Investor Relations

PROGRESSIVE

2025 Q2

Pricing Theory and Practice

Information Relevant to this Presentation

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

Investors are cautioned that certain statements in this presentation and related comments by management during the earnings call not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as “estimate,” “expect,” “intend,” “plan,” “believe,” “goal,” “target,” “anticipate,” “will,” “could,” “likely,” “may,” “should,” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. Forward-looking statements are not guarantees of future performance, are based on current expectations and projections about future events, and are subject to certain risks, assumptions and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to:

- our ability to underwrite and price risks accurately and to charge adequate rates to policyholders;
- our ability to establish accurate loss reserves;
- the impact of severe weather, other catastrophe events and climate change;
- the effectiveness of our reinsurance programs and the continued availability of reinsurance and performance by reinsurers;
- the secure and uninterrupted operation of the systems, facilities and business functions and the operation of various third-party systems that are critical to our business;
- the impacts of a security breach or other attack involving our technology systems or the systems of one or more of our vendors;
- our ability to maintain a recognized and trusted brand and reputation;
- whether we innovate effectively and respond to our competitors’ initiatives;
- whether we effectively manage complexity as we develop and deliver products and customer experiences;
- the highly competitive nature of property-casualty insurance markets;
- whether we adjust claims accurately;
- compliance with complex and changing laws and regulations;
- 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, our financial condition, 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, 2024.

Any forward-looking statements are made only as of the date presented. Except as required by applicable law, we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or developments or otherwise.

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

Information Relevant to this Presentation

Regulation FD Disclosure Outlets

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

Additional Information

Information in this presentation, and related comments by management during the earnings call, should be reviewed together. Additional information can also be found in Progressive's annual report on Form 10-K for the year ending December 31, 2024, filed with the Securities and Exchange Commission. All information, statements, and projections in this presentation and the related earnings call speak only as of the date of this presentation and related earnings call. Progressive assumes no obligation to update any forward-looking or other information included in this presentation or related earnings calls, whether as a result of new information, future developments or events or otherwise.

Pat Callahan

Personal Lines President

INVESTOR RELATIONS Q2

Our year-to-date results are strong

86.1

COMBINED RATIO

-3.0PTS

YoY

+$5.4B

NET WRITTEN PREMIUMS (NWP)

+14.7%

vs. 1H 2024

+2.4M

in 1H 2025

POLICIES IN FORCE (PIF)

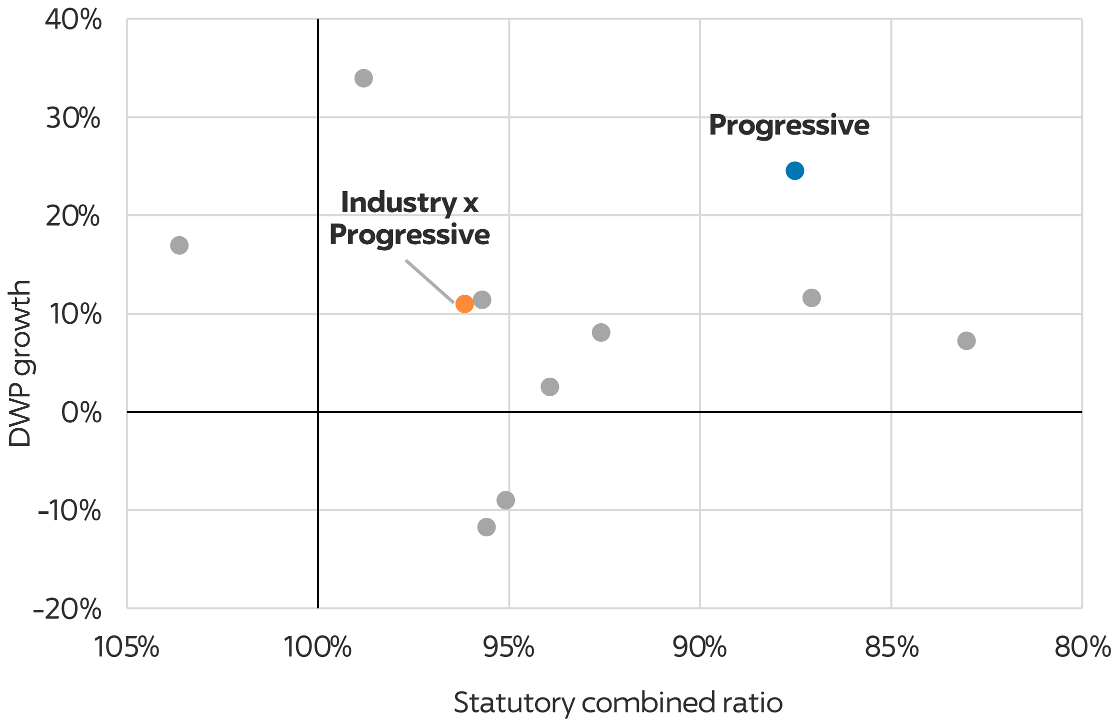
+6.7%

since Dec 2024

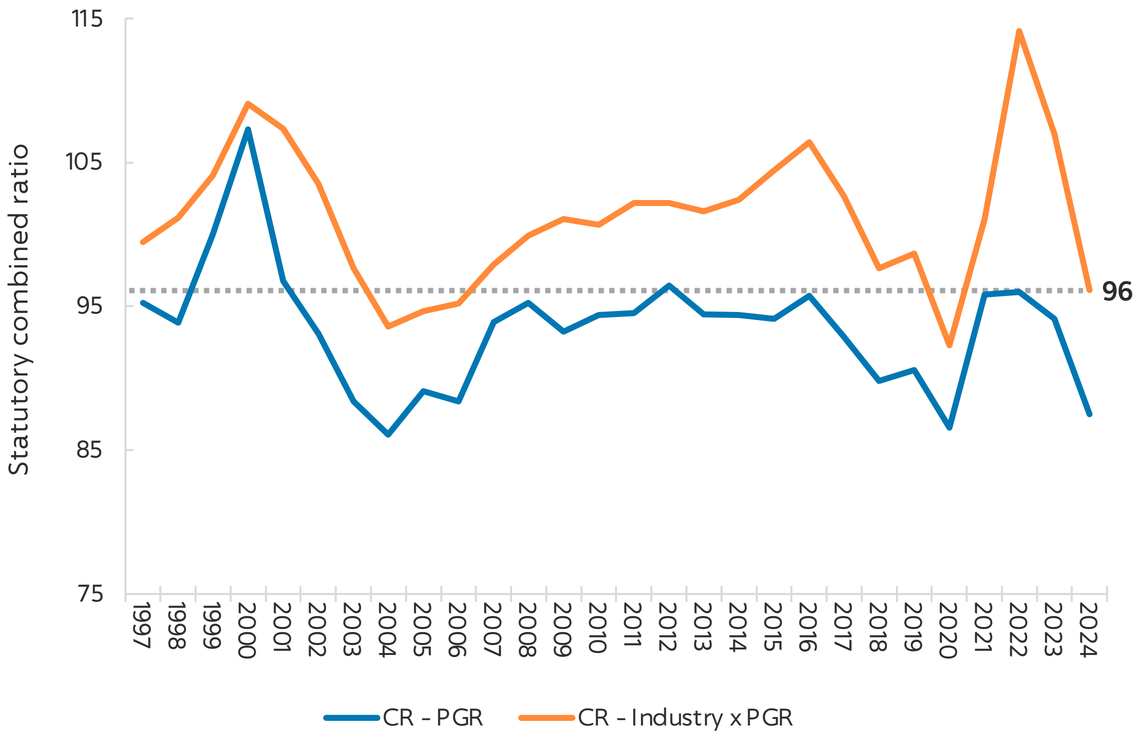
Source: Internal Data

Our vision:
Become consumers', agents', and business owners' #1 destination for insurance and other financial needs

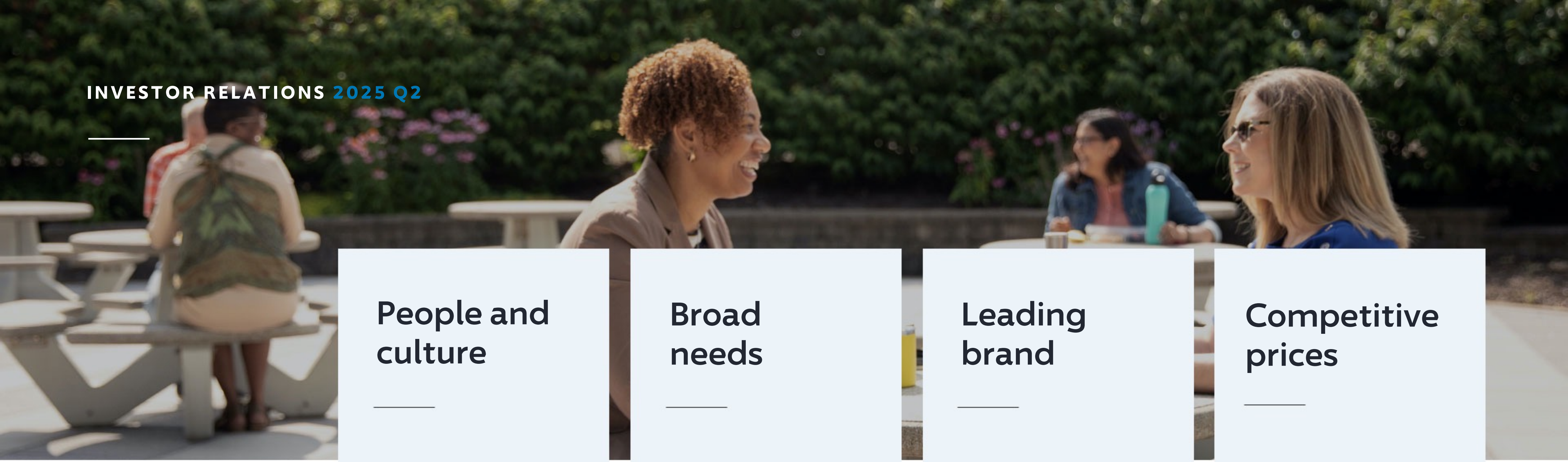
2024 PERSONAL AUTO INDUSTRY RESULTS—TOP 10 CARRIERS



PERSONAL AUTO COMBINED RATIO (CR)



