

**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, 2023

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

Portions of the registrant's Proxy Statement for the Annual Meeting of Shareholders to be held on May 10, 2024, and the Annual Report to Shareholders of The Progressive Corporation and subsidiaries for the year ended December 31, 2023, 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 write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers' compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide 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

The management team that oversees the business and corporate functions that support all areas of our organization consists of the following:

Chief Executive Officer (CEO)

- | | |
|--|---|
| <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, 2023, 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 79% of our total net premiums written in 2023, 77% in 2022, and 78% in 2021.

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 2023, 2022, and 2021. We ranked second in market share in the U.S. private passenger auto insurance market, based on 2022 premiums written, and we believe we continue to hold that position for 2023. There are approximately 250 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 46% of our Personal Lines volume in 2023, 47% in 2022, and 48% in 2021.
- 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 54% of our Personal Lines volume in 2023, 53% in 2022, and 52% in 2021.

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 bundled 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 rolled out on a state-by-state basis. 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. We believe this mobile app improves the user experience. In addition to the personal benefits for our customers, the data collected via the mobile app affords us a unique perspective on vehicle operations, accidents, and mobile device usage. 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 Property 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, 2023, we had nearly 7,500 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 personal auto with our 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 personal auto, home, or renters coverages that we offer, in either the Direct or Agency channel.
- HomeQuote Explorer® (HQP) is our multi-carrier, direct-to-consumers online property offering. Through HQX, consumers are able to quickly and easily quote and compare homeowners insurance online from Progressive and other carriers, with the HQX online buy button available in almost every state.
- 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 pet health, life, and classic and specialty car 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. We expanded our portfolio of offerings to larger fleet, workers' compensation coverage for trucking, along with trucking industry independent contractors, and affinity programs in 2021, when we acquired Protective Insurance Corporation and subsidiaries (Protective Insurance). The Commercial Lines business accounted for 16% of our total net premiums written in 2023, 18% in 2022, and 17% in 2021.

Unless otherwise noted, the following auto discussion focuses on our commercial auto business and, therefore, excludes business owners' policy (BOP) and workers' compensation products, which are discussed below.

We offer our commercial auto products in all states. Our commercial auto customers insure approximately two vehicles per policy, excluding large fleet policies. During 2023, we wrote about 90% of our commercial auto business through the agency channel.

There are approximately 340 competitors in the total U.S. commercial auto market. We primarily compete with about 55 other large companies/groups, each with over \$200 million of commercial auto premiums written annually. Progressive and these leading commercial auto insurers comprise 85% of this market. Progressive ranked number one in the U.S. commercial auto insurance market based on 2022 premiums written. We have been the number one commercial auto insurer since 2015, and we believe that we continued to hold that position for 2023.

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

- *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 commercial auto 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 to the BMTs listed above, as of December 31, 2023, we provided commercial auto coverage in the transportation network company (TNC) business to Uber Technologies subsidiaries in 16 states and to Lyft's rideshare operations in 4 states. TNC represented about 13% of our Commercial Lines net premiums written in 2023, 10% in 2022, and 6% in 2021. 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 2023, our TNC business experienced a strong increase in rideshare miles traveled compared to 2022.

Our Commercial Lines business also offers business-related general liability and property insurance through our BOP insurance. These products are geared specifically to small businesses and at year-end 2023 were available to agents in 44 states, excluding the District of Columbia, with plans to expand to additional states during 2024.

We also offer workers' compensation insurance tailored for the transportation industry. Our offering includes loss prevention services that promote safe operations and dedicated claims-handling specialists. This product is available through a limited network of licensed brokers and includes options ranging from guaranteed premium cost plans to loss dependent plans, to meet the varying needs of small to large trucking fleets.

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 (NFIP) under which we write flood insurance in virtually all states; 100% of this business is reinsured with the NFIP.

Our Property business accounted for 5% of our total net premiums written in 2023, 2022, and 2021. 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.

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. We were the tenth largest homeowners carrier in the U.S., based on 2022 premiums written, and we estimate that we retained this ranking for 2023. There are approximately 365 competitors in the homeowners insurance market nationwide and we compete with many of these companies. Progressive and the other leading 27 large companies/groups, each with over \$800 million of premiums written annually, comprise about 80% 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. The regulated programs include several mandatory state pools, such as the Michigan Catastrophic Claims Association, Florida Hurricane Catastrophe Fund (FHCF), and North Carolina Reinsurance Facility, as well as the NFIP and other reinsurance facilities required by specific states for various lines of business. In addition, we participated in the Florida Reinsurance to Assist Policyholders Program (RAP) for 2023. All of these programs are governed by the individual state's insurance regulations.

Our non-regulated transactions represent voluntary external reinsurance arrangements related to portions of our Property and Commercial Lines businesses; we do not reinsure our Personal Lines business outside of the regulated programs discussed above.

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 FHCF and RAP.

Under the 2023 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, in place at December 31, 2023, were as follows:

- \$2.4 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 2023, no losses were ceded under the occurrence excess of loss program related to storms occurring in 2023. In February 2024, a catastrophe bond matured, overall reducing our maximum coverage limits by \$200 million, irrespective of the location of the first event.

In addition, from June 1, 2023, through December 31, 2023, we had shared limit coverage in our reinsurance program that provided \$125 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 excess of loss retention. During 2023, we ceded no losses under this “hurricane season” coverage. We have renewed this coverage from June 1, 2024, through December 31, 2024 (i.e., the 2024 hurricane season) for \$175 million of coverage.

During 2023, our Property business also had an aggregate excess of loss program structure, 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. The first and second layers provide coverage up to \$100 million and \$85 million, respectively. During 2023, we exceeded the first layer annual retention threshold by \$17.9 million, under this program.

Each layer in the 2023 aggregate excess of loss program was 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 was subject to a coverage limit ranging from \$95 million 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.

In January 2024, the Property business entered into a new aggregate excess of loss program for claims occurring in 2024, 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:

Coverage Terms (millions)	First Layer	Second Layer
Retention	\$450.0 to \$475.0	\$525.0
Total coverage, net of retention	\$85.0	\$100.0
Per occurrence deductible before each loss could be considered for aggregation, dependent on the peril covered	\$5.0 or \$7.5	\$20.0 or \$25.0
Per event coverage limit, net of the per occurrence deductible, dependent on the peril covered	\$42.5 or \$45.0	\$175.0 or \$180.0

The first layer of coverage does not provide coverage for named tropical storms or hurricanes, as designated by the U.S. National Weather Service. The second layer includes coverage for named tropical storms or hurricanes as designated by the U.S. National Weather Service, and also includes a secondary coverage part with a retention threshold of \$425 million that shares the same \$100 million limit mentioned above. The secondary coverage portion only provides coverage for named tropical storms or hurricanes, as designated by the U.S. National Weather Service. 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 product 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 product coverages, which reinsure a portion of loss above a retention threshold. The retention threshold for the BOP excess of loss agreement is \$2 million, while the retention threshold for the uninsured and underinsured motorist (UM/UIM) commercial auto liability excess of loss agreement is \$5 million, for each

casualty occurrence or each property loss. For the large fleet commercial auto business, we retain the first \$2 million, per occurrence, and have a coverage limit, net of retention, of up to \$3 million. In addition, for the workers' compensation product, we have catastrophe workers' compensation coverage up to \$74 million per occurrence pursuant to a \$20 million maximum one-life sublimit. In general, we retain approximately \$1.3 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 2023, the remaining portion of reinsurance for the TNC product was written by a third-party reinsurer.

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 2023 Annual Report to Shareholders, which is filed as Exhibit 13 to this Form 10-K (the 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 3,600 third-party repair shops. During 2023, 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 certain catastrophe events. While not intended to be a significant part of our claims handling model for these businesses, we may use independent adjusters from time to time.

For our Property business, we manage claims through a network of independent claim field adjusters and employee claim representatives that manage the overall claims process. As of December 31, 2023, we had about 1,100 claim employees to handle our Property claims; we currently plan to continue to increase our internal claims staff in 2024.

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 brand 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, or one of our third-party vendors, experience a cybersecurity attack or incident or we are unable to maintain uninterrupted access to our systems, business functions, and the systems of certain third-party providers. See *Item 1A, Risk Factors* and *Item 1C, Cybersecurity* 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), four 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), three patents for

our automated document classification system (expiring 2040 or after), and one patent for embedded quoting (expiring in 2043 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 billions of 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, Puerto Rico, Bermuda, and Canada. We also have subsidiaries that write excess and surplus lines, which are regulated in a different fashion that generally offers additional product flexibility. 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.

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,
- restrictions on marketing,
- 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 laws, 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 generally 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 2023, we had net premiums written of \$61.6 billion and statutory surplus of \$22.2 billion. The combined premiums-to-surplus ratio for all of our insurance companies was 2.8 to 1. In addition, as of

December 31, 2023, we had access to \$4.2 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, 2023, 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.

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.

See *Item 1A, Risk Factors* below for more information.

Investments

Our investment portfolio, which had a fair value of \$66.0 billion at December 31, 2023, compared to \$53.5 billion at December 31, 2022, 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, dividends, accretion, amortization, 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 income, before expenses and taxes, was \$2.3 billion in 2023, compared to an investment loss of \$0.7 billion in 2022, and investment income of \$2.4 billion in 2021. 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 investment income of \$3.8 billion in 2023, compared to an investment loss of \$4.3 billion in 2022 and investment income of \$1.2 billion in 2021. Outside of our investment portfolio, but reported in impairment losses in the consolidated statements of comprehensive income, were \$9.0 million, \$8.6 million, and \$5.0 million of other-than-temporary impairment losses resulting from tax credit investments during 2023, 2022, and 2021, respectively. 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 represented less than 1% of our total revenues at December 31, 2023, 2022, and 2021, and did 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 almost all 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.

Prior to the expiration of our Commercial Automobile Insurance Procedures/Plans (CAIP) service contract in 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. The expiration of our participation as a CAIP service provider did 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 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 our 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, engage, and motivate highly qualified employees.

Our People

We believe that our culture and continued success has enabled us to create a workplace comprised of highly talented people across diverse markets and with a broad range of backgrounds and experiences.

Attract and Hire

We employ extensive recruiting practices with 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 2023 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 2023 was 86%, up three points from the prior year, and, as of December 31, 2023, more than 16,000 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 nearly all of the executive team members, joined Progressive in a more junior position and advanced to significant leadership positions within the organization. In 2023, we filled over 70% of our open positions above entry level by promoting from within, including just over 2,200 managerial positions.

Demographic Data

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

- As of December 31, 2023, we had about 61,400 employees of whom 60% were women and 41% were people of color, while women comprised 51% and people of color comprised 39% of the U.S. workforce (based on data obtained from the U.S. Census Bureau's Current Population Survey, November 2023).
- During 2023, we hired more than 14,600 new employees of whom 67% were women and 56% were people of color, representing about 1.7% of the total applicants for a job at Progressive.
- During 2023, of our employees promoted into management positions, 55% were women and 32% were people of color. As of December 31, 2023, women represented 49% of all managers and people of color were 26% of all managers.
- As of December 31, 2023, we had about 1,100 senior leaders of whom 40% were women and 18% 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, "Career Central," 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, Core Conversations, 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. Therefore, 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.

For Progressive, DEI is not just a program, initiative, or singular goal. We take a holistic approach to DEI guided by 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. A few years ago, for instance, we introduced an ambitious aspiration to double the representation of people of color in senior leadership from 10% to 20% by the end of 2025. We set this aspiration to challenge ourselves to reach far and wide to attract diverse, highly qualified applicant pools when recruiting opportunities arose, to invest broadly in developing our internal talent, and to help measure the success of these efforts. During 2023, representation of people of color in senior leadership increased from 17% to 18%.

We’re committed to creating an environment where all our people feel welcomed, valued, and respected, and we integrate DEI into our workplace. 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. This includes hosting regular Inclusion Quarterly events, which feature a series of speakers, discussion groups, and storytelling focused on themes of diversity, equity, and inclusion. 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, we have DEI leadership job objectives for our executive team and managers aimed at fostering a diverse and inclusive workplace.

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. Beginning mid-2022, in lieu of matching funds, 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 Form 10-K or any other SEC filing.

Employee Resource Groups

Over a decade ago, our first Employee Resource Groups (ERG) were created to help build communities for our employees with common backgrounds, life experiences, interests or professional goals. 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 for Empowering Women, Parent Connection, and Young Professionals Network) that support creation of a space for networking, understanding differences, and sharing experiences. In the time since their inception, our ERGs have grown in both influence and size with 44% of Progressive people belonging to at least one ERG as of December 31, 2023.

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 health 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 is not incorporated 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 business. 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 business, 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:

- access our systems
- 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 and operations rely on third-party vendors, through either a connection to, or an integration with, those third parties’ systems or contracted personnel. This approach has increased, and may continue to increase, the risk of loss, corruption, or unauthorized access to or publication of our information or the confidential information of our customers and employees or other cyber-attacks, and although we may review and assess third-party vendor cybersecurity 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 and expend significant resources 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.

Our systems are being threatened on a regular basis and our efforts may be insufficient to prevent or defend against an attack. We, and certain of our third-party vendors, have experienced attacks and incidents in the past, and there can be no assurance that we, or any vendor, will be successful in preventing future attacks or incidents or detecting and stopping them once they have begun. Cybersecurity risks rapidly evolve and are complex, so we must continually adapt and enhance our processes and technological defenses. As we do this, we must make judgments about where to invest resources to most effectively protect ourselves from cybersecurity risks. These are inherently challenging judgements and we can provide no assurance that processes and technological defenses that we implement will be effective.

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, and sustainability and corporate responsibility efforts. These expectations and standards are continually evolving and not always clear. Our practices may not change in the manner or at the rate that our various stakeholders expect. These impacts may be further complicated such that perceptions are formed through rapid and broad interactions using social media and other communication tools over which we have no control. Additionally, we may fail to meet our related commitments, targets, or aspirations in these areas, and also could determine that it is in the best interest of the company and our shareholders to prioritize other business priorities ahead of our efforts in these areas. 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 have increased, and may continue to increase. 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
- the availability and uses of very large volumes of 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 technology, or replace outdated systems or technology, or upgrade systems or technology 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, assess potential expansion into new products and business areas, and adapt to technological trends in our industry. 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.

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 and hybrid 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, pricing, and technological 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 ride-sharing 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, Puerto Rico, Bermuda, and Canada and its provinces. 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, impose marketing restrictions or requirements related to the use of artificial intelligence and third-party data, 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. Various 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.

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. Certain pending lawsuits are described in *Note 12 – Litigation* in the Annual Report. 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.

Our development and use of new technology, such as generative artificial intelligence, may present additional risks, may not be successful, and could have a material adverse effect on our business.

We have developed, and used for many years, new technologies, including machine learning, predictive models, algorithms, automated processes, and other forms of traditional artificial intelligence (AI), and will in the future develop and use AI and other new technologies in our business. As with many technological innovations, the growing development and use of generative AI (GenAI) presents additional risks that may adversely affect our business. GenAI might produce or reveal datasets that are flawed or insufficient or contain biased information, which could result in unintentionally and unfairly discriminatory outcomes in our business processes. These deficiencies could also undermine the associated predictions, analysis, or decisions GenAI applications produce or the business decisions we make based on this information. We could face challenges on whether we use GenAI in our business processes in a responsible, compliant, and effective manner. Since GenAI is subject to public debate, and depending on how observers view our development and use of GenAI, we could be subject to criticism or experience an adverse impact on our brand or reputation, which 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. Additionally, one or more of our key vendors may begin to use GenAI in their business in a manner that does not meet existing or rapidly evolving regulatory standards. Furthermore, our competitors or other third parties may be able to incorporate GenAI into their products more quickly, or more successfully, than us.

Intellectual property ownership rights, including those associated with related copyrights, GenAI, and other AI outputs, have not been fully interpreted by courts or regulations. Additionally, it is likely that we will be subject to new AI-focused regulations that could impose varied compliance and reporting requirements and challenges that could impact 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 AI, as well as a model bulletin, to inform and articulate general expectations for businesses, professionals, and stakeholders across the insurance industry as they implement AI tools to facilitate operations. Alaska recently adopted the NAIC model bulletin and, while the model bulletin is only effective as adopted by each specific state, we expect these guidelines to be adopted by at least some additional states. In addition, regulators have recently requested information from insurers on their use of algorithms and AI. Colorado issued a first-in-the-nation AI governance regulation for life (and soon auto) insurers related to its SB 169 law, addressing the use of AI models and external consumer data in AI models. The regulation also describes compliance documentation to be submitted to the Colorado Division of Insurance on a regular basis. We cannot predict what other regulatory actions may be taken with regard to AI but any limitations, or any failure or perceived failure by us to comply with any such requirements, could have an adverse impact on our business.

Any of these impacts could result in significant operational difficulties, reputational harm, litigation, and adverse actions by regulators, potentially causing customers to refrain from buying insurance from us or other businesses to refrain from doing business with us, which could have a material effect on our business, financial condition, and results of operations.

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, 2023, 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, or 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.

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. 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

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, including increased regulatory requirements, unprofitable insurance or investment operations, or significant growth in the insurance premiums that we write, among other factors. 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 due to factors 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. Various rating agencies may change their processes for credit ratings for the insurance industry, including changes to their approach to assessing capital adequacy, the creditworthiness of issuers of certain fixed-income securities, or the equity capital content of certain non-debt securities, 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 will likely 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. 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 undertook a multi-year financial enterprise resource planning effort to modernize certain of our financial systems and processes. In conjunction with this effort, in the fourth quarter of 2023, we converted our monthly accounting closing calendar to align with the 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 from October 2023 through September 2024. As a result, during this period, we will modify and limit the content, and potentially the timing, 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.

Beginning with its emergence in 2020, COVID-19 increased many of the risks described above and impacted our business, operations, and financial results in a number of ways. We have discussed the associated risks and impacts of COVID-19 in our SEC filings beginning with its onset in 2020. We believe that the existing risks and impacts of COVID-19 are not currently material to our business. Any future epidemic, pandemic, or other widespread health risk, including a new variation of the COVID-19 virus, could exacerbate the impacts of many of the other risk factors described above and adversely affect our business. Depending on the duration and severity of any such epidemic, pandemic, or other widespread health risk, and the nature and extent of governmental responses to it, our business, our operations, and our financial results could be negatively impacted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

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

ITEM 1C. CYBERSECURITY

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.

Our overall efforts to safeguard the information systems and confidential information critical to our operations include preventative and detective internal processes, technological defenses, and other controls designed to provide multiple layers of security protection. Our information security efforts are designed to evolve with the changing security threat environment through ongoing assessment and measurement. In our efforts to keep our data and technology systems secure, we leverage both the International Organization for Standardization (ISO) 27002 Security Framework for the body of security control requirements and the National Institute of Standards and Technology Cybersecurity Framework to assess the strength of our processes and defenses. This integrated approach to protect data and information systems is also built into our project management, development, and operations. To assess the effectiveness of our cybersecurity program and compliance with applicable rules, regulations, and laws, we employ internal resources and, regularly, external resources, to evaluate our environment, information systems, and processes.

Through appropriate risk evaluation, security assessments, and financial due diligence, we seek to protect the security and confidentiality of information provided to our vendors under service provider cloud computing or other arrangements. We also employ contractual nondisclosure requirements and use limitations consistent with our published Privacy Policy, and typically reserve the right to review third-party compliance against the required standards, where we deem appropriate.

Our response to cybersecurity threats is triggered through various means. Through annual user awareness training, we teach our employees to identify and appropriately respond to such threats. Our incident response program is designed to mitigate and recover from suspected and actual cybersecurity incidents and provide all required consumer and regulatory notices regarding cybersecurity threats in a timely manner.

Our Chief Security Officer (CSO) is ultimately responsible for cybersecurity at Progressive, with management oversight of the prevention, detection, mitigation, and remediation of cybersecurity incidents. The CSO reports directly to the Chief Financial Officer and provides regular cybersecurity updates to the Chief Executive Officer, other members of the executive team, and the Board of Directors' Technology Committee. Our CSO has served in this capacity at Progressive for more than 11 years and, prior to joining us, had over 10 years of cybersecurity experience in the banking industry. Our CSO is also a member of our Management Risk Committee, which leads our Enterprise Risk Management program, and as a member ensures that cybersecurity risks remain a focus of the overall risk management process.

The Technology Committee of the Board of Directors oversees our use of technology in business strategy as well as the major risks arising from our technology, digital and data strategies, legacy information systems, technology investments, data privacy, operational performance, cybersecurity programs, and technology-related business continuity and disaster recovery programs. The Technology Committee, which includes directors with technology and cybersecurity experience, also oversees management's effort to mitigate these risks. Technology Committee meetings typically occur five times a year. Generally, at these meetings, our CSO briefs the committee on cybersecurity-related matters.

Our systems are being threatened by cybersecurity incidents on a regular basis and our efforts may be insufficient to prevent or defend against incidents or an attack. We, and certain of our third-party vendors, have experienced attacks and incidents in the past, and there can be no assurance that we, or any vendor, will be successful in preventing future attacks or incidents or detecting and stopping them once they have begun. Through the date hereof, risks from cybersecurity threats, including prior incidents and attacks, have not materially affected, and we do not believe are reasonably likely to materially affect, our business strategy, results of operations, or financial condition. However, we cannot guarantee that we will not be materially affected in the future. Cybersecurity risks rapidly evolve and are complex, so we must continually adapt and enhance our processes and defenses. As we do this, we must make judgments about where to invest resources to most effectively protect ourselves from cybersecurity risks. These are inherently challenging processes, and we can provide no assurance that processes and defenses that we implement will be effective. *See Item 1A, Risk Factors – III. Operating Risks* above for more information.

ITEM 2. PROPERTIES

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

At December 31, 2023, we owned 65 buildings located throughout the United States. About half of these buildings are claims offices. Our owned facilities, which contain approximately 4.5 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 2.1 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

For discussion of legal proceedings, see *Note 12 – Litigation* in our Annual Report, which is incorporated herein by reference.

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 1,675 shareholders of record on January 31, 2024.

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

2023 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	79,457	\$ 150.26	426,809	24,573,191
November	299,855	163.11	726,664	24,273,336
December	274	163.55	726,938	24,273,062
Total	379,586	\$ 160.42		

In May 2023, 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 2023, all repurchases were accomplished in conjunction with our equity incentive awards or through the open market at the then-current market prices.

Progressive's financial policies state that we will repurchase shares to neutralize dilution from equity-based compensation in the year of issuance and as an option to effectively use under-leveraged capital. 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

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

Our Chief Executive Officer and our Chief Financial Officer reviewed and evaluated 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 our 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

On November 21, 2023, Karen B. Bailo, our Commercial Lines President, entered into a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c). The plan provides for (i) the sale of all shares vested during the duration of the plan pursuant to certain equity awards previously granted to Ms. Bailo, excluding any shares withheld by the company to satisfy tax withholding obligations, and (ii) 3,212 shares of the company’s common stock. Ms. Bailo’s plan will expire on November 29, 2024, subject to the plan’s earlier expiration or completion in accordance with its terms.

On October 16, 2023, Patrick K. Callahan, our Personal Lines President, entered into a Rule 10b5-1 trading arrangement that is intended to satisfy the affirmative defense of Rule 10b5-1(c). The plan provides for the sale of all shares vested during the duration of the plan pursuant to certain equity awards previously granted to Mr. Callahan, excluding any shares withheld by the company to satisfy tax withholding obligations. Mr. Callahan’s plan will expire on September 30, 2024, subject to the plan’s earlier expiration or completion in accordance with its terms.

President and CEO Susan Patricia Griffith’s annual letter to shareholders is included as Exhibit 99 to this Form 10-K.

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 10, 2024 (the Proxy Statement).

Information relating to executive officers of Progressive follows. Unless noted below, all positions were with Progressive.

Name	Age	Offices Held and Last Five Years’ Business Experience
Susan Patricia Griffith	59	President and Chief Executive Officer
John P. Sauerland	59	Vice President and Chief Financial Officer
Karen B. Bailo	56	Commercial Lines President since October 2020; Commercial Lines Acquisition and Small Business General Manager from January 2020 to September 2020; Commercial Lines Controller prior to January 2020
Jonathan S. Bauer	46	Chief Investment Officer since January 2020; Portfolio Manager prior to January 2020
Steven A. Broz	53	Chief Information Officer
Patrick K. Callahan	53	Personal Lines President
William L. Clawson II	54	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	48	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	61	Vice President and Chief Accounting Officer since March 2019; Director of Financial Reporting – GAAP prior to March 2019; Assistant Secretary
John Murphy	54	Claims President since December 2021; Customer Relationship Management President prior to December 2021
Lori Niederst	50	Customer Relationship Management President since December 2021; Chief Human Resources Officer prior to December 2021
David M. Stringer	49	Vice President, Secretary, and Chief Legal Officer since January 2024; Deputy General Counsel, Litigation and Employment, prior to January 2024
Andrew J. Quigg	44	Chief Strategy Officer

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 2023 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, 2023.

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	2,893,743 ²	NA	5,185,949 ³
<u>Director Plans:</u>			
Amended and Restated 2017 Directors Equity Incentive Plan	25,075	NA	392,436 ⁴
Equity compensation plans not approved by security holders			
None			
Total	2,918,818	NA	5,578,385

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 557,119 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 1,370,877. 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, 2023, 2022, and 2021
- Consolidated Balance Sheets - December 31, 2023 and 2022
- Consolidated Statements of Changes in Shareholders' Equity - For the Years Ended December 31, 2023, 2022, and 2021
- Consolidated Statements of Cash Flows - For the Years Ended December 31, 2023, 2022, and 2021
- 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 45, 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 10.50.

(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, 2023		
	Cost	Fair Value	Amount At Which Shown In The Balance Sheet
Fixed maturities:			
Bonds:			
United States Government and government agencies and authorities	\$ 37,823.2	\$ 36,869.4	\$ 36,869.4
States, municipalities, and political subdivisions	2,338.4	2,202.8	2,202.8
Foreign government obligations	17.3	16.3	16.3
Public utilities	1,378.5	1,352.3	1,352.3
Corporate and other debt securities	10,067.5	9,831.4	9,831.4
Asset-backed securities	10,629.3	9,932.3	9,932.3
Redeemable preferred stocks	187.7	173.7	173.7
Total fixed maturities	62,441.9	60,378.2	60,378.2
Equity securities:			
Common stocks:			
Public utilities	39.0	97.5	97.5
Banks, trusts, and insurance companies	130.8	480.0	480.0
Industrial, miscellaneous, and all other	536.2	2,350.9	2,350.9
Nonredeemable preferred stocks	977.1	902.1	902.1
Total equity securities	1,683.1	3,830.5	3,830.5
Short-term investments	1,789.9	1,789.9	1,789.9
Total investments	\$ 65,914.9	\$ 65,998.6	\$ 65,998.6

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, 2023.

SCHEDULE II — CONDENSED FINANCIAL INFORMATION OF REGISTRANT
CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

THE PROGRESSIVE CORPORATION (PARENT COMPANY)
(millions)

	Years Ended December 31,		
	2023	2022	2021
Revenues			
Dividends from subsidiaries	\$ 399.0	\$ 540.5	\$ 2,847.0
Undistributed income from subsidiaries	3,572.3	325.0	674.9
Equity in net income of subsidiaries	3,971.3	865.5	3,521.9
Intercompany investment income	204.3	92.7	4.5
Total revenues	4,175.6	958.2	3,526.4
Expenses			
Interest expense	270.0	246.0	220.0
Deferred compensation ¹	20.4	25.3	8.8
Other operating costs and expenses	7.6	6.8	6.8
Total expenses	298.0	278.1	235.6
Income before income taxes	3,877.6	680.1	3,290.8
Benefit for income taxes	24.8	41.4	60.1
Net income	3,902.4	721.5	3,350.9
Other comprehensive income (loss)	1,186.3	(2,842.7)	(891.0)
Comprehensive income (loss)	\$ 5,088.7	\$ (2,121.2)	\$ 2,459.9

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 - except per share amounts)

		December 31,	
		2023	2022
Assets			
Investment in affiliate	\$	5.0	\$ 5.0
Investment in subsidiaries		23,409.9	17,911.8
Receivable from investment subsidiary		3,791.4	4,098.7
Intercompany receivable		886.7	466.2
Net federal deferred income taxes		65.6	64.3
Other assets		165.4	150.6
Total assets	\$	28,324.0	\$ 22,696.6
Liabilities and Shareholders' Equity			
Accounts payable, accrued expenses, and other liabilities	\$	1,158.3	\$ 417.3
Debt ¹		6,888.6	6,388.3
Total liabilities		8,046.9	6,805.6
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) ²		493.9	493.9
Common shares, \$1.00 par value (authorized 900.0; issued 797.6, including treasury shares of 212.3 and 212.7)		585.3	584.9
Paid-in capital		2,013.1	1,893.0
Retained earnings		18,800.5	15,721.2
Total accumulated other comprehensive income (loss)		(1,615.7)	(2,802.0)
Total shareholders' equity		20,277.1	15,891.0
Total liabilities and shareholders' equity	\$	28,324.0	\$ 22,696.6

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

² See *Note 7 – Subsequent Event* in these condensed financial statements.

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,		
	2023	2022	2021
Cash Flows From Operating Activities:			
Net income	\$ 3,902.4	\$ 721.5	\$ 3,350.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Undistributed income from subsidiaries	(3,572.3)	(325.0)	(674.9)
Amortization of equity-based compensation	3.3	3.2	3.1
Changes in:			
Intercompany receivable	(420.5)	(79.0)	86.6
Accounts payable, accrued expenses, and other liabilities	12.5	(21.5)	23.8
Income taxes	301.2	28.9	(154.8)
Other, net	9.6	60.1	76.8
Net cash provided by operating activities	236.2	388.2	2,711.5
Cash Flows From Investing Activities:			
Additional investments in equity securities of consolidated subsidiaries	(621.5)	(797.8)	(397.3)
Received from (paid to) investment subsidiary	307.3	(716.6)	2,519.6
Acquisition of Protective Insurance Corporation	0	0	(337.5)
Net cash provided by (used in) investing activities	(314.2)	(1,514.4)	1,784.8
Cash Flows From Financing Activities:			
Dividends paid to common shareholders	(234.0)	(234.0)	(3,746.5)
Dividends paid to preferred shareholders	(43.6)	(26.8)	(26.8)
Acquisition of treasury shares for restricted stock tax liabilities	(95.0)	(76.7)	(67.2)
Acquisition of treasury shares acquired in open market	(45.7)	(22.3)	(155.8)
Net proceeds from debt issuance	496.3	1,486.0	0
Payments of debt	0	0	(500.0)
Net cash provided by (used in) financing activities	78.0	1,126.2	(4,496.3)
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, 2023, 2022, and 2021, \$4.2 billion, \$4.4 billion, and \$4.2 billion, respectively, of marketable securities were available in this subsidiary.

