Investor Relations

PROGRESSIVE

2023 Q2

Reserving and cohort pricing

Information Relevant to this Presentation

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

Investors are cautioned that certain statements in this presentation and related comments by management during the earnings call 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 possible impairment of our goodwill or intangible assets;
- the performance of our fixed-income and equity investment portfolios;
- the impact on our investment returns and strategies from regulations and societal pressures relating to environmental, social, 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.

Information Relevant to this Presentation

Regulation FD Disclosure Outlets

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

Additional Information

Information in this presentation, and related comments by management during the earnings call, should be reviewed together. Additional information can also be found in Progressive's annual report on Form 10-K for the year ending December 31, 2022 filed with the Securities and Exchange Commission. All information, statements, and projections in this presentation and the related earnings call speak only as of the date of this presentation and related earnings call. Progressive assumes no obligation to update any forward-looking or other information included in this presentation or related earnings calls, whether as a result of new information, future developments or events or otherwise.

Tricia Griffith

President & CEO

INVESTOR RELATIONS Q2

INVESTOR RELATIONS Q2

Our People

We continue to take rate to stay ahead of trends

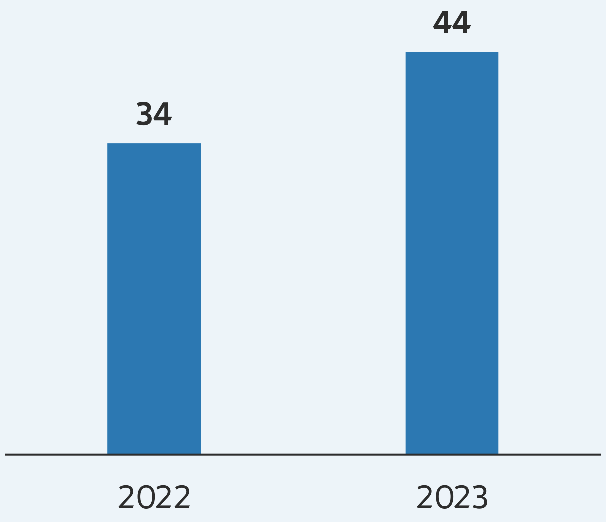
		Aggregate rate change	Number of states	Average rate change per state
2021	Q1	0%	-	-
	Q2	2%	11	5%
	Q3	3%	20	6%
	Q4	3%	19	7%
	Total 2021	**8%**		
2022	Q1	7%	36	9%
	Q2	2%	17	5%
	Q3	2%	20	5%
	Q4	2%	13	4%
	Total 2022	**13%**		
2023	Q1	4%	31	6%
	Q2	7%	27	12%

Source: Internal data

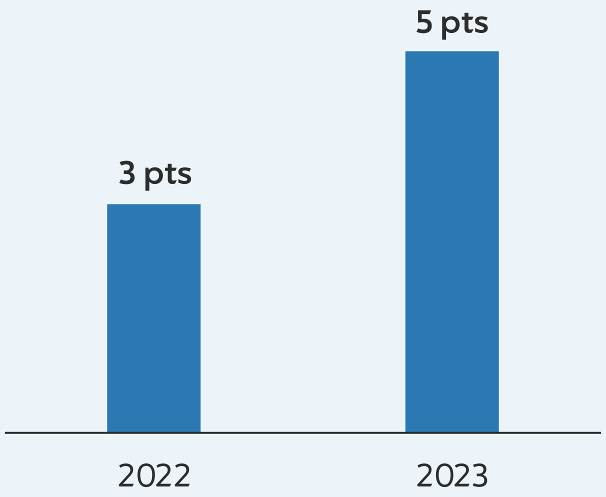
Catastrophe losses had a significant impact on first half 2023 results

First Half Catastrophe Comparison

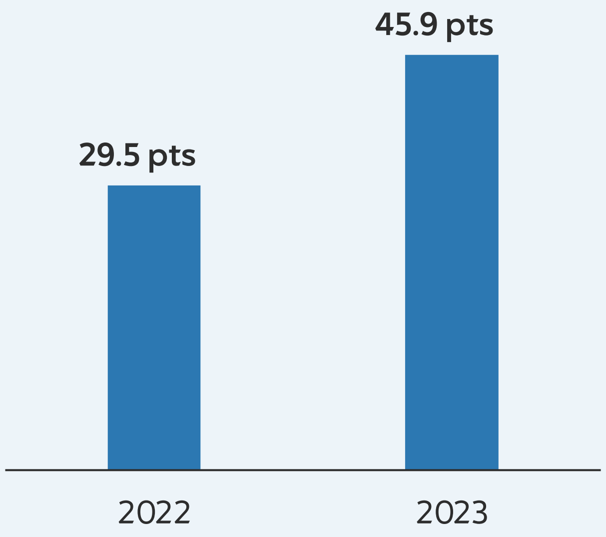
CATASTROPHE EVENTS



COMBINED RATIO IMPACT – ALL LINES



COMBINED RATIO IMPACT – PROPERTY



Source: Internal data

Our reserves have historically reflected minimum development

Prior Year Reserve Change Impact	CR Pts—First Half	CR Pts—Second Half	CR Pts—Full Year
2018	0.6	0.0	0.3
2019	1.2	0.1	0.6
2020	0.6	0.4	0.5
2021	0.9	(0.9)	0.0
2022	0.6	(0.9)	(0.2)
2018-2022 Average	0.8	(0.3)	0.2

Source: Internal data

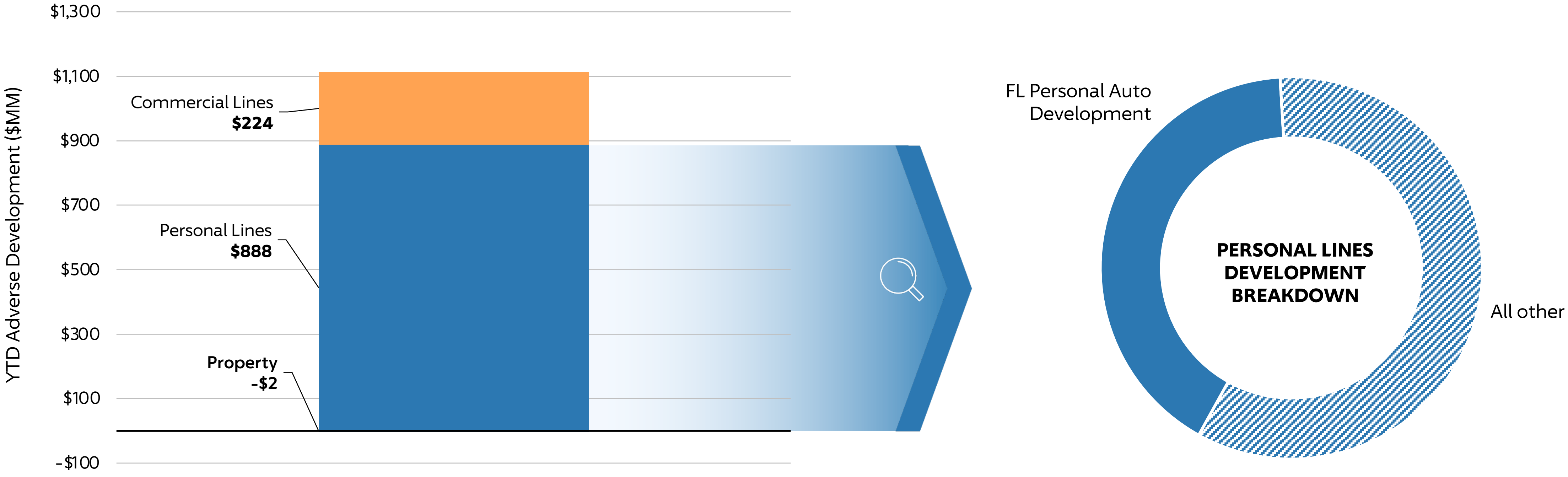
Our reserves have historically reflected minimum development

Prior Year Reserve Change Impact	CR Pts—First Half	CR Pts—Second Half	CR Pts—Full Year
2018	0.6	0.0	0.3
2019	1.2	0.1	0.6
2020	0.6	0.4	0.5
2021	0.9	(0.9)	0.0
2022	0.6	(0.9)	(0.2)
2018-2022 Average	0.8	(0.3)	0.2
2023	4.0	TBD	TBD

