, and have severe ramifications on our reputation and brand, potentially causing customers to refrain from buying insurance from us or other businesses to refrain from doing business with us. Therefore, the occurrence of a security breach, data loss or corruption, or cyber-attack, if sufficiently severe, could have a material adverse effect on our business results, prospects, and liquidity.

We must maintain a brand and reputation that is recognized and trusted by consumers.

We have made significant investments in our brand over many years, and we believe it is critical to our business that consumers recognize and trust the Progressive brand. We undertake distinctive advertising and marketing campaigns and other efforts to maintain and improve brand recognition, enhance perceptions of us, generate new business, and increase the retention of our current customers. We believe that maintaining and improving the effectiveness of our advertising and marketing campaigns relative to those of our competitors is particularly important given the significance of brand and reputation in the marketplace and the continuing high level of advertising and marketing efforts and related expenditures within the insurance market. If our marketing campaigns are unsuccessful or are less effective than those of competitors, or if our reliance on a particular spokesperson or character is compromised, our business could be materially adversely affected.

Our brand and reputation also could be adversely affected by situations that reflect negatively on us, whether due to our business practices, adverse financial developments, perceptions of our corporate governance or how we address employee matters and concerns or environmental or social responsibility initiatives, investments in our portfolio, the conduct of our officers, directors, or employees, or other causes. It may also be harmed by the actions of third parties that are generally outside of our control, including agents, significant customers or other businesses with which we do business or in which we invest, such as third-party providers that interface with our customers, unaffiliated insurers and other companies whose products we offer or make available to our customers, or other causes.

The negative impacts of these or other events may be aggravated as consumers, regulators, and other stakeholders increase or change their expectations, or adopt conflicting expectations, regarding the conduct of large public companies, environmental, social and governance (ESG) standards, sustainability efforts, and corporate responsibility. Our practices may not change in the particulars or at the rate stakeholders expect. These impacts may be further complicated such that perceptions are formed through rapid and broad interactions using modern communication and social media tools over which we have no control. Any such negative impact or event could decrease demand for our products or services, create difficulties in our ability to recruit and retain employees, negatively impact our stock price, and lead to greater regulatory scrutiny of our businesses.

Our success depends on our ability to innovate effectively and respond to our competitors' initiatives.

Our ability to develop and implement innovative products and services, which may include technological advances, that are accepted and valued by our customers and independent agents is critical to maintaining and enhancing our competitive position.

Innovations must be implemented in compliance with applicable insurance regulations and may require extensive modifications to our systems and processes and extensive coordination with and reliance on the systems of third parties. Technological and societal changes may lead to changes in customers' preferences as to how they want to interact with us. As a result, if we do not handle these transitions effectively and bring such innovations to market with the requisite speed and agility, the quality of our products and services, our relationships with our customers and agents, and our business prospects, may be materially adversely affected. In addition, innovations by competitors or other market participants may increase the level of competition in the industry. If we fail to respond appropriately in a timely manner to those innovations and also to the evolving customer preferences, our competitive position and results may be materially adversely affected.

We must effectively manage complexity as we develop and deliver high-quality products and customer experiences.

Ongoing competitive, technological, regulatory, informational, and other developments result in significant levels of complexity in our products and in the systems and processes we use to run our businesses, and the speed of some of these developments may be increasing. Risks associated with these developments include:

- our increasing reliance on third-party systems including “cloud computing” environments and software as a service applications
- the development of new modes of communication
- changing insurance shopping trends
- our understanding of the operations and needs of significant customers
- challenges in using machine learning and artificial intelligence in our business processes in a responsible, compliant and effective manner
- the availability and uses of very large volumes of data (i.e., “big data”) and the challenges relating to analyzing those data sets, including the availability of sufficient internal and external talent that understand and can manage the complexity and related risks

Complexity may, among other potential difficulties, create barriers to innovation or the provision of high-quality products and customer and agent experiences with the speed and agility that may be required; require us to modify our business practices, adopt new systems, or replace outdated systems or upgrade systems to enhance the scale, performance or functionality, each at significant expense; and lead to increased difficulty in executing our business strategies.

Our ability to attract, develop, and retain talent, including employees, managers, and executives, and to maintain appropriate staffing levels, is critical to our success.

Our success depends on our ability to attract, develop, compensate, motivate, and retain talented employees, including executives, other key managers, and employees with strong technological, analytical, and other skills and know-how necessary for us to run our insurance businesses, investment operations, and corporate functions, and to assess potential expansion into new products and business areas. Our loss of certain officers and key employees, or the failure to attract or retain talented executives, managers, and employees with diverse backgrounds, skills, knowledge and experiences, could have a material adverse effect on our business. These risks may be heightened when United States labor markets, or key segments of those markets, are especially competitive.

Our workplace policies or perceptions of those policies by current and potential employees, including policies with respect to remote and hybrid work or protocols for in-person work, could impact our ability to attract and retain talent with needed skills, knowledge and experiences. This risk may be heightened during periods in which an epidemic, a pandemic or other widespread health risk exists.

In addition, we must forecast sales and claims volume and other factors in changing business environments (for multiple products and business units and in many geographic markets) with reasonable accuracy, and we must adapt to increases in business due to additions of or expansions with significant customers, such as transportation network companies. In any such case, we must adjust our hiring and training programs and staffing levels appropriately. Our failure to recognize the need for such adjustments, or our failure or inability to react on a timely basis, could lead either to over-staffing or under-staffing in one or more business units or locations. In either such event, our financial results, customer relationships, employee morale, and brand could be materially adversely affected.

We use third-party labor to meet a portion of our staffing needs. Any significant loss in access to qualified external talent on a cost-effective basis could have an adverse effect on our business. Competitive labor markets can cause increased costs for third-party labor and those increases may be material.

Our success also depends, in large part, on our ability to maintain and improve the staffing effectiveness and culture that we have developed over the years. Our ability to do so may be impaired as a result of litigation against us, other judicial decisions, legislation or regulations, or other factors in the employment marketplace, as well as our failure to recognize and respond to changing trends and other circumstances that affect our employees or our culture, including any impact arising from an increase in remote workers relative to historic levels. In such events, the productivity of our workers and the efficiency of our operations could be adversely affected, which could lead to an erosion of our operating performance and margins.

Misconduct or fraudulent acts by employees, agents, and third parties may expose us to financial loss, disruption of business, and/or regulatory assessments.

Our company and the insurance industry are inherently susceptible to past and future misconduct or fraudulent activities by employees, agents, vendors, customers, and other third parties. These activities could include:

- Fraud against our company, employees, and customers
- Unauthorized acts or representations, unauthorized use or disclosure of personal or proprietary information, deception, and misappropriation of funds, or other benefits

We have policies and procedures in place to promote ethical conduct and compliance with law by our employees, but these policies and procedures may not be fully effective. As a result, we could be exposed to financial loss, disruption of business, and regulatory assessments. These impacts have the potential to have a material adverse effect on our business.

We compete in property and casualty insurance markets that are highly competitive.

The markets in which we sell insurance are highly competitive. We face vigorous competition from large, well-capitalized national and international companies, as well as smaller regional insurers. Other companies, potentially including existing insurance companies, vehicle manufacturing companies, so-called “insurtech” companies, and other well-financed companies seeking new opportunities, or new competitors with technological or other innovations, also have entered these markets and may continue to do so in the future. Many of our competitors have substantial resources, experienced management, and strong marketing, underwriting, and pricing capabilities. The property and casualty insurance industry is a relatively mature industry, in which brand recognition, marketing skills, innovation, operational effectiveness, pricing, scale, and cost control are major competitive factors. If our competitors offer similar insurance products at lower prices, offer such insurance products bundled with other products or services that we do not offer, are permitted to offer their products under different legal and regulatory constraints than those that apply to us, or engage in other successful competitive initiatives, our ability to generate new business or to retain a sufficient number of our existing customers could be compromised. In addition, because auto insurance constitutes a significant portion of our overall business, we may be more sensitive than other insurers to, and more adversely affected by, trends that could decrease auto insurance rates or reduce demand for auto insurance over time, such as advances in vehicle technology, autonomous or semi-autonomous vehicles, or vehicle-sharing arrangements. We may also be adversely affected in our Commercial Lines business, which represents a significant portion of our growth potential, by trends or events that decrease the demand for services offered by, or decrease the profitability of, the commercial auto market, including trucking businesses and ridesharing services.

We expect similar, and perhaps greater, competitive pressures with respect to any new insurance or non-insurance businesses that we decide to enter in the future. In such cases, we would be selling products or services that are new to us, while our competitors could include large, well-financed companies with significant product and marketing experience in such businesses.

Historically, the auto and property insurance markets have been described as cyclical, with periods of relatively strong profitability being followed by increased pricing competition among insurers. This price competition, which is sometimes referred to as a “soft market,” can adversely affect revenue and profitability levels. As insurers recognize this situation (which can occur at different times, for different products and for different companies), the historical reaction has been for insurers to raise their rates (sometimes referred to as a “hard market”) in an attempt to restore profitability to acceptable levels. As more insurers react in this way, profit levels in the industry may increase to a point where some insurers begin to lower their rates, starting the cycle over again. The ability to discern at any point in time whether we are in a “hard” or “soft” market is often difficult, as such a conclusion represents an assessment of innumerable data points including, among others, the operating results of, and the dynamic competitive actions taken by, us and many competitors in multiple markets involving a variety of products. Often, detailed information on our competitors becomes available on a delayed basis, and the nature of the market becomes apparent only in retrospect. Our ability to predict future competitive conditions is also constrained as a result.

The highly competitive nature of the insurance marketplace could result in consolidation within the industry, or in the failure of one or more competitors. The concentration of insurance business in a reduced number of major competitors could significantly increase the level of competition in a manner that is not favorable to us. In addition, in the event of a failure of a major insurer or a state-sponsored catastrophe fund, our company and other insurance companies may be required by law to absorb the losses of the failed insurer or fund, resulting in a potentially significant increase in our costs. We might also be faced with an unexpected surge in new business from a failed insurer's former policyholders. Such events could materially adversely affect our financial results, brand, and future business prospects.

Our success depends on our ability to adjust claims accurately.

We must accurately evaluate and pay claims that are made under our insurance policies. Our failure to pay claims fairly, accurately, and in a timely manner, or to deploy claims resources appropriately and in a cost-effective manner, could result in unanticipated costs to us, lead to material litigation, undermine customer goodwill and our reputation in the marketplace, and impair our brand and, as a result, materially adversely affect our competitiveness, customer retention, financial results, prospects, and liquidity.

We are subject to a variety of complex laws and regulations.

Our insurance businesses operate in highly regulated environments. Our insurance subsidiaries are subject to regulation and supervision by state insurance departments in all 50 states, the District of Columbia, Bermuda, Canada, its provinces, and Puerto Rico. Each jurisdiction has a unique and complex set of laws and regulations. In addition, certain United States federal laws impose additional requirements on businesses, including insurers, in a wide range of areas, such as the use of credit information, methods of customer communications, employment practices, and the reimbursement of certain medical costs incurred by the government. Our insurance subsidiaries' ability to implement business plans and remain competitive while complying with these laws and regulations, and to obtain necessary regulatory action in a timely manner, is and will continue to be critical to our success.

Most jurisdictions impose restrictions on, or require prior regulatory approval of, various actions by regulated insurers, which may adversely affect our insurance subsidiaries' ability to operate, innovate, and obtain necessary rate adjustments in a timely manner. Compliance with laws and regulations often results in increased costs, which can be substantial, to our insurance subsidiaries. These costs, in turn, may adversely affect our profitability or our ability or desire to grow or operate our business in the applicable jurisdictions. Our compliance efforts are further complicated by changes in the laws or regulations that apply to us and in the regulatory and judicial interpretations of those laws, including more expansive regulatory authority. The pace of change, together with shorter time frames between enactment or promulgation and effectiveness of the changes, increases this risk. In addition, some regulators have requested detailed information regarding, or have expressed an expectation that insurers will provide additional, credits for premiums paid during the COVID-19 pandemic.

Insurance laws and regulations may, among other things, limit an insurer's ability to underwrite and price risks accurately, prevent the insurer from obtaining timely rate changes to respond to increased or decreased costs, delay or restrict the ability to discontinue or exit unprofitable businesses or jurisdictions, prevent insurers from terminating policies under certain circumstances, dictate or limit the types of investments that an insurance company may hold, and impose specific requirements relating to information technology systems and related cybersecurity risks. As a result, we have been, and may in the future be, limited in our ability to respond to evolving business conditions.

Moreover, inconsistencies in requirements among the various states or between state and federal requirements may further complicate our compliance efforts, potentially resulting in additional costs for us.

In addition, laws in certain jurisdictions mandate that insurance companies pay assessments in a number of circumstances, including potentially material assessments to pay claims upon the insolvency of other insurance companies or to cover losses in government-provided insurance programs for high-risk auto and homeowners coverages. These assessments could have a material adverse impact on our profitability.

Data privacy and security regulations impose complex compliance and reporting requirements and challenges. For example, the California Consumer Privacy Act (CCPA), which was passed by a consumer initiative in 2018, was amended in 2020 by the California Privacy Rights Act (CPRA) to afford California residents additional rights. The majority of the CCPA provisions went into effect on or before January 1, 2023, and regulations for the CPRA are still forthcoming. Other jurisdictions have enacted or are considering privacy and security legislation or regulations. Each jurisdiction's unique requirements, and the variations across the jurisdictions, present further ongoing compliance challenges. Compliance with these laws and regulations

will result in increased costs, which may be substantial and may adversely affect our profitability or our ability or desire to grow or operate our business in certain jurisdictions.

There has also been increased regulatory scrutiny of the use of “big data” techniques, machine learning, and artificial intelligence. It is likely that we will be subject to new regulations that could materially adversely affect our operations or ability to write business profitably in one or more jurisdictions. For example, the National Association of Insurance Commissioners (NAIC) has adopted guiding principles on artificial intelligence, to inform and articulate general expectations for businesses, professionals and stakeholders across the insurance industry as they implement artificial intelligence tools to facilitate operations. While not effective until adopted by a specific state, we expect these guidelines to be adopted by at least some states. In addition, regulators have recently requested information from insurers on their use of algorithms, artificial intelligence and machine learning. We cannot predict what, if any, regulatory actions may be taken with regard to “big data,” but any limitations could have a material impact on our business, business processes, financial condition, and results of operations.

The actual or alleged failure to comply with this complex variety of laws and regulations by us or other companies in the insurance, financial services, or related industries, also could result in actions or investigations by regulators, state attorneys general, federal officials, or other law enforcement officials. Such actions and investigations, and any determination that we have not complied with an applicable law or regulation, could potentially lead to significant monetary payments, fines and penalties, adverse publicity and damage to our reputation in the marketplace or our brand, and in certain cases, revocation of a subsidiary’s authority to do business in one or more jurisdictions. In addition, The Progressive Corporation and its subsidiaries could face individual and class action lawsuits by insureds and other parties for alleged violations of certain of these laws or regulations.

New legislation or regulations may be adopted in the future that could materially adversely affect our operations or ability to write business profitably in one or more jurisdictions.

Lawsuits challenging our business practices, and those of our competitors and other companies, are pending and more may be filed in the future.

The Progressive Corporation and/or its subsidiaries are named as defendants in class actions, collective actions, representative actions and other lawsuits challenging various aspects of the subsidiaries’ business operations. These lawsuits have included cases alleging damages as a result of, among other things, our subsidiaries’ methods used for evaluating and paying medical or injury claims or benefits (including certain bodily injury, personal injury protection, uninsured motorist/underinsured motorist (UM/UIM), and medical payment claims) and for reimbursing medical costs incurred by Medicare/Medicaid beneficiaries; other claims handling practices and procedures, including challenges relating to our network of repair facilities, our methods used for estimating physical damage to vehicles for repair purposes and for evaluating the actual cash value of total loss vehicles, including our application of a negotiation adjustment in calculating total loss valuations, our payment of fees and taxes, our subrogation and salvage practices, and our handling of diminution of value claims; our assessment of fees related to insufficient funds or reversed payments; interpretations of the provisions of our insurance policies; our insurance product design; our premium actions in response to the COVID-19 pandemic; rating practices; certain marketing, sales, services, implementation and renewal practices and procedures, including with respect to accessibility; our Snapshot program; certain relationships with independent insurance agents; patent matters; alleged violation of the Telephone Consumer Protection Act; commercial disputes, including breach of contract; and certain employment practices, including claims relating to pay practices and fair employment practices, among other matters. Additional litigation may be filed against us in the future challenging similar or other of our business practices or operations. In addition, lawsuits have been filed against our competitors and other businesses or entities, and other such lawsuits may be filed in the future, and even though we are not a party to such litigation, the results of those lawsuits nevertheless may create additional risks for, and/or impose additional costs and/or limitations on, our subsidiaries’ business practices or operations.

Lawsuits against us often seek significant monetary damages and injunctive relief. The potential for injunctive relief can threaten our use of important business practices. In addition, the resolution of individual or class actions, collective actions and representative action litigation in insurance, in related fields or in matters broadly applicable to business operations, may lead to the development of judicial regulation, resulting in material increases in our costs of doing business.

Litigation is inherently unpredictable. Adverse court decisions or significant settlements of pending or future cases could have a material adverse effect on our financial condition, cash flows, and results of operations. For further information on the risks of pending litigation, see *Note 12 – Litigation* in the Annual Report.

Our long-term business strategy and efforts to acquire or develop new products or enter new areas of business may not be successful and may create enhanced risks.

We are making business decisions and undertaking certain investments and strategies in connection with our long-standing strategy of growing as fast as we can as long as we can provide high-quality customer service at or below a companywide 96 combined ratio on a calendar-year basis. Our focus on achieving our target underwriting profitability takes precedence over growth. Additionally, we have acquired and are developing, and may develop or acquire in the future, new insurance products, including those that insure risks that we have not previously insured, contain new coverages, or change coverage terms, as well as new non-insurance products and services. These new products and services may not be as profitable as our existing products and may not perform as well as we expect. In addition, new insurance products may entail new risks for us, including, without limitation, higher coverage limits and unfamiliar pricing, claims resolution, and loss reserving practices. Other new products and services may likewise change our risk exposures. The business systems, data, and models we use to manage those exposures may be less accurate or less effective than those we use with existing products.

We are evaluating other business models, both insurance and non-insurance related, and we have made, and are considering making additional, investments, in different business areas. These activities may take the form of internal development, equity investments, strategic mergers or acquisitions, joint ventures, or strategic partnerships. These new ventures may require us to make significant expenditures, which may negatively impact our results in the near term, and if not successful, could materially and adversely affect our results of operations. While at the onset of the venture we would expect these projects to provide long-term value, there can be no assurance that our expectations will be realized.

Intellectual property rights could affect our competitiveness and our business operations.

There has been a proliferation of patents, both inside and outside the insurance industry, that significantly impacts our businesses. The existence of such patents, and other claimed intellectual property rights, from time to time has resulted in legal challenges to certain of our business practices by other insurance companies and non-insurance entities alleging that we are violating their rights. Such legal challenges could result in costly legal proceedings, substantial monetary damages, or expensive changes in our business processes and practices. Similarly, we may seek or obtain patent protection for innovations developed by us. However, we may not be able to obtain patents on these processes and practices, and defending our patents and other intellectual property rights against challenges, and enforcing and defending our rights, including, if necessary, through litigation, can be time consuming and expensive, and the results are inherently uncertain, which can further complicate business plans.

IV. Market Risks

The performance of our fixed-income and equity investment portfolios is subject to a variety of investment risks.

Our investment portfolio consists principally of fixed-income securities and common equities. General economic conditions and other factors beyond our control, can adversely affect the value of our investments, and the amount and realization of investment income, or result in realized or unrealized investment losses. Our fixed-income portfolio is actively managed by our investment group and includes short-term investments, fixed-maturity securities, and preferred stocks. The performance of the fixed-income portfolio is subject to a number of risks, including:

- *Interest rate risk* – the risk of adverse changes in the value of fixed-income securities as a result of increases in market interest rates.
- *Investment credit risk* – the risk that the value of certain investments may decrease due to a deterioration in the financial condition, operating performance, or business prospects of, the regulatory environment applicable to, or the liquidity available to, one or more issuers of those securities or, in the case of asset-backed securities, due to the deterioration of the loans or other assets that underlie the securities.
- *Concentration risk* – the risk that the portfolio may be too heavily concentrated in the securities of one or more issuers, sectors, or industries, which could result in a significant decrease in the value of the portfolio in the event of a deterioration of the financial condition or performance of, the regulatory environment applicable to, or outlook for, those issuers, sectors, or industries.
- *Prepayment or extension risk* – applicable to certain securities in the portfolio, such as residential mortgage-backed securities and other bonds with call provisions, prepayment risk is the risk that, as interest rates change, the principal of such securities may be repaid earlier than anticipated, requiring that we reinvest the proceeds at less attractive rates. Extension risk is the risk that a security may not be redeemed when anticipated, adversely affecting the value of the security and preventing the reinvestment of the principal at higher market rates.
- *Liquidity risk* – discussed separately below.

In addition, the success of our investment strategies and asset allocations in the fixed-income portfolio may vary depending on the market environment. The fixed-income portfolio's performance also may be adversely impacted if, among other factors: credit ratings assigned to such securities by nationally recognized statistical rating organizations are based on incomplete or inaccurate information or otherwise prove unwarranted; or our risk mitigation strategies are ineffective for the applicable market conditions.

Our common equity portfolio is primarily managed externally to track the Russell 1000 Index, although from time to time we may choose to add exchange-traded funds or similar securities designed to track the Russell 1000 or the Standard & Poor's 500 (S&P 500) Index. Our equity investments are subject to general movements in the values of equity markets and to the changes in the prices of the securities we hold. An investment portfolio or exchange-traded fund that is designed to track an index, such as the Russell 1000 or S&P 500, is not necessarily less risky than other equity investment strategies. Our equity investment strategies may not successfully replicate the performance of the Indexes that they seek to track. Equity markets, sectors, industries, and individual securities may be subject to high volatility and to long periods of depressed or declining valuations, and they are also subject to most of the same risks that affect our fixed-income portfolio, as discussed above. In addition, even though the Russell 1000 and S&P 500 Indexes are generally considered to be broadly diversified, significant portions of each index may be concentrated in one or more sectors, reducing our ability to manage our concentration risk through sector diversification.

If the fixed-income or equity portfolios, or both, were to suffer a substantial decrease in value, our financial position, and results of operations could be materially adversely affected. Under these circumstances, our income from these investments could be materially reduced, and declines in the value of our securities could further reduce our reported earnings and capital levels. A decrease in value of an insurance subsidiary's investment portfolio could also put the subsidiary at risk of failing to satisfy regulatory minimum capital requirements and could limit the subsidiary's ability to write new business. In any such event, our business could be materially adversely affected and our financial flexibility could be substantially constrained.

See *Management's Discussion and Analysis of Financial Condition and Results of Operations – IV. Results of Operations– Investments* in the Annual Report for additional discussion of the composition of our investment portfolio as of December 31, 2022, and of the market risks associated with our investment portfolio.

New regulations and societal pressures relating to ESG and other public policy matters could negatively impact our returns or cause us to change our investing strategies in ways that could negatively impact our results.

The value of securities held in our portfolio could be materially adversely impacted as issuers or the businesses or assets underlying such securities are faced with new, potentially conflicting, laws or regulations or initiatives by regulators, investors, activists, or others, including those addressing ESG, sustainability and other public policy concerns. For example, the universe of securities that we are permitted to hold could be significantly narrowed by insurance regulators if we are prohibited from investing in certain industries or types of companies or we could be required to make additional disclosures when we acquire any such securities. Similarly, we could also face pressures from other stakeholders that seek to influence our investment decisions. These factors could cause a decline in the value of investments held in our portfolio, or cause us to change our investment strategy, which could increase our costs or reduce our returns relative to returns from other available investment opportunities.

The elimination of the London Interbank Offered Rate (LIBOR) may adversely affect the interest rates on and value of certain floating rate securities and other instruments that we hold.

LIBOR, a common benchmark interest rate (or reference rate) used to set and make adjustments to interest rates for certain floating rate securities and other financial instruments, is being phased out over time. Although instruments issued since 2022 should no longer tie interest rates to LIBOR, securities issued in 2021 and earlier and held in our portfolio may continue to do so. As the phase out continues, these legacy securities may be adversely affected if they either do not provide for the automatic substitution of another reference rate, convert to another reference rate that has material differences from LIBOR, or convert to another reference rate or a fixed rate that could be less favorable to us. In December 2022, the Board of Governors of the Federal Reserve System issued a final rule that identified the Secured Overnight Financing Rate (SOFR) plus a tenor spread adjustment as the replacement rate for LIBOR on securities governed by U.S. law that do not specify a clearly defined successor benchmark. Outstanding securities and contracts that could be affected include certain preferred stocks and other floating-rate securities, fixed-rate securities that may convert to LIBOR-based floating rate instruments in the future, and any other assets or liabilities whose value is tied to LIBOR. Any uncertainty regarding the reliability of LIBOR as a benchmark interest rate, or the potential transition from LIBOR to SOFR or another reference rate, until the end of the phase-out period could also adversely affect the value of those instruments.

V. Liquidity Risk

The inability to access our cash accounts or to convert investments into cash on favorable terms when we desire to do so may materially and adversely affect our business, cash flows and capital position.

We rely on our ability to access our cash accounts at banks and other financial institutions to operate our business. If we are unable to access the cash in those accounts as needed, whether due to our own systems difficulties, an institution-specific issue at the bank or financial institution (such as a cybersecurity breach or severe weather or other catastrophe impacting their operations), a broader disruption in banking, financial or wire transfer systems, or otherwise, our ability to pay insurance claims and other financial obligations when due and otherwise operate our business could be materially adversely affected. Likewise, our investment portfolios are subject to risks inherent in the nation's and world's capital markets, including the United States continuing to honor its outstanding debt and other obligations. Any disruption in the functioning of those markets or in our ability to liquidate investments or specific categories of investments on favorable terms when desired, or a default by the United States in its obligations, could impair our ability to pay claims or other financial obligations when due and could result in a significant decline in the value of our investment portfolio and have a material adverse impact on our cash flows and capital position. Any such event or series of such events could also result in significant operational difficulties, reputational harm and adverse actions by regulators and have a material adverse effect on our financial condition, cash flows, and results of operations.

VI. Credit and Other Financial Risks

Our financial condition may be adversely affected if one or more parties with which we enter into significant contracts or transact business (including under certain government programs) become insolvent, experience other financial difficulties, or default in the performance of contractual or reimbursement obligations.

Our business is dependent on the performance by third parties of their responsibilities under various contractual or service arrangements and government programs. These include, for example, agreements with other insurance carriers to sell their products to our customers in bundled packages or otherwise, arrangements for transferring certain of our risks (including indemnification and self-insured retention obligations of Commercial Lines customers, reinsurance arrangements used by us, our corporate insurance policies, and the performance of state reinsurance facilities/associations), and reimbursement obligations under various state or federal programs, such as the Michigan Catastrophic Claims Association or the National Flood Insurance Program. In addition, from time to time, we enter into significant financial transactions, such as derivative instruments, with major banks, other financial institutions, or security clearinghouses. If one or more of these parties were to default in the performance of, or otherwise become unwilling or unable to satisfy, their obligations to us under the applicable contracts or regulatory framework, we could suffer significant financial losses, a reduction in our capital levels, or other problems, which in turn could materially adversely affect our financial condition, cash flows, or results of operations and cause damage to our brand and reputation.

Our insurance subsidiaries may be limited in the amount of dividends that they can pay, which in turn may limit our ability to repay indebtedness, make capital contributions to other subsidiaries or affiliates, pay dividends to shareholders, repurchase securities, or meet other obligations.

The Progressive Corporation is a holding company with no business operations of its own. Consequently, if its subsidiaries are unable to pay dividends or make other distributions, or are able to pay only limited amounts, The Progressive Corporation may be unable to make payments on its indebtedness, make capital contributions to or otherwise fund its subsidiaries or affiliates, pay dividends to its shareholders, or meet its other obligations. Each insurance subsidiary's ability to pay dividends may be limited by one or more of the following factors:

- insurance regulatory authorities require insurance companies to maintain specified minimum levels of statutory capital and surplus
- insurance regulations restrict the amounts available for distribution based on either net income or surplus of the insurance company
- competitive pressures require our insurance subsidiaries to maintain high financial strength ratings
- in certain jurisdictions, prior approval must be obtained from regulatory authorities for the insurance subsidiaries to pay dividends or make other distributions to affiliated entities, including the parent holding company

The terms of our outstanding preferred shares prohibit us from paying a dividend on our common shares in certain circumstances.

The terms of our outstanding preferred shares prohibit us from declaring or paying dividends or distributions on our common shares while our preferred shares are outstanding, unless all accrued and unpaid dividends on the preferred shares, including the full dividends for all current dividend periods, have been declared and paid or a sum sufficient for payment thereof set apart, subject to certain exceptions.

If we are unable to obtain capital when necessary to support our business, our financial condition, and our ability to grow could be materially adversely affected.

We may need to acquire additional capital from time to time as a result of many factors. These could include increased regulatory requirements, unprofitable insurance or investment operations, or significant growth in the insurance premiums that we write, among others. If we are unable to obtain capital at favorable rates when needed, whether due to our results, volatility or disruptions in debt and equity markets beyond our control, or other reasons, our financial condition could be materially adversely affected. In such an event, unless and until additional sources of capital are secured, we may be limited in our ability, or unable, to service our debt obligations, pay dividends, grow our business, pay our other obligations when due or engage in other corporate transactions. Such a deterioration of our financial condition could adversely affect the perception of our company by insurance regulators, potentially resulting in regulatory actions, and the price of our equity or debt securities could fall significantly.

Our access to capital markets, ability to obtain or renew financing arrangements, obligations to post collateral under certain derivative contracts, and business operations are dependent on favorable evaluations and ratings by credit and other rating agencies.

Our credit and financial strength are evaluated and rated by various rating agencies, such as Standard & Poor's, Moody's Investors Service, Fitch Ratings, and A.M. Best. Downgrades in our credit ratings could adversely affect our ability to access the capital markets and/or lead to increased borrowing costs in the future (although the interest rates we pay on our current indebtedness would not be affected), as would adverse recommendations by equity analysts at the various brokerage houses and investment firms. Perceptions of our company by other businesses and consumers could also be significantly impaired. In addition, from time to time we may enter into certain derivative transactions providing that a downgrade could trigger contractual obligations requiring us to post substantial amounts of additional collateral or allow a third party to liquidate the derivative transaction. Standard & Poor's is considering changes to its process for credit ratings for the insurance industry, and we are unable to predict the impact to our credit ratings or our ability to raise capital at favorable rates, of any change that they may ultimately adopt. Downgrades in the ratings of our insurance subsidiaries could likewise negatively impact our operations, potentially resulting in lower or negative premium growth. In any such event, our financial performance could be materially adversely affected.

Our dividend policy may result in varying amounts being paid to our common shareholders, or no payment in some periods, and the dividend policy ultimately may be changed in the discretion of the Board of Directors.

We have announced our intention to pay a dividend on our common shares on a quarterly basis and to consider paying a variable dividend on at least an annual basis. The frequency and amount of dividends, if any, may vary, perhaps significantly, from the amounts paid in preceding periods. For example, the Board decided to not declare an annual-variable common share dividend for 2022. The Board retains the discretion to alter our policy or not to pay such dividends at any time. Such action by the Board could result from, among other reasons, changes in the insurance marketplace, changes in our performance or capital needs, changes in U.S. federal income tax laws, disruptions of national or international capital markets, or other events affecting our liquidity, financial position, or prospects, as described above. Any such change in dividend policy could adversely affect investors' perceptions of the company and the value of, or the total return of an investment in, our common shares.

Our investments in certain tax-advantaged projects may not generate the anticipated tax benefits and related returns.

We may invest in certain projects that we believe are entitled to tax-advantaged treatment under applicable federal or state law, including renewable energy development, historic property rehabilitation, and affordable housing, and we may make other tax-advantaged investments from time to time. Our investments in these projects are designed to generate a return through the realization of tax credits and, in some cases, through other tax benefits and cash flows from the project. These investments are subject to the risk that the underlying tax credits and related benefits may not be valid, and in some cases previously recorded tax credits can be challenged or are subject to recapture by the applicable taxing authorities if specific requirements are not satisfied. Many of the factors that could lead to the invalidity, challenge, or recapture of tax credits are beyond our control. The inability to realize these tax credits and other tax benefits could have a material adverse impact on our financial condition.

VII. Other

Our goal is to maximize the long-term value of the enterprise and we do not manage to short-term earnings expectations, which may adversely affect short-term results.

We believe that shareholder value will be increased in the long run if we meet or exceed the financial goals and policies that we establish each year. We do not manage our business to maximize short-term stock performance or the amount of any dividend that may be paid. Due to our focus on the long-term value of the enterprise, we may undertake business decisions and strategies and establish related financial goals that are designed to enhance our longer-term performance and value, while understanding that such decisions and strategies may not always similarly benefit short-term results, such as growth goals, our annual underwriting profit, dividend payouts, or earnings per share. We do not provide earnings estimates to the market and do not comment on earnings estimates by analysts. As a result, our reported results for a particular period may vary, perhaps significantly, from investors' expectations, which could result in significant volatility in the price of our equity or debt securities. Our Property business has caused, and is likely to continue to cause, additional volatility in our consolidated results.

We currently report earnings and other operating results on a monthly basis. We are undergoing a multi-year financial enterprise resource planning effort to modernize certain of our financial systems and processes. In conjunction with this effort, we are expecting to implement changes to our monthly financial closing processes, including changes to our accounting calendar, in the fourth quarter of 2023. Our current financial closing calendar, which generally consists of a 52-week year, with 13-week quarters, and months within each quarter consisting of one 5-week and two 4-week months, will be converted to align with a traditional Gregorian calendar (e.g., January-31 days, February-28/29 days, March-31 days). We do not expect that these changes will have a material impact on our reported quarterly and annual results, but they may impact year-over-year comparisons of monthly results during the first twelve months after the changes are implemented. As a result, during this period, we expect to modify and limit the content, and potentially the timing and frequency, of public disclosures of our monthly results relative to our historical practice, which could cause additional volatility in our stock price.

Due to our focus on the long-term value of the enterprise, similar tradeoffs may be involved in our consideration of the interests of other stakeholders, including our employees, customers, agents, suppliers, and communities, as well as whether and how we respond to or address ESG, sustainability, and corporate responsibility initiatives and other public policy matters that impact us. These types of initiatives and considerations are fast-evolving areas and determining appropriate responses and actions can be uncertain. Different stakeholders often have conflicting perspectives on these initiatives and considerations. Depending on how observers view our responses or our commitment to addressing such matters, we could be subject to criticism, adverse publicity, or campaigns, among other actions, by investors, activists, or others. Consequently, such factors and the related tradeoffs may adversely affect our financial performance or the market prices of our equity or debt securities.

Our business and results of operations could be adversely affected by epidemics, pandemics, or other widespread health risks, including COVID-19.

The spread of COVID-19 and its variants throughout the United States and the international community has had, and could continue to have and a future epidemic, pandemic or other widespread health risk could have, a negative impact on financial markets, general economic conditions, and certain of our businesses. Depending on the duration and severity of the epidemic, pandemic or other widespread health risk and the nature and extent of governmental responses to it, our businesses, our operations, and our financial results could be negatively impacted in a number of ways, including the following:

- Demand for our insurance products and our premium revenue could be reduced, perhaps significantly, if customers drive less or are unable to afford insurance, insurance shopping patterns are disrupted, vehicle and home purchases are curtailed, small businesses suspend or discontinue operations, the usage of transportation network company businesses declines, insurance agencies are unable or unwilling to write business, or our competitors offer products or benefits more appealing to customers or agents or more responsive to their needs, among other factors
- Our ability to price our products accurately for new and renewal policies could be negatively impacted, as could our ability to respond effectively to the initiatives of our competitors
- Claims trends could become more volatile, inflation rates could diverge significantly from our expectations, vehicle and home repair industries could be significantly disrupted, and the availability of medical resources could be limited, potentially resulting in higher claims severity and increased costs to resolve claims
- Our ability to resolve claims accurately and efficiently and establish accurate loss reserves could be impaired if we are unable to staff our Claims group appropriately
- Legislative or regulatory actions, or court decisions, could impact our business in unexpected ways, including, without limitation, by: requiring us to change the way we price, segment, underwrite, or select risks to insure; altering our

rights and obligations under our issued policies; or imposing payment obligations on us and other insurers in our industry for losses and costs that otherwise would be uninsured

- The cumulative costs required by such governmental actions, or of actions taken voluntarily by us to accommodate the needs of customers, including providing credits or other payments to policyholders and billing leniency efforts, such as providing relief from policy cancellations or non-renewals, and related debt write offs, could be substantial
- Unexpected changes in consumer behavior or market conditions, as well as deteriorating economic conditions, may reduce the effectiveness of our advertising
- Illnesses suffered by key employees could prevent or delay the performance of critical business and financial reporting functions; widespread illnesses suffered by our employees may render us unable to perform normal business functions and operate our business on a day-to-day basis
- The continued functioning of our data centers and important information technology and communication systems, as well as the continued performance of and our accessibility to the systems of our various vendors, could be imperiled by widespread illnesses, illnesses suffered by key technology personnel, or work limitations or other governmental mandates
- Our business continuity plans may prove inadequate to address the business challenges that we confront as these issues develop
- Workplace policies adopted in response to an epidemic, pandemic or other widespread health risk may be viewed adversely by our employees or the public, resulting in damage to our reputation and brand
- Our vendors and counterparties to various contracts, including key vendors for our insurance, claims and technology operations, reinsurance arrangements and financial counterparties, may not be able to perform or pay the obligations required of them on a timely basis, or at all, due to key employee illnesses, widespread illnesses, adverse financial impact or other challenges that they face arising directly or indirectly from an epidemic, pandemic or other widespread health risk

The potential effects of an epidemic, pandemic or other widespread health risk also could exacerbate the impacts of many of the other risk factors, including: litigation claims being brought against the company; the valuation, volatility, and liquidity of our debt and equity investment portfolios; the condition of domestic and global economies and financial markets; our ability to access capital markets at favorable rates, if needed; and our ability to access our cash accounts at banks and other financial institutions to operate our business.

ITEM 1B. UNRESOLVED STAFF COMMENTS

We currently do not have any unresolved comments from the SEC staff.

ITEM 2. PROPERTIES

All of our properties are owned or leased by subsidiaries of The Progressive Corporation and are used for office functions (corporate, claims, and business unit), as call centers, as data centers, for training, or for warehouse space.

At December 31, 2022, we owned 71 buildings located throughout the United States. About 55% of these buildings are claims offices. Our owned facilities, which contain approximately 4.7 million square feet of space, are generally not segregated by segment. We own significant locations in Mayfield Village, Ohio and surrounding suburbs (including our corporate headquarters); Colorado Springs, Colorado; St. Petersburg, Florida; and Tampa, Florida.

We lease approximately 2.2 million square feet of space throughout the United States. These leases are generally short-term to medium-term leases of commercial space.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

Incorporated by reference from information with respect to executive officers of The Progressive Corporation and its subsidiaries set forth in Part III, Item 10 of this Form 10-K, “Directors, Executive Officers and Corporate Governance.”

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Progressive's Common Shares, \$1.00 par value, are traded on the New York Stock Exchange (NYSE) under the symbol PGR.

Holders

We had 1,750 shareholders of record on January 31, 2023.

Securities Authorized for Issuance Under Equity Compensation Plans

See Part III, Item 12 of this Form 10-K, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters," for information about securities authorized for issuance under our equity compensation plans.

Performance Graph

See the *Performance Graph* section in our Annual Report.

Recent Sales of Unregistered Securities

None.

Purchase of Equity Securities

ISSUER PURCHASES OF EQUITY SECURITIES

2022 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
October	44,920	\$ 122.11	455,101	24,544,899
November	42,193	128.40	497,294	24,502,706
December	74,454	128.60	571,748	24,428,252
Total	161,567	\$ 126.74		

In May 2022, the Board of Directors approved an authorization for the Company to repurchase up to 25 million of its common shares. This authorization does not have an expiration date. Share repurchases under this authorization may be accomplished through open market purchases, including trading plans entered into with one or more brokerage firms in accordance with Rule 10b5-1 under the Securities Exchange Act of 1934, through privately negotiated transactions, pursuant to our equity incentive awards, or otherwise. During the fourth quarter 2022, 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 underleveraged capital. See *Note 9 – Employee Benefit Plans, "Incentive Compensation Plans"* in our Annual Report, for a summary of our restricted equity grants.

ITEM 6. SELECTED FINANCIAL DATA [Reserved]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Incorporated by reference from *Management's Discussion and Analysis of Financial Condition and Results of Operations* in our Annual Report.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The quantitative and qualitative disclosures about market risk are incorporated by reference from section “IV. Results of Operations – Investments” in our *Management’s Discussion and Analysis of Financial Condition and Results of Operations*, and the *Quantitative Market Risk Disclosures* section in our Annual Report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The Consolidated Financial Statements of Progressive, along with the related Notes, and Report of Independent Registered Public Accounting Firm, are incorporated by reference from our Annual Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Under the direction of our Chief Executive Officer and our Chief Financial Officer, we 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 Progressive’s 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 Progressive’s disclosure controls and procedures are effectively serving the stated purposes as of the end of the period covered by this report.

Management’s Report on Internal Control over Financial Reporting and the attestation of the independent registered public accounting firm are incorporated by reference from our Annual 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.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information relating to our directors is incorporated herein by reference from the section entitled “Item 1: Election of Directors” in The Progressive Corporation’s Proxy Statement for the Annual Meeting of Shareholders to be held on May 12, 2023 (the Proxy Statement).

Information relating to executive officers of Progressive follows. Unless otherwise indicated, the executive officer has held the position(s) indicated with Progressive.

<u>Name</u>	<u>Age</u>	<u>Offices Held and Last Five Years’ Business Experience</u>
Susan Patricia Griffith	58	President and Chief Executive Officer
John P. Sauerland	58	Vice President and Chief Financial Officer
Karen B. Bailo	55	Commercial Lines President since October 2020; Commercial Lines Acquisition and Small Business General Manager from January 2020 to September 2020; Commercial Lines Controller from August 2018 to December 2019; Agency Distribution Business Leader prior to August 2018
Jonathan S. Bauer	45	Chief Investment Officer since January 2020; Portfolio Manager prior to January 2020
Steven A. Broz	52	Chief Information Officer
Patrick K. Callahan	52	Personal Lines President
William L. Clawson II	53	Chief Human Resources Officer since December 2021; Compensation and Benefits Business Leader from November 2019 to December 2021; Product Manager prior to November 2019
Remi Kent	47	Chief Marketing Officer since November 2021; Senior Vice President and Global Chief Marketing Officer of the Consumer Business Group of 3M Company (global manufacturing and technology company) from January 2020 to October 2021; Global Business Director for Post-It® and Scotch® Brands of 3M Company prior to January 2020
Mariann Wojtkun Marshall	60	Vice President and Chief Accounting Officer since March 2019; Director of Financial Reporting – GAAP prior to March 2019; Assistant Secretary
Daniel P. Mascaro	59	Vice President, Secretary, and Chief Legal Officer
John Murphy	53	Claims President since December 2021; Customer Relationship Management President prior to December 2021
Lori Niederst	49	Customer Relationship Management President since December 2021; Chief Human Resources Officer prior to December 2021
Andrew J. Quigg	43	Chief Strategy Officer since July 2018; Customer Experience General Manager prior to July 2018

Delinquent Section 16(a) Reports. Any delinquent filings (if applicable) are incorporated by reference from the “Security Ownership of Certain Beneficial Owners and Management - Delinquent Section 16(a) Reports” section of the Proxy Statement.

Code of Ethics. Progressive has a Code of Ethics for the Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, and other senior financial officers. This CEO/Senior Financial Officer Code of Ethics is available at: progressive.com/governance. We intend to continue to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding amendments to, and waivers from, the provisions of the foregoing Code of Ethics by posting such information on our Internet website at: progressive.com/governance.

Shareholder-Proposed Candidate Procedures. There were no material changes during 2022 to Progressive’s procedures by which a shareholder can recommend a director candidate. The description of those procedures is incorporated by reference from the “Other Matters - Procedures for Recommendations and Nominations of Directors and Shareholder Proposals - To Recommend a Candidate for our Board of Directors” section of the Proxy Statement.

Audit Committee. Incorporated by reference from the “Other Board of Directors Information - Board Committees - Audit Committee” section of the Proxy Statement.

Financial Expert. Incorporated by reference from the “Other Board of Directors Information - Board Committees - Audit Committee” section of the Proxy Statement.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference from the sections of the Proxy Statement entitled “Compensation Discussion and Analysis,” “Executive Compensation,” “Director Compensation,” “Other Board of Directors Information - Compensation Committee Interlocks and Insider Participation,” “Compensation Committee Report,” and “Compensation Programs and Risk Management.”

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding ownership of Common Shares by certain beneficial owners and management is incorporated by reference from the section of the Proxy Statement entitled “Security Ownership of Certain Beneficial Owners and Management.”

The following information is set forth with respect to our equity compensation plans at December 31, 2022.

EQUITY COMPENSATION PLAN INFORMATION			
Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans ¹
Equity compensation plans approved by security holders			
<u>Employee Plans:</u>			
2015 Equity Incentive Plan	3,198,150 ²	NA	6,055,196 ³
<u>Director Plans:</u>			
Amended and Restated 2017 Directors Equity Incentive Plan	30,439	NA	417,511 ⁴
Equity compensation plans not approved by security holders			
None			
Total	3,228,589	NA	6,472,707

NA = Not applicable because awards do not have an exercise price.

¹ Excludes shares included in the Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights column.

² Reflects restricted stock unit awards, including reinvested dividend equivalents, under which, upon vesting, the holder has the right to receive common shares on a one-to-one basis.

Performance-based restricted stock unit awards, including dividend equivalents, of 669,797 units are included under the 2015 Equity Incentive Plan at their target value. Maximum potential payout for the performance awards outstanding under the 2015 Equity Incentive Plan was 1,648,366. For a description of the performance-based awards, including the performance measurement and vesting ranges, see *Note 9 — Employee Benefit Plans* in our Annual Report.

³ Gives effect to reservation of common shares subject to performance-based awards at maximum potential payout.

⁴ Reflects Progressive’s Amended and Restated 2017 Directors Equity Incentive Plan that was approved by shareholders in 2022 and increased the authorized shares by 150,000 under this plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Incorporated by reference from the section of the Proxy Statement entitled “Other Board of Directors Information - Board of Directors Independence Determinations,” and “Other Board of Directors Information - Transactions with Related Persons.”

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Incorporated by reference from the section of the Proxy Statement entitled “Other Independent Registered Public Accounting Firm Information.”

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Listing of Financial Statements

The following consolidated financial statements are included in our Annual Report and are incorporated by reference in Item 8:

- Report of Independent Registered Public Accounting Firm (PCAOB ID: 238)
- Consolidated Statements of Comprehensive Income - For the Years Ended December 31, 2022, 2021, and 2020
- Consolidated Balance Sheets - December 31, 2022 and 2021
- Consolidated Statements of Changes in Shareholders' Equity - For the Years Ended December 31, 2022, 2021, and 2020
- Consolidated Statements of Cash Flows - For the Years Ended December 31, 2022, 2021, and 2020
- Notes to Consolidated Financial Statements
- Supplemental Information (Unaudited)

(a)(2) Listing of Financial Statement Schedules

The following financial statement schedules, Report of Independent Registered Public Accounting Firm, and Consent of Independent Registered Public Accounting Firm are included in Item 15(c):

- Schedule I - Summary of Investments - Other than Investments in Related Parties
- Schedule II - Condensed Financial Information of Registrant
- Schedule III - Supplementary Insurance Information
- Schedule IV - Reinsurance
- Report of Independent Registered Public Accounting Firm on Financial Statement Schedules
- No other schedules are required to be filed herewith pursuant to Article 7 of Regulation S-X.

(a)(3) Listing of Exhibits

See exhibit index contained herein beginning at page 44, which is incorporated by reference from information with respect to this item. Management contracts and compensatory plans and arrangements are identified in the Exhibit Index as Exhibit Nos. 10.1 through 10.52.

(b) Exhibits

The exhibits in response to this portion of Item 15 are submitted concurrently with this report.