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

(millions)	2023	2022	2021
Common share dividends ¹	\$ 497.9	\$ 58.5	\$ 58.5
Preferred share dividends ¹	0	13.4	13.4

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)	2023	2022	2021
Income taxes	\$ 800.0	\$ 705.0	\$ 815.0
Interest	264.9	228.9	223.9

Note 2. Income Taxes — The Progressive Corporation files a consolidated federal income tax return with its eligible 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.

Note 7. Subsequent Event — Pursuant to authorization from our Board of Directors, we redeemed all of the outstanding Serial Preferred Shares, Series B, at the stated amount of \$1,000 per share, for an aggregate payout of \$507.8 million, including accrued and unpaid dividends to, but excluding, February 22, 2024, which is the redemption date.

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, losses, and settlement expenses	Amortization of deferred policy acquisition costs	Other operating expenses ¹	Net premiums written
Year ended December 31, 2023:										
Personal Lines					\$ 46,213.3		\$ 35,972.4	\$ 3,169.1	\$ 4,928.6	\$ 48,581.0
Commercial Lines					9,898.7		7,899.7	1,004.7	1,020.8	10,138.3
Property					2,551.4		1,776.3	491.0	281.4	2,830.6
Other indemnity					1.0		6.2	0.3	10.7	0.3
Total	\$ 1,687.4	\$ 34,389.2	\$ 20,133.7	\$ 0	\$ 58,664.4	\$ 1,865.6	\$ 45,654.6	\$ 4,665.1	\$ 6,241.5	\$ 61,550.2
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

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.

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, 2023</u>					
Premiums earned:					
Property and liability insurance	\$ 59,881.1	\$ 1,216.7	\$ 0	\$ 58,664.4	0 %
<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 %

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 26, 2024 appearing in the 2023 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, 2023, the schedule of condensed financial information of registrant, which includes the condensed balance sheets as of December 31, 2023 and 2022 and the condensed statements of comprehensive income and of cash flows for each of the three years in the period ended December 31, 2023, 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, 2023, and the schedule of reinsurance for each of the three years in the period ended December 31, 2023 (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 26, 2024

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 26, 2024

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 26, 2024
Susan Patricia Griffith		
<u>/s/ John P. Sauerland</u>	Vice President and Chief Financial Officer	February 26, 2024
John P. Sauerland		
<u>/s/ Mariann Wojtkun Marshall</u>	Vice President and Chief Accounting Officer	February 26, 2024
Mariann Wojtkun Marshall		
<u>*</u>	Chairperson of the Board	February 26, 2024
Lawton W. Fitt		
<u>*</u>	Director	February 26, 2024
Danelle M. Barrett		
<u>*</u>	Director	February 26, 2024
Philip Bleser		
<u>*</u>	Director	February 26, 2024
Stuart B. Burgdoerfer		
<u>*</u>	Director	February 26, 2024
Pamela J. Craig		
<u>*</u>	Director	February 26, 2024
Charles A. Davis		
<u>*</u>	Director	February 26, 2024
Roger N. Farah		
<u>*</u>	Director	February 26, 2024
Devin C. Johnson		
<u>*</u>	Director	February 26, 2024
Jeffrey D. Kelly		
<u>*</u>	Director	February 26, 2024
Barbara R. Snyder		
<u>*</u>	Director	February 26, 2024
Kahina Van Dyke		

* David M. Stringer, 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/ David M. Stringer
David M. Stringer
Attorney-in-fact

February 26, 2024

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	<u>Amended Articles of Incorporation of The Progressive Corporation (as amended March 13, 2018)</u>	Quarterly Report on Form 10-Q (filed on May 1, 2019; Exhibit 3.1 therein)
3(ii)	3.2	<u>Code of Regulations of The Progressive Corporation (as amended May 7, 2021)</u>	Quarterly Report on Form 10-Q (filed on August 3, 2021; Exhibit 3.1 therein)
4	4.1	<u>Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</u>	Filed herewith
4	4.2	<u>Form of certificate representing Series B Fixed-to-Floating Rate Cumulative Perpetual Serial Preferred Shares</u>	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.3 therein)
4	4.3	<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	4.4	<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	4.5	<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	4.6	<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	4.7	<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	4.8	<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	4.9	<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)
4	4.10	<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	4.11	<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)

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	4.12	Eleventh Supplemental Indenture dated March 14, 2018 to the 1993 Senior Indenture between The Progressive Corporation and U.S. Bank National Association, as Trustee	Current Report on Form 8-K (filed on March 14, 2018; Exhibit 4.1 therein)
4	4.13	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	4.14	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	4.15	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	4.16	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	4.17	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	4.18	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	4.19	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	4.20	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	4.21	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	4.22	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)
4	4.23	Third Supplemental Indenture between The Progressive Corporation and U.S. Bank Trust Company, National Association, as trustee	Current Report on Form 8-K (filed on March 9, 2022; Exhibit 4.1 therein)
4	4.24	Fourth Supplemental Indenture between The Progressive Corporation and U.S. Bank Trust Company, National Association, as trustee	Current Report on Form 8-K (filed on May 25, 2023; Exhibit 4.1 therein)
4	4.25	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)

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	4.26	<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	4.27	<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	4.28	<u>Form of 2.50% Senior Note due 2027</u>	Current Report on Form 8-K (filed on March 9, 2022; Exhibit 4.2 therein)
4	4.29	<u>Form of 3.00% Senior Note due 2032</u>	Current Report on Form 8-K (filed on March 9, 2022; Exhibit 4.3 therein)
4	4.30	<u>Form of 3.70% Senior Note due 2052</u>	Current Report on Form 8-K (filed on March 9, 2022; Exhibit 4.4 therein)
4	4.31	<u>Form of 4.95% Senior Note due 2033</u>	Current Report on Form 8-K (filed on May 25, 2023; Exhibit 4.2 therein)
4	4.32	<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	4.33	<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	4.34	<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	4.35	<u>Amendment to Discretionary Line Documents - Discretionary Line of Credit from PNC Bank, National Association to The Progressive Corporation (2023 Amendment)</u>	Quarterly Report on Form 10-Q (filed on May 2, 2023; Exhibit 4.1 therein)
4	4.36	<u>Form of Amended and Restated Discretionary Line of Credit Note from The Progressive Corporation to PNC Bank, National Association</u>	Quarterly Report on Form 10-Q (filed on May 2, 2023; Exhibit 4.2 therein)
10(iii)	10.1	<u>The Progressive Corporation 2024 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 2023)</u>	Quarterly Report on Form 10-Q (filed on May 2, 2023; Exhibit 10.1 therein)
10(iii)	10.5	<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)	10.6	<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)

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)	10.7	Form of Restricted Stock Unit Award Agreement for 2020 Time-Based Awards under The Progressive Corporation 2015 Equity Incentive Plan (for 2020)	Current Report on Form 8-K (filed on March 26, 2020; Exhibit 10.2 therein)
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 2023)	Quarterly Report on Form 10-Q (filed on May 2, 2023; Exhibit 10.2 therein)
10(iii)	10.9	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)	10.10	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)	10.11	Form of Restricted Stock Unit Award Agreement for Performance-Based Awards (Investment Results) under The Progressive Corporation 2015 Equity Incentive Plan (for 2023)	Quarterly Report on Form 10-Q (filed on May 2, 2023; Exhibit 10.3 therein)
10(iii)	10.12	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)	10.13	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)	10.14	Chief Executive Officer Amendment No. 1 to Certain Restricted Stock Unit Award Agreements	Filed herewith
10(iii)	10.15	Form of Restricted Stock Unit Award Agreement for Special Time/Performance-Based Award under The Progressive Corporation 2015 Equity Incentive Plan (for 2023)	Quarterly Report on Form 10-Q (filed on May 2, 2023; Exhibit 10.4 therein)
10(iii)	10.16	The Progressive Corporation 2017 Directors Equity Incentive Plan (2022 Amendment and Restatement)	Current Report on Form 8-K (filed on May 16, 2022; Exhibit 10 therein)
10(iii)	10.17	Form of Restricted Stock Award Agreement under The Progressive Corporation Amended and Restated 2017 Directors Equity Incentive Plan (for 2023)	Quarterly Report on Form 10-Q (filed on August 1, 2023; Exhibit 10.1 therein)
10(iii)	10.18	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)	10.19	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)	10.20	<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)	10.21	<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)	10.22	<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)	10.23	<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)	10.24	<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)	10.25	<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)	10.26	<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)	10.27	<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)	10.28	<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)	10.29	<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)	10.30	<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)	10.31	<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)	10.32	<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)	10.33	<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)	10.34	<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)	10.35	<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)	10.36	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)	10.37	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)	10.38	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)	10.39	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)	10.40	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)	10.41	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)	10.42	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)	10.43	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)	10.44	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)	10.45	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)	10.46	Director Compensation Schedule for 2023-2024 Term	Filed herewith
10(iii)	10.47	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)	10.48	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)	10.49	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)	10.50	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 2023 Annual Report to Shareholders	Filed herewith
21	21	Subsidiaries of The Progressive Corporation	Filed herewith
23	23	Consent of Independent Registered Public Accounting Firm	Filed herewith
24	24	Powers of Attorney	Filed herewith
31	31.1	Rule 13a-14(a)/15d-14(a) Certification of the Principal Executive Officer, Susan Patricia Griffith	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
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>	Furnished herewith
32	32.2	<u>Section 1350 Certification of the Principal Financial Officer, John P. Sauerland</u>	Furnished herewith
97	97	<u>The Progressive Corporation Dodd-Frank Clawback Policy</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

**Description of the Registrant's Securities
Registered Pursuant to Section 12 of the
Securities Exchange Act of 1934**

The Progressive Corporation (the “company”) has one class of securities registered under Section 12(b) of the Securities Exchange Act of 1934, as amended: our common shares, par value \$1.00 per share (our “common shares”).

The following summarizes briefly some of the general terms of our common shares and does not purport to be complete. It is subject to and qualified in its entirety by reference to the applicable provisions of our amended articles of incorporation, as amended (the “Articles”) and our code of regulations, as amended (the “Code of Regulations”), each of which are incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit is a part, and the Ohio Revised Code. We encourage you to read our Articles and Code of Regulations and the applicable provisions of the Ohio Revised Code.

General

Our authorized capital stock at December 31, 2023 includes 900,000,000 common shares.

Our common shares are traded on the New York Stock Exchange under the ticker symbol “PGR”.

The transfer agent for our common shares is Equiniti Trust Company, LLC, 48 Wall Street, Floor 23, New York, NY (phone: 1-866-709-7695).

Dividend and Voting Rights

Subject to the express rights of the holders of serial preferred shares (the “serial preferred shares”) and any series thereof, to the express rights of holders of voting preference shares, without par value, and any series thereof (the “voting preference shares”), and to the express rights of the holders of any other class of shares ranking senior to our common shares that may be issued and outstanding, the holders of common shares are entitled:

- to receive dividends when, as and if declared by our Board of Directors out of funds legally available therefor; however, 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; and
- in the event of liquidation of the company, to participate equally in all distributions of assets remaining after payment of liabilities and satisfaction of the liquidation preferences, if any, of the then-outstanding serial preferred shares and of the then-outstanding voting preference shares, as provided in our Articles.

Each holder of common shares is entitled to one vote for each common share on all matters presented. No holder of common shares will have any preemptive right to purchase, have offered for purchase or subscribe for any of the company’s shares or other securities of any class, whether now or hereafter authorized. The holders of common shares have cumulative voting rights in certain circumstances and subject to certain procedures. There are no conversion rights or redemption or sinking fund provisions with respect to our common shares.

Anti-Takeover Protections

Section 1701.831 of the Ohio Revised Code requires the prior authorization of the shareholders of certain corporations in order for any person to acquire, either directly or indirectly, shares of that corporation that would entitle the acquiring person to exercise or direct the exercise of 20% or more of the voting power of that corporation in the election of directors or to exceed specified other percentages of voting power. In the event an acquiring person proposes to make such an acquisition, the person is required to deliver to the corporation a statement disclosing, among other things, the number of shares owned, directly or indirectly, by the person, the range of voting power that may result from the proposed acquisition and the identity of the acquiring person. Within ten days after receipt of this statement, the corporation must call a special meeting of shareholders to vote on the proposed acquisition. The acquiring person may complete the proposed acquisition only if the acquisition is approved by the affirmative vote

of the holders of at least a majority of the voting power of all shares entitled to vote in the election of directors represented at the meeting excluding the voting power of all “interested shares.” Interested shares include any shares held by the acquiring person and those held by officers and directors of the corporation. Each corporation has the ability to “opt out” of the application of Section 1701.831.

Chapter 1704 of the Ohio Revised Code prohibits certain business combinations and transactions between an “issuing public corporation” and an “interested shareholder” for at least three years after the interested shareholder attains 10% ownership, unless the board of directors of the issuing public corporation approves the transaction before the interested shareholder attains 10% ownership. An “issuing public corporation” is an Ohio corporation with 50 or more shareholders that has its principal place of business, principal executive offices, or substantial assets within the State of Ohio, and as to which no close corporation agreement exists. An “interested shareholder” is a beneficial owner of 10% or more of the shares of a corporation. Examples of transactions regulated by Chapter 1704 include the disposition of assets, mergers and consolidations, voluntary dissolutions and the transfer of shares.

Subsequent to the three-year period, a transaction subject to Chapter 1704 may take place provided that certain conditions are satisfied, including:

- (i) before the interested shareholder’s share acquisition date, the board of directors approved the purchase of shares by the interested shareholder;
- (ii) the transaction is approved by the holders of shares with at least 66 2/3% of the voting power of the corporation (or a different proportion set forth in the articles of incorporation), including at least a majority of the outstanding shares after excluding shares controlled by the Ohio law interested shareholder; or
- (iii) the business combination results in shareholders, other than the Ohio law interested shareholder, receiving a fair price plus interest for their shares.

Each issuing public corporation has the ability to “opt out” of the application of Chapter 1704.

We have not opted out of the application of either Chapter 1704 or Section 1701.831.

Section 1707.041 of the Ohio Revised Code regulates certain tender offer “control bids” for corporations in Ohio with 50 or more shareholders that have significant Ohio contacts (as defined in that statute) and permits the Ohio Division of Securities to suspend a control bid if certain information is not provided to offerees.

Our Articles contain requirements for approval of certain business combinations involving the company. These provisions require that any merger and certain other business combination transactions involving the company and any holder of 20% or more of our common shares (“Related Party”) cannot be completed unless the transaction is approved by the affirmative vote of the holders of a majority of our common shares having voting power with respect to any such proposal. Our Articles further provide, however, that this shareholder approval requirement will not apply if either (i) the transaction is approved by a majority of our “Continuing Directors” (as defined in our Articles), or (ii) a “fair price” requirement has been satisfied. Under the “fair price” provision, the cash or other consideration to be paid for each of our common shares acquired in the transaction cannot be less than the highest per share price paid by the Related Party in acquiring any of our common shares. These provisions may not be amended or repealed except by the vote of holders of a majority of our common shares having voting power with respect to any such proposal.

THE PROGRESSIVE CORPORATION
2024 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 2024 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 pay, Paid Time Off pay (including Protected PTO-PSL, but excluding the payout of unused Paid Time Off or Protected PTO-PSL at termination), Volunteer Time Off pay, sick pay, holiday pay, funeral pay, overtime pay, military make-up pay, shift differential pay, 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), Gainshare or other incentive compensation payment or 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; any unused Volunteer 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:

- (1) 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
- (2) 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 2024, 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 and rounded to the nearest tenth decimal) (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 0.00 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 100.0, the Performance Factor for such Business Unit shall be 0.00.

**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

1. 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, 2024 (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.

2. 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.**

1. **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.
 2. **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 Annual Gainshare Payment was paid to the participant. Progressive shall further have the right to recover from such participant
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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.

3. **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, the Annual Gainshare Payment paid to a participant (and any payment made to a participant pursuant to a similar plan or an award) shall be subject to The Progressive Corporation Dodd-Frank Clawback Policy, as may be amended from time to time (collectively, the "Clawback Policy") and recoupment pursuant to the Federal securities laws and the rules of the SEC and any applicable national securities exchange. The Clawback Policy is incorporated herein by reference. 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.
 4. **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
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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 2024 and future Plan years. Without limiting the generality of the foregoing, this Plan supersedes and replaces The Progressive Corporation 2023 Gainshare Plan (the "Prior Plan"), which is and shall be deemed to have terminated on the last day of the Company's 2023 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 2023 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 2024 fiscal year. This Plan shall be effective for the 2024 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.

**AMENDMENT NO. 1
TO CERTAIN
RESTRICTED STOCK UNIT AWARD AGREEMENTS**

WHEREAS, The Progressive Corporation (the “Company”) entered into the following agreements (collectively, the “Agreements”) on the dates indicated below with Susan P Griffith (“Participant”) to grant to Participant awards (collectively, the “Awards”) of time-based and performance-based restricted stock units (collectively, the “Units”), pursuant to, and subject to, the terms of The Progressive Corporation 2015 Equity Incentive Plan (the “Plan”);

1.	Restricted Stock Unit Award Agreement (2020 Performance-Based Award – Performance versus Market), dated March 19, 2020
1.	Restricted Stock Unit Award Agreement (2021 Performance-Based Award – Performance versus Market), dated March 18, 2021
1.	Restricted Stock Unit Award Agreement (2022 Performance-Based Award – Performance versus Market), dated March 17, 2022
1.	Restricted Stock Unit Award Agreement (2023 Performance-Based Award – Performance versus Market), dated March 20, 2023
1.	Restricted Stock Unit Award Agreement (2021 Performance-Based Award – Investment Results), dated March 18, 2021
1.	Restricted Stock Unit Award Agreement (2022 Performance-Based Award – Investment Results), dated March 17, 2022
1.	Restricted Stock Unit Award Agreement (2023 Performance-Based Award – Investment Results), dated March 20, 2023
1.	Restricted Stock Unit Award Agreement (2019 Time-Based Award), dated March 14, 2019
1.	Restricted Stock Unit Award Agreement (2020 Executive Officer Time-Based Award), dated March 19, 2020
1.	Restricted Stock Unit Award Agreement (2021 Time-Based Award), dated March 18, 2021
1.	Restricted Stock Unit Award Agreement (2022 Time-Based Award), dated March 17, 2022
1.	Restricted Stock Unit Award Agreement (2023 Time-Based Award), dated March 20, 2023

WHEREAS, Agreement numbers 1 through 4 above are collectively referred to as the “PB Market Award Agreements,” Agreement numbers 5 through 7 above are collectively referred to as the “PB Investment Award Agreements,” and Agreement numbers 8 through 12 above are collectively referred to as the “Time-Based Award Agreements”;

WHEREAS, the Company has determined that this amendment (the “Amendment”) of each of the Agreements is necessary or appropriate to ensure that, if any of the Units become vested, delivery of shares of common stock of the Company to Participant under each of the Agreements shall comply with applicable law, including, without limitation, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended;

WHEREAS, the Participant consents to the Amendment in accordance with Section 12 of the Plan;

NOW THEREFORE, the Company and the Participant hereby acknowledge and agree to amend each of the Agreements as provided herein.

1. Paragraph 11 of each of the PB Market Award Agreements is amended by adding the following provision to the end of such paragraph as follows:

Notwithstanding any provision of the Plan or this Agreement to the contrary, however, delivery of shares of Stock under this Agreement shall be delayed if the Committee reasonably anticipates, based on notice from the Company, that delivery of Stock will violate Federal securities laws or other applicable laws; provided that the Company shall deliver Stock pursuant to the provisions of the Plan and this Agreement at the earliest date at which the Committee reasonably believes, based on notice from the Company, that such delivery will not cause such violation.

2. Paragraph 10 of each of the PB Investment Award Agreements is amended by adding the following provision to the end of such paragraph as follows:

Notwithstanding any provision of the Plan or this Agreement to the contrary, however, delivery of shares of Stock under this Agreement shall be delayed if the Committee reasonably anticipates, based on notice from the Company, that delivery of Stock will violate Federal securities laws or other applicable laws; provided that the Company shall deliver Stock pursuant to the provisions of the Plan and this Agreement at the earliest date at which the Committee reasonably believes, based on notice from the Company, that such delivery will not cause such violation.

3. Paragraph 9 of each of the Time-Based Award Agreements is amended by adding the following provision to the end of such paragraph as follows:

Notwithstanding any provision of the Plan or this Agreement to the contrary, however, delivery of shares of Stock under this Agreement shall be delayed if the Committee reasonably anticipates, based on notice from the Company, that delivery of Stock will violate Federal securities laws or other applicable laws; provided that the Company shall deliver Stock pursuant to the provisions of the Plan and this Agreement at the earliest date at which the Committee reasonably believes, based on notice from the Company, that such delivery will not cause such violation.

4. In all other respects, each of the Agreements and the Plan are unchanged.

5. Participant acknowledges receiving a copy of this Amendment, and hereby agrees to be bound by the terms of the Amendment, and further agrees to accept as binding, conclusive and final all decisions and interpretations of the Committee relating to the Plan and each of the Agreements as amended by this Amendment. Execution and delivery of this Amendment may be accomplished through electronic means.

[Signature Pages Follow]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date of the last signature below.

THE PROGRESSIVE CORPORATION

By: /s/ Daniel Mascaro

Vice President & Secretary

Date: 11/16/2023

/s/ Susan Patricia Griffith

Susan P Griffith

Date: 11/16/2023

Signature Page to Amendment No. 1 to Certain Restricted Stock Unit Award Agreements

Board of Directors' Compensation

Board of Directors for the 2023-2024 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.

THE PROGRESSIVE CORPORATION
2023 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)

	2023	2022	2021
Revenues			
Net premiums earned	\$ 58,664.4	\$ 49,241.2	\$ 44,368.7
Investment income	1,891.8	1,260.3	860.9
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	13.7	196.5	614.3
Net holding period gains (losses) on securities	348.4	(2,100.1)	899.9
Net impairment losses recognized in earnings	(9.0)	(8.6)	(5.0)
Total net realized gains (losses) on securities	353.1	(1,912.2)	1,509.2
Fees and other revenues	889.1	722.1	691.8
Service revenues	310.1	299.3	271.4
Total revenues	62,108.5	49,610.7	47,702.0
Expenses			
Losses and loss adjustment expenses	45,654.6	38,122.7	33,627.6
Policy acquisition costs	4,665.1	3,917.0	3,712.8
Other underwriting expenses	6,241.5	5,859.6	5,654.7
Investment expenses	26.2	24.3	25.5
Service expenses	349.0	296.7	252.8
Interest expense	268.4	243.5	218.6
Goodwill impairment	0	224.8	0
Total expenses	57,204.8	48,688.6	43,492.0
Net Income			
Income before income taxes	4,903.7	922.1	4,210.0
Provision for income taxes	1,001.3	200.6	859.1
Net income	3,902.4	721.5	3,350.9
Other Comprehensive Income (Loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	1,185.5	(2,842.5)	(891.1)
Net unrealized losses on forecasted transactions	0.5	0.4	0.7
Foreign currency translation adjustment	0.3	(0.6)	(0.6)
Other comprehensive income (loss)	1,186.3	(2,842.7)	(891.0)
Comprehensive income (loss)	\$ 5,088.7	\$ (2,121.2)	\$ 2,459.9
Computation of Earnings Per Common Share			
Net income	\$ 3,902.4	\$ 721.5	\$ 3,350.9
Less: Preferred share dividends ¹	37.6	26.9	26.9
Net income available to common shareholders	\$ 3,864.8	\$ 694.6	\$ 3,324.0
Average common shares outstanding - Basic	584.9	584.4	584.5
Net effect of dilutive stock-based compensation	2.6	2.7	2.6
Total average equivalent common shares - Diluted	587.5	587.1	587.1
Basic: Earnings per common share	\$ 6.61	\$ 1.19	\$ 5.69
Diluted: Earnings per common share	\$ 6.58	\$ 1.18	\$ 5.66

¹ Changed to a floating dividend rate in March 2023. See *Note 14 – Dividends* for further discussion.

See notes to consolidated financial statements.

The Progressive Corporation and Subsidiaries
Consolidated Balance Sheets
December 31,

(millions - except per share amounts)	2023	2022
Assets		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost: \$62,441.9 and \$50,264.0)	\$ 60,378.2	\$ 46,651.9
Short-term investments (amortized cost: \$1,789.9 and \$2,861.7)	1,789.9	2,861.7
Total available-for-sale securities	62,168.1	49,513.6
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: \$977.1 and \$1,364.2)	902.1	1,213.2
Common equities (cost: \$706.0 and \$826.1)	2,928.4	2,821.5
Total equity securities	3,830.5	4,034.7
Total investments	65,998.6	53,548.3
Cash and cash equivalents	84.9	203.5
Restricted cash and cash equivalents	14.7	17.4
Total cash, cash equivalents, restricted cash, and restricted cash equivalents	99.6	220.9
Accrued investment income	438.0	282.5
Premiums receivable, net of allowance for credit losses of \$369.1 and \$343.3	11,958.2	10,416.9
Reinsurance recoverables	5,093.9	5,832.1
Prepaid reinsurance premiums	249.8	295.5
Deferred acquisition costs	1,687.4	1,544.4
Property and equipment, net of accumulated depreciation of \$1,655.1 and \$1,551.1	880.8	1,034.0
Net federal deferred income taxes	936.0	1,131.5
Other assets	1,348.5	1,158.9
Total assets	\$ 88,690.8	\$ 75,465.0
Liabilities and Shareholders' Equity		
Unearned premiums	\$ 20,133.7	\$ 17,293.6
Loss and loss adjustment expense reserves	34,389.2	30,359.3
Accounts payable, accrued expenses, and other liabilities ¹	7,002.2	5,532.8
Debt ²	6,888.6	6,388.3
Total liabilities	68,413.7	59,574.0
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 212.3 and 212.7)	585.3	584.9
Paid-in capital	2,013.1	1,893.0
Retained earnings	18,800.5	15,721.2
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on fixed-maturity securities	(1,600.8)	(2,786.3)
Net unrealized losses on forecasted transactions	(14.0)	(14.5)
Foreign currency translation adjustment	(0.9)	(1.2)
Total accumulated other comprehensive income (loss)	(1,615.7)	(2,802.0)
Total shareholders' equity	20,277.1	15,891.0
Total liabilities and shareholders' equity	\$ 88,690.8	\$ 75,465.0

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

² 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)	2023	2022	2021
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	584.9	584.4	585.2
Treasury shares purchased	(1.0)	(0.9)	(2.4)
Net restricted equity awards issued/vested	1.4	1.4	1.6
Balance, end of year	585.3	584.9	584.4
Paid-In Capital			
Balance, beginning of year	1,893.0	1,772.9	1,672.9
Amortization of equity-based compensation	121.3	122.7	100.7
Treasury shares purchased	(3.3)	(2.6)	(7.1)
Net restricted equity awards issued/vested	(1.4)	(1.4)	(1.6)
Reinvested dividends on restricted stock units	3.5	1.4	8.0
Balance, end of year	2,013.1	1,893.0	1,772.9
Retained Earnings			
Balance, beginning of year	15,721.2	15,339.7	13,354.9
Net income	3,902.4	721.5	3,350.9
Treasury shares purchased	(136.4)	(95.5)	(213.5)
Cash dividends declared on common shares (\$1.15, \$0.40, and \$1.90 per share) ¹	(672.7)	(233.7)	(1,109.0)
Cash dividends declared on Serial Preferred Shares, Series B (\$60.354787, \$53.75, and \$53.75 per share) ¹	(30.2)	(26.8)	(26.8)
Reinvested dividends on restricted stock units	(3.5)	(1.4)	(8.0)
Other, net	19.7	17.4	(8.8)
Balance, end of year	18,800.5	15,721.2	15,339.7
Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of year	(2,802.0)	40.7	931.7
Other comprehensive income (loss)	1,186.3	(2,842.7)	(891.0)
Balance, end of year	(1,615.7)	(2,802.0)	40.7
Total shareholders' equity	\$ 20,277.1	\$ 15,891.0	\$ 18,231.6

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)	2023	2022	2021
Cash Flows From Operating Activities			
Net income	\$ 3,902.4	\$ 721.5	\$ 3,350.9
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	285.5	305.6	279.7
Amortization of intangible assets	14.2	31.0	57.7
Net amortization (accretion) of fixed-income securities	41.4	(25.2)	130.3
Amortization of equity-based compensation	121.3	122.7	100.7
Net realized (gains) losses on securities	(353.1)	1,912.2	(1,509.2)
Net (gains) losses on disposition of property and equipment	36.2	(0.6)	(3.6)
Goodwill impairment	0	224.8	0
Changes in:			
Premiums receivable	(1,541.3)	(1,017.4)	(1,146.8)
Reinsurance recoverables	738.2	(851.6)	(508.7)
Prepaid reinsurance premiums	45.7	162.1	(74.9)
Deferred acquisition costs	(143.0)	(188.8)	(118.4)
Income taxes	181.2	(515.3)	(86.0)
Unearned premiums	2,840.1	1,677.8	2,111.4
Loss and loss adjustment expense reserves	4,029.9	4,195.2	4,752.8
Accounts payable, accrued expenses, and other liabilities	699.6	199.5	399.7
Other, net	(255.0)	(104.7)	26.1
Net cash provided by operating activities	10,643.3	6,848.8	7,761.7
Cash Flows From Investing Activities			
Purchases:			
Fixed maturities	(25,776.9)	(26,510.4)	(33,177.5)
Equity securities	(86.6)	(158.1)	(838.1)
Sales:			
Fixed maturities	8,234.4	14,055.2	18,965.2
Equity securities	791.3	1,496.1	780.6
Maturities, paydowns, calls, and other:			
Fixed maturities	4,990.3	5,380.3	7,013.8
Equity securities	65.2	83.6	223.1
Net (purchases) sales of short-term investments	1,155.7	(1,868.2)	4,355.7
Net change in unsettled security transactions	(11.2)	(177.8)	47.9
Acquisition of Protective Insurance Corporation, net of cash, cash equivalents, and restricted cash equivalents acquired	0	0	(313.2)
Purchases of property and equipment	(252.0)	(292.0)	(243.5)
Sales of property and equipment	47.2	35.1	66.2
Net cash used in investing activities	(10,842.6)	(7,956.2)	(3,119.8)
Cash Flows From Financing Activities			
Dividends paid to common shareholders ¹	(234.0)	(234.0)	(3,746.5)
Dividends paid to preferred shareholders ¹	(43.6)	(26.8)	(26.8)
Acquisition of treasury shares for restricted stock tax liabilities	(95.0)	(76.7)	(67.2)
Acquisition of treasury shares acquired in open market	(45.7)	(22.3)	(155.8)
Net proceeds from debt issuance	496.3	1,486.0	0
Payment of acquired company debt	0	0	(20.0)
Payments of debt	0	0	(500.0)
Net cash provided by (used in) financing activities	78.0	1,126.2	(4,516.3)
Increase (decrease) in cash, cash equivalents, restricted cash, and restricted cash equivalents	(121.3)	18.8	125.6
Cash, cash equivalents, restricted cash, and restricted cash equivalents - beginning of year	220.9	202.1	76.5
Cash, cash equivalents, restricted cash, and restricted cash equivalents - end of year	\$ 99.6	\$ 220.9	\$ 202.1

¹ 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 write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers’ compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide 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 and 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 in net holding period gains (losses) on securities on the consolidated statements of comprehensive income. Our 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.