Source: Internal data

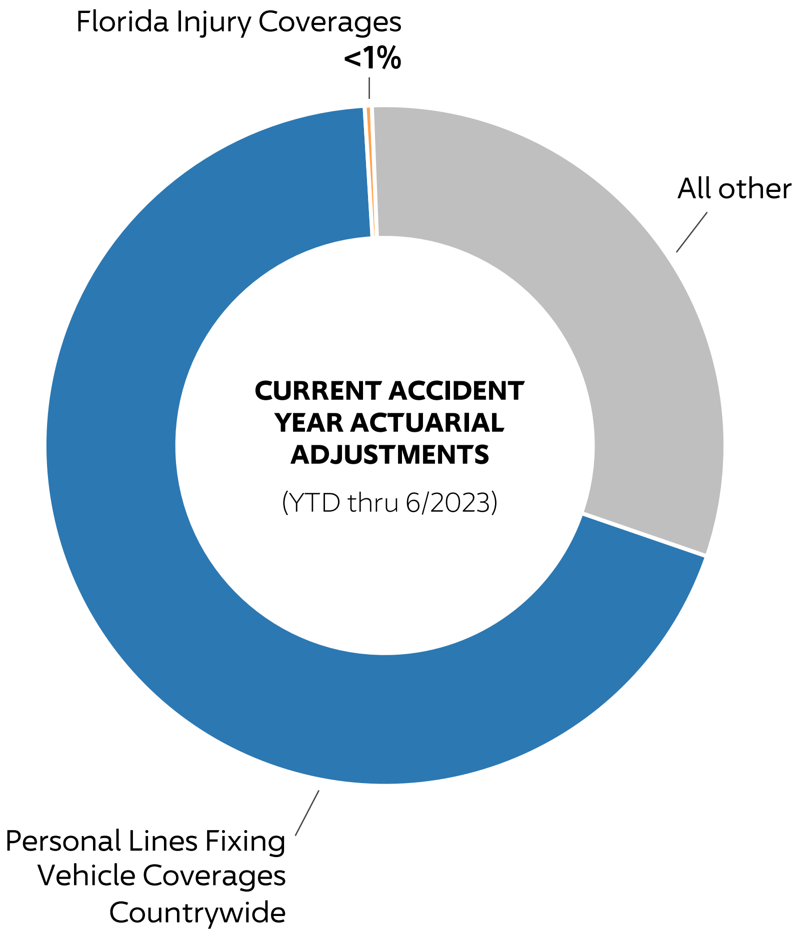
Nearly half of YTD personal lines prior year unfavorable development is in Florida

PRIOR YEAR RESERVE DEVELOPMENT (YTD thru 6/2023)



Source: Internal data

Current accident year actuarial adjustments are primarily driven by fixing vehicle coverages



Total:

$424M
unfavorable

Source: Internal data

Gary Traicoff

Corporate Actuary
Business Leader

Jim Curtis

Personal Lines
Controller

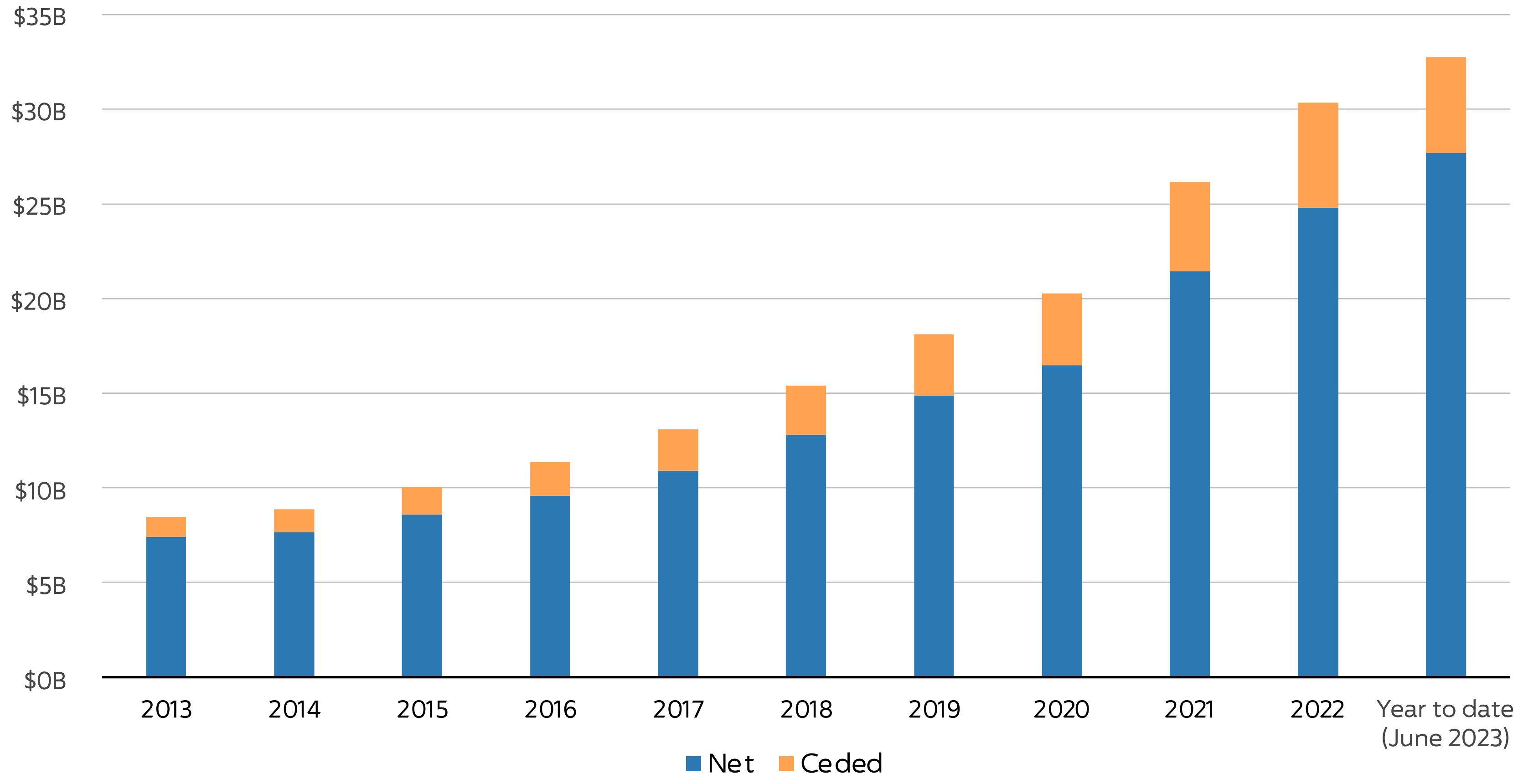
Agenda

01 / **Reserving**

02 / **Cohort Pricing**

Reserving

Progressive Loss and Loss Adjustment Expense (LAE) reserves over time



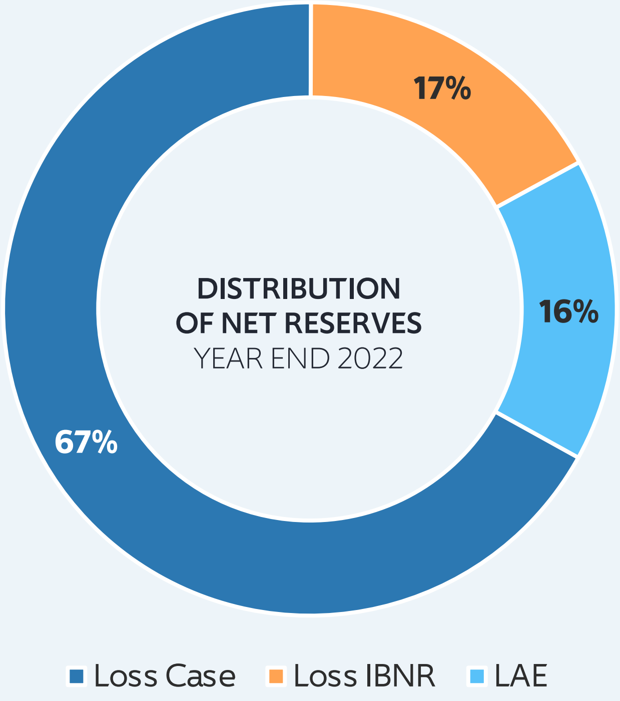
We have about

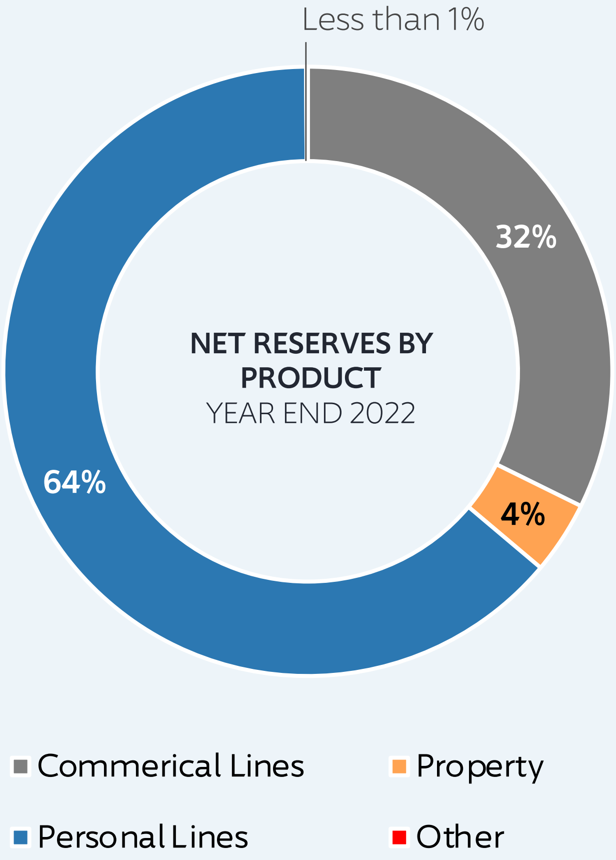
$33B

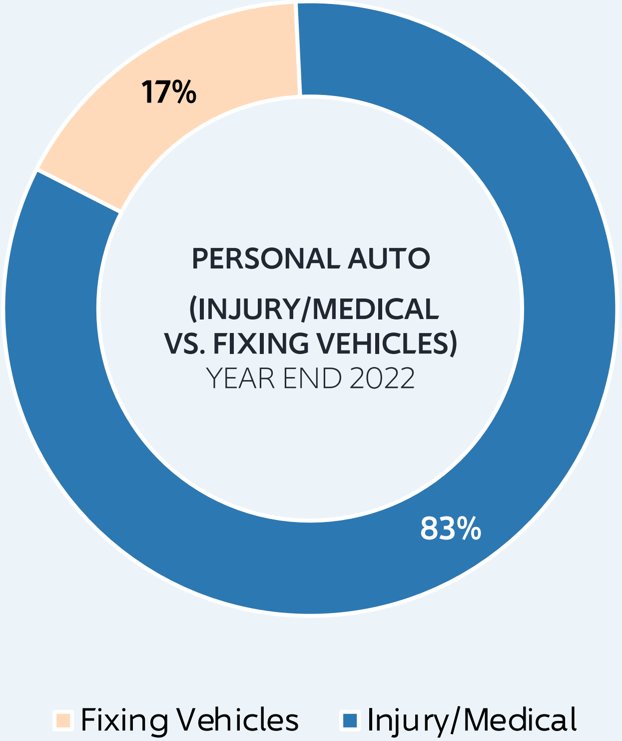
in reserves before reinsurance

Source: Internal data

Distribution of net reserves

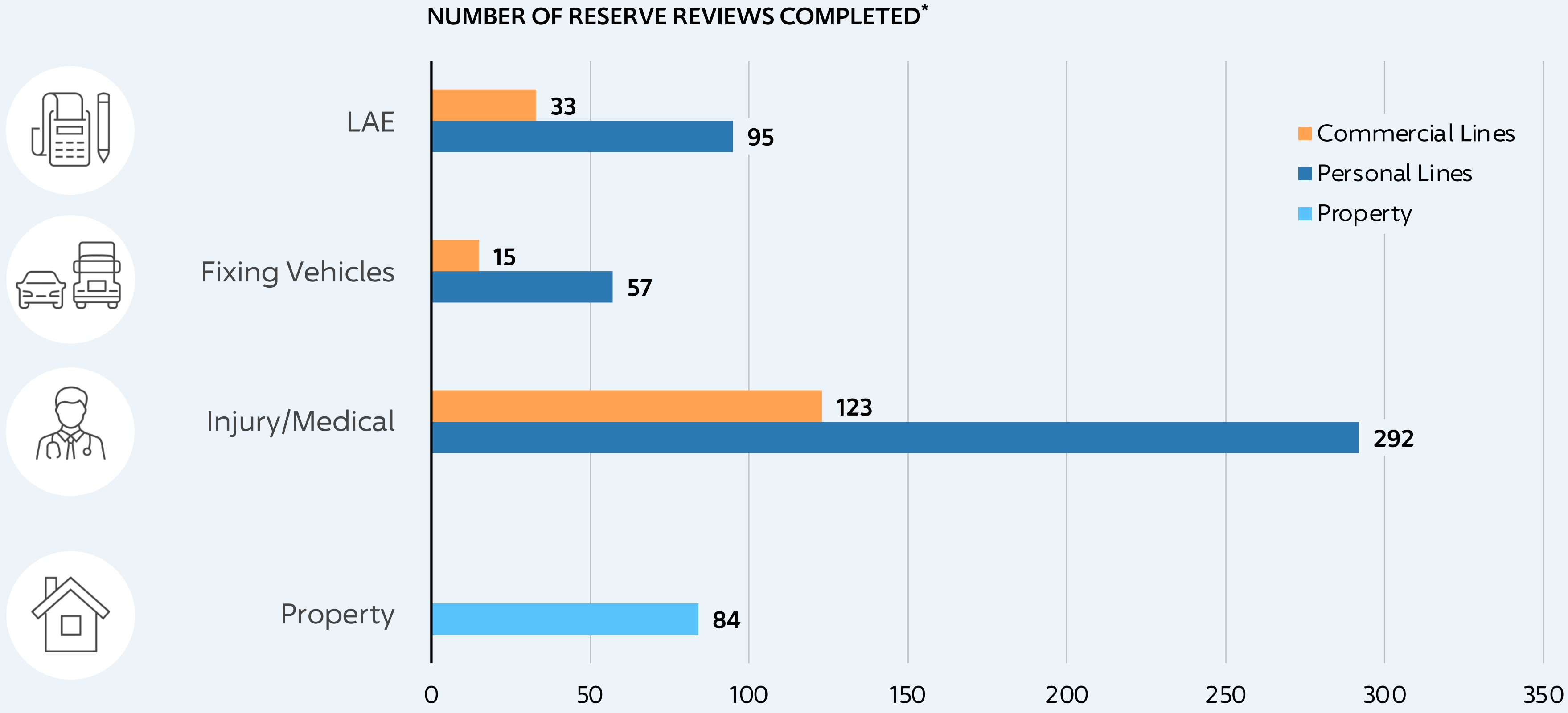






Source: Internal data

2023 reserve review schedule



25-30%

of reserves are reviewed monthly

~85%

of reserves are reviewed quarterly

*Excludes catastrophe reserve reviews. Source: Progressive internal reports

Our detail-oriented reserve reviews provide a holistic, in-depth view of the business

MONTH 1*

Review	Type	Product	Coverage	State
1	Loss	Auto	BI	State A
2	Loss	Auto	Collision	Multiple
3	LAE	CL	BI	Multiple
4	Loss	Property	Wind hail	Multiple
5	Loss	CL	UMBI	Multiple
...				
57	Loss	TNC	BI	State B

MONTH 2*

Review	Type	Product	Coverage	State
1	Loss	CL	BI	Multiple
2	LAE	Auto	PIP	State C
3	LAE	Auto	BI	State C
4	Loss	HO	HODFCO WH	Multiple
5	Loss	HO	HODFCO WH	State D
...				
60	Loss	Auto	BI	State E

MONTH 3*

Review	Type	Product	Coverage	State
1	Loss	Auto	COLL	Multiple
2	Loss	CL	PIP	Countrywide
3	Loss	CL	UMBI	Countrywide
4	LAE	HO	All	State G
5	Loss	Auto	BI	State H
...				
68	Loss	SL	PD, UMPD	Multiple

*Example only. Does not necessarily represent an actual reserve review schedule

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	120	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120					120

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	120	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120					120

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	**100**	120	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120					120

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	**120**	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120					120

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	**120**	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120					120

Loss Development Factors

Dec 2021	**1.20**	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Stylized example

How we estimate base reserves

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	**120**	**130**	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120					120

Loss Development Factors

Dec 2021	1.20	**1.08**	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	120	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	**120**					120

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Selected Loss Development Factors

Select	**1.27**	1.08	1.00

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
Dec 2021	100	120	130	130		130
Jun 2022	110	135	145			145
Dec 2022	115	160				160
Jun 2023	120	153				120

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Selected Loss Development Factors