(c) Financial Statement Schedules

SCHEDULE I — SUMMARY OF INVESTMENTS — OTHER THAN INVESTMENTS IN RELATED PARTIES

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES

(millions)

Type of Investment	December 31, 2022		
	Cost	Fair Value	Amount At Which Shown In The Balance Sheet
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	\$ 26,770.7	\$ 25,167.4	\$ 25,167.4
States, municipalities, and political subdivisions	2,180.0	1,977.1	1,977.1
Foreign government obligations	16.8	15.5	15.5
Public utilities	907.1	837.7	837.7
Corporate and other debt securities	9,218.7	8,575.0	8,575.0
Asset-backed securities	10,968.1	9,894.9	9,894.9
Redeemable preferred stocks	202.6	184.3	184.3
Total fixed maturities	50,264.0	46,651.9	46,651.9
Equity securities:			
Common stocks:			
Public utilities	49.6	123.9	123.9
Banks, trusts, and insurance companies	154.2	516.6	516.6
Industrial, miscellaneous, and all other	622.3	2,181.0	2,181.0
Nonredeemable preferred stocks	1,364.2	1,213.2	1,213.2
Total equity securities	2,190.3	4,034.7	4,034.7
Short-term investments	2,861.7	2,861.7	2,861.7
Total investments	\$ 55,316.0	\$ 53,548.3	\$ 53,548.3

Progressive did not have 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 December 31, 2022.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT

CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

THE PROGRESSIVE CORPORATION (PARENT COMPANY)

(millions)

	Years Ended December 31,		
	2022	2021	2020
Revenues			
Dividends from subsidiaries	\$ 540.5	\$ 2,847.0	\$ 4,096.5
Undistributed income from subsidiaries	325.0	674.9	1,774.4
Equity in net income of subsidiaries	865.5	3,521.9	5,870.9
Intercompany investment income	92.7	4.5	16.5
Total revenues	958.2	3,526.4	5,887.4
Expenses			
Interest expense	246.0	220.0	218.1
Deferred compensation ¹	25.3	8.8	33.9
Other operating costs and expenses	6.8	6.8	7.2
Total expenses	278.1	235.6	259.2
Income before income taxes	680.1	3,290.8	5,628.2
Benefit for income taxes	41.4	60.1	76.4
Net income	721.5	3,350.9	5,704.6
Other comprehensive income (loss)	(2,842.7)	(891.0)	587.3
Comprehensive income (loss)	\$ (2,121.2)	\$ 2,459.9	\$ 6,291.9

¹ See Note 4 – Employee Benefit Plans in these condensed financial statements.

See notes to condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)**CONDENSED BALANCE SHEETS****THE PROGRESSIVE CORPORATION (PARENT COMPANY)**

(millions)

	December 31,	
	2022	2021
Assets		
Investment in affiliate	\$ 5.0	\$ 5.0
Investment in subsidiaries	17,911.8	19,512.2
Receivable from investment subsidiary	4,098.7	3,382.1
Intercompany receivable	466.2	387.2
Net federal deferred income taxes	64.3	65.1
Other assets	150.6	207.3
Total assets	\$ 22,696.6	\$ 23,558.9
Liabilities and Shareholders' Equity		
Accounts payable, accrued expenses, and other liabilities	\$ 417.3	\$ 428.5
Debt ¹	6,388.3	4,898.8
Total liabilities	6,805.6	5,327.3
Serial Preferred Shares (authorized 20.0)		
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference of \$1,000 per share) (authorized, issued, and outstanding 0.5)	493.9	493.9
Common shares, \$1.00 par value (authorized 900.0; issued 797.6, including treasury shares of 212.7 and 213.2)	584.9	584.4
Paid-in capital	1,893.0	1,772.9
Retained earnings	15,721.2	15,339.7
Total accumulated other comprehensive income (loss)	(2,802.0)	40.7
Total shareholders' equity	15,891.0	18,231.6
Total liabilities and shareholders' equity	\$ 22,696.6	\$ 23,558.9

¹ Consists of long-term debt. See *Note 4 – Debt* in our Annual Report for further discussion.

See notes to condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

CONDENSED STATEMENTS OF CASH FLOWS

THE PROGRESSIVE CORPORATION (PARENT COMPANY)

(millions)

	Years Ended December 31,		
	2022	2021	2020
Cash Flows From Operating Activities:			
Net income	\$ 721.5	\$ 3,350.9	\$ 5,704.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed income from subsidiaries	(325.0)	(674.9)	(1,774.4)
Amortization of equity-based compensation	3.2	3.1	2.9
Changes in:			
Intercompany receivable	(79.0)	86.6	(20.2)
Accounts payable, accrued expenses, and other liabilities	(21.5)	23.8	52.0
Income taxes	28.9	(154.8)	(52.2)
Other, net	60.1	76.8	40.4
Net cash provided by operating activities	388.2	2,711.5	3,953.1
Cash Flows From Investing Activities:			
Additional investments in equity securities of consolidated subsidiaries	(797.8)	(397.3)	(27.1)
(Paid to) received from investment subsidiary	(716.6)	2,519.6	(2,989.7)
Acquisition of Protective Insurance Corporation	0	(337.5)	0
Acquisition of additional shares of ARX Holding Corp.	0	0	(233.2)
Net cash provided by (used in) investing activities	(1,514.4)	1,784.8	(3,250.0)
Cash Flows From Financing Activities:			
Dividends paid to common shareholders	(234.0)	(3,746.5)	(1,551.0)
Dividends paid to preferred shareholders	(26.8)	(26.8)	(26.8)
Acquisition of treasury shares for restricted stock tax liabilities	(76.7)	(67.2)	(68.7)
Acquisition of treasury shares acquired in open market	(22.3)	(155.8)	(42.9)
Net proceeds from debt issuance	1,486.0	0	986.3
Payments of debt	0	(500.0)	0
Net cash provided by (used in) financing activities	1,126.2	(4,496.3)	(703.1)
Change in cash	0	0	0
Cash - beginning of year	0	0	0
Cash - end of year	\$ 0	\$ 0	\$ 0

See notes to condensed financial statements.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT (Continued)

NOTES TO CONDENSED FINANCIAL STATEMENTS

The accompanying condensed financial statements of The Progressive Corporation (parent company) should be read in conjunction with the consolidated financial statements and notes thereto in the Annual Report to Shareholders of The Progressive Corporation and its subsidiaries, which is included as Exhibit 13 to this Form 10-K.

Note 1. Statements of Cash Flows — For the purpose of the condensed statements of cash flows, cash includes only bank demand deposits. The Progressive Corporation does not hold any cash but has unrestricted access to funds maintained in a non-insurance investment subsidiary to meet its holding company obligations; at December 31, 2022, 2021, and 2020, \$4.4 billion, \$4.2 billion, and \$6.2 billion, respectively, of marketable securities were available in this subsidiary.

Our condensed statement of cash flows for the year ended December 31, 2021, was revised to properly reflect the change in income taxes as a decrease to cash from operating activities rather than an increase as it was reported last year. At December 31, 2021, we had net taxes recoverable, compared to net taxes payable at December 31, 2020. Since income taxes recoverable/payable are components of “other assets” and “accounts payable, accrued expenses, and other liabilities,” respectively, in the condensed balance sheets, this revision had no impact on net cash provided by operating activities for the year ended December 31, 2021.

For the years ended December 31, non-cash activity included the following:

(millions)	2022	2021	2020
Common share dividends ¹	\$ 58.5	\$ 58.5	\$ 2,694.5
Preferred share dividends ¹	13.4	13.4	13.4
Loan to ARX converted to capital contribution	0	0	225.0

¹ Declared but unpaid. See *Note 14 – Dividends* in the Annual Report for further discussion.

For the years ended December 31, The Progressive Corporation paid the following:

(millions)	2022	2021	2020
Income taxes	\$ 705.0	\$ 815.0	\$ 1,411.0
Interest	228.9	223.9	206.0

Note 2. Income Taxes — The Progressive Corporation files a consolidated federal income tax return with its subsidiaries and acts as an agent for the consolidated tax group when making payments to the Internal Revenue Service. The Progressive Corporation consolidated group’s net income taxes currently payable/recoverable are included in other liabilities/assets, respectively, in the accompanying condensed balance sheets based on the balance at the end of the year. The Progressive Corporation and its eligible subsidiaries have adopted, pursuant to a written agreement, a method of allocating consolidated federal income taxes. Amounts allocated to the eligible subsidiaries under the written agreement are included in intercompany receivable in the accompanying condensed balance sheets.

Note 3. Debt — The information relating to debt is incorporated by reference from *Note 4 – Debt* in our Annual Report.

Note 4. Employee Benefit Plans — The information relating to incentive compensation and deferred compensation plans is incorporated by reference from *Note 9 – Employee Benefit Plans* in our Annual Report.

Note 5. Other Comprehensive Income (Loss) — On the condensed statements of comprehensive income, other comprehensive income (loss) represents activity of the subsidiaries of The Progressive Corporation and includes net unrealized gains (losses) on fixed-maturity securities, net unrealized losses on forecasted transactions, and foreign currency translation adjustments.

Note 6. Dividends — The information relating to our dividend policy is incorporated by reference from *Note 14 – Dividends* in our Annual Report.

SCHEDULE III — SUPPLEMENTARY INSURANCE INFORMATION

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES

(millions)

Segment	Deferred policy acquisition costs ¹	Future policy benefits, losses, claims, and loss expenses ¹	Unearned premiums ¹	Other policy claims and benefits payable ¹	Premium revenue	Net investment income ^{1,2}	Benefits, claims, and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses ¹	Net premiums written
Year ended December 31, 2022:										
Personal Lines					\$ 37,880.2		\$ 29,680.8	\$ 2,592.1	\$ 4,668.9	\$ 39,278.5
Commercial Lines					9,088.3		6,544.7	913.3	947.7	9,398.8
Property					2,270.0		1,891.3	411.1	235.3	2,401.7
Other indemnity					2.7		5.9	0.5	7.7	2.1
Total	\$ 1,544.4	\$ 30,359.3	\$ 17,293.6	\$ 0	\$ 49,241.2	\$ 1,236.0	\$ 38,122.7	\$ 3,917.0	\$ 5,859.6	\$ 51,081.1
Year ended December 31, 2021:										
Personal Lines					\$ 35,373.3		\$ 27,043.1	\$ 2,614.7	\$ 4,656.8	\$ 36,168.8
Commercial Lines					6,945.2		4,814.5	734.1	742.3	8,015.9
Property					2,042.5		1,764.6	362.9	253.0	2,216.2
Other indemnity					7.7		5.4	1.1	2.6	4.3
Total	\$ 1,355.6	\$ 26,164.1	\$ 15,615.8	\$ 0	\$ 44,368.7	\$ 835.4	\$ 33,627.6	\$ 3,712.8	\$ 5,654.7	\$ 46,405.2
Year ended December 31, 2020:										
Personal Lines ³					\$ 32,620.1		\$ 20,611.7	\$ 2,437.3	\$ 5,762.0	\$ 33,342.6
Commercial Lines					4,875.8		3,146.0	525.7	647.5	5,315.3
Property					1,765.7		1,364.1	310.2	237.9	1,910.8
Other indemnity					0		0	0	0	0
Total	\$ 1,237.2	\$ 20,265.8	\$ 13,437.5	\$ 0	\$ 39,261.6	\$ 916.6	\$ 25,121.8	\$ 3,273.2	\$ 6,647.4	\$ 40,568.7

¹ Progressive does not allocate assets, liabilities, or investment income to operating segments. Expense allocations are based on certain assumptions and estimates primarily related to revenue and volume; stated segment operating results would change if different methods were applied.

² Excludes total net realized gains (losses) on securities.

³ Other operating expenses includes \$1,077.4 million of policyholder credits issued to personal auto customers.

SCHEDULE IV — REINSURANCE**THE PROGRESSIVE CORPORATION AND SUBSIDIARIES**

(millions)

Year Ended:	Gross Amount	Ceded to Other Companies	Assumed From Other Companies	Net Amount	Percentage of Amount Assumed to Net
<u>December 31, 2022</u>					
Premiums earned:					
Property and liability insurance	\$ 50,650.2	\$ 1,409.0	\$ 0	\$ 49,241.2	0 %
<u>December 31, 2021</u>					
Premiums earned:					
Property and liability insurance	\$ 46,018.6	\$ 1,649.9	\$ 0	\$ 44,368.7	0 %
<u>December 31, 2020</u>					
Premiums earned:					
Property and liability insurance	\$ 40,687.7	\$ 1,426.1	\$ 0	\$ 39,261.6	0 %

Report of Independent Registered Public Accounting Firm on Financial Statement Schedules

To the Board of Directors and Shareholders of The Progressive Corporation

Our audits of the consolidated financial statements referred to in our report dated February 27, 2023 appearing in the 2022 Annual Report to Shareholders of The Progressive Corporation (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the schedule of summary of investments – other than investments in related parties as of December 31, 2022, the schedule of condensed financial information of registrant, which includes the condensed balance sheets as of December 31, 2022 and 2021 and the condensed statements of comprehensive income and of cash flows for each of the three years in the period ended December 31, 2022, and the related notes to the condensed financial statements, the schedule of supplementary insurance information for each of the three years in the period ended December 31, 2022, and the schedule of reinsurance for each of the three years in the period ended December 31, 2022 (collectively “the financial statement schedules”) listed in Item 15(a)(2) of this Form 10-K. In our opinion, these financial statement schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
February 27, 2023

ITEM 16. FORM 10-K SUMMARY

We have elected not to include a summary of information as permitted under this item.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

February 27, 2023

THE PROGRESSIVE CORPORATION

By: /s/ Susan Patricia Griffith

Susan Patricia Griffith

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>/s/ Susan Patricia Griffith</u>	Director, President and Chief Executive Officer	February 27, 2023
Susan Patricia Griffith		
<u>/s/ John P. Sauerland</u>	Vice President and Chief Financial Officer	February 27, 2023
John P. Sauerland		
<u>/s/ Mariann Wojtkun Marshall</u>	Vice President and Chief Accounting Officer	February 27, 2023
Mariann Wojtkun Marshall		
<u>*</u>	Chairperson of the Board	February 27, 2023
Lawton W. Fitt		
<u>*</u>	Director	February 27, 2023
Philip Bleser		
<u>*</u>	Director	February 27, 2023
Stuart B. Burgdoerfer		
<u>*</u>	Director	February 27, 2023
Pamela J. Craig		
<u>*</u>	Director	February 27, 2023
Charles A. Davis		
<u>*</u>	Director	February 27, 2023
Roger N. Farah		
<u>*</u>	Director	February 27, 2023
Devin C. Johnson		
<u>*</u>	Director	February 27, 2023
Jeffrey D. Kelly		
<u>*</u>	Director	February 27, 2023
Barbara R. Snyder		
<u>*</u>	Director	February 27, 2023
Jan E. Tighe		
<u>*</u>	Director	February 27, 2023
Kahina Van Dyke		

* Daniel P. Mascaro, by signing his name hereto, does sign this document on behalf of the persons indicated above pursuant to powers of attorney duly executed by such person.

By: /s/ Daniel P. Mascaro
Daniel P. Mascaro
Attorney-in-fact

February 27, 2023

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
3(i)	3.1	Amended Articles of Incorporation of The Progressive Corporation (as amended March 13, 2018)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 3.1 therein)
3(ii)	3.2	Code of Regulations of The Progressive Corporation (as amended May 7, 2021)	Quarterly Report on Form 10-Q (filed on August 3, 2021; Exhibit 3.1 therein)
4	4.1	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934	Annual Report on Form 10-K (filed on March 2, 2020; Exhibit 4.23 therein)
4	4.2	Form of certificate representing Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.3 therein)
4	4.3	Form of 6 5/8% Senior Notes due 2029, issued in the aggregate principal amount of \$300,000,000 under the 1993 Senior Indenture, as amended and supplemented	Annual Report on Form 10-K (filed on March 2, 2015; Exhibit 4.2 therein)
4	4.4	Form of 6.25% Senior Notes due 2032, issued in the aggregate principal amount of \$400,000,000 under the 1993 Senior Indenture, as amended and supplemented	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 4.3 therein)
4	4.5	Form of 4.35% Senior Notes due 2044, issued in the aggregate principal amount of \$350,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on April 25, 2014; Exhibit 4.2 therein)
4	4.6	Form of 3.70% Senior Notes due 2045, issued in the aggregate principal amount of \$400,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on January 26, 2015; Exhibit 4.2 therein)
4	4.7	Form of 2.45% Senior Notes due 2027, issued in the aggregate principal amount of \$500,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on August 25, 2016; Exhibit 4.2 therein)
4	4.8	Form 4.125% Senior Note Due 2047, issued in the aggregate principal amount of \$850,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on April 6, 2017; Exhibit 4.2 therein)
4	4.9	Form 4.20% Senior Note Due 2048, issued in the aggregate principal amount of \$600,000,000 under the 1993 Senior Indenture, as amended and supplemented	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.2 therein)
4	4.10	Form 4.00% Senior Note Due 2029, issued in the aggregate principal amount of \$550,000,000	Current Report on Form 8-K (filed on October 23, 2018; Exhibit 4.2 therein)
4	4.11	Indenture dated as of September 12, 2018 between The Progressive Corporation and U.S. Bank National Association, Trustee (including table of contents and cross-reference sheet)	Registration Statement No. 333-227315 (filed on September 13, 2018; Exhibit 4.2 therein)
4	4.12	First Supplemental Indenture dated October 23, 2018 between The Progressive Corporation and U.S. Bank National Association, as trustee	Current Report on Form 8-K (filed on October 23, 2018; Exhibit 4.1 therein)
4	4.13	Second Supplemental Indenture dated March 26, 2020 between The Progressive Corporation and U.S. Bank National Association, as trustee	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 4.1 therein)

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
4	4.14	<u>Third Supplemental Indenture between The Progressive Corporation and U.S. Bank Trust Company, National Association, as trustee</u>	Current Report on Form 8-K (filed March 9, 2022; Exhibit 4.1 therein)
4	4.15	<u>Form of 3.20% Senior Note due 2030, issued in the aggregate principal amount of \$500,000,000</u>	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 4.2 therein)
4	4.16	<u>Form of 3.95% Senior Note due 2050, issued in the aggregate principal amount of \$500,000,000</u>	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 4.3 therein)
4	4.17	<u>Form of 2.50% Senior Note due 2027</u>	Current Report on Form 8-K (filed March 9, 2022; Exhibit 4.2 therein)
4	4.18	<u>Form of 3.00% Senior Note due 2032</u>	Current Report on Form 8-K (filed March 9, 2022; Exhibit 4.3 therein)
4	4.19	<u>Form of 3.70% Senior Note due 2052</u>	Current Report on Form 8-K (filed March 9, 2022; Exhibit 4.4 therein)
4	4.20	<u>Indenture dated as of September 15, 1993 between The Progressive Corporation and State Street Bank and Trust Company (successor in interest to The First National Bank of Boston), as Trustee ("1993 Senior Indenture") (including table of contents and cross-reference sheet)</u>	Registration Statement No. 333-48935 (filed on March 31, 1998; Exhibit 4.1 therein)
4	4.21	<u>First Supplemental Indenture dated March 15, 1996 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company</u>	Registration Statement No. 333-01745 (filed on March 15, 1996; Exhibit 4.2 therein)
4	4.22	<u>Second Supplemental Indenture dated February 26, 1999 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company, as Trustee</u>	Registration Statement No. 333-100674 (filed on October 22, 2002; Exhibit 4.3 therein)
4	4.23	<u>Fourth Supplemental Indenture dated November 21, 2002 to the 1993 Senior Indenture between The Progressive Corporation and State Street Bank and Trust Company, as Trustee</u>	Registration Statement No. 333-143824 (filed on June 18, 2007; Exhibit 4.5 therein)
4	4.24	<u>Fifth Supplemental Indenture dated June 13, 2007 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, evidencing the designation of U.S. Bank National Association as successor Trustee under the 1993 Senior Indenture</u>	Registration Statement No. 333-143824 (filed on June 18, 2007; Exhibit 4.6 therein)
4	4.25	<u>Seventh Supplemental Indenture dated April 25, 2014 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on April 25, 2014; Exhibit 4.1 therein)
4	4.26	<u>Eighth Supplemental Indenture dated January 26, 2015 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on January 26, 2015; Exhibit 4.1 therein)

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
4	4.27	<u>Ninth Supplemental Indenture dated August 25, 2016 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on August 25, 2016; Exhibit 4.1 therein)
4	4.28	<u>Tenth Supplemental Indenture dated April 6, 2017 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on April 6, 2017; Exhibit 4.1 therein)
4	4.29	<u>Eleventh Supplemental Indenture dated March 14, 2018 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee</u>	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.1 therein)
4	4.30	<u>Form of Confirmation Letter-Discretionary Line of Credit from PNC Bank, National Association to The Progressive Corporation</u>	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 4.1 therein)
4	4.31	<u>Amendment to Discretionary Line Documents - Discretionary Line of Credit from PNC Bank, National Association, to The Progressive Corporation (2020 Amendment)</u>	Quarterly Report on Form 10-Q (filed on August 4, 2020; Exhibit 5.1 therein)
4	4.32	<u>Amendment to Discretionary Line Documents - Discretionary Line of Credit from PNC Bank, National Association, to The Progressive Corporation (2021 Amendment)</u>	Quarterly Report on Form 10-Q (filed on August 3, 2021; Exhibit 4.1 therein)
4	4.33	<u>Form of Discretionary Line of Credit Note from The Progressive Corporation to PNC Bank, National Association</u>	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 4.2 therein)
10(iii)	10.1	<u>The Progressive Corporation 2023 Gainshare Plan</u>	Filed herewith
10(iii)	10.2	<u>The Progressive Corporation 2015 Equity Incentive Plan</u>	Current Report on Form 8-K (filed on February 4, 2015; Exhibit 10.1 therein)
10(iii)	10.3	<u>Form of Restricted Stock Unit Award Agreement for 2020 Time-Based Awards (Executive Officers) under the Progressive Corporation 2015 Equity Incentive Plan (for 2020)</u>	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.1 therein)
10(iii)	10.4	<u>Form of Restricted Stock Unit Award Agreement for Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan (for 2022)</u>	Quarterly Report on Form 10-Q (filed on May 2, 2022; Exhibit 10.1 therein)
10(iii)	10.5	<u>Form of Restricted Stock Unit Award Agreement for 2021 Time-Based Awards under the Progressive Corporation 2015 Equity Incentive Plan (for 2021)</u>	Current Report on Form 8-K (filed on March 25, 2021; Exhibit 10.1 therein)
10(iii)	10.6	<u>Form of Restricted Stock Unit Award Agreement for 2020 Time-Based Awards under the Progressive Corporation 2015 Equity Incentive Plan (for 2020)</u>	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.2 therein)
10(iii)	10.7	<u>Form of Restricted Stock Unit Award Agreement for Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan (for 2019)</u>	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 10.1 therein)

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.8	Form of Restricted Stock Unit Award Agreement for Performance-Based Awards (Performance Versus Market) under The Progressive Corporation 2015 Equity Incentive Plan (for 2022)	Quarterly Report on Form 10-Q (filed on May 2, 2022; Exhibit 10.2 therein)
10(iii)	10.9	Form of Restricted Stock Unit Award Agreement for 2021 Performance-Based Awards (Performance Versus Market) under The Progressive Corporation 2015 Equity Incentive Plan (for 2021)	Current Report on Form 8-K (filed on March 25, 2021; Exhibit 10.2 therein)
10(iii)	10.10	Form of Restricted Stock Unit Award Agreement for 2020 Performance-Based Awards (Performance Versus Market) under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.3 therein)
10(iii)	10.11	Form of Restricted Stock Unit Award Agreement for Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan (for 2022)	Quarterly Report on Form 10-Q (filed on May 2, 2022; Exhibit 10.3 therein)
10(iii)	10.12	Form of Restricted Stock Unit Award Agreement for 2021 Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan (for 2021)	Current Report on Form 8-K (filed on March 25, 2021; Exhibit 10.3 therein)
10(iii)	10.13	Form of Restricted Stock Unit Award Agreement for 2020 Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.4 therein)
10(iii)	10.14	Form of Restricted Stock Unit Award Agreement for Special Time/Performance-Based Award under The Progressive Corporation 2015 Equity Incentive Plan (for 2022)	Quarterly Report on Form 10-Q (filed on May 2, 2022; Exhibit 10.4 therein)
10(iii)	10.15	Form of Restricted Stock Unit Award Agreement for 2020 Special Time/Performance-Based Award under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Annual Report on Form 10-K (filed on March 1, 2021; Exhibit 10.14 therein)
10(iii)	10.16	The Progressive Corporation 2017 Directors Equity Incentive Plan	Current Report on Form 8-K (filed on February 21, 2017; Exhibit 10.1 therein)
10(iii)	10.17	The Progressive Corporation 2017 Directors Equity Incentive Plan (2022 Amendment and Restatement)	Current Report on Form 8-K (filed May 16, 2022; Exhibit 10 therein)
10(iii)	10.18	Form of Restricted Stock Award Agreement under The Progressive Corporation 2017 Directors Equity Incentive Plan (for 2022)	Quarterly Report on Form 10-Q (filed on August 2, 2022; Exhibit 10.2 therein)
10(iii)	10.19	The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.3 therein)
10(iii)	10.20	First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.4 therein)

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.21	<u>Second Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.5 therein)
10(iii)	10.22	<u>Third Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.6 therein)
10(iii)	10.23	<u>Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2003 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.7 therein)
10(iii)	10.24	<u>The Progressive Corporation Executive Deferred Compensation Plan (2008 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.8 therein)
10(iii)	10.25	<u>First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2008 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.9 therein)
10(iii)	10.26	<u>The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.10 therein)
10(iii)	10.27	<u>First Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.11 therein)
10(iii)	10.28	<u>Second Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Current Report on Form 8-K (filed on October 14, 2014; Exhibit 10 therein)
10(iii)	10.29	<u>Third Amendment to the Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 10.53 therein)
10(iii)	10.30	<u>Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Plan (2010 Amendment and Restatement)</u>	Quarterly Report on Form 10-Q (filed on November 2, 2017; Exhibit 10 therein)
10(iii)	10.31	<u>The Progressive Corporation Executive Deferred Compensation Plan (2018 Amendment and Restatement)</u>	Quarterly Report on Form 10-Q (filed on July 31, 2018; Exhibit 10 therein)
10(iii)	10.32	<u>The Progressive Corporation Executive Deferred Compensation Trust (November 8, 2002 Amendment and Restatement)</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.23 therein)
10(iii)	10.33	<u>First Amendment to Trust Agreement between Fidelity Management Trust Company and Progressive</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.24 therein)
10(iii)	10.34	<u>Second Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.25 therein)
10(iii)	10.35	<u>Third Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.26 therein)
10(iii)	10.36	<u>Fourth Amendment to The Progressive Corporation Executive Deferred Compensation Trust</u>	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.27 therein)

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
10(iii)	10.37	Fifth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.28 therein)
10(iii)	10.38	Sixth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.29 therein)
10(iii)	10.39	Seventh Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Registration Statement No. 333-185704 (filed on December 27, 2012; Exhibit 4.30 therein)
10(iii)	10.40	Eighth Amendment to The Progressive Corporation Executive Deferred Compensation Trust (2002 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2019; Exhibit 10.49 therein)
10(iii)	10.41	Ninth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.5 therein)
10(iii)	10.42	Tenth Amendment to The Progressive Corporation Executive Deferred Compensation Trust	Quarterly Report on Form 10-Q (filed on May 11, 2015; Exhibit 10.6 therein)
10(iii)	10.43	The Progressive Corporation Directors Deferral Plan (2008 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2018; Exhibit 10.91 therein)
10(iii)	10.44	The Progressive Corporation Directors Deferral Plan (2015 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 29, 2016; Exhibit 10.77 therein)
10(iii)	10.45	The Progressive Corporation Directors Restricted Stock Deferral Plan (2008 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 10.4 therein)
10(iii)	10.46	First Amendment to The Progressive Corporation Directors Restricted Stock Deferral Plan (2008 Amendment and Restatement)	Annual Report on Form 10-K (filed on February 27, 2019; Exhibit 10.56 therein)
10(iii)	10.47	Director Compensation Schedule for 2022-2023 Term	Filed herewith
10(iii)	10.48	The Progressive Corporation Executive Separation Allowance Plan (2021 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on May 4, 2021; Exhibit 10.4 therein)
10(iii)	10.49	First Amendment to The Progressive Corporation Executive Separation Allowance Plan (2021 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on August 3, 2021; Exhibit 10.3 therein)
10(iii)	10.50	Second Amendment to The Progressive Corporation Executive Separation Allowance Plan (2021 Amendment and Restatement)	Quarterly Report on Form 10-Q (filed on May 2, 2022; Exhibit 10.5 therein)
10(iii)	10.51	2023 Progressive Capital Management Annual Incentive Plan	Filed herewith
10(iii)	10.52	Chief Marketing Officer Offer Letter	Annual Report on Form 10-K (filed on February 28, 2022; Exhibit 10.49 therein)
13	13	The Progressive Corporation 2022 Annual Report to Shareholders	Filed herewith
21	21	Subsidiaries of The Progressive Corporation	Filed herewith

EXHIBIT INDEX

Exhibit No. Under Reg. S-K, Item 601	Form 10-K Exhibit No.	Description of Exhibit	If Incorporated by Reference, Documents with Which Exhibit was Previously Filed with SEC
23	23	<u>Consent of Independent Registered Public Accounting Firm</u>	Filed herewith
24	24	<u>Powers of Attorney</u>	Filed herewith
31	31.1	<u>Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer, Susan Patricia Griffith</u>	Filed herewith
31	31.2	<u>Rule 13a-14(a)/15d-14(a) Certification of the Principal Financial Officer, John P. Sauerland</u>	Filed herewith
32	32.1	<u>Section 1350 Certification of the Principal Executive Officer, Susan Patricia Griffith</u>	Filed herewith
32	32.2	<u>Section 1350 Certification of the Principal Financial Officer, John P. Sauerland</u>	Filed herewith
99	99	<u>Letter to Shareholders from Susan Patricia Griffith, President and Chief Executive Officer</u>	Filed 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

THE PROGRESSIVE CORPORATION
2023 GAINSHARE PLAN

1. **The Plan**. The Progressive Corporation and its wholly-owned and majority-owned subsidiaries and down-stream affiliates (collectively, “Progressive” or the “Company”) have adopted The Progressive Corporation 2023 Gainshare Plan (the “Plan”) as part of the Company’s overall compensation program. The Plan is performance-based, is not a form of commission compensation, and is administered under the direction of the Compensation Committee of the Board of Directors of The Progressive Corporation (the “Committee”). Payment under the Plan, if any, is based on Company performance as defined by the Plan, not individual employee performance. Plan years will coincide with Progressive’s fiscal years.

2. **Participants**. 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.

3. **Gainshare Formula**. Subject to the terms of the Plan, annual payments pursuant to the Plan (each, an “Annual Gainshare Payment”) will be determined by application of the following formula:

$$\text{Annual Gainshare Payment} = \text{Paid Eligible Earnings} \times \text{Target Percentage} \times \text{Performance Factor}$$

4. **Paid Eligible Earnings**. “Paid Eligible Earnings” for any Plan year shall mean and include the following: regular, Paid Time Off pay (including Protected PTO-PSL but excluding the payout of unused Paid Time Off pay at termination), sick pay, holiday pay, funeral pay, overtime pay, military make-up pay, shift differential, and retroactive payments of any of the foregoing items, in each case received by the participant during the Plan year for work or services performed as an officer or employee of Progressive.

For purposes of the Plan, and notwithstanding the foregoing, Paid Eligible Earnings shall exclude all other types of compensation, including, without limitation: any short-term or long-term disability payments made to the participant; the earnings replacement component of any workers’ compensation benefit or award; any amounts paid pursuant to a judgment in, or settlement related to, any action, suit or proceeding, whether in law or equity, to any extent arising from or relating to a participant’s employment with the Company, or work or services performed for or on behalf of the Company; any amount paid under a separation allowance (or severance) plan; any bonus, Gainshare or other incentive compensation award (whether denominated, or payable, in cash or equity), including, without limitation, payments from any discretionary cash fund; any dividend payments or dividend equivalent amounts; any unused Paid Time Off; and any other payment required by applicable law to be paid to a participant by the Company and intended to replace all or any portion of wages or earnings during a period of unemployment, whether due to illness, disability or otherwise (including, but not limited to, payments made pursuant to any statute, rule or regulation of a governmental authority relating to leave on account of maternity, paternity, parental status or responsibility, or sickness).

5. **Target Percentages.** Target Percentages vary by position. Target Percentages for Plan participants typically are as follows:

POSITION	TARGET %
Chief Executive Officer and Other Executive Officers	Determined by the Compensation Committee
Other Senior Executives and Executive Level Managers	60 - 150%
Business Leaders	35 - 60%
Directors and Senior Directors	20 - 35%
Middle Managers and Senior Managers	15 - 25%
Senior Professionals and Entry Level Managers	8 - 20%
Administrative Support and Entry Level Professionals	4 - 8%

Target Percentages will be established within the above ranges by, and may be changed with the approval of, the Chief Human Resources Officer; provided that the Chief Human Resources Officer may establish appropriate procedures to evaluate the need for, and if appropriate, implement individual exceptions to, the foregoing ranges. Target Percentages may be changed from year to year by the Chief Human Resources Officer. The Chief Human Resources Officer may consult with the Chief Executive Officer on any of the foregoing decisions. Notwithstanding anything herein to the contrary, only the Committee may establish or modify the Target Percentages for the Company's executive officers.

If a participant's Target Percentage changes during a Plan year, the Target Percentages used to calculate such participant's Annual Gainshare Payment hereunder shall be weighted appropriately to reflect such participant's tenure in each such position during the Plan year.

6. **The Performance Factor.**

A. **Core Business Defined.**

The Performance Factor shall be determined by the performance of the Core Business during the Plan year, pursuant to the procedures and calculations described below. The "Core Business" shall be comprised of the following:

- The Agency Auto business unit, consisting of the auto business produced by independent agents or brokers, including Strategic Alliances Agency auto, but excluding all Agency special lines businesses;
 - The Direct Auto business unit, consisting of the personal auto business produced by phone, over the Internet, or via a mobile device, but excluding all Direct special lines businesses;
 - The special lines business unit, which shall consist of special lines businesses generated by agents and brokers or directly by phone, over the Internet, or via a mobile device;
 - The Commercial Lines business unit (as described in the Company's SEC filings); and
 - The Property business unit (as described in the Company's SEC filings).
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Each of the Agency Auto, Direct Auto, special lines, Commercial Lines and Property business units is individually referred to herein as a “Business Unit.” Notwithstanding the foregoing descriptions, for all purposes under this Plan, the following are excluded from the Core Business results:

- (i) from both growth and profitability: results of the Professional Liability business, the Midland Financial Group, Inc. and other businesses in run-off; results of the CAIP Servicing Group; flood insurance policies, renters insurance policies, umbrella policies and related expenses; and business owners’ policies and related expenses; and
- (ii) from growth: any results of any Commercial Lines product or program pursuant to which the Company insures any transportation network company or other entity engaged in a ride, cartage, or vehicle sharing business, operation, platform, or program or in a business based on matching and/or sharing time, use and/or assets by and among people and/or businesses (collectively, the “TNC business”) and results from The Protective Insurance Corporation and its subsidiaries (collectively, the “Protective business”). For purposes of this Plan, any business or entity acquired during the Plan year will be excluded to the extent determinable.

B. Matrices.

For purposes of computing a performance score for the Core Business, operating performance results for each Business Unit are evaluated using a performance matrix for the Plan year. Each matrix assigns performance scores to various combinations of profitability and growth outcomes for the applicable Business Unit. Those scores are then weighted and combined to produce a Performance Factor as described in 6.D. below.

For 2023, and for each Plan year thereafter until otherwise determined by the Committee, each Business Unit will be evaluated, and separate Gainshare matrices will be established by the Committee for the following:

- Agency Auto;
- Direct Auto;
- Special lines;
- Commercial Lines (comprised of a Commercial Auto component and a combined TNC & Protective business component); and
- Property (comprised of two separate strategic growth components).

C. Performance Measures.

Growth. The growth measure for the Plan year under all applicable matrices will be based on policies in force (“PIFs”).

For all applicable matrices, growth will be measured by the percentage change in average PIFs for the Plan year compared to the average PIFs of the immediately preceding fiscal year. Average PIFs for the Plan year and for the immediately preceding fiscal year will be determined by adding the fiscal-month-end number of PIFs for each month during such year and dividing the total by twelve.

Assigned risk business will not be included in determining the growth of any Business Unit.

Profitability. For all applicable matrices, the measurement of profitability will be the combined ratio (calculated using measures determined in accordance with U.S. generally accepted accounting principles) (the “GAAP Combined Ratio”) for the Plan year for the applicable Business Unit.

Assigned risk business will be included in determining the GAAP Combined Ratio for the applicable Business Unit. The net operating expense of Corporate Products (e.g., self-insurance) shall be apportioned among the appropriate Business Units in accordance with the respective amount(s) of net earned premiums generated by each such Business Unit and will be reflected in the calculation of the GAAP Combined Ratio for such Business Units.

D. Calculation of Performance Factor.

Performance Scores

Using the actual performance results and the Gainshare matrix for each Business Unit, the GAAP Combined Ratio* for each such Business Unit will be matched with the growth levels achieved by such Business Unit, to determine the performance score for each such Business Unit. The performance score for each Business Unit, which will be used to calculate the Performance Factor as described further below, can vary from 0 to 2.00. Provided, however, that with respect to the Commercial Lines and Property Business Units, if the respective GAAP Combined Ratio* is at or above 100, the Performance Factor for such Business Unit shall be 0.

**With respect to the Commercial Line’s GAAP Combined Ratio, the Commercial Auto component score will be weighted with the combined TNC & Protective business component score based upon earned premium.*

Performance Factor

The resulting performance scores for each of the Agency Auto, Direct Auto, special lines, Commercial Lines and Property Business Units will then be multiplied by a weighting factor, which shall be a fraction or decimal equivalent, determined by dividing the net earned premiums generated by such Business Unit during the Plan year by the net earned premiums generated by all of the Business Units comprising the Core Business in the aggregate. The sum of these weighted performance scores will be the Performance Factor for the Plan year.

E. Limitations.

The final Performance Factor in total or for any single business unit cannot exceed 2.00.

7. Payment Procedures; Deferral.

A. Executive Team.

In the case of a participant who is the Chief Executive Officer or any other executive officer (other than the Chief Accounting Officer) within the meaning of Rule 16a-1(f) or otherwise for purposes of Section 16 of the Securities Exchange Act of 1934 as of February 16, 2022 (collectively, the “Executive Team”), subject to Paragraphs 9 and 16 below, Annual Gainshare Payments shall be paid after the Committee determines the Performance Factor but in any event prior to March 15th of the year immediately following the Plan year; provided, however, that the Committee may, in its sole discretion, reduce the amount of, or eliminate in full, any Annual

Gainshare Payment to a member of the Executive Team at any time before payment, for any or no reason. The Committee may, in its sole discretion, treat individual members of the Executive Team differently for these purposes. Any such determination by the Committee shall be final and binding on each participant whose Annual Gainshare Payment is affected thereby and on such participant's estate and beneficiaries.

B. Other Participants.

In the case of participants who are not members of the Executive Team, subject to Paragraphs 9 and 16 below, no later than December 31 of each Plan year, each participant will receive an initial payment in respect of such participant's Annual Gainshare Payment for that Plan year, if any, equal to 75% of an amount calculated on the basis of Paid Eligible Earnings for the first 24 pay periods of the Plan year, estimated earnings for the remainder of the Plan year, and an estimated performance factor determined using the performance data for each Business Unit through the first 11 months of the Plan year (estimated, if necessary), the applicable Gainshare matrix and the calculations described above. Subject to Paragraphs 9 and 16 below, no later than February 28 of the following year, each participant will receive the amount equal to (x) such participant's Annual Gainshare Payment, if any, for such Plan year, based on such participant's Paid Eligible Earnings and performance data for the entire Plan year, minus (y) the amount of the initial payment received by such participant pursuant to the immediately preceding sentence.

C. Deferral.

Any Plan participant who is then eligible to participate in The Progressive Corporation Executive Deferred Compensation Plan ("Deferral Plan") may elect to defer all or a portion of the Annual Gainshare Payment otherwise payable to such participant under this Plan, subject to and in accordance with the terms of the Deferral Plan. If a Plan participant has made such an election under the Deferral Plan, then to the extent of such election, the Annual Gainshare Payment will, instead of being paid to such participant as described in the immediately preceding paragraphs, be credited to such participant's account under the Deferral Plan in accordance with the terms of the Deferral Plan.

8. **Other Plans.** If, for any Plan year, an employee has been selected to participate in both this Plan and another cash incentive plan offered by the Company, then with respect to such employee, the Gainshare formula set forth in Paragraph 3 hereof shall be appropriately adjusted by applying a weighting factor to reflect the proportion of the employee's total annual incentive opportunity that is being provided by this Plan. The Committee shall have full authority to determine the incentive plan or plans in which any employee will participate during any Plan year and, if an employee is selected to participate in more than one plan, the weighting factor that will apply to each such plan.

9. **Qualification Date; Leave of Absence; Withholding.** Unless otherwise determined by the Committee, and except as expressly provided herein, in order to be entitled to receive an Annual Gainshare Payment for any Plan year, the participant must be an active officer or regular employee of the Company on November 30 of the Plan year ("Qualification Date"). An individual (i) who is hired on or after December 1 of any Plan year or (ii) whose employment terminates for any reason prior to the Qualification Date is not entitled to an Annual Gainshare Payment for that Plan year. Annual Gainshare Payments are not earned until paid.

Any participant who is on a leave of absence covered by the Family and Medical Leave Act of 1993, as amended (or equivalent state or local law), the Americans with Disabilities Act of 1991, as amended (or

equivalent state or local law), personal leave of absence with the approval of the Company, military leave or short- or long-term disability (provided that, in the case of a long-term disability, the participant is still an employee of the Company) on the Qualification Date with respect to any Plan year will be entitled to receive an Annual Gainshare Payment for such Plan year, calculated as provided in Paragraphs 3 through 6 above, based on the amount of Paid Eligible Earnings received by such participant during the Plan year and paid in the manner and at the times as are described in Paragraph 7 above but subject to Paragraph 16 below.

Progressive shall have the right to deduct from any Annual Gainshare Payment, prior to payment, the amount of any taxes required to be withheld by any federal, state, local or foreign government with respect to such payments.

10. **Non-Transferability.** Annual Gainshare Payments shall be payable only to the participant or, in the event of the participant's death, to the participant's estate. The right to any Annual Gainshare Payment hereunder may not be sold, transferred, assigned or encumbered, voluntarily or involuntarily, other than by will or the laws of descent or distribution. Nothing herein shall prevent any participant's interest hereunder from being subject to involuntary attachment, levy or other legal process.

11. **Administration.** The Plan shall be administered by or under the direction of the Committee. The Committee shall have the authority to adopt, alter, amend, modify, revise and repeal such rules, guidelines, procedures and practices governing the Plan as it shall, from time to time, in its sole discretion, deem advisable.

The Committee shall have full authority to determine the manner in which the Plan will operate, to interpret the provisions of the Plan and to make all determinations hereunder. All such interpretations and determinations shall be final and binding on Progressive, all Plan participants, their estates and beneficiaries and all other parties. No such interpretation or determination shall be relied on as a precedent for any similar action or decision. No member of the Committee shall incur any liability for any action taken or omitted, or any determination made, in good faith with respect to the Plan.

Unless otherwise determined by the Committee, all of the authority of the Committee hereunder (including, without limitation, the authority to administer the Plan, select the persons entitled to participate herein, interpret the provisions hereof, waive any of the requirements specified herein and make determinations hereunder and to select, approve, establish, change or modify the Business Units and the Gainshare formulae, weighting factors, performance targets and Target Percentages) may be exercised by the Chief Executive Officer and/or the Chief Human Resources Officer; provided, however, that only the Committee may take such actions or make such determinations with respect to the Company's executive officers. In the event of a dispute or conflict, the determination of the Committee will govern.

12. **Miscellaneous.**

- A. **Recoupment.** Progressive shall have the right to recoup any Annual Gainshare Payment (or an appropriate portion thereof, as hereinafter provided) with respect to any Plan year paid to a participant hereunder who was an executive officer of Progressive at any time during such Plan year, if: (i) the Annual Gainshare Payment was calculated by reference to the achievement during such Plan year of certain financial or operating results (which includes, for purposes hereof, the Performance Factor described in Section 6); (ii) such financial or operating results were incorrect and were subsequently the subject of a restatement by Progressive within three (3) years after the date on which such Annual

Gainshare Payment was paid to the participant; and (iii) the Annual Gainshare Payment would not have been paid, in whole or in part, to the participant if the restated financial or operating results had been known at the time the payment was made. Such recoupment right shall be available to Progressive whether or not the participant in question was at fault or responsible in any way in causing such restatement. In such circumstances, Progressive will have the right to recover from each such participant for such Plan year, and each such participant will refund to Progressive promptly upon demand, the amount by which the Annual Gainshare Payment paid to such participant for the Plan year in question exceeded the payment that would have been made if the Annual Gainshare Payment had been calculated by reference to the restated results, without interest; provided, however, that Progressive will not seek to recover such amounts from any participant who is not a member of the Executive Team unless the amount due would exceed the lesser of five percent (5%) of the Annual Gainshare Payment previously paid or twenty-thousand dollars (\$20,000). Such recovery, at the Committee's discretion, may be made by lump sum payment, installment payments, credits against future Annual Gainshare Payments or other bonus payments, credits against any other compensation or other appropriate mechanism. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

- B. Further Rights. Notwithstanding the foregoing subsection A., if any participant that was an executive officer at any time during such Plan year engaged in fraud or other misconduct (as determined by the Committee or the Board, in their respective sole discretion) resulting, in whole or in part, in a restatement of the financial or operating results used hereunder to determine the Annual Gainshare Payments for a specific Plan year, Progressive will further have the right to recover from such participant, and the participant will refund to Progressive upon demand, an amount equal to the entire Annual Gainshare Payment paid to such participant for such Plan year plus interest at the rate of eight percent (8%) per annum or, if lower, the highest rate permitted by law, calculated from the date that such bonus was paid to the participant. Progressive shall further have the right to recover from such participant Progressive's costs and expenses incurred in connection with recovering such Annual Gainshare Payment from the participant and enforcing its rights under this subsection B., including, without limitation, reasonable attorneys' fees. There shall be no time limit on the Company's right to recover such amounts under this subsection B., except as otherwise provided by applicable law. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.
- C. Compliance with Law and Exchange Requirements. The Annual Gainshare Payments determined and paid pursuant to the Plan shall be subject to all applicable laws and regulations. Without limiting the foregoing, and notwithstanding anything to the contrary contained in this Plan, if the SEC adopts final rules under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that require, as a condition to the Company's continued listing on a national securities exchange ("Exchange"), that the Company develop and implement a policy requiring the recovery of erroneously awarded compensation, and such regulations are applicable to a participant awarded an Annual Gainshare Payment pursuant to the Plan, then the Annual Gainshare Payment paid to such participant (and any payment made to a participant pursuant to a similar plan or an award under The Progressive Corporation 2017 Executive Annual Incentive Plan) shall be subject to recoupment by the Company
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pursuant to the terms of the rules of the SEC and any applicable Exchange and any policy of the Company adopted in response to such rules. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.

- D. **Rights Not Exclusive.** The rights contained in the foregoing subsections A. through C. shall be in addition to, and shall not limit, any other rights or remedies that the Company may have under any applicable law or regulation. Nothing contained in subsections A. through C. shall be deemed to limit any additional legal or equitable rights or remedies the Company may have under applicable law with respect to any participant who may have caused or contributed to the Company's need to restate its financial results. If any of the provisions of subsections A. through C., or any part thereof, are held to be unenforceable, the court making such determination shall have the power to revise or modify such provision to make it enforceable to the maximum extent permitted by applicable law and, in its revised or modified form, said provision shall then be enforceable.

13. **Termination; Amendment.** The Plan may be suspended, terminated, amended or revised, in whole or in part, at any time and from time to time by the Committee, in its sole discretion.

14. **Unfunded Obligations.** The Plan will be unfunded and all payments due under the Plan shall be made from Progressive's general assets.

15. **No Employment Rights.** Nothing in the Plan, and no action hereunder, shall be construed as conferring upon any person the right to remain a participant in the Plan or to remain employed by Progressive, nor shall the Plan limit Progressive's right to discipline or discharge any of its officers or employees or change any of their job titles, duties, authority or compensation, at any time and without assigning a reason therefor.

16. **Set-Off Rights.** Progressive shall have the unrestricted right to set off against or recover out of any Annual Gainshare Payment or other sums owed to any participant under the Plan any amounts owed by such participant (including pursuant to Section 12) to Progressive.

17. **Misconduct.** No Participant shall have the right to receive any portion of any Annual Gainshare Payment if, prior to such payment being made, Participant's employment is terminated as a result of any action or inaction that, under Progressive's employment practices or policies as then in effect, constitutes grounds for immediate termination of employment, as determined by Progressive (or, in the case of an executive officer, the Committee) in its sole discretion. In addition, no participant who is a member of the Executive Team shall have the right to receive any Annual Gainshare Payment if, prior to such payment being made, participant's employment is terminated by Progressive for Cause, or if there occurs any action or inaction that constitutes grounds for termination for Cause or otherwise constitutes grounds for immediate termination of employment under the Company's employment practices or policies as then in effect, as determined by the Committee in its sole discretion. For purposes of this Section 17, "Cause" shall mean a felony conviction of a participant or the failure of a participant to contest prosecution for a felony; a participant's willful misconduct or dishonesty, any of which, in the judgment of the Committee, is harmful to the business or reputation of Progressive; or any material violation (in the judgment of the Committee (with respect to the Executive Team) or the Chief Executive Officer and/or Chief Human Resources Officer (with respect to other participants)) of any of the provisions of the Company's Code of Business Conduct and Ethics or the Chief Executive Officer/Senior Financial Officer Code of Ethics (if applicable to the participant), or any confidentiality

agreement, non-solicitation agreement, non-competition agreement or other agreement between the participant and Progressive.