Source: *S&P Market Intelligence*



Progressive's four strategic pillars

People and culture

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

Broad needs

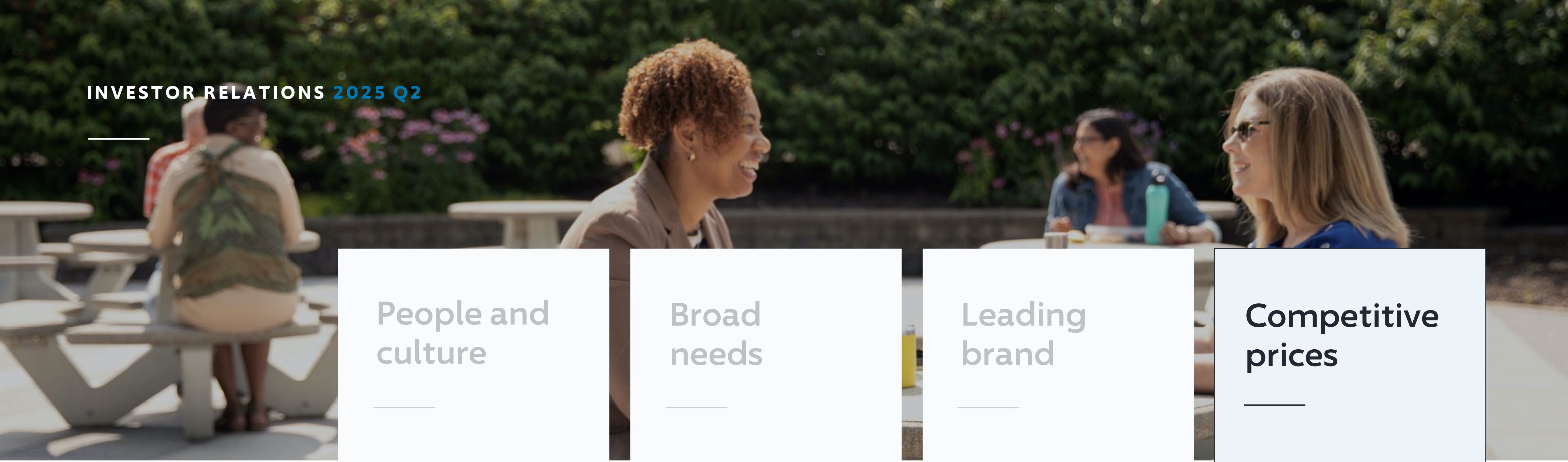
Meeting the broader needs of our customers throughout their lifetimes.

Leading brand

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

Competitive prices

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



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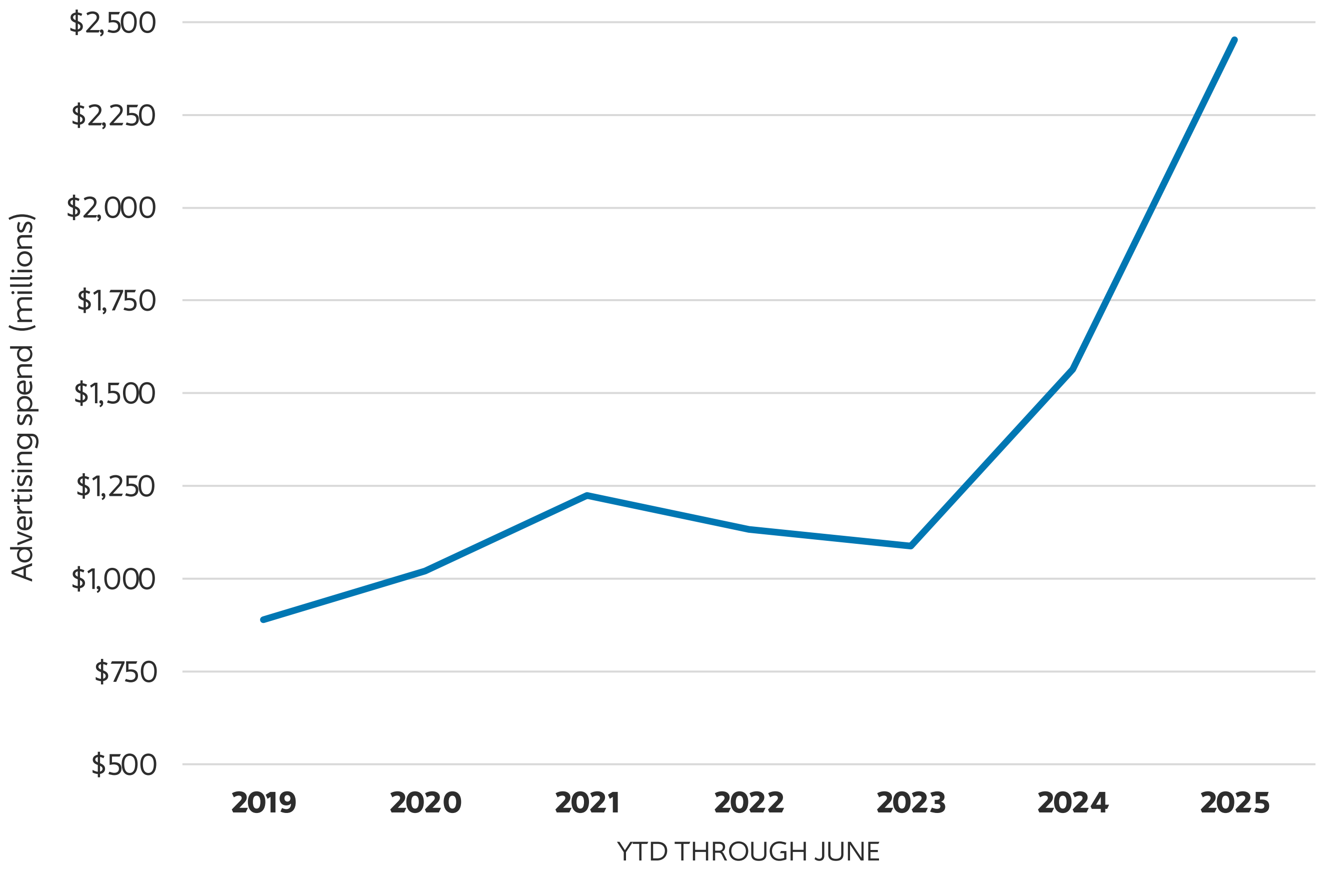
Marketing spend through the first half is the highest in our history

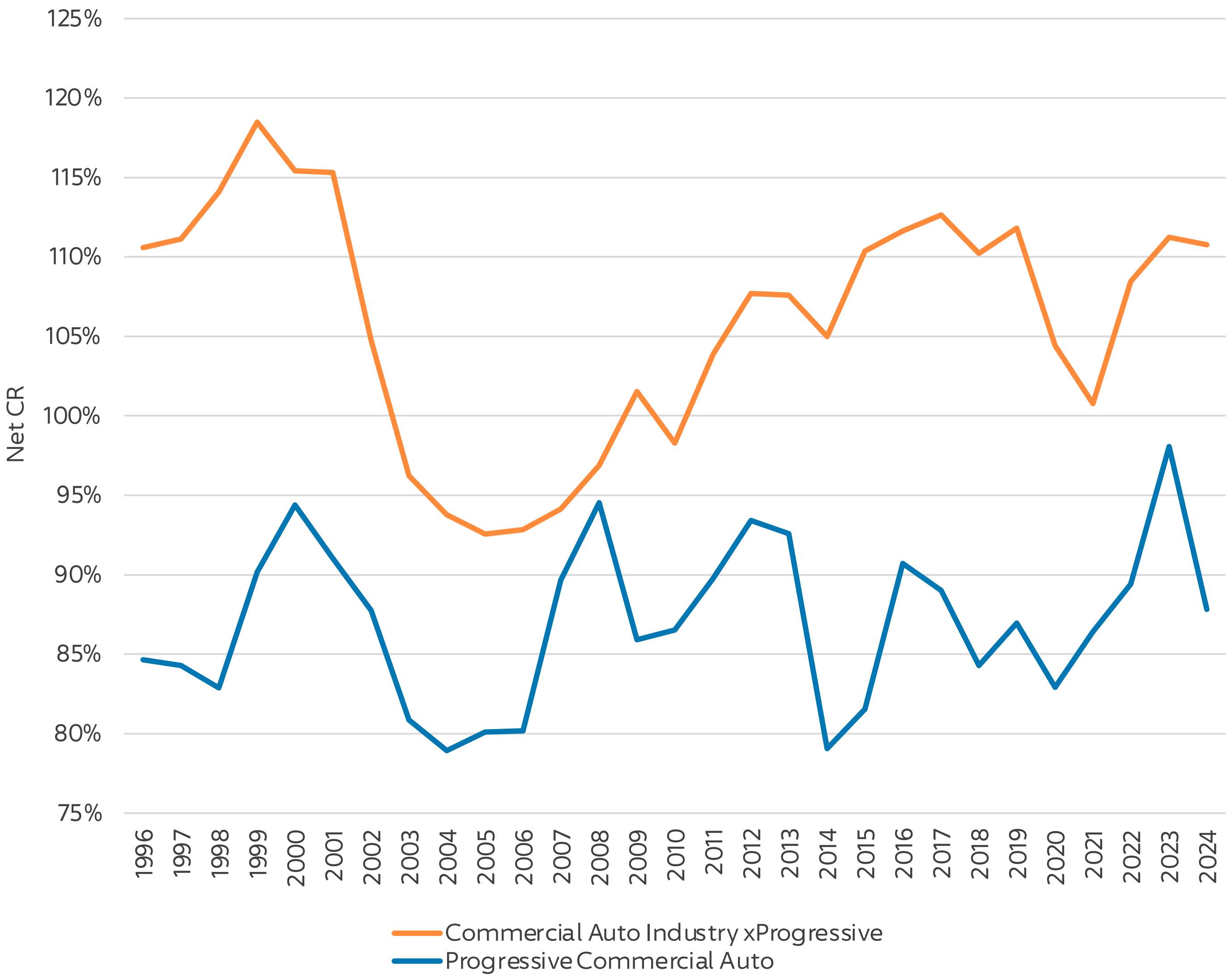
FIRST HALF ALL-PRODUCT ADVERTISING SPEND



Source: Internal Data

Commercial auto has outperformed the industry for over a quarter century

STATUTORY COMBINED RATIO



Source: S&P Global Market Intelligence

Bradley Granger
BSc (Hons), MSc, FCAS, FCIA, MAAA

National Automobile
Pricing Leader

Jen Kubit
FCAS, MAAA

Senior Director
Commercial Lines
Pricing

Agenda

01 / **Pricing theory**

02 / **Pricing theory in practice**

Pricing Theory

What is our product?