Select	**1.27**	1.08	1.00

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

	Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023
	Dec 2021	100	120	130	130		130
	Jun 2022	110	135	145			145
	Dec 2022	115	160				160
	Jun 2023	120	153	165			120
Loss Development Factors	*Dec 2021*	1.20	1.08	1.00			
	Jun 2022	1.23	1.07				
	Dec 2022	1.39					
Selected Loss Development Factors	*Select*	1.27	1.08	1.00			

Stylized example

How we estimate aggregate reserve levels

ESTIMATING PAID LOSSES

Accident Period Ending	1	2	3	4	Ultimate Estimated Paid Losses	Paid at June 2023	Total Indicated Reserve
Dec 2021	100	120	130	130	**130**	130	0
Jun 2022	110	135	145	**145**	**145**	145	0
Dec 2022	115	160	**173**	**173**	**173**	160	13
Jun 2023	120	**153**	**165**	**165**	**165**	120	45
							58

Loss Development Factors

Dec 2021	1.20	1.08	1.00
Jun 2022	1.23	1.07	
Dec 2022	1.39		

Selected Loss Development Factors

Select	1.27	1.08	1.00

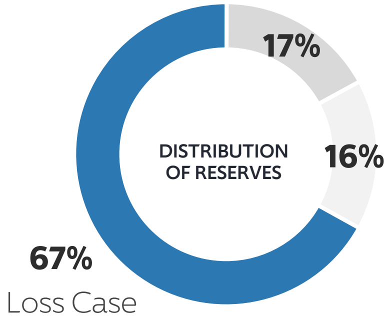
Stylized example

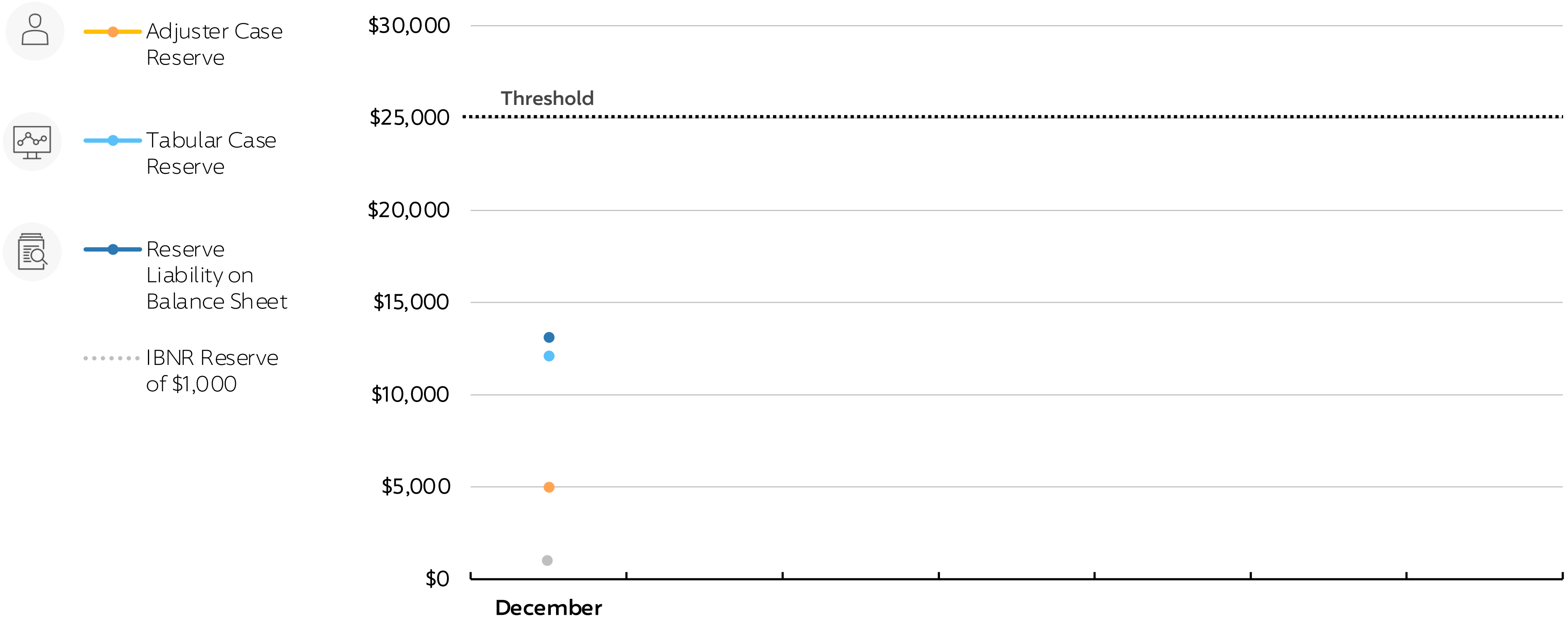
Reserve adjustments in the June 2023 earnings release

CURRENT MONTH	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Actuarial Adjustments Reserve Decrease/(Increase)						
Prior Accident Years						$(131)
Current accident year						(160)
Calendar year actuarial adjustment	$(135)	$(149)	$(283)	$(24)	$16	$(291)
Prior Accident Years Development Favorable/(Unfavorable)						
Actuarial adjustment						$ (131)
All other development						(7)
Total Development						**$ (138)**

Source: Progressive June 2023 results

The pathway of a case reserve example





DATE OF LOSS
December 15

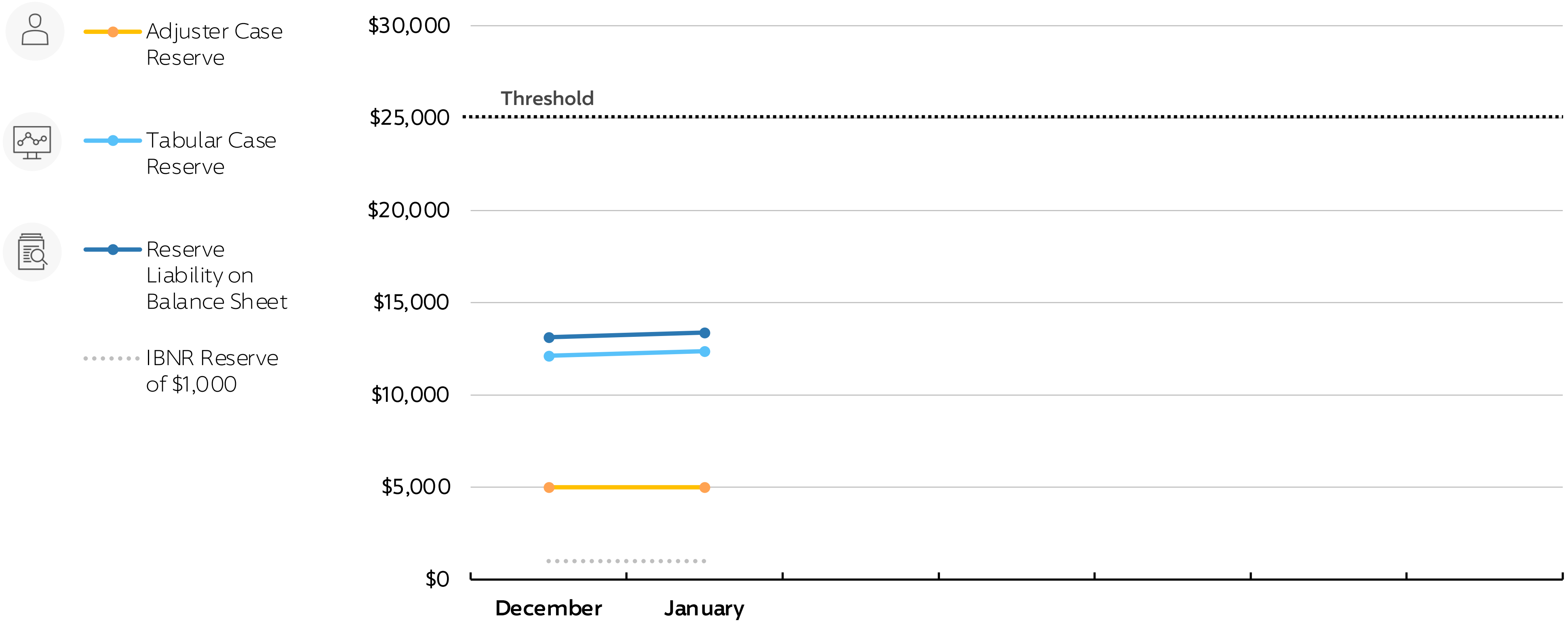
REPORTED
December 19

OPENED IN THE SYSTEM
December 19

Stylized example

The pathway of a case reserve example

PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	JAN
Actuarial adjustment	–
All other development	$251