18. **Employees Subject to Foreign Jurisdictions**. To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice or taxation and to further the purposes of the Plan, the Committee may, without amending the Plan, exclude any employee not temporarily or permanently residing in the United States from participating in the Plan or establish rules applicable to Annual Gainshare Payments to participants who are foreign nationals or foreign residents, are employed outside the United States, or both, including rules that differ from those set forth in this Plan.

19. **Section 409A**. Payments under the Plan are intended to be exempt from Section 409A because no legally binding right to any Annual Gainshare Payment arises until the payment date, and, in the alternative, because any payment is a short term deferral under Section 409A; the Plan shall be administered and interpreted accordingly. Notwithstanding any provision of the Plan to the contrary, if the Committee determines that any payment under the Plan may constitute deferred compensation subject to Section 409A, the Committee may take any actions necessary to preserve the intended tax treatment of the benefits provided with respect to such payment. Any benefit under the Plan that is subject to Section 409A because deferred pursuant to the terms of the Deferral Plan shall be paid according to the terms of such plan.

20. **Prior Plans**. This Plan supersedes all prior plans, agreements, understandings and arrangements regarding bonuses or other cash incentive compensation payable to participants by, or due from, Progressive with respect to the 2023 and future Plan years (other than “stand-up” bonuses provided to employees of ARX Holding Corp. and its downstream subsidiaries and affiliates (“ARX”) and commissions provided to ARX employees involved in agency operations). Without limiting the generality of the foregoing, this Plan supersedes and replaces The Progressive Corporation 2022 Gainshare Plan (the “Prior Plan”), which is and shall be deemed to have terminated on the last day of the Company’s 2022 fiscal year (the “Prior Plan Termination Date”); provided, however, that (a) any bonuses or other sums earned and payable under the Prior Plan with respect to the 2022 Plan year shall be unaffected by such termination and shall be paid to the appropriate participants when and as provided thereunder, and (b) any provisions regarding recoupment of payments from executive officers and the administrative and interpretive authority of the Committee, the Chief Executive Officer and/or the Chief Human Resources Officer under the Prior Plan shall survive such termination.

21. **Effective Date**. This Plan is adopted, and is effective, as of the first day of Progressive’s 2023 fiscal year. This Plan shall be effective for the 2023 Plan year and for each Plan year thereafter unless and until terminated by the Committee.

22. **Governing Law**. This Plan shall be governed by, and interpreted and construed in accordance with, the laws of the State of Ohio applicable to contracts made and performed wholly within such state by residents thereof.

Board of Directors' Compensation

Board of Directors for the 2022-2023 term:

Board/Committee Fees	
Independent Board Chair	\$485,000
Non-Employee Director	300,000
Committee Chair Premium	
Audit Committee Chair	35,000
Compensation Committee Chair	25,000
Investment & Capital Committee Chair	25,000
Nominating & Governance Committee Chair	20,000
Technology Committee Chair	25,000
First Committee Assignment Premium	
Audit Committee Member	10,000
Second Committee Assignment Premium¹	
Committee Member	15,000

¹The premium is not provided to members of the Executive Committee.

**2023 PROGRESSIVE CAPITAL
MANAGEMENT ANNUAL INCENTIVE PLAN**

1. **The Plan.** The Progressive Corporation and its subsidiaries (collectively “Progressive” or the “Company”) have adopted the 2022 Progressive Capital Management Annual Incentive Plan (the “Plan”) as part of the Company’s compensation program for its investment professionals for the Company’s 2023 fiscal year (the “Plan year”). The Plan is performance-based, is not a form of commission compensation, and is administered under the direction of the Compensation Committee of the Board of Directors of The Progressive Corporation (the “Committee”). Payment under the Plan, if any, is based on Company performance as defined by the Plan, not individual employee performance. References in this Plan to the Company’s portfolio mean the respective portfolios of the Company’s subsidiaries and affiliates that are actively managed by Progressive Capital Management Corp. (“PCM”) and references in this Plan to the Company’s investment results mean the investment results of those portfolios only.

The Company’s investment professionals invest the funds of the Company in accordance with investment guidelines approved from time to time by the Investment and Capital Committee of the Board of Directors. Those guidelines address such matters as minimum average credit quality and the duration of the portfolio, as well as limitations on the extent to which the portfolio can be concentrated in individual issuers. Compliance with the guidelines is routinely monitored and variations therefrom must be reported to, and approved by, the Investment and Capital Committee.

2. **Participants.** Progressive employees who are assigned primarily to the Company’s capital management function, including the Company’s Chief Investment Officer (“CIO”), are eligible to be selected for participation in the Plan. Eligible employees in addition to the CIO will be selected by the CIO in consultation with the Chief Executive Officer (“CEO”) or Chief Human Resources Officer (“CHRO”) (the “Designated Executives”) to participate in the Plan. Participants may also participate in other gainsharing, bonus or incentive compensation plans maintained by Progressive, if so determined by the Designated Executives (or in the case of the CIO or any other executive officer, by the Committee). Other eligible employees of the Company may be selected for participation in the Plan for or at any time during the Plan year by the Designated Executives. In such cases, the Designated Executives will determine the new participant’s Target Percentage (described below) and other terms of participation (except with respect to the CIO or any other executive officer, as to whom all determinations must be made by the Committee). 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.

3. **Annual Incentive Payment Determination.**

- A. **Annual Incentive Payment.** Each participant may earn an annual cash bonus (the “Annual Incentive Payment”), subject to the terms of this Plan. The amount of the Annual Incentive Payment earned by any participant will be determined by application of the following formula:

$$\text{Annual Incentive Payment} = \text{Paid Eligible Earnings} \times \text{Target Percentage} \times \text{Performance Factor}$$

- B. **Paid Eligible Earnings.** Paid Eligible Earnings for the Plan year shall mean and include the following: regular, Earned Time Benefit pay (including Protected ETB-PSL but excluding

the payout of unused Earned Time Benefit pay at termination), sick pay, holiday pay, funeral pay, military make-up pay, overtime pay, shift differential, and retroactive payments of any of the foregoing items, in each case received by the participant during the Plan year for work or services performed as an officer or employee of Progressive.

For purposes of the Plan, and notwithstanding the foregoing, Paid Eligible Earnings shall exclude all other types of compensation, including, without limitation: any short-term or long-term disability payments made to the participant; the earnings replacement component of any workers' compensation benefit or award; any amounts paid pursuant to a judgment in, or settlement related to, any action, suit or proceeding, whether in law or equity, to any extent arising from or relating to a participant's employment with the Company, or work or services performed for or on behalf of the Company; any amount paid under a separation allowance (or severance) plan; any bonus (including PCM Bonus Plan bonus or PCM Annual Incentive Plan payment), gainsharing or other incentive compensation award (whether denominated, or payable, in cash or equity), including, without limitation, payments from any discretionary cash fund; any dividend payments or dividend equivalent amounts; any unused Earned Time Benefit; and any other payment required by applicable law to be paid to a participant by the Company and intended to replace all or any portion of wages or earnings during a period of unemployment, whether due to illness, disability or otherwise (including, but not limited to, payments made pursuant to any statute, rule or regulation of a governmental authority relating to leave on account of maternity, paternity, parental status or responsibility, or sickness).

- C. Target Percentage. The "Target Percentages" for participants in the Plan shall be determined by or under the direction of the Committee, but will not exceed 125% for any participant. Target Percentages may vary among Plan participants and may be changed from year to year by or under the direction of the Designated Executives (or in the case of the CIO or any other executive officer, by the Committee).
- D. Performance Factor. The "Performance Factor" will be determined by the Committee after the expiration of the Plan year based on the performance of the Company's fixed-income investment portfolio (the "Fixed-Income Portfolio" or "Portfolio"), and such other factors and information relating to the performance of the Company's investment professionals as the Committee shall determine.

First, an indicated performance factor will be determined based on the fully taxable equivalent total return of the Fixed-Income Portfolio, in comparison to the total returns of the group of comparable investment firms identified by the Independent Data Source (the "Investment Benchmark"), over the one- and three-year periods ending on December 31 of the Plan year, as described below. For purposes of this Agreement, the "Independent Data Source" shall be a third-party independent data source determined by the Committee. After the end of the Plan year, the Independent Data Source will determine the firms that are included in the Investment Benchmark in accordance with the criteria specified on Exhibit I hereto. The Independent Data Source will also provide to the Company the monthly total return data for each of the Investment Benchmark firms for the three-year period ending on December 31 of the Plan year.

Investment results for the Fixed-Income Portfolio will be marked to market, including 50% of the benefit of any state premium tax abatements for municipal securities held in the Portfolio that are realized by the Company during the Plan year, in order to calculate the Portfolio's fully taxable equivalent total return for the one-year (2023) and three-year period (2021-2023) periods, in each case compounded on a monthly basis. The investment performance achieved by the Fixed-Income Portfolio for the one- and three-year periods (each, a "comparison period") will then be compared against the total returns of the firms included in the Investment Benchmark for the same periods, also compounded on a monthly basis, as determined by the Company from the monthly performance data supplied by the Independent Data Source for each firm in the Investment Benchmark, to determine, for each comparison period, where the Fixed Income Portfolio's performance falls on a percentile basis when compared to the firms in the Investment Benchmark, as further described on Exhibit II ("Performance Ranking").

The Portfolio's Performance Ranking will be used to determine a performance score of between 0 and 2.0 for each comparison period, based on the following schedule:

<u>Comparison Period</u>	<u>Score = 0</u> <u>Rank at or below</u>	<u>Score = 1.0</u> <u>Rank equal to</u>	<u>Score = 2.0</u> <u>Rank at or above</u>
One year	15 th Percentile	50 th Percentile	85 th Percentile
Three year	25 th Percentile	50 th Percentile	75 th Percentile

A Performance Ranking between the values identified in the schedule will be interpolated on a straight-line basis to generate the applicable performance score, as further described on Exhibit II. Once these performance scores are determined, an overall indicated performance factor will be determined by averaging the performance scores for the one- and three-year comparison periods.

The overall indicated performance factor will be reported to the Committee after the expiration of the Plan year, together with such supporting documentation as the Committee may require. The Committee may consider such additional information as it deems necessary or appropriate in its discretion. Such information may include, without limitation:

- the primary investment factors that are responsible for favorable or unfavorable results relative to the peer group, such as the Company's duration and yield curve position and the extent of its exposure to sectors of the fixed-income markets, including corporate bonds, residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities, government bonds, preferred stocks and non-investment-grade bonds;
- the Company's holdings within each sector relative to the general market composition of each sector;
- the extent to which material investment decisions may have been driven by Company strategic or capital considerations; and
- the impact on investment results of significant portfolio cash flows driven by Company operations, strategic decisions or capital transactions.

In addition, the Committee may choose to consult with others, including, without limitation, management, the Board's Investment and Capital Committee, other Board members, and outside compensation and investment professionals, in evaluating the performance of the Company's investment professionals for the year. The Committee will then determine the

Performance Factor, which may vary among participants; provided that under no circumstances may the Performance Factor for any participant exceed 2.0 for the year.

- E. In the event that the Independent Data Source (or its successor or assigns) discontinues providing the data that is necessary to make the calculations required by this Plan, or modifies the information in such a way as to render the comparisons required by this Plan to be not meaningful, in the Committee's sole judgment, the determinations required above shall be made using investment return data for comparable firms satisfying the criteria set forth on Exhibit I as may be available from another recognized provider of investment industry data as the Committee may approve in its sole discretion.
 - F. Notwithstanding any other provision of this Plan, the Fixed Income Portfolio shall not include any portfolio managed by, or any investment made at the direction of, any business unit or area other than PCM.
4. **Payment Procedures; Deferral.** The Annual Incentive Payments will be determined and paid to Plan participants as soon as practicable after the Performance Factor has been determined by the Committee, but no later than March 15th of the year immediately following the Plan year.

Any Plan participant who is then eligible to participate in The Progressive Corporation Executive Deferred Compensation Plan ("Deferral Plan") may elect to defer all or any portion of the Annual Incentive Payment otherwise payable to such participant under this Plan, subject to and in accordance with the terms of the Deferral Plan. If a Plan participant has made such an election under the Deferral Plan, then to the extent of such election, the Annual Incentive Payment will, instead of being paid to such participant as described in the immediately preceding paragraph, be credited to such participant's account under the Deferral Plan in accordance with the terms of the Deferral Plan.

5. **Qualification Date; Leave of Absence; Withholding.** Unless otherwise determined by the Committee, and except as otherwise expressly provided herein, in order to be entitled to receive an Annual Incentive Payment for the Plan year, the participant must be an active officer or regular employee of the Company on November 30 of the Plan year ("Qualification Date"). An individual (a) who is hired on or after December 1 of any Plan year, or (b) whose employment terminates for any reason prior to the Qualification Date is not entitled to an Annual Incentive Payment for that Plan year. Annual Incentive Payments are not earned until paid.

Any participant who is on a leave of absence covered by the Family and Medical Leave Act of 1993, as amended (or equivalent state or local law), the American with Disabilities Act of 1991, as amended (or equivalent state or local law), personal leave of absence with the approval of the Company, military leave or short- or long-term disability (provided that, in the case of a long-term disability, the participant is still an employee of the Company) on the Qualification Date relating to the Plan year will be entitled to receive an Annual Incentive Payment for the Plan year based on the Paid Eligible Earnings received by the participant during the Plan year.

Progressive shall have the right to deduct from any Annual Incentive Payment, prior to payment, the amount of any taxes required to be withheld by any federal, state, local or foreign government with respect to such payments.

6. **Other Plans.** Participants may be selected to participate in this Plan and in one or more other incentive plans offered by the Company. In the case of the CIO or any other executive officer, all determinations with respect to such incentive plans and the executive's participation therein shall be made by the Committee. In all other cases, the Designated Executives shall have full authority to
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determine the incentive plan or plans in which any employee shall participate during the Plan year and the weighting factor (if any) that will apply to each such plan.

7. **Non-Transferability.** Annual Incentive Payments shall be payable only to the participant or, in the event of the participant's death, to the participant's estate. The right to any Annual Incentive Payment hereunder may not be sold, transferred, assigned or encumbered, voluntarily or involuntarily, other than by will or the laws of descent or distribution. Nothing herein shall prevent any participant's interest hereunder from being subject to involuntary attachment, levy or other legal process.
8. **Administration.** The Plan will be administered by or under the direction of the Committee. The Committee will have the authority to adopt, alter, amend, modify, revise and repeal such rules, guidelines, procedures and practices governing the Plan as it, from time to time, in its sole discretion deem advisable.

The Committee will have full authority to determine the manner in which the Plan will operate, to interpret the provisions of the Plan and to make all determinations hereunder. All such interpretations and determinations shall be final and binding on Progressive, all Plan participants, their estates and beneficiaries and all other parties. No such interpretation or determination shall be relied on as a precedent for any similar action or decision. No member of the Committee shall incur any liability for any action taken or omitted, or any determination made, in good faith with respect to the Plan.

Unless otherwise determined by the Committee, all of the authority of the Committee hereunder (including, without limitation, the authority to administer the Plan, select the persons entitled to participate herein, interpret the provisions hereof, waive any of the requirements specified herein and make determinations hereunder and to select, approve, establish, change or modify the Investment Benchmarks, Performance Targets and Target Percentages) may be exercised by the Designated Officers. If one or more of the Designated Officers is unavailable or unable to participate, or if such position is vacant, the Chief Financial Officer may act instead of such officer.

Notwithstanding anything in this Plan to the contrary: (a) all determinations made under this Plan with respect to the CIO or any other individual deemed to be an executive officer of the Company must be made only by the Committee; and (b) only the Committee may make the determination of the Performance Factor required by Section 3.D. above.

9. **Miscellaneous.**

- A. **Recoupment.** Progressive shall have the right to recoup any Annual Incentive Payment (or an appropriate portion thereof, as hereinafter provided) with respect to any Plan year paid to a participant hereunder who was an executive officer of Progressive at any time during such Plan year, if: (i) the Annual Incentive Payment was calculated by reference to the achievement during such Plan year of certain financial or operating results (which includes, for purposes hereof, the performance of the Fixed-Income Portfolio); (ii) such financial or operating results were incorrect and were subsequently the subject of a restatement by Progressive within three (3) years after the date on which such Annual Incentive Payment was paid to the participant; and (iii) the Annual Incentive Payment would not have been paid, in whole or in part, to the participant if the restated financial or operating results had been known at the time the payment was made. Such recoupment right shall be available to Progressive whether or not the participant in question was at fault or responsible in any way in causing such restatement. In such circumstances, Progressive will have the right to recover from each such participant for such Plan year, and each such participant will refund to Progressive promptly upon demand, the
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amount by which the Annual Incentive Payment paid to such participant for the Plan year in question exceeded the payment that would have been made if the Annual Incentive Payment had been calculated by reference to the restated results, without interest; provided, however, that Progressive will not seek to recover such amounts from any participant who was not an executive officer at any time during the Plan year unless the amount due would exceed the lesser of five percent (5%) of the Annual Incentive Payment previously paid or twenty-thousand dollars (\$20,000). Such recovery, at the Committee's discretion, may be made by lump sum payment, installment payments, credits against future Annual Incentive Payments, annual gainsharing payments or other bonus payments, credits against any other compensation, or other appropriate mechanism. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited in the Deferral Plan as a result of an election by the participant.

- B. Further Rights. Notwithstanding the foregoing subsection A., if any participant that was an executive officer at any time during such Plan year engaged in fraud or other misconduct (as determined by the Committee or the Board, in their respective sole discretion) resulting, in whole or in part, in a restatement of the financial or operating results used hereunder to determine the Annual Incentive Payments for a specific Plan year, Progressive will further have the right to recover from such participant, and the participant will refund to Progressive upon demand, an amount equal to the entire Annual Incentive Payment paid to such participant for such Plan year plus interest at the rate of eight percent (8%) per annum or, if lower, the highest rate permitted by law, calculated from the date that such bonus was paid to the participant. Progressive shall further have the right to recover from such participant Progressive's costs and expenses incurred in connection with recovering such Annual Incentive Payment from the participant and enforcing its rights under this subsection B., including, without limitation, reasonable attorneys' fees. There shall be no time limit on the Company's right to recover such amounts under this subsection B., except as otherwise provided by applicable law. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.
- C. Compliance with Law and Exchange Requirements. The Annual Incentive Payments determined and paid pursuant to the Plan shall be subject to all applicable laws and regulations. Without limiting the foregoing, and notwithstanding anything to the contrary contained in this Plan, if the SEC adopts final rules under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act that require, as a condition to the Company's continued listing on a national securities exchange ("Exchange"), that the Company develop and implement a policy requiring the recovery of erroneously awarded compensation, and such regulations are applicable to a participant awarded an Annual Incentive Payment pursuant to the Plan, then the Annual Incentive Payment paid to such participant (and any payment made to such participant pursuant to a similar plan) shall be subject to recoupment by the Company pursuant to the terms of the rules of the SEC and any applicable Exchange and any policy of the Company adopted in response to such rules. References in this paragraph to payments and amounts paid shall be deemed to include amounts deposited into the Deferral Plan as a result of an election by the participant.
- D. Rights Not Exclusive. The rights contained in the foregoing subsections A. through C. shall be in addition to, and shall not limit, any other rights or remedies that the Company may have under any applicable law or regulation. Nothing contained in subsections A. through C. shall be deemed to limit any additional legal or equitable rights or remedies the Company may have under applicable law with respect to any participant who may have caused or contributed to the Company's need to restate its financial results. If any of the provisions of subsections A. through
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C., or any part thereof, are held to be unenforceable, the court making such determination shall have the power to revise or modify such provision to make it enforceable to the maximum extent permitted by applicable law and, in its revised or modified form, said provision shall then be enforceable.

10. **Termination; Amendments.** The Plan may be suspended, terminated, amended or revised, in whole or in part, at any time and from time to time by the Committee, in its sole discretion.
 11. **Unfunded Obligations.** The Plan will be unfunded and all payments due under the Plan will be made from Progressive's general assets.
 12. **No Employment Rights.** Nothing in the Plan, and no action hereunder, shall be construed as conferring upon any person the right to remain a participant in the Plan or to remain employed by Progressive, nor shall the Plan limit Progressive's right to discipline or discharge any of its officers or employees or change any of their job titles, duties, authority or compensation, at any time and without assigning a reason therefor.
 13. **Set-off Rights.** Progressive shall have the unrestricted right to set off against or recover out of any Annual Incentive Payment or other sums owed to any participant under the Plan any amounts owed by such participant (including pursuant to Section 9) to Progressive.
 14. **Misconduct.** No participant shall have the right to receive any Annual Incentive Payment if, prior to such payment being made, participant's employment is terminated as a result of any action or inaction that, under Progressive's employment practices or policies as then in effect, constitutes grounds for immediate termination of employment, as determined by Progressive (or, in the case of an executive officer, the Committee) in its sole discretion. In addition, no participant who is an executive officer shall have the right to receive any Annual Incentive Payment if, prior to such payment being made, participant's employment is terminated by Progressive for Cause, or if there occurs any action or inaction that constitutes grounds for termination for Cause or otherwise constitutes grounds for immediate termination of employment under the Company's employment practices or policies as then in effect, as determined by the Committee in its sole discretion. For purposes of this Section 14, "Cause" shall mean a felony conviction of a participant or the failure of a participant to contest prosecution for a felony; a participant's willful misconduct or dishonesty, any of which, in the judgment of the Committee, is harmful to the business or reputation of Progressive; or any material violation (in the judgment of the Committee) of any of the provisions of the Company's Code of Business Conduct and Ethics or the Chief Executive Officer/Senior Financial Officer Code of Ethics (if applicable to the participant), or any confidentiality agreement, non-solicitation agreement, non-competition agreement or other agreement between the participant and Progressive.
 15. **Employees Subject to Foreign Jurisdictions.** To the extent the Committee deems it necessary, appropriate or desirable to comply with foreign law or practice or taxation and to further the purposes of the Plan, the Committee may, without amending the Plan, exclude any employee not temporarily or permanently residing in the United States from participating in the Plan or establish rules applicable to Annual Incentive Payments to participants who are foreign nationals or foreign residents, are employed outside the United States, or both, including rules that differ from those set forth in this Plan.
 16. **Section 409A.** Payments under the Plan are intended to be exempt from Section 409A because no legally binding right to any Annual Incentive Payment arises until the payment date, and, in the alternative, because any payment is a short term deferral under Section 409A; the Plan shall be
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administered and interpreted accordingly. Notwithstanding any provision of the Plan to the contrary, if the Committee determines that any payment under the Plan may constitute deferred compensation subject to Section 409A, the Committee may take any actions necessary to preserve the intended tax treatment of the benefits provided with respect to such payment. Any benefit under the Plan that is subject to Section 409A because deferred pursuant to the terms of the Deferral Plan shall be paid according to the terms of such plan.

17. **Prior Plans.** This Plan supersedes all prior plans, agreements, understandings and arrangements regarding bonuses or other cash incentive compensation payable or due to any participant from Progressive with respect to the performance of Progressive's investment portfolio. Without limiting the generality of the foregoing, this Plan supersedes and replaces the 2022 Progressive Capital Management Annual Incentive Plan (the "Prior Plan"), which is and shall be deemed to have terminated on the last day of the Company's 2022 fiscal year (the "Prior Plan Termination Date"); provided, however, that (a) any bonuses or other sums earned and payable under the Prior Plan with respect to any Plan year ended on or prior to the Prior Plan Termination Date shall be unaffected by such termination and shall be paid to the appropriate participants when and as provided thereunder, and (b) any provisions regarding recoupment of payments from executive officers and the administrative and interpretive authority of the Committee and/or the Designated Officers under the Prior Plan shall survive.
 18. **Effective Date.** This Plan is adopted, and is effective, as of the first day of the Company's 2023 fiscal year and will be effective for the 2023 Plan year (which coincides with Progressive's 2023 fiscal year, except that investment returns are calculated on a calendar year basis).
 19. **Governing Law.** This Plan shall be governed by, and interpreted and construed in accordance with, the laws of the State of Ohio applicable to contracts made and performed wholly within such state by residents thereof.
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EXHIBIT I

INVESTMENT BENCHMARK CRITERIA

After the end of the Plan year, the Independent Data Source will determine the firms comprising the Investment Benchmark for the Plan year from its records and will supply to the Company the monthly total returns and any other relevant data for each of those firms for the three-year period ending on December 31 of the Plan year.

A firm will be included in the Investment Benchmark if the Independent Data Source is able to determine from its records that:

1. The firm has provided monthly data regarding its holdings and investment return, as necessary to determine or calculate such firm's monthly total return, and to evaluate such firm's compliance with each of the criteria set forth below, for the entire three-year period ending on December 31 of the Plan year; and
2. At all times during the three-year period ending on December 31 of the Plan year, the information provided by the firm shows, or the Independent Data Source is able to calculate, that such firm's investment portfolio satisfies each of the following criteria:

Duration:	Effective Duration between 1.5 years and 5.0 years
Credit Quality Average	= A, or = AA, or = AAA, or = AAA+
Convexity (%)	>= -1
Sector Allocation:	U.S. High Yield Corporate Debt <= 10%
Sector Allocation:	Mortgages <= 60%
Sector Allocation:	U.S. Investment Grade Corporate Debt <= 60%
Sector Allocation:	CMBS <= 60%
Sector Allocation:	ABS <= 60%
Sector Allocation:	Emerging Markets Debt <= 5%

3. The Company will have no discretion to alter the Investment Benchmark list after it is finalized by the Independent Data Source.
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EXHIBIT II

DETERMINATION OF PERFORMANCE RANKING AND PERFORMANCE SCORES

Once all the total returns are calculated, the data is sorted in descending order from highest to lowest total return. From here, the process to compute the Performance Factor is as follows (this Exhibit shows the procedures and related calculations for the 1-year comparison period required by the Plan; the calculations for the 3-year comparison period would follow the same procedures, except that necessary adjustments would be made to determine the top and bottom 25% levels and the performance score variances between those levels):

INTERPOLATED VALUES FOR SETTING TOP AND BOTTOM 15% LEVELS

The top 15% and bottom 15% total return rankings are computed based on the total number of firms in the Investment Benchmark, excluding the PCM Fixed-Income Portfolio return. For example, if there were 279 participants, the return required to earn a 2.0 portfolio performance factor would be determined by interpolating between the forty-first and forty-second firm's returns, since 15% of 279 = 41.85. The same procedure would be used to determine the 0.0 portfolio performance factor.

The total returns, computed by Investment Accounting, for the interpolated positions are calculated as follows (continuing to use an example of 279 survey firms):

$$\begin{aligned}\text{Interpolated Value} &= \text{Firm 41 return} - ((\text{Firm 41 Return} - \text{Firm 42 Return}) * 0.85) \\ \text{Firm 41} &= 18.35\% \\ \text{Firm 42} &= 18.23\%\end{aligned}$$

$$\text{Firm 41.85 (Interpolated Value)} = 18.35\% - ((18.35\% - 18.23\%) * 0.85) = 18.25\%.$$

In this case, the PCM Performance Factor will equal 2.0 if its total return equals the interpolated value for Firm 41.85 of 18.25%. A similar calculation is then used to determine the bottom 15% group and interpolated value for a 0.0 performance score.

Once the two groups are computed, top and bottom 15%, the remainder of the performance scores are calculated as follows:

Performance score variance = (2.00) / Number of positions from first participant after the top 15% ranking to the 1st participant in the bottom 15% ranking. In the case of 279 participants, the number of positions to divide the 2.00 performance factors by would be 198.

The calculation for the performance score variance from 2.00 – 0.00 would be:

$$2.00 / 198 = .010101 \text{ per position for 279 firms}$$

In the case of a tie in total returns between firms, each firm will have the same performance score, one step under the next higher position. The next lowest position would then be stepped down by a factor based on the number of participants who tie. In the case of a tie between two firms, the step down will be twice the performance score variance to maintain the proper stepping to the 0.00 performance score level.

Example: If firms 42 and 43 each had the same total return in the 279 firm example, then firms 42 and 43 would each have a Performance Factor of 1.989899, which is 2.00 - .0010101. The number 44 position in this example would have a performance score of 1.969697, which is the required step

down from 42 to 44.

In addition, if the returns are tied between the interpolated value set for the 2.00 performance score and any position below the 2.00 level, those lower positions will also be set to a 2.00 performance score. The step down factor in the performance score will work similarly as noted in the example above. For the last 15% group, all firms with total returns equaling the last interpolated total return value would have the same performance score as the last interpolated value (.0101012), and all others in the last 15% group would have a 0.00 Portfolio Performance Factor.

Once all the performance scores have been created, from 2.00 to 0.00, PCM's return is compared to the rankings to determine its Performance Factor. If the PCM return is not in the top or bottom 15% and does not match the return of any participant, then PCM's Performance Factor is an interpolated value between the firms with the next highest and next lowest returns.

The interpolation computation for the Performance Factor based on PCM's return is as follows:

$$\text{Performance score of firm below PCM return} + (\text{PCM's Return} - \text{Return below PCM}) / (\text{Return above PCM} - \text{Return below PCM}) * (\text{Performance score of firm above PCM} - \text{Performance score of firm below PCM})$$

Assuming the following data, using the 279 firm example:

<u>Firm</u>	<u>Performance score</u>	<u>Total return</u>
Firm above PCM	.90	13.61
PCM		13.39
Firm below PCM	.89	13.34

The calculation of PCM's Performance Factor is:

$$0.89 + (13.39 - 13.34) / (13.61 - 13.34) * (0.90 - 0.89) = 0.89$$

The final performance score is rounded to the nearest one-hundredth, if necessary.

THE PROGRESSIVE CORPORATION
2022 ANNUAL REPORT TO SHAREHOLDERS

App.-A-1

The Progressive Corporation and Subsidiaries
Consolidated Statements of Comprehensive Income

For the years ended December 31,

(millions - except per share amounts)

	2022	2021	2020
Revenues			
Net premiums earned	\$ 49,241.2	\$ 44,368.7	\$ 39,261.6
Investment income	1,260.3	860.9	936.6
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	196.5	614.3	914.7
Net holding period gains (losses) on securities	(2,100.1)	899.9	715.3
Net impairment losses recognized in earnings	(8.6)	(5.0)	0
Total net realized gains (losses) on securities	(1,912.2)	1,509.2	1,630.0
Fees and other revenues	722.1	691.8	603.5
Service revenues	299.3	271.4	226.4
Total revenues	49,610.7	47,702.0	42,658.1
Expenses			
Losses and loss adjustment expenses	38,122.7	33,627.6	25,121.8
Policy acquisition costs	3,917.0	3,712.8	3,273.2
Other underwriting expenses	5,859.6	5,654.7	5,570.0
Policyholder credit expense	0	0	1,077.4
Investment expenses	24.3	25.5	20.0
Service expenses	296.7	252.8	205.5
Interest expense	243.5	218.6	217.0
Goodwill impairment ¹	224.8	0	0
Total expenses	48,688.6	43,492.0	35,484.9
Net Income			
Income before income taxes	922.1	4,210.0	7,173.2
Provision for income taxes	200.6	859.1	1,468.6
Net income	721.5	3,350.9	5,704.6
Other Comprehensive Income (Loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	(2,842.5)	(891.1)	586.5
Net unrealized losses on forecasted transactions	0.4	0.7	0.8
Foreign currency translation adjustment	(0.6)	(0.6)	0
Other comprehensive income (loss)	(2,842.7)	(891.0)	587.3
Comprehensive income (loss)	\$ (2,121.2)	\$ 2,459.9	\$ 6,291.9
Computation of Earnings Per Common Share			
Net income	\$ 721.5	\$ 3,350.9	\$ 5,704.6
Less: Preferred share dividends	26.9	26.9	26.9
Net income available to common shareholders	\$ 694.6	\$ 3,324.0	\$ 5,677.7
Average common shares outstanding - Basic	584.4	584.5	584.9
Net effect of dilutive stock-based compensation	2.7	2.6	2.7
Total average equivalent common shares - Diluted	587.1	587.1	587.6
Basic: Earnings per common share	\$ 1.19	\$ 5.69	\$ 9.71
Diluted: Earnings per common share	\$ 1.18	\$ 5.66	\$ 9.66

¹ See Note 15 – Goodwill and Intangible Assets for further discussion.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Balance Sheets
December 31,

(millions - except per share amounts)

	2022	2021
Assets		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost: \$50,264.0 and \$43,794.2)	\$ 46,651.9	\$ 43,873.1
Short-term investments (amortized cost: \$2,861.7 and \$942.6)	2,861.7	942.6
Total available-for-sale securities	49,513.6	44,815.7
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: \$1,364.2 and \$1,571.8)	1,213.2	1,639.9
Common equities (cost: \$826.1 and \$1,264.1)	2,821.5	5,058.5
Total equity securities	4,034.7	6,698.4
Total investments	53,548.3	51,514.1
Cash and cash equivalents	203.5	187.1
Restricted cash and cash equivalents	17.4	15.0
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	220.9	202.1
Accrued investment income	282.5	181.7
Premiums receivable, net of allowance for credit losses of \$343.3 and \$280.4	10,416.9	9,399.5
Reinsurance recoverables	5,832.1	4,980.5
Prepaid reinsurance premiums	295.5	457.6
Deferred acquisition costs	1,544.4	1,355.6
Property and equipment, net of accumulated depreciation of \$1,551.1 and \$1,407.4	1,034.0	1,137.3
Goodwill ¹	227.9	452.7
Intangible assets, net of accumulated amortization of \$158.6 and \$383.8	86.3	117.3
Net federal deferred income taxes	1,131.5	0
Other assets	844.7	1,333.9
Total assets	\$ 75,465.0	\$ 71,132.3
Liabilities and Shareholders' Equity		
Unearned premiums	\$ 17,293.6	\$ 15,615.8
Loss and loss adjustment expense reserves	30,359.3	26,164.1
Net federal deferred income taxes	0	152.9
Accounts payable, accrued expenses, and other liabilities ²	5,532.8	6,069.1
Debt ³	6,388.3	4,898.8
Total liabilities	59,574.0	52,900.7
Serial Preferred Shares (authorized 20.0)		
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference of \$1,000 per share) (authorized, issued, and outstanding 0.5)	493.9	493.9
Common shares, \$1.00 par value (authorized 900.0; issued 797.6, including treasury shares of 212.7 and 213.2)	584.9	584.4
Paid-in capital	1,893.0	1,772.9
Retained earnings	15,721.2	15,339.7
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on fixed-maturity securities	(2,786.3)	56.2
Net unrealized losses on forecasted transactions	(14.5)	(14.9)
Foreign currency translation adjustment	(1.2)	(0.6)
Total accumulated other comprehensive income (loss)	(2,802.0)	40.7
Total shareholders' equity	15,891.0	18,231.6
Total liabilities and shareholders' equity	\$ 75,465.0	\$ 71,132.3

¹ See Note 15 – Goodwill and Intangible Assets for further discussion.

² See Note 1 – Reporting and Accounting Policies for Commitments and Contingencies and Note 12 – Litigation for further discussion.

³ Consists of 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
For the years ended December 31,

(millions - except per share amounts)	2022	2021	2020
Serial Preferred Shares, No Par Value			
Balance, beginning of year	\$ 493.9	\$ 493.9	\$ 493.9
Balance, end of year	493.9	493.9	493.9
Common Shares, \$1.00 Par Value			
Balance, beginning of year	584.4	585.2	584.6
Treasury shares purchased	(0.9)	(2.4)	(1.3)
Net restricted equity awards issued/vested	1.4	1.6	1.9
Balance, end of year	584.9	584.4	585.2
Paid-In Capital			
Balance, beginning of year	1,772.9	1,672.9	1,573.4
Amortization of equity-based compensation	122.7	100.7	89.4
Treasury shares purchased	(2.6)	(7.1)	(3.6)
Net restricted equity awards issued/vested	(1.4)	(1.6)	(1.9)
Reinvested dividends on restricted stock units	1.4	8.0	18.2
Adjustment to carrying amount of redeemable noncontrolling interest	0	0	(2.6)
Balance, end of year	1,893.0	1,772.9	1,672.9
Retained Earnings			
Balance, beginning of year	15,339.7	13,354.9	10,679.6
Net income	721.5	3,350.9	5,704.6
Treasury shares purchased	(95.5)	(213.5)	(106.7)
Cash dividends declared on common shares (\$0.40, \$1.90, and \$4.90 per share) ¹	(233.7)	(1,109.0)	(2,865.9)
Cash dividends declared on Serial Preferred Shares, Series B (\$53.75, \$53.75, and \$80.625 per share) ¹	(26.8)	(26.8)	(40.2)
Reinvested dividends on restricted stock units	(1.4)	(8.0)	(18.2)
Other, net	17.4	(8.8)	1.7
Balance, end of year	15,721.2	15,339.7	13,354.9
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	40.7	931.7	341.7
Attributable to noncontrolling interest	0	0	2.7
Other comprehensive income (loss)	(2,842.7)	(891.0)	587.3
Balance, end of year	(2,802.0)	40.7	931.7
Total shareholders' equity	\$ 15,891.0	\$ 18,231.6	\$ 17,038.6

¹ See Note 14 – Dividends for further discussion.

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
For the years ended December 31,

(millions)	2022	2021	2020
Cash Flows From Operating Activities			
Net income	\$ 721.5	\$ 3,350.9	\$ 5,704.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	305.6	279.7	274.9
Amortization of intangible assets	31.0	57.7	56.9
Net amortization (accretion) of fixed-income securities	(25.2)	130.3	100.9
Amortization of equity-based compensation	122.7	100.7	89.4
Net realized (gains) losses on securities	1,912.2	(1,509.2)	(1,630.0)
Net (gains) losses on disposition of property and equipment	(0.6)	(3.6)	12.5
Goodwill impairment ¹	224.8	0	0
Changes in:			
Premiums receivable	(1,017.4)	(1,146.8)	(652.8)
Reinsurance recoverables	(851.6)	(508.7)	(640.5)
Prepaid reinsurance premiums	162.1	(74.9)	258.4
Deferred acquisition costs	(188.8)	(118.4)	(180.7)
Income taxes	(515.3)	(86.0)	(23.1)
Unearned premiums	1,677.8	2,111.4	1,048.7
Loss and loss adjustment expense reserves	4,195.2	4,752.8	2,160.4
Accounts payable, accrued expenses, and other liabilities	199.5	399.7	328.9
Other, net	(104.7)	26.1	(2.9)
Net cash provided by operating activities	6,848.8	7,761.7	6,905.6
Cash Flows From Investing Activities			
Purchases:			
Fixed maturities	(26,510.4)	(33,177.5)	(32,037.5)
Equity securities	(158.1)	(838.1)	(951.2)
Sales:			
Fixed maturities	14,055.2	18,965.2	22,727.2
Equity securities	1,496.1	780.6	431.8
Maturities, paydowns, calls, and other:			
Fixed maturities	5,380.3	7,013.8	7,109.4
Equity securities	83.6	223.1	113.8
Net (purchases) sales of short-term investments	(1,868.2)	4,355.7	(3,393.2)
Net change in unsettled security transactions	(177.8)	47.9	83.6
Acquisition of Protective Insurance Corporation, net of cash, cash equivalents, and restricted cash equivalents acquired	0	(313.2)	0
Purchases of property and equipment	(292.0)	(243.5)	(223.5)
Sales of property and equipment	35.1	66.2	21.9
Net cash used in investing activities	(7,956.2)	(3,119.8)	(6,117.7)
Cash Flows From Financing Activities			
Dividends paid to common shareholders ²	(234.0)	(3,746.5)	(1,551.0)
Dividends paid to preferred shareholders ²	(26.8)	(26.8)	(26.8)
Acquisition of treasury shares for restricted stock tax liabilities	(76.7)	(67.2)	(68.7)
Acquisition of treasury shares acquired in open market	(22.3)	(155.8)	(42.9)
Net proceeds from debt issuance	1,486.0	0	986.3
Payment of acquired company debt	0	(20.0)	0
Payments of debt	0	(500.0)	0
Acquisition of additional shares of ARX Holding Corp.	0	0	(243.0)
Proceeds from exercise of equity options	0	0	7.3
Net cash provided by (used in) financing activities	1,126.2	(4,516.3)	(938.8)
Increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	18.8	125.6	(150.9)
Cash, cash equivalents, restricted cash, and restricted cash equivalents - beginning of year	202.1	76.5	227.4
Cash, cash equivalents, restricted cash, and restricted cash equivalents - end of year	\$ 220.9	\$ 202.1	\$ 76.5

¹ See Note 15 – Goodwill and Intangible Assets for further discussion.

² See Note 14 – Dividends for further discussion.

See notes to consolidated financial statements.

1. REPORTING AND ACCOUNTING POLICIES

Nature of Operations The Progressive insurance organization began business in 1937. The financial results of The Progressive Corporation include its subsidiaries and affiliates (references to “subsidiaries” in these notes include affiliates as well). Our insurance subsidiaries provide personal and commercial auto insurance, personal residential and commercial property insurance, workers’ compensation insurance primarily for the transportation industry, business-related general liability insurance, and other specialty property-casualty insurance and related services.

We report three operating segments. Our Personal Lines segment writes insurance for personal autos and recreational vehicles, which we refer to as our special lines products. Our Commercial Lines segment writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominately for small businesses, and workers’ compensation insurance primarily for the transportation industry. Our Property segment writes residential property insurance for homeowners, other property owners, and renters. We operate our businesses throughout the United States through both the independent agency and direct channels.

Basis of Consolidation and Reporting 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. All intercompany accounts and transactions are eliminated in consolidation. All revenues are generated from external customers and we do not have a reliance on any major customer.

Estimates We are required to make estimates and assumptions when preparing our financial statements and accompanying notes in conformity with accounting principles generally accepted in the United States of America (GAAP). As estimates develop into fact, results may, and will likely, differ from those estimates.

Investments Our fixed-maturity securities and short-term investments are accounted for on an available-for-sale basis. Fixed-maturity securities include debt securities and redeemable preferred stocks, which may have fixed or variable principal payment schedules, may be held for indefinite periods of time, and may be used as a part of our asset/liability strategy or sold in response to changes in interest rates, anticipated prepayments, risk/reward characteristics, liquidity needs, or other economic factors. These securities are carried at fair value with the corresponding unrealized gains (losses), net of deferred

income taxes, reported in accumulated other comprehensive income.

Short-term investments may include commercial paper, repurchase transactions, and other securities expected to mature within one year. From time to time, we may also invest in municipal bonds that have maturity dates that are longer than one year but have either liquidity facilities or mandatory put features within one year.

Equity securities include common stocks, nonredeemable preferred stocks, and other risk investments. Common stocks and nonredeemable preferred stocks are carried at fair value, with the changes in fair value reported as a component of net holding period gains (losses) on securities on the consolidated statements of comprehensive income. The other risk investments are accounted for under the equity method of accounting. These securities are carried at cost and adjusted for our share of the investee’s earnings or losses, with the changes in carrying value reported in investment income.

Derivative instruments may include futures, options, forward positions, interest rate swap agreements, and credit default swaps and may be used in the portfolio for general investment purposes or to hedge the exposure to variable cash flows of a forecasted transaction (cash flow hedge).

To the extent we have derivatives held for general investment purposes, these derivative instruments would be recognized as either assets or liabilities and measured at fair value, with changes in fair value recognized in net income as a component of net holding period gains (losses) on securities.

Derivatives designated as hedges are required to be evaluated on established criteria to determine the effectiveness of their correlation to, and ability to reduce the designated risk of, specific securities or transactions. Effectiveness is required to be reassessed regularly. For cash flow hedges that are deemed to be effective, the changes in fair value of the hedge would be reported as a component of accumulated other comprehensive income and subsequently amortized into earnings over the life of the hedged transaction. If a hedge is deemed to become ineffective or discontinued, changes in fair value of the derivative instrument would be reported in income for the current period.

For derivatives settled through a clearinghouse, collateral is required to post initial margin and is subject to increases in margin beyond changes in fair value. Exposure to credit risk is limited to the carrying value; collateral may be required to limit credit risk. For bi-lateral derivative

positions, net cash requirements are limited to changes in fair values, which may vary as a result of changes in interest rates, currency exchange rates, and other factors. We have elected not to offset fair value amounts that arise from derivative positions with the same counterparty under a master netting arrangement.

Investment securities are exposed to various risks such as interest rate, market, credit, and liquidity risk. Fair values of securities fluctuate based on the nature and magnitude of changing market conditions; significant changes in market conditions could materially affect the portfolio's value in the near term. We routinely monitor our fixed-maturity portfolio for pricing changes that might indicate potential credit losses exist and perform detailed reviews of securities with unrealized losses. For an unrealized loss that we determined to be related to current market conditions, we will not record an allowance for credit losses or a write-off of the fair value for securities we do not intend to sell. We will continue to monitor these securities to determine if the unrealized loss is due to credit deterioration. If we believe that a potential credit loss exists, we will record an allowance for the credit loss and recognize the realized loss as a component of realized gains and losses in the income statement. Once a credit loss allowance has been established, we will continue to evaluate the security, at least quarterly, to determine if changes in conditions have created the need to either increase, or decrease, the allowance recorded. If we determine that a security with a credit loss allowance previously recorded is likely to be sold prior to the potential recovery of the credit loss, or if we determine that the loss is uncollectible, we will reverse the allowance and write down the security to its fair value.

Investment income consists of interest, dividends, and accretion (net of amortization). Interest is recognized on an accrual basis using the effective yield method, except for asset-backed securities, discussed below. Depending on the nature of the equity instruments, dividends are recorded at either the ex-dividend date or on an accrual basis.

Asset-backed securities, which are included in our fixed-maturity portfolio, are generally accounted for under the retrospective method. The retrospective method recalculates yield assumptions (based on changes in interest rates or cash flow expectations) historically to the inception of the investment holding period, and applies the required adjustment, if any, to the cost basis, with the offset recorded to investment income on a quarterly basis. The prospective method is used primarily for interest-only securities, asset-backed securities below high investment-grade status (i.e., below AA-), and certain asset-backed

securities with sub-prime loan exposure or where there is a greater risk of non-performance and where it is possible the initial investment may not be substantially recovered. The prospective method requires a calculation of expected future repayments and resets the yield to allow for future period adjustments; no current period impact to investment income or the security's cost is made based on the cash flow update. Prepayment assumptions are updated quarterly.

Realized gains (losses) on securities are computed based on the first-in first-out method. Realized gains (losses) also include holding period valuation changes on equity securities, hybrid instruments (e.g., securities with embedded options, where the option is a feature of the overall change in the value of the instrument), and derivatives, as well as initial, and subsequent changes in, credit allowance losses, and write-offs for losses deemed uncollectible or securities in a loss position that are expected to be sold prior to the recovery of the credit loss.

Insurance Premiums and Receivables Insurance premiums written are earned into income on a pro rata basis over the period of risk, based on a daily earnings convention. Accordingly, unearned premiums represent the portion of premiums written with unexpired risk. We provide insurance and related services to individuals and commercial accounts and offer a variety of payment plans. Generally, premiums are collected prior to providing risk coverage, minimizing our exposure to credit risk.

For our Personal Lines and Commercial Lines businesses, we perform a policy-level evaluation to determine the extent to which the premiums receivable balance exceeds the unearned premiums balance. We then age this exposure to establish an allowance for credit losses based on prior experience, as well as counterparty credit risks.

For our Property business, the risk of uncollectibility is relatively low. If premiums are unpaid by the policy due date, we provide advance notice of cancellation in accordance with each state's requirements and, if the premiums remain unpaid after receipt of notice, we cancel the policy and write off any remaining balance.

To determine an allowance for credit losses, we evaluate the collectibility of premiums receivables based on historical and current collections experience using actuarial analysis. Our estimate of the future recoverability of our projected ultimate at-risk exposures also takes into consideration any unusual circumstances that we may encounter, such as moratoriums or other programs that may suspend collections.

The following table summarizes changes in our allowance for credit loss exposure on our premiums receivable:

(millions)	2022	2021
Balance at January 1	\$ 280.4	\$ 356.2
Allowance for credit losses acquired ¹	0	3.5
Increase in allowance ²	471.1	357.2
Write-offs ³	(408.2)	(436.5)
Balance at December 31	\$ 343.3	\$ 280.4

¹ Allowance acquired in the Protective Insurance Corporation and subsidiaries (Protective Insurance) acquisition.

² Represents the incremental increase in other underwriting expenses.

³ Represents the portion of allowance that is reversed when premiums receivables are written off. Premiums receivable balances are written off once we have exhausted our collection efforts.

The increase in the allowance for credit losses during 2022 in part reflects a higher amount of premiums receivables determined to be at risk of being uncollectible, driven by the growth in our premiums receivable balance, receivables being outstanding for longer periods of time before collection, and an increased collections risk related to moratoriums in place for Hurricane Ian.

Deferred Acquisition Costs Deferred acquisition costs include commissions, premium taxes, and other variable underwriting and direct sales costs incurred in connection with the successful acquisition or renewal of insurance contracts. These acquisition costs, net of ceding allowances, are deferred and amortized over the policy period in which the related premiums are earned. We consider anticipated investment income in determining recoverability of these costs. Management believes these costs will be fully recoverable in the near term.