We did not have any open derivative instruments at December 31, 2023, 2022, or 2021. From time to time, we entered into interest rate swaps to hedge the exposure to variable cash flows of a forecasted transaction (i.e., cash flow hedge).

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. See *Note 4 – Debt* for a summary of our closed debt issuance cash flow hedges.

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 write off the unrealized loss for the 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 (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, accretion, and 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 and hybrid instruments (e.g., securities with embedded options, where the option is a feature of the overall change in the value of the instrument), 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 write insurance and provide 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. To determine an allowance for credit losses, we evaluate the collectibility of premiums receivables based on historical and current collections experience of the aged exposures, 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.

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.

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

(millions)		2023	2022
Balance at January 1	\$	343.3	\$ 280.4
Increase in allowance ¹		540.3	471.1
Write-offs ²		(514.5)	(408.2)
Balance at December 31	\$	369.1	\$ 343.3

¹ Represents the incremental increase in other underwriting expenses.

² 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.

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
2023	\$ 1,599.7
2022	2,032.5
2021	2,139.5

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. 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, 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.

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

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

(\$ in millions)	2023	2022	Useful Lives
Land	\$ 102.6	\$ 123.1	NA
Buildings, improvements, and integrated components	732.9	844.1	7-40 years
Capitalized software	467.5	475.4	3-10 years
Software licenses (internal use)	486.4	427.6	1-6 years
Computer equipment	353.3	318.1	3 years
All other property and equipment	393.2	396.8	3-10 years
Total cost	2,535.9	2,585.1	
Accumulated depreciation	(1,655.1)	(1,551.1)	
Balance at end of year	\$ 880.8	\$ 1,034.0	

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

Included in other assets in our consolidated balance sheets are “held for sale” properties of \$77.2 million and \$48.7 million at December 31, 2023 and 2022, respectively, and capitalized cloud computing arrangement implementation costs, net of amortization, of \$88.1 million and \$63.4 million. When properties are determined to be “held for sale,” they are written down to their fair values less the estimated costs to sell, as applicable.

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 temporary 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:

- unearned premiums reserves;
- investment securities (e.g., net unrealized gains (losses) and net holding period gains (losses) on securities);
- deferred acquisition costs;
- loss and loss adjustment expense reserves;
- non-deductible accruals;
- property and equipment; and
- software development costs.

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.

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. At December 31, 2023 and 2022, we had goodwill of \$227.9 million, which is primarily attributable to our Agency Personal Lines business and related to the April 1, 2015, acquisition of a controlling interest in ARX Holding Corp. (ARX). There were no changes to the carrying amount of goodwill during the year ended December 31, 2023.

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.

In 2022, we recorded an impairment loss of \$224.8 million, related to the goodwill assigned to the ARX reporting unit of our Property operating segment. As a result of our annual impairment testing, we determined that impairment was necessary given 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. There were no previously recorded goodwill impairment losses on any of the outstanding goodwill.

Intangible assets are non-financial assets lacking physical substance (e.g., customer and agency relationships, trade names, software rights) and represent the future economic benefit of those acquired assets. Amortization expense related to intangible assets was \$14.2 million, \$31.0 million, and \$57.7 million for the years ended December 31, 2023, 2022, and 2021, respectively.

Goodwill and intangible assets are included in other assets in our consolidated balance sheets; the prior-year amounts, which were presented separately on the balance sheet in the prior year, were reclassified into this line item to conform to the current year presentation.

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, and are considered a part of our underwriting operations. 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. Generally, restricted equity awards are expensed pro rata over their respective vesting periods (i.e., requisite service period), based on the market value of the awards at the time of grant, with accelerated expense for participants who satisfy qualified retirement eligibility. We record an estimate for expected forfeitures of restricted equity awards based on our historical forfeiture rates.

We credit dividend equivalent units to our management restricted equity awards. Dividend equivalent units for both time-based and performance-based awards are based on the amount of common share dividends declared by the Board of Directors, credited to outstanding restricted stock unit awards at the time a dividend is paid to shareholders, and distributed upon, or after, vesting of the underlying award.

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

(millions)		2023		2022		2021
Pretax expense	\$	121.3	\$	122.7	\$	100.7
Tax benefit ¹		17.0		16.0		14.1

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, non-employee director, time-based restricted stock awards. Diluted earnings per common share includes common stock equivalents assumed outstanding during the period. Our common stock equivalents, which are calculated using the treasury stock method, 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 common 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 overnight reverse repurchase commitments, which are not considered part of the investment portfolio, held by these subsidiaries at December 31, 2023, 2022, and 2021, were \$68.2 million, \$125.9 million, and \$137.1 million, respectively. Restricted cash and restricted cash equivalents include collateral held against unpaid deductibles and cash that is restricted to pay flood claims under the NFIP's "Write Your Own" program, for which certain subsidiaries are participants.

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

(millions)		2023	2022	2021
Common share dividends ¹	\$	497.9	\$ 58.5	\$ 58.5
Preferred share dividends ¹		0	13.4	13.4
Operating lease liabilities ²		114.3	36.2	86.7

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

² See *Note 13 – Leases* for further discussion.

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

(millions)		2023	2022	2021
Income taxes	\$	820.8	\$ 719.0	\$ 842.4
Interest		264.9	228.9	224.0
Operating lease liabilities		77.2	82.5	88.6

Commitments and Contingencies We have certain noncancelable purchase obligations for goods and services with minimum commitments of \$1,024.8 million at December 31, 2023, 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
2024	\$	780.0
2025		139.5
2026		68.6
2027		26.5
2028		7.8
Thereafter		2.4
Total	\$	1,024.8

In addition, 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, 2023, was \$291.5 million. Pursuant to these contracts, \$282.8 million, \$8.1 million, and \$0.6 million will be paid in 2024, 2025, and 2026, respectively.

New Accounting Standards

Adopted

We did not adopt any new accounting standards during the year ended December 31, 2023.

Issued

In March 2023, the Financial Accounting Standards Board issued an Accounting Standards Update (ASU), which permits an election to amortize the cost of tax equity investments to the provision for income taxes if certain conditions are met. Currently, these investments are accounted for under the equity method of accounting. This ASU is effective for fiscal years (including interim periods within those fiscal years) beginning after December 15, 2023 (2024 for calendar-year companies). On January 1, 2024, we adopted this standard on the modified retrospective basis. This standard did not have a material impact on our financial condition or results of operations.

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
December 31, 2023						
Available-for-sale securities:						
Fixed maturities:						
U.S. government obligations	\$ 37,823.2	\$ 204.1	\$ (1,157.9)	\$ 0	\$ 36,869.4	55.9 %
State and local government obligations	2,338.4	2.8	(138.4)	0	2,202.8	3.3
Foreign government obligations	17.3	0	(1.0)	0	16.3	0.1
Corporate debt securities	11,446.0	87.2	(332.3)	(17.2)	11,183.7	16.9
Residential mortgage-backed securities	426.9	0.2	(10.0)	0.1	417.2	0.6
Commercial mortgage-backed securities	4,535.2	2.2	(597.7)	0	3,939.7	6.0
Other asset-backed securities	5,667.2	15.7	(107.1)	(0.4)	5,575.4	8.4
Redeemable preferred stocks	187.7	0	(2.4)	(11.6)	173.7	0.3
Total fixed maturities	62,441.9	312.2	(2,346.8)	(29.1)	60,378.2	91.5
Short-term investments	1,789.9	0	0	0	1,789.9	2.7
Total available-for-sale securities	64,231.8	312.2	(2,346.8)	(29.1)	62,168.1	94.2
Equity securities:						
Nonredeemable preferred stocks	977.1	0	0	(75.0)	902.1	1.4
Common equities	706.0	0	0	2,222.4	2,928.4	4.4
Total equity securities	1,683.1	0	0	2,147.4	3,830.5	5.8
Total portfolio ¹	\$ 65,914.9	\$ 312.2	\$ (2,346.8)	\$ 2,118.3	\$ 65,998.6	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, 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 %

¹ At December 31, 2023 and 2022, we had \$45.6 million and \$34.4 million, respectively, of net unsettled security transactions included in other assets.

The total fair value of the portfolio at December 31, 2023 and 2022, included \$4.2 billion and \$4.4 billion, respectively, of securities held in a consolidated, non-insurance subsidiary of the holding company, net of any unsettled security transactions.

At December 31, 2023, bonds and certificates of deposit in the principal amount of \$671.8 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, 2023 or 2022. At December 31, 2023, 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 did not have any open repurchase or reverse repurchase transaction positions at December 31, 2023 or 2022, and did not enter into any such transactions during 2023. During 2022, we invested in repurchase transactions that had an immaterial impact on our results of operations and cash flows. 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)	2023	2022
Fixed Maturities:		
Corporate debt securities	\$ 531.3	\$ 535.4
Residential mortgage-backed securities	323.9	509.6
Other asset-backed securities	13.9	42.0
Redeemable preferred stocks	141.2	134.7
Total hybrid securities	\$ 1,010.3	\$ 1,221.7

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 (losses).

Fixed Maturities The composition of fixed maturities by maturity at December 31, 2023, was:

(millions)	Cost		Fair Value	
Less than one year	\$	9,782.8	\$	9,566.2
One to five years		37,948.6		36,796.2
Five to ten years		14,637.1		13,942.5
Ten years or greater		73.4		73.3
Total	\$	62,441.9	\$	60,378.2

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
<u>December 31, 2023</u>									
U.S. government obligations	147	\$ 28,225.0	\$ (1,157.9)	25	\$ 11,890.0	\$ (100.0)	122	\$ 16,335.0	\$ (1,057.9)
State and local government obligations	324	1,846.2	(138.4)	31	169.9	(0.9)	293	1,676.3	(137.5)
Foreign government obligations	1	16.3	(1.0)	0	0	0	1	16.3	(1.0)
Corporate debt securities	313	6,642.4	(332.3)	26	617.2	(14.7)	287	6,025.2	(317.6)
Residential mortgage-backed securities	39	88.4	(10.0)	2	0.4	0	37	88.0	(10.0)
Commercial mortgage-backed securities	189	3,912.2	(597.7)	1	30.7	(2.5)	188	3,881.5	(595.2)
Other asset-backed securities	207	3,299.1	(107.1)	41	639.4	(1.2)	166	2,659.7	(105.9)
Redeemable preferred stocks	3	32.5	(2.4)	0	0	0	3	32.5	(2.4)
Total fixed maturities	1,223	\$ 44,062.1	\$ (2,346.8)	126	\$ 13,347.6	\$ (119.3)	1,097	\$ 30,714.5	\$ (2,227.5)

(\$ 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
<u>December 31, 2022</u>									
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)

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.

We had 29 securities in fixed-maturity sectors, other than U.S. government obligations, that had their credit ratings downgraded, with a combined fair value of \$447.9 million and an unrealized loss of \$59.0 million as of December 31, 2023. Additionally, during 2023, the credit ratings of our U.S. government obligations were downgraded to AA+ from AAA due to downgrades by two major credit rating agencies.

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 2023 or 2022 and did not have a material credit loss allowance balance as of December 31, 2023 or 2022. 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 on any specific security, or in the 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, 2023 and 2022, 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, 2023 and 2022, 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, 2023 or 2022.

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

(millions)	2023	2022	2021
<u>Gross realized gains on security sales</u>			
Available-for-sale securities:			
U.S. government obligations	\$ 12.1	\$ 10.8	\$ 105.8
State and local government obligations	0	0	51.2
Corporate and other debt securities	1.0	8.7	104.0
Residential mortgage-backed securities	0.9	0.7	0.3
Commercial mortgage-backed securities	0	0	41.9
Other asset-backed securities	0	0.2	1.2
Redeemable preferred stocks	0	0	1.5
Total available-for-sale securities	14.0	20.4	305.9
Equity securities:			
Nonredeemable preferred stocks	0.3	17.6	28.0
Common equities	381.0	846.1	369.6
Total equity securities	381.3	863.7	397.6
Subtotal gross realized gains on security sales	395.3	884.1	703.5
<u>Gross realized losses on security sales</u>			
Available-for-sale securities:			
U.S. government obligations	(64.6)	(433.3)	(52.0)
State and local government obligations	0	(1.0)	(3.4)
Foreign government obligations	0	0	(0.1)
Corporate and other debt securities	(85.7)	(88.3)	(8.3)
Residential mortgage-backed securities	0	0	(1.1)
Commercial mortgage-backed securities	(106.8)	(72.4)	(1.9)
Other asset-backed securities	(5.6)	(4.4)	(0.6)
Short-term investments	(0.4)	(0.4)	0
Total available-for-sale securities	(263.1)	(599.8)	(67.4)
Equity securities:			
Nonredeemable preferred stocks	(118.3)	(9.8)	(1.7)
Common equities	(21.8)	(78.0)	(20.1)
Total equity securities	(140.1)	(87.8)	(21.8)
Subtotal gross realized losses on security sales	(403.2)	(687.6)	(89.2)
<u>Net realized gains (losses) on security sales</u>			
Available-for-sale securities:			
U.S. government obligations	(52.5)	(422.5)	53.8
State and local government obligations	0	(1.0)	47.8
Foreign government obligations	0	0	(0.1)
Corporate and other debt securities	(84.7)	(79.6)	95.7
Residential mortgage-backed securities	0.9	0.7	(0.8)
Commercial mortgage-backed securities	(106.8)	(72.4)	40.0
Other asset-backed securities	(5.6)	(4.2)	0.6
Redeemable preferred stocks	0	0	1.5
Short-term investments	(0.4)	(0.4)	0
Total available-for-sale securities	(249.1)	(579.4)	238.5
Equity securities:			
Nonredeemable preferred stocks	(118.0)	7.8	26.3
Common equities	359.2	768.1	349.5
Total equity securities	241.2	775.9	375.8
Subtotal net realized gains (losses) on security sales	(7.9)	196.5	614.3
<u>Other assets</u>			
Gain	21.6	0	0
Impairment	(9.0)	(8.6)	(5.0)
Subtotal net realized gains (losses) on other assets	12.6	(8.6)	(5.0)
<u>Net holding period gains (losses)</u>			
Hybrid securities	45.4	(82.0)	(7.7)
Equity securities	303.0	(2,018.1)	907.6
Subtotal net holding period gains (losses)	348.4	(2,100.1)	899.9
Total net realized gains (losses) on securities	\$ 353.1	\$ (1,912.2)	\$ 1,509.2

During 2023 and 2022, the gross gains in common equities reflected sales of securities, as part of our plan to incrementally reduce risk in the portfolio in response to our then-current views of the potential for a more difficult economic environment in both years, while during 2021, the gross gains in common equities primarily reflected the sale of common stocks held outside of our indexed portfolio. During 2023, the gross losses were primarily related to: i) commercial mortgage-backed securities, as we reduced certain positions that we believed would be sensitive to potential future economic uncertainty; ii) corporate debt securities, as we sold some longer duration securities that had less attractive risk/reward profiles; and

iii) nonredeemable preferred stocks, predominantly due to the sale of certain holdings in U.S. bank preferred stocks. During 2022, we sold U.S. Treasury Notes to shorten duration and for tax planning purposes and recognized a gross loss on the sales. The other asset gain for 2023, related to proceeds received as the result of litigation in conjunction with three renewable energy investments we made from 2016 through 2018 (the original investments were previously written down in full). The other asset impairment loss for all three years was recorded as a result of our investment in a federal tax credit fund, which was entered into during the second quarter 2021, and is reported in other assets in our consolidated balance sheets.

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

(millions)	2023	2022	2021
Total net gains (losses) recognized during the period on equity securities	\$ 544.2	\$ (1,242.2)	\$ 1,283.4
Less: Net gains (losses) recognized on equity securities sold during the period	241.2	775.9	375.8
Net holding period gains (losses) recognized during the period on equity securities held at period end	\$ 303.0	\$ (2,018.1)	\$ 907.6

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

(millions)	2023	2022	2021
Available-for-sale securities:			
Fixed maturities:			
U.S. government obligations	\$ 864.0	\$ 339.1	\$ 149.5
State and local government obligations	47.6	39.7	44.1
Foreign government obligations	0.2	0.2	0.1
Corporate debt securities	365.4	288.8	301.1
Residential mortgage-backed securities	28.7	31.6	11.9
Commercial mortgage-backed securities	196.1	190.6	143.0
Other asset-backed securities	192.5	174.6	64.1
Redeemable preferred stocks	11.1	11.4	9.5
Total fixed maturities	1,705.6	1,076.0	723.3
Short-term investments	92.4	53.6	3.1
Total available-for-sale securities	1,798.0	1,129.6	726.4
Equity securities:			
Nonredeemable preferred stocks	51.4	70.2	70.3
Common equities	42.4	60.5	64.2
Total equity securities	93.8	130.7	134.5
Investment income	1,891.8	1,260.3	860.9
Investment expenses	(26.2)	(24.3)	(25.5)
Net investment income	\$ 1,865.6	\$ 1,236.0	\$ 835.4

On a year-over-year basis, investment income (interest and dividends) increased 50% in 2023, compared to 2022, and increased 46% in 2022, compared to 2021, primarily due to increases during the periods in interest rates on floating-rate securities in our portfolio and purchases of new investments with higher coupon rates. The recurring

investment book yield increased 29% in 2023, compared to 2022, and 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 in both periods.

3. FAIR VALUE

We have categorized our financial instruments, based on the degree of subjectivity inherent in the method by which they are valued, into a fair value hierarchy of three levels, as follows:

- *Level 1:* Inputs are unadjusted, quoted prices in active markets for identical instruments at the measurement date (e.g., U.S. government obligations, which are continually priced on a daily basis, active exchange-traded equity securities, and certain short-term securities).
- *Level 2:* Inputs (other than quoted prices included within Level 1) that are observable for the instrument either directly or indirectly (e.g., certain corporate and municipal bonds and certain preferred stocks). This includes: (i) quoted prices for similar instruments in active markets, (ii) quoted prices for identical or similar instruments in markets that are not active, (iii) inputs other than quoted prices that are

observable for the instruments, and (iv) inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- *Level 3:* Inputs that are unobservable. Unobservable inputs reflect our subjective evaluation about the assumptions market participants would use in pricing the financial instrument (e.g., certain structured securities and privately held investments).

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

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

(millions)	Fair Value				Cost
	Level 1	Level 2	Level 3	Total	
<u>December 31, 2023</u>					
Fixed maturities:					
U.S. government obligations	\$ 36,869.4	\$ 0	\$ 0	\$ 36,869.4	\$ 37,823.2
State and local government obligations	0	2,202.8	0	2,202.8	2,338.4
Foreign government obligations	0	16.3	0	16.3	17.3
Corporate debt securities	0	11,180.7	3.0	11,183.7	11,446.0
Subtotal	36,869.4	13,399.8	3.0	50,272.2	51,624.9
Asset-backed securities:					
Residential mortgage-backed	0	417.2	0	417.2	426.9
Commercial mortgage-backed	0	3,939.7	0	3,939.7	4,535.2
Other asset-backed	0	5,575.4	0	5,575.4	5,667.2
Subtotal asset-backed securities	0	9,932.3	0	9,932.3	10,629.3
Redeemable preferred stocks:					
Financials	0	23.1	0	23.1	24.5
Utilities	0	9.4	0	9.4	10.4
Industrials	0	141.2	0	141.2	152.8
Subtotal redeemable preferred stocks	0	173.7	0	173.7	187.7
Total fixed maturities	36,869.4	23,505.8	3.0	60,378.2	62,441.9
Short-term investments	1,757.0	32.9	0	1,789.9	1,789.9
Total available-for-sale securities	38,626.4	23,538.7	3.0	62,168.1	64,231.8
Equity securities:					
Nonredeemable preferred stocks:					
Financials	0	802.7	49.2	851.9	922.1
Utilities	0	35.4	0	35.4	40.0
Industrials	0	0	14.8	14.8	15.0
Subtotal nonredeemable preferred stocks	0	838.1	64.0	902.1	977.1
Common equities:					
Common stocks	2,885.3	0	22.5	2,907.8	685.4
Other risk investments	0	0	20.6	20.6	20.6
Subtotal common equities	2,885.3	0	43.1	2,928.4	706.0
Total equity securities	2,885.3	838.1	107.1	3,830.5	1,683.1
Total portfolio	\$ 41,511.7	\$ 24,376.8	\$ 110.1	\$ 65,998.6	\$ 65,914.9
Debt	\$ 0	\$ 6,431.3	\$ 0	\$ 6,431.3	\$ 6,888.6

(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

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, 2023, vendor-quoted prices represented 93% of our Level 1 classifications (excluding short-term investments), compared to 90% at December 31, 2022. 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. All Level 1 preferred stocks with active exchange quotes were sold during 2023.

At December 31, 2023, vendor-quoted prices comprised 100% of our Level 2 classifications (excluding short-term investments and common stock), compared to 98% at year-

end 2022; the remaining 2% at December 31, 2022, were dealer-quoted prices. 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 2023 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 tables and categorize these securities as "pricing exemption securities" in the quantitative information tables.

During the fourth quarter 2023, we purchased a privately held fixed-maturity security that is classified as a Level 3 investment. At December 31, 2022, we did not have any securities in our fixed-maturity portfolio listed as Level 3.

During 2023, there were no material assets or liabilities measured at fair value on a nonrecurring basis. During 2022, we determined that the fair value of goodwill related to our ARX reporting unit was less than the carrying value and we wrote down \$224.8 million of our total goodwill asset. No other material assets or liabilities were measured at fair value during 2022.

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, 2023 and 2022:

(millions)	Level 3 Fair Value							
	Fair Value at Dec. 31, 2022	Calls/ Maturities/ Paydowns/Other	Purchases	Sales	Net Realized (Gain)/Loss on Sales	Change in Valuation	Net Transfers In (Out)	Fair Value at Dec. 31, 2023
Fixed maturities:								
Corporate debt securities	\$ 0	\$ 0	\$ 3.0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3.0
Equity securities:								
Nonredeemable preferred stocks:								
Financials	67.4	(8.1)	1.0	0	0	(11.1)	0	49.2
Industrials	16.4	0	0	0	0	(1.6)	0	14.8
Common equities:								
Common stocks	18.3	8.1	0	(10.0)	8.9	(2.8)	0	22.5
Other risk investments	19.8	0.8	0	0	0	0	0	20.6
Total Level 3 securities	\$ 121.9	\$ 0.8	\$ 4.0	\$ (10.0)	\$ 8.9	\$ (15.5)	\$ 0	\$ 110.1

(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.

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

(\$ in millions)	Quantitative Information about Level 3 Fair Value Measurements				
	Fair Value at Dec. 31, 2023	Valuation Technique	Unobservable Input	Range of Input Values Increase (Decrease)	Weighted Average Increase (Decrease)
Fixed maturities:					
Corporate debt securities	\$ 3.0	Market comparables	Weighted average market capitalization price change %	0.3% to 7.7%	2.6 %
Equity securities:					
Nonredeemable preferred stocks	64.0	Market comparables	Weighted average market capitalization price change %	17.2% to 39.7%	21.7%
Common stocks	22.5	Market comparables	Weighted average market capitalization price change %	(45.8)% to 95.6%	39.7%
Subtotal Level 3 securities	89.5				
Pricing exemption securities	20.6				
Total Level 3 securities	\$ 110.1				

(\$ in millions)	Quantitative Information about Level 3 Fair Value Measurements				
	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				

4. DEBT

Debt at December 31, consisted of:

(millions)	2023		2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
2.45% Senior Notes due 2027 (issued: \$500.0, August 2016)	\$ 498.6	\$ 468.9	\$ 498.2	\$ 457.7
2.50% Senior Notes due 2027 (issued: \$500.0, March 2022)	498.1	469.1	497.5	460.3
6 5/8% Senior Notes due 2029 (issued: \$300.0, March 1999)	297.8	328.7	297.5	326.8
4.00% Senior Notes due 2029 (issued: \$550.0, October 2018)	546.9	542.6	546.4	527.8
3.20% Senior Notes due 2030 (issued: \$500.0, March 2020)	497.3	462.2	496.9	448.6
3.00% Senior Notes due 2032 (issued: \$500.0, March 2022)	496.3	446.0	495.9	438.1
6.25% Senior Notes due 2032 (issued: \$400.0, November 2002)	396.7	445.6	396.4	435.4
4.95% Senior Notes due 2033 (issued: \$500.0, May 2023)	496.4	513.0	0	0
4.35% Senior Notes due 2044 (issued: \$350.0, April 2014)	347.0	314.2	346.9	298.4
3.70% Senior Notes due 2045 (issued: \$400.0, January 2015)	395.9	325.1	395.7	310.2
4.125% Senior Notes due 2047 (issued: \$850.0, April 2017)	842.3	756.2	842.1	716.2
4.20% Senior Notes due 2048 (issued: \$600.0, March 2018)	590.6	534.1	590.4	507.0
3.95% Senior Notes due 2050 (issued: \$500.0, March 2020)	491.1	422.3	490.9	404.9
3.70% Senior Notes due 2052 (issued: \$500.0, March 2022)	493.6	403.3	493.5	386.5
Total	\$ 6,888.6	\$ 6,431.3	\$ 6,388.3	\$ 5,717.9

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 the 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, 2023 or 2022.

We issued \$500 million of 4.95% Senior Notes due 2033 in May 2023, in an underwritten public offering. The net proceeds from the issuance, after deducting underwriters’ discounts, commissions, and other issuance costs, were approximately \$496.3 million.

Aggregate required principal payments on debt outstanding at December 31, 2023, were as follows:

(millions)	Payments
2024	\$ 0
2025	0
2026	0
2027	1,000.0
2028	0
Thereafter	5,950.0
Total	\$ 6,950.0

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, Investments* 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, 2023, on a pretax basis:

(millions)		Unrealized Gain (Loss) at Issuance	Unamortized Balance at December 31, 2023
6 5/8% Senior Notes due 2029	\$	(4.2)	\$ (1.5)
6.25% Senior Notes due 2032		5.1	2.6
4.35% Senior Notes due 2044		(1.6)	(1.3)
3.70% Senior Notes due 2045		(12.9)	(10.5)
4.125% Senior Notes due 2047		(8.0)	(7.0)

We reclassified \$0.6 million in 2023, \$0.5 million in 2022, and \$0.9 million in 2021, of net pretax 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)		2023	2022	2021
Current tax provision				
Federal	\$	1,102.5	\$ 733.2	\$ 739.5
State		18.7	12.7	20.7
Deferred tax expense (benefit)				
Federal		(119.9)	(528.7)	98.6
State		0	(16.6)	0.3
Total income tax provision	\$	1,001.3	\$ 200.6	\$ 859.1

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)	2023		2022		2021	
	Expense (Benefit)	Rate Impact	Expense (Benefit)	Rate Impact	Expense (Benefit)	Rate Impact
Income before income taxes	\$ 4,903.7		\$ 922.1		\$ 4,210.0	
Tax at statutory federal rate	\$ 1,029.8	21 %	\$ 193.6	21 %	\$ 884.1	21 %
Tax effect of:						
Stock-based compensation	(21.7)	(1)	(18.1)	(2)	(19.4)	(1)
Tax credits	(16.4)	0	(14.8)	(2)	(9.9)	0
Tax-preferenced investment income	(10.2)	0	(12.7)	(1)	(13.2)	0
State income taxes, net of federal taxes	14.7	0	(3.1)	0	16.6	0
Nondeductible compensation expense	9.8	0	11.1	1	8.4	0
Tax-deductible dividends	(4.8)	0	(1.8)	0	(9.4)	0
Goodwill impairment ¹	0	0	47.2	5	0	0
Other items, net	0.1	0	(0.8)	0	1.9	0
Total income tax provision	\$ 1,001.3	20 %	\$ 200.6	22 %	\$ 859.1	20 %

¹ The ARX acquisition did not create goodwill for income tax purposes. As a result, the impairment was 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)	2023	2022
Federal deferred income tax assets:		
Unearned premiums reserve	\$ 836.0	\$ 719.2
Net unrealized losses on fixed-maturity securities	427.3	742.9
Loss and loss adjustment expense reserves	292.7	239.9
Non-deductible accruals	238.2	225.9
Software development costs	66.0	37.8
Operating lease liabilities	37.2	28.8
Hedges on forecasted transactions	3.7	3.8
Investment basis differences	0.2	17.0
Other	13.4	12.7
Federal deferred income tax liabilities:		
Net holding period gains on equity securities	(451.0)	(387.3)
Deferred acquisition costs	(354.4)	(324.3)
Property and equipment	(88.4)	(97.0)
Operating lease assets	(37.2)	(28.8)
Loss and loss adjustment expense reserve transition adjustment	(15.9)	(24.1)
Intangible assets	(8.7)	(11.1)
Prepaid expenses	(6.2)	(6.5)
Other	(16.9)	(17.4)
Net federal deferred income taxes	936.0	1,131.5
State deferred income tax assets ¹	39.9	42.2
State deferred income tax liabilities ¹	0	0
Total	\$ 975.9	\$ 1,173.7

¹ State deferred assets and liabilities are recorded in other assets and accounts payable, accrued expenses, and other liabilities, respectively, on our 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, 2023 or 2022. 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 and current temporary differences related to unrealized gains in our equity portfolio.

At December 31, 2023 and 2022, we had net current income taxes payable of \$311.8 million and \$10.9 million, respectively, which were reported in accounts payable, accrued expenses, and other liabilities on our consolidated balance sheets. The increase in income taxes payable was primarily driven by the portion of earnings generated during the fourth quarter relative to our annual earnings.

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

subsidiaries (Protective Insurance) in 2021, Protective Insurance was included in The Progressive Corporation consolidated federal income tax return for the period from the June 2021 acquisition date through the end of 2021. We filed a final consolidated federal income tax return for Protective Insurance for the period from the beginning of the year through the June 2021 acquisition date.