FROM PERSONAL AUTOMOBILE MODEL POLICY CONTRACT
INSURING AGREEMENT In return for **your** payment of the premium, **we** agree to insure **you** subject to all the terms, conditions, and limitations of this policy. **We** will insure **you** for the coverages and the limits of liability shown on this policy's **declarations page**. **Your** policy consists of the policy contract, **your** insurance application, the **declarations page**, and all endorsement to this policy.

A transfer of risk from insured to insurer.

What is our product?

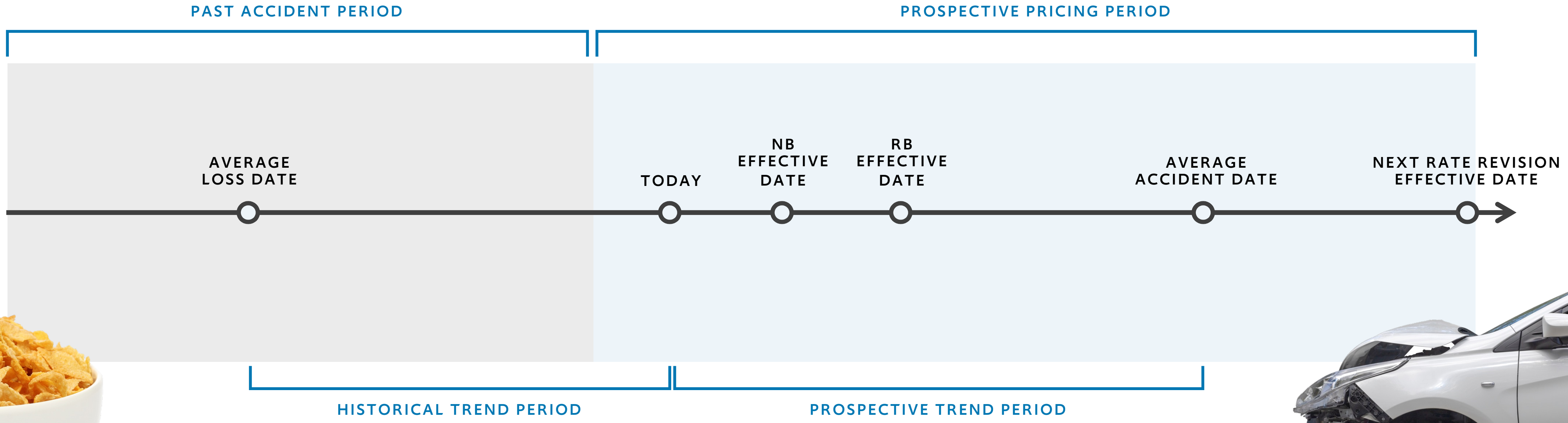
FROM PERSONAL AUTOMOBILE MODEL POLICY CONTRACT

POLICY PERIOD AND TERRITORY

This policy applies only to accidents and losses occurring during the policy period shown on the declarations page and that occur within a state, territory or possession of the United States of America, or a province or territory, of Canada, or while a covered auto is being transported between their ports.

An accident period transfer of risk.

Car accidents are not cornflakes



Pricing to *expected cost*

Alignment across stakeholders

COSTS = Losses + Loss Adjustment Expenses + General Expenses + Profit

Pricing to *expected cost*

Alignment across stakeholders

COSTS = Losses + Loss Adjustment Expenses + General Expenses + Profit

CASUALTY ACTUARIAL SOCIETY STATEMENT OF PRINCIPLES ON RATEMAKING:

A rate is reasonable and not excessive, inadequate, or unfairly discriminatory if it is an actuarially sound estimate of the expected value of all future costs associated with an individual risk transfer[1].

Source: Statement of Principles Regarding Property and Casualty Insurance Ratemaking | Casualty Actuarial Society

Pricing to *expected* cost

Alignment across stakeholders

COSTS = Losses + Loss Adjustment Expenses + General Expenses + Profit

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Nearly all states legally require that rates are ***not excessive, not inadequate,*** and not unfairly discriminatory.

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Pricing to *expected cost*

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Nearly all states legally require that rates are ***not excessive, not inadequate,*** and not unfairly discriminatory.

VISION *Where we're headed*

Become consumers', agents', and business owners' No. 1. destination for insurance and other financial needs.

Source: *Statement of Principles Regarding Property and Casualty Insurance Ratemaking | Casualty Actuarial Society*

Pricing to *expected cost*

Alignment across stakeholders

COSTS = Losses + Loss Adjustment Expenses + General Expenses + Profit

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Nearly all states legally require that rates are ***not excessive, not inadequate,*** and not unfairly discriminatory.

VISION *Where we're headed*

Become consumers', agents', and business owners' No. 1. destination for insurance and other financial needs.

CORE VALUES *Who we are*

Integrity, Golden Rule, Objectives, Excellence, ***Profit***

Source: Statement of Principles Regarding Property and Casualty Insurance Ratemaking | Casualty Actuarial Society

Fundamental Pricing Question(s)

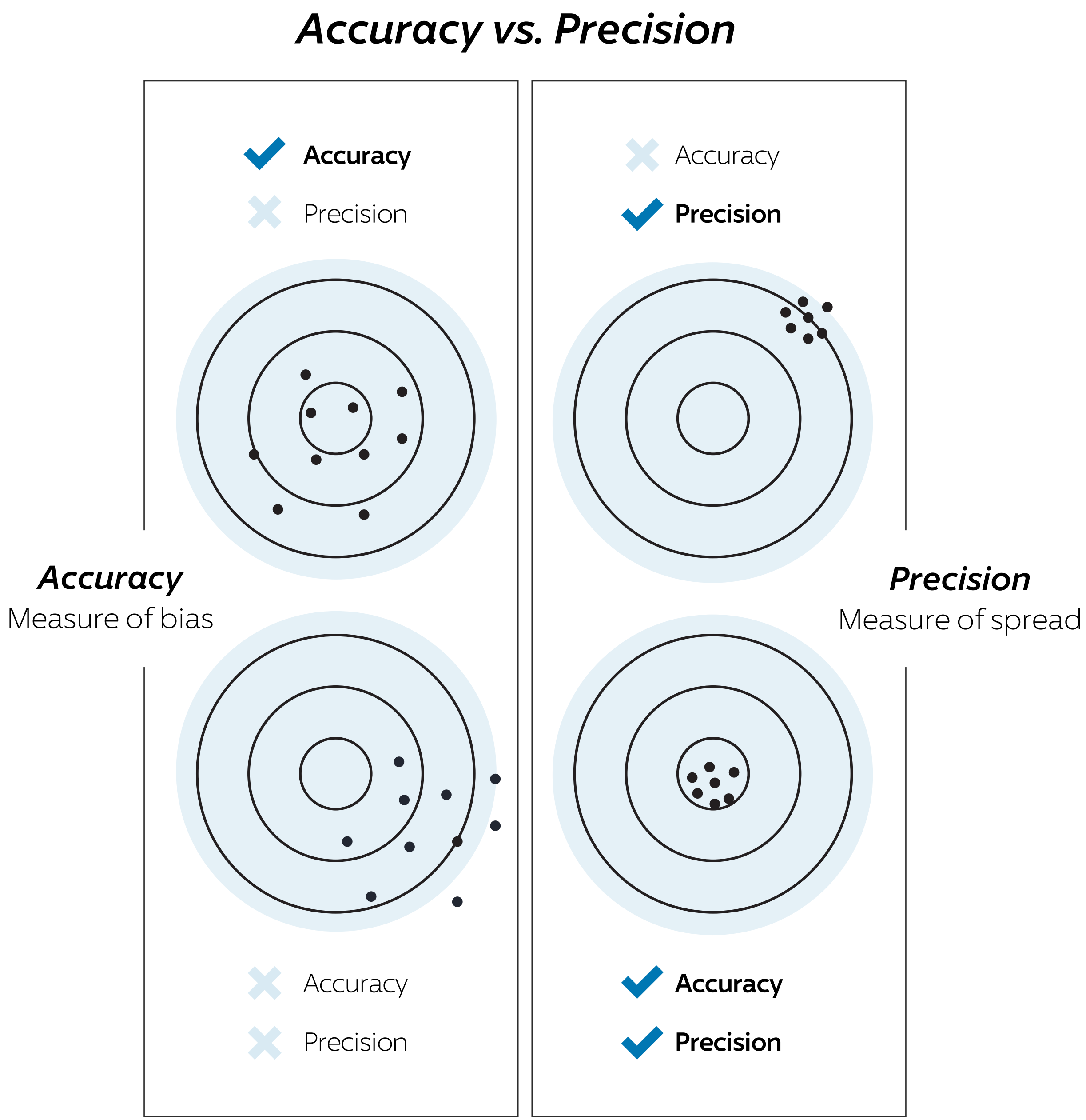
NO. 1

If we don't do anything to current rates, what loss + loss adjustment expense ratio should we expect in the upcoming rate revision for the policies we are about to write?

NO. 2

What do we need to do to current rates in order to hit our combined ratio target in the upcoming rate revision for policies we are about to write?