We do not defer any advertising costs. Total advertising costs, which are expensed as incurred, for the years ended December 31, were:

(millions)	Advertising Costs
2022	\$ 2,032.5
2021	2,139.5
2020	2,175.7

Loss and Loss Adjustment Expense Reserves Loss reserves represent the estimated liability on claims reported to us, plus reserves for losses incurred but not recorded (IBNR). These estimates are reported net of amounts estimated to be recoverable from salvage and subrogation. Loss adjustment expense reserves represent the estimated expenses required to settle these claims. The methods of making estimates and establishing these reserves are reviewed regularly and resulting adjustments are reflected in income in the current period. Such loss and loss adjustment expense reserves are susceptible to change.

Reinsurance Our reinsurance activity includes transactions which are categorized as Regulated and Non-Regulated. Regulated refers to plans in which we participate that are governed by insurance regulations and include state-provided reinsurance facilities (e.g., Michigan Catastrophic Claims Association (MCCA), North Carolina Reinsurance Facility, Florida Hurricane Catastrophe Fund), as well as state-mandated involuntary plans for commercial vehicles (Commercial Automobile Insurance Procedures/Plans – CAIP) and federally regulated plans for flood (National Flood Insurance Program – NFIP); we act as a participant in the “Write Your Own” program for the NFIP. In 2022, our service contract to act as a servicing agent for CAIP expired and we did not renew the contract.

Non-Regulated includes voluntary contractual arrangements primarily related to our Property business and to the transportation network company (TNC) business written by our Commercial Lines segment. Prepaid reinsurance premiums are earned on a pro rata basis over the period of risk, based on a daily earnings convention, which is consistent with premiums earned. See *Note 7 – Reinsurance* for further discussion.

We routinely monitor changes in the credit quality and concentration risks of the reinsurers who are counterparties to our reinsurance recoverables to determine if an allowance for credit losses should be established.

Income Taxes The income tax provision is calculated under the balance sheet approach. 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. The principal items giving rise to such differences include:

- investment securities (e.g., net unrealized gains (losses), net holding period gains (losses) on securities, write-downs on securities determined to be other-than-temporarily impaired);
- loss and loss adjustment expense reserves;
- unearned premiums reserves;
- deferred acquisition costs;
- property and equipment;
- intangible assets; and
- non-deductible accruals.

We review our deferred tax assets regularly for recoverability. See *Note 5 – Income Taxes* for further discussion.

Property and Equipment Property and equipment are recorded at cost, less accumulated depreciation. Depreciation is recognized over the estimated useful lives of the assets using accelerated methods for computer equipment and the straight-line method for all other fixed assets. We evaluate impairment whenever events or circumstances warrant such a review and write-off the impaired assets if appropriate.

The cost and useful lives for property and equipment at December 31, were:

(\$ in millions)		2022	2021	Useful Lives
Land	\$	123.1	\$ 154.1	NA
Buildings, improvements, and integrated components		844.1	904.5	7-40 years
Capitalized software		475.4	441.2	3-10 years
Software licenses (internal use)		427.6	393.6	1-6 years
Computer equipment		318.1	261.3	3 years
All other property and equipment		396.8	390.0	3-10 years
Total cost		2,585.1	2,544.7	
Accumulated depreciation		(1,551.1)	(1,407.4)	
Balance at end of year	\$	1,034.0	\$ 1,137.3	

NA = Not applicable; land is not a depreciable asset.

Included in other assets in the consolidated balance sheets are “held for sale” property, which, when transferred, are written down to their fair values less the estimated costs to sell, of \$48.7 million and \$10.8 million at December 31, 2022 and 2021, respectively, and capitalized cloud computing arrangement implementation costs, net of amortization, of \$63.4 million and \$47.7 million at December 31, 2022 and 2021, respectively.

Goodwill and Intangible Assets Goodwill is the excess of the purchase price over the estimated fair value of the assets and liabilities acquired and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized.

Intangible assets are non-financial assets lacking physical substance, such as customer and agency relationships and software rights, and represent the future economic benefit of those acquired assets.

We evaluate our goodwill for impairment at least annually using a qualitative approach. If events or changes in circumstances indicate that the carrying value of goodwill or intangible assets may not be recoverable, we will evaluate such items for impairment using a quantitative approach. See *Note 15 – Goodwill and Intangible Assets* for further discussion.

Guaranty Fund Assessments We are subject to state guaranty fund assessments, which provide for the payment of covered claims or other insurance obligations of insurance companies deemed insolvent. These assessments are accrued after a determination of insolvency has occurred, and we have written the premiums on which the assessments will be based. Assessments are expensed when incurred except for assessments that are available for recoupment from policyholders or are eligible to offset premiums taxes payable, which are capitalized to the extent allowable.

Fees and Other Revenues Fees and other revenues primarily represent fees collected from policyholders relating to installment charges in accordance with our bill plans, as well as late payment and insufficient funds fees and revenue from ceding commissions. Fees and other revenues are generally earned when invoiced, except for excess ceding commissions, which are earned over the policy period.

Service Revenues and Expenses Our service businesses provide insurance-related services. Service revenues and expenses from our commission-based businesses are recorded in the period in which they are earned or incurred.

Equity-Based Compensation We issue time-based and performance-based restricted stock unit awards to key members of management as our form of equity compensation and time-based restricted stock awards to non-employee directors. Collectively, we refer to these awards as restricted equity awards. Compensation expense for time-based restricted equity awards with installment vesting is recognized over each respective vesting period, based on the market value of the awards at the time of grant, with accelerated expense for participants who satisfy qualified retirement eligibility. For performance-based restricted equity awards, compensation expense is recognized over the estimated vesting periods. Dividend equivalent units, which are based on the amount of common share dividends declared by the Board of Directors, are credited to outstanding restricted stock unit awards, both time-based and performance-based, at the time a dividend is paid to shareholders and are distributed upon or after vesting of the underlying award. We record an estimate for expected forfeitures of restricted equity awards based on our historical forfeiture rates.

The total compensation expense recognized for equity-based compensation for the years ended December 31, was:

(millions)	2022	2021	2020
Pretax expense	\$ 122.7	\$ 100.7	\$ 89.4
Tax benefit ¹	16.0	14.1	12.1

¹ Differs from statutory rate of 21% due to the expected disallowance of certain executive compensation deductions.

Earnings Per Common Share Net income is reduced by preferred share dividends to determine net income available to common shareholders, and is used in our calculation of the per common share amounts. Basic earnings per common share is computed using the weighted average number of common shares outstanding during the reporting period, excluding unvested time-based restricted stock awards. Diluted earnings per common share includes common stock equivalents assumed outstanding during the period. Our common stock equivalents include the incremental shares assumed to be issued for:

- earned but unvested time-based restricted equity awards, and
- performance-based restricted equity awards that satisfied certain contingency conditions for unvested common stock equivalents during the period and are highly likely to continue to satisfy the conditions until the date of vesting.

For periods when a net loss is reported, earnings per common share are calculated using basic average equivalent shares since diluted earnings per share would be antidilutive.

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. The amount of reverse repurchase commitments, which are not considered part of the investment portfolio, held by these subsidiaries at December 31, 2022, 2021, and 2020, were \$125.9 million, \$137.1 million, and \$93.5 million, respectively. Restricted cash and cash equivalents include collateral held against unpaid deductibles and cash that is restricted to pay flood claims under the National Flood Insurance Program's "Write Your Own" program, for which certain subsidiaries are participants.

For the years ended December 31, non-cash activity included the following:

(millions)		2022	2021	2020
Common share dividends ¹	\$	58.5	\$ 58.5	\$ 2,694.5
Preferred share dividends ¹		13.4	13.4	13.4
Operating lease liabilities ²		36.2	86.7	60.3

¹ Declared but unpaid. See *Note 14 – Dividends* for further discussion.

² From obtaining right-of-use assets. See *Note 13 – Leases* for further discussion.

For the years ended December 31, we paid the following:

(millions)		2022	2021	2020
Income taxes	\$	719.0	\$ 842.4	\$ 1,446.3
Interest		228.9	224.0	206.0
Operating lease liabilities		82.5	88.6	86.5

Included in other assets in our consolidated balance sheet at December 31, 2021, is a \$541.5 million receivable from the MCCA, with a corresponding payable to policyholders included in accounts payable, accrued expenses, and other liabilities, related to a refund from the surplus of the MCCA to its member insurance companies. After funds were received from the MCCA, we were required to pass through the refund to the applicable Michigan policyholders. This transaction had no effect on our liquidity, financial condition, cash flows, or results of operations.

Commitments and Contingencies We have certain noncancelable purchase obligations for goods and services with minimum commitments of \$1,036.9 million at December 31, 2022, primarily consisting of software licenses, maintenance on information technology equipment, and media placements. Aggregate payments on these obligations for the years ended December 31, were as follows:

(millions)		Payments
2023	\$	918.6
2024		81.2
2025		33.1
2026		2.5
2027		1.5
Thereafter		0
Total	\$	1,036.9

We have several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years; the minimum commitment under these agreements at December 31, 2022, was \$205.4 million. In addition, we have funding commitments of \$15.7 million at December 31, 2022, related to limited partnership investments.

New Accounting Standards We did not adopt any new accounting standards during the year ended December 31, 2022. 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. There were no recently issued accounting standards that are expected to materially impact The Progressive Corporation or its subsidiaries.

2. INVESTMENTS

The following tables present the composition of our investment portfolio by major security type. 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 (loss), 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 for the hybrid and equity securities. The changes in the net holding period gains (losses) between periods 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
<u>December 31, 2022</u>						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	\$ 26,770.7	\$ 1.4	\$ (1,604.7)	\$ 0	\$ 25,167.4	47.0 %
State and local government obligations	2,180.0	0	(202.9)	0	1,977.1	3.7
Foreign government obligations	16.8	0	(1.3)	0	15.5	0.1
Corporate debt securities	10,125.8	9.8	(676.1)	(46.8)	9,412.7	17.6
Residential mortgage-backed securities	696.1	0.3	(17.5)	(12.1)	666.8	1.2
Commercial mortgage-backed securities	5,446.0	1.5	(784.0)	0	4,663.5	8.7
Other asset-backed securities	4,826.0	0.9	(260.5)	(1.8)	4,564.6	8.5
Redeemable preferred stocks	202.6	0	(4.5)	(13.8)	184.3	0.3
Total fixed maturities	50,264.0	13.9	(3,551.5)	(74.5)	46,651.9	87.1
Short-term investments	2,861.7	0	0	0	2,861.7	5.4
Total available-for-sale securities	53,125.7	13.9	(3,551.5)	(74.5)	49,513.6	92.5
Equity securities:						
Nonredeemable preferred stocks	1,364.2	0	0	(151.0)	1,213.2	2.3
Common equities	826.1	0	0	1,995.4	2,821.5	5.2
Total equity securities	2,190.3	0	0	1,844.4	4,034.7	7.5
Total portfolio ¹	\$ 55,316.0	\$ 13.9	\$ (3,551.5)	\$ 1,769.9	\$ 53,548.3	100.0 %

(\$ in millions)	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Net Holding Period Gains (Losses)	Fair Value	% of Total Fair Value
<u>December 31, 2021</u>						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	\$ 18,586.1	\$ 92.9	\$ (190.8)	\$ 0	\$ 18,488.2	35.9 %
State and local government obligations	2,162.6	36.7	(14.0)	0	2,185.3	4.2
Foreign government obligations	17.9	0	0	0	17.9	0.1
Corporate debt securities	10,526.2	202.6	(33.4)	(3.3)	10,692.1	20.7
Residential mortgage-backed securities	787.7	2.3	(0.6)	0.6	790.0	1.5
Commercial mortgage-backed securities	6,561.0	38.9	(64.3)	0	6,535.6	12.7
Other asset-backed securities	4,981.8	13.3	(12.4)	(0.4)	4,982.3	9.7
Redeemable preferred stocks	170.9	0.7	(0.5)	10.6	181.7	0.4
Total fixed maturities	43,794.2	387.4	(316.0)	7.5	43,873.1	85.2
Short-term investments	942.6	0	0	0	942.6	1.8
Total available-for-sale securities	44,736.8	387.4	(316.0)	7.5	44,815.7	87.0
Equity securities:						
Nonredeemable preferred stocks	1,571.8	0	0	68.1	1,639.9	3.2
Common equities	1,264.1	0	0	3,794.4	5,058.5	9.8
Total equity securities	2,835.9	0	0	3,862.5	6,698.4	13.0
Total portfolio ¹	\$ 47,572.7	\$ 387.4	\$ (316.0)	\$ 3,870.0	\$ 51,514.1	100.0 %

¹ At December 31, 2022, we had \$34.4 million of net unsettled security transactions included in other assets, compared to \$143.4 million included in other liabilities at December 31, 2021.

The total fair value of the portfolio at December 31, 2022 and 2021 included \$4.4 billion and \$4.2 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

At December 31, 2022, bonds and certificates of deposit in the principal amount of \$601.7 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 December 31, 2022 or 2021. At December 31, 2022, we did not hold any debt securities that were non-income producing during the preceding 12 months.

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 2022 and 2021, but did not have any open positions at December 31, 2022 or 2021. 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 at December 31:

(millions)	2022	2021
Fixed Maturities:		
Corporate debt securities	\$ 535.4	\$ 479.1
Residential mortgage-backed securities	509.6	536.2
Other asset-backed securities	42.0	89.2
Redeemable preferred stocks	134.7	130.8
Total hybrid securities	\$ 1,221.7	\$ 1,235.3

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 use the fair value option 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 December 31, 2022, was:

(millions)	Cost	Fair Value
Less than one year	\$ 6,047.1	\$ 5,871.6
One to five years	30,121.9	28,366.7
Five to ten years	14,030.8	12,357.0
Ten years or greater	64.2	56.6
Total	\$ 50,264.0	\$ 46,651.9

Asset-backed securities are classified in the maturity distribution table based upon their projected cash flows. All other securities that 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 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	Gross Unrealized Losses	No. of Sec.	Fair Value	Gross Unrealized Losses
December 31, 2022									
U.S. government obligations	160	\$ 24,802.5	\$ (1,604.7)	90	\$ 17,327.2	\$ (699.2)	70	\$ 7,475.3	\$ (905.5)
State and local government obligations	348	1,948.8	(202.9)	239	1,124.2	(76.8)	109	824.6	(126.1)
Foreign government obligations	1	15.5	(1.3)	0	0	0	1	15.5	(1.3)
Corporate debt securities	422	8,449.6	(676.1)	285	5,717.6	(426.1)	137	2,732.0	(250.0)
Residential mortgage-backed securities	45	151.0	(17.5)	27	65.1	(6.8)	18	85.9	(10.7)
Commercial mortgage-backed securities	226	4,651.1	(784.0)	99	1,702.0	(192.1)	127	2,949.1	(591.9)
Other asset-backed securities	262	4,247.8	(260.5)	130	2,144.8	(100.9)	132	2,103.0	(159.6)
Redeemable preferred stocks	4	49.6	(4.5)	3	38.5	(3.1)	1	11.1	(1.4)
Total fixed maturities	1,468	\$ 44,315.9	\$ (3,551.5)	873	\$ 28,119.4	\$ (1,505.0)	595	\$ 16,196.5	\$ (2,046.5)

(\$ 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	Gross Unrealized Losses	No. of Sec.	Fair Value	Gross Unrealized Losses
December 31, 2021									
U.S. government obligations	92	\$ 14,745.8	\$ (190.8)	85	\$ 13,790.8	\$ (158.5)	7	\$ 955.0	\$ (32.3)
State and local government obligations	127	954.2	(14.0)	122	927.3	(13.1)	5	26.9	(0.9)
Corporate debt securities	220	3,496.6	(33.4)	219	3,491.7	(33.3)	1	4.9	(0.1)
Residential mortgage-backed securities	20	138.6	(0.6)	14	135.4	(0.5)	6	3.2	(0.1)
Commercial mortgage-backed securities	168	4,315.4	(64.3)	165	4,295.0	(63.9)	3	20.4	(0.4)
Other asset-backed securities	178	3,204.7	(12.4)	176	3,200.6	(12.3)	2	4.1	(0.1)
Redeemable preferred stocks	1	12.0	(0.5)	0	0	0	1	12.0	(0.5)
Total fixed maturities	806	\$ 26,867.3	\$ (316.0)	781	\$ 25,840.8	\$ (281.6)	25	\$ 1,026.5	\$ (34.4)

The increase in the number of securities in an unrealized loss position since December 31, 2021, was primarily the result of an increase in interest rates. As of December 31, 2022, we had 19 securities that had their credit ratings downgraded during the year, with a combined fair value of \$186.3 million and an unrealized loss of \$33.4 million.

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 during 2022 or 2021 and did not have a material credit loss allowance balance as of December 31, 2022 or 2021. We considered several factors and inputs related to the individual securities as part of our analysis. The methodology and significant inputs used to measure the amount of credit losses in our portfolio included:

- 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 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 performed additional analysis to determine if the loss was

credit related. For securities subject to credit related loss, 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 currently existed, either a recovery of the previous allowance, or an incremental loss, would be recorded to net realized gains (losses) on securities.

As of December 31, 2022 and 2021, we believe that none of the unrealized losses were related to material credit losses on any specific securities, or in the aggregate. We continue to expect all the securities in our portfolio to pay their principal and interest obligations.

In addition, we reviewed our accrued investment income outstanding on those securities in an unrealized loss position at December 31, 2022 and 2021, to determine if the accrued interest amounts were determined 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 December 31, 2022 or 2021.

Realized Gains (Losses) The components of net realized gains (losses) for the years ended December 31, were:

(millions)	2022	2021	2020
<u>Gross realized gains on security sales</u>			
Available-for-sale securities:			
U.S. government obligations	\$ 10.8	\$ 105.8	\$ 612.5
State and local government obligations	0	51.2	102.4
Corporate and other debt securities	8.7	104.0	161.9
Residential mortgage-backed securities	0.7	0.3	0
Commercial mortgage-backed securities	0	41.9	23.7
Other asset-backed securities	0.2	1.2	0.2
Redeemable preferred stocks	0	1.5	0
Total available-for-sale securities	20.4	305.9	900.7
Equity securities:			
Nonredeemable preferred stocks	17.6	28.0	24.4
Common equities	846.1	369.6	88.6
Total equity securities	863.7	397.6	113.0
Subtotal gross realized gains on security sales	884.1	703.5	1,013.7
<u>Gross realized losses on security sales</u>			
Available-for-sale securities:			
U.S. government obligations	(433.3)	(52.0)	(9.6)
State and local government obligations	(1.0)	(3.4)	(0.7)
Foreign government obligations	0	(0.1)	0
Corporate and other debt securities	(88.3)	(8.3)	(6.5)
Residential mortgage-backed securities	0	(1.1)	0
Commercial mortgage-backed securities	(72.4)	(1.9)	(12.8)
Other asset-backed securities	(4.4)	(0.6)	0
Short-term investments	(0.4)	0	0
Total available-for-sale securities	(599.8)	(67.4)	(29.6)
Equity securities:			
Nonredeemable preferred stocks	(9.8)	(1.7)	(8.7)
Common equities	(78.0)	(20.1)	(60.7)
Total equity securities	(87.8)	(21.8)	(69.4)
Subtotal gross realized losses on security sales	(687.6)	(89.2)	(99.0)
<u>Net realized gains (losses) on security sales</u>			
Available-for-sale securities:			
U.S. government obligations	(422.5)	53.8	602.9
State and local government obligations	(1.0)	47.8	101.7
Foreign government obligations	0	(0.1)	0
Corporate and other debt securities	(79.6)	95.7	155.4
Residential mortgage-backed securities	0.7	(0.8)	0
Commercial mortgage-backed securities	(72.4)	40.0	10.9
Other asset-backed securities	(4.2)	0.6	0.2
Redeemable preferred stocks	0	1.5	0
Short-term investments	(0.4)	0	0
Total available-for-sale securities	(579.4)	238.5	871.1
Equity securities:			
Nonredeemable preferred stocks	7.8	26.3	15.7
Common equities	768.1	349.5	27.9
Total equity securities	775.9	375.8	43.6
Subtotal net realized gains (losses) on security sales	196.5	614.3	914.7
<u>Net holding period gains (losses)</u>			
Hybrid securities	(82.0)	(7.7)	7.4
Equity securities	(2,018.1)	907.6	706.5
Derivatives	0	0	1.4
Subtotal net holding period gains (losses)	(2,100.1)	899.9	715.3
<u>Other-than-temporary impairment losses</u>			
Other asset impairment	(8.6)	(5.0)	0
Subtotal other-than-temporary impairment losses	(8.6)	(5.0)	0
Total net realized gains (losses) on securities	\$ (1,912.2)	\$ 1,509.2	\$ 1,630.0

Realized gains (losses) on security sales are computed using the first-in-first-out method. The majority of the sales in the fixed-maturity portfolio during the year were from U.S. Treasury Notes, which were sold to shorten duration and for tax planning purposes. The loss from the fixed-maturity sales reflected the continued rise in interest rates throughout 2022, which resulted in valuation declines for most of our available-for-sale securities. During 2020, the significant gains recognized on our fixed-income portfolio were the result of selling U.S. Treasury Notes for opportunistic investments. During 2022, we sold common

equity securities, which were in a realized gain position, as part of our plan to incrementally reduce risk in the portfolio in response to the likelihood of a more difficult economic environment over the near term. During 2021, the gain in common equities primarily reflected the sale of common stocks held outside of our indexed portfolio. The other asset impairment losses in 2022 and 2021 were 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 sheets.

The following table reflects our holding period realized gains (losses) recognized on equity securities held at the respective year end for the years ended December 31:

(millions)	2022	2021	2020
Total net gains (losses) recognized during the period on equity securities	\$ (1,242.2)	\$ 1,283.4	\$ 750.1
Less: Net gains (losses) recognized on equity securities sold during the period	775.9	375.8	43.6
Net holding period gains (losses) recognized during the period on equity securities held at period end	\$ (2,018.1)	\$ 907.6	\$ 706.5

Net Investment Income The components of net investment income for the years ended December 31, were:

(millions)	2022	2021	2020
Available-for-sale securities:			
Fixed maturities:			
U.S. government obligations	\$ 339.1	\$ 149.5	\$ 166.3
State and local government obligations	39.7	44.1	62.7
Foreign government obligations	0.2	0.1	0
Corporate debt securities	288.8	301.1	284.0
Residential mortgage-backed securities	31.6	11.9	11.8
Commercial mortgage-backed securities	190.6	143.0	152.9
Other asset-backed securities	174.6	64.1	96.7
Redeemable preferred stocks	11.4	9.5	14.9
Total fixed maturities	1,076.0	723.3	789.3
Short-term investments	53.6	3.1	29.0
Total available-for-sale securities	1,129.6	726.4	818.3
Equity securities:			
Nonredeemable preferred stocks	70.2	70.3	60.6
Common equities	60.5	64.2	57.7
Total equity securities	130.7	134.5	118.3
Investment income	1,260.3	860.9	936.6
Investment expenses	(24.3)	(25.5)	(20.0)
Net investment income	\$ 1,236.0	\$ 835.4	\$ 916.6

On a year-over-year basis, investment income (interest and dividends) increased 46%, compared to 2021, primarily due to an increase in interest rates on floating-rate securities in our portfolio and purchases of new investments with higher coupon rates. Investment income decreased 8% in 2021, compared to 2020, due to a decrease in the portfolio yield, which was partially offset by an increase in average assets. The recurring investment book yield increased 26% in 2022, compared to 2021,

reflecting investing new cash, and cash from maturities in higher interest rate securities given the rising interest rate environment. The recurring investment book yield decreased 20% in 2021, compared to 2020, as a result of investing at market yields that were lower than the portfolio's overall yield.

The decrease in investment expenses in 2022, compared to 2021, primarily reflects lower management fees attributable to the Protective Insurance portfolio. The

increase in 2021, compared to 2020, reflected an increase in staffing and related employee expenses, in addition to the Protective Insurance management fees.

Derivative Instruments We did not have any derivative activity during 2022 or 2021. During 2020, we opened and

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

closed U.S. Treasury Note futures to manage the portfolio duration and recorded a net realized gain of \$1.4 million. The maximum notional value held at one time during 2020 was \$114.6 million. At December 31, 2022, 2021, and 2020, we had no open derivative positions.

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:

(millions)	Fair Value				Cost
	Level 1	Level 2	Level 3	Total	
<u>December 31, 2022</u>					
Fixed maturities:					
U.S. government obligations	\$ 25,167.4	\$ 0	\$ 0	\$ 25,167.4	\$ 26,770.7
State and local government obligations	0	1,977.1	0	1,977.1	2,180.0
Foreign government obligations	0	15.5	0	15.5	16.8
Corporate debt securities	0	9,412.7	0	9,412.7	10,125.8
Subtotal	25,167.4	11,405.3	0	36,572.7	39,093.3
Asset-backed securities:					
Residential mortgage-backed	0	666.8	0	666.8	696.1
Commercial mortgage-backed	0	4,663.5	0	4,663.5	5,446.0
Other asset-backed	0	4,564.6	0	4,564.6	4,826.0
Subtotal asset-backed securities	0	9,894.9	0	9,894.9	10,968.1
Redeemable preferred stocks:					
Financials	0	40.5	0	40.5	43.6
Utilities	0	9.1	0	9.1	10.5
Industrials	9.2	125.5	0	134.7	148.5
Subtotal redeemable preferred stocks	9.2	175.1	0	184.3	202.6
Total fixed maturities	25,176.6	21,475.3	0	46,651.9	50,264.0
Short-term investments	2,800.7	61.0	0	2,861.7	2,861.7
Total available-for-sale securities	27,977.3	21,536.3	0	49,513.6	53,125.7
Equity securities:					
Nonredeemable preferred stocks:					
Financials	39.0	994.4	67.4	1,100.8	1,244.2
Utilities	0	71.2	0	71.2	79.9
Industrials	0	24.8	16.4	41.2	40.1
Subtotal nonredeemable preferred stocks	39.0	1,090.4	83.8	1,213.2	1,364.2
Common equities:					
Common stocks	2,783.4	0	18.3	2,801.7	806.3
Other risk investments	0	0	19.8	19.8	19.8
Subtotal common equities	2,783.4	0	38.1	2,821.5	826.1
Total equity securities	2,822.4	1,090.4	121.9	4,034.7	2,190.3
Total portfolio	\$ 30,799.7	\$ 22,626.7	\$ 121.9	\$ 53,548.3	\$ 55,316.0
Debt	\$ 0	\$ 5,717.9	\$ 0	\$ 5,717.9	\$ 6,388.3

(millions)	Fair Value				Cost
	Level 1	Level 2	Level 3	Total	
<u>December 31, 2021</u>					
Fixed maturities:					
U.S. government obligations	\$ 18,488.2	\$ 0	\$ 0	\$ 18,488.2	\$ 18,586.1
State and local government obligations	0	2,185.3	0	2,185.3	2,162.6
Foreign government obligations	0	17.9	0	17.9	17.9
Corporate debt securities	0	10,692.1	0	10,692.1	10,526.2
Subtotal	18,488.2	12,895.3	0	31,383.5	31,292.8
Asset-backed securities:					
Residential mortgage-backed	0	790.0	0	790.0	787.7
Commercial mortgage-backed	0	6,535.6	0	6,535.6	6,561.0
Other asset-backed	0	4,982.3	0	4,982.3	4,981.8
Subtotal asset-backed securities	0	12,307.9	0	12,307.9	12,330.5
Redeemable preferred stocks:					
Financials	0	50.9	0	50.9	50.7
Utilities	0	0	0	0	0
Industrials	10.7	120.1	0	130.8	120.2
Subtotal redeemable preferred stocks	10.7	171.0	0	181.7	170.9
Total fixed maturities	18,498.9	25,374.2	0	43,873.1	43,794.2
Short-term investments	942.4	0.2	0	942.6	942.6
Total available-for-sale securities	19,441.3	25,374.4	0	44,815.7	44,736.8
Equity securities:					
Nonredeemable preferred stocks:					
Financials	115.3	1,305.7	76.4	1,497.4	1,451.7
Utilities	0	82.9	0	82.9	80.0
Industrials	0	25.2	34.4	59.6	40.1
Subtotal nonredeemable preferred stocks	115.3	1,413.8	110.8	1,639.9	1,571.8
Common equities:					
Common stocks	4,991.6	50.0	0	5,041.6	1,247.2
Other risk investments	0	0	16.9	16.9	16.9
Subtotal common equities	4,991.6	50.0	16.9	5,058.5	1,264.1
Total equity securities	5,106.9	1,463.8	127.7	6,698.4	2,835.9
Total portfolio	\$ 24,548.2	\$ 26,838.2	\$ 127.7	\$ 51,514.1	\$ 47,572.7
Debt	\$ 0	\$ 5,857.4	\$ 0	\$ 5,857.4	\$ 4,898.8

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 December 31, 2022, vendor-quoted prices represented 90% of our Level 1 classifications (excluding short-term investments), compared to 79% at December 31, 2021. 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. The higher vendor-quoted percentage at December 31, 2022 is due to an increase in U.S. Treasury Note holdings, which are vendor-quoted, and a decrease in our common stock holdings, which are exchange-quoted, compared to such holdings at December 31, 2021.

At both December 31, 2022 and 2021 vendor-quoted prices comprised 98% of our Level 2 classifications (excluding short-term investments and common stock), while dealer-quoted prices represented 2%. 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 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 other 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 at economic data as it relates to geographic location as an indication of price-to-call or maturity predictors. For municipal housing securities, we look at changes in cash flow projections, both historical and reasonably estimable projections, to understand yield changes and their effect on valuation.

For 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 are able to explain significant price changes (i.e., greater than 2%) as known events occur in the marketplace and affect a particular 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.

After all the valuations are received and our review of Level 2 securities is complete, if the inputs used by vendors are determined to not contain sufficient observable market information, we will reclassify the affected securities to Level 3.

Except as described below, our Level 3 securities are 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.

To the extent we receive prices from external sources (e.g., broker, valuation firm) for the Level 3 securities, we review those prices for reasonableness using internally developed assumptions and then compare our derived prices to the prices received from the external sources. Based on our review, all prices received from external sources for 2022 remained unadjusted.

If we do not receive prices from an external source, we perform an internal fair value comparison, which includes a review and analysis of market comparable securities, to determine if fair value changes are needed. Based on this analysis, certain private equity investments included in the

Level 3 category remain valued at cost or were priced using a recent transaction as the basis for fair value. At least annually, these private equity investments are priced by an external source.

Our Level 3 other risk investments include securities accounted for under the equity method of accounting and, therefore, are not subject to fair value reporting. Since these securities represent less than 0.1% of our total portfolio, we will continue to include them in our Level 3 disclosures and report the activity from these investments as "other" changes in the summary of changes in fair value table and categorize these securities as "pricing exemption securities" in the quantitative information table.

The Level 2 common stock held at December 31, 2021 was transferred to Level 3 at December 31, 2022. At December 31, 2022 and 2021, we did not have any securities in our fixed-maturity portfolio listed as Level 3.

Other than goodwill, during 2022 and 2021, there were no material assets or liabilities measured at fair value on a nonrecurring basis. During the second quarter 2022, we determined that the fair value of the goodwill related to our ARX Holding Corp. and its subsidiaries (ARX) reporting unit was less than the carrying value and we wrote down \$224.8 million of our total goodwill asset. See *Note 15 – Goodwill and Intangible Assets* for further discussion.

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 years ended December 31, 2022 and 2021:

(millions)	Level 3 Fair Value							
	Fair Value at Dec. 31, 2021	Calls/ Maturities/ Paydowns/Other	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out) ¹	Fair Value at Dec. 31, 2022
Equity securities:								
Nonredeemable preferred stocks:								
Financials	\$ 76.4	\$ 0	\$ 2.5	\$ (15.0)	\$ (17.2)	\$ 20.7	\$ 0	\$ 67.4
Industrials	34.4	(0.5)	0	0	0	(17.5)	0	16.4
Common equities:								
Common stocks	0	0	0	0	0	0	18.3	18.3
Other risk investments	16.9	2.9	0	0	0	0	0	19.8
Total Level 3 securities	\$ 127.7	\$ 2.4	\$ 2.5	\$ (15.0)	\$ (17.2)	\$ 3.2	\$ 18.3	\$ 121.9

¹The security was transferred into Level 3 due to a lack of observable market level inputs.

(millions)	Level 3 Fair Value							
	Fair Value at Dec. 31, 2020	Calls/ Maturities/ Paydowns/Other	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out) ¹	Fair Value at Dec. 31, 2021
Equity securities:								
Nonredeemable preferred stocks:								
Financials	\$ 10.0	\$ 0	\$ 60.2	\$ 0	\$ 0	\$ 6.2	\$ 0	\$ 76.4
Industrials	16.7	0	5.0	(5.0)	(4.5)	22.2	0	34.4
Common equities:								
Common stocks	25.0	0	2.0	(6.0)	(8.7)	37.7	(50.0)	0
Other risk investments	3.1	13.8	0	0	0	0	0	16.9
Total Level 3 securities	\$ 54.8	\$ 13.8	\$ 67.2	\$ (11.0)	\$ (13.2)	\$ 66.1	\$ (50.0)	\$ 127.7

¹The security was transferred into Level 2 since the price was deemed to be an observable market sale price as the result of the then-recent sale of this security at a consistent price.

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

Quantitative Information about Level 3 Fair Value Measurements					
(\$ in millions)	Fair Value at Dec. 31, 2022	Valuation Technique	Unobservable Input	Range of Input Values Increase (Decrease)	Weighted Average Increase (Decrease)
Equity securities:					
Nonredeemable preferred stocks	\$ 83.8	Market comparables	Weighted average market capitalization price change %	(0.6)% to 19.9%	10.5%
Common stocks	18.3	Market comparables	Weighted average market capitalization price change %	(42.5)% to 59.1%	0.3%
Subtotal Level 3 securities	102.1				
Pricing exemption securities	19.8				
Total Level 3 securities	\$ 121.9				

Quantitative Information about Level 3 Fair Value Measurements					
(\$ in millions)	Fair Value at Dec. 31, 2021	Valuation Technique	Unobservable Input	Range of Input Values Increase (Decrease)	Weighted Average Increase (Decrease)
Equity securities:					
Nonredeemable preferred stocks	\$ 110.8	Market comparables	Weighted average market capitalization price change %	(20.2)% to (2.3)%	(7.7%)
Subtotal Level 3 securities	110.8				
Pricing exemption securities	16.9				
Total Level 3 securities	\$ 127.7				

4. DEBT

Debt at December 31, consisted of:

(millions)	2022		2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2.45% Senior Notes due 2027 (issued: \$500.0, August 2016)	\$ 498.2	\$ 457.7	\$ 497.7	\$ 517.9
2.50% Senior Notes due 2027 (issued: \$500.0, March 2022)	497.5	460.3	0	0
6 5/8% Senior Notes due 2029 (issued: \$300.0, March 1999)	297.5	326.8	297.2	388.2
4.00% Senior Notes due 2029 (issued: \$550.0, October 2018)	546.4	527.8	545.9	621.0
3.20% Senior Notes due 2030 (issued: \$500.0, March 2020)	496.9	448.6	496.5	536.3
3.00% Senior Notes due 2032 (issued: \$500.0, March 2022)	495.9	438.1	0	0
6.25% Senior Notes due 2032 (issued: \$400.0, November 2002)	396.4	435.4	396.2	547.9
4.35% Senior Notes due 2044 (issued: \$350.0, April 2014)	346.9	298.4	346.8	428.4
3.70% Senior Notes due 2045 (issued: \$400.0, January 2015)	395.7	310.2	395.6	447.1
4.125% Senior Notes due 2047 (issued: \$850.0, April 2017)	842.1	716.2	841.9	1,029.3
4.20% Senior Notes due 2048 (issued: \$600.0, March 2018)	590.4	507.0	590.2	741.3
3.95% Senior Notes due 2050 (issued: \$500.0, March 2020)	490.9	404.9	490.8	600.0
3.70% Senior Notes due 2052 (issued: \$500.0, March 2022)	493.5	386.5	0	0
Total	\$ 6,388.3	\$ 5,717.9	\$ 4,898.8	\$ 5,857.4

All of the outstanding debt was issued by The Progressive Corporation and includes amounts that were borrowed for general corporate purposes, which may include contributions to capital of its insurance subsidiaries, payments of debt at maturity, or may be used, or made available for use, for other business purposes. Fair values for these debt instruments are obtained from external sources. There are no restrictive financial covenants or credit rating triggers on the outstanding debt.

Interest on all debt is payable semiannually at the stated rates. All principal is due at the stated maturity. Each note is redeemable, in whole or in part, at any time; however, the redemption price will equal the greater of the principal amount of the note or a “make whole” amount calculated by reference to the present values of remaining scheduled principal and interest payments under the note. There was no short-term debt outstanding at December 31, 2022 or 2021.

We issued \$500 million of 2.50% Senior Notes due 2027, \$500 million of 3.00% Senior Notes due 2032, and \$500 million of 3.70% Senior Notes due 2052 in March 2022, in an underwritten public offering. The net proceeds from these issuances, after deducting underwriters’ discounts, commissions, and other issuance costs, were approximately \$1,486.0 million in aggregate.

Aggregate required principal payments on debt outstanding at December 31, 2022, were as follows:

(millions)	Payments
2023	\$ 0
2024	0
2025	0
2026	0
2027	1,000
Thereafter	5,450
Total	\$ 6,450

Prior to certain issuances of our debt securities, we entered into forecasted transactions to hedge against possible rises in interest rates. When the contracts were closed upon the issuance of the applicable debt securities, we recognized the unrealized gains (losses) on these contracts as part of accumulated other comprehensive income (see *Note 1 – Reporting and Accounting Policies* for further discussion). These unrealized gains (losses) are being amortized as adjustments to interest expense over the life of the related notes.

The following table shows the original gain (loss) recognized at debt issuance and the unamortized balance at December 31, 2022, on a pretax basis:

(millions)		Unrealized Gain (Loss) at Debt Issuance	Unamortized Balance at December 31, 2022
6 5/8% Senior Notes	\$	(4.2)	\$ (1.8)
6.25% Senior Notes		5.1	2.8
4.35% Senior Notes		(1.6)	(1.3)
3.70% Senior Notes		(12.9)	(10.8)
4.125% Senior Notes		(8.0)	(7.2)

We reclassified \$0.5 million in 2022, \$0.9 million in 2021, and \$1.1 million in 2020, of net unrealized losses from accumulated other comprehensive income to interest expense on our closed debt issuance cash flow hedges.

5. INCOME TAXES

The components of our income tax provision for the years ended December 31, were as follows:

(millions)		2022	2021	2020
Current tax provision				
Federal	\$	733.2	\$ 739.5	\$ 1,395.7
State		12.7	20.7	35.6
Deferred tax expense (benefit)				
Federal		(528.7)	98.6	35.8
State		(16.6)	0.3	1.5
Total income tax provision	\$	200.6	\$ 859.1	\$ 1,468.6

The provision for income taxes in the consolidated statements of comprehensive income differed from the statutory rate for the years ended December 31, as follows:

(millions)	2022		2021		2020	
	Expense (Benefit)	Rate Impact	Expense (Benefit)	Rate Impact	Expense (Benefit)	Rate Impact
Income before income taxes	\$ 922.1		\$ 4,210.0		\$ 7,173.2	
Tax at statutory federal rate	\$ 193.6	21 %	\$ 884.1	21 %	\$ 1,506.4	21 %
Tax effect of:						
Goodwill impairment ¹	47.2	5	0	0	0	0
Stock-based compensation	(18.1)	(2)	(19.4)	(1)	(22.7)	(1)
Tax credits	(14.8)	(2)	(9.9)	0	(5.4)	0
Tax-preferenced investment income	(12.7)	(1)	(13.2)	0	(15.2)	0
Nondeductible compensation expense	11.1	1	8.4	0	6.4	0
Tax-deductible dividends	(1.8)	0	(9.4)	0	(25.1)	(1)
State income taxes, net of federal taxes	(3.1)	0	16.6	0	29.3	1
Other items, net	(0.8)	0	1.9	0	(5.1)	0
Total income tax provision	\$ 200.6	22 %	\$ 859.1	20 %	\$ 1,468.6	20 %

¹ The ARX acquisition did not create goodwill for income tax purposes. As a result, the impairment is not deductible for income tax purposes.

Deferred income taxes reflect the tax effects of temporary differences between the financial statement carrying amounts and the tax bases of assets and liabilities. The following table shows the components of the net deferred tax assets and liabilities at December 31:

(millions)	2022	2021
Federal deferred income tax assets:		
Net unrealized losses on fixed-maturity securities	\$ 742.9	\$ 0
Unearned premiums reserve	719.2	642.7
Loss and loss adjustment expense reserves	239.9	224.3
Non-deductible accruals	225.9	220.8
Software development costs	37.8	0
Operating lease liabilities	28.8	37.9
Investment basis differences	17.0	19.1
Hedges on forecasted transactions	3.8	4.0
Other	12.7	7.2
Federal deferred income tax liabilities:		
Net holding period gains on equity securities	(387.3)	(811.1)
Deferred acquisition costs	(324.3)	(284.7)
Property and equipment	(97.0)	(94.6)
Operating lease assets	(28.8)	(37.9)
Loss and loss adjustment expense reserve transition adjustment	(24.1)	(32.3)
Intangible assets	(11.1)	(16.9)
Prepaid expenses	(6.5)	(6.8)
Net unrealized gains on fixed-maturity securities	0	(15.0)
Other	(17.4)	(9.6)
Net federal deferred income taxes	1,131.5	(152.9)
State deferred income tax assets ¹	42.2	16.3
State deferred income tax liabilities ¹	0	(1.5)
Total	\$ 1,173.7	\$ (138.1)

¹ State deferred assets and liabilities are recorded in other assets and accounts payable, accrued expenses, and other liabilities, respectively, on the consolidated balance sheets.

Although realization of the deferred tax assets is not assured, management believes that it is more likely than not that 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 and, therefore, no valuation allowance was needed at December 31, 2022 or 2021. We believe our deferred tax asset related to net unrealized losses on fixed-maturity securities will be realized based on the existence of prior year capital gains, current temporary differences related to unrealized gains in our equity portfolio, and other tax planning strategies.

At December 31, 2022, we had \$10.9 million of net taxes payable (included in accounts payable, accrued expenses, and other liabilities on our consolidated balance sheets), compared to \$19.2 million of net taxes recoverable (included in other assets on our consolidated balance sheets) at December 31, 2021.

The Progressive Corporation and its subsidiaries file a consolidated federal income tax return. As a result of the acquisition of Protective Insurance in 2021, Protective

Insurance was included in The Progressive Corporation consolidated federal income tax return for the period from June 2, 2021 to December 31, 2021. We filed a final consolidated federal income tax return for Protective Insurance for the period from January 1, 2021 to June 1, 2021.

All federal income tax years prior to 2019 are generally closed to examination; however, for The Progressive Corporation, 2016 remains open for a tax credit partnership investment. The statute of limitations for state income tax purposes generally remains open for three to four years from the return filing date, depending upon the jurisdiction. There has been no significant state income tax audit activity.

We recognize interest and penalties, if any, as a component of income tax expense. For the years ended December 31, 2022, 2021, and 2020, \$0.1 million, \$0.1 million, and \$0, respectively, of interest and penalties expense has been recorded in the tax provision. We have not recorded any unrecognized tax benefits, or related interest and penalties, as of December 31, 2022 and 2021.

6. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

We write personal and commercial auto insurance, residential property insurance, and other specialty property-casualty insurance and related services throughout the United States. As a property-casualty insurance company, we are exposed to hurricanes or other catastrophes. We are unable to predict the frequency or severity of any such events that may occur in the near term or thereafter. To help mitigate this risk in our Property business, we currently maintain excess of loss reinsurance coverage, both on an aggregate and a per occurrence basis.

As we are primarily an insurer of motor vehicles and residential property, we have limited exposure to environmental, asbestos, workers' compensation, and general liability claims. We have established reserves for such exposures, which represented about 2% of our total loss and loss adjustment expense reserves. We believe these reserves to be adequate based on information currently known. These claims are not expected to have a material effect on our liquidity, financial condition, cash flows, or results of operations.

Loss and Loss Adjustment Expense Reserves Loss and loss adjustment expense (LAE) reserves represent our best estimate of our ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. For our Personal and Commercial Lines vehicle businesses, which represented about 90% of our total carried reserves, we establish loss and LAE reserves after completing reviews at a disaggregated level of grouping. Progressive's actuarial staff reviews approximately 400 subsets of business data, which are at a combined state, product, and line coverage level, to calculate the needed loss and LAE reserves. During a reserve review, ultimate loss amounts are estimated using several industry standard actuarial projection methods. These methods take into account historical comparable loss data at the subset level and estimate the impact of various loss development factors, such as the frequency (number of losses per exposure), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of loss adjustment expense costs.

We begin our review of a set of data by producing multiple estimates of needed reserves, using both paid and incurred data, to determine if a reserve change is required. In the event of a wide variation among results generated by the

different projections, our actuarial group will further analyze the data using additional quantitative analysis. Each review develops a point estimate for a relatively small subset of the business, which allows us to establish meaningful reserve levels for that subset. We believe our comprehensive process of reviewing at a subset level provides us more meaningful estimates of our aggregate loss reserves.

The actuarial staff completes separate projections of needed case and incurred but not recorded (IBNR) reserves. Since a large majority of the parties involved in an accident report their claims within a short time period after the occurrence, we do not carry a significant amount of IBNR reserves for older accident years. Based on the methodology we use to estimate case reserves for our vehicle businesses, we generally do not have expected development on reported claims included in our IBNR reserves. We do, however, include anticipated salvage and subrogation recoveries in our IBNR reserves, which could result in negative carried IBNR reserves, primarily in our physical damage reserves.

Changes from historical data may reduce the predictiveness of our projected future loss costs. Internal considerations that are process-related, which generally result from changes in our claims organization's activities, include claim closure rates, the number of claims that are closed without payment, and the level of the claims representatives' estimates of the needed case reserve for each claim. These changes and their effect on the historical data are studied at the state level versus on a larger, less indicative, countrywide basis. External items considered include the litigation atmosphere, state-by-state changes in medical costs, and the availability of services to resolve claims. These also are better understood at the state level versus at a more macro, countrywide level. The actuarial staff takes these changes into consideration when making their assumptions to determine needed reserve levels.

Similar to our vehicle businesses, our actuarial staff analyzes loss and LAE data for our Commercial Lines non-vehicle business and our Property business on an accident period basis. Many of the methodologies and key parameters reviewed are similar. In addition, for Protective Insurance and our Property business, since claims adjusters primarily establish the case reserves, the actuarial staff includes expected development on case reserves as a component of the overall IBNR reserves.

Activity in the loss and LAE reserves is summarized as follows:

(millions)	2022	2021	2020
Balance at January 1	\$ 26,164.1	\$ 20,265.8	\$ 18,105.4
Less reinsurance recoverables on unpaid losses	4,733.6	3,798.2	3,212.2
Net balance at January 1	21,430.5	16,467.6	14,893.2
Net loss and loss adjustment expense reserves acquired ¹	0	729.2	0
Total beginning reserves	21,430.5	17,196.8	14,893.2
Incurred related to:			
Current year	38,209.0	33,632.3	24,926.5
Prior years	(86.3)	(4.7)	195.3
Total incurred	38,122.7	33,627.6	25,121.8
Paid related to:			
Current year	23,542.9	20,561.1	15,584.4
Prior years	11,210.2	8,832.8	7,963.0
Total paid	34,753.1	29,393.9	23,547.4
Net balance at December 31	24,800.1	21,430.5	16,467.6
Plus reinsurance recoverables on unpaid losses	5,559.2	4,733.6	3,798.2
Balance at December 31	\$ 30,359.3	\$ 26,164.1	\$ 20,265.8

¹ Net reserves acquired in Protective Insurance acquisition.

We experienced favorable reserve development of \$86.3 million and \$4.7 million in 2022 and 2021, respectively, and unfavorable development of \$195.3 million in 2020, which is reflected as “Incurred related to prior years” in the table above.

2022

- The favorable reserve development for 2022, reflected approximately \$22 million of favorable prior year reserve development that was attributable to accident year 2021, \$47 million to accident year 2020, and the remainder to accident years 2019 and prior.
- Our personal auto products incurred \$157 million of favorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half. The favorable development was primarily attributable to more subrogation and salvage recoveries and lower LAE than originally anticipated, partially offset by higher than anticipated severity and frequency of auto property damage payments on previously closed claims and late reported injury claims.
- Our Commercial Lines business experienced \$82 million of unfavorable development, primarily driven by our TNC business, due to higher than anticipated severity of injury case reserves and higher than anticipated severity and frequency of late reported claims.

2021

- The slightly favorable reserve development for 2021, reflected approximately \$140 million of favorable prior year reserve development that was attributable to accident year 2020, offset by \$87 million of unfavorable development attributable to accident year 2019, with the remainder of the unfavorable development attributable to 2018 and prior accident years.
- Our personal auto products incurred \$113 million of favorable loss and LAE reserve development, with about \$80 million attributable to the Direct auto business, primarily attributable to revised estimates of our per claim settlement costs and fewer late reports than originally anticipated, partially offset by higher than anticipated bodily injury severity.
- Our Commercial Lines business experienced \$87 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 \$36 million of unfavorable development primarily due to higher than anticipated severity and claims that were previously closed being reopened in Florida.
- Our special lines products experienced \$14 million of favorable development.