All federal income tax years prior to 2020 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.

For the years ended December 31, 2023, 2022, and 2021, we recognized \$0.2 million, \$0.1 million, and \$0.1 million, respectively, of interest and penalties, as a component of the income tax provision. We have not recorded any unrecognized tax benefits, or related interest and penalties, as of December 31, 2023 and 2022.

6. LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES

We write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers' compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide 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 and asbestos claims. We have established reserves for such exposures, which represented less than 1% 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 92% 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 a claim occurrence 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)	2023	2022	2021
Balance at January 1	\$ 30,359.3	\$ 26,164.1	\$ 20,265.8
Less reinsurance recoverables on unpaid losses	5,559.2	4,733.6	3,798.2
Net balance at January 1	24,800.1	21,430.5	16,467.6
Net loss and loss adjustment expense reserves acquired ¹	0	0	729.2
Total beginning reserves	24,800.1	21,430.5	17,196.8
Incurred related to:			
Current year	44,560.6	38,209.0	33,632.3
Prior years	1,094.0	(86.3)	(4.7)
Total incurred	45,654.6	38,122.7	33,627.6
Paid related to:			
Current year	26,874.3	23,542.9	20,561.1
Prior years	13,980.2	11,210.2	8,832.8
Total paid	40,854.5	34,753.1	29,393.9
Net balance at December 31	29,600.2	24,800.1	21,430.5
Plus reinsurance recoverables on unpaid losses	4,789.0	5,559.2	4,733.6
Balance at December 31	\$ 34,389.2	\$ 30,359.3	\$ 26,164.1

¹ Net reserves acquired in Protective Insurance acquisition.

We experienced unfavorable development of \$1,094.0 million in 2023 and favorable reserve development of \$86.3 million and \$4.7 million in 2022 and 2021, respectively, which is reflected as “Incurred related to prior years” in the table above.

2023

- The unfavorable reserve development for 2023 included approximately \$950 million attributable to accident year 2022 and \$125 million to accident year 2021.
- Our personal auto products incurred about \$715 million of unfavorable loss and LAE reserve development, with the Agency and Direct auto businesses each contributing about half. About half of this unfavorable development was attributable to higher than anticipated severity in auto property and physical damage coverages. The remaining unfavorable development was primarily due to increased loss costs in Florida injury and medical coverages and, to a lesser extent, higher than anticipated late reported injury claims; partially offset by lower than expected LAE.
- Our Commercial Lines business experienced about \$365 million of unfavorable development, primarily driven by higher than anticipated severity and frequency of late reported injury claims and large loss emergence on injury claims, with about half attributable to our transportation network company (TNC) business.

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.

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 2023 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, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 5,885.0	\$ 5,886.9	\$ 5,918.2	\$ 5,959.9	\$ 5,879.2	\$ 0	916,543
2020		5,433.8	5,405.4	5,385.7	5,458.1	142.8	757,024
2021			6,716.4	6,861.8	6,936.4	174.2	885,607
2022				7,076.9	7,301.5	402.8	838,763
2023					8,615.9	1,715.2	883,430
Total					\$ 34,191.1		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 2,715.2	\$ 4,533.2	\$ 5,272.8	\$ 5,626.6	\$ 5,779.3		
2020		2,383.0	4,112.2	4,796.8	5,122.0		
2021			2,855.4	5,239.4	6,183.1		
2022				3,018.8	5,564.1		
2023					3,526.5		
Total					\$ 26,175.0		
All outstanding liabilities before 2019, net of reinsurance ¹					92.9		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 8,109.0		

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, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 3,277.9	\$ 3,254.7	\$ 3,261.1	\$ 3,259.0	\$ 3,268.1	\$ 0.4	1,879,041
2020		3,328.5	3,319.8	3,327.3	3,323.3	(8.4)	1,785,036
2021			4,708.3	4,624.3	4,628.5	8.9	2,105,540
2022				5,429.4	5,544.6	(13.3)	2,031,717
2023					5,774.5	(298.0)	2,091,830
Total					\$ 22,539.0		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 3,242.5	\$ 3,259.2	\$ 3,255.9	\$ 3,260.9	\$ 3,263.7		
2020		3,250.1	3,322.5	3,323.0	3,328.0		
2021			4,438.1	4,620.9	4,611.5		
2022				5,176.2	5,542.0		
2023					5,584.2		
Total					\$ 22,329.4		
All outstanding liabilities before 2019, net of reinsurance ¹					3.7		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 213.3		

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, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 5,756.5	\$ 5,811.7	\$ 5,837.9	\$ 5,870.0	\$ 5,802.1	\$ 0.1	957,826
2020		5,356.9	5,322.7	5,301.5	5,343.1	126.4	789,952
2021			6,964.7	7,180.3	7,244.1	164.5	981,424
2022				7,563.4	7,869.6	398.5	970,145
2023					9,627.9	1,763.6	1,080,475
Total					\$ 35,886.8		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 2,630.3	\$ 4,452.5	\$ 5,218.8	\$ 5,568.8	\$ 5,716.3		
2020		2,301.3	4,018.7	4,721.4	5,035.9		
2021			2,915.0	5,460.5	6,487.9		
2022				3,131.8	5,982.6		
2023					3,925.5		
Total					\$ 27,148.2		
All outstanding liabilities before 2019, net of reinsurance ¹					79.4		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 8,818.0		

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, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 3,787.9	\$ 3,737.8	\$ 3,749.6	\$ 3,747.9	\$ 3,757.8	\$ 0.3	2,272,383
2020		3,775.6	3,753.3	3,765.9	3,762.0	(9.7)	2,139,045
2021			5,752.3	5,568.2	5,572.9	3.6	2,602,359
2022				6,613.3	6,724.2	(27.3)	2,606,698
2023					7,577.9	(459.8)	2,851,047
Total					\$ 27,394.8		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 3,782.6	\$ 3,751.3	\$ 3,746.8	\$ 3,750.9	\$ 3,753.9		
2020		3,720.0	3,765.9	3,762.2	3,767.4		
2021			5,421.9	5,578.7	5,559.6		
2022				6,325.7	6,731.9		
2023					7,361.7		
Total					\$ 27,174.5		
All outstanding liabilities before 2019, net of reinsurance ¹					2.8		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 223.1		

¹ Required supplementary information (unaudited)

Commercial Lines - Liability
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 2,301.1	\$ 2,370.9	\$ 2,426.3	\$ 2,434.4	\$ 2,429.9	\$ 7.6	136,213
2020		2,335.7	2,388.8	2,418.9	2,436.5	58.6	117,614
2021			3,446.6	3,527.3	3,573.7	134.7	156,829
2022				4,526.1	4,834.5	406.2	180,500
2023					5,455.8	1,299.6	184,840
Total					\$ 18,730.4		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 474.8	\$ 1,184.4	\$ 1,684.5	\$ 2,037.5	\$ 2,250.0		
2020		440.8	1,110.4	1,628.9	2,043.5		
2021			573.6	1,545.9	2,414.3		
2022				749.2	2,086.4		
2023					847.6		
Total					\$ 9,641.8		
All outstanding liabilities before 2019, net of reinsurance ¹					103.2		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 9,191.8		

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, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 633.1	\$ 628.3	\$ 626.6	\$ 625.9	\$ 626.4	\$ 0	99,508
2020		631.8	624.9	622.0	624.8	2.9	99,588
2021			920.9	909.8	910.1	3.6	121,900
2022				1,314.9	1,330.3	0.7	147,146
2023					1,351.8	(6.5)	164,859
Total					\$ 4,843.4		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 561.1	\$ 625.1	\$ 624.8	\$ 625.3	\$ 625.4		
2020		540.6	621.8	620.4	620.5		
2021			764.2	903.1	901.5		
2022				1,114.0	1,315.0		
2023					1,184.4		
Total					\$ 4,646.8		
All outstanding liabilities before 2019, net of reinsurance ¹					0.8		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 197.4		

¹ Required supplementary information (unaudited)

Commercial Lines - Other
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance											As of December 31, 2023	
Accident Year	For the years ended December 31,										Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2014	\$ 74.9	\$ 70.0	\$ 68.3	\$ 70.5	\$ 70.7	\$ 69.4	\$ 70.7	\$ 70.9	\$ 70.4	\$ 70.4	\$ 3.2	9,226
2015		51.2	45.4	46.1	48.3	47.0	44.8	45.1	44.6	44.8	3.4	9,527
2016			51.8	43.3	41.0	41.5	40.2	40.1	40.0	40.4	3.1	7,648
2017				62.6	54.6	51.1	48.8	46.2	48.0	55.1	10.2	17,675
2018					81.5	81.3	76.7	77.0	76.5	81.7	10.0	15,475
2019						80.7	83.1	85.4	88.3	87.7	10.3	10,709
2020							75.0	80.7	81.9	82.9	14.0	9,505
2021								84.1	87.3	88.8	24.4	9,367
2022									84.0	80.9	26.3	7,660
2023										85.0	45.2	6,795
Total										\$ 717.7		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance												
Accident Year	For the years ended December 31,											
	2014 ¹	2015 ¹	2016 ¹	2017 ¹	2018 ¹	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2014	\$ 18.6	\$ 33.9	\$ 44.3	\$ 51.1	\$ 56.9	\$ 59.0	\$ 61.1	\$ 64.2	\$ 65.0	\$ 65.5		
2015		6.5	18.1	26.5	30.9	33.9	36.1	37.1	37.8	38.7		
2016			8.5	20.9	27.0	30.6	32.7	33.8	35.0	35.5		
2017				9.6	24.4	30.8	34.5	36.9	39.7	41.6		
2018					17.6	39.6	49.5	56.7	61.7	65.2		
2019						20.0	42.4	56.0	64.6	70.8		
2020							15.8	38.6	52.2	59.6		
2021								16.9	39.6	52.4		
2022									18.4	39.7		
2023										18.4		
Total										\$ 487.4		
All outstanding liabilities before 2014, net of reinsurance ¹										30.2		
Liabilities for claims and claim adjustment expenses, net of reinsurance										\$ 260.5		

¹ Required supplementary information (unaudited)

Property Business
(\$ in millions)

Incurred Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance						As of December 31, 2023	
Accident Year	For the years ended December 31,					Total of IBNR Liabilities Plus Expected Development on Reported Claims	Cumulative Number of Incurred Claim Counts
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 971.7	\$ 965.2	\$ 962.8	\$ 965.8	\$ 964.8	\$ 9.0	73,051
2020		1,223.5	1,246.8	1,260.9	1,256.0	1.5	88,736
2021			1,539.6	1,516.3	1,503.2	23.6	89,864
2022				1,664.6	1,622.0	77.0	89,348
2023					1,582.5	392.4	75,812
Total					\$ 6,928.5		
Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance							
Accident Year	For the years ended December 31,						
	2019 ¹	2020 ¹	2021 ¹	2022 ¹	2023		
2019	\$ 708.0	\$ 930.4	\$ 950.5	\$ 959.3	\$ 962.2		
2020		832.5	1,141.2	1,210.7	1,237.2		
2021			1,035.4	1,374.5	1,444.0		
2022				1,041.7	1,469.5		
2023					1,078.3		
Total					\$ 6,191.2		
All outstanding liabilities before 2019, net of reinsurance ¹					7.4		
Liabilities for claims and claim adjustment expenses, net of reinsurance					\$ 744.7		

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)	2023	2022
Net outstanding liabilities		
Personal Lines		
Agency, Liability	\$ 8,109.0	\$ 6,791.2
Agency, Physical Damage	213.3	261.5
Direct, Liability	8,818.0	7,187.2
Direct, Physical Damage	223.1	284.7
Commercial Lines		
Liability	9,191.8	7,177.0
Physical Damage	197.4	211.2
Other	260.5	242.5
Property	744.7	839.7
Other business	88.7	108.9
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	27,846.5	23,103.9
Reinsurance recoverables on unpaid claims		
Personal Lines		
Agency, Liability	875.1	894.1
Agency, Physical Damage	0	0
Direct, Liability	1,471.3	1,485.4
Direct, Physical Damage	0	0
Commercial Lines		
Liability	1,077.7	1,273.7
Physical Damage	1.4	0.5
Other	216.0	204.6
Property	631.4	1,068.1
Other business	475.1	559.0
Total reinsurance recoverables on unpaid claims	4,748.0	5,485.4
Unallocated claims adjustment expense related to:		
Liabilities for unpaid claims and claim adjustment expenses, net of reinsurance	1,753.7	1,696.2
Reinsurance recoverables on unpaid claims	41.0	73.8
Total gross liability for unpaid claims and claim adjustment expense	\$ 34,389.2	\$ 30,359.3

The following table shows the average historical claims duration as of December 31, 2023:

(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	42.4%	33.1%	13.0%	6.0%	2.6%
Agency, Physical Damage	96.2	3.8	(0.1)	0.2	0.1
Direct, Liability	41.5	34.0	13.6	6.0	2.5
Direct, Physical Damage	97.1	2.9	(0.2)	0.1	0.1
Commercial Lines					
Liability	16.5	27.8	22.4	15.8	8.7
Physical Damage	86.0	13.9	(0.2)	0	0
Other	20.9	26.1	14.7	9.0	6.4
Property	67.8	24.3	4.3	1.6	0.3

7. REINSURANCE

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

(millions)	2023		2022		2021	
	Written	Earned	Written	Earned	Written	Earned
Direct premiums	\$ 62,721.2	\$ 59,881.1	\$ 52,335.6	\$ 50,650.2	\$ 48,129.6	\$ 46,018.6
Ceded premiums:						
Regulated	(535.0)	(545.3)	(621.5)	(674.8)	(674.5)	(650.2)
Non-Regulated	(636.0)	(671.4)	(633.0)	(734.2)	(1,049.9)	(999.7)
Total ceded premiums	(1,171.0)	(1,216.7)	(1,254.5)	(1,409.0)	(1,724.4)	(1,649.9)
Net premiums	\$ 61,550.2	\$ 58,664.4	\$ 51,081.1	\$ 49,241.2	\$ 46,405.2	\$ 44,368.7

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 refers to voluntary external reinsurance contracts. We do not reinsure our Personal Lines business. In our Commercial Lines business, we reinsure our TNC

business, workers' compensation insurance, and our fleet trucking product under quota-share reinsurance agreements. For our Property business, we have both multi-year catastrophic excess of loss and aggregate excess of loss reinsurance agreements.

The decrease in the ceded written and earned premiums in our Regulated plans during 2023 and 2022, primarily reflected our decision to non-renew our CAIP service carrier agreements in 2022. For the Non-Regulated reinsurance contracts, the year-over-year decreases in 2023 and 2022, reflected the changes that were made in 2022 to the reinsurance program structure of certain TNC products whereby we wrote less direct premiums and, therefore, ceded less premiums than in the prior year.

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

(\$ in millions)	Reinsurance Recoverables				Prepaid Reinsurance Premiums			
	2023		2022		2023		2022	
Regulated:								
MCCA	\$ 2,272.1	45 %	\$ 2,332.3	40 %	\$ 40.2	16 %	\$ 26.4	9 %
CAIP	539.1	10	626.8	11	0	0	50.4	17
FHCF	306.6	6	437.3	7	0	0	0	0
NCRF	184.7	4	143.2	2	74.6	30	54.5	18
NFIP	10.7	0	215.4	4	66.4	27	60.1	20
Other	3.8	0	2.9	0	1.3	0	1.5	1
Total Regulated	3,317.0	65	3,757.9	64	182.5	73	192.9	65
Non-Regulated:								
Commercial Lines	1,385.7	27	1,544.3	27	56.3	23	91.0	31
Property	381.2	8	524.4	9	11.0	4	11.6	4
Other	10.0	0	5.5	0	0	0	0	0
Total Non-Regulated	1,776.9	35	2,074.2	36	67.3	27	102.6	35
Total	\$ 5,093.9	100 %	\$ 5,832.1	100 %	\$ 249.8	100 %	\$ 295.5	100 %

The decrease in our reinsurance recoverables in 2023, compared to 2022, for the FHCF, NFIP, and Property business were primarily due to the settlement of Hurricane Ian losses and allocated LAE that were incurred during 2022.

Our prepaid reinsurance premiums decreased in 2023 primarily due to our decision to non-renew our CAIP service contract in 2022 and changes that were made in 2022 to the reinsurance program structure of certain TNC products as discussed above.

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.

For our Non-Regulated reinsurers, 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

8. STATUTORY FINANCIAL INFORMATION

Consolidated statutory surplus was \$22,249.6 million and \$17,879.9 million at December 31, 2023 and 2022, respectively. Statutory net income was \$3,502.2 million, \$2,763.5 million, and \$2,283.9 million for the years ended December 31, 2023, 2022, and 2021, respectively.

At December 31, 2023, \$1,513.2 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 regulations, are available for transfer to the parent

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. Matching contributions to the 401(k) Plan for the years ended December 31, 2023, 2022, and 2021, were \$205.9 million, \$179.9 million, and \$159.2 million, respectively.

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, 2023, the ESOP held 18.2 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.

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, 2023 and 2022, the allowance for credit losses related to these contracts was not material to our financial condition or results of operations.

company cannot include the net admitted assets required to meet the minimum statutory surplus requirements of the states where the companies are licensed.

During 2023, the insurance subsidiaries paid aggregate dividends of \$413.4 million to their parent company. Based on the dividend laws currently in effect, the insurance subsidiaries could pay aggregate dividends of \$3,365.1 million in 2024, without prior approval from regulatory authorities, subject to other potential state specific limitations, capital requirements, and restrictions on the amount of dividends that can be paid within a 12-month period 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 \$18.7 million and \$19.6 million at December 31, 2023 and 2022, 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 (Gainshare Program) for nearly 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)	2023		2022		2021	
	Pretax	After Tax	Pretax	After Tax	Pretax	After Tax
Non-equity incentive plans – cash	\$ 897.3	\$ 708.9	\$ 380.8	\$ 300.8	\$ 619.3	\$ 489.2
Equity incentive plans ¹	121.3	104.3	122.7	106.7	100.7	86.6

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, there are 17.0 million shares, in the aggregate, authorized for issuance. This plan provides for the granting of equity-based compensation to officers and other key employees.

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 (i.e., requisite service period), 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.

In addition to their time-based awards, performance-based awards are granted to executives and other senior managers 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 shows the performance measurement criteria for our performance-based equity awards outstanding at December 31, 2023:

Performance Measurement	Year(s) of Grant	Vesting range (as a percentage of target)
Growth of our personal auto and commercial auto businesses, both compared to its respective market	2023	0-250%
Growth of our personal auto and commercial auto businesses and homeowners multi-peril business, each compared to its respective market	2021-2022	0-250%
Investment results relative to peer group	2021-2023	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	2023		2022		2021	
	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	3,198,150	\$ 81.71	3,539,022	\$ 67.24	3,570,271	\$ 57.68
Add (deduct):						
Granted ²	1,080,658	110.93	1,154,838	96.54	1,476,802	70.11
Vested	(1,338,466)	63.10	(1,378,070)	57.79	(1,452,353)	46.88
Forfeited	(46,600)	84.86	(117,640)	72.44	(55,698)	60.81
End of year ^{3,4}	2,893,742	\$ 101.18	3,198,150	\$ 81.71	3,539,022	\$ 67.24

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 2023, 2022, and 2021, the number of units “granted” shown in the table above includes 36,656, 44,327, and 237,582 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, 2023, the number of shares included 557,119 performance-based units at their target amounts. We expect 1,204,918 units to vest based upon our current estimates of the likelihood of achieving the predetermined performance measures applicable to each award.

⁴ At December 31, 2023, the total unrecognized compensation cost related to unvested equity awards was \$93.3 million, which includes performance-based awards at their currently estimated vesting value. This compensation expense will be recognized into our 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, 2023, 2022, and 2021, was \$195.2 million, \$154.4 million, and \$139.1 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. The Compensation Committee of the Board of Directors will consider such preferences when making a determination with respect to the allocation (restricted stock, or restricted stock and cash) and approval of the annual awards for each non-employee director.

The restricted stock awards are issued as time-based awards. The vesting 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:

Restricted Stock	2023		2022		2021	
	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
Beginning of year	30,439	\$ 109.75	29,206	\$ 105.16	39,403	\$ 74.77
Add (deduct):						
Granted	25,075	133.43	30,439	109.75	29,206	105.16
Vested	(30,439)	109.75	(29,206)	105.16	(39,403)	74.77
End of year ¹	25,075	\$ 133.43	30,439	\$ 109.75	29,206	\$ 105.16

¹ At December 31, 2023, 2022, and 2021, the remaining unrecognized compensation cost related to restricted stock awards was \$1.0 million, \$1.0 million, and \$0.9 million, respectively.

The aggregate fair value of the restricted stock vested during the years ended December 31, 2023, 2022, and 2021, was \$4.2 million, \$3.4 million, and \$3.8 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)	2023	2022
Progressive common shares ¹	\$ 118.5	\$ 131.0
Other investment funds ²	165.1	150.4
Total	\$ 283.6	\$ 281.4

¹ Included 1.6 million and 2.0 million common shares as of December 31, 2023 and 2022, respectively, to be distributed in common shares, and are reported at grant date fair value.
² Amount is included in other assets on our consolidated balance sheets.

10. SEGMENT INFORMATION

We write personal and commercial auto insurance, personal residential property insurance, business-related general liability and commercial property insurance predominantly for small businesses, workers’ compensation insurance primarily for the transportation industry, and other specialty property-casualty insurance and provide related services throughout the United States.

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, and umbrella insurance through both the independent agency and direct channels, and writes flood insurance through the “Write Your Own” program for the National Flood Insurance Program. 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; and (iii) other underwriting expenses.

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 for 2023, 2022, and 2021, was \$285.5 million, \$305.6 million, and \$279.7 million, respectively. The accounting policies of the operating segments are consistent with those described in *Note 1 – Reporting and Accounting Policies*.

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

(millions)	2023		2022		2021	
	Revenues	Pretax Profit (Loss)	Revenues	Pretax Profit (Loss)	Revenues	Pretax Profit (Loss)
Personal Lines						
Agency	\$ 21,198.2	\$ 1,029.2	\$ 17,744.7	\$ 734.1	\$ 16,881.0	\$ 992.1
Direct	25,015.1	1,828.2	20,135.5	769.4	18,492.3	619.2
Total Personal Lines ¹	46,213.3	2,857.4	37,880.2	1,503.5	35,373.3	1,611.3
Commercial Lines	9,898.7	123.0	9,088.3	810.3	6,945.2	767.8
Property ²	2,551.4	28.1	2,270.0	(238.4)	2,042.5	(312.3)
Other indemnity ³	1.0	(16.2)	2.7	(11.4)	7.7	(1.4)
Total underwriting operations	58,664.4	2,992.3	49,241.2	2,064.0	44,368.7	2,065.4
Fees and other revenues ⁴	889.1	NA	722.1	NA	691.8	NA
Service businesses	310.1	(38.9)	299.3	2.6	271.4	18.6
Investments ⁵	2,244.9	2,218.7	(651.9)	(676.2)	2,370.1	2,344.6
Interest expense	NA	(268.4)	NA	(243.5)	NA	(218.6)
Property - Goodwill impairment ²	NA	0	NA	(224.8)	NA	0
Consolidated total	\$ 62,108.5	\$ 4,903.7	\$ 49,610.7	\$ 922.1	\$ 47,702.0	\$ 4,210.0

NA = Not applicable

¹ Personal auto insurance accounted for 94% of the total Personal Lines segment net premiums earned in 2023, 2022, and 2021; 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.

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:

	2023		2022		2021	
	Underwriting Margin	Combined Ratio	Underwriting Margin	Combined Ratio	Underwriting Margin	Combined Ratio
Personal Lines						
Agency	4.9 %	95.1	4.1 %	95.9	5.9 %	94.1
Direct	7.3	92.7	3.8	96.2	3.4	96.6
Total Personal Lines	6.2	93.8	4.0	96.0	4.6	95.4
Commercial Lines	1.2	98.8	8.9	91.1	11.1	88.9
Property	1.1	98.9	(10.5)	110.5	(15.3)	115.3
Total underwriting operations	5.1	94.9	4.2	95.8	4.7	95.3

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, 2022	\$ (3,556.9)	\$ 754.9	\$ (2,802.0)	\$ (2,786.3)	\$ (14.5)	\$ (1.2)
Other comprehensive income (loss) before reclassifications:						
Investment securities	1,256.1	(265.6)	990.5	990.5	0	0
Foreign currency translation adjustment	0.4	(0.1)	0.3	0	0	0.3
Total other comprehensive income (loss) before reclassifications	1,256.5	(265.7)	990.8	990.5	0	0.3
Less: Reclassification adjustment for amounts realized in net income by income statement line item:						
Net realized gains (losses) on securities	(246.9)	51.9	(195.0)	(195.0)	0	0
Interest expense	(0.6)	0.1	(0.5)	0	(0.5)	0
Total reclassification adjustment for amounts realized in net income	(247.5)	52.0	(195.5)	(195.0)	(0.5)	0
Total other comprehensive income (loss)	1,504.0	(317.7)	1,186.3	1,185.5	0.5	0.3
Balance at December 31, 2023	\$ (2,052.9)	\$ 437.2	\$ (1,615.7)	\$ (1,600.8)	\$ (14.0)	\$ (0.9)

(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)	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, 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)

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 \$0.6 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, 2023. At year 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.

Lawsuits arising from insurance policies and operations, including but not limited to allegations involving claims adjustment and vehicle valuation, may be filed contemporaneously in multiple states. As of December 31, 2023, we are named as defendants in class action lawsuits pending in multiple states alleging that we improperly value total loss vehicle physical damage claims through the application of a negotiation adjustment in calculating such valuations. At December 31, 2023, this includes four states in which classes have been certified, and lawsuits styled as putative class actions pending in additional states. These lawsuits, which were filed at different times by different plaintiffs, feature certain similar claims and also include different allegations and are subject to various state laws. While we believe we have meritorious defenses and we are vigorously contesting these lawsuits, an unfavorable result in, or a settlement of, a significant number of these lawsuits could, in aggregation, have a material adverse effect on our financial condition, cash flows, and/or results of operations. Based on information known at December 31, 2023, we determined that losses from these lawsuits are reasonably possible but neither probable nor reasonably estimable.

At December 31, 2023, the pending lawsuits summarized below, including those discussed above, are in various stages of development, and the outcomes are uncertain until final disposition or, if probable and estimable, are accrued and immaterial:

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 personal injury protection (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 or Medicaid 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 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 mistitle vehicles by failing to include a salvage designation.
- we improperly pay post-arbitration award interest.
- we improperly prorate the deductible amount returned to the insured after subrogation.
- we improperly funded a grant program for small businesses.
- we improperly raised insureds' premiums during their current policy term.
- we failed, based on a vendor data security incident, to properly secure and safeguard personally identifiable information.

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

- we improperly value total loss claims by applying a negotiation adjustment in Colorado, Georgia, New York, and Pennsylvania.
- we improperly fail to pay fees and taxes associated with total losses in Michigan and New York.
- we improperly adjust medical bills in Washington.
- we improperly calculate basic economic loss as it relates to wage loss coverage in New York.
- we improperly fail to timely process and pay PIP claims in Texas.
- we improperly reduce or deny PIP benefits when medical expenses are paid initially by health insurance.

Non-class/collective/representative lawsuits filed by different plaintiffs and subject to various state laws, alleging that certain business operations, commercial matters, and/or employment policies, practices, or decisions are improper.

13. LEASES

Included in our consolidated balance sheets are certain operating leases for office space, computer equipment, and vehicles. 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 using an incremental borrowing rate to calculate the present value of the remaining lease payments. Leased assets and leased liabilities are reported as a component of other assets and accounts payable, accrued expenses, and other liabilities, respectively, in our consolidated balance sheets.

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)	2023	2022
Operating lease assets	\$ 172.5	\$ 130.5
Operating lease liabilities	\$ 177.2	\$ 137.2
Weighted-average remaining term	3.2 years	2.5 years
Weighted-average discount rate	5.1 %	2.0 %

At December 31, 2023, the following table shows our operating lease liabilities, on an undiscounted basis for the periods indicated:

(millions)	Commitments
2024	\$ 74.0
2025	54.6
2026	37.6
2027	15.8
2028	6.0
Thereafter	4.8
Total	192.8
Interest	(15.6)
Present value of lease liabilities	\$ 177.2

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

(millions)	Expense
2023	\$ 94.4
2022	89.1
2021	90.4

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 2023	January 2024	\$ 0.75	\$ 439.3
December 2021	December 2021	1.50	876.5
December 2020	January 2021	4.50	2,635.9
<u>Common - Quarterly Dividends:</u>			
December 2023	January 2024	0.10	58.6
August 2023	October 2023	0.10	58.5
May 2023	July 2023	0.10	58.5
March 2023	April 2023	0.10	58.5
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
<u>Preferred Dividends:</u>			
October 2023	December 2023	20.753157	10.4
August 2023	September 2023	20.67700	10.3
May 2023	June 2023	18.92463	9.5
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

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 our consolidated balance sheets until paid.

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, variable common share dividend. For 2022, the Board decided not to declare an annual-variable dividend 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). Beginning March 15, 2023 and up until redemption (the floating-rate period), holders of the Series B Preferred Shares are entitled to receive cumulative cash dividends quarterly, if and when declared by the Board of Directors, at a floating annual dividend rate equal to the three-month London Interbank Offered Rate (LIBOR) plus a spread of 2.539% applied to the stated amount per share.

We, as calculation agent under our Series B Preferred Shares, determined that the reference rate for the Series B Preferred Shares, for any determination date after June 30, 2023, shall be the sum of (i) 3-Month CME Term SOFR plus (ii) a tenor spread adjustment of 0.26161%, and (iii) a spread of 2.539%. The new reference rate became effective for the dividend period determination date commencing September 15, 2023. The reference rate was determined in accordance with the successor base rate provisions of the Series B Preferred Shares and the Adjustable Interest Rate (LIBOR) Act and the regulation issued by the Board of Governors of the Federal Reserve System on December 16, 2022, implementing the LIBOR Act. The Board did not declare a dividend in December 2023 as they had in prior years.

Prior to the floating-rate period, dividends were payable semiannually in March and September, if and when declared by the Board of Directors, at a fixed annual dividend rate of 5.375% of the stated amount per share.

The Series B Preferred Shares are perpetual and have no stated maturity date. During the first quarter 2024, we redeemed all of the outstanding Series B Preferred Shares at the stated amount of \$1,000 per share, for an aggregate payout of \$507.8 million, including accrued and unpaid dividends to, but excluding February 22, 2024, which is the redemption date.