Actuaries develop predictions that minimize bias and variance

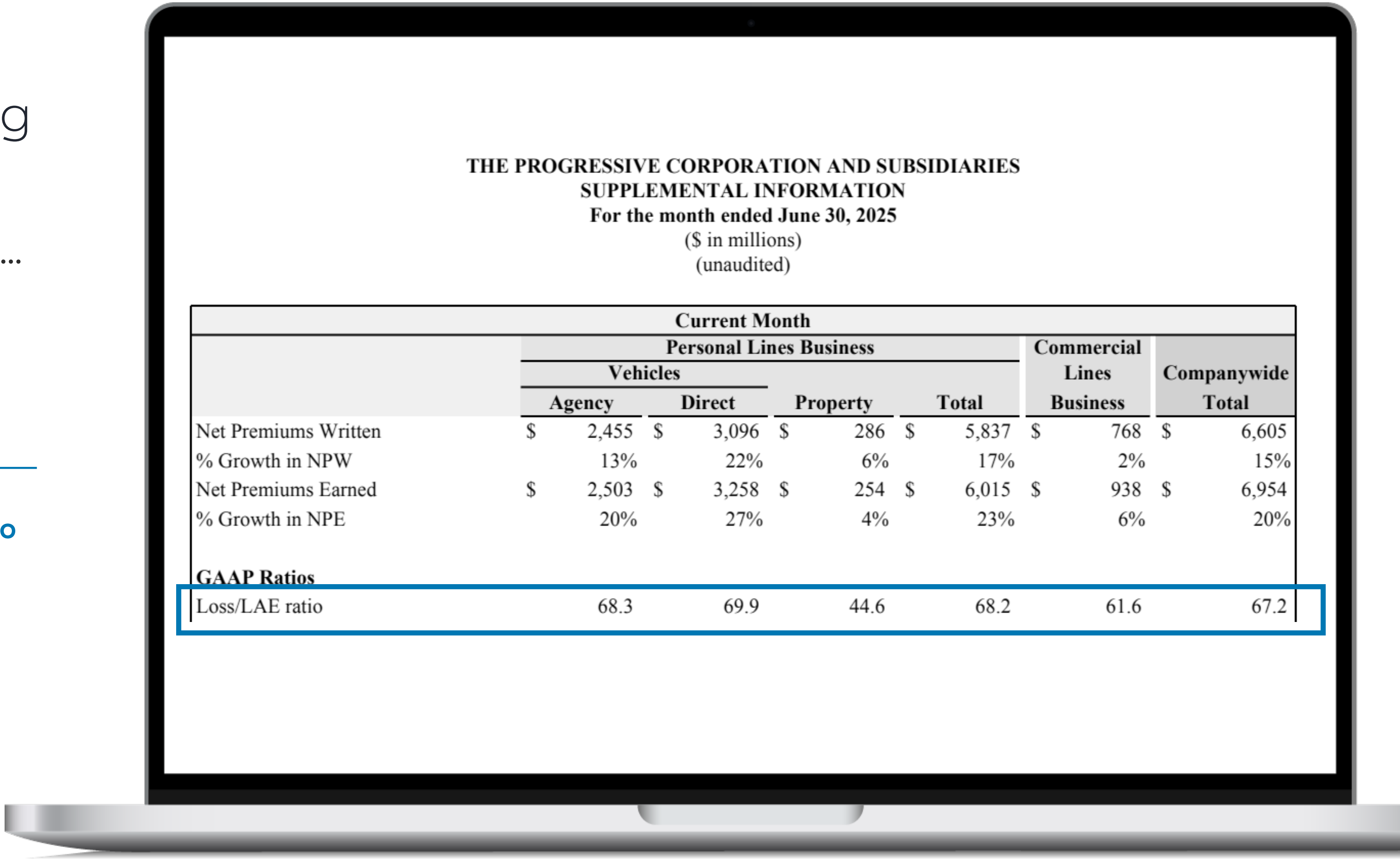


PRICING THEORY

Fundamental pricing equation

An ***accident year*** promise … but our reporting is primarily on a ***calendar year*** basis

MONTHLY CALENDAR YEAR (CY) LOSS + LOSS ADJUSTMENT EXPENSE (LAE) RATIO



THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION
For the month ended June 30, 2025
($ in millions)
(unaudited)

	Current Month					
	Personal Lines Business				Commercial Lines Business	Companywide Total
	Vehicles					
	Agency	Direct	Property	Total		
Net Premiums Written	$ 2,455	$ 3,096	$ 286	$ 5,837	$ 768	$ 6,605
% Growth in NPW	13%	22%	6%	17%	2%	15%
Net Premiums Earned	$ 2,503	$ 3,258	$ 254	$ 6,015	$ 938	$ 6,954
% Growth in NPE	20%	27%	4%	23%	6%	20%
GAAP Ratios						
Loss/LAE ratio	68.3	69.9	44.6	68.2	61.6	67.2

Source: *Internal Data*

Fundamental pricing equation

Calendar year incurred losses = Accident year incurred losses + prior accident year runoff

43,235

(CURRENT) CALENDAR YEAR INCURRED LOSSES =

44,123		2,016		2,904
PAID LOSSES	+	**LOSS RESERVES AT END**	-	**LOSS RESERVES AT BEGINNING**

	=		=		=
(FOR CURRENT ACCIDENT YEAR)	PAID LOSSES		LOSS RESERVES AT END		LOSS RESERVES AT BEGINNING
	+		+		+
(FOR ALL PRIOR ACCIDENT YEARS)	PAID LOSSES		LOSS RESERVES AT END		LOSS RESERVES AT BEGINNING

Stylized Example

Fundamental pricing equation

Calendar year incurred losses = Accident year incurred losses + prior accident year runoff

43,235

(CURRENT) CALENDAR YEAR INCURRED LOSSES =

(FOR CURRENT ACCIDENT YEAR)						(FOR ALL PRIOR ACCIDENT YEARS)				
PAID LOSSES	+	LOSS RESERVES AT END	-	LOSS RESERVES AT BEGINNING	+	PAID LOSSES	+	LOSS RESERVES AT END	-	LOSS RESERVES AT BEGINNING

Stylized Example

Fundamental pricing equation

Calendar year incurred losses = Accident year incurred losses + prior accident year runoff

43,235

(CURRENT) CALENDAR YEAR INCURRED LOSSES =

(FOR CURRENT ACCIDENT YEAR)										
PAID LOSSES	+	LOSS RESERVES AT END	-	LOSS RESERVES @BEGINNING	+	PAID LOSSES	+	LOSS RESERVES AT END	-	LOSS RESERVES AT BEGINNING
41,561		2,001		0		2,562		15		2,904

(FOR ALL PRIOR ACCIDENT YEARS) applies to the last five columns.

Stylized Example

Fundamental pricing equation

Calendar year incurred losses = Accident year incurred losses + prior accident year runoff

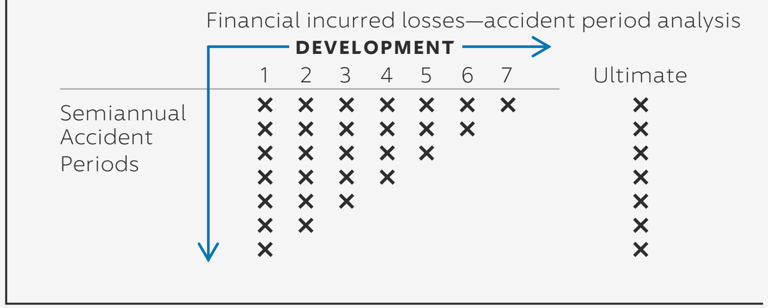
43,235

(CURRENT) CALENDAR YEAR INCURRED LOSSES =

(FOR CURRENT ACCIDENT YEAR)						(FOR ALL PRIOR ACCIDENT YEARS)				
PAID LOSSES	+	LOSS RESERVES AT END	-	LOSS RESERVES AT BEGINNING	+	PAID LOSSES	+	LOSS RESERVES AT END	-	LOSS RESERVES AT BEGINNING
41,561		2,001		0		2,562		15		2,904
43,562						-327				

Stylized Example

Fundamental pricing equation



Unbiased ultimate accident year (AY) losses = accident year (AY) incurred losses x loss development factor

UNBIASED ULTIMATE AY LOSSES =

AY INCURRED LOSSES	X	LOSS DEVELOPMENT FACTOR
43,562		0.99

43,126

UNBIASED ULTIMATE AY LOSSES

CALENDAR YEAR EARNED PREMIUM (CY EP)

61,136

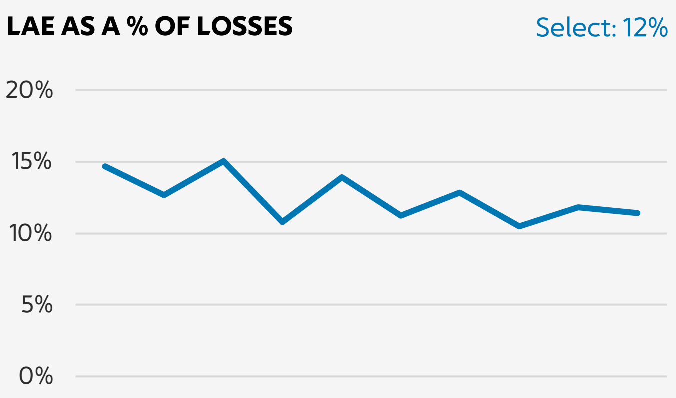
= **70.5%**

Stylized Example

PRICING THEORY

Fundamental pricing equation

Loss adjustment expenses are correlated with losses



LAE ARE RELATED TO LOSSES (DCC AND A&O)

Defense and cost containment (DCC): defense, litigation and medical cost containment expenses, whether internal costs or external fees

Adjusting and other (A&O): adjusting and other overhead expenses, whether internal costs or external fees

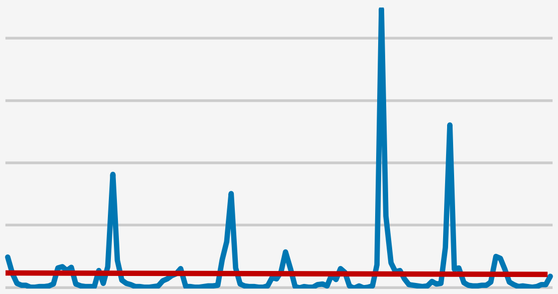
$$\frac{\underset{\textbf{AY LOSSES}}{43{,}562} \times \underset{\textbf{LDF}}{0.99} \times \underset{\textbf{LOSS ADJUSTMENT EXPENSE FACTOR}}{1.12}}{\underset{61{,}136}{\textbf{CY EP}}} = \frac{\mathbf{48{,}302}}{\mathbf{61{,}136}} = \mathbf{79.0\%}$$

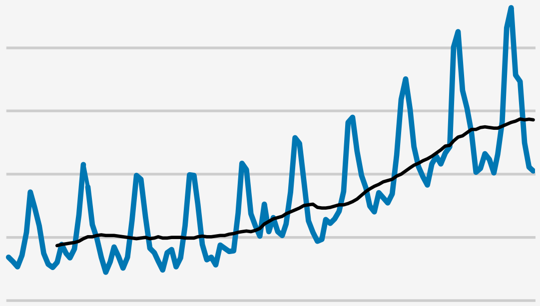
Stylized Example

PRICING THEORY

Fundamental pricing equation

A portion of our costs are mean reverting





Weather is a mean reverting event.