2020

- Approximately \$59 million of the unfavorable prior year reserve development was attributable to accident year 2019, \$107 million to accident year 2018, and the remainder to 2017 and prior accident years.
- Our personal auto products incurred about \$136 million of unfavorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half, primarily attributable to higher than anticipated frequency of reopened personal injury protection (PIP) claims, primarily in Florida, updated estimates of our per claim settlement costs, and late reported losses occurring toward the end of 2019 but not reported until 2020, which was partially 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 products and Property business experienced about \$25 million and \$14 million, respectively, of favorable development driven by favorable case development across all products, as severity was lower than expected.

Incurred and Paid Claims Development by Accident Year The following tables present our incurred, net of reinsurance, and paid claims development by accident year for the number of years that generally have historically represented the maximum development period for claims in any of our segment categories. The tables below include inception-to-date information for companies acquired and wholly exclude companies disposed of, rather than including information from the date of acquisition, or until the date of disposition. We believe the most meaningful presentation of claims development is through the retrospective approach by presenting all relevant historical information for all periods presented.

We have elected to present our incurred and paid claims development consistent with our GAAP reportable segments (see *Note 10 – Segment Information* for a discussion of our segment reporting), with a further disaggregation of our Personal Lines and Commercial Lines auto business claims development between liability and physical damage, since the loss patterns are

significantly different between them. The Commercial Lines other business includes Protective Insurance coverages other than liability and physical damage. Reserves for our run-off products are not considered material and, therefore, are not included in a separate claims development table.

Only 2022 is audited; all prior years are considered required supplementary information and, therefore, are unaudited. Expected development on our case reserves is excluded from the IBNR reserves on our vehicle businesses, as discussed above. For the Property business and the Commercial Lines other business, the IBNR reserves include expected case development based on the methodology used in establishing the case reserves for that segment. The cumulative number of incurred claims are based on accident coverages (e.g., bodily injury, collision, comprehensive, personal injury protection, property damage) related to opened claims. Coverage counts related to claims closed without payment are excluded from the cumulative number of incurred claims.

Personal Lines - Agency - Liability
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 5,141.8	\$ 5,182.1	\$ 5,192.7	\$ 5,238.7	\$ 5,180.2	\$ 0.4	856,575
2019		5,885.0	5,886.9	5,918.2	5,959.9	115.3	916,390
2020			5,433.8	5,405.4	5,385.7	135.8	756,738
2021				6,716.4	6,861.8	327.1	882,143
2022					7,076.9	1,172.6	821,852
Total					\$ 30,464.5		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 2,378.0	\$ 4,028.7	\$ 4,635.0	\$ 4,940.6	\$ 5,084.1		
2019		2,715.2	4,533.2	5,272.8	5,626.6		
2020			2,383.0	4,112.2	4,796.8		
2021				2,855.4	5,239.4		
2022					3,018.8		
Total					\$ 23,765.7		
All outstanding liabilities before 2018, net of reinsurance ¹					92.4		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 6,791.2		

¹ Required supplementary information (unaudited)

Personal Lines - Agency - Physical Damage
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 2,819.0	\$ 2,822.6	\$ 2,821.7	\$ 2,818.9	\$ 2,824.2	\$ (0.5)	1,695,512
2019		3,277.9	3,254.7	3,261.1	3,259.0	(9.8)	1,878,833
2020			3,328.5	3,319.8	3,327.3	(4.5)	1,784,348
2021				4,708.3	4,624.3	(12.0)	2,103,531
2022					5,429.4	(254.6)	2,006,468
Total					\$ 19,464.2		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 2,769.1	\$ 2,827.4	\$ 2,819.9	\$ 2,819.5	\$ 2,821.2		
2019		3,242.5	3,259.2	3,255.9	3,260.9		
2020			3,250.1	3,322.5	3,323.0		
2021				4,438.1	4,620.9		
2022					5,176.2		
Total					\$ 19,202.2		
All outstanding liabilities before 2018, net of reinsurance ¹					(0.5)		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 261.5		

¹ Required supplementary information (unaudited)

Personal Lines - Direct - Liability
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 4,904.8	\$ 4,980.9	\$ 5,003.2	\$ 5,052.5	\$ 5,003.2	\$ 0.5	871,247
2019		5,756.5	5,811.7	5,837.9	5,870.0	95.6	957,707
2020			5,356.9	5,322.7	5,301.5	125.5	789,775
2021				6,964.7	7,180.3	318.2	976,925
2022					7,563.4	1,173.0	951,894
Total					\$ 30,918.4		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 2,235.1	\$ 3,863.5	\$ 4,481.7	\$ 4,787.7	\$ 4,919.5		
2019		2,630.3	4,452.5	5,218.8	5,568.8		
2020			2,301.3	4,018.7	4,721.4		
2021				2,915.0	5,460.5		
2022					3,131.8		
Total					\$ 23,802.0		
All outstanding liabilities before 2018, net of reinsurance ¹					70.8		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 7,187.2		

¹ Required supplementary information (unaudited)

Personal Lines - Direct - Physical Damage
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 3,202.3	\$ 3,181.9	\$ 3,182.0	\$ 3,179.3	\$ 3,186.4	\$ 0.9	2,070,287
2019		3,787.9	3,737.8	3,749.6	3,747.9	(9.8)	2,272,135
2020			3,775.6	3,753.3	3,765.9	(6.8)	2,138,359
2021				5,752.3	5,568.2	(30.1)	2,600,641
2022					6,613.3	(398.9)	2,602,301
Total					\$ 22,881.7		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 3,170.0	\$ 3,193.8	\$ 3,183.0	\$ 3,182.6	\$ 3,183.1		
2019		3,782.6	3,751.3	3,746.8	3,750.9		
2020			3,720.0	3,765.9	3,762.2		
2021				5,421.9	5,578.7		
2022					6,325.7		
Total					\$ 22,600.6		
All outstanding liabilities before 2018, net of reinsurance ¹					3.6		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 284.7		

¹ Required supplementary information (unaudited)

Commercial Lines - Liability
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 1,880.4	\$ 1,913.7	\$ 1,976.2	\$ 1,971.4	\$ 1,966.0	\$ 6.1	119,869
2019		2,301.1	2,370.9	2,426.3	2,434.4	50.9	136,232
2020			2,335.7	2,388.8	2,418.9	91.6	117,890
2021				3,446.6	3,527.3	268.2	155,226
2022					4,526.1	892.9	186,665
Total					\$ 14,872.7		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 401.4	\$ 979.9	\$ 1,392.3	\$ 1,666.8	\$ 1,818.0		
2019		474.8	1,184.4	1,684.5	2,037.5		
2020			440.8	1,110.4	1,628.9		
2021				573.6	1,545.9		
2022					749.2		
Total					\$ 7,779.5		
All outstanding liabilities before 2018, net of reinsurance ¹					83.8		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 7,177.0		

¹ Required supplementary information (unaudited)

Commercial Lines - Physical Damage
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 528.7	\$ 528.3	\$ 526.3	\$ 525.6	\$ 525.6	\$ 0	93,304
2019		633.1	628.3	626.6	625.9	(1.4)	99,494
2020			631.8	624.9	622.0	(1.6)	99,578
2021				920.9	909.8	(5.5)	121,853
2022					1,314.9	(13.8)	152,929
Total					\$ 3,998.2		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 467.6	\$ 524.8	\$ 524.9	\$ 525.4	\$ 525.0		
2019		561.1	625.1	624.8	625.3		
2020			540.6	621.8	620.4		
2021				764.2	903.1		
2022					1,114.0		
Total					\$ 3,787.8		
All outstanding liabilities before 2018, net of reinsurance ¹					0.8		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 211.2		

¹ Required supplementary information (unaudited)

Commercial Lines - Other
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											As of December 31, 2022	
Accident Year	For the years ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2013 ¹	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2013	\$ 66.4	\$ 68.1	\$ 65.3	\$ 75.4	\$ 81.6	\$ 77.9	\$ 78.9	\$ 78.9	\$ 78.9	\$ 79.4	\$ 4.3	8,981
2014		74.9	70.0	68.3	70.5	70.7	69.4	70.7	70.9	70.4	3.5	9,226
2015			51.2	45.4	46.1	48.3	47.0	44.8	45.1	44.6	3.5	9,525
2016				51.8	43.3	41.0	41.5	40.2	40.1	40.0	3.0	7,647
2017					62.6	54.6	51.1	48.8	46.2	48.0	4.6	17,675
2018						81.5	81.3	76.7	77.0	76.5	7.6	15,440
2019							80.7	83.1	85.4	88.3	12.8	10,664
2020								75.0	80.7	81.9	17.7	9,437
2021									84.1	87.3	30.6	9,264
2022										84.0	43.0	6,974
Total										\$ 700.4		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance												
Accident Year	For the years ended December 31,											
	2013 ¹	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2013	\$ 13.7	\$ 30.6	\$ 43.6	\$ 55.6	\$ 61.9	\$ 66.9	\$ 68.9	\$ 70.8	\$ 71.7	\$ 72.9		
2014		18.6	33.9	44.3	51.1	56.9	59.0	61.1	64.2	65.0		
2015			6.5	18.1	26.5	30.9	33.9	36.1	37.1	37.8		
2016				8.5	20.9	27.0	30.6	32.7	33.8	35.0		
2017					9.6	24.4	30.8	34.5	36.9	39.7		
2018						17.6	39.6	49.5	56.7	61.7		
2019							20.0	42.4	56.0	64.6		
2020								15.8	38.6	52.2		
2021									16.9	39.6		
2022										18.4		
Total										\$ 486.9		
All outstanding liabilities before 2013, net of reinsurance ¹										29.0		
Liabilities for claims and claim adjustment expenses, net of reinsurance										\$ 242.5		

¹ Required supplementary information (unaudited)

Property Business
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2022	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 839.0	\$ 845.2	\$ 845.4	\$ 846.5	\$ 848.0	\$ 9.4	63,814
2019		971.7	965.2	962.8	965.8	0.6	73,056
2020			1,223.5	1,246.8	1,260.9	23.6	88,680
2021				1,539.6	1,516.3	77.9	89,348
2022					1,664.6	403.8	82,748
Total					\$ 6,255.6		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022		
2018	\$ 595.9	\$ 781.2	\$ 812.6	\$ 826.6	\$ 834.1		
2019		708.0	930.4	950.5	959.3		
2020			832.5	1,141.2	1,210.7		
2021				1,035.4	1,374.5		
2022					1,041.7		
Total					\$ 5,420.3		
All outstanding liabilities before 2018, net of reinsurance ¹					4.4		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 839.7		

¹ Required supplementary information (unaudited)

The following table reconciles the net incurred and paid claims development tables to the liability for claims and claim adjustment expenses:

(millions)	2022	2021
Net outstanding liabilities		
Personal Lines		
Agency, Liability	\$ 6,791.2	\$ 6,274.3
Agency, Physical Damage	261.5	277.6
Direct, Liability	7,187.2	6,373.2
Direct, Physical Damage	284.7	322.3
Commercial Lines		
Liability	7,177.0	5,381.1
Physical Damage	211.2	163.5
Other	242.5	229.8
Property	839.7	650.5
Other business	108.9	62.6
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	23,103.9	19,734.9
Reinsurance recoverables on unpaid claims		
Personal Lines		
Agency, Liability	894.1	916.9
Agency, Physical Damage	0	0
Direct, Liability	1,485.4	1,472.7
Direct, Physical Damage	0	0
Commercial Lines		
Liability	1,273.7	1,266.4
Physical Damage	0.5	2.4
Other	204.6	202.0
Property	1,068.1	370.0
Other business	559.0	463.8
Total reinsurance recoverables on unpaid claims	5,485.4	4,694.2
Unallocated claims adjustment expense related to:		
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	1,696.2	1,695.6
Reinsurance recoverables on unpaid claims	73.8	39.4
Total gross liability for unpaid claims and claim adjustment expense	\$ 30,359.3	\$ 26,164.1

The following table shows the average historical claims duration as of December 31, 2022:

(Required Supplementary Information - Unaudited)

Average Annual Percentage Payout of Incurred Claims by Age, Net of Reinsurance	Years				
	1	2	3	4	5
Personal Lines					
Agency, Liability	43.8%	32.4%	12.3%	5.9%	2.8%
Agency, Physical Damage	97.0	2.4	(0.1)	0.1	0.1
Direct, Liability	42.7	33.0	12.9	6.0	2.6
Direct, Physical Damage	98.0	1.2	(0.2)	0.1	0
Commercial Lines					
Liability	17.7	28.3	21.0	14.3	7.7
Physical Damage	86.2	12.7	(0.1)	0.1	(0.1)
Other	20.8	26.1	15.4	10.4	6.9
Property	67.4	23.0	3.9	1.3	0.9

7. REINSURANCE

The effect of reinsurance on premiums written and earned for the years ended December 31, was as follows:

(millions)	2022		2021		2020	
	Written	Earned	Written	Earned	Written	Earned
Direct premiums	\$ 52,335.6	\$ 50,650.2	\$ 48,129.6	\$ 46,018.6	\$ 41,736.4	\$ 40,687.7
Ceded premiums:						
Regulated	(621.5)	(674.8)	(674.5)	(650.2)	(648.2)	(686.5)
Non-Regulated	(633.0)	(734.2)	(1,049.9)	(999.7)	(519.5)	(739.6)
Total ceded premiums	(1,254.5)	(1,409.0)	(1,724.4)	(1,649.9)	(1,167.7)	(1,426.1)
Net premiums	\$ 51,081.1	\$ 49,241.2	\$ 46,405.2	\$ 44,368.7	\$ 40,568.7	\$ 39,261.6

Regulated refers to federal or state run plans and primarily includes the following:

- Federal reinsurance plan
 - National Flood Insurance Program (NFIP)
- State-provided reinsurance facilities
 - Michigan Catastrophic Claims Association (MCCA)
 - North Carolina Reinsurance Facility (NCRF)
 - Florida Hurricane Catastrophe Fund (FHCF)
- State-mandated involuntary plans
 - Commercial Automobile Insurance Procedures/Plans (CAIP)

Non-Regulated represents voluntary external reinsurance contracts entered into by the company. These include amounts ceded on our Commercial Lines business primarily related to the TNC business, workers' compensation, and fleet trucking, which are all ceded

under quota-share reinsurance agreements. Amounts ceded on our Property business are primarily multi-year catastrophic excess of loss and aggregate excess of loss agreements.

Non-Regulated ceded written and earned premiums decreased in 2022, primarily resulting from changes in the reinsurance structure of certain TNC products during the year, under which we wrote less direct premiums and ceded less premiums than in the prior year. The increased ceded written and earned premiums in 2021 was primarily due to an increase in the number of miles driven (the basis for TNC premiums) resulting from the lifting of pandemic-related restrictions that were in place in 2020, and the acquisition of Protective Insurance, which cedes premiums on its workers' compensation and fleet trucking policies.

Our reinsurance recoverables and prepaid reinsurance premiums were comprised of the following at December 31:

(\$ in millions)	Reinsurance Recoverables				Prepaid Reinsurance Premiums			
	2022		2021		2022		2021	
Regulated:								
MCCA	\$ 2,332.3	40 %	\$ 2,364.0	47 %	\$ 26.4	9 %	\$ 26.7	6 %
CAIP	626.8	11	529.0	11	50.4	17	111.2	24
FHCF	437.3	7	81.3	2	0	0	0	0
NFIP	215.4	4	13.9	0	60.1	20	62.4	14
NCRF	143.2	2	118.7	2	54.5	18	44.4	10
Other	2.9	0	2.2	0	1.5	1	1.4	0
Total Regulated	3,757.9	64	3,109.1	62	192.9	65	246.1	54
Non-Regulated:								
Commercial Lines	1,544.3	27	1,518.4	31	91.0	31	198.2	43
Property	524.4	9	345.8	7	11.6	4	13.3	3
Other	5.5	0	7.2	0	0	0	0	0
Total Non-Regulated	2,074.2	36	1,871.4	38	102.6	35	211.5	46
Total	\$ 5,832.1	100 %	\$ 4,980.5	100 %	\$ 295.5	100 %	\$ 457.6	100 %

Reinsurance contracts do not relieve us from our obligations to policyholders. Failure of reinsurers to honor their obligations could result in losses to us. Our exposure to losses from the failure of Regulated plans is minimal, since these plans are funded by the federal government or

by mechanisms supported by insurance companies in applicable states. We evaluate the financial condition of our other reinsurers and monitor concentrations of credit risk to minimize our exposure to significant losses from reinsurer insolvencies.

As a result of Hurricane Ian, we incurred losses and allocated loss adjustment expenses that were in excess of the retention layer under our Property excess of loss per occurrence reinsurance program, which were the primary contributors to the increase in the FHCF, NFIP, and Property business reinsurance recoverables in 2022.

The decrease in our prepaid reinsurance premiums in 2022 primarily reflects the decrease in TNC ceded premiums, as discussed above, and the expiration of our service contract to act as a servicing agent for CAIP, which we did not renew.

We routinely monitor changes in the credit quality and concentration risks of the reinsurers who are counterparties

8. STATUTORY FINANCIAL INFORMATION

Consolidated statutory surplus was \$17,879.9 million and \$16,423.7 million at December 31, 2022 and 2021, respectively. Statutory net income was \$2,763.5 million, \$2,283.9 million, and \$4,911.4 million for the years ended December 31, 2022, 2021, and 2020, respectively.

At December 31, 2022, \$1,426.0 million of consolidated statutory surplus represented net admitted assets of our insurance subsidiaries and affiliates that are required to meet minimum statutory surplus requirements in such entities' states of domicile. The companies may be licensed in states other than their states of domicile, which may have higher minimum statutory surplus requirements. Generally, the net admitted assets of insurance companies that, subject to other applicable insurance laws and

9. EMPLOYEE BENEFIT PLANS

Retirement Plans Progressive has a defined contribution pension plan (401(k) Plan) that covers employees who have been employed with the company for at least 30 days. Under Progressive's 401(k) Plan, we match up to a maximum of 6% of an employee's eligible compensation contributed to the plan, with employees vesting in the company match after providing two years of service. Employee and company matching contributions are invested, at the direction of the employee, in a number of investment options available under the plan, including various mutual funds, a self-directed brokerage option, and a Progressive common stock fund.

Progressive's common stock fund is an employee stock ownership program (ESOP) within the 401(k) Plan. At December 31, 2022, the ESOP held 19.3 million of our common shares, all of which are included in shares outstanding. Dividends on these shares are reinvested in common shares or paid out in cash, at the election of the participant, and the related tax benefit is recorded as part of our tax provision. Matching contributions to the 401(k) Plan for the years ended December 31, 2022, 2021, and 2020 were \$179.9 million, \$159.2 million, and \$131.2 million, respectively.

to our reinsurance recoverables to determine if an allowance for credit losses should be established. For at-risk uncollateralized recoverable balances, we evaluate a number of reinsurer specific factors, including reinsurer credit quality rating, credit rating outlook, historical experience, reinsurer surplus, recoverable duration, and collateralization composition in respect to our net exposure (i.e., the reinsurance recoverable amount less premiums payable to the reinsurer, where the right to offset exists). At December 31, 2022 and 2021, the allowance for credit losses related to these contracts was not material to our financial condition or results of operations.

regulations, are available for transfer to the parent company cannot include the net admitted assets required to meet the minimum statutory surplus requirements of the states where the companies are licensed.

During 2022, the insurance subsidiaries paid aggregate cash dividends of \$541.7 million to their parent company. Based on the dividend laws currently in effect, the insurance subsidiaries could pay aggregate dividends of \$2,948.7 million in 2023 without prior approval from regulatory authorities, provided the dividend payments are not made within 12 months of previous dividends paid by the applicable subsidiary.

Postemployment Benefits Progressive provides various postemployment benefits to former or inactive employees who meet eligibility requirements and to their beneficiaries and covered dependents. Postemployment benefits include salary continuation and disability-related benefits, including workers' compensation and, if elected, continuation of health-care benefits for specified limited periods. The liability for these benefits was \$19.6 million and \$22.3 million at December 31, 2022 and 2021, respectively.

Incentive Compensation Plans – Employees Progressive's incentive compensation programs include both non-equity incentive plans (cash) and equity incentive plans. Progressive's cash incentive compensation includes an annual cash incentive program (i.e., Gainshare Program) for virtually all employees. Progressive's equity incentive compensation plans provide for the granting of restricted stock unit awards to key members of management.

The amounts charged to expense for incentive compensation plans for the years ended December 31, were:

(millions)	2022		2021		2020	
	Pretax	After Tax	Pretax	After Tax	Pretax	After Tax
Non-equity incentive plans – cash	\$ 380.8	\$ 300.8	\$ 619.3	\$ 489.2	\$ 688.8	\$ 544.2
Equity incentive plans ¹	122.7	106.7	100.7	86.6	89.4	77.3

¹ After-tax amounts differ from the statutory rate of 21% due to the expected disallowance of certain executive compensation deductions.

Under Progressive’s 2015 Equity Incentive Plan, which provides for the granting of equity-based compensation to officers and other key employees, 17.0 million shares, in the aggregate, were authorized for issuance.

The restricted equity awards are issued as either time-based or performance-based awards. Generally, equity awards are expensed pro rata over their respective vesting periods, based on the market value of the awards at the time of grant, with accelerated expense for participants who satisfy qualified retirement eligibility. The time-based awards vest in equal installments upon the lapse of specified periods of time, typically three, four, and five years, subject to the retirement provisions of the applicable award agreements.

Performance-based awards that contain variable vesting criteria are expensed based on management’s expectation of the percentage of the award, if any, that will ultimately vest. These estimates can change periodically throughout the measurement period. Vesting of performance-based awards is contingent upon the achievement of predetermined performance goals within specified time periods.

The performance-based awards were granted to executives and other senior managers in 2022, in addition to their time-based awards, to provide additional incentive to achieve pre-established profitability and growth targets or relative investment performance. The targets for the performance-based awards, as well as the number of units that ultimately may vest, vary by grant.

The following performance-based equity awards were outstanding at December 31, 2022:

Performance Measurement	Year(s) of Grant	Vesting range (as a percentage of target)
Growth of our personal auto and commercial auto businesses and homeowners multi-peril business, each compared to its respective market	2020-2022	0-250%
Investment results relative to peer group	2020-2022	0-200%

All restricted equity awards are settled at or after vesting in Progressive common shares from existing treasury shares on a one-to-one basis.

A summary of all employee restricted equity award activity during the years ended December 31, follows:

Restricted Equity Awards	2022		2021		2020	
	Number of Shares ¹	Weighted Average Grant Date Fair Value	Number of Shares ¹	Weighted Average Grant Date Fair Value	Number of Shares ¹	Weighted Average Grant Date Fair Value
Beginning of year	3,539,022	\$ 67.24	3,570,271	\$ 57.68	3,879,077	\$ 48.28
Add (deduct):						
Granted ²	1,154,838	96.54	1,476,802	70.11	1,629,534	55.28
Vested	(1,378,070)	57.79	(1,452,353)	46.88	(1,861,442)	36.19
Forfeited	(117,640)	72.44	(55,698)	60.81	(76,898)	52.79
End of year ^{3,4}	3,198,150	\$ 81.71	3,539,022	\$ 67.24	3,570,271	\$ 57.68

¹ Includes restricted stock units. All performance-based awards are included at their target amounts.

² We reinvest dividend equivalents on restricted stock units. For 2022, 2021, and 2020, the number of units “granted” shown in the table above includes 44,327, 237,582, and 144,389 of dividend equivalent units, respectively, at a weighted average grant date fair value of \$0, since the dividends were factored into the grant date fair value of the original grant.

³ At December 31, 2022, the number of shares included 669,797 performance-based units at their target amounts. We expect 1,495,627 units to vest based upon our current estimates of the likelihood of achieving the predetermined performance goals applicable to each award.

⁴ At December 31, 2022, the total unrecognized compensation cost related to unvested equity awards was \$92.2 million, which includes performance-based awards at their currently estimated vesting value. This compensation expense will be recognized into the consolidated statements of comprehensive income over the weighted average vesting period of 2.2 years.

The aggregate fair value of the restricted equity awards that vested during the years ended December 31, 2022, 2021, and 2020, was \$154.4 million, \$139.1 million, and \$148.9 million, respectively, based on the actual stock price on the applicable vesting date.

Incentive Compensation Plans – Directors Progressive’s Amended and Restated 2017 Directors Equity Incentive Plan, which was approved by shareholders in 2022, provides for the granting of equity-based awards, including restricted stock awards, to non-employee directors. Under the amended and restated plan, an additional 150,000 shares are eligible to be granted, bringing the total authorized shares under the directors plan to 650,000 shares.

The Progressive Corporation permits each non-employee director to indicate a preference to receive either 100% of their compensation in the form of a restricted stock award

or 60% in the form of a restricted stock award and 40% in the form of cash. If the director does not state a preference, it is presumed that they preferred to receive 100% of their compensation in the form of restricted stock. After considering such preferences, the Compensation Committee of the Board of Directors determines the awards (restricted stock, or restricted stock and cash) for each non-employee director.

The restricted stock awards are issued as time-based awards. The vesting period (i.e., requisite service period) is typically 11 months from the date of each grant. To the extent a director is newly appointed during the year, or a director’s committee assignments change, the vesting period may be shorter. Both the restricted stock awards and cash, if elected, are expensed pro rata over their respective vesting periods based on the market value of the awards at the time of grant.

A summary of all directors’ restricted stock activity during the years ended December 31, follows:

	2022		2021		2020	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Restricted Stock						
Beginning of year	29,206	\$ 105.16	39,403	\$ 74.77	38,451	\$ 73.43
Add (deduct):						
Granted	30,439	109.75	29,206	105.16	39,403	74.77
Vested	(29,206)	105.16	(39,403)	74.77	(38,451)	73.43
End of year ¹	30,439	\$ 109.75	29,206	\$ 105.16	39,403	\$ 74.77

¹ At December 31, 2022, 2021, and 2020, the remaining unrecognized compensation cost related to restricted stock awards was \$1.0 million, \$0.9 million, and \$0.9 million, respectively.

The aggregate fair value of the restricted stock vested during the years ended December 31, 2022, 2021, and 2020, was \$3.4 million, \$3.8 million, and \$3.0 million, respectively, based on the actual stock price at time of vesting.

Deferred Compensation The Progressive Corporation Executive Deferred Compensation Plan (Deferral Plan) permits eligible Progressive executives to defer receipt of some or all of their annual cash incentive payments and all of their annual equity awards. Deferred cash compensation is deemed invested in one or more investment funds, including Progressive common shares, offered under the Deferral Plan and elected by the participant. All Deferral Plan distributions attributable to deferred cash compensation will be paid in cash.

For all equity awards granted in or after March 2005, and deferred pursuant to the Deferral Plan, the deferred amounts are deemed invested in our common shares and are ineligible for transfer to other investment funds in the Deferral Plan; distributions of these deferred awards will be made in Progressive common shares. For all restricted stock awards granted prior to that date, the deferred amounts are eligible to be transferred to any of the investment funds in the Deferral Plan; distributions of

these deferred awards will be made in cash. We reserved 11.1 million of our common shares for issuance under the Deferral Plan.

An irrevocable grantor trust has been established to provide a source of funds to assist us in meeting our liabilities under the Deferral Plan. The Deferral Plan Irrevocable Grantor Trust account held the following assets at December 31:

(millions)	2022	2021
Progressive common shares ¹	\$ 131.0	\$ 137.1
Other investment funds ²	150.4	189.1
Total	\$ 281.4	\$ 326.2

¹ Included 2.0 million and 2.4 million common shares as of December 31, 2022 and 2021, respectively, to be distributed in common shares, and are reported at grant date fair value.

² Amount is included in other assets on the consolidated balance sheets.

10. SEGMENT INFORMATION

We write personal and commercial auto insurance, personal residential and commercial property insurance, workers' compensation insurance, general liability insurance, and other specialty property-casualty insurance and provide related services.

We report our operating segments based on product. Our segments include Personal Lines, Commercial Lines, and Property.

Our Personal Lines segment writes insurance for personal autos and recreational vehicles (our special lines products). The Personal Lines segment is comprised of both the Agency and Direct businesses. The Agency business includes business written by our network of more than 40,000 independent insurance agencies, including brokerages in New York and California, and strategic alliance business relationships (including other insurance companies, financial institutions, and national agencies). The Direct business includes business written directly by us online, through the Progressive mobile app, or by phone. We operate our Personal Lines segment throughout the United States.

Our Commercial Lines segment writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominately for small businesses, and workers' compensation insurance primarily for the transportation industry. This segment operates throughout the United States and is distributed through both the independent agency, including brokerages, and direct channels.

Our Property segment writes residential property insurance for homeowners, other property owners, and renters through both the independent agency and direct channel,

and writes flood insurance through the "Write Your Own" program for the National Flood Insurance Program, through the agency channel. Our Property segment operates throughout the majority of the United States.

Our service businesses provide insurance-related services, including 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. In 2022, our service contract to act as a servicing agent for CAIP expired and we did not renew the contract.

We evaluate segment profitability based on pretax underwriting profit (loss). 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 credit expense. Service business pretax profit (loss) is the difference between service business revenues and service business expenses.

Assets and income taxes are not allocated to operating segments, as such allocation would be impractical. Expense allocations are based on certain assumptions and estimates primarily related to revenue and volume; stated segment operating results would change if different methods were applied. We also do not separately identify depreciation expense by segment. Companywide depreciation expense was \$305.6 million in 2022, \$279.7 million in 2021, and \$274.9 million in 2020. The accounting policies of the operating segments are the same as those described in *Note 1 – Reporting and Accounting Policies*.

Following are the operating results for the years ended December 31:

(millions)	2022		2021		2020	
	Revenues	Pretax Profit (Loss)	Revenues	Pretax Profit (Loss)	Revenues	Pretax Profit (Loss)
Personal Lines						
Agency	\$ 17,744.7	\$ 734.1	\$ 16,881.0	\$ 992.1	\$ 15,789.5	\$ 2,236.5
Direct	20,135.5	769.4	18,492.3	619.2	16,830.6	2,076.5
Total Personal Lines ¹	37,880.2	1,503.5	35,373.3	1,611.3	32,620.1	4,313.0
Commercial Lines	9,088.3	810.3	6,945.2	767.8	4,875.8	634.8
Property ²	2,270.0	(238.4)	2,042.5	(312.3)	1,765.7	(125.1)
Other indemnity ³	2.7	(11.4)	7.7	(1.4)	0	0
Total underwriting operations	49,241.2	2,064.0	44,368.7	2,065.4	39,261.6	4,822.7
Fees and other revenues ⁴	722.1	NA	691.8	NA	603.5	NA
Service businesses	299.3	2.6	271.4	18.6	226.4	20.9
Investments ⁵	(651.9)	(676.2)	2,370.1	2,344.6	2,566.6	2,546.6
Interest expense	NA	(243.5)	NA	(218.6)	NA	(217.0)
Property - Goodwill impairment ²	NA	(224.8)	NA	0	NA	0
Consolidated total	\$ 49,610.7	\$ 922.1	\$ 47,702.0	\$ 4,210.0	\$ 42,658.1	\$ 7,173.2

NA = Not applicable

¹ Personal auto insurance accounted for 94% of the total Personal Lines segment net premiums earned in 2022, 2021, and 2020; insurance for our special lines products (e.g., motorcycles, RVs, watercraft, and snowmobiles) accounted for the balance of the Personal Lines net premiums earned.

² The total pretax loss, including goodwill impairment, for the Property segment was \$463.2 million for 2022. During 2022, 2021, and 2020, pretax profit (loss) also included \$29.1 million, \$56.6 million, and \$56.9 million, respectively, of amortization expense predominately associated with intangible assets attributable to our Property segment. See *Note 15 – Goodwill and Intangible Assets* for further discussion.

³ Includes other underwriting business and run-off operations.

⁴ Pretax profit (loss) for fees and other revenues is allocated to operating segments based on revenue.

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

Our management uses underwriting margin and combined ratio as primary measures of underwriting profitability, as defined above. The underwriting margin is the pretax underwriting profit (loss) expressed as a percentage of net premiums earned (i.e., revenues from underwriting operations). Combined ratio is the complement of the underwriting margin. Following are the underwriting margins and combined ratios for our underwriting operations for the years ended December 31:

	2022		2021		2020	
	Underwriting Margin	Combined Ratio	Underwriting Margin	Combined Ratio	Underwriting Margin	Combined Ratio
Personal Lines						
Agency	4.1 %	95.9	5.9 %	94.1	14.2 %	85.8
Direct	3.8	96.2	3.4	96.6	12.3	87.7
Total Personal Lines	4.0	96.0	4.6	95.4	13.2	86.8
Commercial Lines	8.9	91.1	11.1	88.9	13.0	87.0
Property ¹	(10.5)	110.5	(15.3)	115.3	(7.1)	107.1
Total underwriting operations	4.2	95.8	4.7	95.3	12.3	87.7

¹ Included in 2022, 2021, and 2020, are 1.3 points, 2.8 points, and 3.2 points, respectively, of amortization expense associated with intangible assets.

11. OTHER COMPREHENSIVE INCOME (LOSS)

The components of other comprehensive income (loss), including reclassification adjustments by income statement line item, for the years ended December 31, were as follows:

(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
Balance at December 31, 2021	\$ 52.3	\$ (11.6)	\$ 40.7	\$ 56.2	\$ (14.9)	\$ (0.6)
Other comprehensive income (loss) before reclassifications:						
Investment securities	(4,168.4)	878.7	(3,289.7)	(3,289.7)	0	0
Foreign currency translation adjustment	(0.7)	0.1	(0.6)	0	0	(0.6)
Total other comprehensive income (loss) before reclassifications	(4,169.1)	878.8	(3,290.3)	(3,289.7)	0	(0.6)
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	(559.4)	112.2	(447.2)	(447.2)	0	0
Interest expense	(0.5)	0.1	(0.4)	0	(0.4)	0
Total reclassification adjustment for amounts realized in net income	(559.9)	112.3	(447.6)	(447.2)	(0.4)	0
Total other comprehensive income (loss)	(3,609.2)	766.5	(2,842.7)	(2,842.5)	0.4	(0.6)
Balance at December 31, 2022	\$ (3,556.9)	\$ 754.9	\$ (2,802.0)	\$ (2,786.3)	\$ (14.5)	\$ (1.2)

(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
Balance at December 31, 2020	\$ 1,187.4	\$ (255.7)	\$ 931.7	\$ 947.3	\$ (15.6)	\$ 0
Other comprehensive income (loss) before reclassifications:						
Investment securities	(892.4)	193.0	(699.4)	(699.4)	0	0
Foreign currency translation adjustment	(0.8)	0.2	(0.6)	0	0	(0.6)
Total other comprehensive income (loss) before reclassifications	(893.2)	193.2	(700.0)	(699.4)	0	(0.6)
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	242.8	(51.1)	191.7	191.7	0	0
Interest expense	(0.9)	0.2	(0.7)	0	(0.7)	0
Total reclassification adjustment for amounts realized in net income	241.9	(50.9)	191.0	191.7	(0.7)	0
Total other comprehensive income (loss)	(1,135.1)	244.1	(891.0)	(891.1)	0.7	(0.6)
Balance at December 31, 2021	\$ 52.3	\$ (11.6)	\$ 40.7	\$ 56.2	\$ (14.9)	\$ (0.6)

(millions)	Components of Changes in Accumulated Other Comprehensive Income (after tax)					
	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
Balance at December 31, 2019	\$ 439.1	\$ (94.7)	\$ 344.4	\$ 360.8	\$ (16.4)	\$ 0
Other comprehensive income (loss) before reclassifications:						
Investment securities	1,557.2	(306.1)	1,251.1	1,251.1	0	0
Total other comprehensive income (loss) before reclassifications	1,557.2	(306.1)	1,251.1	1,251.1	0	0
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	810.0	(145.4)	664.6	664.6	0	0
Interest expense	(1.1)	0.3	(0.8)	0	(0.8)	0
Total reclassification adjustment for amounts realized in net income	808.9	(145.1)	663.8	664.6	(0.8)	0
Total other comprehensive income (loss)	748.3	(161.0)	587.3	586.5	0.8	0
Balance at December 31, 2020	\$ 1,187.4	\$ (255.7)	\$ 931.7	\$ 947.3	\$ (15.6)	\$ 0

In an effort to manage interest rate risk, we entered into forecasted transactions on Progressive's debt issuances. During the next 12 months, we expect to reclassify \$0.5 million (pretax) into interest expense, related to net unrealized losses on forecasted transactions (see *Note 4 – Debt* for further discussion).

12. 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 insurance subsidiaries are named as defendants in a number of class action or individual lawsuits that challenge certain of the operations of the subsidiaries.

We describe litigation contingencies for which a loss is probable. In addition, we establish accruals for these lawsuits when we can reasonably estimate potential loss exposure, which may include a range of loss, and we will disclose such amount or range of loss if material. As to lawsuits for which the loss 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. We also describe litigation contingencies for which a loss is reasonably possible (but not probable). When disclosing reasonably possible litigation contingencies, we will disclose the amount or range of possible loss, if we are able to make that determination and if material. We review all reasonably possible losses on an ongoing basis to determine whether the likelihood of incurring a loss has

become probable, or whether the circumstances have changed such that we may now reasonably estimate a range of loss.

We may also be exposed to litigation contingencies that are remote. Remote litigation contingencies are those for which the likelihood of a loss is slight at the balance sheet date. We do not disclose, or establish accruals for, remote litigation contingencies, but we evaluate these contingencies on an ongoing basis to determine whether the likelihood of a loss has increased.

Each year, certain of our pending litigation matters may be brought to conclusion. For cases that have settled, but for which settlement is not complete, an accrual is established at our best estimate of the loss exposure. We regularly review these and other accruals to ensure they are adequate.

Settlements that are complete are fully reflected in our financial statements. The amounts accrued and/or paid for settlements during the periods presented were not material to our consolidated financial condition, cash flows, or results of operations.

The pending lawsuits summarized below are in various stages of development, and the outcomes are uncertain until final disposition or, if probable and estimable, are accrued and immaterial as of December 31, 2022. At period end, except to the extent an immaterial accrual has been established, we do not consider the losses from these pending cases to be both probable and estimable, and we

are unable to estimate a range of loss at this time. It is not possible to determine loss exposure for a number of reasons, including, without limitation, one or more of the following:

- liability appears to be remote;
- putative class action lawsuits generally pose immaterial exposure until a class is actually certified, which, historically, has not been granted by courts in the vast majority of our cases in which class certification has been sought;
- even certified class action lawsuits are subject to decertification, denial of liability and/or appeal;
- class definitions are often indefinite and preclude detailed exposure analysis; and
- complaints rarely state an amount sought as relief, and when such amount is stated, it often is a function of pleading requirements and may be unrelated to the potential exposure.

We plan to contest these suits vigorously, but may pursue settlement negotiations in some cases, as we deem appropriate. In the event that any one or more of these cases results in a substantial judgment against us, or settlement by us, or if our accruals (if any) prove to be inadequate, the resulting liability could have a material adverse effect on our consolidated financial condition, cash flows, and/or results of operations. Based on information currently known, we do not believe that the outcome of any pending cases described below will have a material impact on our consolidated financial condition, cash flows, and/or results of operations.

At December 31, 2022, pending lawsuits as described above that challenge certain of the operations of our subsidiaries included:

Lawsuits seeking class/collective action status alleging that:

- we improperly handle, adjust, and pay physical damage claims, including how we value total loss claims, the application of a negotiation adjustment in calculating total loss valuations, the payment of fees and taxes associated with total losses, and the payment of diminution of value damages.
- we improperly adjust PIP claims in Florida.
- we improperly adjust medical bills submitted by insureds or medical providers in medical claims.
- we improperly pay and reimburse Medicare Advantage Plans on first party medical, PIP, and bodily injury claims.
- we sell illusory underinsured motorist coverage.
- we wrongfully withheld or delayed payments owed to insureds under uninsured/underinsured motorist coverage.
- we must pay an insured the pre-loss actual cash value of a totaled vehicle in addition to the value of the salvage vehicle if we take ownership of the salvage vehicle.
- we violated the Telephone Consumer Protection Act.
- we provided an insufficient amount of premium relief to California insureds in response to the COVID-19 pandemic.
- we improperly use marital status as a rating factor when setting premium in California.
- we fail to timely and fully refund premiums to insureds upon taking title to vehicles that have been deemed total losses.
- we improperly use, examine, and record biometric voice prints.
- we mistitle vehicles by failing to include a salvage designation.
- certain of our compensation practices and overtime payment practices are improper, including our classification of certain employees as exempt from overtime pay requirements.

Lawsuits certified or conditionally certified as class/collective actions alleging that:

- we improperly value total loss claims in Florida and Washington.
- we improperly fail to pay fees and taxes associated with total losses in Florida, Michigan, and New York.
- we improperly adjust medical bills in Washington.
- we improperly calculate basic economic loss as it relates to wage loss coverage.
- we improperly fail to timely process and pay PIP claims in Texas.
- that certain of our compensation practices and overtime payment practices are improper, including our classification of certain employees as exempt from overtime pay requirements.

Non-class/collective/representative lawsuits alleging that:

- we breached a contract by improperly handling a portfolio of high-deductible workers' compensation claims.
- we improperly paid, reimbursed, and reported on claims in which the insured or claimant is a Medicare or Medicaid beneficiary.
- we improperly estimate and pay for physical damage repairs.
- we undervalued and underinsured residential property.
- we failed to provide written notice of cancellation prior to cancelling a homeowner's insurance policy.
- that various employment policies, practices, and/or decisions are improper.

13. LEASES

Included in our consolidated balance sheets are certain operating leases for office space, computer equipment, and vehicles that are reported as a component of other assets and accounts payable, accrued expenses, and other liabilities.

The leased assets represent our right to use an underlying asset for the lease term and the lease liabilities represent our obligation to make lease payments arising from the lease. An incremental borrowing rate is used to calculate the present value of the remaining lease payments.

Contracts are reviewed at inception to determine if it contains a lease and whether the lease qualifies as an operating or financing lease. We do not have material financing leases.

Operating leases are expensed on a straight-line basis over the term of the lease. In determining the lease term, we consider the probability of exercising renewal options. We elected to account for leases with both lease and non-lease components as a single lease component and to apply a portfolio approach to account for our vehicle leases.

The following table summarizes the carrying amounts of our operating leased assets and liabilities at December 31, along with key inputs used to discount our lease liabilities:

(millions)	2022		2021	
Operating lease assets	\$	130.5	\$	172.6
Operating lease liabilities	\$	137.2	\$	180.9
Weighted-average remaining term		2.5 years		2.9 years
Weighted-average discount rate		2.0 %		1.6 %

At December 31, 2022, the following table shows our operating lease liabilities, on an undiscounted basis for the periods indicated:

(millions)	Commitments	
2023	\$	69.0
2024		46.7
2025		17.0
2026		5.0
2027		1.4
Thereafter		1.8
Total		140.9
Interest		(3.7)
Present value of lease liabilities	\$	137.2

The operating lease expense for the years ended December 31, was as follows:

(millions)	Expense	
2022	\$	89.1
2021		90.4
2020		95.4

14. DIVIDENDS

Following is a summary of our common and preferred share dividends that were declared and/or paid in the last three years:

(millions, except per share amounts)		Amount	
Declared	Payable	Per Share	Accrued/Paid ¹
<u>Common - Annual-Variable Dividends:</u>			
December 2021	December 2021	1.50	876.5
December 2020	January 2021	4.50	2,635.9
December 2019	January 2020	2.25	1,316.9
<u>Common - Quarterly Dividends:</u>			
December 2022	January 2023	0.10	58.5
August 2022	October 2022	0.10	58.5
May 2022	July 2022	0.10	58.5
March 2022	April 2022	0.10	58.5
December 2021	January 2022	0.10	58.5
August 2021	October 2021	0.10	58.5
May 2021	July 2021	0.10	58.5
March 2021	April 2021	0.10	58.5
December 2020	January 2021	0.10	58.6
August 2020	October 2020	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
<u>Preferred Dividends:</u>			
December 2022	March 2023	26.875	13.4
August 2022	September 2022	26.875	13.4
December 2021	March 2022	26.875	13.4
August 2021	September 2021	26.875	13.4
December 2020	March 2021	26.875	13.4
August 2020	September 2020	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 and recorded as a component of accounts payable, accrued expenses, and other liabilities on the consolidated balance sheets until paid; the prior year common share dividend accrual was reclassified into this line item from dividends payable on common shares to conform to the current year presentation.

Common Share Dividends The Board of Directors adopted a policy of declaring regular quarterly common share dividends, and on at least an annual basis, to consider declaring an additional common share dividend. The Board decided not to declare an annual-variable dividend for 2022 after assessing our capital position, existing capital resources, and expected future capital needs.

Preferred Share Dividends During 2018, we issued 500,000 Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares, without par value (the Series B Preferred Shares), with a liquidation preference of \$1,000 per share (the stated amount). Holders of the Series B Preferred Shares are entitled to receive cumulative cash dividends semiannually in March and September, if and when declared by the Board of Directors. Until March 15,

2023 (the fixed-rate period), the annual dividend rate is fixed at 5.375% of the stated amount per share.

Beginning March 15, 2023, the annual dividend rate switches to a floating rate equal to the three-month London Interbank Offered Rate (LIBOR), or a comparable successor base rate, plus a spread of 2.539% applied to the stated amount per share. After the fixed-rate period and up until redemption of the Series B Preferred Shares, the dividends would be payable quarterly, if and when declared by the Board of Directors.

The Series B Preferred Shares are perpetual and have no stated maturity date. After the fixed-rate period, we may redeem the Series B Preferred Shares at the stated amount plus all accrued and unpaid dividends after providing required notice.

15. GOODWILL AND INTANGIBLE ASSETS

Goodwill The majority of the goodwill recorded as of December 31, 2022 and 2021, related to the April 1, 2015, acquisition of a controlling interest in ARX. During 2022, we performed an impairment test of our goodwill allocated to the ARX reporting unit and recorded an impairment loss of \$224.8 million, which is disclosed as a separate line item in our consolidated statements of comprehensive income. The impairment loss was fully allocated to our Property operating segment. There were no previously recorded goodwill impairment losses on any of the outstanding goodwill.

The indicators of impairment primarily related to the magnitude of weather events relative to forecasted expectations during the first half of 2022, as well as other factors impacting our plans to restore our Property business to target profitability in a timely fashion and the subsequent reduced forecasted profitability of ARX.

The quantitative goodwill impairment assessment consisted of comparing the fair value of the reporting unit to its carrying value. To determine the fair value of a reporting unit, we use a discounted cash flow model. The model uses assumptions including, but not limited to, discount rate, forecasted growth, profitability, investment return, and capital requirements. The assumptions and estimates were consistent with those we believe other non-related marketplace participants would use and were based on management's best estimates at the time of the analysis. The calculated fair value of the ARX reporting unit was below its carrying value at June 30, 2022, which resulted in recording the goodwill impairment. There was no indication of impairment on the remaining \$227.9 million of goodwill, of which 98% was attributable to our Personal Lines Agency business and related to the ARX acquisition.

Intangible Assets The following table is a summary of the net carrying amount of other intangible assets as of December 31:

(millions)	2022	2021
Intangible assets subject to amortization	\$ 73.9	\$ 104.9
Indefinite-lived intangible assets ¹	12.4	12.4
Total	\$ 86.3	\$ 117.3

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 both years presented.

Intangible assets subject to amortization for the years ended December 31, consisted of the following:

(millions)	2022			2021		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Policies in force	\$ 0	\$ 0	\$ 0	\$ 256.2	\$ 247.1	\$ 9.1
Agency relationships	159.2	88.1	71.1	159.2	76.8	82.4
Software rights	69.1	67.0	2.1	69.1	58.3	10.8
Trade name	3.6	2.9	0.7	3.6	1.0	2.6
Total	\$ 231.9	\$ 158.0	\$ 73.9	\$ 488.1	\$ 383.2	\$ 104.9

Amortization expense was \$31.0 million, \$57.7 million, and \$56.9 million for the years ended December 31, 2022, 2021, and 2020, respectively. During the first quarter 2022, the policies in force intangible asset, with a gross carrying amount of \$256.2 million, was fully amortized.

The estimated aggregate amortization on these intangible assets for each of the next five years as of December 31, 2022, follows:

(millions)	Amortization Expense
2023	\$ 14.2
2024	11.4
2025	11.4
2026	11.4
2027	11.4

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Progressive Corporation

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of The Progressive Corporation and its subsidiaries (the “Company”) as of December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in shareholders’ equity and of cash flows for each of the three years in the period ended December 31, 2022, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the COSO.

Basis for Opinions

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Critical Audit Matters

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Valuation of Loss and Loss Adjustment Expense Reserves

As described in Notes 1 and 6 to the consolidated financial statements, as of December 31, 2022, the Company reported a \$30.4 billion loss and loss adjustment expense (“LAE”) reserve liability, of which about 90% relates to Personal and Commercial Lines vehicle businesses. Reserves are based on estimates of ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. Management establishes loss and LAE reserves after completing reviews at a disaggregated level of grouping. During a reserve review, ultimate loss amounts are estimated using several industry standard actuarial projection methods. These methods take into account historical comparable loss data at the subset level and estimate the impact of various loss development factors, such as the frequency (number of losses per exposure), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of LAE costs.