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, 2023 and 2022, 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, 2023, 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, 2023, 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, 2023 and 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2023 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, 2023, 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, 2023, the Company reported a \$34.4 billion loss and loss adjustment expense ("LAE") reserve liability, of which about 92% 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 26, 2024

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, 2023.

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, 2023; 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 2023 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.

The Progressive Corporation and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

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, business-related general liability and property insurance predominantly 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 throughout the United States through both the independent agency and direct distribution channels. We are the second largest private passenger auto insurer in the country, the number one writer of commercial auto insurance, and the 10th largest homeowners insurance carrier, in each case based on 2022 premiums written.

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

A. Operating Results

During 2023, Progressive reported strong growth in both premiums written and policies in force, compared to 2022, and generated an underwriting profit better than our 4% companywide calendar-year underwriting profit goal.

During 2023, net premiums written and earned increased 20% and 19%, respectively, over 2022, and policies in force increased 9% companywide. We were able to generate this growth despite the actions we took during the year to slow growth as part of our efforts to ensure we met our profitability target, indicating that we remained competitive in the marketplace. We surpassed \$60 billion in net premiums written to end 2023 at \$61.6 billion, which was \$10.5 billion more than we generated during 2022, which is roughly about the size of the 8th largest U.S. private passenger auto insurer. Companywide policies in force increased 2.3 million, over year-end 2022, to end 2023 at 29.7 million.

For 2023, our underwriting profit margin was 5.1%, which was better than our companywide target profit margin of 4% and better than the 4.2% underwriting margin we earned in 2022. Exceeding our underwriting profit target was a tremendous accomplishment especially since we reported a 99.7 combined ratio for the first six months of 2023.

Our incurred catastrophe losses were fairly consistent on a year-over-year basis. During 2023, we experienced companywide unfavorable prior accident year reserve development of 1.9 points, compared to 0.2 points of favorable development for 2022. About two-thirds of the unfavorable development for the year was in our Personal Lines business with the remainder primarily in our Commercial Lines business. Higher than anticipated personal auto severity and increased loss costs in Florida were the primary drivers for the Personal Lines development during the year, while Commercial Lines injury claims experienced higher than anticipated severity and frequency of late reports and large loss emergence. Throughout the year, we continued to see volatility in our severity trends as inflation continued to increase the average cost to settle a claim over last year, while personal auto frequency trends continued to be favorable.

In response to the loss trends we were experiencing and to focus on achieving our target profitability margin for 2023, all of our operating segments took rate and non-rate actions, as discussed below. We also reduced advertising spend and took other measures to slow growth until we felt that we were able to grow profitably and continue to provide high-quality customer service.

On a year-over-year basis, net income and comprehensive income increased 441% and 340%, respectively, primarily due to significant valuation increases in both our equity and fixed-maturity security portfolios during 2023, compared to the prior year. During 2023, the value of our equity and hybrid securities increased, reflecting general market conditions, which resulted in a year-over-year increase in the value of these securities of \$1.9 billion, after tax. We saw even greater valuation changes in our fixed-maturity securities on a year-over-year basis. The fair value of our fixed-maturity securities increased \$1.2 billion during 2023, compared to valuation declines of \$2.8 billion during 2022. The strong portfolio performance for 2023, compared to 2022, was primarily due to tightening credit spreads.

In addition to greater underwriting profit and the increase in the valuation in both our equity and fixed-maturity securities, the increase in our net and comprehensive income also benefited from the 50% increase in our recurring investment income during 2023. The investment income increase primarily reflected increases in both interest rates on floating-rate securities in our portfolio and in average assets, resulting from premium growth, as well as from investing new cash and cash from maturities in higher interest rate securities given the interest rate environment. For 2023, our pretax recurring book yield was 3.1%, compared to 2.4% in 2022.

We ended 2023 with total capital (debt plus shareholders' equity) of \$27.2 billion, which was up \$4.9 billion from year-end 2022, primarily due to the \$5.1 billion of comprehensive income earned during the year. Due to our strong capital position, the Board of Directors declared a \$0.75 per common share annual-variable dividend, which was in addition to the quarterly \$0.10 per common share dividend, and we elected to redeem all of our outstanding Serial Preferred Shares, Series B, in February 2024, as discussed in further detail below under *Financial Condition*.

B. Insurance Operations

All three of our operating segments grew net premiums written and policies in force during 2023 and generated an underwriting profit for the year. During the year, our primary focus was profitability over growth. We took rate and non-rate actions, which, in turn, had the effect of slowing our new business growth during the year. Even though we took these actions to focus on profitability, our year-over-year net premiums written grew 24% in Personal Lines, 8% in Commercial Lines, and 18% in Property, which contributed to our companywide net premiums written growth of 20%. We also added 2.3 million policies in force companywide in 2023, with Personal Lines adding 2.0 million and Commercial Lines and Property adding 0.1 million and 0.2 million, respectively. We ended the year with companywide profitability of 5.1%, which was better than our target of 4%, with Personal Lines reporting 6.2%, Commercial Lines 1.2%, and Property 1.1%.

Changes in net premiums written are a function of new business applications (i.e., policies sold), premium per policy, and retention.

The Personal Lines growth in net premiums written and policies in force was generated from both our Agency and Direct distribution channels. On a year-over-year basis, for 2023, Personal Lines new applications grew 14%, with both Agency and Direct personal auto new applications up 15% on a year-over-year basis. Finishing the year with this application growth was a significant change from the first half of 2023. Through the first six months of 2023, Personal Lines new applications were up 49%, with Agency and Direct personal auto applications both up 60%, when compared to the same period in the prior year. During the latter half of the year, new applications

decreased as we continued to take rate increases and non-rate actions to slow new business growth to help reach our profitability target by year end, as discussed in more detail below.

The increase in net premiums written in our Commercial Lines business reflected growth in all of our business market targets (BMT), except the for-hire transportation BMT. The largest growth was in our contractor and business auto BMTs. The Commercial Lines growth was also aided, to a lesser extent, by an increase in our transportation network company (TNC) business, due to increased rates to address profitability issues in the TNC business, an increase in the miles driven (which is the basis for determining premiums written for this business), and changes that were made in 2022 to the reinsurance program structure of certain TNC products whereby we wrote less direct premiums and, therefore, ceded less premiums than in prior year.

Our commercial auto product, excluding our TNC business and Protective Insurance Corporation and subsidiaries (Protective Insurance) products, new applications increased 4% for 2023, compared to the prior year, mainly driven by increased demand in the contractor and business auto BMTs, partially offset by a decrease in our for-hire transportation BMT, due to unfavorable trucking market conditions. When analyzing growth in certain metrics for our Commercial Lines business, we focus on the commercial auto BMT products since our TNC, Protective Insurance, and business owners' policy (BOP) products represented less than 5% of our policies in force at year-end 2023.

The Property business net premiums written growth was primarily due to rate increases and new and renewal policy in force growth in 2023. Our Property business new applications increased 15% for the year. During 2023, we focused our efforts to grow in states that traditionally have less catastrophe exposure and limited growth in coastal and hail-prone states to reduce concentration mix among states. Compared to year-end 2022, new applications in the states where we are focused on growth were up about 45% and were down about 20% in the more volatile weather states. We currently plan to continue this approach to growth in 2024.

In our Property business, in regions where our appetite to write new business is limited, we are prioritizing Progressive auto bundles, as well as lower risk properties, such as new construction or homes with newer roofs. In addition, to continue to rebalance this business, we began a non-renewal effort of up to 115,000 Property policies in Florida. Following the required notices, the first of these non-renewals will go into effect in the second quarter of 2024 and will continue over the following 12 months. To try to ease disruption to our customers and agents, we reached an agreement with another unaffiliated Florida insurer to offer replacement policies to these policyholders, subject to the insurer's underwriting and financial

guidelines and agent appointments where applicable. Despite this non-renewal effort, we plan to continue to provide for the insurance needs of about 3 million Florida policyholders across all of our lines of business, including about 200,000 Florida homeowners.

While growth is important, we strongly believe that achieving target profitability is our most important objective and will take precedence over growth. Our Personal Lines business ended the year with an underwriting profit margin of 6.2%, which was 2.2% better than both our target profitability and the prior-year underwriting profit margin. To achieve these results, we increased personal auto rates in 48 states during 2023, with an aggregate increase of about 19%, which followed the personal auto rate increases we took during 2022 of about 13%. 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 2023, the adoption rates for consumers enrolling in the program increased about 20% in Agency auto and about 5% in Direct auto, compared to 2022. Snapshot is available in all states, other than California. Our latest segmentation model was available in states that represented about 50% of our countrywide personal auto premium at year-end 2023 and, through continued roll out, it was available in states representing about 70% of personal auto premium by the end of February 2024.

In addition to rate actions, we routinely monitor non-rate actions, including our advertising spend. During 2023, 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 21% lower in 2023, compared to the prior year. Toward the end of 2023 and into 2024, we began to slowly increase certain types of advertising in select markets.

During the year, we also implemented measures to support the goal of achieving our target profit margin that included slowing new business growth through verification activities, bill plan offerings, and through ongoing general operational expense discipline. We began to slowly lift these underwriting restrictions in certain states in the last few months of 2023. As a result of the actions taken during the year, we believe that we are well positioned to capitalize on growth opportunities in 2024. Nevertheless, 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.

While our Commercial Lines business generated an underwriting profit of 1.2% for 2023, it was 7.7 points lower than last year and short of our target profitability goal. The uncertainty in the economy and business environment made 2023 a particularly challenging year for our Commercial Lines business. During the year, we experienced persistent upward pressure on our expense structure, from rising costs to settle claims and, to a lesser extent, our operating expenses. We increased our aggregate commercial auto rates, excluding our TNC and Protective Insurance businesses, about 17% countrywide, following rate increases of about 6% in 2022. In addition, we lowered our expenses and increased our underwriting actions to supplement rate increases during 2023. Since approximately 90% of our Commercial Lines policies are written on an annual term, it will take time for the full effect of those rate and underwriting changes to be realized in our results.

Improving profitability continues to be our top priority for our Property business. For 2023, our Property business generated an underwriting profit of 1.1%, compared to an underwriting loss of 10.5% in the prior year. While our Property catastrophe losses were fairly consistent year over year, our non-catastrophe loss ratio was about 12 points lower in 2023, compared to 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 both 2022 and 2023, to focus on improving profitability in the Property business, as discussed above. In addition, we increased rates an average of about 16% in our Property segment during 2023, with some of the larger increases in Texas, Florida, North Carolina, and Louisiana and in hail-prone states, such as Minnesota, Arkansas, Colorado, and Missouri. About one-third of these rate increases occurred in the fourth quarter of 2023.

During 2023, 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, personal auto written premium per policy increased 12% and 10% in our Agency and Direct businesses, respectively, compared to the prior year. In our core commercial auto products, we experienced a 3% increase in written premium per policy in 2023, compared to 2022, reflecting rate increases being offset by a reduction in our for-hire transportation BMT, which has higher premiums per policy. The 10% increase in our Property business written premium per policy is substantially less than the rate increases discussed above primarily as a result of taking a portion of the increases later in the year 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 and a trailing 3-month policy life expectancy. The latter can reflect more volatility and is more sensitive to seasonality. Our trailing 12-month total personal auto policy life expectancy was up 24% year over year, with Agency up 29% and Direct up 19%. We saw improvement in our trailing 12-month policy life expectancy on a month-over-prior month basis throughout the second half of 2023. On a trailing 3-month basis, our personal auto policy life expectancy was up 14% year over year, which is a significant improvement from the 9% decrease in policy life expectancy we reported for 2022. We believe that the improved retention on a trailing 3-month basis reflects our continued competitiveness in the marketplace despite our rate increases.

Our trailing 12-month policy life expectancy increased 5% and 15% for special lines and Property, respectively, and decreased 12% for Commercial Lines. While the decrease in the Commercial Lines policy life expectancy was across all BMTs, the for-hire transportation BMT saw the largest year-over-year decrease in retention. Commercial auto retention is being negatively impacted by our rate and underwriting actions and unfavorable trucking market conditions, which we believe are driving increased shopping and causing motor carriers to exit the industry.

C. Investments

The fair value of our investment portfolio was \$66.0 billion at December 31, 2023, compared to \$53.5 billion at December 31, 2022. The increase in value from year-end 2022, primarily reflected cash flows from operations and increases in the valuations of our portfolio during the year.

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, 2023, 7% of our portfolio was allocated to Group I securities and 93% to Group II securities, compared to 10% and 90%, respectively, at December 31, 2022. The decrease in our allocation to Group I securities, which are the riskier securities in our portfolio, reflects our intent to maintain a more conservative posture in our investment portfolio that includes a greater allocation to U.S. Treasuries.

Our recurring investment income generated a pretax book yield of 3.1% for 2023, compared to 2.4% for 2022, due to the increase in interest rates on the floating-rate securities in our portfolio and the investment of cash and maturities at relatively higher interest rates. Our investment portfolio produced a fully taxable equivalent (FTE) total return of 6.3% for 2023 and of (7.8)% for 2022. Our fixed-income and common stock portfolios had FTE total returns of 5.4% and 26.7%, respectively, for 2023, compared to (6.6)% and (19.4)%, for 2022. The increase in the fixed-income portfolio total return, compared to last year, reflected valuation increases across all sectors due to lower interest rates and tighter credit spreads. The increase in the common stock portfolio return reflected general market conditions in 2023.

At December 31, 2023, the fixed-income portfolio had a weighted average credit quality of AA- and a duration of 3.0 years, compared to AA and 2.9 years at December 31, 2022. Our decrease in weighted average credit quality since December 31, 2022, was mainly due to a second major credit rating agency downgrading U.S. Treasury debt to AA+ from AAA, which led us to lower our U.S. Treasury positions to AA+. Our duration was raised from last year to take advantage of the higher yields in the market.

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 2023, The Progressive Corporation received cash from the following sources:

- Debt issuance - issued \$500 million of 4.95% Senior Notes due 2033 in an underwritten public offering.
- Dividends from subsidiaries - received \$400.9 million from its insurance and non-insurance subsidiaries.

The Progressive Corporation deployed capital through the following actions in 2023:

- Dividends
 - Common shares - declared aggregate dividends of \$1.15 per common share, or \$673.4 million.
 - Preferred shares - declared aggregate Series B Preferred dividends of \$30.2 million.
- Common Share Repurchases - acquired 1.0 million of our common shares at a total cost of \$140.7 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 \$621.5 million to its insurance and non-insurance subsidiaries.

Over the last three years, The Progressive Corporation received dividends from its subsidiaries, net of capital contributions, of \$2.0 billion, and issued \$2.0 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 \$300 million, currently, and \$250 million for the prior periods, 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:

- \$4.2 billion for common share dividends and \$0.1 billion for preferred share dividends;

- \$0.7 billion for interest on our outstanding debt;
- \$0.5 billion for the maturity of debt;
- \$0.5 billion to repurchase our common shares; and
- \$0.3 billion related to acquisitions.

Beginning March 15, 2023, the annual dividend rate for the Series B Preferred Shares switched to a floating rate equal to the three-month LIBOR plus a spread of 2.539% applied to the stated amount per share. During the floating rate period, dividends on the Series B Preferred Shares are payable quarterly, if and when declared by the Board of Directors.

We, as calculation agent under our Series B Preferred Shares, determined that the reference rate for the Series B Preferred Shares, for any determination date after June 30, 2023, would be the sum of (i) 3-Month CME Term SOFR plus (ii) a tenor spread adjustment of 0.26161%, and (iii) a spread of 2.539%. The new reference rate became effective for the dividend period determination date commencing September 15, 2023. The reference rate was determined in accordance with the successor base rate provisions of the Series B Preferred Shares and the Adjustable Interest Rate (LIBOR) Act and the regulation issued by the Board of Governors of the Federal Reserve System on December 16, 2022, implementing the LIBOR Act.

Pursuant to authorization from our Board of Directors, we redeemed all of the outstanding Series B Preferred Shares at the stated amount of \$1,000 per share for an aggregate payout of \$507.8 million, including accrued and unpaid dividends to, but excluding, February 22, 2024, which was the redemption date.

Progressive's insurance operations create liquidity by collecting and investing premiums from new and renewal business in advance of paying claims, as well as from our objective for our insurance subsidiaries to produce an aggregate calendar-year underwriting profit of at least 4%. As primarily an auto insurer, our claims liabilities generally have a short-term duration. At December 31, 2023, our loss and loss adjustment expense (LAE) reserves were \$34.4 billion. Typically, at any point in time, approximately 50% of our outstanding loss and LAE reserves are paid within the following twelve months and less than 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.

For the three years ended December 31, 2023, operations generated positive cash flows of \$25.3 billion. In 2023, operating cash flows increased \$3.8 billion, compared to 2022. The increase in operating cash flow, compared to the prior year, is primarily attributable to collecting more premiums in 2023 relative to paying losses. The increase in premiums collected were mostly driven by rate increases and volume growth. While loss payments also increased

during 2023, primarily due to higher loss severity trends, the increase in loss payments was not as substantial as the increase in premiums. 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, 2023, we held \$38.7 billion in short-term investments and U.S. Treasury securities, which represented 58.6% 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. See *Item 1A, Risk Factors* in our 2023 Form 10-K filed with the U.S. Securities and Exchange Commission for a discussion of certain matters that may affect our portfolio and capital position.

Insurance companies are required to satisfy regulatory surplus and premiums-to-surplus ratio requirements. As of December 31, 2023, our consolidated statutory surplus was \$22.2 billion, compared to \$17.9 billion at December 31, 2022. Our net premiums written-to-surplus ratio was 2.8 to 1 at year-end 2023, 2.9 to 1 at year-end 2022, and 2.8 to 1 at year-end 2021. At year-end 2023, we also had access to \$4.2 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 2023. 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, 2023, we held total capital (debt plus shareholders' equity) of \$27.2 billion, compared to \$22.3 billion at December 31, 2022. Our debt-to-total capital ratios at December 31, 2023, 2022, and 2021, were 25.4%, 28.7%, and 21.2%, respectively. Giving effect to the redemption of our Serial Preferred Shares, our debt-to-total capital ratio would have been 25.8% at December 31, 2023. Our debt-to-total capital ratios 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. In such a situation, as we experienced at the end of a couple of months 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, 2023, we had various noncancelable contractual obligations that were outstanding. We had outstanding \$7.0 billion principal amount of Senior Notes with maturity dates ranging from 2027 through 2052, with \$4.1 billion of future interest payment obligations related to our outstanding debt. The next debt repayment of \$1.0 billion, in the aggregate, is due in 2027 upon the maturity of our 2.45% Senior Notes and our 2.50% Senior Notes. See *Note 4 – Debt* for additional information on our long-term debt.

At year-end 2023, 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 75% of our purchase obligations are payable within one year and less than 5% will be outstanding for longer than three years. In addition, our Property business has \$291.5 million of minimum commitments under several multiple-layer property catastrophe reinsurance contracts with various reinsurers with terms ranging from one to three years. 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.

Based upon our capital planning and forecasting efforts, we believe we have sufficient capital resources and cash flows

III. RESULTS OF OPERATIONS – UNDERWRITING

A. Segment Overview

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

The following table shows the composition of our companywide net premiums written, by segment, for the years ended December 31:

	2023	2022	2021
Personal Lines			
Agency	36 %	36 %	37 %
Direct	43	41	41
Total Personal Lines	79	77	78
Commercial Lines	16	18	17
Property	5	5	5
Total underwriting operations	100 %	100 %	100 %

Our Personal Lines business writes insurance for personal autos (which accounts for about 94% of the segment’s total 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:

- 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.

from operations to support our current business, scheduled principal and interest payments on our debt, anticipated quarterly dividends on our common 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 currently 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.

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 2023 and 2022, 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. At year-end 2023, we wrote about 90% of our Commercial Lines policies for 12-month terms. 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, as well as adding these product offerings to our digital platform that serves direct small business consumers (BusinessQuote Explorer®). Our commercial auto business (excluding our TNC, BOP, and Protective Insurance products) written through the direct channel represented about 10% of our total commercial auto premiums written for each of the last three years.

Our Property business writes residential property insurance for homeowners, other property owners, renters, and umbrella insurance. We write about three-fourths of our Property business through the independent agency channel with the balance written in the direct channel. All of our Property policies are written for 12 months.

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, and other underwriting expenses. We also use underwriting margin, which is underwriting profit or loss expressed as a percentage of net premiums earned, to analyze our results. For the three years ended December 31, our underwriting profitability results were as follows:

(\$ in millions)	2023		2022		2021	
	Underwriting Profit (Loss)		Underwriting Profit (Loss)		Underwriting Profit (Loss)	
	\$	Margin	\$	Margin	\$	Margin
Personal Lines						
Agency	\$ 1,029.2	4.9 %	\$ 734.1	4.1 %	\$ 992.1	5.9 %
Direct	1,828.2	7.3	769.4	3.8	619.2	3.4
Total Personal Lines	2,857.4	6.2	1,503.5	4.0	1,611.3	4.6
Commercial Lines	123.0	1.2	810.3	8.9	767.8	11.1
Property	28.1	1.1	(238.4)	(10.5)	(312.3)	(15.3)
Other indemnity ¹	(16.2)	NM	(11.4)	NM	(1.4)	NM
Total underwriting operations	\$ 2,992.3	5.1 %	\$ 2,064.0	4.2 %	\$ 2,065.4	4.7 %

¹ 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.

The improvement in our companywide underwriting profit margin for 2023, compared to 2022, reflects a reduction in our underwriting expenses, predominately due to lower advertising expenses, as well as rate increases. For the last three years, our catastrophe losses had a fairly consistent impact on our companywide underwriting results. During 2023, we recognized 1.9 points of unfavorable prior accident year development, compared to minimal favorable development for the prior two years. We quickly responded to this unfavorable development and other loss trends that we experienced in 2023, by raising rates in all of our segments to focus on achieving our underwriting target profit margin for the year.

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	2023	2022	2021
Personal Lines – Agency			
Loss & loss adjustment expense ratio	77.0	78.1	75.6
Underwriting expense ratio	18.1	17.8	18.5
Combined ratio	95.1	95.9	94.1
Personal Lines – Direct			
Loss & loss adjustment expense ratio	78.4	78.6	77.2
Underwriting expense ratio	14.3	17.6	19.4
Combined ratio	92.7	96.2	96.6
Total Personal Lines			
Loss & loss adjustment expense ratio	77.8	78.3	76.4
Underwriting expense ratio	16.0	17.7	19.0
Combined ratio	93.8	96.0	95.4
Commercial Lines			
Loss & loss adjustment expense ratio	79.0	71.5	69.3
Underwriting expense ratio	19.8	19.6	19.6
Combined ratio	98.8	91.1	88.9
Property			
Loss & loss adjustment expense ratio	69.6	83.3	86.4
Underwriting expense ratio	29.3	27.2	28.9
Combined ratio	98.9	110.5	115.3
Total Underwriting Operations			
Loss & loss adjustment expense ratio	77.6	77.3	75.7
Underwriting expense ratio	17.3	18.5	19.6
Combined ratio	94.9	95.8	95.3
Accident year – Loss & loss adjustment expense ratio ²	75.7	77.5	75.7

¹ Ratios are expressed as a percentage of net premiums earned. Fees and other revenues are netted against either loss adjustment expenses or underwriting expenses in the ratio calculations, based on the underlying activity that generated the revenue.

² The accident year ratios include only the losses that occurred during each respective year. 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 year are reviewed.

Losses and Loss Adjustment Expenses (LAE)

(millions)	2023	2022	2021
Change in net loss and LAE reserves	\$ 4,800.1	\$ 3,369.6	\$ 4,233.7
Paid losses and LAE	40,854.5	34,753.1	29,393.9
Total incurred losses and LAE	\$ 45,654.6	\$ 38,122.7	\$ 33,627.6

Claims costs, our most significant expense, represent payments made, and estimated future payments to be made, to or on behalf of our policyholders, including expenses needed to adjust or settle claims. Claims costs are a function of loss severity and frequency and, for our vehicle businesses, are influenced by inflation and driving patterns, among other factors, some of which are discussed below. In our Property business, severity is primarily a function of construction costs and the age of the structure. Accordingly, anticipated changes in these factors are taken

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)	2023		2022		2021	
	\$	Point ¹	\$	Point ¹	\$	Point ¹
Personal Lines	\$ 1,093.4	2.4 pts.	\$ 1,045.6	2.8 pts.	\$ 652.0	1.8 pts.
Commercial Lines	41.2	0.4	34.4	0.4	26.7	0.4
Property	659.2	25.8	580.4	25.6	633.4	31.0
Total catastrophe losses incurred	\$ 1,793.8	3.1 pts.	\$ 1,660.4	3.4 pts.	\$ 1,312.1	3.0 pts.

¹ Represents catastrophe losses incurred during the year, including the impact of reinsurance, as a percentage of net premiums earned for each segment.

During 2023, our catastrophe losses reflected severe weather events throughout the United States, with Texas, Florida, Colorado, Oklahoma, and Minnesota contributing to just over half of the losses. We have responded, and plan to continue to respond, promptly to catastrophic events when they occur in order to provide high-quality 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 business.

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 2023, we entered into new

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 0.3 points in 2023 and 1.6 points in 2022, each compared to the prior year. During 2023, the increase in incurred severity and the unfavorable prior accident years reserve development, both discussed below, was partially offset by higher premiums per policy due to rate increases. Our accident year loss and LAE ratio, which excludes the impact of prior accident year reserve development during each calendar year, decreased 1.8 points in 2023 and increased 1.8 points in 2022, compared to the prior year.

reinsurance contracts under our occurrence excess of loss program for our Property business. The reinsurance program has retention thresholds for losses and allocated loss adjustment expenses (ALAE) from a single catastrophic event of \$200 million, which is unchanged from the retention threshold on prior contracts. As of December 31, 2023, our reinsurance program included coverage, net of retention, of up to \$2.0 billion in damages with substantial coverage for a second or third covered event. When including the Florida Hurricane Catastrophe Fund and the Reinsurance Assistance to Policyholder programs that are specific to Florida, this coverage reached \$2.4 billion.

During 2023, we also entered into new catastrophe aggregate excess of loss reinsurance contracts that have multiple layers of coverage. The first retention layer threshold ranges from \$500 million to \$575 million, excluding named tropical storms and hurricanes. We exceeded the first layer annual retention threshold by \$17.9 million during 2023. The second retention layer threshold is \$600 million, and includes named tropical storms and hurricanes. The first and second layers provide coverage up to \$100 million and \$85 million, respectively.

For 2024, we entered into a new catastrophe aggregate excess of loss reinsurance contract that has multiple layers of coverage, with the first retention layer threshold ranging from \$450 million to \$475 million, excluding named tropical storms and hurricanes, and the second retention layer threshold of \$525 million, including named tropical storms and hurricanes. The first and second layers provide coverage up to \$85 million and \$100 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, 2023 and January 1, 2024, renewal events. While the cost of reinsurance in the markets in which we participate increased for the coverages placed during 2023 and the beginning of 2024, compared to the prior 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 2023 Form 10-K filed with the U.S. Securities and Exchange Commission, for the year ended December 31, 2023, 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		
	2023	2022	2021 ¹
Bodily injury	10 %	8 %	11 %
Collision	5	16	11
Personal injury protection	2	(9)	7
Property damage	9	20	8
Total	8	13	9

¹Annualized year-over-2019 year to mitigate the impact that the COVID-19 pandemic had on frequency during 2020.

The year-over-year increase for 2023, compared to 2022, in part, reflects the impact of inflation, which continues to

increase the valuation of used vehicles and total loss, repair, and medical costs.

On a calendar-year basis, our commercial auto products' incurred severity, excluding our TNC, BOP, and Protective Insurance products, increased 6% in 2023 and 2022, compared to 14% in 2021. Since the loss patterns in the TNC, BOP, and Protective Insurance businesses are not indicative of our other commercial auto products, disclosing severity and frequency trends excluding those businesses 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		
	2023	2022	2021 ¹
Bodily injury	2 %	(4)%	(11)%
Collision	(7)	(8)	(3)
Personal injury protection	2	(5)	(10)
Property damage	0	(5)	(11)
Total	(2)	(6)	(7)

¹Annualized year-over-2019 year to mitigate the impact that the COVID-19 pandemic had on frequency during 2020.

On a calendar-year basis, our commercial auto products' incurred frequency, excluding our TNC, BOP, and Protective Insurance products, saw an increase of about 2% in 2023, 3% in 2022, and 9% in 2021. On an annualized basis, for 2021, incurred frequency decreased 4% compared to 2019.

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

The 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)	2023	2022	2021
Actuarial Adjustments			
Reserve decrease (increase)			
Prior accident years	\$ (453.9)	\$ (105.5)	\$ (78.5)
Current accident year	(586.6)	(83.8)	103.9
Calendar year actuarial adjustments	\$ (1,040.5)	\$ (189.3)	\$ 25.4
Prior Accident Years Development			
Favorable (unfavorable)			
Actuarial adjustments	\$ (453.9)	\$ (105.5)	\$ (78.5)
All other development	(640.1)	191.8	83.2
Total development	\$ (1,094.0)	\$ 86.3	\$ 4.7
(Increase) decrease to calendar year combined ratio	(1.9) pts.	0.2 pts.	0 pts.

Total development consists of both actuarial adjustments and “all other development” on prior accident years. We use “accident year” generically to represent the year in which a loss occurred. 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 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 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, can make it difficult to estimate reserves timely

and with minimal variation. As reflected in the table above, we experienced unfavorable prior year development during 2023, compared to favorable prior year development in both 2022 and 2021.

About 65% of the total unfavorable development for 2023 was in our personal auto products with our Agency and Direct auto businesses contributing nearly equally. Just over half of the unfavorable development was attributable to higher than anticipated severity in auto property and physical damage coverages, and the remainder primarily due to increased loss costs in Florida injury and medical coverages and, to a lesser extent, higher than anticipated late reported injury claims. This was partially offset by lower than anticipated loss adjustment expenses.

While it is difficult to quantify the direct impact of insurance legislation that went into effect during 2023 in Florida, Florida contributed approximately half of the total prior accident year reserve development across all personal auto product lines during 2023. We continue to believe that the Florida tort reform will likely have a positive impact on the insurance industry in Florida over the long term and began seeing some of this occur in late 2023. We will continue to monitor the ever-changing legislative and regulatory environment and will respond as we deem necessary.

Coverages related to fixing vehicles have seen unprecedented increases in severity trends on previously closed claims during 2023, relative to the last couple of years, and continued to be the major driver of prior year unfavorable development countrywide. The contributors to the increased trends came from a variety of sources, including longer vehicle repair times, longer rental times, and higher parts prices and labor rates. Fixing vehicle coverages are short-tailed, which explains why about 85% of the total year-to-date prior year development is from the 2022 accident year. Excluding Florida, accident years prior to 2022 have developed favorably.