43,562		0.99		1.12		0.926				
AY LOSSES	**X**	**LDF**	**X**	**LAE**	**X**	**WEATHER FACTOR**	=	**44,742**	=	**73.2%**
			CY EP					**61,136**		
			61,136							

ACTUAL T12 WIND FLOOD HAIL LOSSES: $14,000

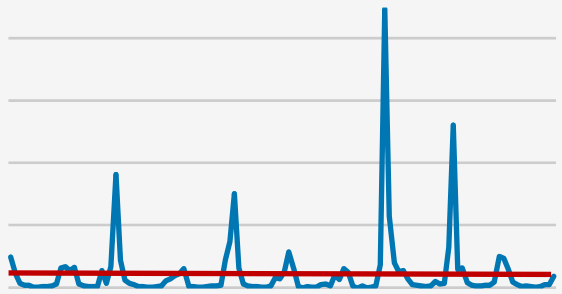
EXPECTED (LONG TERM) T12 WIND FLOOD HAIL LOSSES: $10,790

Stylized Example

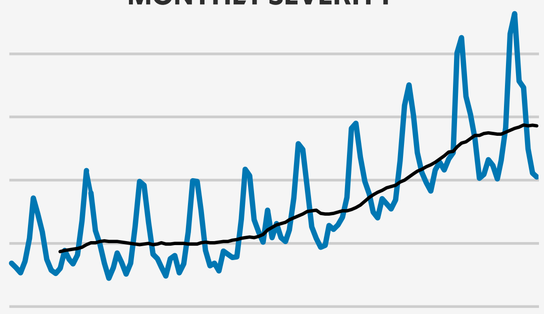
Fundamental pricing equation

A portion of our costs are mean reverting

WIND FLOOD HAIL MONTHLY INCURRED FREQUENCY



COMPREHENSIVE NOT WEATHER MONTHLY SEVERITY



In CL, our customers purchase higher limits of liability as required to do business or to protect their company's assets. Large losses on the BI + PD liability coverage are also thought of as a mean reverting event, similar to the approach for weather.

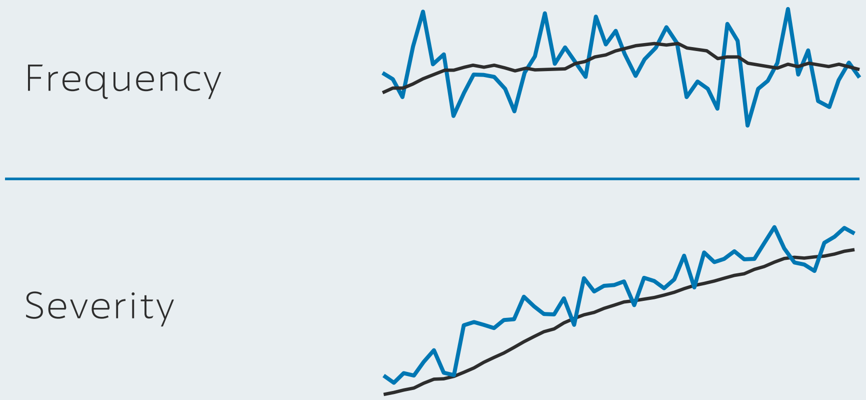
$$\frac{\underset{\textbf{AY LOSSES}}{43{,}562} \times \underset{\textbf{LDF}}{0.99} \times \underset{\textbf{LAE}}{1.12} \times \underset{\textbf{WEATHER FACTOR}}{0.926} \times \underset{\textbf{LARGE LOSS LOAD}}{1.00}}{\underset{61{,}136}{\textbf{CY EP}}} = \frac{\mathbf{44{,}742}}{\mathbf{61{,}136}} = \mathbf{73.2\%}$$

Stylized Example

PRICING THEORY

Fundamental pricing equation

Frequency and severity of losses change over time



FUTURE TREND MONTHS ~ f
- RR effective date
- Policy term
- Revision length

LOSSES ($) PER EXPOSURE =

$$\frac{\text{\# CLAIM FEATURES}}{\text{\# EXPOSURES}} \times \frac{\text{LOSSES (\$)}}{\text{\# CLAIM FEATURES}}$$

LOSSES ($) PER EXPOSURE = FREQUENCY x SEVERITY

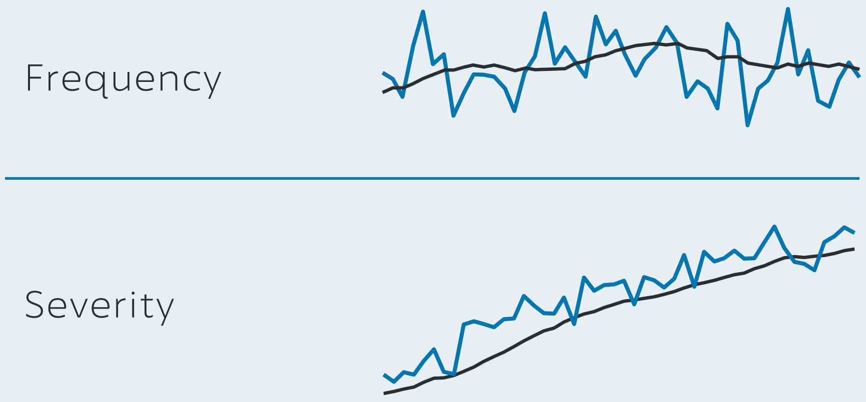
$$\frac{\underset{\text{AY LOSSES}}{43{,}562} \times \underset{\text{LDF}}{0.99} \times \underset{\text{LAE}}{1.12} \times \underset{\text{WEATHER FACTOR}}{0.926} \times \underset{\text{LARGE LOSS LOAD}}{1.00} \times \underset{\text{FREQUENCY TREND}}{1.01^{1.308} = 1.013}}{\underset{61{,}136}{\text{CY EP}}} = \frac{45{,}329}{61{,}136} = 74.1\%$$

FREQUENCY TREND =
+1.0% annually

Stylized Example

Fundamental pricing equation

Frequency and severity of losses change over time



FUTURE TREND MONTHS ~ f
RR effective date
Policy term
Revision length

LOSSES ($) PER EXPOSURE =

$$\frac{\text{\# CLAIM FEATURES}}{\text{\# EXPOSURES}} \times \frac{\text{LOSSES (\$)}}{\text{\# CLAIM FEATURES}}$$

LOSSES ($) PER EXPOSURE = FREQUENCY x SEVERITY

43,562		0.99		1.12		0.926		1.00		$1.01^{1.308} = 1.013$		$1.07^{1.308} = 1.093$
AY LOSSES	X	**LDF**	X	**LAE**	X	**WEATHER FACTOR**	X	**LARGE LOSS LOAD**	X	**FREQUENCY TREND**	X	**SEVERITY TREND**

$$\frac{\text{AY LOSSES} \times \text{LDF} \times \text{LAE} \times \text{WEATHER FACTOR} \times \text{LARGE LOSS LOAD} \times \text{FREQUENCY TREND} \times \text{SEVERITY TREND}}{\text{CY EP}} = \frac{49{,}524}{61{,}136} = 81.0\%$$

CY EP

61,136

SEVERITY TREND:
+7.0% annually

Stylized Example

Fundamental pricing equation

Progressive changes rates frequently

Recent rate changes

JAN	JUL
DECREASE	DECREASE

Fundamental pricing question is trying to determine the appropriateness of current rates

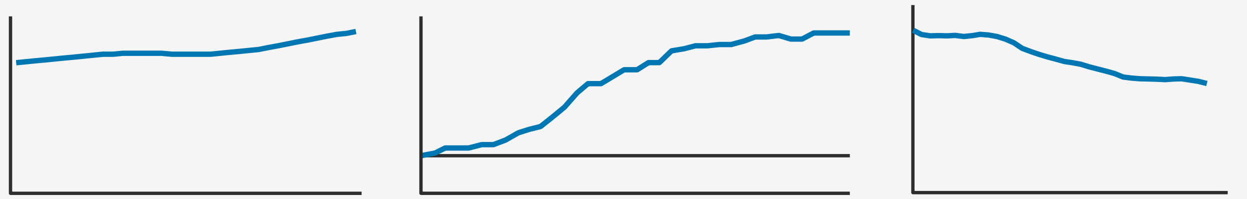
Bring CY EP to current rate level

$$\frac{\underset{\text{AY LOSSES}}{43{,}562} \times \underset{\text{LDF}}{0.99} \times \underset{\text{LAE}}{1.12} \times \underset{\text{WEATHER FACTOR}}{0.926} \times \underset{\text{LARGE LOSS LOAD}}{1.00} \times \underset{\text{FREQUENCY TREND}}{1.01^{1.308} = 1.013} \times \underset{\text{SEVERITY TREND}}{1.07^{1.308} = 1.093}}{\underset{61{,}136}{\text{CY EP}} \times \underset{0.958}{\boxed{\text{CURRENT RATE LEVEL FACTOR (CRLF)}}}} = \frac{49{,}524}{58{,}568} = 84.6\%$$

Stylized Example

Fundamental pricing equation

Controlling for the effect of product mix shifts on loss trend



AVERAGE EARNED PREMIUM PER EXPOSURE

CUMULATIVE RATE CHANGE

AVERAGE EARNED PREMIUM PER EXPOSURE AT CURRENT RATE LEVEL

What if product mix changes raw frequency and severity (e.g., Robinsons)? We don't want to price for that because our collected premium will adjust (best segmentation in the industry—We trust that).

Need to correct for that.

43,562		0.99		1.12		0.926		1.00		$1.01^{1.308} = 1.013$		$1.07^{1.308} = 1.093$
AY LOSSES	**X**	**LDF**	**X**	**LAE**	**X**	**WEATHER FACTOR**	**X**	**LARGE LOSS LOAD**	**X**	**FREQUENCY TREND**	**X**	**SEVERITY TREND**

divided by

CY EP	**X**	**CRLF**	**X**	**PREMIUM TREND**
61,136		0.958		$1.05^{1.308} = 1.066$

$$= \frac{49{,}524}{62{,}429} = 79.3\%$$

Stylized Example

Fundamental pricing equation

What target loss + LAE ratio would meet our underwriting profit target?