The principal considerations for our determination that performing procedures relating to the valuation of loss and LAE reserves is a critical audit matter are (i) the significant judgment by management when developing the estimate of loss and LAE reserves, which in turn led to a significant degree of auditor judgment and subjectivity in performing procedures relating to the valuation; (ii) the significant audit effort and judgment in evaluating audit evidence relating to the various actuarial projection methods and aforementioned loss development factors; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management’s valuation of loss and LAE reserves, including controls over the various actuarial projection methods, and development of the loss development factors. These procedures also included, among others, testing the completeness and accuracy of historical data provided by management and the involvement of professionals with specialized skill and knowledge to assist in (i) independently estimating reserves for certain lines of business using actual historical comparable loss data, independently derived loss development factors, and industry data and comparing this independent estimate to management’s actuarial determined reserves and (ii) evaluating the appropriateness of the actuarial projection methods and reasonableness of the aforementioned loss development factors used by management for determining the reserve balances for certain lines of business.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
February 27, 2023

We have served as the Company’s auditor since 1984.

Management's Report on Internal Control over Financial Reporting

Progressive's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Securities Exchange Act of 1934. Our internal control structure was designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Our internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect our transactions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and our directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, management concluded that our internal control over financial reporting was effective as of December 31, 2022.

PricewaterhouseCoopers LLP, an independent registered public accounting firm that audited the financial statements included in this Annual Report, has audited, and issued an attestation report on the effectiveness of, our internal control over financial reporting as of December 31, 2022; such report appears herein.

CEO and CFO Certifications

Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation, and John P. Sauerland, Vice President and Chief Financial Officer of The Progressive Corporation, have issued the certifications required by Sections 302 and 906 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations with respect to Progressive's 2022 Annual Report on Form 10-K, including the financial statements provided in this Report. Among other matters required to be included in those certifications, Mrs. Griffith and Mr. Sauerland have each certified that, to the best of their knowledge, the financial statements, and other financial information included in the Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations, and cash flows of Progressive as of, and for, the periods presented. See Exhibits 31 and 32 to Progressive's Annual Report on Form 10-K for the complete Sections 302 and 906 certifications, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to help the reader understand our financial condition and results of operations. MD&A should be read in conjunction with the consolidated financial statements and the related notes, and supplemental information.

I. OVERVIEW

The Progressive insurance organization has been offering insurance to consumers since 1937. The Progressive Corporation is a holding company that does not have any revenue producing operations, physical property, or employees of its own. The Progressive Corporation, together with its insurance and non-insurance subsidiaries and affiliates, comprise what we refer to as Progressive.

We report three operating segments. Our Personal Lines segment writes insurance for personal autos and recreational vehicles (referred to as our special lines products). Our Commercial Lines segment writes auto-related liability and physical damage insurance, workers' compensation insurance 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. We operate throughout the United States through both the independent agency and direct distribution channels. We are the third largest private passenger auto insurer in the country, the number one writer of commercial auto insurance, and one of the top 15 homeowners insurance carriers, in each case based on 2021 premiums written.

Our underwriting operations, combined with our service and investment operations, make up the consolidated group.

A. Operating Results

On a year-over-year basis, net income and comprehensive income decreased 78% and 186%, respectively, primarily due to significant valuation declines in both our equity and fixed-maturity security portfolios during 2022. Net holding period losses, primarily from our equity security portfolio, were \$2.1 billion in 2022, compared to net holding period gains of \$0.9 billion in 2021. The market value of our fixed-maturity securities decreased \$2.8 billion during 2022 due to the rise in interest rates throughout the year, compared to valuation declines of \$0.9 billion during 2021.

Another factor contributing to the decrease in net income was the write off of \$224.8 million of goodwill related to the 2015 acquisition of ARX Holding Corp. and its subsidiaries (ARX) during the year. Based on our analysis, we concluded that the fair value of our Property segment was less than the carrying value at the time of the review, primarily based on changes in forecasted expectations relative to the magnitude of weather events during the first half of 2022, as well as other factors impacting our plans to

restore our Property business to target profitability in a timely fashion. There was no other indication of impairment on the remaining goodwill.

While the rise in interest rates decreased valuations, it also contributed to the 46% increase in our recurring investment income during the year. For 2022, our pretax recurring book yield was 2.4%, compared to 1.9% for 2021, reflecting an increase in interest rates on our floating-rate securities and the investment of cash and maturities at relatively higher interest rates.

Our underwriting income was \$2.1 billion for both 2022 and 2021. During 2022, we had an underwriting profit margin of 4.2%, which was above our companywide target profit margin of 4%, compared to 4.7% in 2021. Throughout the year, we continued to see volatility in our severity trends as inflation continued to increase the average costs to settle a claim over last year, while frequency trends continued to be favorable. In 2022, we experienced the largest hurricane in our history when Hurricane Ian made landfall multiple times on the Gulf and Atlantic coasts. In total, catastrophe losses were 0.4 points greater in 2022 than 2021.

Although net income was lower in 2022, we did generate top-line growth. Net premiums written and earned increased 10% and 11%, respectively, over 2021. During the year, we surpassed \$50 billion in net premiums written to end 2022 at \$51.1 billion. Companywide policies in force increased 0.9 million, or 3%, over last year to reach 27.4 million at December 31, 2022. As expected, the rate and non-rate actions described below, which began in 2021 and continued into 2022, slowed volume growth on a year-over-year basis, primarily in the first half of 2022.

We ended 2022 with total capital (debt plus shareholders' equity) of \$22.3 billion, which was down \$0.9 billion from year-end 2021. The year-over-year decrease primarily reflects our comprehensive loss for 2022, in part offset by our \$1.5 billion debt issuance during the year.

B. Insurance Operations

Our Personal Lines and Commercial Lines operating segments were profitable with underwriting margins of 4.0% and 8.9%, respectively, while our Property segment had an underwriting loss margin of 10.5% for the year, which included 25.6 points of catastrophe losses.

While growth is an important objective, we strongly believe that achieving our target profit margin takes precedence over growing premiums when we are challenged to achieve both. With focus on achieving our underwriting profitability target of 4%, we increased personal auto rates in 49 states during 2022, with an aggregate increase of about 13%. We took countrywide net increases of 9% during the first half of 2022, which followed the personal auto rate increases we took during 2021 of about 8%. The rate increases taken during the second half of 2022 were much smaller and at a pace closer to the inflationary pressure we were then experiencing. We will continue to monitor the factors that could impact our loss costs for our personal auto business, which can include new and used car prices, miles driven, driving patterns, loss severity, weather events, inflation, and other components, on a state-by-state basis, and will file for rate adjustments where we deem it necessary.

We believe a key element in improving the accuracy of our personal auto rating is Snapshot®, our usage-based insurance offering. During 2022, the adoption rates for consumers enrolling in the program increased about 25% in Agency auto and nearly 15% in Direct auto, compared to 2021. Snapshot is available in all states, other than California, and our latest segmentation model is available in states that represented about 25% of our countrywide personal auto premium at year-end 2022. We continue to invest in our mobile application, with mobile devices being chosen for Snapshot monitoring for the majority of new enrollments.

In addition to rate actions to achieve our target profit margin in Personal Lines, we maintained discipline in our media budget and reduced targeted media spend in certain types of advertising, based on performance against our media and underwriting targets. Our total advertising spend was 5% lower in 2022, compared to the prior year. Consistent with rate actions, management will continue to assess where additional non-rate actions, including adjusting underwriting criteria, bill plans, or advertising spend, may be needed.

During 2022, our overall incurred frequency in our personal auto business decreased about 6%, while severity increased about 13%, compared to the prior year. We continued to see inflationary pressure in the average costs to settle a claim, driven primarily by the increase in the valuation of new and used vehicles on a year-over-year basis.

During the year, on a companywide basis, we recognized 3.4 loss ratio points related to catastrophe losses, compared to 3.0 points in 2021. Hurricane Ian contributed 1.6 points in total, with 1.5 points attributable to our Personal Lines business and 8.8 points to our Property business. The remaining catastrophe losses were attributable to other hurricanes, wind, hail, tornadoes, and winter storms throughout the United States.

Improving profitability continues to be our top priority for our Property business. Due to our concentration of policies in catastrophe-exposed states, severe weather events generally have greater impact on our results compared to other national carriers. In response, we began implementing underwriting changes during the second half of 2021, which continued during 2022, to focus on improving profitability in the Property business. In addition, we increased rates an average of about 19% in our Property segment during 2022, with some of the larger increases in Florida and in hail-prone states, such as Colorado and Oklahoma. About half of this increase occurred in late 2022.

Our companywide net premiums written grew 10% with growth in each of our segments on a year-over-year basis. Personal Lines grew 9%, Commercial Lines 17%, and Property 8%. The Personal Lines increase reflected growth in both our Agency and Direct businesses. The increase in net premiums written in our Commercial Lines business reflected growth in all of our business market targets, but especially in our contractor and auto business market targets. The Commercial Lines growth was also aided, to a lesser extent, by an increase in our transportation network company (TNC) business, due to an increase in the miles driven (which is the basis for determining premiums written for this business), as well as increased rates to address profitability issues in the TNC business. The Property business growth was primarily due to renewal business since, during 2022, we restricted new business growth, especially in Florida.

Changes in net premiums written are a function of new business applications (i.e., policies sold), premium per policy, and retention. Policies in force grew 3% companywide, with Personal Lines, Commercial Lines, and Property growing 3%, 8%, and 3%, respectively.

On a year-over-year basis, for 2022, Personal Lines new applications grew 1%. Through the first six months of 2022, Personal Lines new applications decreased 18%, reflecting the significant rate increases taken during 2021 and the first half of 2022. As our competitors raised rates during 2022, our new applications started to grow significantly in the latter part of the year, resulting in the overall growth in new applications for 2022.

New personal auto applications grew 2% on a year-over-year basis, with our Agency auto decreasing 3% and Direct auto increasing 6%. While total new application growth was up for the year, Agency auto new applications were down compared to the prior year, as a result of the actions taken to address profitability, as discussed above.

For our Commercial Lines business, [excluding our TNC, business owners' policy (BOP), and Protective Insurance Corporation and subsidiaries (Protective Insurance) products], which we refer to as our core commercial auto product, new applications decreased 1% for 2022, compared to the prior year, mainly driven by decreased

demand, primarily in the second half of 2022, in our for-hire transportation product, due to the general weakening of the economy, and the significant new application growth experienced during 2021.

Our Property business new applications decreased 8% for the year, primarily due to rate and other actions taken to address the profitability concerns as discussed above.

During 2022, our written premiums per policy increased in all of our operating segments primarily due to the rate increases taken during the year as discussed above. On a year-over-year basis, written premium per policy increased 11% in Agency personal auto, 8% in Direct personal auto, and 5% for our special lines products, compared to the prior year. In our core commercial auto products, we experienced an 11% increase in written premium per policy, reflecting rate increases of about 6%, in the aggregate, in 2022. The 6% increase in our Property business written premium per policy is substantially less than the 19% rate increases discussed above as a result of taking a portion of the increases later in the year, a shift in the mix of business to a larger share of renters policies, which have lower written premium per policy, and slower homeowners growth in volatile states that have higher average premiums.

We realize that 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. A key initiative to lengthening our retention is to increase our share of multi-product households. We will continue to make investments to improve the customer experience in order 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.

We evaluate personal auto retention using a trailing 12-month policy life expectancy and a trailing 3-month policy life expectancy. The latter can reflect more volatility and is more sensitive to seasonality. On a trailing 3-month basis, our personal auto policy life expectancy was down 9% year over year, which is an improvement from the 32% decrease in policy life expectancy we reported at June 30, 2022. Our trailing 12-month total personal auto policy life expectancy was down 22% year over year, with Agency down 24% and Direct down 19%. Our trailing 12-month policy life expectancy increased 3% for special lines, and decreased 12% for Commercial Lines and 7% for Property.

C. Investments

The fair value of our investment portfolio was \$53.5 billion at December 31, 2022, compared to \$51.5 billion at December 31, 2021.

The increase in value from year-end 2021, primarily reflected the proceeds of the \$1.5 billion

debt issuance in March 2022 and positive cash flows from our underwriting operations, offset by declines in the valuations of our portfolio, as discussed below.

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 December 31, 2022, 10% of our portfolio was allocated to Group I securities and 90% to Group II securities, compared to 17% and 83%, respectively, at December 31, 2021. The decrease in the percentage of Group I securities since year end 2021 was primarily driven by sales in our common equity portfolio and, to a lesser extent, high-yield bonds and preferred stocks with proceeds reinvested in Group II short-term investments.

Our recurring investment income generated a pretax book yield of 2.4% for 2022, compared to 1.9% for 2021, due to the increase in interest rates on our floating-rate securities and the investment of cash and maturities at relatively higher interest rates. Our investment portfolio produced a fully taxable equivalent (FTE) total return of (7.8)% for 2022 and of 2.6% for 2021. Our fixed-income and common stock portfolios had FTE total returns of (6.6)% and (19.4)%, respectively, for 2022, compared to (0.1)% and 33.4%, for 2021. The year-over-year decrease in the fixed-income return reflected lower valuations primarily due to the market impact of higher interest rates and wider credit spreads during the last twelve months. The common stock return decline reflected general market conditions during 2022.

At December 31, 2022, the fixed-income portfolio had a weighted average credit quality of AA and a duration of 2.9 years, compared to AA- and 3.0 years at December 31, 2021. We have shortened our portfolio duration during the year, which we believe provides some protection against further increases in interest rates.

The end of the London Interbank Offered Rate (LIBOR) as an official reference rate will be June 30, 2023. The Federal Reserve Board identified the Secured Overnight Financing Rate (SOFR) as the recommended replacement to U.S. LIBOR. As of December 31, 2022, we owned 175 unique securities with an aggregate par value of \$3.6 billion that are still based on LIBOR, with our other asset-backed securities, mainly collateralized loan obligations, making up the majority of these securities. Due to the provisions in the terms of the securities, which allows a change in the underlying rate if a rate is discontinued, we are expecting a relatively smooth transition to an alternate reference rate.

II. FINANCIAL CONDITION

A. Liquidity and Capital Resources

The Progressive Corporation receives cash through subsidiary dividends, capital raising and other transactions, and uses these funds to contribute to its subsidiaries (e.g., to support growth), to make payments to shareholders and debt holders (e.g., dividends and interest, respectively), to repurchase its common shares, and to redeem or pay off debt, as well as for acquisitions and other business purposes that may arise.

During 2022, The Progressive Corporation received cash from the following sources:

- Debt issuance - issued \$500 million of 2.50% Senior Notes due 2027, \$500 million of 3.00% Senior Notes due 2032, and \$500 million of 3.70% Senior Notes due 2052, in an underwritten public offering.
- Dividends from subsidiaries - received \$538.6 million from its insurance and non-insurance subsidiaries.

The Progressive Corporation deployed capital through the following actions in 2022:

- Dividends
 - Common shares - declared aggregate dividends of \$0.40 per common share, or \$233.7 million.
 - Preferred shares - declared aggregate Series B Preferred dividends of \$26.8 million.
- Common Share Repurchases - acquired 0.9 million of our common shares at a total cost of \$99.0 million either in the open market or to satisfy tax withholding obligations in connection with the vesting of equity awards under our employee equity compensation plan. Pursuant to our financial policies, we repurchase common shares to neutralize dilution from equity-based compensation granted during the year and opportunistically when we believe our shares are trading below our determination of long-term fair value.
- Capital Contributions - contributed a net \$797.8 million to its insurance and non-insurance subsidiaries.

The Board decided not to declare an annual-variable dividend for 2022 after assessing our capital position, existing capital resources, and expected future capital needs, including the then current market conditions that could present opportunities for further growth in 2023.

Over the last three years, The Progressive Corporation received dividends from its subsidiaries, net of capital contributions, of \$6.2 billion, and issued \$2.5 billion, in the aggregate, of senior notes.

The covenants on The Progressive Corporation's existing debt securities do not include any rating or credit triggers that would require an adjustment of the interest rate or an acceleration of principal payments in the event that our debt securities are downgraded by a rating agency. While we had an unsecured discretionary line of credit available to us during each of the last three years in the amount of \$250 million, we did not borrow under this arrangement, or

engage in other short-term borrowings, to fund our operations or for liquidity purposes.

In the aggregate for the last three years, we made the following payments:

- \$5.5 billion for common share dividends and \$0.1 billion for preferred share dividends;
- \$0.7 billion for interest on our outstanding debt;
- \$0.6 billion related to acquisitions;
- \$0.5 billion for the maturity of debt; and
- \$0.4 billion to repurchase our common shares.

For the three years ended December 31, 2022, operations generated positive cash flows of about \$21.5 billion. In 2022, operating cash flows decreased \$0.9 billion, compared to 2021. While we continued to collect premiums at a faster rate than losses were paid, the decrease in operating cash flow for the year was primarily driven by higher paid losses, compared to last year. We believe cash flows will remain positive in the reasonably foreseeable future and do not expect we will have a need to raise capital to support our operations in that timeframe, although changes in market or regulatory conditions affecting the insurance industry, or other unforeseen events, may necessitate otherwise.

As of December 31, 2022, we held \$28.0 billion in short-term investments and U.S. Treasury securities, which represented 52% of our total portfolio at year end. Based on our portfolio allocation and investment strategies, we believe that we have sufficient readily available marketable securities to cover our claims payments and short-term obligations in the event our cash flow from operations were to be negative. While U.S. Treasury securities are viewed as having lower risk than many other investment opportunities, the U.S. Treasury recently announced it had reached its authorized borrowing limit and defaults under government obligations, including payments related to U.S. Treasury securities, could occur as soon as this summer. Although perhaps unlikely, it is possible that the federal government could fail to raise the federal debt ceiling to avoid default. Any such default would likely have a materially adverse impact on our cash flows and the value of our portfolio and our capital position. See *Item 1A, Risk Factors* in our 2022 Form 10-K filed with the U.S. Securities and Exchange Commission for a discussion of certain matters that may affect our portfolios and capital position.

Progressive's insurance operations create liquidity by collecting and investing premiums from new and renewal business in advance of paying claims. As primarily an auto insurer, our claims liabilities are generally short in duration. At December 31, 2022, our loss and loss adjustment expense (LAE) reserves were \$30.4 billion. Typically, at any point in time, approximately 50% of our outstanding loss and LAE reserves are paid within the

following twelve months and only about 20% are still outstanding after three years. See *Note 6 – Loss and Loss Adjustment Expense Reserves* for further information on the timing of claims payments.

Insurance companies are required to satisfy regulatory surplus and premiums-to-surplus ratio requirements. As of December 31, 2022, our consolidated statutory surplus was \$17.9 billion, compared to \$16.4 billion at December 31, 2021. Our net premiums written-to-surplus ratio was 2.9 to 1 at year-end 2022, 2.8 to 1 at year-end 2021, and 2.7 to 1 at year-end 2020. At year-end 2022, we also had access to \$4.4 billion of securities held in a non-insurance subsidiary, portions of which could be contributed to the capital of our insurance subsidiaries to support growth or for other purposes.

Insurance companies are also required to satisfy risk-based capital ratios. These ratios are determined by a series of dynamic surplus-related calculations required by the laws of various states that contain a variety of factors that are applied to financial balances based on the degree of certain risks (e.g., asset, credit, and underwriting). Our insurance subsidiaries' risk-based capital ratios were in excess of applicable minimum regulatory requirements at year-end 2022. Nonetheless, the payment of dividends by our insurance subsidiaries are subject to certain limitations. See *Note 8 – Statutory Financial Information* for additional information on insurance subsidiary dividends.

We seek to deploy our 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. Management views our capital position as consisting of three layers, each with a specific size and purpose:

- The first layer of capital is the amount of capital we need to satisfy state insurance regulatory requirements and support our objective of writing all the business we can write and service, consistent with our underwriting discipline of achieving a combined ratio of 96 or better. This first layer of capital, which we refer to as “regulatory capital,” is held by our various insurance entities.

- While our regulatory capital layer is, by definition, a cushion for absorbing financial consequences of adverse events, such as loss reserve development, litigation, weather catastrophes, and investment market changes, we view that as a base and hold a second layer of capital for even more extreme conditions. The modeling used to quantify capital needs for these conditions is extensive, including tens of thousands of simulations, representing our best estimates of such contingencies based on historical experience. This capital is held either at a non-insurance subsidiary of the holding company or in our insurance entities, where it is potentially eligible for a dividend to the holding company.
- The third layer is capital in excess of the sum of the first two layers and provides maximum flexibility to fund other business opportunities, repurchase stock or other securities, and pay dividends to shareholders, among other purposes. This capital is largely held at a non-insurance subsidiary of the holding company.

We monitor our total capital position regularly throughout the year to ensure we have adequate capital to support our insurance operations. At December 31, 2022, we held total capital (debt plus shareholders' equity) of \$22.3 billion, compared to \$23.1 billion at December 31, 2021. Our debt-to-total capital ratios at December 31, 2022, 2021, and 2020, were 28.7%, 21.2%, and 24.1%, respectively, and were consistent with our financial policy of maintaining a ratio of less than 30%. While our financial policies include a goal of maintaining debt below 30% of total capital at book value, we recognize that various factors, including rising interest rates, widening credit spreads, declines in the equity markets, or erosion in operating results, may result in that ratio exceeding 30% at times, as it did at the end of a couple of months during 2022. In such a situation, as we did during 2022, we may choose to remain above 30% for some time, dependent upon market conditions and the capital needs of our operating businesses. We will continue to monitor this ratio, market conditions, and our capital needs going forward.

At December 31, 2022, we had various noncancelable contractual obligations that were outstanding. We held \$6.5 billion of Senior Notes with maturity dates ranging from 2027 through 2052, with \$4.2 billion of future interest payment obligations related to our outstanding debt. The next debt repayment of \$1.0 billion, in the aggregate, is due upon the maturity of our 2.45% Senior Notes due 2027 and our 2.50% Senior Notes due 2027. See *Note 4 – Debt* for additional information on our long-term debt.

At year-end 2022, we also had \$1.0 billion of purchase obligations that are noncancelable commitments for goods and services (e.g., software licenses, maintenance on information technology equipment, and media placements). About 90% of our purchase obligations are payable within one year and less than 1% will be outstanding for longer than three years. In addition, our Property business has

\$205.4 million of minimum commitments under several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years. During 2022, we funded \$3.1 million to limited partnership investments, which are included in our common equity investments in our consolidated balance sheets, and have funding commitments related to these investments of \$15.7 million at December 31, 2022. See *Note 1 – Reporting and Accounting Policies, Commitments and Contingencies* for a discussion of these obligations. We do not have, and do not expect to enter into, any material commitments for capital expenditures in the reasonably foreseeable future.

At least annually, we perform recoverability tests to determine if any of our assets are impaired. We test our goodwill balance for impairment at the reporting unit level annually as of October 1, or more frequently if indicators of impairment exist. As discussed above, in conjunction with the preparation of our second quarter 2022 financial results, we performed a quantitative analysis of the goodwill attributable to our Property segment based on indications that impairment might exist. Based on this analysis, we wrote down the entire \$224.8 million of goodwill attributable to our Property segment during the

III. RESULTS OF OPERATIONS – UNDERWRITING

A. Segment Overview

We report our underwriting operations in three operating 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 years ended December 31:

	2022	2021	2020
Personal Lines			
Agency	36 %	37 %	40 %
Direct	41	41	42
Total Personal Lines	77	78	82
Commercial Lines	18	17	13
Property	5	5	5
Total underwriting operations	100 %	100 %	100 %

second quarter 2022. See *Note 15 – Goodwill and Intangible Assets* 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 quarterly dividends on our common shares and dividends on our Series B Preferred Shares, our contractual obligations, and other expected capital requirements for the foreseeable future.

Nevertheless, we may decide to raise additional capital to take advantage of attractive terms in the market and provide additional financial flexibility. We have an effective shelf registration with the U.S. Securities and Exchange Commission so that we may periodically offer and sell an indeterminate aggregate amount of senior or subordinated debt securities, preferred stock, depositary shares, common stock, purchase contracts, warrants, and units. The shelf registration enables us to raise funds from the offering of any securities covered by the shelf registration as well as any combination thereof, subject to market conditions.

Our Personal Lines business writes insurance for personal autos (which accounts for about 94% of the segment's net premiums written) and special lines products (e.g., motorcycles, RVs, watercraft, and snowmobiles). Within Personal Lines, we often refer to our four consumer segments, which we refer to as:

- Sam - inconsistently insured;
- Diane - 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 year-end 2022 and 2021, 14% of our Agency auto policies in force were 12-month policies. To the extent our Agency application mix of annual policies grows, the shift in policy term could increase our written premium mix by channel as 12-month policies have about twice the amount of net premiums written compared to 6-month policies. Our special lines products are written for 12-month terms.

Our Commercial Lines business writes auto-related liability and physical damage insurance, business-related general liability and property insurance predominately for small businesses, and workers' compensation insurance primarily for the transportation industry. The majority of our Commercial Lines business is written through the independent agency channel although we continue to focus on growing our direct business. To serve our direct channel customers, we continue to expand our product offerings, including adding states where we offer BOP and including it on our digital platform serving direct small business consumers (BusinessQuote Explorer®). The direct commercial auto business, excluding our TNC business, represented about 10% of premiums written for

2022 and 2021, compared to 9% for 2020. About 90% of our Commercial Lines auto policies are written for 12-month terms.

Our Property business writes residential property insurance for homeowners, other property owners, and renters. 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 25% of premiums written for 2022, compared to 23% and 18% for 2021 and 2020, respectively. Property policies are written for 12-month terms.

B. Profitability

Profitability for our underwriting operations is defined by pretax underwriting profit or loss, which is calculated as net premiums earned plus fees and other revenues less losses and loss adjustment expenses, policy acquisition costs, other underwriting expenses, and for 2020, policyholder credits. 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 three years ended December 31, our underwriting profitability was as follows:

(\$ in millions)	2022		2021		2020	
	Underwriting Profit (Loss)		Underwriting Profit (Loss)		Underwriting Profit (Loss)	
	\$	Margin	\$	Margin	\$	Margin
Personal Lines						
Agency	\$ 734.1	4.1 %	\$ 992.1	5.9 %	\$ 2,236.5	14.2 %
Direct	769.4	3.8	619.2	3.4	2,076.5	12.3
Total Personal Lines	1,503.5	4.0	1,611.3	4.6	4,313.0	13.2
Commercial Lines	810.3	8.9	767.8	11.1	634.8	13.0
Property ¹	(238.4)	(10.5)	(312.3)	(15.3)	(125.1)	(7.1)
Other indemnity ²	(11.4)	NM	(1.4)	NM	0	NM
Total underwriting operations	\$ 2,064.0	4.2 %	\$ 2,065.4	4.7 %	\$ 4,822.7	12.3 %

¹ During 2022, 2021, and 2020, pretax profit (loss) includes \$29.1 million, \$56.6 million, and \$56.9 million, respectively, of amortization expense associated with acquisition-related intangible assets attributable to our Property segment. The year-over-year decrease in amortization expense reflects intangible assets that were fully amortized during the first quarter 2022.

² Underwriting margins for our other indemnity businesses are not meaningful (NM) due to the low level of premiums earned by, and the variability of loss costs in, such businesses.

We have taken significant rate increases since the first quarter of 2021 and through 2022. In spite of the rate increases, our underwriting profit margin decreased in 2022, compared to 2021, primarily driven by higher catastrophe losses and higher loss severity. See the *Losses and Loss Adjustment Expenses (LAE)* section below for further discussion of our frequency and severity trends and catastrophe losses incurred during the period.

The onset and continuation of the COVID-19 pandemic shifted consumer behavior and impacted general economic conditions through 2022. We have seen volatility in our severity trends as inflation continued to influence higher vehicle prices and costs to repair vehicles. We have responded, and will continue to respond when necessary, to these market changes through rate increases, underwriting restrictions, and other non-rate actions. Our focus on achieving our target underwriting profitability takes precedence over growth.

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:

Underwriting Performance¹	2022	2021	2020
Personal Lines – Agency			
Loss & loss adjustment expense ratio	78.1	75.6	63.5
Underwriting expense ratio	17.8	18.5	22.3
Combined ratio	95.9	94.1	85.8
Personal Lines – Direct			
Loss & loss adjustment expense ratio	78.6	77.2	62.9
Underwriting expense ratio	17.6	19.4	24.8
Combined ratio	96.2	96.6	87.7
Total Personal Lines			
Loss & loss adjustment expense ratio	78.3	76.4	63.2
Underwriting expense ratio	17.7	19.0	23.6
Combined ratio	96.0	95.4	86.8
Commercial Lines			
Loss & loss adjustment expense ratio	71.5	69.3	64.5
Underwriting expense ratio	19.6	19.6	22.5
Combined ratio	91.1	88.9	87.0
Property			
Loss & loss adjustment expense ratio	83.3	86.4	77.3
Underwriting expense ratio ²	27.2	28.9	29.8
Combined ratio ²	110.5	115.3	107.1
Total Underwriting Operations			
Loss & loss adjustment expense ratio	77.3	75.7	64.0
Underwriting expense ratio	18.5	19.6	23.7
Combined ratio	95.8	95.3	87.7
Accident year – Loss & loss adjustment expense ratio ³	77.5	75.7	63.5

¹ Ratios are expressed as a percentage of net premiums earned. The portion of fees and other revenues related to our loss adjustment activities are netted against loss adjustment expenses and the portion of fees and other revenues related to our underwriting operations are netted against underwriting expenses in the ratio calculations.

² Included in 2022, 2021, and 2020, are 1.3 points, 2.8 points, and 3.2 points, respectively, of amortization expense on acquisition-related intangible assets attributable to our Property segment.

Excluding this expense, the Property business would have reported expense ratios of 25.9, 26.1, and 26.6, and combined ratios of 109.2, 112.5, and 103.9, for 2022, 2021, and 2020, respectively.

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)	2022	2021	2020
Change in net loss and LAE reserves	\$ 3,369.6	\$ 4,233.7	\$ 1,574.4
Paid losses and LAE	34,753.1	29,393.9	23,547.4
Total incurred losses and LAE	\$ 38,122.7	\$ 33,627.6	\$ 25,121.8

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

We experienced severe weather conditions in several areas of the country during each of the last three years. Hurricanes, hail storms, tornadoes, and wind activity contributed to catastrophe losses each year. The following table shows our consolidated catastrophe losses and related combined ratio point impact, excluding loss adjustment expenses, for the years ended December 31:

(\$ in millions)	2022		2021		2020	
	\$	Point ¹	\$	Point ¹	\$	Point ¹
Personal Lines	\$ 1,045.6	2.8	\$ 652.0	1.8	\$ 439.4	1.3
Commercial Lines	34.4	0.4	26.7	0.4	14.8	0.3
Property	580.4	25.6	633.4	31.0	423.8	24.0
Total catastrophe losses incurred	\$ 1,660.4	3.4 pts.	\$ 1,312.1	3.0 pts.	\$ 878.0	2.2 pts.

¹ Represents catastrophe losses incurred during the period, including the impact of reinsurance, as a percentage of net premiums earned for each segment.

Hurricane Ian accounted for approximately 45% of the catastrophe losses in 2022, while Hurricane Ida accounted for about 30% of the 2021 losses. The remainder of the catastrophe losses were generally attributable to other hurricanes, wind and hail storms, and other severe weather events throughout the United States.

In total, our Personal Lines and Commercial Lines businesses incurred \$575 million of losses from Hurricane Ian. About half of the vehicle losses were on our special lines products, including boats and recreational vehicles with boat losses comprising nearly 70% of all the special lines losses. In our boat product, we mitigate hurricane/coastal exposure with a) underwriting restrictions that limit the insured value and length of the boats, compared to non-hurricane exposed areas, and b) increased deductibles for named storms. Additionally, we segment and price our hurricane risk by territory and set rate levels with a catastrophe load based on historical losses.

For our Property business, we retained \$200 million of losses and allocated loss adjustment expenses (ALAE), net of reinsurance, related to Hurricane Ian. On a gross basis, prior to giving effect to our excess of loss reinsurance contract, we estimated our Property catastrophe losses and ALAE from Hurricane Ian were \$1.0 billion at the end of

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. See *Critical Accounting Policies – A. Loss and LAE Reserves* for a discussion of the effect of changing estimates.

Our total loss and LAE ratio increased 1.6 points in 2022 and 11.7 points in 2021, each compared to the prior year. Our accident year loss and LAE ratio, which excludes the impact of prior accident year reserve development during each calendar year, increased 1.8 points in 2022 and 12.2 points in 2021. Several factors that contributed to the year-over-year changes are discussed below and include the impact of catastrophe losses, changes in severity and frequency, and prior accident year reserve development.

2022. 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.

Changes in our estimate of our ultimate losses on current catastrophes along with potential future catastrophes could have a material impact on our financial condition, cash flows, or results of operations. We reinsure various risks, including, but not limited to, catastrophic losses. We do not have catastrophe-specific reinsurance for our Personal Lines or commercial auto businesses, but we reinsure portions of our Property business. The Property business reinsurance programs include catastrophe occurrence excess of loss contracts and aggregate excess of loss contracts. We also purchase excess of loss reinsurance on our Protective Insurance workers' compensation insurance.

We evaluate our reinsurance programs during the renewal process, if not more frequently, to ensure our programs continue to effectively address the company's risk tolerance. As a result, during 2022, we entered into new reinsurance contracts under our occurrence excess of loss program for our Property business. The reinsurance program provides coverage, net of retention, of up to \$2.5 billion if the first covered event occurs in Florida and up to \$2.0 billion if the first covered event occurs outside of

Florida. Coverage for a second event (and, potentially, for subsequent covered events) would depend on several factors, including the location and the extent of covered losses of the earlier events in the contract period. The per occurrence excess of loss program had a retention threshold for losses and ALAE from the first catastrophic event of \$200 million, which is unchanged from the prior contracts, and a retention threshold for a second catastrophic event of \$100 million. For 2023, the second catastrophic event retention for this coverage has been increased to \$200 million. Portions of our reinsurance programs include reinstatement limits providing coverage for subsequent events, with some portions having an obligatory reinstatement of coverage. Reinstatement premiums would have no effect on our results of operations since, per our contracts, we have separate reinsurance to cover these situations.

For 2023, we entered into a new aggregate excess of loss reinsurance contract that has multiple layers of coverage, with the first retention layer threshold ranging from \$500 million to \$575 million, excluding named tropical storms and hurricanes, and the second retention layer threshold of \$600 million, including named tropical storms and hurricanes. The first and second layers provide coverage up to \$100 million and \$85 million, respectively.

While the total coverage limit and per-event retention will evolve to fit the growth of our business, we expect to remain a consistent purchaser of reinsurance coverage. We were able to place our desired coverage at both June 1, 2022 and January 1, 2023 renewal events. While the cost of reinsurance in the markets in which we participate has continued to increase over the last two years and the availability of reinsurance is subject to many forces outside of our control, we did not, and do not expect to in the near term, experience a significant lack of availability of any of the types of reinsurance that we typically purchase. See *Item 1A, Risk Factors* in our 2022 Form 10-K filed with the U.S. Securities and Exchange Commission, for the year ended December 31, 2022, for a discussion of certain risks related to catastrophe events and the potential impact of climate change. See *Item 1, Business—Reinsurance* on Form 10-K and *Note 7 – Reinsurance* for a discussion of our various reinsurance programs.

The following discussion of our severity and frequency trends in our personal auto business 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.

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, over the prior-year periods was as follows:

Coverage Type	Growth Over Prior Year		
	2022	2021 ¹	2020
Bodily injury	8 %	11 %	12 %
Collision	16	11	5
Personal injury protection	(9)	7	14
Property damage	20	8	9
Total	13	9	10

¹ Annualized year-over-2019 year

The year-over-year increase for 2022, compared to 2021, in part, reflects the impact of inflation, which continues to increase the valuation of used vehicles and total loss, repair, and medical costs.

Consistent with our prior year reporting, the year-over-year changes for 2021 are compared to 2019 on a two-year annualized basis, which we believe is more insightful when trying to understand our loss results. We believe that the 2021 trends compared to 2020 would not be meaningful for our personal auto business due to the significant impacts that COVID-19 had on our 2020 trends as a result of many factors, including shelter-in-place requirements and the timing of salvage and subrogation collections.

On a calendar-year basis, our commercial auto products’ incurred severity, excluding Protective Insurance and our TNC business, increased 6% in 2022, compared to 14% in 2021 and 10% in 2020. In addition to general trends in the marketplace, the increase in our commercial auto products’ severity primarily reflects shifts in the mix of business to for-hire transportation, which has higher average severity than the business auto and contractor business market targets. 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 representative of our overall experience for the majority of our commercial auto products.

It is a challenge to estimate future severity, but we continue to monitor changes in the underlying costs, such as general inflation, 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 basis, over the prior-year periods was as follows:

Coverage Type	Growth Over Prior Year		
	2022	2021 ¹	2020 ²
Bodily injury	(4)%	(11)%	(25)%
Collision	(8)	(3)	(23)
Personal injury protection	(5)	(10)	(28)
Property damage	(5)	(11)	(27)
Total	(6)	(7)	(24)

¹Annualized year-over-2019 year

²Significant decreases reflected the decrease in vehicle miles traveled as a result of the shelter-in-place restrictions put in place to help stop the spread of COVID-19.

As with our personal auto severity trends, comparing 2021 to 2019 instead of 2020 provides more meaningful comparisons due to the significant impact that the COVID-19 pandemic had on frequency during 2020. For example, our total personal auto frequency increased 14% for 2021, compared to 2020, reflecting the decrease in vehicle miles travelled during 2020 that significantly reduced auto accident frequency.

The table below presents the actuarial adjustments implemented and the loss reserve development experienced on a companywide basis in the years ended December 31:

(\$ in millions)	2022	2021	2020
ACTUARIAL ADJUSTMENTS			
Reserve decrease (increase)			
Prior accident years	\$ (105.5)	\$ (78.5)	\$ (27.5)
Current accident year	(83.8)	103.9	68.4
Calendar year actuarial adjustments	\$ (189.3)	\$ 25.4	\$ 40.9
PRIOR ACCIDENT YEARS DEVELOPMENT			
Favorable (unfavorable)			
Actuarial adjustments	\$ (105.5)	\$ (78.5)	\$ (27.5)
All other development	191.8	83.2	(167.8)
Total development	\$ 86.3	\$ 4.7	\$ (195.3)
(Increase) decrease to calendar year combined ratio	0.2 pts.	0 pts.	(0.5) 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 in the vehicle businesses would be reflected in “all other development,” discussed below, to the extent they relate to prior year

On a calendar-year basis, our commercial auto products’ incurred frequency, excluding Protective Insurance and our TNC business, saw an increase of about 3% in 2022 and 9% in 2021, compared to a decrease of about 15% in 2020. On a calendar-year annualized basis, for 2021, incurred frequency decreased 4% compared to 2019. The frequency increase in 2022 was in part due to an uneven recovery across different commercial auto business markets in 2021, some of which have not yet returned to pre-pandemic levels and are continuing to recover at varying rates since the COVID-19 pandemic lows.

We closely monitor the changes in frequency, but the degree or direction of near-term frequency change is not something that we are able to predict with any degree of confidence, and this challenge is exacerbated by the uncertainty of the current environment. 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.

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 related to personal injury protection (PIP), can make it difficult to estimate reserves timely and with minimal variation. As reflected in the table above, we experienced favorable prior year development during both 2022 and 2021, compared to unfavorable prior year development in 2020.

Reserve development primarily related to the following:

- 2022- Favorable development of \$169 million in our Personal Lines segment was partially offset by unfavorable development of \$82 million in Commercial Lines. The Personal Lines favorable development was primarily attributable to more subrogation and salvage recoveries and lower LAE than originally anticipated, partially offset by the higher than anticipated severity and frequency of auto property damage payments on previously closed claims and late reported injury claims. The unfavorable development in Commercial Lines was mostly driven by our TNC business, due to higher than anticipated severity of injury case reserves and higher than anticipated severity and frequency of late reported claims.
- 2021- Favorable development of \$127 million in our Personal Lines segment was offset by unfavorable development of \$87 million in Commercial Lines and \$36 million in Property. The Personal Lines development primarily reflected revised estimates of our per claim settlement costs, favorable PIP reform and litigation, partially offset by higher than anticipated bodily injury severity in our personal auto business. The unfavorable development in Commercial Lines was mostly due to an increase in bodily injury severity and the emergence of large bodily injury claims, while the Property business saw more previously closed claims reopen.

- 2020 - Personal and Commercial Lines recognized unfavorable development of \$111 million and \$98 million, respectively, while our Property business had \$14 million of favorable development. Higher than anticipated frequency of reopened PIP claims in our personal auto business and an increase in bodily injury severity and the emergence of large bodily injury claims in our Commercial Lines business drove the unfavorable development.

See *Note 6 – Loss and Loss Adjustment Expense Reserves*, for a more detailed discussion of our prior accident years development.

Underwriting Expenses

Underwriting expenses include policy acquisition costs, other underwriting expenses, and, for 2020 only, policyholder credits. The underwriting expense ratio is our underwriting expenses, net of certain fees and other revenues, expressed as a percentage of net premiums earned. For 2022, our underwriting expense ratio was down 1.1 points, compared to the prior year. The decrease in the point impact reflects a year-over-year decrease in advertising spend during 2022 and a decrease in the costs related to our annual cash-incentive program (Gainshare), which measures segment profitability and growth in policies in force. In total, our advertising spend decreased 5% during 2022, compared to the prior year, as a result of an effort to improve profitability to reach our 96 combined ratio goal.

To analyze underwriting expenses, we also review our non-acquisition expense ratio (NAER), which excludes costs related to policy acquisition, including advertising and agency commissions, from our underwriting expense ratio. By excluding acquisition costs from our underwriting expense ratio, we are able to understand costs other than those necessary to acquire new policies and grow the business. In 2022, our NAER decreased 0.2 points and 0.3 points in our Personal Lines and Property businesses, respectively, and increased 0.2 points in our Commercial Lines business, compared to 2021.

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.

For the years ended December 31, (\$ in millions)	2022		2021		2020	
	\$	% Growth	\$	% Growth	\$	% Growth
NET PREMIUMS WRITTEN						
Personal Lines						
Agency	\$ 18,334.2	6 %	\$ 17,257.9	7 %	\$ 16,133.8	5 %
Direct	20,944.3	11	18,910.9	10	17,208.8	9
Total Personal Lines	39,278.5	9	36,168.8	8	33,342.6	7
Commercial Lines	9,398.8	17	8,015.9	51	5,315.3	11
Property	2,401.7	8	2,216.2	16	1,910.8	13
Other indemnity ¹	2.1	(51)	4.3	NM	0	0
Total underwriting operations	\$ 51,081.1	10 %	\$ 46,405.2	14 %	\$ 40,568.7	8 %
NET PREMIUMS EARNED						
Personal Lines						
Agency	\$ 17,744.7	5 %	\$ 16,881.0	7 %	\$ 15,789.5	6 %
Direct	20,135.5	9	18,492.3	10	16,830.6	10
Total Personal Lines	37,880.2	7	35,373.3	8	32,620.1	8
Commercial Lines	9,088.3	31	6,945.2	42	4,875.8	10
Property	2,270.0	11	2,042.5	16	1,765.7	14
Other indemnity ¹	2.7	(65)	7.7	NM	0	0
Total underwriting operations	\$ 49,241.2	11 %	\$ 44,368.7	13 %	\$ 39,261.6	8 %

NM = Not meaningful

¹ Includes other underwriting business and run-off operations.

December 31, (# in thousands)	2022		2021		2020	
	#	% Growth	#	% Growth	#	% Growth
POLICIES IN FORCE						
Agency auto	7,766.3	(1)%	7,879.0	3 %	7,617.0	9 %
Direct auto	10,131.0	6	9,568.2	8	8,881.4	13
Total auto	17,897.3	3	17,447.2	6	16,498.4	11
Special lines ¹	5,558.1	5	5,288.5	8	4,915.1	8
Personal Lines — total	23,455.4	3	22,735.7	6	21,413.5	10
Commercial Lines	1,046.4	8	971.2	18	822.0	9
Property	2,851.3	3	2,776.2	12	2,484.4	13
Companywide total	27,353.1	3 %	26,483.1	7 %	24,719.9	11 %

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

To analyze growth, we review new policies, rate levels, and the retention characteristics of our segments. 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. We believe change in policy life expectancy using a trailing 12-month period measure is indicative of recent experience, mitigates the effects of month-to-month variability, and addresses seasonality. Although using a trailing 3-month measure is sensitive to seasonality and can reflect more volatility, this measure is more responsive to current experience and generally can be an indicator of how retention rates are moving.

D. Personal Lines

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

	Growth Over Prior Year		
	2022	2021	2020
Applications			
New	1 %	(2)%	3 %
Renewal	1	11	8
Written premium per policy - Auto	9	0	(1)
Policy life expectancy - Auto			
Trailing 3 months	(9)	(1)	7
Trailing 12 months	(22)	2	10

New application growth in our Personal Lines products was up 1% during 2022, in part driven by competitor rate increases, primarily during the second half of the year, and targeted media spend. Our personal auto new application growth was up 2% and our special lines new application growth was down 5% during the year, with the special lines decrease primarily reflecting the significant new application growth experienced during 2021, due to growth in boat, RV, and motorcycle demand. During the year, our personal auto renewal applications were relatively unchanged from the prior year and our special lines products recorded an 8% increase in renewal applications.

Results varied by consumer segment. Personal auto policies in force grew by single digits across all segments except Sam, which experienced a single digit decline. New business application growth was also up across all segments except Sam during 2022. Quote volume increased in all consumer segments, with all consumer segments seeing a decreased rate of conversion. The increases we experienced in our quote volume primarily reflected competitors raising rates.

During 2022, we implemented personal auto rate increases in 49 states that, in the aggregate, on a countrywide basis, increased rates about 13% for the year. The rate increases, which started in the second quarter 2021 and continued throughout 2022, had a negative impact on our new and renewal business applications and policy life expectancy during 2022. During the second half of 2022, our trailing 3-month policy life expectancy, while still below the prior year, began to show signs of improvement.

Our written premium per policy increased during 2022, primarily due to the rate increases previously discussed. Our focus on achieving our target underwriting profitability takes precedence over growth. 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 high-quality customer service at or below a companywide 96 combined ratio on a calendar-year basis.

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 94% of the Personal Lines segment net premiums written during 2022.

The Agency Business

	Growth Over Prior Year		
	2022	2021	2020
Applications - Auto			
New	(3)%	(8)%	(5)%
Renewal	(3)	8	7
Written premium per policy - Auto	11	1	0
Policy life expectancy - Auto			
Trailing 3 months	(11)	(3)	6
Trailing 12 months	(24)	1	10

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 2022, 19 states generated new Agency auto application growth, including 3 of our top 10 largest Agency states. New applications decreased for the Sam and Robinsons consumer segments by low double and single digits, respectively, and increased for the Wrights and Diane by single digits through the Agency channel. Policies in force decreased in all consumer segments except the Wrights.

During 2022, we experienced a 15% year-over-year increase in Agency auto quotes and a 15% decrease in the rate of conversion, primarily due to the rate increases taken during 2021 and the first half of 2022. During the fourth quarter 2022, our rate of conversion increased over the same period in 2021, reflecting the rate increases that our competitors took during 2022. All consumer segments saw an increase in quote volume and a decrease in conversion compared to the prior year. Written premium per policy for new and renewal Agency auto business increased 9% and 11%, respectively, compared to 2021. The decreases in policy life expectancy were expected given the rate actions taken over the last year.

The Direct Business

	Growth Over Prior Year		
	2022	2021	2020
Applications - Auto			
New	6 %	0 %	5 %
Renewal	3	13	11
Written premium per policy - Auto	8	(1)	(1)
Policy life expectancy - Auto			
Trailing 3 months	(6)	2	6
Trailing 12 months	(19)	3	10

The Direct business includes business written directly by Progressive online, through our Progressive mobile app, and over the phone. During 2022, we generated new Direct auto application growth in 30 states and the District of Columbia, including 3 of our top 10 largest Direct states. Total auto applications increased 3% due to growth in both new and renewal applications, primarily in the second half of 2022. New applications and policies in force increased across all consumer segments except Sam.

During 2022, we experienced an increase in Direct auto quote volume of 8%, while our rate of conversion decreased 2% for the year but began increasing toward the end of the third quarter of 2022. In addition to competitors raising rates, we also experienced gains in the efficiency of our media spend during the second half of the year, which contributed to the increase in quotes and new applications. All consumer segments saw an increase in quotes. Sam and Diane saw declines in the rate of conversion, while Wrights and Robinsons saw low single digit increases.

Written premium per policy for new and renewal Direct auto business increased 6% and 8%, respectively, during 2022, compared to last year, primarily driven by rate increases. Consistent with our Agency business, the Direct business decrease in policy life expectancy reflected the rate actions taken over the last year.

E. Commercial Lines

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 TNC business and BOP insurance. With the acquisition of Protective Insurance during 2021, we expanded our portfolio of offerings to larger fleet and workers' compensation insurance for trucking, along with trucking industry independent contractors, and affinity programs.

The following table and discussion shows our Commercial Lines business, excluding our TNC, BOP, and Protective Insurance products, which we refer to as our commercial auto product. Year-over-year changes in our commercial auto product were as follows:

	Growth Over Prior Year		
	2022	2021	2020
Applications			
New	(1)%	27 %	5 %
Renewal	12	12	6
Written premium per policy	11	17	4
Policy life expectancy			
Trailing 12 months	(12)	11	5

Our commercial auto product experienced a year-over-year decline in new application growth in 2022, primarily reflecting a slow down from the significant amount of growth experienced in 2021, mainly in our for-hire transportation and for-hire specialty business markets, and the softening of the freight market during the year. We experienced a 3% decrease in quote volume and a 3% increase in the rate of conversion in our commercial auto business during 2022, compared to 2021, primarily driven by the for-hire transportation market.