MONTHLY CHANGE IN INCURRED LOSSES

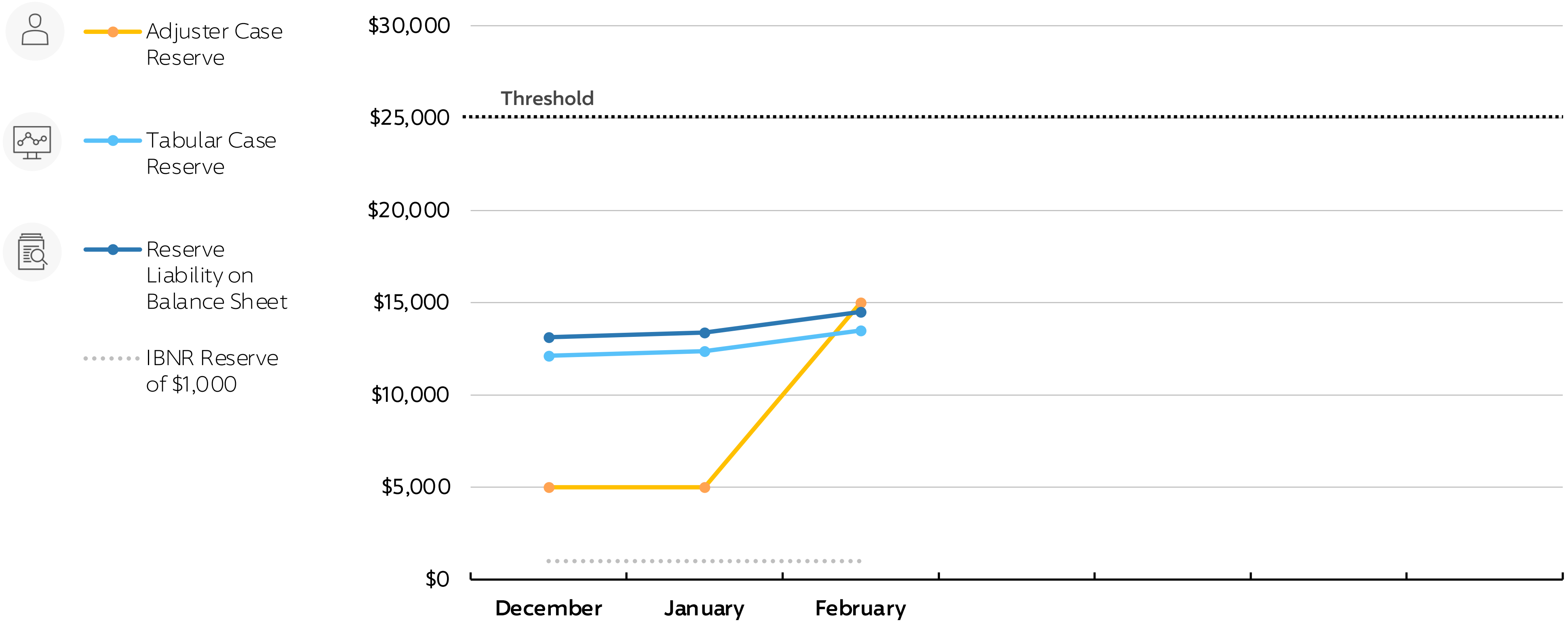
+$251

Inflation and aging

Stylized example

The pathway of a case reserve example

PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	FEB
Actuarial adjustment	$1,124
All other development	–



MONTHLY CHANGE IN INCURRED LOSSES

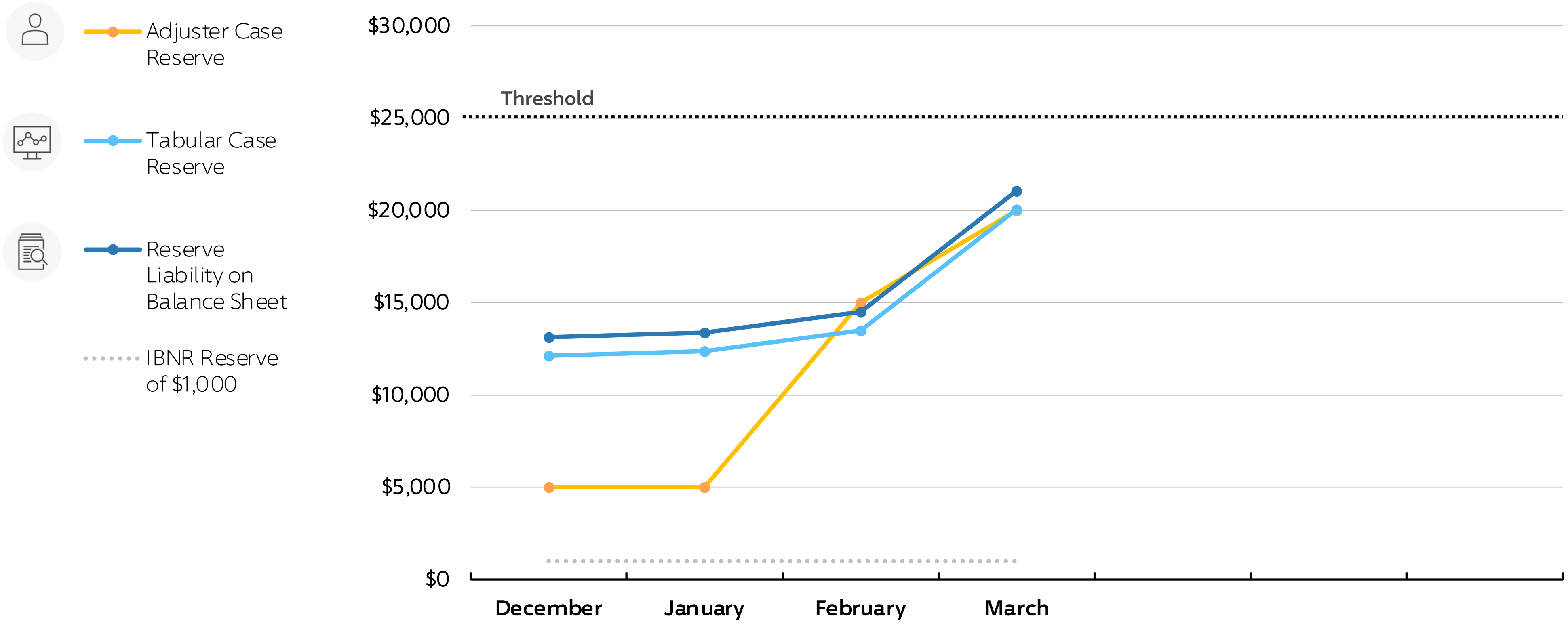
+$1,124

Reserve factors changed

Stylized example

The pathway of a case reserve example

PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	MAR
Actuarial adjustment	–
All other development	$6,550