We need a target to answer fundamental pricing question #2

Expense ratios are prospective in nature

$$\frac{\underset{43{,}562}{\text{AY LOSSES}} \times \underset{0.99}{\text{LDF}} \times \underset{1.12}{\text{LAE}} \times \underset{0.926}{\text{WEATHER FACTOR}} \times \underset{1.00}{\text{LARGE LOSS LOAD}} \times \underset{1.01^{1.308} = 1.013}{\text{FREQUENCY TREND}} \times \underset{1.07^{1.308} = 1.093}{\text{SEVERITY TREND}}}{\underset{61{,}136}{\text{CY EP}} \times \underset{0.958}{\text{CRLF}} \times \underset{1.051^{1.308} = 1.066}{\text{PREMIUM TREND}}}$$

BUDGETARY LOSS + LAE RATIO (BLR)

=

1 - EXPENSE RATIO - UNDERWRITING PROFIT

EXPENSE RATIO: 17.7%

UNDERWRITING PROFIT: 4%

$$- 1 = \frac{79.3\%}{78.3\%} - 1 = +1.3\%$$

Stylized Example

Fundamental pricing equation

Some elements are correlated

$$\text{EXPERIENCE LOSS + LAE RATIO} = \frac{\text{AY LOSSES} \times \text{LDF} \times \text{LAE} \times \text{WEATHER} \times \text{LARGE LOSS LOAD} \times \text{FREQUENCY TREND} \times \text{SEVERITY TREND}}{\text{CY EP} \times \text{CRLF} \times \text{PREMIUM TREND}}$$

... answers first fundamental pricing question.

$$\frac{\text{EXPERIENCE LOSS + LAE RATIO}}{\text{BUDGETARY LOSS + LAE RATIO (BLR)}} - 1$$

... answers second fundamental pricing question.

VS.

LOSSES ······ **LAE**
PREMIUM TREND (PRODUCT MIX) ······ **FREQUENCY TREND**
PREMIUM TREND (PRODUCT MIX) ······ **SEVERITY TREND**
LAE ······ **SEVERITY TREND**
LDF ······ **SEVERITY TREND**
PREMIUM TREND (PRODUCT MIX) ······ **BLR** (EXPENSES)

Fundamental pricing equation

Balancing responsiveness with stability

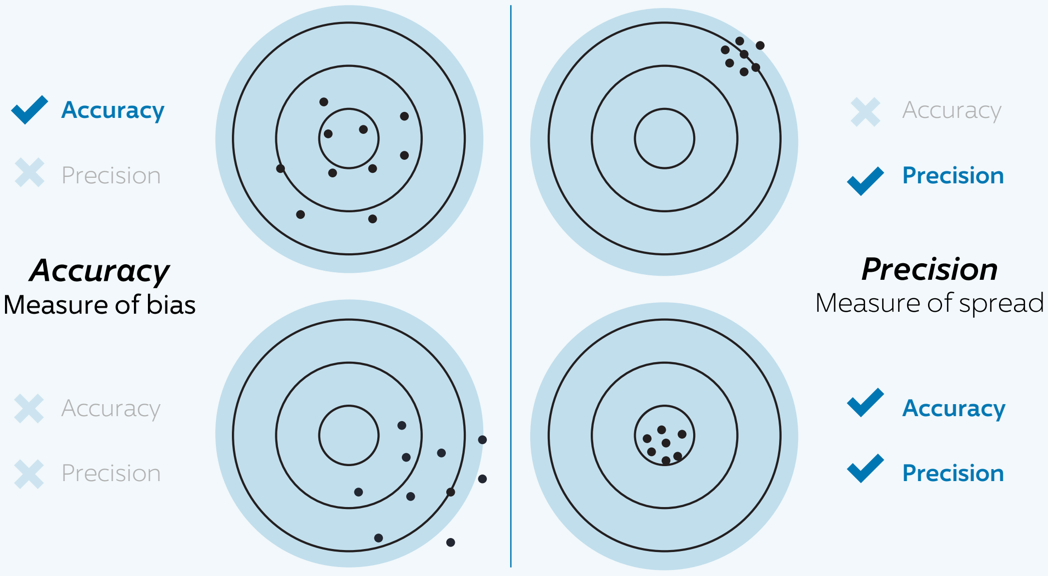
CREDIBILITY: The actuarial technique to reduce mean squared error of our estimated rate need.

We seek "truth" but never observe truth without "random noise"

Data= Truth + (Data - Truth) $\longrightarrow$ **Data =** Truth + "Random Noise"

STANDARD FOR FULL CREDIBILITY: 4,559
ACTUAL CLAIMS IN EXPERIENCE PERIOD: 27,956
CREDIBILITY: 1.0

Accuracy vs. Precision



Emphasize recent data such that "random noise" is kept to an acceptable level

0 ≤ CREDIBILITY ≤ 1 *(FULL CREDIBILITY)*

We say we have full credibility in our data if we have enough claims in our experience that we are within +/-5% of the true value 90% of the time.

$$\left(\frac{\text{EXPERIENCE LOSS + LAE RATIO}}{\text{BUDGETARY LOSS + LAE RATIO (BLR)}} - 1\right) \times \text{CREDIBILITY} + \text{COMPLEMENT OF CREDIBILITY} \times \text{1-CREDIBILITY}$$

… answers first and second fundamental pricing question.

Stylized Example

PRICING THEORY

Fundamental pricing equation

Balancing responsiveness with stability

CREDIBILITY: The actuarial technique to reduce mean squared error of our estimated rate need.

We seek "truth" but never observe truth without random noise.

Data= Truth + (Data - Truth) → **Truth=** Data + Random noise

Emphasize recent data so that random noise is kept to an acceptable level.

$$\text{EXPERIENCE LOSS + LAE RATIO} = \frac{\underset{43{,}562}{\text{AY LOSSES}} \times \underset{0.99}{\text{LDF}} \times \underset{1.12}{\text{LAE}} \times \underset{0.926}{\text{WEATHER FACTOR}} \times \underset{1.00}{\text{LARGE LOSS LOAD}} \times \underset{1.01^{1.308} = 1.013}{\text{FREQUENCY TREND}} \times \underset{1.07^{1.308} = 1.093}{\text{SEVERITY TREND}}}{\underset{61{,}136}{\text{CY EP}} \times \underset{0.958}{\text{CRLF}} \times \underset{1.051^{1.308} = 1.066}{\text{PREMIUM TREND}}} = 79.3\%$$

… answers first fundamental pricing question.

RATE LEVEL INDICATION = +1.3%

$$\frac{\underset{79.3\%}{\text{EXPERIENCE LOSS + LAE RATIO}}}{\underset{78.3\%}{\text{BUDGETARY LOSS + LAE RATIO (BLR)}}} - 1 = +1.3\%$$

… answers second fundamental pricing question.

CREDIBILITY WEIGHTED RATE LEVEL INDICATION = +1.3%

$$\left(\frac{\text{EXPERIENCE LOSS + LAE RATIO}}{\text{BUDGETARY LOSS + LAE RATIO (BLR)}} - 1 \right) = +1.3\% \times \underset{1.0}{\text{CREDIBILITY}} + \underset{+2.4\%}{\text{COMPLEMENT OF CREDIBILITY}} \times \underset{0}{\text{1-CREDIBILITY}}$$

… answers first and second fundamental pricing question.

Stylized Example

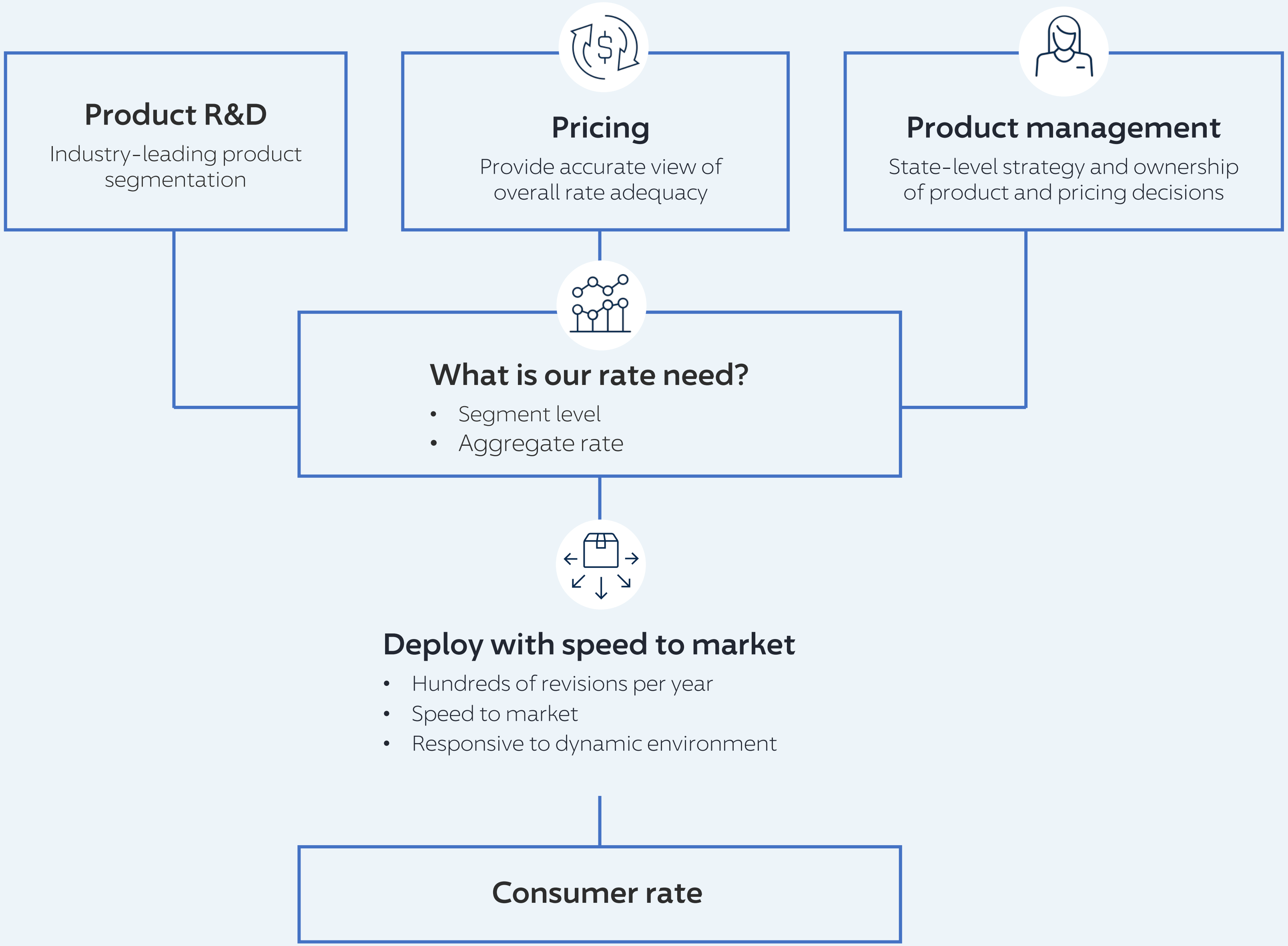
Pricing Theory in Practice

PRICING THEORY IN PRACTICE

Rate-making process at Progressive

OPERATIONAL GOAL:

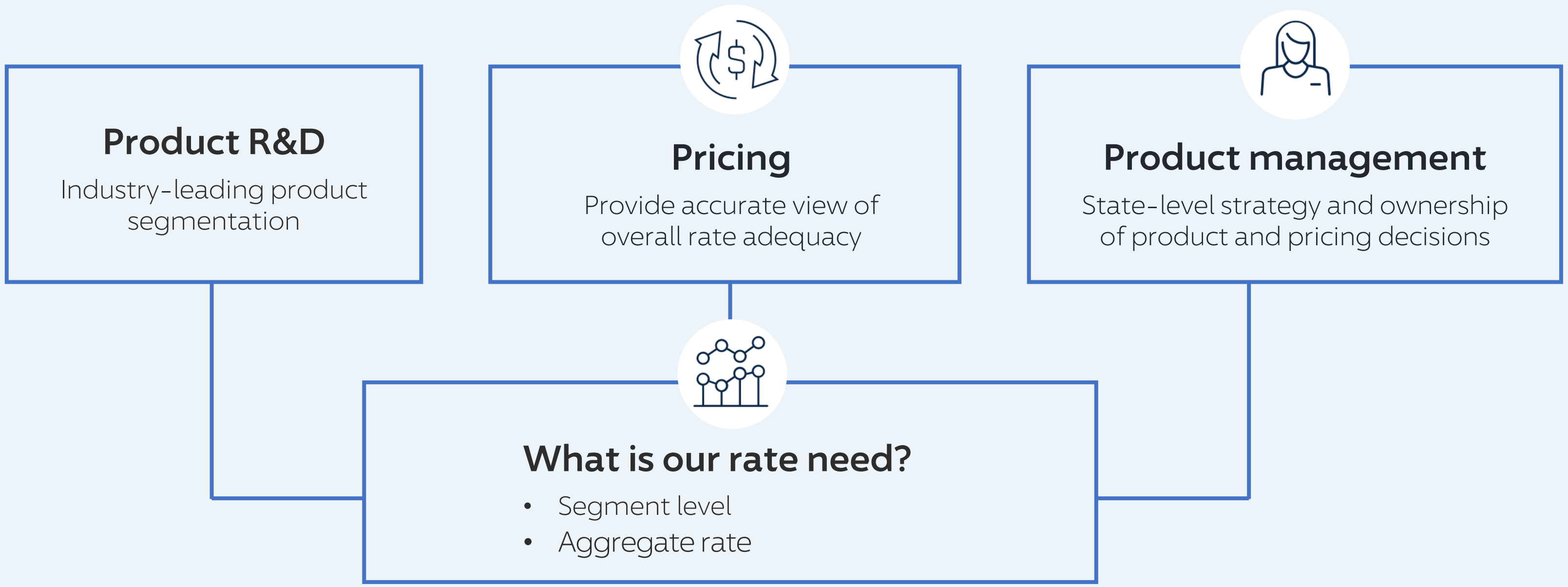
Grow as fast as you can at or below a 96 combined ratio



Rate-making process at Progressive

OPERATIONAL GOAL:

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



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

PERSONAL AUTO

CADENCE		GEOGRAPHIC SPLITS		CHANNEL		COVERAGES
3 - 4	X	**51**	X	**2**	X	**12 - 15**
times/year		all states plus Washington, D.C.		agency and direct		different by state

Source: Internal Data

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

COMMERCIAL AUTO

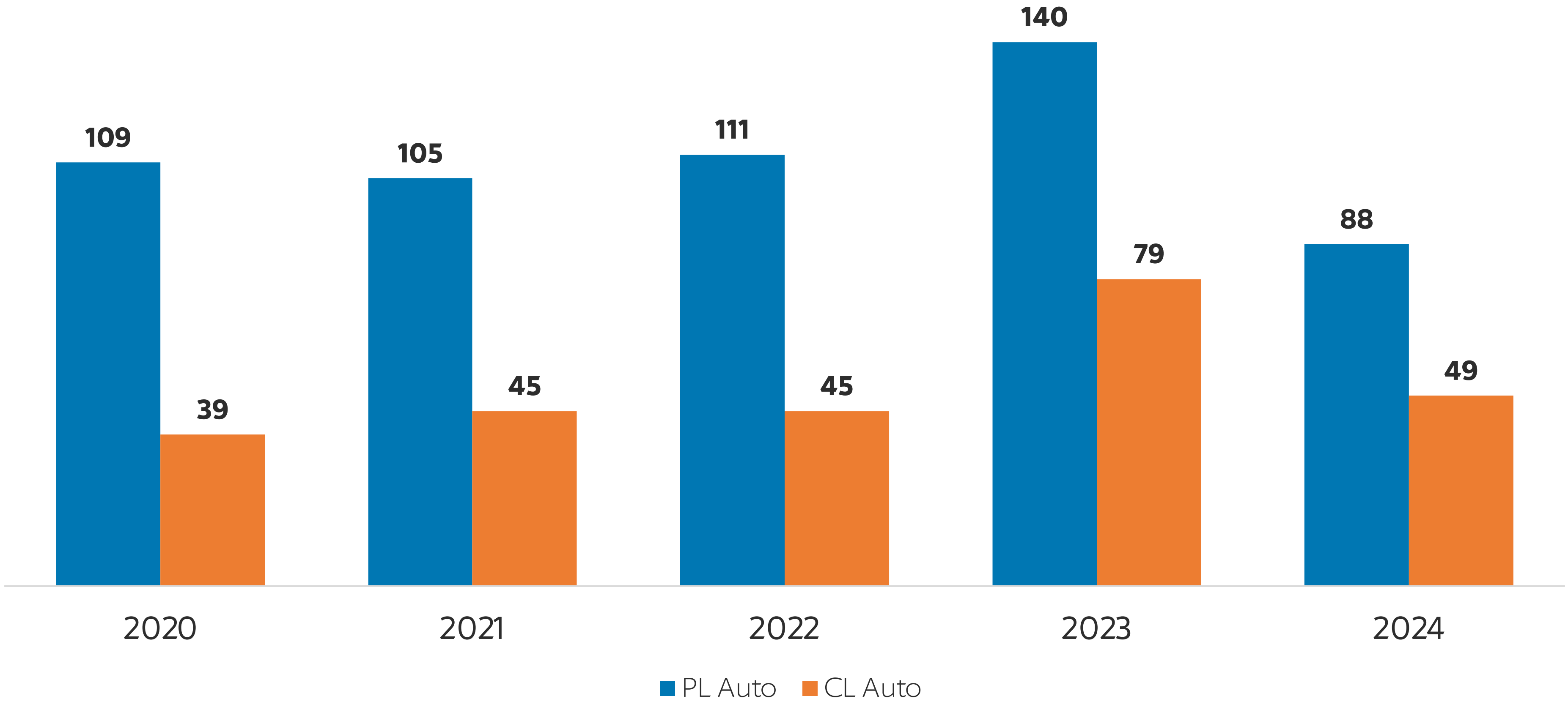
4	X	**5**	X	**5**	X	**9**
CADENCE		**GEOGRAPHIC SPLITS**		**BUSINESS MARKET TARGETS**		**COVERAGES**
times/year		4 states individually plus a group of all remaining states				

Source: *Internal Data*

Rate revisions deployed per year

2023

We have the capabilities to increase the number of deployed rate changes when we need to respond quickly to changing loss costs.



Source: *Internal Data*

Responding to changes

1

Changes to tariffs may impact the loss costs in the prospective pricing period

≠

2

We still need to answer the two Fundamental Pricing Questions, but we have no previous experience with the tariff changes

Auto Claims are not all the Same

Damaged Vehicles

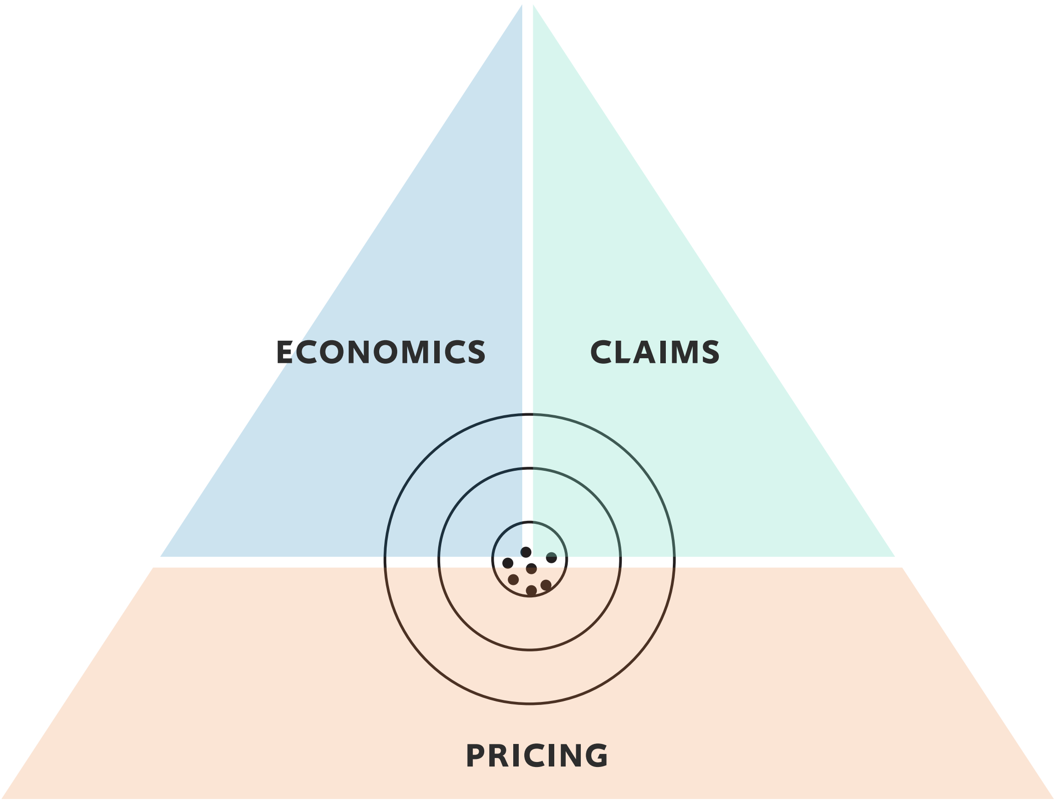
REPAIRABLE	TOTAL LOSS
LABOR	VALUE OF THE VEHICLE
PARTS & MATERIALS	SALVAGE RECOVERIES