Written premium per policy for our new and renewal commercial auto policies increased 6% and 16%, respectively, in 2022, compared to last year. The increases were primarily due to rate increases. In aggregate, rate increases for commercial auto were about 6% in 2022. Our policy life expectancy decreased compared to 2021, mainly driven by our for-hire transportation business market. Given the rise in costs to operate a trucking business, many independent owner/operators have begun to migrate back to leasing with larger motor carriers.

F. Property

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

	Growth Over Prior Year		
	2022	2021	2020
Applications			
New	(8)%	20 %	12 %
Renewal	8	10	14
Written premium per policy	6	1	0
Policy life expectancy Trailing 12 months	(7)	(9)	(3)

Our Property business writes residential property insurance for homeowners, other property owners, and renters, in the agency and direct channels. During 2022, the Property business experienced a decrease in new applications, primarily due to rate increases and other non-rate actions taken to address the profitability concerns.

Improving profitability and reducing concentration exposure continued to be the top priority for our Property business during 2022. Due to our concentration of policies in catastrophe-exposed states, severe weather events generally have greater impact on our results compared to other national carriers. In response, we began implementing underwriting changes during the second half of 2021, which continued during 2022, to focus on improving profitability and reducing growth in coastal and hail-prone states. In addition, we increased rates an average of about 19% in our Property segment during 2022, with some of the larger increases in Florida and in hail-prone states, such as Colorado and Oklahoma.

The targeted rate increases taken during the year are beginning to be earned into the book of business; however, we realize that our rate actions and underwriting activities to limit growth in the coastal and hail-prone states and to increase our exposure in states with traditionally less catastrophe exposure will require more time than originally anticipated. Combined with the continued extent of the weather-related losses, this prompted us to reevaluate the portion of goodwill related to our 2015 acquisition of ARX and assigned to our Property business for impairment during the year, resulting in a non-cash goodwill impairment charge of \$224.8 million, which represented the entire amount of goodwill assigned to the Property business.

Our written premium per policy increased on a year-over-year basis, primarily attributable to rate increases, a portion of which were taken later in the year, and providing higher premium coverages to account for inflation. The written premium per policy increase was partially offset by a shift in the mix of business to a larger share of renters policies, which have lower written premiums per policy, and slower homeowners growth in volatile states that have higher average premiums. Our policy life expectancy decreased

compared to last year, primarily due to the targeted rate increases in states where we were not achieving our profitability targets. We intend to continue to make targeted rate increases in states where we believe it is necessary to achieve our profitability targets.

G. Litigation

The Progressive Corporation and/or its insurance subsidiaries are named as defendants in various lawsuits arising out of claims made under insurance policies issued by its 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, various Progressive entities are named as defendants in a number of alleged class/collective/representative actions or individual lawsuits arising out of the operations of the insurance subsidiaries. These cases include those alleging damages as a result of, among other things, our 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, application of a negotiation adjustment in calculating total loss valuations, and labor rates paid to auto body repair shops; our insurance product design, including our response to the COVID-19 pandemic; employment matters; commercial disputes, including breach of contract; and cases challenging other aspects of our claims or marketing practices or other business operations. Other insurance companies and/or large employers face many of these same issues. During the last three years, we have settled several class/collective action and individual lawsuits. These settlements did not have a material effect on our financial condition, cash flows, or results of operations. See *Note 12 – Litigation* for a more detailed discussion.

H. Income Taxes

At December 31, 2022, we had net current income taxes payable of \$10.9 million, which were reported in accounts payable, accrued expenses, and other liabilities, compared to recoverable income taxes of \$19.2 million at December 31, 2021, which were reported in other assets on our consolidated balance sheets. This balance may fluctuate between an asset and a liability from period to period due to normal timing differences. See *Note 5 – Income Taxes* for further information.

A deferred tax asset or liability is a tax benefit or expense, respectively, that is expected to be realized in a future tax return. At December 31, 2022, we reported a net deferred tax asset, compared to a net deferred tax liability at December 31, 2021. The change to a deferred asset from a

deferred liability was primarily due to unrealized losses on securities in the fixed-income and equity portfolios occurring in 2022.

We are required to assess our deferred tax assets for recoverability and, based on our analysis, determined that we did not need a valuation allowance on our gross deferred tax assets for either year. Although realization of the gross deferred tax assets is not assured, management believes it is more likely than not that the gross deferred tax assets will be realized based on our expectation we will be able to fully utilize the deductions that are ultimately recognized for tax purposes. We believe our deferred tax asset related to net unrealized losses on fixed-maturity

securities will be realized based on the existence of prior year capital gains, current temporary differences related to unrealized gains in our equity portfolio, and other tax planning strategies.

Our effective tax rate was 22% for 2022, compared to 20% in both 2021 and 2020. The increase in the effective tax rate during 2022, compared to 2021 and 2020, was in part attributable to the goodwill impairment in 2022, which is not deductible for income tax purposes.

Consistent with prior years, we had no uncertain tax positions. See *Note 5 – Income Taxes* for further information.

IV. RESULTS OF OPERATIONS – INVESTMENTS

A. Portfolio Summary

At year-end 2022, the fair value of our investment portfolio was \$53.5 billion, compared to \$51.5 billion at year-end 2021. The increase in value from year-end 2021 primarily reflected the proceeds of the \$1.5 billion debt issuance in March 2022 and positive cash flows from our underwriting operations, offset by declines in the valuations of our portfolio. Our investment income (interest and dividends) increased 46% in 2022 and decreased 8% in 2021. This increase in 2022 was primarily due to an increase in interest rates on floating-rate securities in our portfolio and purchases of new investments with higher coupon rates, while the decrease in the prior year reflected lower yields partially offset by an increase in invested assets.

B. 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 unrealized, gains (losses) on securities.

The following summarizes investment results for the years ended December 31:

	2022	2021	2020
Pretax recurring investment book yield	2.4 %	1.9 %	2.4 %
FTE total return:			
Fixed-income securities	(6.6)	(0.1)	6.7
Common stocks	(19.4)	33.4	24.3
Total portfolio	(7.8)	2.6	7.9

The increase in the book yield during 2022 primarily reflected investing new cash from operations and proceeds from maturing bonds at higher interest rates and an increase in interest rates on our floating-rate securities. The decrease in the fixed-income total return, compared to last year, reflected the impact of rising interest rates during the last twelve months, as well as widening credit spreads, while the decrease in common stocks reflected general market conditions.

A further break-down of our FTE total returns for our fixed-income portfolio for the years ended December 31, follows:

	2022	2021	2020
Fixed-income securities:			
U.S. Treasury Notes	(7.8)%	(1.2)%	7.4 %
Municipal bonds	(8.3)	(0.2)	9.4
Corporate bonds	(6.0)	(0.4)	8.4
Residential mortgage-backed securities	0.6	1.3	3.0
Commercial mortgage-backed securities	(9.5)	0.5	4.2
Other asset-backed securities	(1.6)	0.7	2.8
Preferred stocks	(8.3)	6.9	6.6
Short-term investments	1.5	0.1	1.0

C. Portfolio Allocation

The composition of the investment portfolio at December 31, was:

(\$ in millions)	Fair Value	% of Total Portfolio	Duration (years)	Average Rating ¹
2022				
U.S. government obligations	\$ 25,167.4	47.0 %	3.7	AAA
State and local government obligations	1,977.1	3.7	3.5	AA+
Foreign government obligations	15.5	0.1	3.5	AAA
Corporate debt securities	9,412.7	17.6	2.8	BBB
Residential mortgage-backed securities	666.8	1.2	0.4	A
Commercial mortgage-backed securities	4,663.5	8.7	2.7	A+
Other asset-backed securities	4,564.6	8.5	1.1	AA+
Preferred stocks	1,397.5	2.6	2.8	BBB-
Short-term investments	2,861.7	5.4	0.1	AAA-
Total fixed-income securities	50,726.8	94.8	2.9	AA
Common equities	2,821.5	5.2	na	na
Total portfolio ²	\$ 53,548.3	100.0 %	2.9	AA

2021				
U.S. government obligations	\$ 18,488.2	35.9 %	3.6	AAA
State and local government obligations	2,185.3	4.2	3.6	AA+
Foreign government obligations	17.9	0.1	4.5	AAA
Corporate debt securities	10,692.1	20.7	2.9	BBB
Residential mortgage-backed securities	790.0	1.5	0.4	A-
Commercial mortgage-backed securities	6,535.6	12.7	3.2	A+
Other asset-backed securities	4,982.3	9.7	1.2	AA
Preferred stocks	1,821.6	3.6	3.6	BBB-
Short-term investments	942.6	1.8	0.2	AA
Total fixed-income securities	46,455.6	90.2	3.0	AA-
Common equities	5,058.5	9.8	na	na
Total portfolio ²	\$ 51,514.1	100.0 %	3.0	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 At December 31, 2022, we had \$34.4 million of net unsettled security transactions included in other assets, compared to \$143.4 million included in other liabilities at December 31, 2021.

The total fair value of the portfolio at December 31, 2022 and 2021, included \$4.4 billion and \$4.2 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

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 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 at December 31:

(\$ in millions)	2022		2021	
	Fair Value	% of Total Portfolio	Fair Value	% of Total Portfolio
Group I securities:				
Non-investment-grade fixed maturities	\$ 1,249.2	2.3 %	\$ 2,032.4	3.9 %
Redeemable preferred stocks ¹	92.1	0.2	90.9	0.2
Nonredeemable preferred stocks	1,213.2	2.3	1,639.9	3.2
Common equities	2,821.5	5.2	5,058.5	9.8
Total Group I securities	5,376.0	10.0	8,821.7	17.1
Group II securities:				
Other fixed maturities	45,310.6	84.6	41,749.8	81.1
Short-term investments	2,861.7	5.4	942.6	1.8
Total Group II securities	48,172.3	90.0	42,692.4	82.9
Total portfolio	\$ 53,548.3	100.0 %	\$ 51,514.1	100.0 %

¹ We held no non-investment-grade redeemable preferred stocks at December 31, 2022 or 2021.

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 (NRSROs) to classify 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 II securities.

The decrease in the percentage of Group I securities in 2022 was driven by sales and valuation declines in our common equity portfolio, with the proceeds from the common equity sales and the \$1.5 billion debt offering in March 2022 reinvested in Group II short-term investments.

Unrealized Gains and Losses

As of December 31, 2022, our fixed-maturity portfolio had pretax net unrealized losses, recorded as part of accumulated other comprehensive income, of \$3,537.6 million, compared to net unrealized gains of \$71.4 million at December 31, 2021. The decrease from 2021 was due to increasing interest rates across our fixed-maturity portfolio and wider credit spreads outside of our short-term and Treasury portfolios. See *Note 2 – Investments* for a further break-out of our gross unrealized gains (losses).

Holding Period Gains (Losses)

The following table provides the balance and activity for both the gross and net holding period gains (losses) for 2022:

(millions)	Gross Holding Period Gains	Gross Holding Period Losses	Net Holding Period Gains (Losses)
Balance at December 31, 2021			
Hybrid fixed-maturity securities	\$ 13.0	\$ (5.5)	\$ 7.5
Equity securities ¹	3,877.2	(14.7)	3,862.5
Total holding period securities	3,890.2	(20.2)	3,870.0
Current year change in holding period securities			
Hybrid fixed-maturity securities	(11.7)	(70.3)	(82.0)
Equity securities ¹	(1,850.6)	(167.5)	(2,018.1)
Total changes in holding period securities	(1,862.3)	(237.8)	(2,100.1)
Balance at December 31, 2022			
Hybrid fixed-maturity securities	1.3	(75.8)	(74.5)
Equity securities ¹	2,026.6	(182.2)	1,844.4
Total holding period securities	\$ 2,027.9	\$ (258.0)	\$ 1,769.9

¹Equity securities include common equities and nonredeemable preferred stocks.

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 the fixed-income portfolio.

Interest Rate Risk This risk includes the change in value resulting from movements in the underlying market rates of debt securities held. We manage this risk by maintaining the portfolio's duration (a measure of the portfolio's exposure to changes in interest rates) between 1.5 and 5 years. The duration of the fixed-income portfolio was 2.9 years at December 31, 2022, compared to 3.0 years at December 31, 2021. The distribution of duration and convexity (i.e., a measure of the speed at which the duration of a security is expected to change based on a rise or fall in interest rates) is monitored on a regular basis.

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, at December 31, was:

Duration Distribution	2022	2021
1 year	17.5 %	22.0 %
2 years	16.9	18.8
3 years	21.3	23.5
5 years	25.1	17.6
7 years	14.0	13.1
10 years	5.2	5.0
Total fixed-income portfolio	100.0 %	100.0 %

Credit Risk This exposure is managed by maintaining an A+ minimum average portfolio credit quality rating, as defined by NRSROs. At December 31, 2022, our credit quality rating was AA and at December 31, 2021 our credit quality rating was AA-. The credit quality distribution of the fixed-income portfolio at December 31, was:

Average Rating	2022	2021
AAA	65.5 %	54.7 %
AA	6.4	8.7
A	7.6	8.6
BBB	17.2	21.7
Non-investment grade/non-rated: ¹		
BB	2.5	4.8
B	0.5	1.1
CCC and lower	0.1	0.1
Non-rated	0.2	0.3
Total fixed-income portfolio	100.0 %	100.0 %

¹ The ratings in the table above are assigned by NRSROs.

Concentration Risk Our investment constraints limit investment in a single issuer, other than U.S. Treasury Notes or a state's general obligation bonds, to 2.5% of shareholders' equity, while the single issuer guideline on preferred stocks and/or non-investment-grade debt is 1.25% of shareholders' equity. Additionally, the guideline applicable to any state's general obligation bonds is 6% of shareholders' equity. We consider concentration risk both overall and in the context of individual asset classes and sectors, including but not limited to common equities,

residential and commercial mortgage-backed securities, municipal bonds, and high-yield bonds. At December 31, 2022 and 2021, we were within all of the constraints described above.

Prepayment and Extension Risk We are exposed to this risk especially in our asset-backed (i.e., structured product) and preferred stock portfolios. Prepayment risk includes the risk of early redemption of security principal that may need to be reinvested at less attractive rates. Extension risk includes the risk that a security will not be redeemed when anticipated, and that the security that is extended will have a lower yield than a security we might be able to obtain by reinvesting the expected redemption principal. Our holdings of different types of structured debt and preferred securities help manage this risk. During 2022 and 2021, we did not experience significant adverse prepayment or extension of principal relative to our cash flow expectations in the portfolio.

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 \$7.8 billion, or 36.0%, of principal repayment from our fixed-income portfolio, excluding U.S. Treasury Notes and short-term investments, during 2023. 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 December 31, 2022:

(\$ in millions)	Fair Value	Duration (years)
U.S. Treasury Notes		
Less than one year	\$ 834.0	0.7
One to two years	5,565.6	1.5
Two to three years	3,984.0	2.5
Three to five years	8,303.4	4.1
Five to seven years	4,476.4	5.6
Seven to ten years	2,004.0	7.9
Total U.S. Treasury Notes	\$ 25,167.4	3.7

ASSET-BACKED SECURITIES

Included in the fixed-income portfolio are asset-backed securities, which were comprised of the following at December 31:

(\$ in millions)	Fair Value	Net Unrealized Gains (Losses)	% of Asset-Backed Securities	Duration (years)	Average Rating (at period end) ¹
2022					
Residential mortgage-backed securities	\$ 666.8	\$ (17.2)	6.7 %	0.4	A
Commercial mortgage-backed securities	4,663.5	(782.5)	47.1	2.7	A+
Other asset-backed securities	4,564.6	(259.6)	46.2	1.1	AA+
Total asset-backed securities	\$ 9,894.9	\$ (1,059.3)	100.0 %	1.8	AA-
2021					
Residential mortgage-backed securities	\$ 790.0	\$ 1.7	6.4 %	0.4	A-
Commercial mortgage-backed securities	6,535.6	(25.4)	53.1	3.2	A+
Other asset-backed securities	4,982.3	0.9	40.5	1.2	AA
Total asset-backed securities	\$ 12,307.9	\$ (22.8)	100.0 %	2.2	AA-

¹ The credit quality ratings 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 December 31, 2022, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Residential Mortgage-Backed Securities (at December 31, 2022)					
(\$ in millions) Average Rating ¹	Non-Agency		Government/GSE ²		% of Total
				Total	
AAA	\$	124.4	\$	1.2	\$ 125.6 18.8 %
AA		24.7		0.4	25.1 3.8
A		392.2		0	392.2 58.8
BBB		115.3		0	115.3 17.3
Non-investment grade/non-rated:					
BB		0.5		0	0.5 0.1
B		0		0	0 0
CCC and lower		2.1		0	2.1 0.3
Non-rated		6.0		0	6.0 0.9
Total fair value	\$	665.2	\$	1.6	\$ 666.8 100.0 %
Increase (decrease) in value		(4.2)%		(4.1)%	(4.2)%

¹ The credit quality ratings are assigned by NRSROs; when we assigned the NAIC ratings for our RMBS, 98% of our non-investment-grade securities were rated investment grade and reported as Group II securities, with the remainder 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 bonds that are backed by high-quality borrowers in the underlying mortgages or have strong structural protections. During 2022, we selectively added to our portfolio and opportunistically sold some of the securities at attractive levels.

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 December 31, 2022, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Commercial Mortgage-Backed Securities (at December 31, 2022)					
(\$ in millions) Average Rating ¹	Multi-Borrower		Single-Borrower		% of Total
				Total	
AAA	\$	216.9	\$	1,213.9	\$ 1,430.8 30.7 %
AA		0		989.2	989.2 21.2
A		0		933.8	933.8 20.0
BBB		0		931.6	931.6 20.0
Non-investment grade/non-rated:					
BB		0		378.1	378.1 8.1
B		0		0	0 0
Total fair value	\$	216.9	\$	4,446.6	\$ 4,663.5 100.0 %
Increase (decrease) in value		(6.4)%		(14.7)%	(14.4)%

¹ The credit quality ratings are assigned by NRSROs; when we assigned the NAIC ratings for our CMBS, 31% of our non-investment-grade securities were rated investment grade and reported as Group II securities, with the remainder classified as Group I.

The CMBS portfolio experienced wider spreads and high volatility in 2022. New issuance in the single-asset single-borrower (SASB) market slowed significantly in the second half of the year due to less favorable market conditions, as well as low trading volumes and liquidity in

the secondary trading market. Given ongoing uncertainty about future trajectory of the economy and its impact on real estate, we reduced certain positions that we believed would be sensitive to potential future economic weakness.

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 December 31, 2022, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Other Asset-Backed Securities (at December 31, 2022)									
(\$ in millions) Average Rating	Automobile	Collateralized Loan Obligations	Student Loan	Whole Business Securitizations	Equipment	Other	Total	% of Total	
AAA	\$ 1,007.6	\$ 1,115.2	\$ 41.3	\$ 0	\$ 535.0	\$ 185.6	\$ 2,884.7	63.2 %	
AA	96.5	575.0	5.2	0	79.7	21.6	778.0	17.0	
A	15.8	0	6.9	0	110.2	135.1	268.0	5.9	
BBB	6.7	0	0	563.4	0	34.2	604.3	13.2	
Non-investment grade/non-rated:									
BB	0	0	0	0	0	29.6	29.6	0.7	
Total fair value	\$ 1,126.6	\$ 1,690.2	\$ 53.4	\$ 563.4	\$ 724.9	\$ 406.1	\$ 4,564.6	100.0 %	
Increase (decrease) in value	(1.5)%	(5.0)%	(10.5)%	(13.7)%	(1.9)%	(10.2)%	(5.4)%		

As valuations across other asset classes were more attractive, we maintained our allocation to the OABS portfolio fairly consistently over the last 12 months.

MUNICIPAL SECURITIES

The following table details the credit quality rating of our municipal securities at December 31, 2022, without the benefit of credit or bond insurance:

Municipal Securities (at December 31, 2022)			
(millions) Average Rating	General Obligations	Revenue Bonds	Total
AAA	\$ 588.0	\$ 238.7	\$ 826.7
AA	432.0	678.6	1,110.6
A	0	37.5	37.5
BBB	0	2.1	2.1
Non-rated	0	0.2	0.2
Total	\$ 1,020.0	\$ 957.1	\$ 1,977.1

Included in revenue bonds were \$480.2 million of single-family housing revenue bonds issued by state housing finance agencies, of which \$314.1 million were supported by individual mortgages held by the state housing finance agencies and \$166.1 million were supported by mortgage-backed securities.

Of the programs supported by mortgage-backed securities, 84% were collateralized by Ginnie Mae mortgages, which are fully guaranteed by the U.S. government; the remaining 16% were collateralized by Fannie Mae and Freddie Mac mortgages. 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 FHA, VA, or private mortgage insurance providers.

Credit spreads of tax-exempt municipal bonds tightened during 2022, while spreads of taxable municipal bonds widened. Our allocation to this sector declined modestly during the year.

CORPORATE SECURITIES

The following table details the credit quality rating of our corporate securities at December 31, 2022:

Corporate Securities (at December 31, 2022)								
(millions) Average Rating	Consumer	Industrial	Communication	Financial Services	Technology	Basic Materials	Energy	Total
AA	\$ 22.4	\$ 0	\$ 0	\$ 329.0	\$ 0	\$ 0	\$ 41.4	\$ 392.8
A	386.6	281.7	158.4	1,066.5	28.5	113.4	183.7	2,218.8
BBB	2,178.0	1,228.8	114.7	935.3	472.9	12.6	901.4	5,843.7
Non-investment grade/non-rated:								
BB	204.7	107.2	194.5	91.5	33.2	0	31.0	662.1
B	214.7	7.1	0	0	0	24.4	0	246.2
CCC and lower	49.1	0	0	0	0	0	0	49.1
Total fair value	\$ 3,055.5	\$ 1,624.8	\$ 467.6	\$ 2,422.3	\$ 534.6	\$ 150.4	\$ 1,157.5	\$ 9,412.7

The size of our corporate debt portfolio decreased to \$9.4 billion at December 31, 2022 from \$10.7 billion at December 31, 2021. This decrease was due to securities that matured and a decline in the portfolio valuation due to the increase in interest rates.

We slightly shortened the maturity profile of the corporate debt portfolio during 2022. The duration of the corporate portfolio was 2.8 years at December 31, 2022, compared to

2.9 years at December 31, 2021. Overall, our corporate securities, as a percentage of the fixed-income portfolio, decreased during 2022. At December 31, 2022, our corporate debt securities made up approximately 19% of the fixed-income portfolio, compared to approximately 23% at December 31, 2021. This decrease reflects our more conservative stance in the economic environment prevailing during the year.

PREFERRED STOCKS – REDEEMABLE AND NONREDEEMABLE

The table below shows the exposure break-down for our preferred stocks by sector and rating at year end:

Preferred Stocks (at December 31, 2022)							
Financial services							
(millions) Average Rating	U.S. Banks	Foreign Banks	Insurance	Other Financial	Industrials	Utilities	Total
BBB	\$ 742.9	\$ 34.4	\$ 95.2	\$ 27.9	\$ 134.7	\$ 42.7	\$ 1,077.8
Non-investment grade/non-rated:							
BB	135.4	38.1	0	0	24.8	37.6	235.9
Non-rated	0	0	43.8	23.6	16.4	0	83.8
Total fair value	\$ 878.3	\$ 72.5	\$ 139.0	\$ 51.5	\$ 175.9	\$ 80.3	\$ 1,397.5

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 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 December 31, 2022, all of our preferred securities continued to pay their dividends in full and on time. Approximately 80% of our preferred stock securities pay dividends that have tax preferential characteristics, while the balance pay dividends that are fully taxable.

During 2022, our preferred portfolio declined to \$1.4 billion at December 31, 2022, from \$1.8 billion at December 31, 2021. This decline is primarily due to a decrease in the market valuation of preferred securities as credit spreads widened and interest rates increased.

Common Equities

Common equities, as reported on the consolidated balance sheets at December 31, were comprised of the following:

(\$ in millions)	2022		2021	
Common stocks	\$	2,801.7	99.3 %	\$ 5,041.6 99.7 %
Other risk investments ¹		19.8	0.7	16.9 0.3
Total common equities	\$	2,821.5	100.0 %	\$ 5,058.5 100.0 %

¹The other risk investments consist of limited partnership interests.

The majority of our common stock portfolio consists of individual holdings selected based on their contribution to the correlation with the Russell 1000 Index. We held 789 out of 1,010, or 78%, of the common stocks comprising the index at December 31, 2022, which made up 95% of the total market capitalization of the index. At December 31, 2022 and 2021, the year-to-date total return of the indexed

portfolio, based on GAAP income, was within our targeted tracking error, which is +/- 50 basis points.

During 2022, we sold common equity securities, which were in a realized gain position, as part of our plan to incrementally reduce risk in the portfolio in response to the likelihood of a more difficult economic environment over the near term.

The following is a summary of our indexed common stock portfolio holdings by sector compared to the Russell 1000 Index composition:

Sector	Equity Portfolio Allocation at December 31, 2022	Russell 1000 Allocation at December 31, 2022	Russell 1000 Sector Return in 2022
Consumer discretionary	13.5 %	14.1 %	(34.8)%
Consumer staples	5.9	6.3	3.5
Financial services	12.0	11.3	(11.0)
Health care	15.1	14.4	(4.0)
Materials and processing	2.0	2.2	(8.8)
Other energy	5.1	5.2	61.5
Producer durable	13.7	13.3	(13.2)
Real estate	2.8	3.1	(25.4)
Technology	24.0	24.1	(34.6)
Telecommunications	2.9	2.7	(21.2)
Utilities	3.0	3.3	0.6
Total common stocks	100.0 %	100.0 %	(19.1)%

For 2022, our common stock portfolio FTE total return was (19.4)%, compared to (19.1)% for the Russell 1000 Index, due to common stocks we hold outside of the index.

V. CRITICAL ACCOUNTING POLICIES

Progressive is required to make certain estimates and assumptions when preparing its financial statements and accompanying notes in conformity with GAAP. Actual results could differ from those estimates in a variety of areas. The two areas we view as most critical with respect to the application of estimates and assumptions is the establishment of our loss reserves and the methods for measuring expected credit losses on financial instruments.

A. Loss and LAE Reserves

Loss and loss adjustment expense (LAE) reserves represent our best estimate of our ultimate liability for losses and LAE relating to events that occurred prior to the end of any given accounting period but have not yet been paid. At December 31, 2022, we had \$24.8 billion of net loss and LAE reserves (net of reinsurance recoverables on unpaid losses), which included \$19.7 billion of case reserves and \$5.1 billion of incurred but not recorded (IBNR) reserves. Personal auto liability and commercial auto liability reserves represent approximately 90% of our total carried net reserves. For this reason, the following discussion focuses on our vehicle businesses.

We do not review our loss reserves on a macro level and, therefore, do not derive a companywide range of reserves to compare to a standard deviation. Instead, we review a large majority of our reserves by product/state subset combinations on a quarterly time frame, with the remaining reserves generally reviewed on a semiannual basis. A change in our scheduled reviews of a particular subset of the business depends on the size of the subset or emerging issues relating to the product or state. By reviewing the reserves at such a detailed level, we have the ability to identify and measure variances in the trends by state, product, and line coverage that otherwise would not be seen on a consolidated basis. We believe our comprehensive process of reviewing at a subset level provides us more meaningful estimates of our aggregate loss reserves.

In analyzing the ultimate accident year loss and LAE experience, our actuarial staff reviews in detail, at the subset level, frequency (number of losses per earned car year), severity (dollars of loss per each claim), and average premium (dollars of premium per earned car year), as well as the frequency and severity of our LAE costs. The loss ratio, a primary measure of loss experience, is equal to the product of frequency times severity divided by the average premium. The average premium for personal and

commercial auto businesses is not estimated. The actual frequency experienced will vary depending on the change in the mix in class of drivers we insure, but the IBNR frequency projections for these lines of business are generally stable in the short term, because a large majority of the parties involved in an accident report their claims within a short time period after the occurrence. The severity experienced by Progressive is much more difficult to estimate, especially for injury claims, since severity is affected by changes in underlying costs, such as medical costs, jury verdicts, judicial interpretations, and regulatory changes. In addition, severity will vary relative to the change in our mix of business by limit.

Assumptions regarding needed reserve levels made by the actuarial staff take into consideration influences on available historical data that reduce the predictiveness of our projected future loss costs. Internal considerations that are process-related, which generally result from changes in our claims organization's activities, include claim closure rates, the number of claims that are closed without payment, and the level of the claims representatives' estimates of the needed case reserve for each claim. These changes and their effect on the historical data are studied at the state level versus on a larger, less indicative, countrywide basis.

External items considered include the litigation atmosphere, changes in medical costs, and the availability of services to resolve claims. These also are better understood at the state level versus at a more macro, countrywide level. These items, as well as additional considerations such as the type of accident and change in reporting patterns, are closely monitored.

At December 31, 2022, we had \$30.4 billion of carried gross reserves and \$24.8 billion of net reserves. Our net reserve balance assumes that the loss and LAE severity for accident year 2022 over accident year 2021 would be 9.1% higher for personal auto liability and 8.9% higher for commercial auto liability. As discussed above, the severity estimates are influenced by many variables that are difficult to precisely quantify and which influence the final amount of claims settlements. That, coupled with changes in internal claims practices, the legal environment, and state regulatory requirements, requires significant judgment in the estimate of the needed reserves to be carried.

The following table highlights what the effect would be to our carried loss and LAE reserves, on a net basis, as of December 31, 2022, if during 2023 we were to experience the indicated change in our estimate of severity for the 2022 accident year (i.e., claims that occurred in 2022):

(millions)	Estimated Changes in Severity for Accident Year 2022				
	-4%	-2%	As Reported	+2%	+4%
Personal auto liability	\$ 14,368.4	\$ 14,695.0	\$ 15,021.6	\$ 15,348.2	\$ 15,674.8
Commercial auto liability	7,144.1	7,239.7	7,335.3	7,430.9	7,526.5
Other ¹	2,443.2	2,443.2	2,443.2	2,443.2	2,443.2
Total	\$ 23,955.7	\$ 24,377.9	\$ 24,800.1	\$ 25,222.3	\$ 25,644.5

¹ Includes reserves for personal and commercial auto physical damage claims and our non-auto lines of business; no change in estimates is presented due to the immaterial level of these reserves.

Note: Every percentage point change in our estimate of severity for the 2022 accident year would affect our personal auto liability reserves by \$163.3 million and our commercial auto reserves by \$47.8 million.

Our 2022 year-end loss and LAE reserve balance also includes claims from prior years. Claims that occurred in 2022, 2021, and 2020, in the aggregate, accounted for approximately 92% of our reserve balance. If during 2023 we were to experience the indicated change in our estimate of severity for the total of the prior three accident years (i.e., 2022, 2021, and 2020), the effect to our year-end 2022 reserve balances would be as follows:

(millions)	Estimated Changes in Severity for Accident Years 2022, 2021, and 2020				
	-4%	-2%	As Reported	+2%	+4%
Personal auto liability	\$ 13,259.2	\$ 14,140.4	\$ 15,021.6	\$ 15,902.8	\$ 16,784.0
Commercial auto liability	6,889.7	7,112.5	7,335.3	7,558.1	7,780.9
Other ¹	2,443.2	2,443.2	2,443.2	2,443.2	2,443.2
Total	\$ 22,592.1	\$ 23,696.1	\$ 24,800.1	\$ 25,904.1	\$ 27,008.1

¹ Includes reserves for personal and commercial auto physical damage claims and our non-auto lines of business; no change in estimates is presented due to the immaterial level of these reserves.

Note: Every percentage point change in our estimate of severity for the 2022, 2021, and 2020 accident years would affect our personal auto liability reserves by \$440.6 million and our commercial auto reserves by \$111.4 million.

Our best estimate of the appropriate amount for our reserves as of year-end 2022 is included in our financial statements for the year. Our goal is to ensure that total reserves are adequate to cover all loss costs, while sustaining minimal variation from the time reserves are initially established until losses are fully developed. At the point in time when reserves are set, we have no way of knowing whether our reserve estimates will prove to be high or low, or whether one of the alternative scenarios discussed above is reasonably likely to occur. The above tables show the potential favorable or unfavorable development we will realize if our estimates miss by 2% or 4%.

B. Credit Losses on Financial Instruments

An allowance for credit losses is established when the ultimate realization of a financial instrument is determined to be impaired due to a credit event. Measurement of expected credit losses is based on judgment when considering relevant information about past events, including historical loss experience, current conditions, and forecasts of the collectability of the reported financial instrument. The allowance for expected credit losses is measured and recorded at the point ultimate recoverability of the financial instrument is expected to be impaired, including upon the initial recognition of the financial instrument, where warranted. We evaluate financial instrument credit losses related to our available-for-sale securities, reinsurance recoverables, and premiums receivables. Due to the complex nature in evaluating credit loss for our available-for-sale financial instruments, we view the estimates and assumptions used in our analysis as critical.

We routinely monitor our fixed-maturity portfolio for pricing changes that might indicate potential losses exist and perform detailed reviews of securities with unrealized losses to determine if an allowance for credit losses, a change to an existing allowance (recovery or additional loss), or a write-off for an amount deemed uncollectible needs to be recorded. In such cases, changes in fair value are evaluated to determine the extent to which such changes are attributable to: (i) credit related losses, which are specific to the issuer (e.g., financial conditions, business prospects) where the present value of cash flows expected to be collected is lower than the amortized cost basis of the security or (ii) market related factors, such as interest rates or credit spreads.

If we do not expect to hold the security to allow for a potential recovery of those expected losses, we will write down the security to fair value and recognize a realized loss in the comprehensive income statement.

For securities whose losses are credit related losses, and for which we do not intend to sell in the near term, we will review the non-market components to determine if a potential future credit loss exists, based on available financial data related to the fixed-maturity securities. If we project that a credit loss exists, we will record an allowance for the credit loss and recognize a realized loss in the comprehensive income statement. For all securities for which an allowance for credit losses has been established, we will re-evaluate the securities, at least quarterly, to determine if further deterioration has occurred or if we project a subsequent recovery in the expected losses, which would require an adjustment to the allowance for credit losses. To the extent we determine that we will likely sell a security prior to recovery of the credit loss, or if the loss is

deemed uncollectible, we will write down the security to its fair value and reverse any credit loss allowance that may have been previously recorded.

For an unrealized loss that is determined to be related to current market conditions, we will not record an allowance for credit losses or a write down to fair value. We will continue to monitor these securities to determine if underlying factors other than the current market conditions are contributing to the loss in value.

Based on an analysis of our fixed-maturity portfolio, we have determined our allowance for credit losses related to available-for-sale securities was not material to our financial condition or results of operations for the periods ending December 31, 2022 and 2021.

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,” “goal,” “target,” “anticipate,” “will,” “could,” “likely,” “may,” “should,” 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 not guarantees of future performance, 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 secure and uninterrupted operation of the systems, facilities and business functions and the operation of various third-party systems that are critical to our business;
- the impacts of a security breach or other attack involving our technology systems or the systems of one or more of our vendors;
- our ability to maintain a recognized and trusted brand and reputation;
- whether we innovate effectively and respond to our competitors’ initiatives;
- whether we effectively manage complexity as we develop and deliver products and customer experiences;
- our ability to attract, develop and retain talent and maintain appropriate staffing levels;
- the impact of misconduct or fraudulent acts by employees, agents, and third parties to our business and/or exposure to regulatory assessments;
- the highly competitive nature of property-casualty insurance markets;
- whether we adjust claims accurately;
- compliance with complex and changing laws and regulations;
- litigation challenging our business practices, and those of our competitors and other companies;
- the success of our business strategy and efforts to acquire or develop new products or enter into new areas of business and navigate related risks;
- how intellectual property rights affect our competitiveness and our business operations;
- 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, governance and other public policy matters;
- the elimination of the London Interbank Offered Rate;
- our continued ability to access our cash accounts and/or convert investments 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 epidemics, pandemics or other widespread health risks; 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, 2022.

Any forward-looking statements are made only as of the date presented. Except as required by applicable law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or developments or otherwise.

In addition, investors should be aware that accounting principles generally accepted in the United States 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.

Supplemental Information
The Progressive Corporation and Subsidiaries
Ten Year Summary – Selected Financial Information
(unaudited)

(millions – except ratios, policies in force, per share amounts, and number of people employed)	2022	2021	2020	2019	2018
Net premiums written	\$ 51,081.1	\$ 46,405.2	\$ 40,568.7	\$ 37,577.9	\$ 32,609.9
Growth	10 %	14 %	8 %	15 %	20 %
Net premiums earned	\$ 49,241.2	\$ 44,368.7	\$ 39,261.6	\$ 36,192.4	\$ 30,933.3
Growth	11 %	13 %	8 %	17 %	20 %
Policies in force (thousands):					
Personal Lines	23,455.4	22,735.7	21,413.5	19,408.6	17,759.0
Growth	3 %	6 %	10 %	9 %	10 %
Commercial Lines	1,046.4	971.2	822.0	751.4	696.9
Growth	8 %	18 %	9 %	8 %	8 %
Property ¹	2,851.3	2,776.2	2,484.4	2,202.1	1,936.5
Growth ¹	3 %	12 %	13 %	14 %	32 %
Total revenues	\$ 49,610.7	\$ 47,702.0	\$ 42,658.1	\$ 39,022.3	\$ 31,979.0
Underwriting margins: ²					
Personal Lines	4.0 %	4.6 %	13.2 %	9.5 %	9.7 %
Commercial Lines	8.9 %	11.1 %	13.0 %	10.4 %	13.3 %
Property ¹	(10.5)%	(15.3)%	(7.1)%	(1.7)%	(6.9)%
Total underwriting operations	4.2 %	4.7 %	12.3 %	9.1 %	9.4 %
Net income attributable to Progressive	\$ 721.5	\$ 3,350.9	\$ 5,704.6	\$ 3,970.3	\$ 2,615.3
Per common share - diluted	\$ 1.18	\$ 5.66	\$ 9.66	\$ 6.72	\$ 4.42
Average equivalent common shares - diluted	587.1	587.1	587.6	587.2	586.7
Comprehensive income (loss) attributable to Progressive	\$ (2,121.2)	\$ 2,459.9	\$ 6,291.9	\$ 4,432.9	\$ 2,520.1
Total assets	\$ 75,465.0	\$ 71,132.3	\$ 64,098.3	\$ 54,895.3	\$ 46,575.0
Debt outstanding	\$ 6,388.3	\$ 4,898.8	\$ 5,396.1	\$ 4,407.1	\$ 4,404.9
Redeemable noncontrolling interest	\$ —	\$ —	\$ —	\$ 225.6	\$ 214.5
Total shareholders' equity	\$ 15,891.0	\$ 18,231.6	\$ 17,038.6	\$ 13,673.2	\$ 10,821.8
Statutory surplus	\$ 17,879.9	\$ 16,423.7	\$ 15,194.6	\$ 13,671.1	\$ 11,571.8
Common shares outstanding	584.9	584.4	585.2	584.6	583.2
Common share close price (at December 31)	\$ 129.71	\$ 102.65	\$ 98.88	\$ 72.39	\$ 60.33
Rate of return ³	26.8 %	10.8 %	41.4 %	25.1 %	9.3 %
Market capitalization	\$ 75,867.4	\$ 59,988.7	\$ 57,864.6	\$ 42,319.2	\$ 35,184.5
Book value per common share	\$ 26.32	\$ 30.35	\$ 28.27	\$ 22.54	\$ 17.71
Ratios:					
Return on average common shareholders' equity:					
Net income attributable to Progressive	4.4 %	18.6 %	35.6 %	31.3 %	24.7 %
Comprehensive income (loss) attributable to Progressive	(13.5)%	13.6 %	39.3 %	35.0 %	23.8 %
Debt to total capital ⁴	28.7 %	21.2 %	24.1 %	24.4 %	28.9 %
Price to earnings	109.9	18.1	10.2	10.8	13.6
Price to book	4.9	3.4	3.5	3.2	3.4
Net premiums written to statutory surplus	2.9	2.8	2.7	2.7	2.8
Statutory combined ratio	95.3	94.8	87.9	90.5	89.9
Dividends declared per common share ⁵	\$ 0.40	\$ 1.90	\$ 4.90	\$ 2.65	\$ 2.5140
Number of people employed	55,063	49,077	43,326	41,571	37,346

¹ We began reporting our Property business as a segment on April 1, 2015, therefore, year-over-year growth for 2015 is not applicable (NA).

² Underwriting margins are calculated as pretax underwriting profit (loss), as defined in *Note 10 – Segment Information*, as a percentage of net premiums earned.

³ Represents annual rate of return, assuming dividend reinvestment.

(millions – except ratios, policies in force, per share amounts, and number of people employed)

	2017		2016		2015		2014		2013
Net premiums written	\$	27,132.1	\$	23,353.5	\$	20,564.0	\$	18,654.6	\$ 17,339.7
Growth		16 %		14 %		10 %		8 %	6 %
Net premiums earned	\$	25,729.9	\$	22,474.0	\$	19,899.1	\$	18,398.5	\$ 17,103.4
Growth		14 %		13 %		8 %		8 %	7 %
Policies in force (thousands):									
Personal Lines		16,075.5		14,656.8		13,764.7		13,261.9	13,056.4
Growth		10 %		6 %		4 %		2 %	3 %
Commercial Lines		646.8		607.9		555.8		514.7	514.6
Growth		6 %		9 %		8 %		0 %	(1)%
Property ¹		1,461.7		1,201.9		1,076.5		—	—
Growth ¹		22 %		12 %		NA		—	—
Total revenues	\$	26,839.0	\$	23,441.4	\$	20,853.8	\$	19,391.4	\$ 18,170.9
Underwriting margins: ²									
Personal Lines		6.9 %		4.7 %		6.5 %		6.7 %	6.6 %
Commercial Lines		7.7 %		6.4 %		15.9 %		17.2 %	6.5 %
Property ¹		(5.1)%		3.8 %		10.1 %		—	—
Total underwriting operations		6.6 %		4.9 %		7.5 %		7.7 %	6.5 %
Net income attributable to Progressive	\$	1,592.2	\$	1,031.0	\$	1,267.6	\$	1,281.0	\$ 1,165.4
Per common share - diluted	\$	2.72	\$	1.76	\$	2.15	\$	2.15	\$ 1.93
Average equivalent common shares - diluted		585.7		585.0		589.2		594.8	603.6
Comprehensive income (loss) attributable to Progressive	\$	1,941.0	\$	1,164.0	\$	1,044.9	\$	1,352.4	\$ 1,246.1
Total assets	\$	38,701.2	\$	33,427.5	\$	29,819.3	\$	25,787.6	\$ 24,408.2
Debt outstanding	\$	3,306.3	\$	3,148.2	\$	2,707.9	\$	2,164.7	\$ 1,860.9
Redeemable noncontrolling interest	\$	503.7	\$	483.7	\$	464.9	\$	—	\$ —
Total shareholders' equity	\$	9,284.8	\$	7,957.1	\$	7,289.4	\$	6,928.6	\$ 6,189.5
Statutory surplus	\$	9,664.4	\$	8,560.0	\$	7,575.5	\$	6,442.8	\$ 5,991.0
Common shares outstanding		581.7		579.9		583.6		587.8	595.8
Common share close price (at December 31)	\$	56.32	\$	35.50	\$	31.80	\$	26.99	\$ 27.27
Rate of return ³		61.6 %		14.7 %		20.9 %		5.3 %	30.9 %
Market capitalization	\$	32,761.3	\$	20,586.5	\$	18,558.5	\$	15,864.7	\$ 16,247.5
Book value per common share	\$	15.96	\$	13.72	\$	12.49	\$	11.79	\$ 10.39
Ratios:									
Return on average common shareholders' equity:									
Net income attributable to Progressive		17.8 %		13.2 %		17.2 %		19.1 %	17.7 %
Comprehensive income (loss) attributable to Progressive		21.7 %		14.9 %		14.2 %		20.1 %	19.0 %
Debt to total capital ⁴		26.3 %		28.3 %		27.1 %		23.8 %	23.1 %
Price to earnings		20.7		20.2		14.8		12.6	14.1
Price to book		3.5		2.6		2.5		2.3	2.6
Net premiums written to statutory surplus		2.8		2.7		2.7		2.9	2.9
Statutory combined ratio		92.8		94.8		91.8		92.1	93.4
Dividends declared per common share ⁵	\$	1.1247	\$	0.6808	\$	0.8882	\$	0.6862	\$ 1.4929
Number of people employed		33,656		31,721		28,580		26,501	26,145

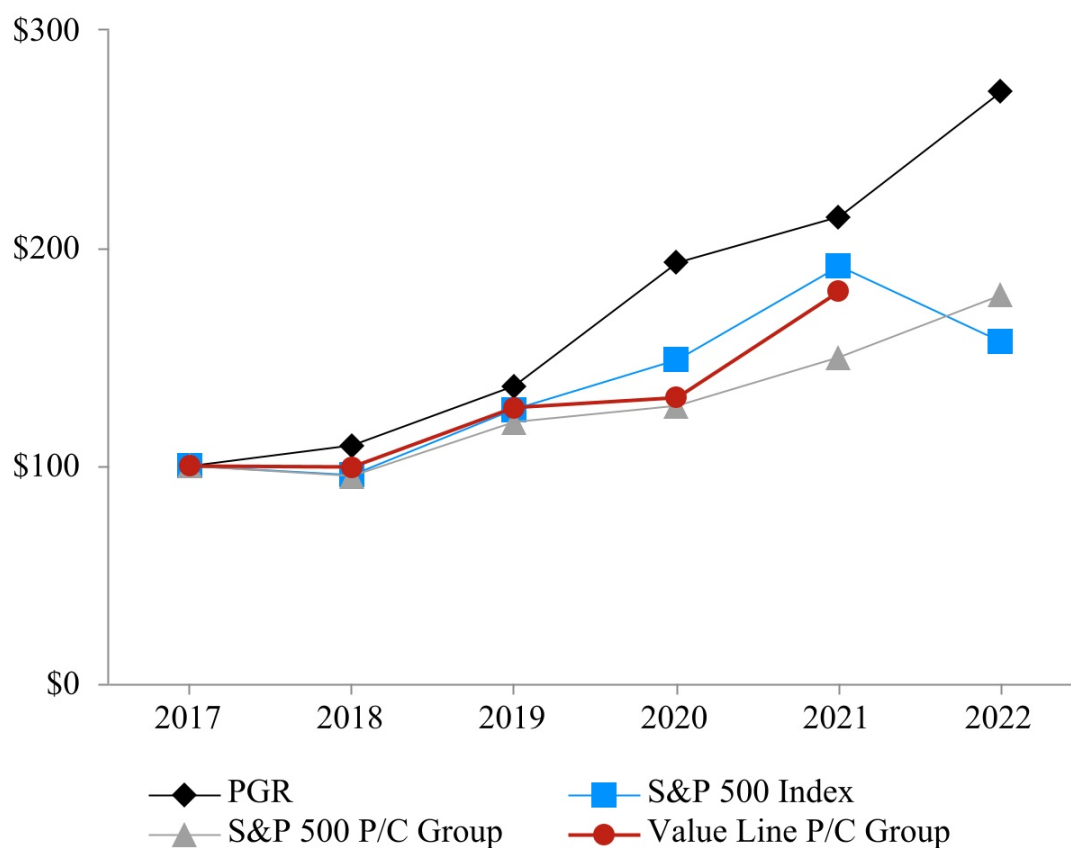
⁴ Ratio reflects debt as a percent of debt plus shareholders' equity; redeemable noncontrolling interest is not part of this calculation.

⁵ Represents dividends pursuant to the dividend policy in place for the applicable year, plus special cash dividends of \$1.00 per common share in 2013 (see Note 14 – Dividends for further discussion).

The Progressive Corporation and Subsidiaries
Performance Graph
(unaudited)

The following performance graph compares the performance of Progressive's Common Shares (PGR) to the Standard & Poor's 500 Stock Index (S&P 500 Index), the Standard & Poor's 500 Property & Casualty Insurance Index (S&P 500 P/C Group), and the Value Line Property/Casualty Industry Group (Value Line P/C Group) for the last five years. In 2022, we changed our peer group to the S&P 500 P/C Group. We are disclosing our prior peer group, Value Line P/C Group, for comparative purposes; however, we are unable to disclose all five years due to the unavailability of that peer group data for the current year.

Cumulative Five-Year Total Return*
PGR, S&P 500 Index, S&P 500 P/C Group, Value Line P/C Group (Performance Results through 12/31/22)



		(Assumes \$100 was invested at the close of trading on December 31, 2017)									
For the years ended December 31,		2018		2019		2020		2021		2022	
PGR	\$	109.32	\$	136.71	\$	193.28	\$	214.19	\$	271.60	
S&P 500 Index		95.60		125.71		148.76		191.43		156.72	
S&P 500 P/C Group		95.31		119.97		127.56		149.90		178.18	
Value Line P/C Group		99.34		126.46		131.36		180.11		NA	

NA = Not available

*Assumes reinvestment of dividends

The Progressive Corporation and Subsidiaries
Quantitative Market Risk Disclosures
(unaudited)

Quantitative market risk disclosures are only presented for market risk categories when risk is considered material. Materiality is determined based on the fair value of the financial instruments at December 31, 2022, and the potential for near-term losses from reasonably possible near-term changes in market rates or prices. The discussion

below relates to instruments entered into for purposes other than trading; we had no trading financial instruments at December 31, 2022 and 2021. See *Management's Discussion and Analysis of Financial Condition and Results of Operations* for our discussion of the qualitative information about market risk.