MONTHLY CHANGE IN INCURRED LOSSES

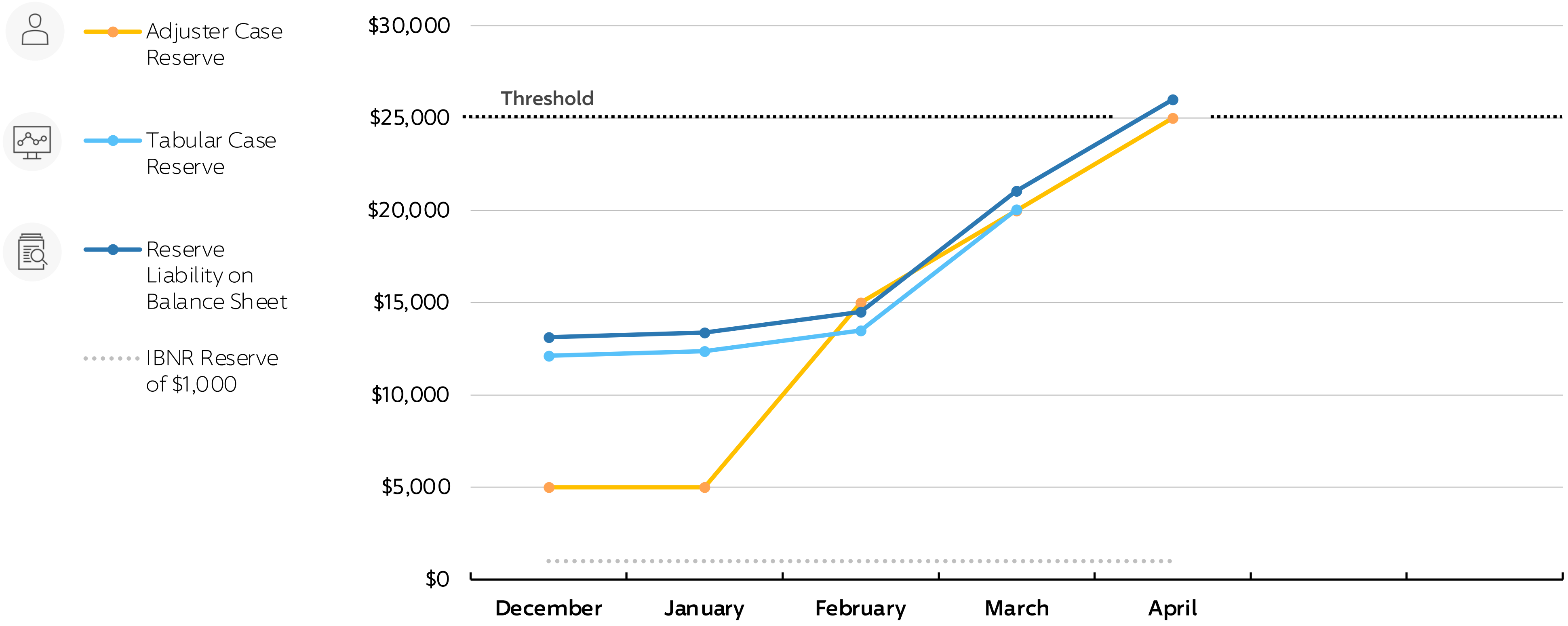
+$6,550

Inflation, aging, plaintiff attorney represented

Stylized example

The pathway of a case reserve example

PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	APR
Actuarial adjustment	–
All other development	$4,950



MONTHLY CHANGE IN INCURRED LOSSES

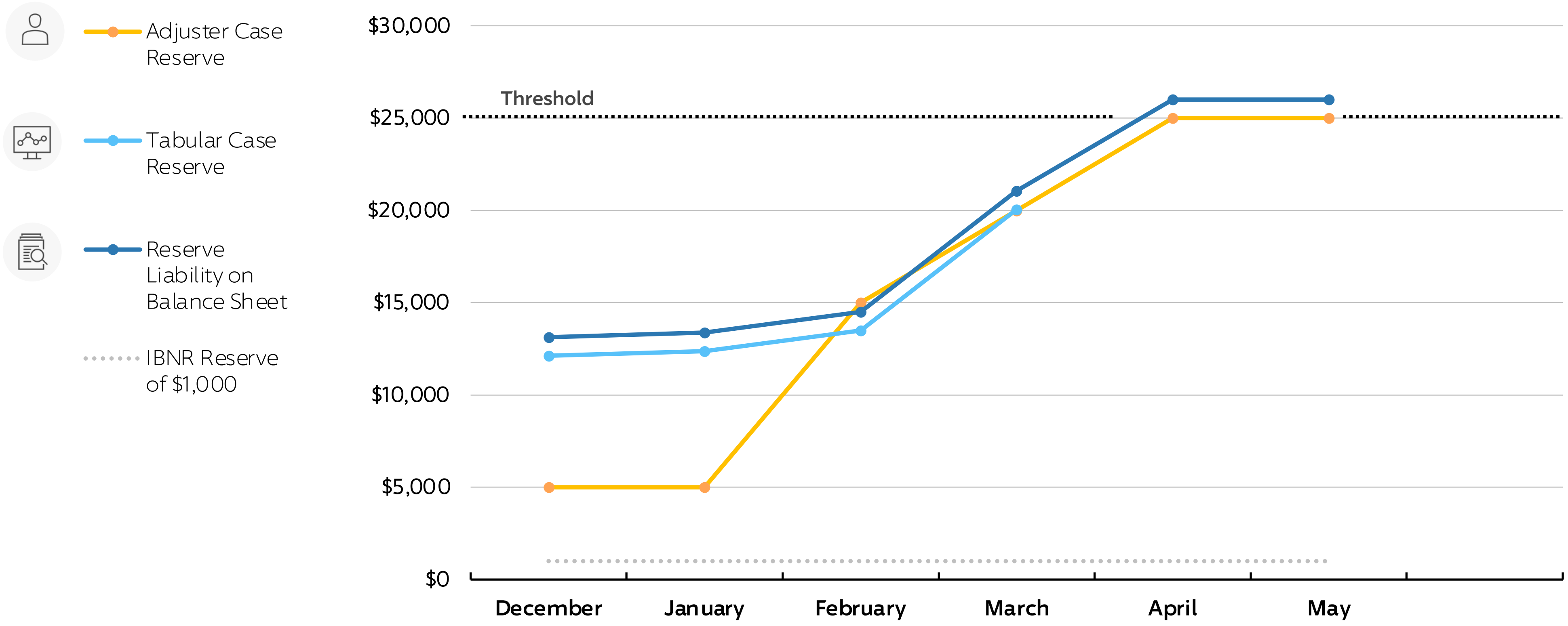
+$4,950

Adjuster's moves to threshold

Stylized example

The pathway of a case reserve example

PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	MAY
Actuarial adjustment	–
All other development	–

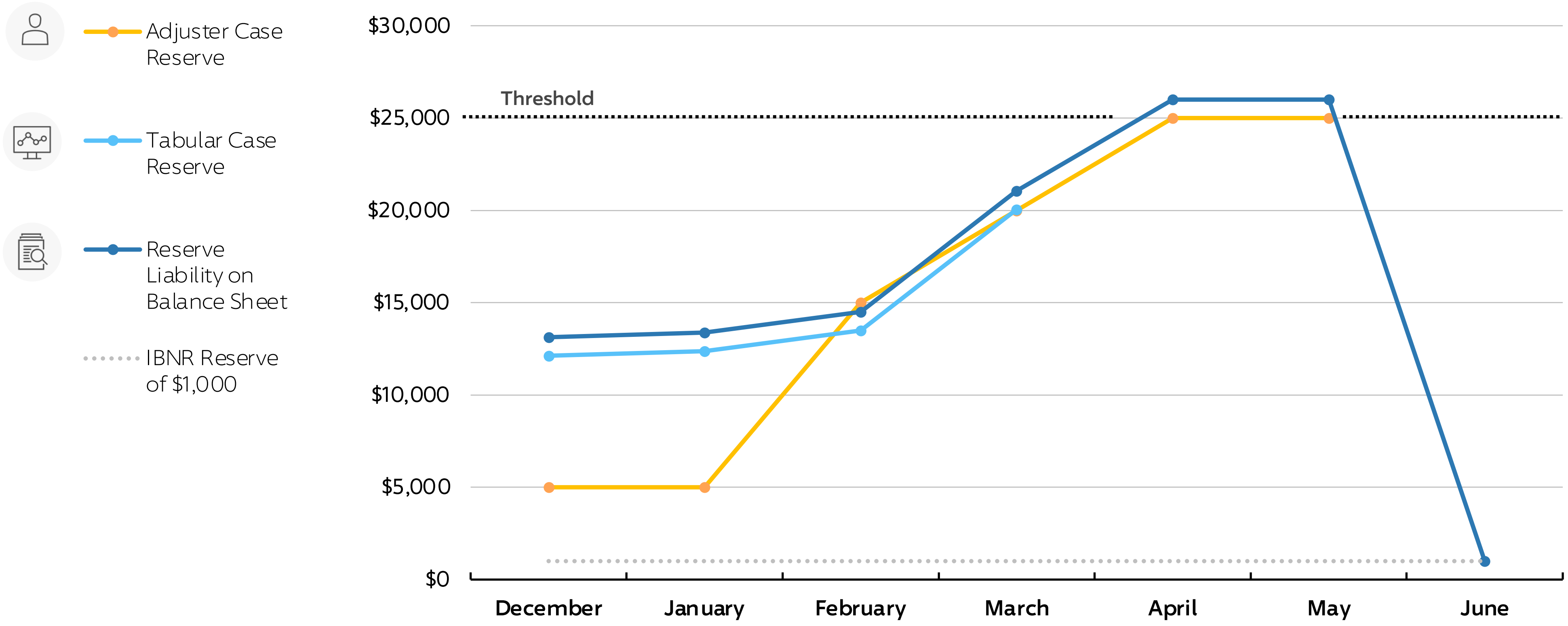


No adjustments for inflation, aging, plaintiff attorney represented, etc.