Our current year actuarial adjustments during the first half of the year were also primarily due to fixing vehicles. Since fixing vehicle coverages are short-tailed, most of the claims that are affected by emerging trends occurred in the later part of 2022. Accordingly, the steeper trends in fixing vehicle coverages increasingly affected claims that occurred in the current accident year. Florida litigation has been a relatively small part of current year actuarial adjustments since the increase in litigation largely affected claims that occurred before March 2023. During the second half of 2023, we saw current year actuarial adjustments moderate. About 40% of current year actuarial adjustments during the second half of the year related to our TNC business. We continue to monitor loss trends across all states and coverages and will remain vigilant to adjust reserves to reflect those trends.

Our Commercial Lines business represented about one-third of the unfavorable development during 2023, mainly due to higher than anticipated severity and frequency of late reported injury claims and large loss emergence on injury claims, with about half of the unfavorable development attributable to our TNC business. The trend in loss costs during 2023 was steep, as costs for medical care and vehicle repair labor continued to climb. Although we have seen the inflationary environmental trends moderate, we believe the impact of these trends will continue to affect loss costs for the foreseeable future.

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 and other underwriting expenses. The underwriting expense ratio is our underwriting expenses, net of certain fees and other revenues, expressed as a percentage of net premiums earned. For 2023, our underwriting expense ratio was down 1.2 points, compared to the prior year, primarily reflecting growth in net premiums earned and decreases in our advertising spend. In total, our companywide advertising spend decreased 21%, compared to 2022, as part of our efforts to focus on profitability during the year. The reduction in advertising spend, in concert with premium growth, reduced the contribution of advertising to our combined ratio by 1.4 points during 2023, compared to 2022.

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 2023, our NAER increased 0.1 points, 0.4 points, and 1.3 points in our Personal Lines, Commercial Lines, and Property businesses, respectively, compared to 2022. In addition to employee compensation, which impacted all of the businesses' NAER, the increase in our Property NAER primarily reflected additional investments we made during the year in underwriting and pricing functions.

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 for which coverage was in effect as of the end of the period specified.

For the years ended December 31, (\$ in millions)	2023		2022		2021	
	\$	% Growth	\$	% Growth	\$	% Growth
Net Premiums Written						
Personal Lines						
Agency	\$ 22,277.9	22 %	\$ 18,334.2	6 %	\$ 17,257.9	7 %
Direct	26,303.1	26	20,944.3	11	18,910.9	10
Total Personal Lines	48,581.0	24	39,278.5	9	36,168.8	8
Commercial Lines	10,138.3	8	9,398.8	17	8,015.9	51
Property	2,830.6	18	2,401.7	8	2,216.2	16
Other indemnity ¹	0.3	(86)	2.1	(51)	4.3	NM
Total underwriting operations	\$ 61,550.2	20 %	\$ 51,081.1	10 %	\$ 46,405.2	14 %
Net Premiums Earned						
Personal Lines						
Agency	\$ 21,198.2	19 %	\$ 17,744.7	5 %	\$ 16,881.0	7 %
Direct	25,015.1	24	20,135.5	9	18,492.3	10
Total Personal Lines	46,213.3	22	37,880.2	7	35,373.3	8
Commercial Lines	9,898.7	9	9,088.3	31	6,945.2	42
Property	2,551.4	12	2,270.0	11	2,042.5	16
Other indemnity ¹	1.0	(63)	2.7	(65)	7.7	NM
Total underwriting operations	\$ 58,664.4	19 %	\$ 49,241.2	11 %	\$ 44,368.7	13 %

NM = Not meaningful

¹ Includes other underwriting business and run-off operations.

December 31, (# in thousands)	2023		2022		2021	
	#	% Growth	#	% Growth	#	% Growth
Policies in Force						
Personal Lines						
Agency auto	8,335.5	7 %	7,766.3	(1)%	7,879.0	3 %
Direct auto	11,190.4	10	10,131.0	6	9,568.2	8
Total auto	19,525.9	9	17,897.3	3	17,447.2	6
Special lines ¹	5,968.6	7	5,558.1	5	5,288.5	8
Personal Lines — total	25,494.5	9	23,455.4	3	22,735.7	6
Commercial Lines	1,098.5	5	1,046.4	8	971.2	18
Property	3,096.5	9	2,851.3	3	2,776.2	12
Companywide total	29,689.5	9 %	27,353.1	3 %	26,483.1	7 %

¹ Includes insurance for motorcycles, RVs, watercraft, snowmobiles, 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.

D. Personal Lines

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

	Growth Over Prior Year		
	2023	2022	2021
Applications			
New	14 %	1 %	(2)%
Renewal	10	1	11
Written premium per policy - Auto	10	9	0
Policy life expectancy - Auto			
Trailing 3 months	14	(9)	(1)
Trailing 12 months	24	(22)	2

In our Personal Lines business, compared to the prior year periods, personal auto new applications grew 60% in the first half of 2023, but decreased dramatically during the second half of 2023, as a result of targeted rate and non-rate actions we took to focus on profitability over growth in an effort to achieve our calendar-year underwriting profitability goal. For 2023, our new applications grew 15% in personal auto and 11% in special lines, compared to 2022. Compared to the prior year, our personal auto renewal applications for 2023 were up 10% and our special lines products recorded a 6% increase in renewal applications.

Results for 2023 varied by consumer segment. Personal auto policies in force grew between 1% and 14% across all consumer segments, compared to the prior year, with Sam reporting the lowest increase and the Wrights and Robinsons having the largest growth. New business application growth was up across all segments. Quote volume decreased in all consumer segments, except the Wrights, with all consumer segments seeing an increased rate of conversion.

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. During 2023, in addition to rate increases, we took measures to achieve our target profit margin that included slowing new business growth through verification activities, bill plan offerings, and we also continued to exercise general operational expense discipline.

During 2023, we implemented personal auto rate increases in 48 states that, on an aggregate basis, increased rates about 19% during the year, following a 13% rate increase during 2022. In response to rising costs, we started taking rate increases in the second quarter 2021 and continued taking rate increases throughout 2023. We believe that our prior-year rate increases had a negative impact on our 2022 policy life expectancy, and as competitors also raised rates,

our retention started to lengthen as evidenced by the growth in our trailing 3- and 12-month policy life expectancy in 2023. Our written premium per policy increased during 2023 and 2022, primarily due to the rate increases taken in those years.

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 2023.

The Agency Business

	Growth Over Prior Year		
	2023	2022	2021
Applications - Auto			
New	15 %	(3)%	(8)%
Renewal	6	(3)	8
Written premium per policy - Auto	12	11	1
Policy life expectancy - Auto			
Trailing 3 months	23	(11)	(3)
Trailing 12 months	29	(24)	1

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 2023, 40 states and the District of Columbia generated new Agency auto application growth, including 9 of our top 10 largest Agency states. Total Agency auto applications increased 8% with growth in both new and renewal applications. New applications and policies in force increased during 2023, across all consumer segments, except Sam, who saw a low single digit decline in both measures, compared to 2022.

During 2023, we experienced a 1% year-over-year increase in Agency auto quotes and a 13% increase in the rate of conversion. While all consumer segments contributed to the increase in conversion, compared to 2022, only the Wrights saw an increase in quote volume year over year in 2023. Written premium per policy for new and renewal Agency auto business increased 7% and 13%, respectively, compared to 2022, primarily driven by rate increases.

Policy life expectancy in the Agency business lengthened significantly during 2023, following substantial declines in 2022. During 2023, as part of our efforts to slow growth to achieve our target profitability, we focused our efforts to attract a more preferred tier of customers, along with more Robinsons, who tend to stay with us longer.

The Direct Business

	Growth Over Prior Year		
	2023	2022	2021
Applications - Auto			
New	15 %	6 %	0 %
Renewal	13	3	13
Written premium per policy - Auto	10	8	(1)
Policy life expectancy - Auto			
Trailing 3 months	6	(6)	2
Trailing 12 months	19	(19)	3

The Direct business includes business written directly by Progressive online, through our Progressive mobile app, or by the phone. During 2023, we generated new Direct auto application growth in 46 states and the District of Columbia, including 8 of our top 10 largest Direct states. Total auto applications increased 13% with growth in both new and renewal applications. New applications increased across all consumer segments and policies in force grew between 4% and 13% in each consumer segment, compared to 2022.

During 2023, we experienced an increase in Direct auto quote volume and conversion of 5% and 9%, respectively, compared to 2022. All consumer segments saw an increase in quote volume except Sam, who experienced a low single digit decline, with all consumer segments seeing an increase in the rate of conversion, compared to 2022.

Written premium per policy for new and renewal Direct auto business increased 5% and 11%, respectively, during 2023, compared to 2022, primarily driven by rate increases.

The Direct business experienced a lengthening of retention in 2023, following decreases in policy life expectancy in 2022. The drivers of the change in policy life expectancy were similar to the Agency business where the focus was to grow more bundled customers and those in a more preferred market tier.

E. Commercial Lines

Our Commercial Lines business operates in five traditional BMTs, 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, BOP insurance, and, through Protective Insurance, larger fleet and workers' compensation insurance primarily for the transportation industry, along with trucking industry independent contractors, and affinity programs.

The following table and discussion focuses on our commercial auto product, excluding our TNC and Protective Insurance products. Year-over-year changes in our commercial auto product were as follows:

	Growth Over Prior Year		
	2023	2022	2021
Applications			
New	4 %	(1)%	27 %
Renewal	4	12	12
Written premium per policy	3	11	17
Policy life expectancy			
Trailing 12 months	(12)	(12)	11

The increases in net premiums written in our Commercial Lines business reflected growth in all of our BMTs, except our for-hire transportation BMT, which continued to be impacted by a slowdown in the rate of economic activity and challenging freight market conditions. The most significant growth was in our contractor and business auto BMTs. We believe the increase in our contractor BMT was influenced by increased construction, employment, and commercially based economic spending trends during 2023.

During 2023, commercial auto new application growth was positive in each of our BMTs, except for our for-hire transportation BMT, as previously discussed. We experienced a 7% increase in quote volume and a 3% decrease in the rate of conversion in our commercial auto products during 2023, compared to 2022.

During 2023, we increased rates, in aggregate, about 17% in our commercial auto products. Written premium per policy for new commercial auto business decreased 3% for 2023, compared to 2022. Shifts in the mix of business from for-hire trucking, which has higher premiums, to lower premium products, like business auto and contractor BMTs, more than offset the rate increases we took in commercial auto on our new business. Written premium per policy on renewal commercial auto products increased 6%, compared to 2022.

Our policy life expectancy decreased in all BMTs. We believe increased rates and non-rate actions as well as unfavorable trucking market conditions drove increased shopping and motor carriers exited the industry, resulting in negative effects on policy life expectancy.

F. Property

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

	Growth Over Prior Year		
	2023	2022	2021
Applications			
New	15 %	(8)%	20 %
Renewal	5	8	10
Written premium per policy	10	6	1
Policy life expectancy Trailing 12 months	15	(7)	(9)

Our Property business writes residential property insurance for homeowners, other property owners, and renters, and umbrella insurance in the agency and direct channels.

Improving profitability and reducing concentration exposure continued to be the top priority for our Property business during 2023. We concentrated our growth in the Property business in markets that are less susceptible to catastrophes and lowered our exposure to coastal and hail-prone states for all products, excluding renters and umbrella. New applications in the growth-oriented states were up about 45%, compared to 2022. In regions where our appetite to write new business is limited, we continued to prioritize Progressive auto bundles, as well as lower risk properties, such as new construction or homes with newer roofs.

New applications were down about 20% during 2023 in the more volatile weather states, compared to last year. In addition, to continue to rebalance our Property business, we began a non-renewal effort of up to 115,000 Property policies in Florida. Following the required notices, the first of these non-renewals will go into effect in the second quarter of 2024 and will continue over the following 12 months. To try to ease disruption to our customers and agents, we reached an agreement with another unaffiliated Florida insurer to offer replacement policies to these policyholders, subject to the insurer's underwriting and financial guidelines and agent appointments where applicable.

Our written premium per policy increased on a year-over-year basis, primarily attributable to rate increases taken over the last 12 months and higher premium coverages reflecting increased property values. During 2023, we increased rates, in aggregate, about 16% in our Property segment, with larger increases in coastal and hail-prone states. The written premium per policy increase was partially offset by less homeowners growth in volatile states that have higher average premiums. We intend to continue to make targeted rate increases in states where we believe it is necessary to achieve our profitability targets.

The policy life expectancy in our Property business lengthened during 2023, compared to decreases in policy life expectancy during 2022, primarily driven by a slowdown in the housing market and a shift in the mix of business.

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. 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 or our liquidity. 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, 2023 and 2022, we had net current income taxes payable of \$311.8 million and \$10.9 million, respectively, which were reported in accounts payable, accrued expenses, and other liabilities on our consolidated balance sheets. This balance, which represented our estimated tax liability for the year less payments made during the year, may fluctuate from period to period due to normal timing differences and the portion of earnings generated during the fourth quarter relative to our annual earnings. 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, 2023 and 2022, we reported net deferred tax assets. We are required to assess our deferred tax assets for recoverability, and, based on our analysis, we 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 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 and current temporary

differences related to unrealized gains in our equity portfolio.

Our effective tax rate was 20% for 2023 and 2021, compared to 22% for 2022. The decrease in the effective tax rate during 2023, compared to 2022, was in part attributable to the goodwill impairment in 2022, which is not deductible for income tax purposes.

IV. RESULTS OF OPERATIONS – INVESTMENTS

A. Portfolio Summary

At year-end 2023, the fair value of our investment portfolio was \$66.0 billion, compared to \$53.5 billion at year-end 2022. The increase in value from year-end 2022 primarily reflected cash flows from operations and increases in the valuation of our portfolio. Our investment income (interest and dividends) increased 50% and 46% in 2023 and 2022, respectively. The increases in both years were primarily due to investing new cash from operations, and proceeds from maturing bonds, at higher coupon rates, and an increase in interest rates on our floating-rate securities.

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:

	2023	2022	2021
Pretax recurring investment book yield	3.1 %	2.4 %	1.9 %
FTE total return:			
Fixed-income securities	5.4	(6.6)	(0.1)
Common stocks	26.7	(19.4)	33.4
Total portfolio	6.3	(7.8)	2.6

Consistent with prior years, we had no uncertain tax positions. See *Note 5 – Income Taxes* for further information.

The increase in the book yield during 2023 and 2022, primarily reflected investing new cash from operations, and proceeds from maturing bonds, at higher coupon rates, and an increase in interest rates on our floating-rate securities. The increase in the fixed-income portfolio total return, compared to last year, reflected valuation increases across all sectors due to lower interest rates and tighter credit spreads, while the increase in the common stock return 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:

	2023	2022	2021
Fixed-income securities:			
U.S. Treasury Notes	4.6 %	(7.8)%	(1.2)%
Municipal bonds	5.9	(8.3)	(0.2)
Corporate bonds	7.1	(6.0)	(0.4)
Residential mortgage-backed securities	9.2	0.6	1.3
Commercial mortgage-backed securities	6.9	(9.5)	0.5
Other asset-backed securities	7.2	(1.6)	0.7
Preferred stocks	2.5	(8.3)	6.9
Short-term investments	5.0	1.5	0.1

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
2023				
U.S. government obligations	\$ 36,869.4	55.9 %	3.6	AA+
State and local government obligations	2,202.8	3.3	3.0	AA+
Foreign government obligations	16.3	0.1	2.6	AAA
Corporate debt securities	11,183.7	16.9	2.7	BBB+
Residential mortgage-backed securities	417.2	0.6	0.5	A+
Commercial mortgage-backed securities	3,939.7	6.0	2.3	A
Other asset-backed securities	5,575.4	8.4	1.2	AA+
Preferred stocks	1,075.8	1.7	2.4	BBB-
Short-term investments	1,789.9	2.7	<0.1	AA-
Total fixed-income securities	63,070.2	95.6	3.0	AA-
Common equities	2,928.4	4.4	na	na
Total portfolio ²	\$ 65,998.6	100.0 %	3.0	AA-

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

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, 2023 and 2022, we had \$45.6 million and \$34.4 million, respectively, of net unsettled security transactions included in other assets.

The total fair value of the portfolio at December 31, 2023 and 2022, included \$4.2 billion and \$4.4 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)	2023		2022	
	Fair Value	% of Total Portfolio	Fair Value	% of Total Portfolio
Group I securities:				
Non-investment-grade fixed maturities	\$ 532.6	0.8 %	\$ 1,249.2	2.3 %
Redeemable preferred stocks ¹	86.9	0.1	92.1	0.2
Nonredeemable preferred stocks	902.1	1.4	1,213.2	2.3
Common equities	2,928.4	4.4	2,821.5	5.2
Total Group I securities	4,450.0	6.7	5,376.0	10.0
Group II securities:				
Other fixed maturities	59,758.7	90.6	45,310.6	84.6
Short-term investments	1,789.9	2.7	2,861.7	5.4
Total Group II securities	61,548.6	93.3	48,172.3	90.0
Total portfolio	\$ 65,998.6	100.0 %	\$ 53,548.3	100.0 %

¹ We held no non-investment-grade redeemable preferred stocks at December 31, 2023 or 2022.

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) to classify our residential and commercial mortgage-backed securities, excluding interest-only (IO) 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.

Unrealized Gains and Losses

As of December 31, 2023, our fixed-maturity portfolio had total after-tax net unrealized losses, which are recorded as part of accumulated other comprehensive income (loss) on our consolidated balance sheets, of \$1.6 billion, compared to \$2.8 billion at December 31, 2022. The decrease in total unrealized loss year over year, was due to valuation increases across all fixed-maturity sectors, most prominently in our U.S. Treasury, corporate debt, and other asset-backed portfolios as lower interest rates and tighter credit spreads drove strong portfolio performance.

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 2023:

(millions)	Gross Holding Period Gains	Gross Holding Period Losses	Net Holding Period Gains (Losses)
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
Current year change in holding period securities			
Hybrid fixed-maturity securities	4.0	41.4	45.4
Equity securities ¹	207.3	95.7	303.0
Total changes in holding period securities	211.3	137.1	348.4
Balance at December 31, 2023			
Hybrid fixed-maturity securities	5.3	(34.4)	(29.1)
Equity securities ¹	2,233.9	(86.5)	2,147.4
Total holding period securities	\$ 2,239.2	\$ (120.9)	\$ 2,118.3

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 5.0 years. The duration of the fixed-income portfolio was 3.0 years at December 31, 2023, compared to 2.9 years at December 31, 2022. 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	2023	2022
1 year	18.1 %	17.5 %
2 years	12.0	16.9
3 years	25.7	21.3
5 years	27.4	25.1
7 years	14.6	14.0
10 years	2.2	5.2
Total fixed-income portfolio	100.0 %	100.0 %

Credit Risk This exposure is managed by maintaining an A+ minimum weighted average portfolio credit quality rating, as defined by NRSROs. At December 31, 2023 and 2022, our weighted average credit quality rating was AA- and AA, respectively. The credit quality distribution of the fixed-income portfolio at December 31, was:

Average Rating	2023	2022
AAA	10.7 %	65.5 %
AA	65.1	6.4
A	7.0	7.6
BBB	15.7	17.2
Non-investment-grade/non-rated: ¹		
BB	1.2	2.5
B	0.2	0.5
CCC and lower	0	0.1
Non-rated	0.1	0.2
Total fixed-income portfolio	100.0 %	100.0 %

¹ The ratings in the table above are assigned by NRSROs.

The year-over-year rating shift between the AAA and AA categories was primarily due to a second major credit rating agency downgrading U.S. Treasury debt to AA+ from AAA, which led us to lower our U.S. Treasury positions to AA+.

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, 2023 and 2022, 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 2023 and 2022, 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. During 2024, we expect approximately \$6.1 billion, or 25%, of principal repayment from our fixed-income portfolio, excluding U.S. Treasury Notes and short-term investments. 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, 2023:

(\$ in millions)	Fair Value	Duration (years)
U.S. Treasury Notes		
Less than one year	\$ 3,402.9	0.6
One to two years	4,309.2	1.4
Two to three years	4,226.8	2.5
Three to five years	16,153.5	3.9
Five to seven years	7,207.9	5.6
Seven to ten years	1,569.1	7.4
Total U.S. Treasury Notes	\$ 36,869.4	3.6

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
2023					
Residential mortgage-backed securities	\$ 417.2	\$ (9.8)	4.2 %	0.5	A+
Commercial mortgage-backed securities	3,939.7	(595.5)	39.7	2.3	A
Other asset-backed securities	5,575.4	(91.4)	56.1	1.2	AA+
Total asset-backed securities	\$ 9,932.3	\$ (696.7)	100.0 %	1.6	AA-
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-

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, 2023, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Residential Mortgage-Backed Securities (at December 31, 2023)

(\$ in millions) Average Rating ¹	Non-Agency		Government/GSE ²		Total	% of Total
AAA	\$	64.7	\$	0.3	\$ 65.0	15.6 %
AA		33.4		1.1	34.5	8.2
A		267.8		0	267.8	64.2
BBB		44.1		0	44.1	10.6
Non-investment-grade/non-rated:						
BB		0.3		0	0.3	0.1
CCC and lower		1.4		0	1.4	0.3
Non-rated		4.1		0	4.1	1.0
Total fair value	\$	415.8	\$	1.4	\$ 417.2	100.0 %
Decrease in value		(2.2)%		(4.6)%	(2.3)%	

¹ The credit quality ratings are assigned by NRSROs; when we assigned the NAIC ratings for our RMBS, 97% 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 deals that are backed by either high-credit quality borrowers or those that have strong structural protections through underlying loan collateralization. During 2023, the RMBS portfolio decreased as a result of principal paydowns, maturities, and tender offers on securities that we participated in.

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, 2023, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Commercial Mortgage-Backed Securities (at December 31, 2023)

(\$ in millions) Average Rating ¹	Multi-Borrower		Single-Borrower		Total	% of Total
AAA	\$	179.6	\$	971.5	\$ 1,151.1	29.2 %
AA		0		924.7	924.7	23.5
A		0		727.7	727.7	18.5
BBB		0		733.1	733.1	18.6
Non-investment-grade/non-rated:						
BB		0		393.1	393.1	10.0
B		0		10.0	10.0	0.2
Total fair value	\$	179.6	\$	3,760.1	\$ 3,939.7	100.0 %
Decrease in value		(4.1)%		(13.5)%	(13.1)%	

¹ The credit quality ratings are assigned by NRSROs; when we assigned the NAIC ratings for our CMBS, 62% 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 heightened volatility throughout 2023 due to ongoing challenges around the commercial real estate market and higher financing costs for commercial properties. In general, delinquencies in the CMBS market have increased as some loans that reached their maturity date have had difficulty refinancing. New CMBS issuances continued to remain slow in the single-asset single-borrower market and liquidity has continued to be challenged. During 2023, we selectively reduced certain positions that we believed would be sensitive to potential future economic uncertainty. As of December 31, 2023, we had no delinquencies in our CMBS portfolio.

With focus on the commercial real estate sector, the following table shows the composition of our CMBS portfolio by maturity year and sector:

Commercial Mortgage-Backed Securities Sector Details (at December 31, 2023)													
(\$ in millions) Maturity ¹	Office	Lab Office	Multi-family	Multi-family IO	Retail	Industrial	Self-storage	Casino	Defeased	Total	Average Original LTV	Average Current DSCR	
2024	\$ 121.3	\$ 24.4	\$ 22.2	\$ 41.5	\$ 35.2	\$ 180.0	\$ 0	\$ 0	\$ 158.8	\$ 583.4	58.2 %	2.0	
2025	0	41.9	0	37.0	63.9	43.8	0	0	0	186.6	65.7	2.1	
2026	426.5	81.6	281.7	33.4	0	90.6	60.7	109.4	0	1,083.9	60.9	1.9	
2027	405.1	0	38.9	30.2	0	94.0	245.7	0	0	813.9	60.1	1.9	
2028	249.0	0	0	22.9	0	0	0	0	0	271.9	51.9	3.3	
2029	383.0	0	0	10.9	0	0	0	66.8	0	460.7	58.8	3.1	
2030	72.1	59.2	0	3.7	0	0	0	89.9	0	224.9	55.5	3.1	
2031	223.1	91.3	0	0	0	0	0	0	0	314.4	66.5	2.1	
Total fair value	\$ 1,880.1	\$ 298.4	\$ 342.8	\$ 179.6	\$ 99.1	\$ 408.4	\$ 306.4	\$ 266.1	\$ 158.8	\$ 3,939.7			

LTV= loan to value

DSCR= debt service coverage ratio

¹The floating-rate securities were extended to their full maturity and fixed-rate securities are shown to their anticipated repayment date (if applicable) or otherwise, their maturity date.

We show the average loan to value (LTV) of each maturity year when the loans were originated. The LTV ratio that management uses, which is commonly expressed as a percentage, compares the size of the entire mortgage loan to the appraised value of the underlying property collateralizing the loan at issuance. A LTV ratio less than 100% indicates excess collateral value over the loan amount. LTV ratios greater than 100% indicate that the loan amount exceeds the collateral value. We believe this ratio provides a conservative view of our actual risk of loss, as this number displays the entire mortgage LTV, while our ownership is only a portion of the structure of the mortgage loan-backed security. For many of the mortgage loans in our portfolio, our exposure is in a more senior part of the structure, which means that the LTV on our actual exposure is even lower than the ratios presented.

In addition to the LTV ratio, we also examine the credit of our CMBS portfolio by reviewing the debt service coverage ratio (DSCR) of the securities. The DSCR compares the underlying property's annual net operating income to its annual debt service payments. A DSCR less than 1.0 times indicates that property operations do not generate enough income over the debt service payments, while a DSCR greater than 1.0 times indicates that there is an excess of operating income over the debt service payments. A number above 1.0 generally indicates that there would not be an incentive for the borrower to default in light of the borrower's excess income. The DSCR reported in the table is calculated based on the most currently available net operating income and mortgage payments for the borrower, which, for most securities, is 2023 data.

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, 2023, to our original investment value (adjusted for returns of principal, amortization, and write-downs):

Other Asset-Backed Securities (at December 31, 2023)									
(\$ in millions) Average Rating	Automobile	Collateralized Loan Obligations	Student Loan	Whole Business Securitizations	Equipment	Other	Total	% of Total	
AAA	\$ 2,022.6	\$ 1,018.9	\$ 35.1	\$ 0	\$ 764.4	\$ 175.1	\$ 4,016.1	72.0 %	
AA	20.4	391.9	9.4	0	41.3	0	463.0	8.3	
A	9.0	0	0	0	151.4	131.9	292.3	5.2	
BBB	6.8	0	0	728.8	0	36.2	771.8	13.9	
Non-investment-grade/non-rated:									
BB	0	0	0	0	0	32.2	32.2	0.6	
Total fair value	\$ 2,058.8	\$ 1,410.8	\$ 44.5	\$ 728.8	\$ 957.1	\$ 375.4	\$ 5,575.4	100.0 %	
Increase (decrease) in value	0.4 %	(0.7)%	(9.1)%	(7.4)%	(0.1)%	(6.8)%	(1.6)%		

We selectively added to the OABS portfolio throughout 2023 as we viewed spreads and potential returns to be attractive in certain sectors. Investments were predominantly made in the automobile and equipment categories in highly rated, senior, and short-tenor debt tranches. The additions were primarily in new issue markets, but some selective secondary purchases were also made.

STATE AND LOCAL GOVERNMENT OBLIGATIONS

The following table details the credit quality rating of our state and local government obligations (municipal securities) at December 31, 2023, without the benefit of credit or bond insurance:

Municipal Securities (at December 31, 2023)				
(millions) Average Rating	General Obligations		Revenue Bonds	Total
AAA	\$	683.2	\$ 331.9	\$ 1,015.1
AA		435.6	701.0	1,136.6
A		0	50.6	50.6
BBB		0	0.3	0.3
Non-rated		0	0.2	0.2
Total	\$	1,118.8	\$ 1,084.0	\$ 2,202.8

Included in revenue bonds were \$495.9 million of single-family housing revenue bonds issued by state housing finance agencies, of which \$280.5 million were supported by individual mortgages held by the state housing finance agencies and \$215.4 million were supported by mortgage-backed securities.

CORPORATE SECURITIES

The following table details the credit quality rating of our corporate securities at December 31, 2023:

Corporate Securities (at December 31, 2023)								
(millions) Average Rating	Consumer	Industrial	Communication	Financial Services	Technology	Basic Materials	Energy	Total
AAA	\$ 0	\$ 0	\$ 0	\$ 80.6	\$ 0	\$ 0	\$ 0	\$ 80.6
AA	139.2	0	0	303.7	0	0	45.1	488.0
A	548.4	351.2	179.5	1,404.8	16.4	116.7	462.6	3,079.6
BBB	2,432.7	1,405.7	400.4	1,270.5	548.0	43.5	1,086.2	7,187.0
Non-investment-grade/non-rated:								
BB	86.1	36.9	61.2	0	11.1	0	6.0	201.3
B	119.3	0	0	0	0	24.9	0	144.2
Non-rated	0	0	0	0	3.0	0	0	3.0
Total fair value	\$ 3,325.7	\$ 1,793.8	\$ 641.1	\$ 3,059.6	\$ 578.5	\$ 185.1	\$ 1,599.9	\$ 11,183.7

While the size of our corporate debt portfolio varied throughout the year, the portfolio grew modestly during 2023, as we increased our holdings, on an absolute basis. At December 31, 2023, our corporate debt securities made up approximately 18% of the fixed-income portfolio, compared to approximately 19% at December 31, 2022.

Of the revenue bonds supported by individual mortgages held by state housing finance agencies, the overall credit quality rating was AA+. Most of these mortgages were supported by the FHA, VA, or private mortgage insurance providers. Of the revenue bonds supported by mortgage-backed securities, 85% were collateralized by Ginnie Mae mortgages, which are fully guaranteed by the U.S. government, and the remaining 15% were collateralized by Fannie Mae and Freddie Mac mortgages.

Credit spreads of tax-exempt and taxable municipal bonds tightened during 2023. While we modestly increased our holding in the portfolio during the year, municipals as a percentage of the fixed-income portfolio declined, due to the lack of what we viewed as compelling investment opportunities. Our additions to the portfolio were focused on shorter-maturity general obligation, single family housing, and revenue bonds, which is reflected in the shorter municipal portfolio duration at year end 2023.

We slightly reduced the maturity profile of the corporate debt portfolio during 2023. The duration of the corporate debt portfolio was 2.7 years at December 31, 2023, compared to 2.8 years at December 31, 2022, as we sold some of the longer duration securities with less attractive risk/reward profiles and added securities with shorter durations.