Financial instruments subject to interest rate risk were:

(millions)	Fair Value				
	-200 bps Change	-100 bps Change	Actual	+100 bps Change	+200 bps Change
U.S. government obligations	\$ 27,145.5	\$ 26,131.3	\$ 25,167.4	\$ 24,256.3	\$ 23,395.6
State and local government obligations	2,090.8	2,036.5	1,977.1	1,912.9	1,843.7
Foreign government obligations	16.6	16.0	15.5	14.9	14.4
Asset-backed securities	10,265.4	10,075.7	9,894.9	9,722.1	9,558.7
Corporate securities	9,940.7	9,676.2	9,412.7	9,153.8	8,906.3
Preferred stocks	1,477.9	1,436.9	1,397.5	1,359.6	1,323.4
Short-term investments	2,861.7	2,861.7	2,861.7	2,861.7	2,861.7
Total at December 31, 2022	\$ 53,798.6	\$ 52,234.3	\$ 50,726.8	\$ 49,281.3	\$ 47,903.8
Total at December 31, 2021	\$ 48,771.6	\$ 47,863.2	\$ 46,455.6	\$ 45,027.6	\$ 43,598.8

Exposure to risk is represented in terms of changes in fair value due to selected hypothetical movements in market rates. Bonds and preferred stocks are individually priced to yield to the worst case scenario, which includes any issuer-specific features, such as a call option. Asset-backed securities and state and local government housing securities are priced assuming deal specific prepayment scenarios, considering the deal structure, prepayment penalties, yield maintenance agreements, and the underlying collateral.

Financial instruments subject to equity market risk were:

(millions)	Fair Value		
	-10%	Actual	+10%
Common equities at December 31, 2022	\$ 2,541.7	\$ 2,821.5	\$ 3,101.3
Common equities at December 31, 2021	\$ 4,532.3	\$ 5,058.5	\$ 5,584.7

The model represents the estimated value of our common equity portfolio given a +/-10% change in the market, based on the common stock portfolio's weighted average beta of 1.0 for 2022 and 1.04 for 2021. The beta is derived from recent historical experience, using the S&P 500 as the market surrogate. The historical relationship of

the common stock portfolio's beta to the S&P 500 is not necessarily indicative of future correlation, as individual company or industry factors may affect price movements. Betas are not available for all securities. In such cases, the change in fair value reflects a direct +/-10% change; the portion of our securities without betas is 1.4%.

The Progressive Corporation and Subsidiaries
Net Premiums Written by State
(unaudited)

(\$ in millions)	2022			2021			2020			2019			2018		
Florida	\$	7,144.6	14.0 %	\$	6,290.7	13.6 %	\$	5,533.7	13.6 %	\$	5,233.4	13.9 %	\$	4,700.9	14.4 %
Texas		6,089.3	11.9		5,343.5	11.5		4,530.5	11.2		4,081.0	10.8		3,388.6	10.4
California		2,867.1	5.6		2,585.1	5.6		2,241.2	5.5		2,208.8	5.9		1,836.0	5.6
Georgia		2,443.8	4.8		2,147.7	4.6		1,860.9	4.6		1,645.3	4.4		1,452.9	4.5
New York		2,056.1	4.0		2,008.6	4.3		1,932.8	4.8		1,843.2	4.9		1,699.0	5.2
Michigan		2,014.9	4.0		1,962.7	4.2		1,797.6	4.4		1,673.5	4.4		1,423.7	4.4
Ohio		1,708.9	3.3		1,563.0	3.4		1,404.2	3.4		1,339.5	3.6		1,194.0	3.7
Pennsylvania		1,670.2	3.3		1,504.8	3.2		1,327.2	3.3		1,268.3	3.4		1,157.4	3.5
New Jersey		1,599.9	3.1		1,417.5	3.1		1,242.0	3.1		1,192.3	3.2		1,088.1	3.3
Louisiana		1,258.9	2.5		1,154.4	2.5		1,039.4	2.6		965.6	2.6		856.5	2.6
All other		22,227.4	43.5		20,427.2	44.0		17,659.2	43.5		16,127.0	42.9		13,812.8	42.4
Total	\$	51,081.1	100.0 %	\$	46,405.2	100.0 %	\$	40,568.7	100.0 %	\$	37,577.9	100.0 %	\$	32,609.9	100.0 %

Insurance Quotes, Claims Reporting, and Customer Service

	Personal autos, motorcycles, recreational vehicles, homeowners, other property, and renters	Commercial autos/trucks, business property, and general liability
To receive a quote	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-888-806-9598 progressivecommercial.com
To report a claim	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-PROGRESSIVE (1-800-776-4737) progressivecommercial.com
For customer service:		
If you bought your policy directly through Progressive online or by phone	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-PROGRESSIVE (1-800-776-4737) progressivecommercial.com
If you bought your policy through an independent agent or broker	1-800-925-2886 (1-800-300-3693 in California) progressive.com/agent	1-800-895-2886 progressivecommercial.com
If you bought your policy through an independent agent or broker for the state of California	1-800-300-3693 Driveinsurance.com	1-800-895-2886 progressivecommercial.com
In addition, iPhone® and Android® users can download the Progressive App to start a quote, report a claim, or service a policy.		

Principal Office

The Progressive Corporation
6300 Wilson Mills Road
Mayfield Village, Ohio 44143
440-461-5000
progressive.com

Annual Meeting The Annual Meeting of Shareholders will take place on Friday, May 12, 2023, at 10:00 a.m., eastern time. This meeting will be held by online webcast only. You will be able to attend and participate in the Annual Meeting via live webcast by visiting virtualshareholdermeeting.com/PGR2023. To participate in the meeting, you must have your 16-digit control number that is shown on your proxy card. You will not be able to attend the Annual Meeting in person.

Online Annual Report and Proxy Statement Our 2022 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2023 Proxy Statement and 2022 Annual Report to Shareholders, in a PDF format, can be found at: progressiveproxy.com.

Shareholder/Investor Relations Progressive does not maintain a mailing list for distribution of shareholders' reports. To view Progressive's publicly filed documents, shareholders can access our website: progressive.com/sec. To view our earnings and other releases, access: progressive.com/financial-releases.

For financial-related information or to request copies of Progressive's publicly filed documents free of charge, write to: The Progressive Corporation, Investor Relations, 6300 Wilson Mills Road, Box W33, Mayfield Village, Ohio 44143, email: investor_relations@progressive.com, or call: 440-395-2222.

For all other company information, call: 440-461-5000 or access our website at: progressive.com/contactus.

Transfer Agent and Registrar *Registered Shareholders:* If you have questions or changes to your account and your Progressive common shares are registered in your name, write to: American Stock Transfer & Trust Company, Attn: Operations Center, 6201 15th Avenue, Brooklyn, NY 11219; phone: 1-866-709-7695; email: help@astfinancial.com; or visit their website at: astfinancial.com.

Beneficial Shareholders: If your Progressive common shares are held in a brokerage or other financial institution account, contact your broker or financial institution directly regarding questions or changes to your account.

Common Shares, Holders, and Dividends The Progressive Corporation's common shares are traded on the New York Stock Exchange (symbol PGR). There were 1,750 shareholders of record on January 31, 2023. Progressive currently has a dividend policy under which the Board expects to declare regular, quarterly common share dividends and, on at least an annual basis, to consider declaring an additional variable common share dividend. The dividend policy can be found at: progressive.com/dividend.

Counsel Baker & Hostetler LLP, Cleveland, Ohio

Corporate Governance Progressive's Corporate Governance Guidelines and Board Committee Charters are available at: progressive.com/governance.

Accounting Complaint Procedure Any employee or other interested party with a complaint or concern regarding accounting, internal accounting controls, or auditing matters relating to Progressive may report such complaint or concern directly to the Chairperson of the Audit Committee, as follows:

Stuart B. Burgdoerfer, Chair of the Audit Committee, auditchair@progressive.com.

Any such complaint or concern also may be reported anonymously over the following toll-free Alertline: 1-800-683-3604 or online at: progressivealertline.com.

Progressive will not retaliate against any individual by reason of his or her having made such a complaint or reported such a concern in good faith. View the complete procedures at: progressive.com/governance.

Contact Non-Management Directors Interested parties have the ability to contact the non-management directors as a group by sending a written communication clearly addressed to the non-management directors to either of the following:

Lawton W. Fitt, Chairperson of the Board, The Progressive Corporation, email: chair@progressive.com; or

Daniel P. Mascaro, Secretary, The Progressive Corporation, 6300 Wilson Mills Road, Mayfield Village, Ohio 44143 or email: secretary@progressive.com.

The recipient will forward communications so received to the non-management directors.

Whistleblower Protections Progressive will not retaliate against any officer or employee of Progressive because of any lawful act done by the officer or employee to provide information or otherwise assist in investigations regarding conduct that the officer or employee reasonably believes to be a violation of federal securities laws or of any rule or regulation of the Securities and Exchange Commission. View the complete Whistleblower Protections at: progressive.com/governance.

Charitable Contributions We contribute to: (i) The Insurance Institute for Highway Safety to further its work in reducing the human trauma and economic costs of auto accidents; (ii) Humble Design, a nonprofit organization we partnered with to furnish homes for families and veterans transitioning from homelessness; and, (iii) The Progressive Insurance Foundation.

To more broadly represent our employees and their communities, The Progressive Insurance Foundation provides funds to national charitable organizations identified by our Employee Resource Groups and to eligible 501(c)(3) charitable organizations chosen by each participating employee's recommendation, without requiring the employee to contribute. Over the last five years, the funds provided by The Progressive Insurance Foundation related to employee recommended contributions and, prior to 2022, an employee matching program averaged approximately \$5 million per year.

Social Responsibility and Sustainability Progressive uses an online format to communicate our social responsibility efforts, and we see sustainability as part of the value we bring to our shareholders, customers, employees, agents, and communities. Our social responsibility and sustainability reports can be found at: progressive.com/socialresponsibility and progressive.com/sustainability, respectively.

Directors

Philip Bleser^{1,5,7}

Retired Chairman of Global Corporate Banking,
JPMorgan Chase & Co.
(financial services)

Stuart B. Burgdoerfer^{1,6,7}

Retired Executive Vice President and Chief Financial Officer,
L Brands, Inc.
(retailing)

Pamela J. Craig^{3,6,7}

Retired Chief Financial Officer,
Accenture PLC
(global management consulting)

Charles A. Davis^{4,7}

Chief Executive Officer,
Stone Point Capital LLC
(private equity investing)

Roger N. Farah^{2,3,5,7}

Retired Executive Director,
Tory Burch LLC
(retailing)

Lawton W. Fitt^{2,4,5,7}

Chairperson of the Board,
The Progressive Corporation
Retired Partner,
Goldman Sachs Group
(financial services)

Susan Patricia Griffith²

President and
Chief Executive Officer,
The Progressive Corporation

Devin C. Johnson^{6,7}

President and Chief Operating Officer,
The SpringHill Company
(global consumer and entertainment)

Jeffrey D. Kelly^{1,7}

Retired Chief Operating Officer and Chief Financial Officer,
RenaissanceRe Holdings Ltd.
(reinsurance services)

Barbara R. Snyder^{3,7}

President,
The Association of American Universities
(higher education)

Jan E. Tighe^{3,6,7}

United States Navy, Vice Admiral, Retired
(military)

Kahina Van Dyke^{4,6,7}

Global Head, Digital Channels and Client Data Analytics,
Standard Chartered PLC
(international banking)

- 1 Audit Committee Member
- 2 Executive Committee Member
- 3 Compensation Committee Member
- 4 Investment & Capital Committee Member
- 5 Nominating & Governance Committee Member
- 6 Technology Committee Member
- 7 Independent Director

Corporate Officers

Lawton W. Fitt
Chairperson of the Board
(non-executive)

Susan Patricia Griffith
President
and Chief Executive Officer

John P. Sauerland
Vice President
and Chief Financial Officer

Daniel P. Mascaro
Vice President, Secretary,
and Chief Legal Officer

Patrick S. Brennan
Treasurer

Mariann Wojtkun Marshall
Vice President, Assistant Secretary,
and Chief Accounting Officer

Other Executive Officers

Karen B. Bailo
Commercial Lines President

Jonathan S. Bauer
Chief Investment Officer

Steven A. Broz
Chief Information Officer

Patrick K. Callahan
Personal Lines President

William L. Clawson II
Chief Human Resources Officer

Remi Kent
Chief Marketing Officer

John Murphy
Claims President

Lori Niederst
Customer Relationship Management
President

Andrew J. Quigg
Chief Strategy Officer

SUBSIDIARIES OF THE PROGRESSIVE CORPORATION

Name of Subsidiary	Jurisdiction of Incorporation
ARX Holding Corp.	Delaware
American Strategic Insurance Corp.	Florida
Ark Royal Underwriters, LLC	Florida
ASI Assurance Corp.	Florida
ASI Home Insurance Corp.	Florida
ASI Lloyds, Inc.	Texas
ASI Preferred Insurance Corp.	Florida
ASI Select Auto Insurance Corp.	California
ASI Select Insurance Corp.	Indiana
ASI Underwriters Corp.	Florida
Progressive Property Insurance Company	Louisiana
PropertyPlus Insurance Agency, Inc.	Delaware
Sunshine Security Insurance Agency, Inc.	Florida
Progressive Agency Holdings, Inc.	Delaware
Drive New Jersey Insurance Company	New Jersey
Progressive American Insurance Company	Ohio
Progressive Bayside Insurance Company	Ohio
Progressive Casualty Insurance Company	Ohio
PC Investment Company	Delaware
Progressive Gulf Insurance Company	Ohio
Progressive Specialty Insurance Company	Ohio
Trussville/Cahaba, AL, LLC	Ohio
Progressive Classic Insurance Company	Wisconsin
Progressive Commercial Advantage Agency, Inc.	Ohio
Progressive Commercial Casualty Company	Ohio
Progressive Freedom Insurance Company	Ohio
Progressive Hawaii Insurance Corp.	Ohio
Progressive Michigan Insurance Company	Michigan
Progressive Mountain Insurance Company	Ohio
Progressive Northern Insurance Company	Wisconsin
Progressive Northwestern Insurance Company	Ohio
Progressive Preferred Insurance Company	Ohio
Progressive Security Insurance Company	Louisiana
Progressive Southeastern Insurance Company	Indiana
Garden Sun Insurance Services, Inc.	Hawaii
Pacific Motor Club	California
ProgNY Agency, Inc.	New York
Progressive Adjusting Company, Inc.	Ohio

Name of Subsidiary	Jurisdiction of Incorporation
Progressive Capital Management Corp.	New York
Progressive Commercial Holdings, Inc.	Delaware
Artisan and Truckers Casualty Company	Wisconsin
Blue Hill Specialty Insurance Company, Inc.	Illinois
National Continental Insurance Company	New York
Progressive Express Insurance Company	Ohio
Protective Insurance Corporation	Indiana
B&L Brokerage Services, Inc.	Indiana
Transport Specialty Insurance Agency, Inc.	Michigan
B&L Insurance, Ltd.	Bermuda
B&L Management Inc.	Delaware
Protective Insurance Company	Indiana
Protective Specialty Insurance Company	Indiana
Sagamore Insurance Company	Indiana
United Financial Casualty Company	Ohio
Progressive Direct Holdings, Inc.	Delaware
Mountain Laurel Assurance Company	Ohio
Progressive Advanced Insurance Company	Ohio
Progressive Advantage Agency, Inc.	Ohio
Progressive Auto Pro Insurance Agency, Inc.	Florida
Progressive Choice Insurance Company	Ohio
Progressive Direct Insurance Company	Ohio
Gadsden, AL, LLC	Ohio
Progressive Garden State Insurance Company	New Jersey
Progressive Marathon Insurance Company	Michigan
Progressive Max Insurance Company	Ohio
Progressive Paloverde Insurance Company	Indiana
Progressive Premier Insurance Company of Illinois	Ohio
Progressive Select Insurance Company	Ohio
Progressive Universal Insurance Company	Wisconsin
Progressive Innovation Co.	Delaware
Progressive Investment Company, Inc.	Delaware
Progressive Life Insurance Company	Ohio
Progressive Premium Budget, Inc.	Ohio
Progressive RSC, Inc.	Ohio
Progressive Vehicle Service Company	Ohio
Progressive West Insurance Company	Ohio
Village Transport Corp.	Delaware
Wilson Mills Land Co.	Ohio
358 Ventures, Inc.	Ohio

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 33-16509, 33-51034, 33-57121, 333-41238, 333-172663, 333-185703, 333-185704, 333-204406, 333-217922 and 333-268127) and Form S-3 (No. 333-259667) of The Progressive Corporation of our report dated February 27, 2023 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2022 Annual Report to Shareholders, which is incorporated by reference in this Annual Report on Form 10-K. We also consent to the incorporation by reference of our report dated February 27, 2023 relating to the financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
February 27, 2023

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Mariann Wojtkun Marshall

Date: February 27, 2023

Mariann Wojtkun Marshall

Vice President and Chief Accounting Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ John P. Sauerland

Date: February 22, 2023

John P. Sauerland

Vice President and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Susan P. Griffith

Date: February 22, 2023

Susan Patricia Griffith

Director, President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Lawton Wehle Fitt

Date: February 17, 2023

Lawton W. Fitt

Chairperson of the Board

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Philip Bleser

Date: February 19, 2023

Philip Bleser

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Stuart B. Burgdoerfer

Date: February 23, 2023

Stuart B. Burgdoerfer

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Pamela J. Craig

Date: February 18, 2023

Pamela J. Craig

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Charles A. Davis

Date: February 18, 2023

Charles A. Davis

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Roger N. Farah

Date: February 17, 2023

Roger N. Farah

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Devin C. Johnson

Date: February 18, 2023

Devin C. Johnson

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Jeffrey D. Kelly

Date: February 18, 2023

Jeffrey D. Kelly

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Barbara R. Snyder

Date: February 17, 2023

Barbara R. Snyder

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Jan E. Tighe

Date: February 18, 2023

Jan E. Tighe

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, Daniel P. Mascaro, Laurie F. Humphrey and Allyson L. Bach, and each of them, my true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for me and in my name, place and stead, in any and all capacities, to sign and file with the Securities and Exchange Commission the Annual Report on Form 10-K of The Progressive Corporation for the year ended December 31, 2022, and any and all amendments relating thereto and other documents in connection there with, granting unto said attorney-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing necessary and requisite to be done in connection with the foregoing, as fully to all intents and purposes as I might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their respective substitutes, may lawfully do or cause to be done by virtue hereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name in the capacity(ies) set forth below as of the date set forth below under my signature.

/s/ Kahina Van Dyke

Date: February 23, 2023

Kahina Van Dyke

Director

CERTIFICATION

I, Susan Patricia Griffith, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 27, 2023

/s/ Susan Patricia Griffith

Susan Patricia Griffith

President and Chief Executive Officer

CERTIFICATION

I, John P. Sauerland, certify that:

1. I have reviewed this annual report on Form 10-K 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: February 27, 2023

/s/ John P. Sauerland

John P. Sauerland

Vice President and Chief Financial Officer

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 Annual Report on Form 10-K of the Company for the period ended December 31, 2022 (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

February 27, 2023

SECTION 1350 CERTIFICATION

I, John P. Sauerland, Vice President and 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 Annual Report on Form 10-K of the Company for the period ended December 31, 2022 (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

February 27, 2023

LETTER TO SHAREHOLDERS

Although annual shareholder letters typically reflect the year that just ended, it's really impossible not to think of these last three years as one continuous challenge. The fact is that Progressive employees love a good challenge and we have had to deal with a prodigious number of headwinds over these past several years. The way that we have all come together and the perseverance that we have demonstrated during these times, is just one of the many reasons why I chose Unity as the theme for this year's annual report. Together, we muscled through a pandemic that never seems to end, adjusted our underwriting actions to react to a year of severity trends like nothing we have experienced in at least the last 40 years, and, lastly, pivoted our focus to take the many actions necessary to achieve our objectives in what appeared to be an ever-changing landscape. Did I mention the largest hurricane in our history? In the end, I'll put it in the same ineloquent words that I used with my team, "We did it!" It wasn't easy and it was often painful, but we ended the year within our target margin with a 95.8 combined ratio (CR) and grew net premiums written (NPW) and policies in force by 10% and 3%, respectively. Proud doesn't even begin to describe how I feel about the unified efforts of literally every single Progressive person.

After navigating all the chicanes in the road, we had a lot to celebrate. I often say that our people and our culture are our greatest competitive advantage and during times such as these, that is truer than ever. This year we've put that into focus by celebrating "2022: The Year of You" with our employees in honor of our 85th anniversary. This thread has run through several of our employee engagement efforts, and two in particular stand out.

First, I set out to host 85 employees for small group lunches to celebrate Progressive's anniversary. The interest from our people was above and beyond what I expected. In response, I doubled the number and ultimately broke bread with about 170 employees—either virtually or in my office. With a hybrid workforce, this was a truly amazing way to spend time with more of our people and to have the opportunity to get to know them on a more personal level. For me, hearing directly from employees and getting feedback and the ground truth is one of my most important roles as a leader.

I thought that I would bring some of the sentiments to life by sharing a few quotes. As Jordan put it, *"Sometimes you need an in-person event like this to re-energize you with the culture and the people of Progressive."*

I received a heartfelt thank you note from Carrie that truly made my day. She said, *"Thank you so much for a lovely lunch and great conversation. I am appreciative of the opportunity to hear from everyone about what they enjoy about Progressive, our culture and how we are adapting in our new normal. Thank you for bringing us together, sharing your time and most importantly demonstrating how to lead with empathy and strength."*

The second engagement effort was on a much larger scale. We introduced a companywide program designed to make 2022 about our people and what means the most to them. Through our "Big Wish" initiative, employees described—in just a few words—a special wish they had and how it would make a difference in their lives if this wish would come true. The response was incredible. We received more than 9,000 wishes! Although it was difficult, we chose entries from each business area and surprised hundreds of employees with everything from family vacations to American Sign Language lessons and everything in between.

I, along with my executive team and other senior leaders, had the privilege to distribute many of these Big Wishes. I took part in surprising a mother-daughter duo—Pat and Adriane—both of whom are proud Progressive employees, with their Big Wish. We invited Pat to join Adriane for a tour of our art collection and surprised her with the news that Adriane had won a special trip for the two of them. All three of us were shaking with excitement after the big reveal, and their reaction was so touching that I asked their permission to share it here:

"I can't even begin to express my gratitude! Mom and I are still in total shock. We have a tradition of getting a coffee and a cookie whenever we are together, so we sat there with our coffee and cookies just staring at each other while we tried to process what just happened and attempt to stop our limbs from shaking. This Big Gift means so much to me; without it I don't know that I could have convinced my Mom to make the trip down to South Carolina. North Litchfield was my dad's (really the whole family's) happy place and he always dreamed of heading down at least one more time in his life. Although he didn't make it there in life, he would be so happy that Mom got to

experience it for the both of them. I am so lucky to work for a company that does things like this for its employees! Thank you a million times over.”

For me, their story, and hundreds more from our recipients, underscores that you never know what’s happening in someone’s life and a special gesture or act of kindness—big or small—can make a tremendous difference. Our employees routinely demonstrate kindness when helping our policyholders or claimants who are going through tough times. It’s been wonderful to share some of that empathy with our employees through this program.

While I am not one to prognosticate about the future, I am sanguine that 2023 will provide greater stability based on all of the actions we have taken over the last few years to position ourselves for growth and profitability.

Three years in...

We have certainly had our ups and downs over the last several years but ended 2022 with solid growth and an underwriting profit of 4.2%, which exceeds our 4% target profit margin. Our Personal and Commercial Lines businesses earned a profit margin of 4.0% and 8.9%, respectively, while our Property business recorded an underwriting loss margin of 10.5%, which included 25.6 points of catastrophe losses. NPW growth was good across all segments with Personal Lines, Commercial Lines, and Property growing 9%, 17%, and 8%, respectively.

In Personal Lines, we started 2022 with promise considering the sharp turn in loss trends experienced during the latter part of 2021. Our discipline around profitable growth prompted our product management team to act quickly. We increased our countrywide rate level about 8% for auto in 2021 and managed our media budget conservatively.

As a result of these actions, we started 2022 in a more favorable position but continued our personal auto rate actions during the first half of the year with additional rate increases of about 9% during that period. As our profitability appeared to be trending in the right direction, in the third quarter 2022, we experienced the largest hurricane in our history as Hurricane Ian made landfall several times in both the Gulf and Atlantic coasts. For the year, we incurred an estimated \$560 million of losses in Personal Lines and nearly \$15 million in Commercial Lines.

Acting quickly and keeping our financial objectives in mind, we made trade-offs during the second half of the year and prioritized profit over growth with a focus on expense management, primarily our media budget, and continued rate level management. As a result of these efforts, our Personal Lines business finished the year at a 96.0 CR.

Managing to our companywide stated profit goal did not come without sacrifice, particularly in growth during the first half of the calendar year. However, because we acted quickly in 2021 and the first half of 2022 with rate increases, our second half of 2022 rate changes moved closer to our ‘small bites at the apple’ approach and were about 4% and at a pace closer to the inflationary pressure we experienced. Based on publicly available rate filings, during the second half of the year, we witnessed the market catching up with rate increases of their own that were comparable to the rate actions we took much earlier. As our competitiveness improved, our Personal Lines business ended 2022 with growth in both premiums and policies in force.

Our Commercial Lines business was the highlight for 2022 after several years of similar success. We work as a very cohesive and unified team, so we celebrate each business units’ success and lift each other up when there are opportunities. This year was no different. In addition to supporting our existing Commercial Lines business market targets, we continued to integrate Protective Insurance Corporation’s people and products into the organization and am pleased that the timeline and plan are meeting our expectations.

We ended 2022 with 17% NPW growth at a 91.1 CR. I remember vividly when we reached \$1 billion in Commercial Lines NPW and now the business unit wrote \$9.4 billion of net premiums during 2022. The tremendous growth we have achieved in a very short amount of time is a bellwether of our stellar leadership in this business unit, as well as our ability to leverage what was happening in the economy during that time.

Our Property business experienced premium growth in 2022; however, profitability fell well short of our expectations with a combined ratio of 110.5. We ended 2022 with \$2.4 billion of NPW, an 8% increase over 2021, and recognized modest growth in policies in force of 3%.

Our Property underwriting loss reflected nearly 26 points of catastrophe losses, primarily from Hurricane Ian, which alone accounted for almost 30% of our total Property catastrophe losses, an April hail/wind event in Arkansas and Texas, and a late December winter storm. As a result of our per-event catastrophe reinsurance, our losses and allocated loss adjustment expenses from Hurricane Ian were capped at \$200 million, or 8.8 points.

Improving profitability continues to be our top priority for our Property business. Due to our concentration of policies in catastrophe-exposed states, severe weather events generally have greater impact on our results compared to other national carriers. To reduce this volatility, we focused our efforts on growing in states with traditionally less catastrophe exposure and limiting growth in the coastal and hail-prone states. We began implementing underwriting changes during the second half of 2021 to accomplish these goals, continued to take steps during 2022, and will continue to take steps during 2023 to reduce our concentration exposure. In addition, we increased rates an average of about 19% across Property's product portfolio in 2022, with larger increases in Florida and in hail-prone states, such as Colorado and Oklahoma. We will continue to adjust rates to work towards our profitability goals in our Property business.

In 2022, our investment portfolio saw a fully taxable equivalent total return of -7.8%. We believed we entered the year with a conservative posture, but it was difficult to escape the volatility seen across both the fixed-income and equity markets. While we stayed in the bottom half of our self-imposed target duration range, the persistence of high inflation and the Federal Reserve's actions contributed to losses across the interest rate curve.

Our fixed-income portfolio returned -6.6% on the year, as higher rates and wider credit spreads offset the higher investment income that we were able to generate as the year progressed. The sharp movements in interest rates depressed equity returns as well, with our equity portfolio producing a -19.4% total return. As the year progressed, we stayed cautious, due to increased geopolitical risk and the significant tightening in monetary policy, and conservative, with the interest rate, credit, and equity risks that we chose to take, in our investment portfolio. We believe that there is the potential for continued market volatility in the first half of 2023 and believe that our current posture will have us in position to find strong investments if valuations continue to improve.

In times of volatility, we also believe it is appropriate to have a conservative approach as it pertains to our capital. In the first quarter 2022, as we saw the effects of inflation on both the operating and investing sides of our business, we felt it was prudent to raise capital in the debt markets. We issued \$1.5 billion of corporate bonds with an average interest rate just above 3%.

In the fourth quarter, management and the Board of Directors agreed that, given potential growth opportunities, the right decision was to not pay a variable dividend this year. Nevertheless, we maintained our \$0.10 per common share quarterly dividend and repurchased enough shares to offset dilution from employee equity grants. We believe that the actions that we took during 2022 will provide a strong foundation for underwriting growth in 2023 and beyond.

Overall, even with the many significant headwinds that we have faced these last three years, we remain positive, confident, and eager to get even closer to achieving our Vision.

Our Four Cornerstones

You are all familiar with our four cornerstones – who we are, why we are here, where we are headed, and how we will get there – as the construct Progressive uses to think about having a competitive advantage. We start with our five Core Values that clearly outlines who we are. Next is our Purpose, which is a statement we recently modified to more clearly convey why Progressive exists and the role we play in society and is described in more detail below. The third cornerstone is our Vision, which we also slightly revised to reflect all our customers and their future needs. Lastly, and the more tactical of all the cornerstones, is Strategy, which is supported by our four strategic pillars that have been our resolute approach to making sure we invest in the most critical elements of People and Culture, Broad Needs of our Customers, our Leading Brand, and having Competitive Prices.

CORE VALUES –These values, which remain unchanged and continue to serve as the foundation for our culture, are Integrity, Golden Rule, Objectives, Excellence, and Profit.

PURPOSE – Since opening our doors in 1937, Progressive has challenged the status quo to accelerate progress and equity. Our history of consumer-focused innovation and foundational Core Values continually drives us to put people’s needs first. Building on this legacy, we are modifying our Purpose to better unify and guide our organization.

At Progressive, “We exist to help people move forward and live fully.”

“**Move forward**” means more than simply providing products and services that assist people in recovering from a loss; it’s how we help people—regardless of their background— and make measurable progress toward a more promising future. “**Live fully**” comes from the peace of mind we give people to pursue what matters most without fear of setbacks. In doing so, they can then confidently live the fullest expression of their lives.

In a world where it can feel challenging to get ahead, we’re proud to be a trusted partner that champions progress for consumers, our customers, and the Progressive community. We’re united in our purpose to help people move forward toward their fullest lives, as reflected in the incredible stories shared throughout this letter. Our collective commitment guides our decisions to make tangible progress possible for more people.

VISION – The slight modification to our Vision statement to add “business owners” and “other financial needs” provides a more holistic view of all the customers we are privileged to serve and their future needs.

Our Vision is to “Become consumers’, agents’, and business owners’ #1 destination for insurance and other financial needs.”

STRATEGY – Our strategic pillars serve as the foundation of how we will achieve our Vision and are discussed in more detail below.

People and Culture

We strongly feel that to be consumers’, agents’, and business owners’ #1 destination for insurance and other financial needs, we need to understand and anticipate the needs of our customers. For us, Diversity, Equity, and Inclusion are business imperatives required to sustain our incredible growth. It’s our growth that generates additional career opportunities for all of us.

Our four Diversity, Equity, and Inclusion objectives remain as follows:

- Reflect the customers we serve
- Leadership reflects the people they lead
- Maintain a fair and inclusive work environment
- Contribute to our communities

I will briefly describe our efforts of each objective below.

After almost five years of significant growth and hiring, the gender and racial demographics of our workforce are closely aligned with the U.S. adult population. There’s obviously more to diversity than just gender and race, like diversity of thought and demographics, such as disability, religion, and veteran status, but gender and race are the two demographic factors that we currently measure for all Progressive people.

From this, we can focus on the recruiting and development efforts that have proven to be most successful over the past few years. We recognize it will take an ongoing effort to ensure we continue to attract and retain a richly diverse workforce.

We believe that engagement strengthens when our people rise into leadership roles and inspire others to lead. Our talent management and acquisition processes strive to remove any barriers we may face in our efforts to increasing the representation of women and people of color into management roles. A deliberate effort to increase the diversity of our candidate pool has proven effective in meeting this objective. We plan to maintain our discipline in developing deep, diverse candidate pools through new and existing recruiting networks and internal talent development investments.

We're committed to creating an environment where our people feel welcomed, valued, and respected. One key measure of success is participation in our Employee Resource Groups (ERGs). In fact, during 2022, our ERG membership grew even faster than the rate of growth of our employee population. We believe our ERGs, and our outsized participation rates compared to benchmarks (DiversityInc's Top 50), are a significant contributing factor to several people metrics at Progressive. Our ERG members are more engaged and more likely to stay at Progressive and achieve a promotion.

We're also proud of our pay equity. Our pay equity analysis shows that for Progressive employees with similar performance, experience, and job responsibilities, women earn one dollar for every dollar earned by men, and people of color earn one dollar for every dollar earned by their white co-workers.

In addition to ERG participation, we use our annual Engagement & Culture survey to measure overall employee engagement and satisfaction. Engagement at Progressive remains extremely high, placing us in the top 5% of all U.S.-based companies that use the Gallup survey. This year, we improved our engagement index score by three points, while Gallup reported a minor decline in their company universe based on the past 5 years.

To encourage contributing to our community, this year, The Progressive Insurance Foundation launched an exciting new program we call Name Your Cause. It's an innovative giving program under which each employee can recommend that the Foundation give a minimum of \$100 to a charity of their choice without a direct donation by the employee. Not only has this form of equitable giving driven praise from Progressive people, but it also increased employee participation just over threefold, compared to our prior donation-matching approach, while diversifying our giving to match our employee footprint around the country.

Reflective of our special culture and propensity for giving to our communities, I've attached just a few of the beautiful sentiments from Progressive people and the charities they support.

Katie, a 19-year employee working as a Central Loss Reporting Unit Representative, had this to say, *"I'm so grateful to be with this company. Many of us are experiencing very strong emotions, and feelings of helplessness...and Progressive comes along and quietly provides a way for us to do something. I had a little moment of feeling better today when I sent the \$100 in the direction that I thought it would help the most."*

Ann Marie from Claims said, *"I'm passionate about the **Cleveland Food Bank**. I've seen the good that it does and the people it serves from young to old. When they're distributing food, the line is as far as the eye can see. Really puts hunger in perspective."*

Also from Claims, Tiffani said, *"Founded by two veterans, **Sub Zero Mission** collects hats, coats, gloves, boots, and sleeping bags for the homeless. Their volunteers even go out in the winter to hand out these items."*

Angela from CRM said, *"Families who need to travel to **St. Jude's** for treatment never receive a bill. I've had family members with childhood cancer and can appreciate the importance of this. I also love that they share any of their scientific discoveries with the world."*

Lastly, Marlena from CRM said, *"**The Otis Redding Foundation** provides programs that ignite dreams in our future generation of leaders. They also remain dedicated to connecting with the universal relevance of music to serve as a catalyst for education and other youth-oriented initiatives."*

In addition to Name Your Cause, and with a few exceptions, we've narrowed the focus of our community support to causes that align with our business, simply put, vehicles and homes. We provide vehicles to veterans through our Keys to Progress® initiative and partnered with Humble Design to furnish homes for the homeless. We also continued donations to the national organizations identified by our ERGs to help support the communities they represent.

We celebrated the 10th anniversary of our Keys to Progress veteran vehicle giveaway program where we have donated nearly 950 vehicles to veterans in need. This year, through our Keys to Progress homelessness support efforts with Humble Design Cleveland, we helped to furnish almost 100 homes for families moving from homeless

shelters. Lastly, since the inception of The Progressive Insurance Foundation in 2001, we have given nearly \$100 million to causes that our employees support or suggested.

To wrap up this section, I will share a beautiful story from our 2022 Keys to Progress truck recipient. After you read his story, you'll more fully understand why this is such a special program for Progressive.

Growing up as the oldest son of 12 children in Fitzgerald, Georgia, Lt. Col. James "JC" Rose hoped that sports would help him provide a better way of life for his working-class family. He played basketball and football and tried his best, but by his own admission he didn't have the talent to get a scholarship or go professional.

Because of pushing himself with sports, his grades slipped, leading to the biggest disappointment in his life: he failed the seventh grade.

"I was ashamed about failing. It was hard to face my friends when they came by, knowing they'd be in the eighth grade and I'd be repeating seventh," JC says. "But my mother wouldn't let me slink away and hide from my failure. She told me to sit up and tell them about it, and that lit a fire in my belly to find a new plan for success in life." That plan turned out to be the Marines. After seeing an advertisement in a magazine, he was intrigued about that branch of service, which he considered the "best of the best." So, he dedicated himself to graduating high school, and once he did, he enlisted, leading him to boot camp at legendary Parris Island, South Carolina.

JC knew he'd made the right choice and found a renewed purpose in life. He enjoyed the challenges of boot camp so much that his first goal was to become a drill instructor, which he achieved within his first contract. After MOS school, he was stationed at the Marine Air Station in Beaufort, South Carolina, where he served in his first combat tour Desert Shield/Desert Storm and numerous 6-month deployments loading aviation ordnance on and off the F-18 fighter jets and EA6B electronic countermeasures aircraft. Being twice meritoriously promoted, he quickly progressed through the enlisted ranks to staff sergeant, to warrant officer, then commissioned officer, ultimately where he was responsible for training personnel, munitions upkeep, software, and the complicated logistics of positioning and distributing ordnance globally. He met many lifelong friends, and takes great pride in their "true grit," hard work ethic and dedication to serving and defending our country. JC is very proud of his rewarding and patriotic career. After retiring, he continues finding ways to serve his fellow veterans and communities.

The trucking industry seemed like a natural fit for him after the Marines, considering the similarities to his logistics work in the service and given his relatives and friends who are truckers. JC now works for Prime Inc., a veteran-owned company that encourages its drivers to build their own "mini fleets," which he intends to do with the truck he received from our 2022 Keys to Progress program. "I love driving trucks from my time supervising the loading/unloading of Navy ships and aircraft, and driving at night. Seeing truckers at night fills me with pride because trucks play a major role in the day-to-day lives for everyone. Being mission oriented and focused driven, I know they're 'getting things done,' as we used to say in the service," JC says. "It's a 'boots on the ground' type of job, which appeals to me a lot more than sitting behind a desk!"

As a rookie driver, Prime nominated JC for Veterans Transition To Trucking: Driving For Excellence Award, in large part for his advocacy for fellow veterans who also transitioned to trucking careers. Using his personal time, JC represented Prime in the haul "The Wall That Heals" program, where veteran truckers annually transport a replica of the Vietnam Memorial Wall across the country. This program allowed JC to meet other veterans and help them transition into civilian life.

His work also caught the attention of veteran advocacy charities—including one that nominates veterans for our Keys to Progress veteran vehicle giveaway program.

When notified that he was a recipient, JC responded: "I was humbled and honored to even be asked to apply for Keys to Progress, and now that I know I'll be receiving this truck and unbelievable care package, I'm more dedicated than ever to build a fleet and start my own trucking business." He adds, "I hope to hire many of the veterans or veteran dependents I've met over the years who are struggling in their transition to civilian life. As veterans, we seek the satisfaction of 'mission accomplished,' and that shines through in the trucking business. Honestly, since I was told about the truck, it feels like my feet haven't touched the ground."

Over his trucking career, when JC meets fellow veterans or others in need, he hands out “challenge coins” with a motto that dates back to his drill instructor days: “In order to stay in the fight, you first have to be in it.” JC believes this motto resonates with veterans who’ve fallen on hard times and can be implemented in everyday life for anyone. He handed coins out at his Keys to Progress event—where he was joined by Prime’s owner and executive staff, members of his family and many military and trucker friends.

Living his motto, JC doesn’t see himself slowing down any time soon, and remains determined to lead by example and make his family proud. Semper Fidelis!

Broad Needs of Our Customers

As we continue our goal of becoming a destination company, we remain diligent in our focus to be where our customers want to shop, be available when they want to purchase and in what manner or how they want to purchase, and service their policies. Our objective is to be able to grow with each customer as their insurance needs change or evolve. We know that as customers acquire additional products with us, they tend to stay longer.

We meet the needs of consumers through both HomeQuote Explorer® (HGX), our online Property offering, and our in-house agency with about a dozen carriers covering homeowners, renters, and umbrella insurance. We offer products from Progressive Home, along with many unaffiliated partners, through HGX in order to give our customers the choice that best fits their needs. The ability to buy online is now available through at least one carrier in 47 states and the District of Columbia, making it available to over 90% of consumers quoted.

We launched BusinessQuote Explorer® (BGX) for our Commercial Lines products in 2019. Since then, we’ve added a good stable of carriers offering a range of products, including our own manufactured business owners policy (BOP)/general liability product. At the end of 2022, we wrote BOP in 38 states that represented nearly 70% of the commercial multi-peril market at year end. We have also expanded BGX by building Excess and Surplus (E&S) broker capabilities and at the end of 2022, our broker operations provided access to E&S in 40 states. Recently, we’ve focused on expanding into hundreds of additional business-carrier combinations, building proprietary consumer and in-house agency user interfaces, and upgrading our agency management system to a modern cloud deployment. We are also offering more value-added services that we believe will generate more revenue, leverage the already incurred acquisition costs, and help guide us to profitability.

Leading Brand

The strong awareness of the Progressive brand remains one of our most valuable assets. Our brand is well-known, and our marketing is not only loved by consumers, but it also motivates people to choose us as their preferred insurance carrier and become valued customers. For us, brand and business effectiveness are one and the same. We seek to delight those we touch with relevant and insightful campaigns that also deliver breakthrough business results.

We have long reaped the benefits of our Superstore campaign, which will turn 15 years old in 2023, marked by our 200th campaign ad. What was once anchored to a four-wall set with a single spokeswoman, has grown to know no boundary of setting or scenario. The campaign has expanded to include a variety of recurring cast members, and even welcomed celebrity talent like Jon Hamm to join in on the fun. The longevity and continued performance of this campaign are truly remarkable. It continues to prove our commitment to customers and love of insurance through the quirky antics of our apron-clad characters and provides us with instant brand recognition.

In addition to Superstore, Dr. Rick, the parent-life coach who helps young homeowners from turning into their parents when they buy a house, is now a regular staple in our marketing mix that continues to deliver solid results. His book, *Dr. Rick Will See You Now*, successfully sold out for a second time and earned multiple marketing industry awards (Silver Cannes Lions, Bronze One Show, and Silver Clio) and the accompanying campaign was one of our strongest business-building campaigns.

In 2022, we debuted our Replay campaign, which leverages the human truth that there are those moments in our lives when we all wish we could throw a challenge flag and go to the tape to prove ourselves correct. This campaign was specifically created for football fans, but the relevance has extended well beyond contextual programming. Progressive marketing is generally known for characters but unlike our other campaigns, Replay is not represented

by a single main character. Instead, it is rooted in familiar relationship exchanges that people can easily relate to. Replay Scream earned us a Best-in-Culture designation amongst Black/African American audiences via CIIM (Cultural Insights and Impact Measure). Creating marketing that authentically represents and connects with diverse audiences, while also broadly driving business results, will be increasingly more important as we plan for future growth.

As we look ahead, we are excited to unlock the power of our elevated Purpose, to not only increase the effectiveness of our marketing, but to also transform how, when, and where we show up for our community. Through that lens, we will continue to uncover meaningful insights that unlock growth, expand the breadth and depth of our branded characters and campaigns, and uncover fresh perspective for how we will continue to bring differentiating benefits and experiences to life for consumers and customers.

Competitive Prices

While a leading brand is key to our success, we operate in a very competitive industry where price is a very strong consideration for consumers when they shop or decide to renew their policies. Consequently, competitive prices is one of our four strategy pillars.

Operational efficiency, which is a key facet of this pillar, includes claims and policy services, and all overhead costs. While we pride ourselves on very efficient media spend and competitive commission for agents, we focus much of our operational efficiency efforts on non-acquisition-oriented customer services and support. We use non-acquisition expense ratio (NAER) as the key measure of operational efficiency. NAER is calculated by taking our overall expense ratio and subtracting media costs and agent commissions. Our Personal Lines and Property NAER for 2022 was down approximately 0.2 points and 0.3 points, respectively, from 2021, while Commercial Lines NAER was up approximately 0.2 points in 2022 versus 2021. We believe we maintain some of the most competitive NAERs in the industry, which naturally supports competitive prices that allow us to grow. We balance our loss adjustment expense (LAE) with providing excellent service and claims accuracy, paying the right amount for every claim. We continually try to manage to the optimal combination of these three principles along with strong engagement and work environment for our employees.

While we are pleased with our relative competitive position around NAER and LAE, we recognize the ratios benefited from higher written premium per policy in 2022. Our employees are one of our most significant expenses and, at year-end 2022, the ratio of our policies in force to headcount was 8% lower than at year-end 2021. We are focused on making our processes more efficient and building experiences to be more conducive to self-service to improve productivity and operational efficiency going forward.

Taking a holistic view, our 2022 companywide expense ratio was 18.5 points, or 1.1 points lower than in 2021. While we had some improvement in our NAER, as we navigated the effects of Hurricane Ian and sustained loss trends, we reduced our media budget to help ensure we achieved our aggregate calendar year 96 combined ratio.

Another important facet of competitive prices is to be able to price rate to risk through our product models and strong segmentation. Our investment in product development is a key tactic to accomplish that.

In auto, we launched our newest product model, which we refer to as 8.8. By the end of 2022, we had this product model rolled out in 10 states, which represented over 25% of our 2022 countrywide NPW and almost 27% of our policies in force.

Within our commercial auto product, we completed 25 commercial auto model upgrades during the year and our latest product design, 8.0, at year end 2022 was deployed in 37 states that represented nearly 85% of our countrywide premium. Our 8.0 product model greatly improves segmentation, delivering lower rates for the best risks while also introducing several new coverages. In stark contrast to the commercial auto industry, we believe that our continued rate actions over the last few years have enabled us to consistently stay ahead of net trend, ensuring consistent profitable growth.

In Property, we continue to invest heavily in the development of our next product model (5.0), which will also provide improvement in segmentation. The first state is expected to launch in the second quarter of 2023.

As we head into 2023, we will continue to invest in technology and process improvements, to attempt to push non-acquisition expense ratios lower, and in talent to continue to improve our segmentation acumen.

Onward and upward

While Hurricane Ian was certainly a gut punch to so many, there are always silver linings and the note sent to me below proves what it means to live our Core Values, specifically the Golden Rule.

Good Morning Tricia,

I wanted to take a moment to tell you how blessed I feel to be able to work for such an amazing Company. I like many was hit by the recent hurricane Ian. Words can't begin to describe the feelings you have during such an event. Within two hours of the storm I lost all power, cell phones went down as well as Internet. The ability to have any communication cut off is the most unsettling feeling I think I have ever experienced. I was lucky to have a great group of neighbors and we rallied together in one house to brave the storm. After a long afternoon and night when the storm had passed one neighbor had cell service. I was able to alert my family and loved ones finally that I was OK. I viewed my emails to see over 20 emails from Progressive trying to check if I was ok as well from my direct Supervisor Vincent. The first glance at the devastating damages was beyond overwhelming.

Over the next week so many people reached out to me from Progressive to see what they could do to help. Crysti from HR was amazing as she talked with me every day even if it was to say a kind word. She was so supportive and uplifting. Rob, our senior claims leader, called as well as texted to let me know what ever I needed Progressive was there for me. Vincent was amazing. He was in constant contact with me two to three times a day offering whatever he could do to help even offering to drive two hours to bring gas to me as gas was almost impossible to get. He went above and beyond.

*As the weeks have past and the rebuild is ongoing, I still tear up thinking about Progressive and the people I work with. They **are** my Family. People say when things are really bad that is when you find out what people are made of. That being said Progressive people are amazing, kind, caring, and most of all selfless. I am so proud to say I work for Progressive and for sure Progressive works for me.*

Thank you for your time in reading this. I felt it was important to know how blessed Progressive is to have such amazing people work for them. God bless.

Notes like this, and reflecting on these past three years, I can't tell you how enthusiastic I am to dive into 2023. We believe we are well prepared and positioned. This is what we do – execute on deliberate and cogent plans with room for flexibility as the unknowns inevitably occur.

Words do not do justice to literally every single area of Progressive that contributed to this year and the prior years that I have referenced. Instead of calling out every group, because I'm certain I would accidentally overlook an area, I just want to say that I am so grateful and proud of all of Progressive's people.

My sincere appreciation for all of your hard work and dedication is something that I never take for granted. While we deemed 2022 "The Year of You," I want every one of you to know that I believe that is the case every year. Every success starts with you because of your passion and pride. Thank you.

In addition, thanks to our partners, agents, and, most importantly, our customers who we are so privileged to serve.

Stay well and be kind to others,

/s/ Tricia Griffith

Tricia Griffith

President and Chief Executive Officer