Injuries

- MEDICAL BILLS
- GENERAL DAMAGES

Collaboration across functions at Progressive

Sharing subject matter expertise improves the analyses



ECONOMICS

Interprets the federal government's actions

Shares external economic indices and insights

CLAIMS

Subject matter expertise on the categories of claims payments

Provides necessary granular loss payment data

PRICING

Aggregates information from Economics and Claims teams

Incorporates into the fundamental pricing equation

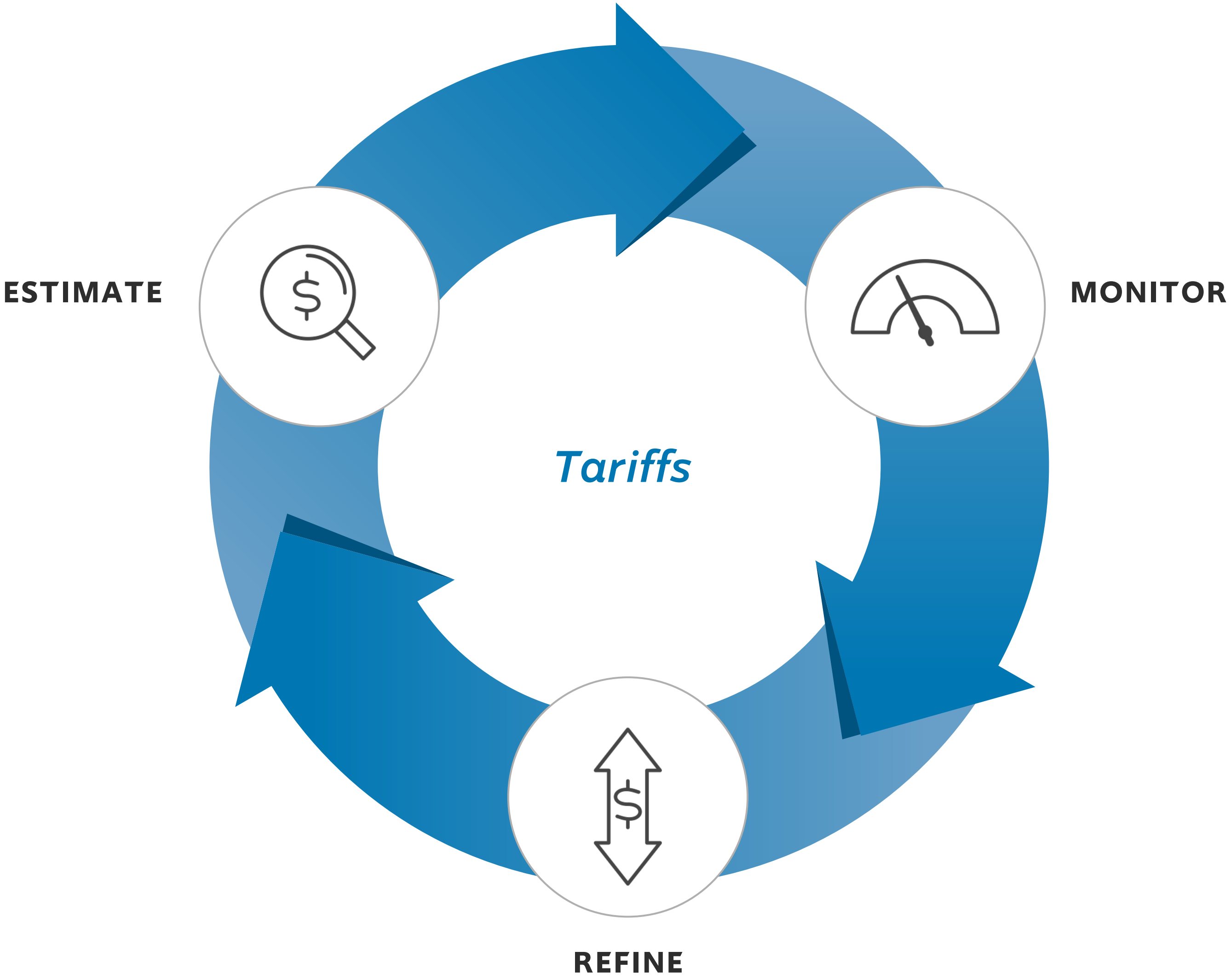
PRICING THEORY IN PRACTICE

Our initial expected value of future loss payments will be wrong

The fundamental pricing equation requires us to estimate **future** costs.

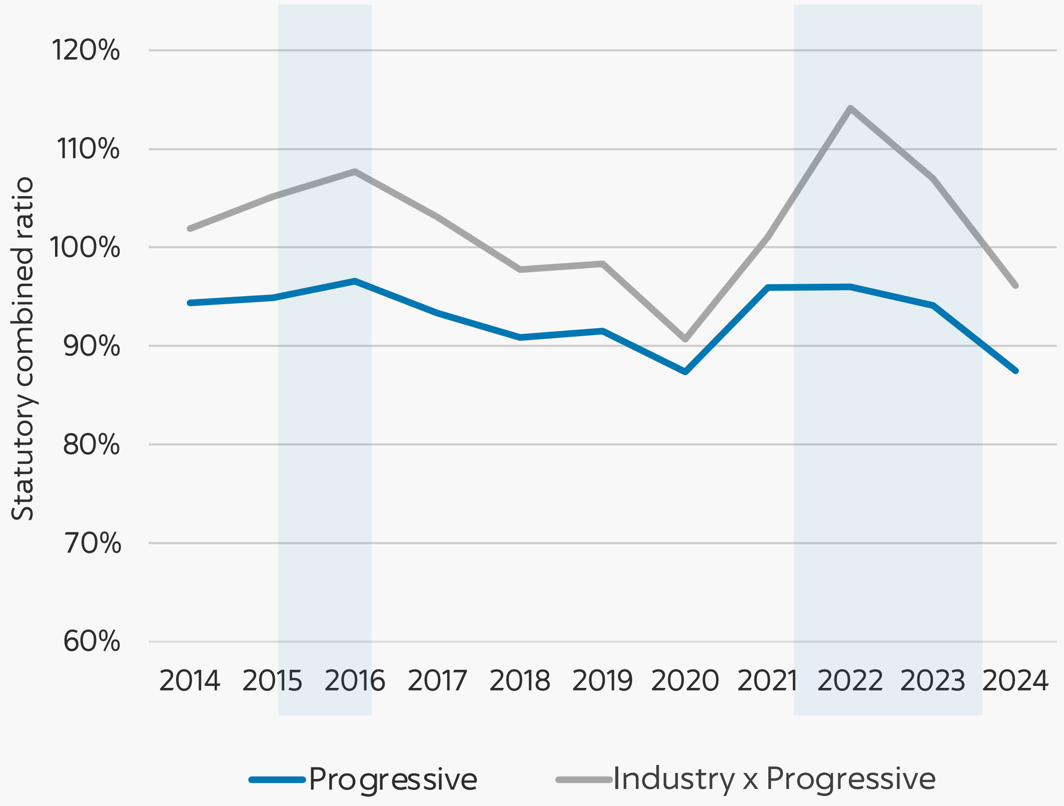
Pricing, Claims, and Economics work together to monitor the actual change in loss payments from implemented changes to tariffs.

Progressive's large amount of data helps us identify the actual change quickly.

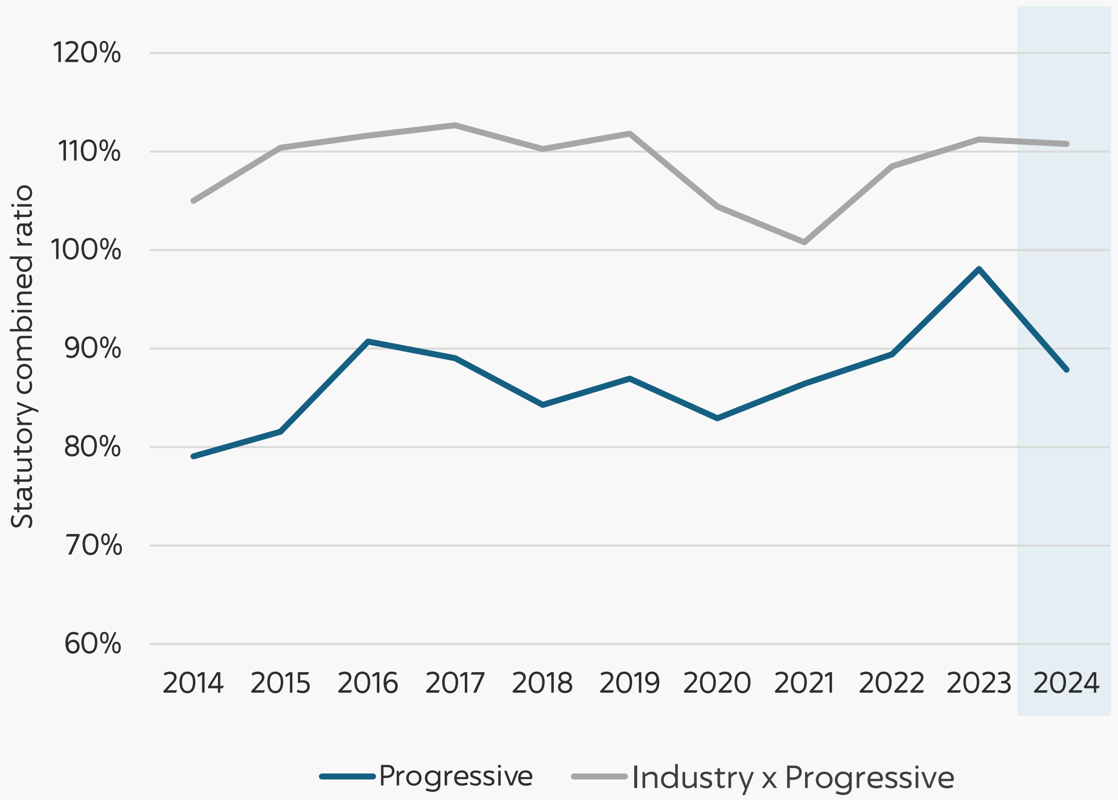


We've responded quickly before

PERSONAL AUTO



COMMERCIAL AUTO



Personal auto shows direct combined ratios and commercial auto shows net combined ratios.

Source: S&P Market Intelligence

Thank you

INVESTOR RELATIONS 2025 Q2

PROGRESSIVE