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, 2023)								
(millions) Average Rating	Financial Services					Industrials	Utilities	Total
	U.S. Banks	Foreign Banks	Insurance	Other Financial				
BBB	\$ 576.3	\$ 41.6	\$ 74.1	\$ 27.7	\$ 141.2	\$ 44.8	\$	905.7
Non-investment-grade/non-rated:								
BB	83.6	22.6	0	0	0	0		106.2
Non-rated	0	0	39.9	9.2	14.8	0		63.9
Total fair value	\$ 659.9	\$ 64.2	\$ 114.0	\$ 36.9	\$ 156.0	\$ 44.8	\$	1,075.8

The majority of our preferred securities have fixed-rate dividends until a call date and then, if not called, generally convert to floating-rate dividends. The interest rate duration of our preferred securities is calculated to reflect the call, floor, and floating-rate features. Although a preferred security will remain outstanding if not called, its interest rate duration will reflect the variable nature of the dividend. At year-end 2023, 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, 2023, we

expect all of these securities to pay their dividends in full and on time. Approximately 78% of our preferred stock securities pay dividends that have tax preferential characteristics, while the balance pay dividends that are fully taxable.

During 2023, our preferred portfolio declined to \$1.1 billion at December 31, 2023, from \$1.4 billion at December 31, 2022. The decline was primarily due to preferred stocks that were called or sold due to our view of their less attractive risk/reward profiles, which was partially offset by an increase in valuation on preferred securities during the fourth quarter of 2023, as credit spreads tightened and interest rates decreased.

Common Equities

Common equities, as reported on our consolidated balance sheets at December 31, were comprised of the following:

(\$ in millions)	2023		2022	
Common stocks	\$	2,907.8	99.3 %	\$ 2,801.7 99.3 %
Other risk investments ¹		20.6	0.7	19.8 0.7
Total common equities	\$	2,928.4	100.0 %	\$ 2,821.5 100.0 %

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 792 out of 1,010, or 78%, of the common stocks comprising the index at December 31, 2023, which made up 95% of the

total market capitalization of the index. At December 31, 2023 and 2022, 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.

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, 2023	Russell 1000 Allocation at December 31, 2023	Russell 1000 Sector Return in 2023
Consumer discretionary	14.2 %	15.4 %	36.8 %
Consumer staples	4.4	4.9	(2.6)
Financial services	10.8	10.3	15.4
Health care	12.2	11.6	2.4
Materials and processing	2.4	2.0	13.4
Other energy	4.1	3.8	(2.4)
Producer durable	13.0	12.7	20.3
Real estate	2.6	2.7	11.9
Technology	31.8	31.7	66.9
Telecommunications	2.1	2.4	12.6
Utilities	2.4	2.5	(4.7)
Total common stocks	100.0 %	100.0 %	26.5 %

For 2023, our common stock portfolio FTE total return was 26.7%, compared to 26.5% 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 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, 2023, we had \$29.6 billion of net loss and LAE reserves (net of reinsurance recoverables on unpaid losses), which included \$22.5 billion of case reserves and \$7.1 billion of IBNR reserves. Personal auto liability and commercial auto liability reserves represent approximately 92% 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 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 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 predictive nature 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.

The following table highlights what the effect would be to our carried loss and LAE reserves, on a net basis, as of December 31, 2023, if during 2024 we were to experience the indicated change in our estimate of severity for the 2023 accident year (i.e., claims that occurred in 2023):

(millions)	Estimated Changes in Severity for Accident Year 2023				
	-4%	-2%	As Reported	+2%	+4%
Personal auto liability	\$ 17,159.3	\$ 17,563.1	\$ 17,966.9	\$ 18,370.7	\$ 18,774.5
Commercial auto liability	9,075.3	9,190.1	9,304.9	9,419.7	9,534.5
Other ¹	2,328.4	2,328.4	2,328.4	2,328.4	2,328.4
Total	\$ 28,563.0	\$ 29,081.6	\$ 29,600.2	\$ 30,118.8	\$ 30,637.4

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 2023 accident year would affect our personal auto liability reserves by \$201.9 million and our commercial auto reserves by \$57.4 million.

Our 2023 year-end loss and LAE reserve balance also includes claims from prior years. Claims that occurred in 2023, 2022, and 2021, in the aggregate, accounted for approximately 93% of our reserve balance. If during 2024 we were to experience the indicated change in our estimate of severity for the total of the prior three accident years (i.e., 2023, 2022, and 2021), the effect to our year-end 2023 reserve balances would be as follows:

(millions)	Estimated Changes in Severity for Accident Years 2023, 2022, and 2021				
	-4%	-2%	As Reported	+2%	+4%
Personal auto liability	\$ 15,860.1	\$ 16,913.5	\$ 17,966.9	\$ 19,020.3	\$ 20,073.7
Commercial auto liability	8,720.5	9,012.7	9,304.9	9,597.1	9,889.3
Other ¹	2,328.4	2,328.4	2,328.4	2,328.4	2,328.4
Total	\$ 26,909.0	\$ 28,254.6	\$ 29,600.2	\$ 30,945.8	\$ 32,291.4

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 2023, 2022, and 2021 accident years would affect our personal auto liability reserves by \$526.7 million and our commercial auto reserves by \$146.1 million.

Our best estimate of the appropriate amount for our reserves as of year-end 2023 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, 2023 and 2022.

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 our ability to navigate the related risks;
- how intellectual property rights affect our competitiveness and our business operations;
- the success of our development and use of new technology and our ability to navigate the related risks;
- 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;
- 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;
- our ability to obtain capital when necessary to support our business and potential growth;
- evaluations and ratings 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, 2023.

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)	2023	2022	2021	2020	2019
Net premiums written	\$ 61,550.2	\$ 51,081.1	\$ 46,405.2	\$ 40,568.7	\$ 37,577.9
Growth	20 %	10 %	14 %	8 %	15 %
Net premiums earned	\$ 58,664.4	\$ 49,241.2	\$ 44,368.7	\$ 39,261.6	\$ 36,192.4
Growth	19 %	11 %	13 %	8 %	17 %
Policies in force (thousands):					
Personal Lines	25,494.5	23,455.4	22,735.7	21,413.5	19,408.6
Growth	9 %	3 %	6 %	10 %	9 %
Commercial Lines	1,098.5	1,046.4	971.2	822.0	751.4
Growth	5 %	8 %	18 %	9 %	8 %
Property ¹	3,096.5	2,851.3	2,776.2	2,484.4	2,202.1
Growth ¹	9 %	3 %	12 %	13 %	14 %
Total revenues	\$ 62,108.5	\$ 49,610.7	\$ 47,702.0	\$ 42,658.1	\$ 39,022.3
Underwriting margins: ²					
Personal Lines	6.2 %	4.0 %	4.6 %	13.2 %	9.5 %
Commercial Lines	1.2 %	8.9 %	11.1 %	13.0 %	10.4 %
Property ¹	1.1 %	(10.5)%	(15.3)%	(7.1)%	(1.7)%
Total underwriting operations	5.1 %	4.2 %	4.7 %	12.3 %	9.1 %
Net income attributable to Progressive	\$ 3,902.4	\$ 721.5	\$ 3,350.9	\$ 5,704.6	\$ 3,970.3
Per common share - diluted	\$ 6.58	\$ 1.18	\$ 5.66	\$ 9.66	\$ 6.72
Average equivalent common shares - diluted	587.5	587.1	587.1	587.6	587.2
Comprehensive income (loss) attributable to Progressive	\$ 5,088.7	\$ (2,121.2)	\$ 2,459.9	\$ 6,291.9	\$ 4,432.9
Total assets	\$ 88,690.8	\$ 75,465.0	\$ 71,132.3	\$ 64,098.3	\$ 54,895.3
Debt outstanding	\$ 6,888.6	\$ 6,388.3	\$ 4,898.8	\$ 5,396.1	\$ 4,407.1
Redeemable noncontrolling interest	\$ —	\$ —	\$ —	\$ —	\$ 225.6
Total shareholders' equity	\$ 20,277.1	\$ 15,891.0	\$ 18,231.6	\$ 17,038.6	\$ 13,673.2
Statutory surplus	\$ 22,249.6	\$ 17,879.9	\$ 16,423.7	\$ 15,194.6	\$ 13,671.1
Common shares outstanding	585.3	584.9	584.4	585.2	584.6
Common share close price (at December 31)	\$ 159.28	\$ 129.71	\$ 102.65	\$ 98.88	\$ 72.39
Rate of return ³	23.2 %	26.8 %	10.8 %	41.4 %	25.1 %
Market capitalization	\$ 93,226.6	\$ 75,867.4	\$ 59,988.7	\$ 57,864.6	\$ 42,319.2
Book value per common share	\$ 33.80	\$ 26.32	\$ 30.35	\$ 28.27	\$ 22.54
Ratios:					
Return on average common shareholders' equity:					
Net income attributable to Progressive	22.9 %	4.4 %	18.6 %	35.6 %	31.3 %
Comprehensive income (loss) attributable to Progressive	30.0 %	(13.5)%	13.6 %	39.3 %	35.0 %
Debt to total capital ⁴	25.4 %	28.7 %	21.2 %	24.1 %	24.4 %
Price to earnings	24.2	109.9	18.1	10.2	10.8
Price to book	4.7	4.9	3.4	3.5	3.2
Net premiums written to statutory surplus	2.8	2.9	2.8	2.7	2.7
Statutory combined ratio	94.3	95.3	94.8	87.9	90.5
Dividends declared per common share ⁵	\$ 1.15	\$ 0.40	\$ 1.90	\$ 4.90	\$ 2.65
Number of people employed	61,432	55,063	49,077	43,326	41,571

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. Policyholder credits are included in pretax underwriting profit (loss), as applicable.

³ Represents annual rate of return, assuming dividend reinvestment.

(millions – except ratios, policies in force, per share amounts, and number of people employed)

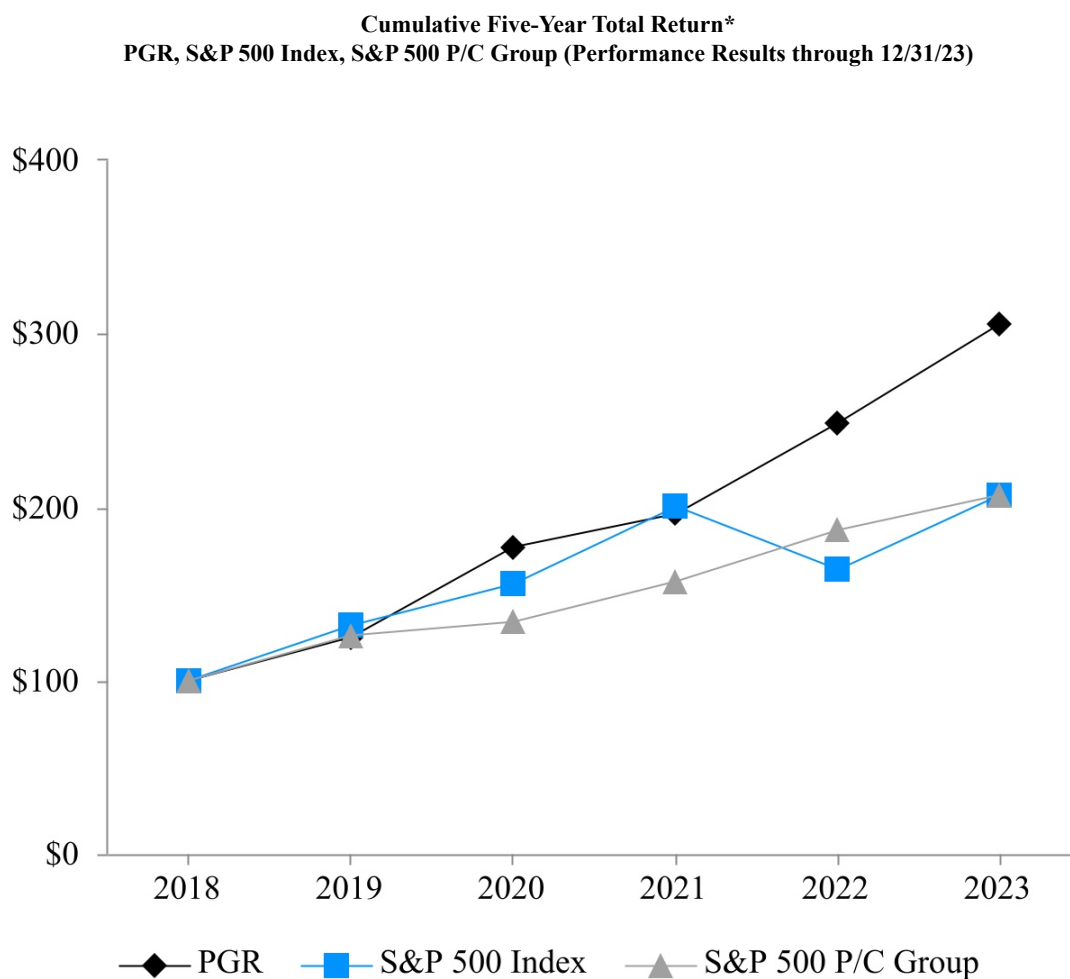
	2018		2017		2016		2015		2014
Net premiums written	\$	32,609.9	\$	27,132.1	\$	23,353.5	\$	20,564.0	\$ 18,654.6
Growth		20 %		16 %		14 %		10 %	8 %
Net premiums earned	\$	30,933.3	\$	25,729.9	\$	22,474.0	\$	19,899.1	\$ 18,398.5
Growth		20 %		14 %		13 %		8 %	8 %
Policies in force (thousands):									
Personal Lines		17,759.0		16,075.5		14,656.8		13,764.7	13,261.9
Growth		10 %		10 %		6 %		4 %	2 %
Commercial Lines		696.9		646.8		607.9		555.8	514.7
Growth		8 %		6 %		9 %		8 %	0 %
Property ¹		1,936.5		1,461.7		1,201.9		1,076.5	—
Growth ¹		32 %		22 %		12 %		NA	—
Total revenues	\$	31,979.0	\$	26,839.0	\$	23,441.4	\$	20,853.8	\$ 19,391.4
Underwriting margins: ²									
Personal Lines		9.7 %		6.9 %		4.7 %		6.5 %	6.7 %
Commercial Lines		13.3 %		7.7 %		6.4 %		15.9 %	17.2 %
Property ¹		(6.9)%		(5.1)%		3.8 %		10.1 %	—
Total underwriting operations		9.4 %		6.6 %		4.9 %		7.5 %	7.7 %
Net income attributable to Progressive	\$	2,615.3	\$	1,592.2	\$	1,031.0	\$	1,267.6	\$ 1,281.0
Per common share - diluted	\$	4.42	\$	2.72	\$	1.76	\$	2.15	\$ 2.15
Average equivalent common shares - diluted		586.7		585.7		585.0		589.2	594.8
Comprehensive income (loss) attributable to Progressive	\$	2,520.1	\$	1,941.0	\$	1,164.0	\$	1,044.9	\$ 1,352.4
Total assets	\$	46,575.0	\$	38,701.2	\$	33,427.5	\$	29,819.3	\$ 25,787.6
Debt outstanding	\$	4,409.9	\$	3,306.3	\$	3,148.2	\$	2,707.9	\$ 2,164.7
Redeemable noncontrolling interest	\$	214.5	\$	503.7	\$	483.7	\$	464.9	\$ —
Total shareholders' equity	\$	10,821.8	\$	9,284.8	\$	7,957.1	\$	7,289.4	\$ 6,928.6
Statutory surplus	\$	11,571.8	\$	9,664.4	\$	8,560.0	\$	7,575.5	\$ 6,442.8
Common shares outstanding		583.2		581.7		579.9		583.6	587.8
Common share close price (at December 31)	\$	60.33	\$	56.32	\$	35.50	\$	31.80	\$ 26.99
Rate of return ³		9.3 %		61.6 %		14.7 %		20.9 %	5.3 %
Market capitalization	\$	35,184.5	\$	32,761.3	\$	20,586.5	\$	18,558.5	\$ 15,864.7
Book value per common share	\$	17.71	\$	15.96	\$	13.72	\$	12.49	\$ 11.79
Ratios:									
Return on average common shareholders' equity:									
Net income attributable to Progressive		24.7 %		17.8 %		13.2 %		17.2 %	19.1 %
Comprehensive income (loss) attributable to Progressive		23.8 %		21.7 %		14.9 %		14.2 %	20.1 %
Debt to total capital ⁴		28.9 %		26.3 %		28.3 %		27.1 %	23.8 %
Price to earnings		13.6		20.7		20.2		14.8	12.6
Price to book		3.4		3.5		2.6		2.5	2.3
Net premiums written to statutory surplus		2.8		2.8		2.7		2.7	2.9
Statutory combined ratio		89.9		92.8		94.8		91.8	92.1
Dividends declared per common share ⁵	\$	2.5140	\$	1.1247	\$	0.6808	\$	0.8882	\$ 0.6862
Number of people employed		37,346		33,656		31,721		28,580	26,501

⁴Ratio reflects debt as a percent of debt plus shareholders' equity; redeemable noncontrolling interest is not part of this calculation.

⁵Represents dividends pursuant to the dividend policy in place for the applicable year (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) and the Standard & Poor's 500 Property & Casualty Insurance Index (S&P 500 P/C Group) for the last five years.



For the years ended December 31,	(Assumes \$100 was invested at the close of trading on December 31, 2018)				
	2019	2020	2021	2022	2023
PGR	\$ 125.06	\$ 176.81	\$ 195.94	\$ 248.45	\$ 305.97
S&P 500 Index	131.50	155.61	200.24	163.93	206.98
S&P 500 P/C Group	125.87	133.84	157.27	186.95	207.05

*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, 2023, 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, 2023 and 2022. See *Management's Discussion and Analysis of Financial Condition and Results of Operations – Investments* 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	\$ 39,690.3	\$ 38,244.6	\$ 36,869.4	\$ 35,564.8	\$ 34,330.7
State and local government obligations	2,324.0	2,266.9	2,202.8	2,131.4	2,053.1
Foreign government obligations	17.2	16.7	16.3	15.9	15.5
Asset-backed securities	10,253.6	10,090.0	9,932.3	9,780.5	9,634.6
Corporate securities	11,809.5	11,491.3	11,183.7	10,886.8	10,600.6
Preferred stocks	1,129.1	1,102.0	1,075.8	1,050.7	1,026.5
Short-term investments	1,789.9	1,789.9	1,789.9	1,789.9	1,789.9
Total at December 31, 2023	\$ 67,013.6	\$ 65,001.4	\$ 63,070.2	\$ 61,220.0	\$ 59,450.9
Total at December 31, 2022	\$ 53,798.6	\$ 52,234.3	\$ 50,726.8	\$ 49,281.3	\$ 47,903.8

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, 2023	\$ 2,621.4	\$ 2,928.4	\$ 3,235.4
Common equities at December 31, 2022	\$ 2,541.7	\$ 2,821.5	\$ 3,101.3

The model represents the estimated value of our common equity portfolio given a +/-10% change in the market, based on the common equity portfolio's weighted average beta of 1.0 for 2023 and 2022. The beta is derived from recent historical experience, using the S&P 500 as the market surrogate. The historical relationship of

the common equity 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 1.5%.

The Progressive Corporation and Subsidiaries
Net Premiums Written by State
(unaudited)

(\$ in millions)	2023		2022		2021		2020		2019			
Florida	\$	9,096.5	14.8 %	\$	7,144.6	14.0 %	\$	6,290.7	13.6 %	\$	5,233.4	13.9 %
Texas		7,809.0	12.7		6,089.3	11.9		5,343.5	11.5		4,081.0	10.8
California		3,407.5	5.5		2,867.1	5.6		2,585.1	5.6		2,241.2	5.9
Georgia		2,928.3	4.8		2,443.8	4.8		2,147.7	4.6		1,645.3	4.4
New York		2,416.0	3.9		2,056.1	4.0		2,008.6	4.3		1,843.2	4.9
Michigan		2,255.3	3.7		2,014.9	4.0		1,962.7	4.2		1,797.6	4.4
New Jersey		1,911.4	3.1		1,599.9	3.1		1,417.5	3.1		1,192.3	3.2
Ohio		1,851.0	3.0		1,708.9	3.3		1,563.0	3.4		1,339.5	3.6
Pennsylvania		1,803.7	2.9		1,670.2	3.3		1,504.8	3.2		1,268.3	3.4
Arizona		1,582.6	2.6		1,233.8	2.4		1,040.0	2.2		843.0	2.3
All other		26,488.9	43.0		22,252.5	43.6		20,541.6	44.3		16,249.6	43.2
Total	\$	61,550.2	100.0 %	\$	51,081.1	100.0 %	\$	46,405.2	100.0 %	\$	37,577.9	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	1-888-502-8330 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	1-800-895-2886 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 mobile app to start a quote, report a claim, or service a policy.		

Principal Office

The Progressive Corporation
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Mayfield Village, Ohio 44143
440-461-5000
progressive.com

Annual Meeting The Annual Meeting of Shareholders will take place on Friday, May 10, 2024, 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/PGR2024. 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 2023 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2024 Proxy Statement and 2023 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 our website: 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: Equiniti Trust Company, LLC, 48 Wall Street, Floor 23, New York, NY 10005; phone: 1-866-709-7695; email: HelpAST@equiniti.com; or visit their website at: equiniti.com/us.

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 1,675 shareholders of record on January 31, 2024. 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

David M. Stringer, 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; (iii) Family Promise, a nonprofit organization that helps families experiencing homelessness and low-income families achieve sustainable independence through a community-based response; and (iv) 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 Progressive Insurance Foundation provided on average approximately \$6 million per year to these charitable organizations.

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

Danelle M. Barrett^{6,7}
United States Navy,
Rear Admiral, Retired
(military)

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)

Kahina Van Dyke^{4,6,7}
Operating Partner,
Advent International
(global private equity)

- 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

David M. Stringer
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
Drive Insurance Company	Ohio
Garden Sun Insurance Services, Inc.	Hawaii
Pacific Motor Club	California
ProgNY Agency, Inc.	New York
Progressive Adjusting Company, Inc.	Ohio
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

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 Investment Company, Inc.	Delaware
Progressive Life Insurance Company	Ohio
Progressive Next Inc.	Delaware
Progressive Premium Budget, Inc.	Ohio
Progressive RSC, Inc.	Ohio
Progressive Vehicle Service 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 26, 2024 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the 2023 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 26, 2024 relating to the financial statement schedules, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Cleveland, Ohio
February 26, 2024

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, David M. Stringer, 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, 2023, 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 16, 2024

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, David M. Stringer, 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, 2023, 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/ Danelle M. Barrett

Date: February 21, 2024

Danelle M. Barrett

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, David M. Stringer, 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, 2023, 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 17, 2024

Philip Bleser

Director

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that I hereby constitute and appoint Mariann Wojtkun Marshall, John P. Sauerland, David M. Stringer, 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, 2023, 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 19, 2024

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, David M. Stringer, 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, 2023, 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, 2024

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, David M. Stringer, 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, 2023, 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 16, 2024

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, David M. Stringer, 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, 2023, 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 18, 2024

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, David M. Stringer, 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, 2023, 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 21, 2024

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, David M. Stringer, 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, 2023, 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 16, 2024

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, David M. Stringer, 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, 2023, 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 19, 2024

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, David M. Stringer, 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, 2023, 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 21, 2024

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(c) and 15d-15(c)) 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 26, 2024

/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 26, 2024

/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, 2023 (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 26, 2024

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, 2023 (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 26, 2024



1. **Purpose.** The Board of Directors (the “Board”) of The Progressive Corporation (the “Company”) has adopted this Clawback Policy (the “Policy”) that provides for the recovery of certain incentive compensation in the event of an Accounting Restatement. This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Section 10D of the Securities Exchange Act of 1934, as amended, Rule 10D-1 promulgated under the Exchange Act (“Rule 10D-1”) and Section 303A.14 of the New York Stock Exchange Listed Company Manual (the “Listing Standards”). The applicable provisions of The Progressive Corporation Gainshare Plan (“Gainshare”), Progressive Capital Management Incentive Plan and performance-based equity award agreements entered into pursuant to The Progressive Corporation 2015 Equity Incentive Plan expressly incorporate this Policy by reference. Unless otherwise defined or expressly given a different meaning in this Policy, each capitalized term shall have the meaning given to it in Section 12 of this Policy.
2. **Administration.** This Policy shall be administered by the Committee. The Committee is authorized to interpret this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any interpretations or determinations made by the Committee shall be final and binding on the Company and all affected individuals. No such interpretation or determinations need be relied on as a precedent for any similar action or decision. In the administration of this Policy, the Committee is authorized and directed to consult with the full Board or such other committees of the Board as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority. Subject to any limitation under applicable law, the Committee may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee). No member of the Board, the Committee or any other committee of the Board charged with administration of this Policy shall incur any liability for any action taken or omitted, or any interpretation or determination made, in good faith in connection with this Policy.
3. **Covered Executives; Incentive-Based Compensation.** This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning service as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company has a listed class of securities on a national securities exchange.
4. **Recovery of Erroneously Awarded Compensation in the Event of an Accounting Restatement.** In the event the Company is required to prepare an Accounting Restatement, the Company shall reasonably promptly recover the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period.
5. **Erroneously Awarded Compensation: Amount Subject to Recovery.** The amount of “Erroneously Awarded Compensation” subject to recovery under the Policy, as determined by the Committee, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive-Based Compensation that otherwise would have been received by the Covered Executive had it been determined based on the restated amounts.

Erroneously Awarded Compensation shall be computed by the Committee without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation.



- (a) With respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account (such as amounts deferred into the Executive Deferred Compensation Plan) based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount.
 - (b) For Incentive-Based Compensation based on stock price or total shareholder return (“TSR”) where the amount of erroneously awarded compensation is not subject to mathematical recalculation directly from the information in an accounting restatement: (i) the Committee shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (ii) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to the New York Stock Exchange (“NYSE”).
6. **Method of Recovery.** The Committee shall determine, in its sole discretion, the timing and method for promptly recovering Erroneously Awarded Compensation hereunder based on the particular facts and circumstances. Subject to applicable law, the Committee may effect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses, annual incentive compensation (such as Gainshare payments), or commissions and compensation previously deferred by the Covered Executive.
- In no event may the Company accept an amount that is less than the amount of Erroneously Awarded Compensation in satisfaction of a Covered Officer’s obligations hereunder. Notwithstanding the foregoing, the Company’s recovery obligation pursuant to this section shall not apply to the extent that the Committee, or in absence of the Committee, a majority of the independent directors serving on the Board determines that such recovery would be impracticable and:
- (a) The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Committee must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to NYSE; or
 - (b) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.
7. **No Indemnification of Covered Executives.** Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify or insure any Covered Executive against the loss of any Erroneously Awarded Compensation, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executive to fund potential clawback obligations under this Policy.



8. **Effective Date; Retroactive Application.** This Policy shall be effective as of October 2, 2023 (the “Effective Date”). The terms of this Policy shall apply to any Incentive-Based Compensation that is received (i.e. vested, paid or earned) by a Covered Executive on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, or granted to the Covered Executive prior to the Effective Date. Without limiting the generality of Section 6 hereof and subject to applicable law, the Committee may effect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.
9. **Amendment; Termination; Severability.** This Policy may be amended, in whole or in part, from time to time by the Committee as it deems necessary. The Committee shall amend this Policy as it deems necessary to comply with applicable laws (including Section 409A of the Internal Revenue Code) or any rules or standards adopted by the NYSE. No amendment, modification, supplement, rescission or replacement of this Policy shall be effective if it would cause the Company to violate any federal securities laws, or Securities Exchange Commission (the “SEC”) or NYSE rule. The Board may terminate this Policy at any time. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law or regulation, such provision shall be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law or regulation.
10. **Other Recovery Rights; Company Claims.** The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recovery under this Policy is in addition to, and not in lieu of, any other remedies or rights of recovery that may be available to the Company under applicable law or regulation or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement, Company cash or equity incentive plan and any other legal remedies available to the Company. However, to the extent that any compensation recoverable under this Policy is also recoverable other than pursuant to this Policy, including pursuant to applicable law such as Section 304 of the Sarbanes-Oxley Act or pursuant to any other policy or agreement of the Company, then this Policy will be administered in order to avoid duplicative recovery to the extent permitted by applicable law and NYSE rules.

Nothing contained in this Policy, and no recovery as contemplated by this Policy, shall limit (a) the Company’s ability to seek recoupment, in appropriate circumstances (including circumstances beyond the scope of this Policy) and as permitted by applicable law or regulation, of any amounts from any Covered Executive, and (b) any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive.

11. **Successors.** This Policy shall be binding and enforceable against all Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives.
12. **Definitions.** For purposes of this Policy, the following terms shall have the meanings set forth below:

“*Accounting Restatement*” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.



“Applicable Period” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The “date on which the Company is required to prepare an Accounting Restatement” is the earlier to occur of (a) the date the Board, a committee of the Board or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (b) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

“Committee” means the Compensation Committee (if composed entirely of independent directors, or in the absence of such a committee, a majority of independent directors serving on the Board).

“Covered Executives” means the Company’s current and former executive officers, as determined by the Committee in accordance with the definition of executive officer set forth in Rule 10D-1 and the Listing Standards.

“Erroneously Awarded Compensation” has the meaning set forth in Section 5 of this Policy.

A *“Financial Reporting Measure”* is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measures that are derived wholly or in part from such measures. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the SEC.

“Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure. Incentive-Based Compensation is “received” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

LETTER TO SHAREHOLDERS

After three years of twists and turns, we entered 2023 thinking the worst was behind us. That quickly changed when inflation continued and our loss severity trends kept rising. In addition, we experienced extreme weather and other political and macroeconomic trends that made us rethink the plans we had in place going into the year. We were faced with many challenges and, every time we tackled one, another one reared its ugly head. It was these factors that led me to choose “uncertainty” as the theme for this annual report. I know that it is not the most positive word, but it just seemed to ring so true to define the year. And, in true Progressive fashion, we embraced the uncertainty and did what we do best and faced the challenges head on. We ended 2023 in a much better place than when the year began. Needless to say, proud isn’t a big enough word to describe what we were able to accomplish during the year.

We ended 2023 with a combined ratio (CR) of 94.9, which was better than our profitability goal of achieving an aggregate calendar-year CR at or below a 96.0. This achievement was a herculean effort by the entire organization especially since our CR was 99.7 through the first six months of the year.