Stylized example

The pathway of a case reserve example

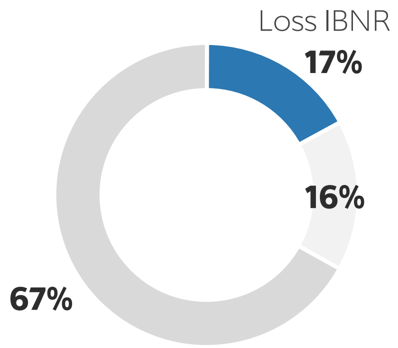
PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	JUN
Actuarial adjustment	–
All other development	$(5,000)



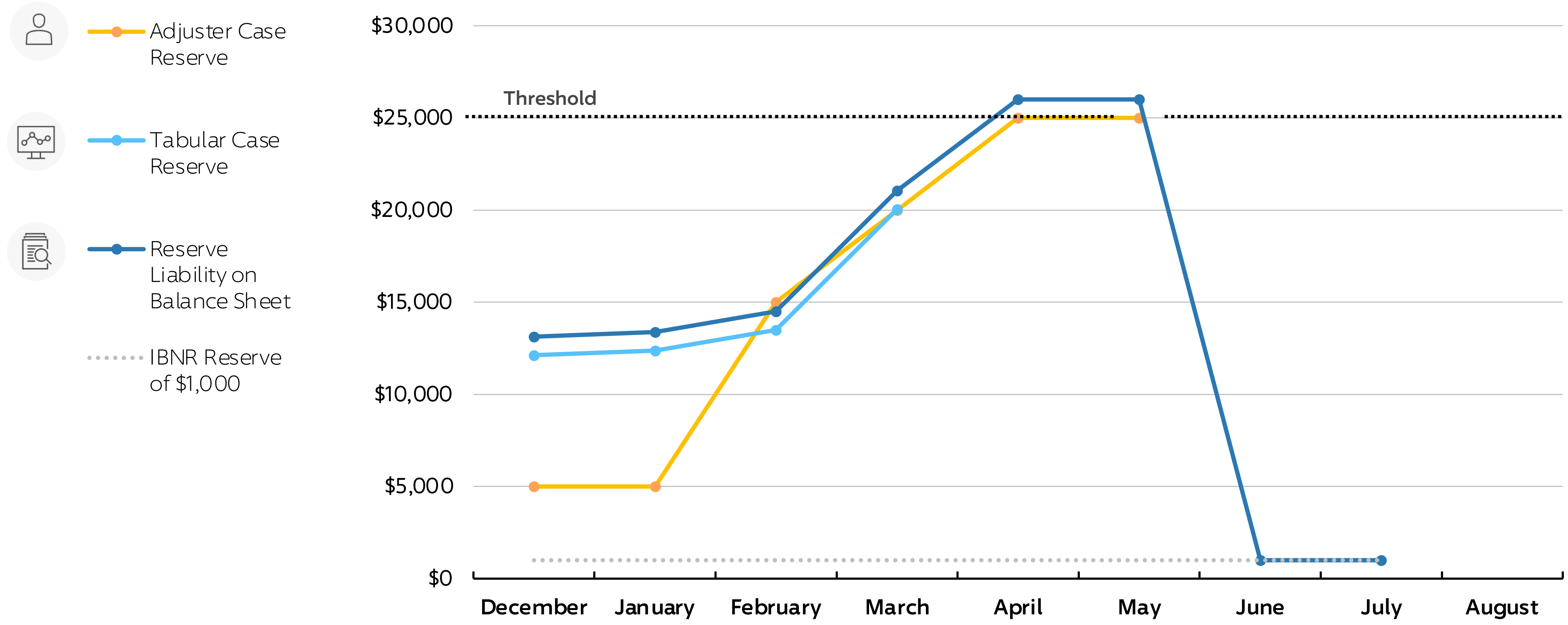
Claim is paid for **$20,000** and will be **$5,000** favorable

Stylized example

The pathway of a case reserve example



PRIOR ACCIDENT YEARS DEVELOPMENT Favorable/(Unfavorable)	JUL
Actuarial adjustment	–
All other development	$500



MONTHLY CHANGE IN INCURRED LOSSES

+$500

Reopens for a payment of $1,500 and IBNR closes out

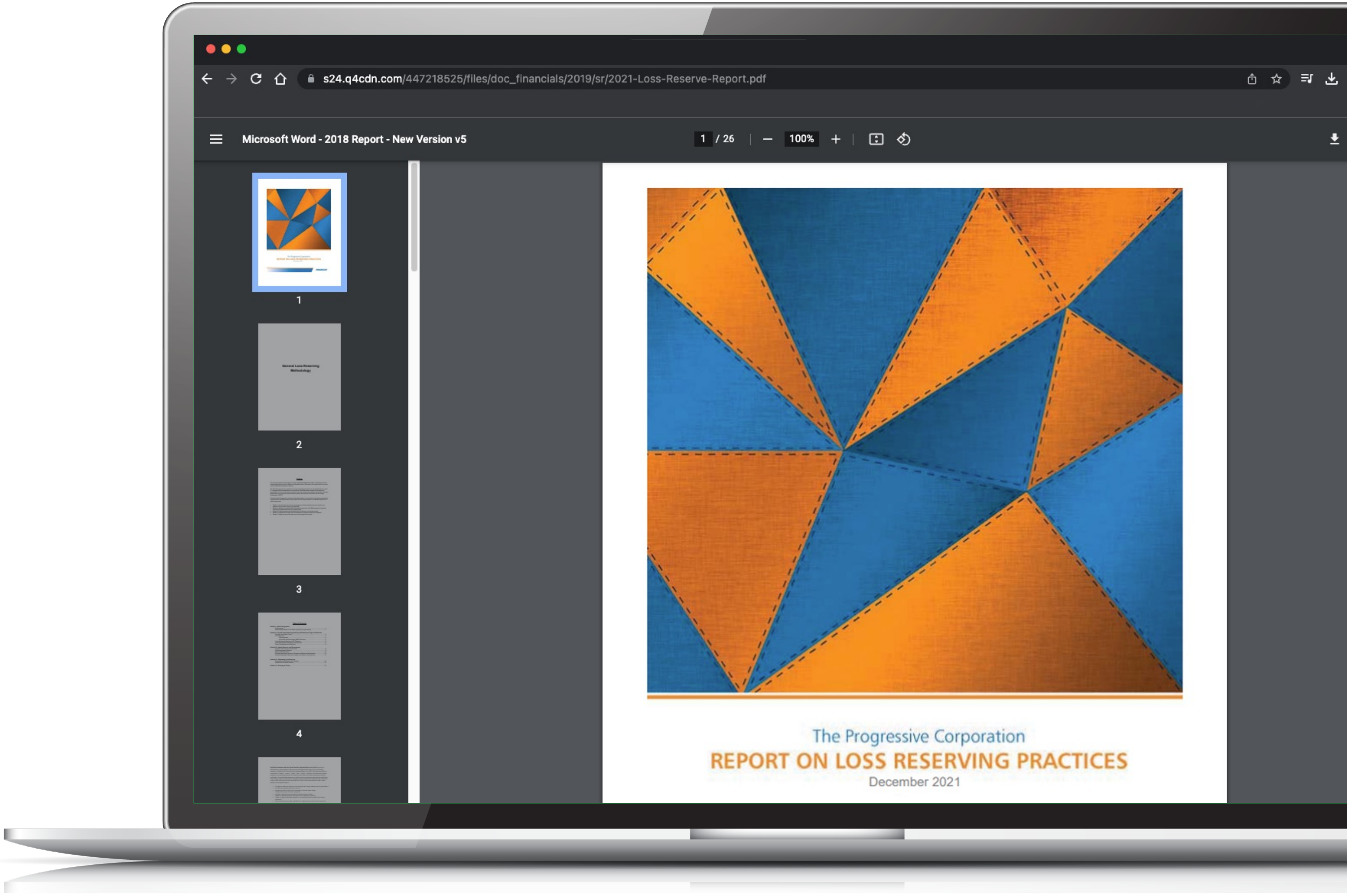
Stylized example

Our relationships with internal business partners provide good checks and balances