In addition to beating our profitability target, we grew net premiums written (NPW) 20% to end the year with \$61.6 billion of NPW, which is \$10.5 billion more than 2022 and about the size of the 8th largest private passenger auto insurance carrier. This was a tremendous accomplishment since we intentionally took action to slow new business growth to ensure we met our profitability goal. During the year, we pulled back on our media spend and took other rate and non-rate actions. These results are a tribute to what you can achieve with the right people and culture. The most exciting part is that we believe that our runway continues to be bright and that we are well positioned for excellent growth in 2024.

Because the year did not originally unfold as we anticipated, we decided to double-down on our internal communications so that our employees would understand the multiple external dynamics that we were dealing with and we could give them some details around all aspects of the business and, most importantly, their individual roles in helping to turn things around. Each month, a member of my direct reporting team, along with someone from their business area, produced a short and concise video where they would, in plain English, describe the financial results for the month, the most significant items that were impacting their business area, and the actions that were being taken to address those items so that all of us, in the end, could take ownership for the results. These videos brought us closer together, in a hybrid world, and we believe they were one of the factors that helped us realize success during the year. I’ve always found that being a part of something bigger than myself, and knowing exactly what contributions I could personally make in each role that I had, made ultimate success all the sweeter.

I’ve shared different ways that I have endeavored to create and nurture a culture that reduces hierarchy and increases transparency. At the start of the pandemic, I created “At Home with Tricia” videos to keep employees connected and during Progressive’s 85th anniversary year in 2022, I enjoyed lunch with hundreds of people either in person or virtually. In the latter part of 2023, with a lot of help from our incredible internal communications department, we recorded monthly videos we call “Tricia in 2.” During these two-minute videos, I showcase a piece of art from our incredible collection and then quickly answer one personal and one business question submitted by our employees. Despite the brevity of the videos, I have received many notes from people who tell me how they find them valuable.

These “softer” ways to communicate may not seem to add value if you are looking from the outside in, but I guarantee you that having open access to leadership and knowing where you fit in within a large company are very important aspects of how we measure our success.

NO AMBIGUITY (at least of what we needed to do)

Regardless of how the majority of the year unfolded, because we have such a long-standing goal of achieving our profitability goal of a CR at or below a 96, there was a substantial amount of certainty of what we needed to do to accomplish that goal and that we would, as always, work in a synchronized fashion to do so. We did that and more and are enthusiastically heading into 2024 with both intensity and excitement.

All three of our segments earned an underwriting profit in 2023. Our Personal and Commercial Lines businesses earned a profit margin of 6.2% and 1.2%, respectively. After a rough start, our Property business earned a profit margin of 1.1% and, while still not at our target, a great improvement over the prior year.

Our NPW growth was incredible across all segments but especially in Personal Lines and Property. Personal Lines and Property grew NPW 24% and 18% over last year, respectively. Commercial Lines had NPW growth of 8%. Our Commercial Lines business was challenged a bit with both growth and profit, but we all agree that we are well positioned to take advantage of opportunities for profitable growth in 2024. The rates we took during 2023 will start to truly earn at a quicker clip in 2024 based on our 12-month policy renewal cadence. In our Property business, we continued to make progress to reduce our exposure in volatile weather states and grow in those states that typically have less weather-related volatility.

As we did last year in Personal Lines, we started 2023 pretty aggressively and put the pedal to the metal for growth. Quickly, we realized that we needed to brush off our playbook, and then some, to slow growth and focus on profitability. While it takes the efforts of the entire organization to achieve our goals, I will say that our media team has shown so much flexibility and solidarity over the past several years that I owe them some special recognition. My hope is that they will be able to spend this year's budget without any cutback, and I trust they will do so efficiently.

As we have in the past years, we sought out additional rate in order to get closer to our objectives. For the full year of 2022, we increased personal auto rates 13% after prior years of rate increases based on rising severity trends. That was no different in 2023 and we ended the year with personal auto rate increases of 19%, some of which still needs to earn into our book. We still have a number of states where we need rate and will continue to manage that throughout the year since we strive to meet our targets in each state and do not expect any state to subsidize another.

In addition to rate, we focused on expenses and leveraging non-rate actions in order to exceed our goals. Our product and pricing teams are second to none and we could not have achieved this without their speed and dedication.

In 2023, our investment portfolio saw a return of 6.3%. We continued to see swings in market sentiment and volatility throughout the year, but a market rally in November and December drove both our fixed-income and equity returns higher. At year-end 2023, our fixed-income portfolio return was 5.4%, as a higher portfolio yield and tighter credit spreads drove strong portfolio performance. As market consensus moved towards a soft landing rather than a recession, equity returns increased significantly with our equity portfolio producing a 26.7% return. We maintained a conservative allocation throughout the year and continued to reduce risks related to commercial real estate securities. In the fourth quarter 2023, we raised our duration back up to 3.0 years to take advantage of higher yields in the market. As we head towards 2024 and beyond, we believe that Progressive has an opportunity to continue to generate capital from both our operating business and investment portfolio.

As we continued to experience the effects of inflation on both our operating and investing sectors of our business in 2023, we maintained a conservative approach to our capital. We limited our share repurchase activity to mainly offset dilution from employee equity grants. In addition, we declared a \$0.75 per common share annual-variable dividend for 2023, which was lower than the annual-variable dividends we had paid historically, which averaged \$2.15 for the five years prior to 2023. We also maintained our investment portfolio with a more defensive posture that included a greater allocation to U.S. Treasuries. In addition, we issued \$500 million of corporate bonds in 2023 to provide us with an extra cushion of capital as we navigated this volatility. We feel this conservative approach was well received by our stakeholders and we are pleased that we have been able to maintain our high investment-grade bond ratings. As we enter 2024, we feel very comfortable with our capital position and believe it will provide us the foundation to significantly grow in the future. With our debt-to-total capital ratio ending the year at 25.4% and the significant capital generation we saw in the fourth quarter 2023, we believe that we are in a great place to find growth opportunities in all areas of our business.

Overall, even with the continued uncertainty that we have encountered during these last several years, we have our eye on the ultimate goal of achieving our Vision and always with the caveat of doing so in the right way with our values and culture underpinning all that we do.

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 outline who we are. Next is our Purpose, which helps to provide clarity around why Progressive exists and the role we play within Progressive, society, and our communities. The third cornerstone is our Vision that provides us guidance to help us make the right investments to achieve our ultimate goal of becoming a Destination company. 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 > Our Purpose statement is “We exist to help people move forward and live fully.” One can easily insert employee, customer, community, independent agent partners, etc. in the place of people because it is really all about every constituent and we know they all have different needs. This statement provides that flexibility. I have added more details at the end of the letter regarding this very exciting initiative.

VISION > 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 achieve our Vision, we need to understand and anticipate the needs of our customers. For us, Diversity, Equity, and Inclusion (DEI) are business imperatives required to sustain our incredible business model. It's this model, and especially our goal to grow as fast as we can subject to meeting our profit target and our ability to provide high-quality customer service, which generates additional career opportunities for all of us. We continually focus on a culture that empowers everyone to learn, grow, and reach toward their career aspirations.

In a period when much has been written and said about what diversity, equity, and inclusion mean, I thought it important to start this year by sharing how we define diversity, equity, and inclusion at Progressive:

- Diversity is what makes us unique, and we recognize that these differences influence how we work with each other and our customers.
- Equity is treating people fairly and ensuring that we all have access to the resources and opportunities that help us learn, grow, and be successful. Equity means that we meet people where they are to help them get to where they want to go.
- Inclusion is our daily commitment to make the people around us feel valued, welcomed, and respected for who they are as individuals.

We've shared these definitions with our employees to help focus our work together, and they are the framework for our ongoing objectives and efforts.

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 multiple years of significant growth and hiring, the gender and racial demographics of our workforce are closely aligned with the U.S. adult population. As I have stated on many occasions, there's obviously more to diversity than just gender and race, like diversity of thought and demographics, such as disability, ethnicity, religion,

and veteran status, but these are the two demographic factors that we currently measure for all Progressive people. As we gain success, we will likely revise and outline other opportunities to continue to better understand the remarkable dimension of our people.

Aside from our companywide financial success, this also shows us that our recruiting and development efforts are working, but we recognize it will take an ongoing effort to continue to attract and retain a richly diverse workforce. We plan to do this by continuing to refine our recruiting and development efforts that have proven to be most successful over the past few years. We have made concerted efforts to invest in many programs to assist people with achieving the next step in their career goals. One example is our Analyst Boot Camp (ABC) where we support our people who have an interest in data analytics but aren't sure how to get started on this path. I'm sharing just two of the many quotes from individuals who have gone through the boot camp to show you how critical we believe it is to identify talent and then take action to help talented individuals grow and achieve their aspirations.

Oscar, who is an ABC graduate and now a data engineer states:

"Thanks to ABC [Analyst Boot Camp], I am developing into the professional I've always aspired to be and at the same time it helped me find something I am passionate about and enjoy. I am eternally grateful for all of the people that support this program, for them believing in me from day one and for allowing me the opportunity to be part of the program. This program has changed my life in many ways and has helped me develop and grow into the professional I am today."

And Cherie shares how pivotal ABC was at the exact right time in her career:

"I was at a point in my career where the desire for me personally to contribute was so strong and I had a need to satisfy that desire for more challenging work. I started from being a temporary employee to going to sales, to going to underwriting. The Analyst Boot Camp was pivotal in getting to a career direction decision. I felt like it changed so much in my life in general. I get to be somewhere I love, with people that I actually like and actually do a job that I love. I do feel like I'm on a path to stay here forever. I feel like I have the options that are endless. I'm where I'm supposed to be. I found my people. I feel like I can retire now from Progressive. I feel like I'll be here forever. I'll probably be old and gray still running a query or something like that."

Engagement is another crucial element of our success as evidenced from how we prevailed during another tumultuous year. Picture over 60,000 employees working tirelessly hand-in-glove in order to achieve our goals and you can get a sense of our strong "get it done" culture. When engaged people rise into leadership roles, they tend to inspire others to lead. I know that I have had countless mentoring sessions over the years sharing my leadership principles, successes, and mistakes that I have made to encourage others to consider leading. Sharing experiences gives leaders a better concept of the importance of serving others they lead, and our leaders pass on their experiences and insights every day to develop our future leaders.

One goal of our talent management and acquisition team is to remove any barriers candidates may face to accessing our jobs and any barriers we may face to accessing candidates, including any obstacles that could affect the representation of women and people of color in management. This is why, in 2020, we stated an aspiration to increase the representation of people of color in senior leadership positions. We did this to challenge ourselves to reach far and wide to attract diverse, highly qualified applicant pools when recruiting opportunities arose and to invest broadly in developing our internal talent. We are proud to say that this deliberate effort to increase the diversity of our candidate pools has been successful in attracting and developing incredible talent throughout our organization.

We will keep this momentum by remaining disciplined in our development of deep, diverse candidate pools through new and existing recruiting networks and internal talent. This year, our second cohort of aspiring leaders entered Progressive's Multicultural Leadership Development Program (MLDP), which is open to every eligible employee at Progressive, across every demographic and business area. Building off both the MLDP brand and its past success, we developed this new program for emerging leaders and other high-potential employees. Participants in the first cohort completed leadership-development coursework and simulations, presented business cases, and more to build their capabilities for their first leadership role. By graduation, some had already interviewed for, and successfully obtained, roles as leaders.

We're committed to creating an environment where all our people feel welcomed, valued, and respected. One key measure of success is participation in our Employee Resource Groups (ERG), which we have sponsored for over a decade. In fact, over the past several years, our ERG membership grew even faster than the accelerated rate of growth of our employee population. Membership in ERGs is broad and every ERG is open to every Progressive person with members of each ERG proudly reflecting both people who identify with the demographic focus of the ERG and the many others who join ERGs in order to learn from experiences and perspectives that might be different from their own.

We believe our ERGs and our outsized participation rates are a significant contributing factor to several people metrics at Progressive. We have learned over the past several years that our ERG members are more engaged, more likely to stay at Progressive, and more likely to apply for promotions.

To highlight the importance our longstanding ERG programs, I'd like to share a story from a woman who I have mentored, over the years, and I have really seen flourish. I have witnessed that happen even more rapidly as she got involved with our PAAN (Progressive African American Network) ERG. We now have lunch once a year to catch up and stay connected. Her time as the chair of our PAAN board is ending and I asked her to share with me her experiences.

These are Alana's words and I believe that they speak for themselves:

Prior to handing over the PAAN chairperson's torch to Janaul, I began to reflect on my time leading the PAAN ERG as the vice-chair and chair. I thought back on the many roles I have had here at Progressive and in life and none of them compared to this one.

I owe the momentum of my operational career to PAAN. Today I am a claims director and just eight years ago, I had earned my first operational leadership role as a supervisor in New Jersey. For that interview, I used many examples of my Ambassadorship with PAAN to demonstrate my leadership capabilities. If I am being completely transparent, this was at a time where DEI examples were not generally acceptable responses in operational role interviews. I then took a full year off to learn my operational role and then applied to be on the PAAN board. I moved up rather quickly on the board because the leaders in place recognized my drive and desire to inspire and lead. In 2020 earned the vice chair role and in 2022, the chair. I navigated through in-person, virtual and now hybrid work environments. I supported our employees during some very tragic experiences that struck our country, particularly those impacting the Black community. I was able to support our Executive and Senior leadership teams through some difficult conversations and communications. I was able to share stories of my journey and my failures in hopes to give strength to others. I was able to work with an amazing team of people who roll up their sleeves day and night to ensure that the PAAN brand is solid and makes our company proud.

I want to leave you with this: Many of us who work in this space do it because at our core, we want everyone to shine, and we understand the value in the content that is shared in all ERGs and the DEI group. This is not just something outside of our "day job" because this IS our day job, night job and weekend job. We live and breathe inclusion and use this stage to produce content to help others be the best version of themselves. We have an operational role and a DEI role – both are equal in impact. Both are necessary. Both are what makes Progressive...Progressive.

While it is more important for our employees to feel that they are working for a great company, it is always nice to be recognized by others as well. For a third consecutive year, Progressive was named a Gallup Exceptional Workplace. We also received accolades as Forbes® America's Best Employers for Diversity® (#1), Fortune® Best Large Workplaces for Women (#10), People® Companies that Care (#31), Newsweek America's Greatest Workplaces for Parents & Families (five stars), and TIME World's Best Companies (#351), to name just a few of the dozens of workplace-related awards bestowed upon Progressive in 2023.

Another important measure of our fair and inclusive work environment is our record of 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.

To maintain a fair and inclusive environment, we believe that consistent communications and employee involvement are critical. To support this, we refreshed our approach to DEI awareness by revamping our annual Inclusion Week to become IQ: Inclusion QuarterlySM, which includes a day and a half of shorter-duration presentations and programs four times a year.

Also, as part of this DEI objective, we added a Low-Cost Plan (LCP) to our employee medical insurance offerings designed to increase participation and improve engagement in preventative health care among our lowest-paid employees. I am happy to report that as of the end of the year, just over 80% of employees with an annual salary of less than \$50,000 are enrolled in one of the medical insurance plans that Progressive offers, with the majority in the LCP.

A final, and important, cultural initiative is our Chosen Name Program. In this program, we are allowing employees to use the first name that most appropriately represents them, rather than their legal name, on the majority of our internal platforms (e.g., email, video chats). The overwhelming response has been positive with many sharing that they no longer need to explain their name or feel embarrassed when meeting a fellow employee for the first time. This was meaningful to me, since my legal first name is Susan, yet I prefer to be called Tricia, which is short for my middle name, Patricia. It's a long story...

With a few exceptions, we have concentrated our community support to causes that align with our business—simply put, vehicles and homes—in addition to causes that each individual employee wishes to support. We provide vehicles to veterans with our Keys to Progress[®] initiative, furnish homes for the homeless, and provide grants to small and minority-owned businesses. We also continued to fund donations, some through The Progressive Insurance Foundation, to the national organizations identified by our ERGs to help support the communities they represent.

During our 2023 Keys to Progress veteran vehicle giveaway events held on November 8, 2023, we were delighted to celebrate a major program milestone – the gifting of our 1,000th vehicle since the program's inception in 2013. We're proud to have helped veterans in all 50 states and D.C. over the years by providing transportation support through this program to individuals and veteran non-profit organizations. Whether a vehicle is needed to obtain employment, get to medical appointments, or take children to and from school, our goal is to improve the lives of those in the military who have served and sacrificed for our country and us. I'm including a few quotes from a vehicle recipient, a partner, and an employee that gives you a sense of how important this program is for all involved.

When expressing his appreciation for receiving a vehicle, 2023 program recipient Luis, from San Antonio, TX, shared that he's immensely grateful for those who consistently stand by veterans during their transition to civilian life. "The journey is not easy," he said, "but your unwavering support in various ways makes a significant difference."

"This new minivan isn't just a vehicle, it's a symbol of the invaluable support that Progressive is extending to Warrior Canine Connection (WCC)," said Rick, the WCC executive director and founder. "With this addition, our team can enhance its reach, ensuring that we can safely and efficiently bring the comfort and companionship of man's best friends to support veterans in need."

Undoubtedly, Progressive people may enjoy gifting the vehicles as much as the veterans appreciate receiving them. This comment from Progressive manager Julie, who serves on the Keys to Progress program team, encapsulates how our employees feel about this program: *"Being part of Keys to Progress allows me to honor and celebrate those who signed on that line to protect the rest of us, it's one of the very best days at Progressive for me."*

In 2023, Progressive people supported two organizations focused on helping those who are homeless or at risk of being homeless: Humble Design and Family Promise.

In March 2023, Humble Design Cleveland celebrated its 200th home makeover since Progressive helped to bring their services to the Cleveland area. After setting up operations in northeast Ohio in July 2020, Humble Design, with the help of Progressive and community volunteers, has transformed 260 homes and served over 750 individuals.

Our own employee, Terri, shared her experience saying: *“When you volunteer at Humble you actually SEE the difference you are making in the lives of their clients, and it is amazing to be a part of that. Helping families become whole and providing a beautiful space for them to heal, live fully and grow is priceless.”*

I concur with her completely as my team and I participated in decorating a home for a family that lost everything in a fire and it was an amazing experience to help those in our Cleveland community.

In 2023, Progressive introduced Family Promise to employees countrywide as another way to help support people who are experiencing homelessness move forward in life. Family Promise is the nation’s leading nonprofit organization working to prevent and end family homelessness using a holistic approach that includes three key areas of focus: prevention and diversions services before families reach crisis, shelter when they become houseless, and stabilization programs once they secure housing. With 200+ Family Promise Affiliates across the country, we’ve expanded opportunities for Progressive’s 60,000+ employees to assist in addressing the homelessness crisis beyond our efforts with Humble Design in our Cleveland headquarters city.

For example, in November 2023, a team of Progressive employees volunteered at the Family Promise of Collin County, TX. They created Thanksgiving baskets, donated holiday decorations, and decked out the Affiliate’s Day Center with their donations. Progressive’s support meant a great deal to Family Promise of Collin County’s Executive Director who said: *“This was the first time a large corporation volunteered at our Affiliate. The volunteers were local. They were awesome!”*

The Progressive Insurance Foundation continued to increase employee participation for Name Your Cause® (NYC), an innovative giving program. With NYC, each Progressive employee can recommend an eligible charity of their choice receive a donation from the Foundation, which is estimated to be about \$200 for 2023, without a required matching donation. Not only has this form of equitable giving driven praise from Progressive people, but it has further diversified our charitable portfolio and increased employee participation in the Foundation from about 10% to nearly 40%. There were more than 11,000 unique charities selected by our employees for their donations. I shared many wonderful stories in last year’s letter, and we saw the same incredible response this year. It’s a nice way to let our employees know that what’s important to them is important to leadership at Progressive.

We’ve gained considerable ground on our DEI objectives over the past few years, and we’re encouraged by this momentum, particularly in employee engagement through our ERGs, pay equity, and our increasingly diverse senior leadership ranks. We will continue to focus on diversity, equity, and inclusion to measure our culture and achieve our shared vision for the future, all while providing opportunities for everyone to advance.

Broad Needs of Our Customers

Our goal of becoming a destination company has us continuing to focus on providing our customers the flexibility to shop, purchase, and service digitally, over the phone, or in person through our independent agent channel. As our customers’ needs change, we seek to provide solutions and choice, instilling confidence in both product and price. We also strive to be able to provide products that will meet both their personal and business insurance needs throughout their lifetimes.

We look to meet the property insurance needs of our customers through our independent agency channel as well as our direct online HomeQuote Explorer® (HQX). This online option provides homeowners, condo, manufactured home, renters, and umbrella policies from Progressive and a network of unaffiliated carriers. The ability to buy online, not typical for homeowners’ insurance, was available through at least one carrier in 47 states and the District of Columbia at year end, making it an option for over 95% of consumers quoted.

In Commercial Lines, we continue to make progress on our strategy to meet the broader needs of small business owners. Since expanding our in-house agency and launching our online BusinessQuote Explorer® (BQX) in 2019, we have advanced our ability to meet the insurance needs of small business owners in this emerging channel through a partnership with 10 different carriers in both admitted and Excess & Surplus markets. Consumers can access four different products including general liability, professional liability, workers’ compensation, and our own manufactured business owners’ policy (BOP) product. In parallel to efforts to optimize our product breadth, we also continued to invest in efforts to streamline the customer experience. This included adding online buy capabilities for three additional product solutions in 2023 and launching our manufactured BOP product in six new states. At year-end 2023, our BOP product was available to small business owners in 44 states representing an estimated 70% of the

commercial multi-peril market, through our in-house agency or over 20,000 independent agents. We also received regulatory approval in Florida and expect to begin writing with a select group of agents in early 2024.

One of our primary objectives 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. While bundling our personal auto insurance with home or special lines products continues to be a focus for us, we also see an opportunity for customers to combine their personal and business insurance needs with Progressive. At the end of the year, about 30% of our Commercial Lines policyholders also had a Personal Lines policy with us.

Leading Brand

Our goal is to maintain a leading brand that is recognized for innovative offerings and supported by experiences that instill confidence. We are proud to say that we are now the #2 personal auto insurance carrier in the U.S. Our brand continues to motivate consumers to choose Progressive to help protect them when they need it most. Our iconic marketing campaign, Superstore, is on its 56th campaign, and our investment in Flo and her Squad continues to delight and attract our viewers everywhere. Flo's character holds a strong place in hearts and minds, as demonstrated by her organic appearances in popular culture such as NBC's Saturday Night Live, the Netflix movie Leo, and in an in-depth article in The New York Times to name a few. Thanks to our marketing partnership with the Barbie movie, our very own Flo and Jamie graced the pink carpet at the LA premiere of the film, along with stars such as Margot Robbie, Ryan Gosling, Nicki Minaj, and Dua Lipa. We co-marketed the film in one of our TV commercials, with Jamie attempting to keep secret his "new client" (who clearly appreciated knowing her Malibu dream house and convertible were protected by Progressive). This partnership came out of the gate with a marked improvement in our brand sentiment. This year it was Barbie's world, and Progressive protected it. The longevity and continued performance of our Superstore campaign breaks industry norms and is a testament to our talented teams. Its success is something we are very proud of.

In addition to Flo and Superstore, we are investing in additional campaigns that resonate with new and different audiences. We like to believe that we have a competitive advantage in our storytelling, where we can introduce multiple story lines that keep our messaging fresh and attract new prospects to the Progressive brand. For example, our Dr. Rick campaign focuses on an accepted human truth that young homeowners start to transform into their parents when they buy a house. This campaign drives business growth and continues to be recognized for its insightfulness and creativity, earning two Golds and a Bronze at the London International Awards, a coveted Cannes Gold Lion, and a Gold Clio in 2023.

We continue to expand our campaign repertoire and are taking a more integrated approach to reach consumers in the right channel, at the right time, with a meaningful message. Our Replay campaign insight continues to deliver in its second season where we doubled down on our social and digital presence to reach football enthusiasts when and where they wanted to hear from us.

And lastly but importantly, we are staying true to our commitment to create marketing that authentically connects with diverse audiences and drives business results. In line with that commitment, we have broadened our reach beyond the general market with more diversity in our existing campaigns and the development of a new campaign airing on Spanish language TV that has showed strong early results and earned us a Best-in-Culture designation amongst Hispanic/Latinx audiences via the Association of National Advertiser's CIIM (Cultural Insights and Impact Measure).

And we are not stopping there. We aspire to be the most loved insurance brand in America. We have been reflective about how we want to show up in the lives of our insureds and their communities for years to come. We see it as an honor and humble privilege to strive towards becoming a preferred choice within our communities to financially protect them. We are recognized by consumers for our innovation in the insurance category and as we look for new ways to unlock value and growth, and we are excited about our new brand strategies that will drive more and more love for our brand.

Competitive Prices

Competitive prices are imperative in order to grow in the very competitive markets that we serve. We have a three-prong approach to pursuing competitive prices across our product lines: leading price segmentation, accurate and efficient claims handling, and overall operational efficiency.

Leading price segmentation is a hallmark of Progressive and helps ensure our prices are competitive and adequate to achieve our combined ratio targets. Leading segmentation also means that if our rates are not the lowest in the marketplace, that we expect competitors with lower rates will struggle making money at those price levels, ultimately leading to competitors' needing to raise their overall rate level to address the profit shortfall.

In our personal and commercial auto programs, we employ a "continuous product model delivery" approach to ensure we are always advancing the science of pricing segmentation and getting those advancements into the marketplace as soon as possible. During 2023, we upgraded new personal auto product models in 17 states representing about 25% of countrywide premium. In our commercial auto business, we did so in 19 states representing about 35% of countrywide commercial auto premium. In our Property business, we are at the front end of building the continuous product model delivery agility and upgraded a homeowners' product model during 2023 in 14 states representing nearly 20% of countrywide premium. We expect the new model roll-out in Property to accelerate in 2024 and beyond.

Naturally, our primary function and largest expense is compensating customers for their losses and indemnifying third parties in accidents. Ensuring we do this as accurately as possible is essential to having competitive prices. Most changes in loss costs are driven by market-based factors such as the price of parts, labor, and used vehicles. That said, consistency in execution of our claims handling standards supports fair outcomes and costs that do not exceed the overall trends driven by the marketplace. Our claims organization continues to advance claim handling processes and deploy technological innovations capabilities to deliver consistency, fairness, and competitive costs. We also work hard to settle claims not only accurately, but efficiently. Our loss adjustment expense ratio for 2023 was down slightly versus 2022.

Our operational costs are primarily customer service, underwriting, and overhead, or "non-acquisition" related expenses. We view acquisition expenses, such as advertising and agent commissions, as expenses to optimize relative to growth aspirations. We seek to minimize non-acquisition and loss adjustment expenses, balanced with excellent customer service and a positive work environment and culture. In our Personal Lines segment, our non-acquisition expense ratio (NAER) for 2023 was up slightly versus 2022 driven predominantly by employee compensation. In our Commercial Lines business, our NAER was up 0.4 points due, in part, to continued significant investments in new products and systems, as well as employee compensation. In our Property business, NAER was up 1.3 points due to additional investments in underwriting and pricing functions in addition to employee compensation.

Our overall expense ratio for 2023 was down 1.2 points primarily reflecting significantly lower advertising costs. Underwriting profitability early in the year did not meet our targets and we consequently took many actions to address that, including cutting advertising spend in the second half by just over 50%, compared to our spend in the first half of 2023. For the year in total, advertising spend was down \$433 million, or 1.4 points on the expense ratio.

We are excited to enter 2024 with adequate and competitive prices in most product and state combinations. We will continue to drive execution across the three prongs of segmentation, claims handling, and operational efficiency with the goal of maintaining or improving that competitiveness and meeting our CR targets.

A SENSE OF CERTAINTY AHEAD

In January of 2023, I started out by celebrating my 35th Progressive anniversary. It was a wonderful time to reflect on where we've been and where we are headed. We had a defined and cogent plan for the year ahead. We were all set with confidence and a solid strategy to execute our plan – enter uncertainty. The year turned out extraordinary, but not without a lot of sleepless nights (on the part of many). That said, these are always times when we excel and this year was no different.

I thought that I would wrap up the letter on a fun and uplifting note. In my letter last year, I announced our new purpose statement (see our Four Cornerstones section). This statement clearly conveys the role Progressive plays in society and is meant to better unify and guide our organization.

In 2023, we've taken steps to bring our purpose to life both within our walls and out in the world, because demonstrating our purpose is not about words, it's about taking action. When done right, we'll galvanize our employees to see a deeper meaning in our work. And consumers and customers will see Progressive set apart from

other big insurance companies – our purpose serving as a manifestation of our culture, revealing the “secret sauce” that has long been felt by our people.

Our first order of business was to rally our people. In addition to socializing our purpose, we announced an exciting new employee benefit for our 60,000+ people: Volunteer Time Off (VTO). Through this program, our employees receive additional paid time to individually support a 501(c)(3) organization that’s meaningful to them. Paired with our Name Your Cause charitable giving program that I mentioned earlier, we’re not only helping our people to move forward, but we’re also propelling our communities ahead.

Our employees have been quick to connect with our new purpose. Recently in a companywide leadership town hall, Jeff, one of our Digital Designers, shared how his co-workers helped support him while his daughter faced a major health crisis: *“I don’t know how everything got done without me, but I do know that I had so many people checking in on me during this time...and that meant everything.”*

Our employees’ passion for these efforts also came through in the latest Engagement & Culture survey, where employees shared what they like most about working here:

“Coming to work every day with a clear purpose and being encouraged and supported to make that purpose count.”

“The newly added (VTO) Volunteer Time Off to volunteer with a favorite charity! It will help me refresh, re-energize and give back to the community.”

Outside our walls, we aim to build community resilience by promoting systemic equity in spaces that overlap with our business: on the road, in the home, and for business owners.

In developing our purpose, we talked a lot about what it is that we’re protecting. On the surface, it’s typically a car or a home—personal property. But often, these are more than just things itemized on a spreadsheet. It’s what you’ve worked and saved for, the things that can’t be replaced, the things that you’ll pass down to your children or use to build generational wealth. We are working on some exciting programs that are not yet ready for prime time but please stay tuned.

At the end of the day, we deal in financial matters, but we’re really protecting people’s individual stories and legacies, and there’s a lot of responsibility in that. A company of our scale cannot simply maximize profits; we have a responsibility to support the communities we serve and, in turn, serve the long-term interests of Progressive.

I’m thrilled about how we closed 2023 and even more delighted to begin 2024. We know there will be components of our business and external factors that we may not be immediately prepared for and also know that we have exercised that muscle so many times over the past four years that our reaction will be swift. That’s just who we are: sagacious, hard working, and focused.

Lastly, I want to thank each and every Progressive person who made this year successful, our partners, agents, and, most importantly, our customers whom we are so privileged to serve.

Stay well and be kind to others,

/s/ Tricia Griffith

Tricia Griffith

President and Chief Executive Officer