REVIEW CADENCE	MONTHLY	QUARTERLY
	CLAIMS	BOARD OF DIRECTORS Audit committee
	PRICING	
	PRODUCT MANAGEMENT	

RESERVING

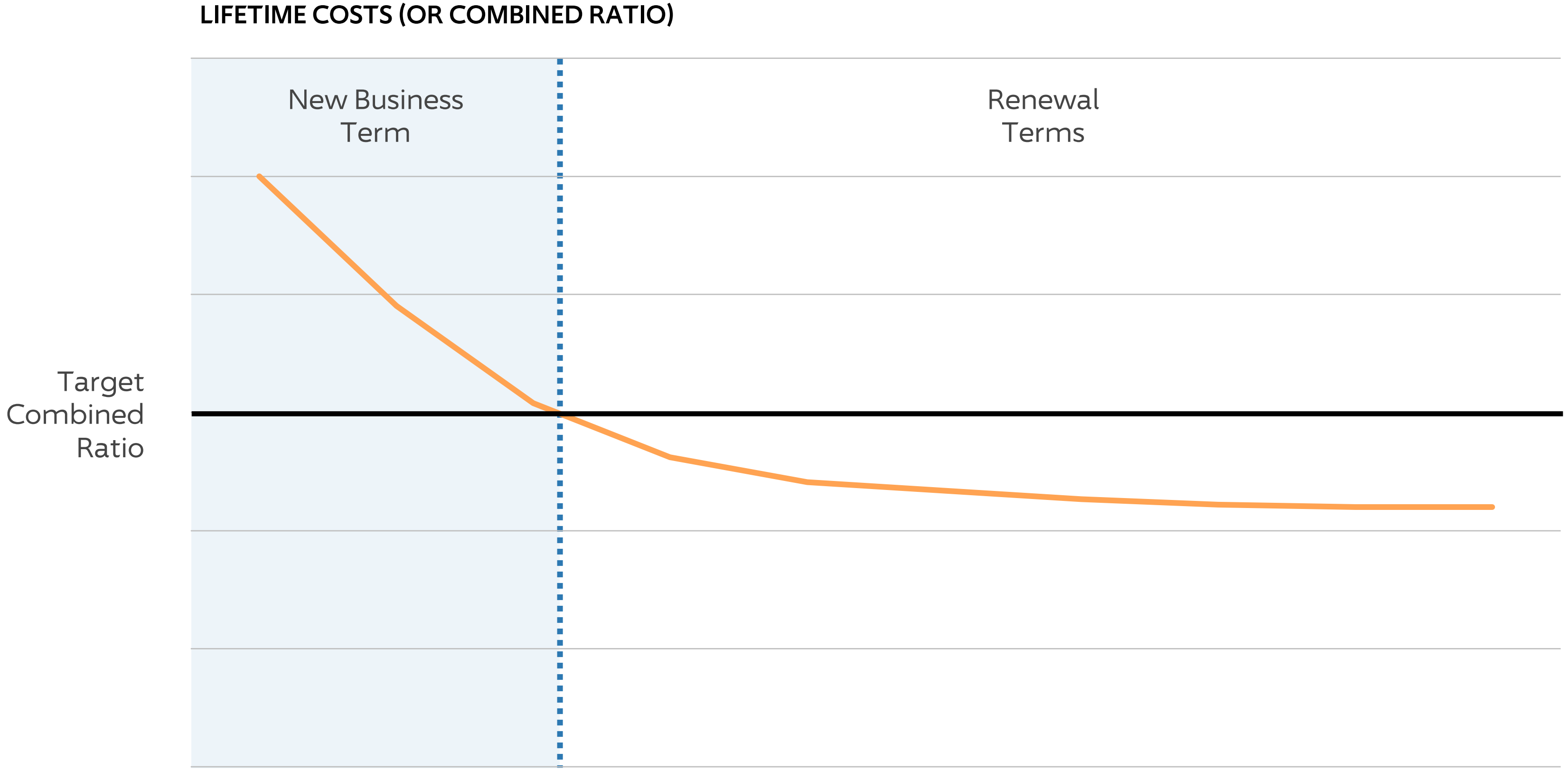
Report on Loss Reserve Practices provides more details on reserving practices



[Report on Loss Reserve Practices]

Cohort Pricing
Personal Auto

Cohort Pricing in summary



Policies priced to a lifetime 96

STYLIZED EXAMPLE

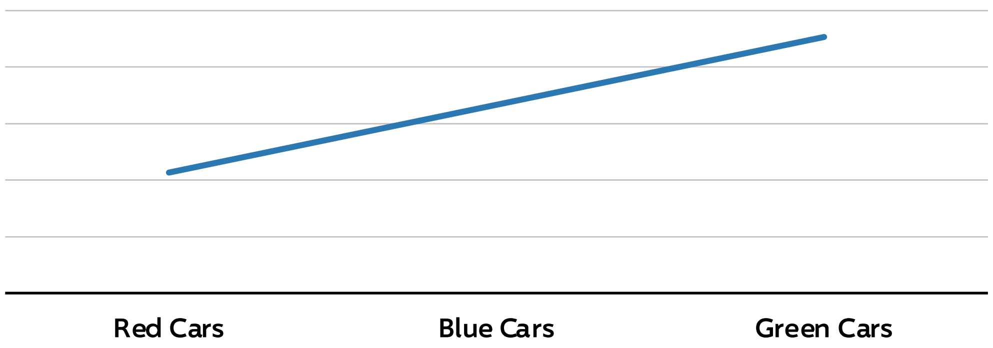
	First Term	Five Renewal Terms	Lifetime
Loss and LAE Exp	85	77	78
Acquisition Exp	35	5	10
Operational Exp	11	7	8
Combined Ratio	131	89	**96**

*Stylized example does not represent actual numbers. Actual numbers could differ materially from what is displayed.

Indemnity differential

STYLIZED EXAMPLE	First Term	Five Renewal Terms	Lifetime
Loss and LAE Exp	85	77	78
Acquisition Exp	35	5	10
Operational Exp	11	7	8
Combined Ratio	131	89	**96**

RENEWAL/NEW LOSS RATIO RELATIVITY



STYLIZED EXAMPLE: RED CARS	First Term	Four Renewal Terms	Lifetime
Loss and LAE Exp	90	73	76
Acquisition Exp	20	10	12
Operational Exp	11	7	8
Combined Ratio	121	90	**96**

STYLIZED EXAMPLE: GREEN CARS	First Term	Six Renewal Terms	Lifetime
Loss and LAE Exp	80	77	77
Acquisition Exp	20	10	11
Operational Exp	11	7	8
Combined Ratio	111	94	**96**

Lifetime acquisition economics can vary based on distribution channel

STYLIZED EXAMPLE: DIRECT

	First Term	Five Renewal Terms	Lifetime
Loss and LAE Exp	85	77	78
Acquisition Exp	60	0	10
Operational Exp	11	7	8
Combined Ratio	156	84	**96**

STYLIZED EXAMPLE: AGENCY

	First Term	Five Renewal Terms	Lifetime
Loss and LAE Exp	85	77	78
Acquisition Exp	10	10	10
Operational Exp	11	7	8
Combined Ratio	106	94	**96**

Direct channel acquisition economics

STYLIZED EXAMPLE: DIRECT	First Term	Five Renewal Terms	Lifetime
LR+LAE	85	77	78
Acquisition ER	60	0	10
Operational Exp	11	7	8
Combined Ratio	156	84	**96**

	Policy #1		Policy #2	
	$$s	**% of Prem**	**$$s**	**% of Prem**
Policy Premium	$750		$750	
Policy Life Expectancy	6		8	
Lifetime Premium	$4,500	10%	$6,000	8%
Acquisition Costs	**$450**		**$450**	

Agency channel acquisition economics

STYLIZED EXAMPLE: AGENCY	First Term	5 Renewal Terms	Lifetime
LR+LAE	85	77	78
Acquisition ER	10	10	10
Operational Exp	11	7	8
Combined Ratio	106	94	**96**

	Policy #1		Policy #2	
	$$s	**% of Prem**	**$$s**	**% of Prem**
Policy Premium	$750		$1,000	
Commission Expense	$75.0	10%	$100.0	10%
Total policy terms	6		8	
Lifetime Premium	$4,500		$6,000	
Lifetime Commission Expense	$450	10%	$600	10%

Operational Expenses

STYLIZED EXPENSE STRUCTURE	New	Renewal	Total
Operational Expenses	5%	1%	2%
Other	6%	6%	6%
Total	11%	7%	8%

*Stylized example does not represent actual numbers. Actual numbers could differ materially from what is displayed.

Grow as fast as possible at a 96 CR

	High Growth		Low Growth	
New Business Application Growth	30%		0%	
Policy In Force Growth	12%		7%	
	EP Mix	Target	EP Mix	Target
New Business	20%	131%	15%	131%
Renewal	80%	89%	85%	89%
Combined Ratio	**97%**		**95%**	

Stylized example

Thank you

INVESTOR RELATIONS Q2