PROGRESSIVE®

Investor Relations

INDUSTRY-LEADING SEGMENTATION

2018



Safe Harbor Statement

UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

Investors are cautioned that certain statements in this presentation not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as “estimate,” “expect,” “intend,” “plan,” “believe,” and other words and terms of similar meaning, or are tied to future periods, in connection with a discussion of future operating or financial performance. Forward-looking statements are based on current expectations and projections about future events, and are subject to certain risks, assumptions and uncertainties that could cause actual events and results to differ materially from those discussed herein. These risks and uncertainties include, without limitation, uncertainties related to estimates, assumptions, and projections generally; inflation and changes in general economic conditions (including changes in interest rates and financial markets); the possible failure of one or more governmental, corporate, or other entities to make scheduled debt payments or satisfy other obligations; our ability to access capital markets and financing arrangements when needed to support growth or other capital needs, and the favorable evaluations by credit and other rating agencies on which this access depends; the potential or actual downgrading by one or more rating agencies of our securities or governmental, corporate, or other securities we hold; the financial condition of, and other issues relating to the strength of and liquidity available to, issuers of securities held in our investment portfolios and other companies with which we have ongoing business relationships, including reinsurers and other counterparties to certain financial transactions or under certain government programs; the accuracy and adequacy of our pricing, loss reserving, and claims methodologies; the competitiveness of our pricing and the effectiveness of our initiatives to attract and retain more customers; initiatives by competitors and the effectiveness of our response; our ability to obtain regulatory approval for the introduction of products to new jurisdictions, for requested rate changes and the timing thereof and for any proposed acquisitions; the effectiveness of our brand strategy and advertising campaigns relative to those of competitors; legislative and regulatory developments at the state and federal levels, including, but not limited to, matters relating to vehicle and homeowners insurance, health care reform and tax law changes; the outcome of disputes relating to intellectual property rights; the outcome of litigation or governmental investigations that may be pending or filed against us; severe weather conditions and other catastrophe events; the effectiveness of our reinsurance programs; changes in vehicle usage and driving patterns, which may be influenced by oil and gas prices; changes in residential occupancy patterns and the effects of the emerging "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; our ability to accurately recognize and appropriately respond in a timely manner to changes in loss frequency and severity trends; technological advances; acts of war and terrorist activities; our ability to maintain the uninterrupted operation of our facilities, systems (including information technology systems), and business functions, and safeguard personal and sensitive information in our possession, whether from cyber-attacks, other technology events or other means; our continued access to and functionality of third-party systems that are critical to our business; our continued ability to access cash accounts and/or convert securities into cash on favorable terms when we desire to do so; restrictions on our subsidiaries' ability to pay dividends to The Progressive Corporation; possible impairment of our goodwill or intangible assets if future results do not adequately support either, or both, of these items; court decisions, new theories of insurer liability or interpretations of insurance policy provisions and other trends in litigation; changes in health care and auto and property repair costs; 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. In addition, investors should be aware that generally accepted accounting principles prescribe when a company may reserve for particular risks, including litigation exposures. Accordingly, results for a given reporting period could be significantly affected if and when a reserve is established 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.



Tricia Griffith

PRESIDENT AND CEO

CORE VALUES
Who we are

PURPOSE
Why we're here



VISION
Where we're headed

STRATEGY
How we'll get there



Progressive's Four Strategy Pillars

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



WE WILL ACHIEVE OUR VISION BY ...

- Meeting the broader needs of our customers throughout their lifetimes.
- Maintaining a leading brand recognized for innovative offerings and supported by experiences that instill confidence.
- Offering competitive prices driven by industry-leading segmentation, claims accuracy, and operational efficiency.

Operational Goal

Grow as fast as you can at or below a 96 Combined Ratio.



Objectives and Results

FINANCIAL RESULTS

		2017	2016	2015	5 Years[1]	10 Years[1]
Underwriting margin	Progressive	6.6%	4.9%	7.5%	6.6%	6.5%
	Private Passenger Auto Industry[2]	(2.2)%	(5.9)%	(4.1)%	(3.1)%	(2.1)%
Net premiums written growth	Progressive	16%	14%	10%	11%	7%
	Private Passenger Auto Industry[2]	8%	7%	5%	6%	3%
Return on average shareholders' equity	Comprehensive income attributable to Progressive	21.7%	14.9%	14.2%	18.0%	17.2%

[1] Represents results over the respective time period; growth represents average annual compounded rate of increase (decrease).
[2] Industry results represent private passenger auto insurance market data as reported by A.M. Best Company, Inc. The industry underwriting margin excludes the effect of policyholder dividends.

Pat Callahan

PERSONAL LINES PRESIDENT

Objectives and Results

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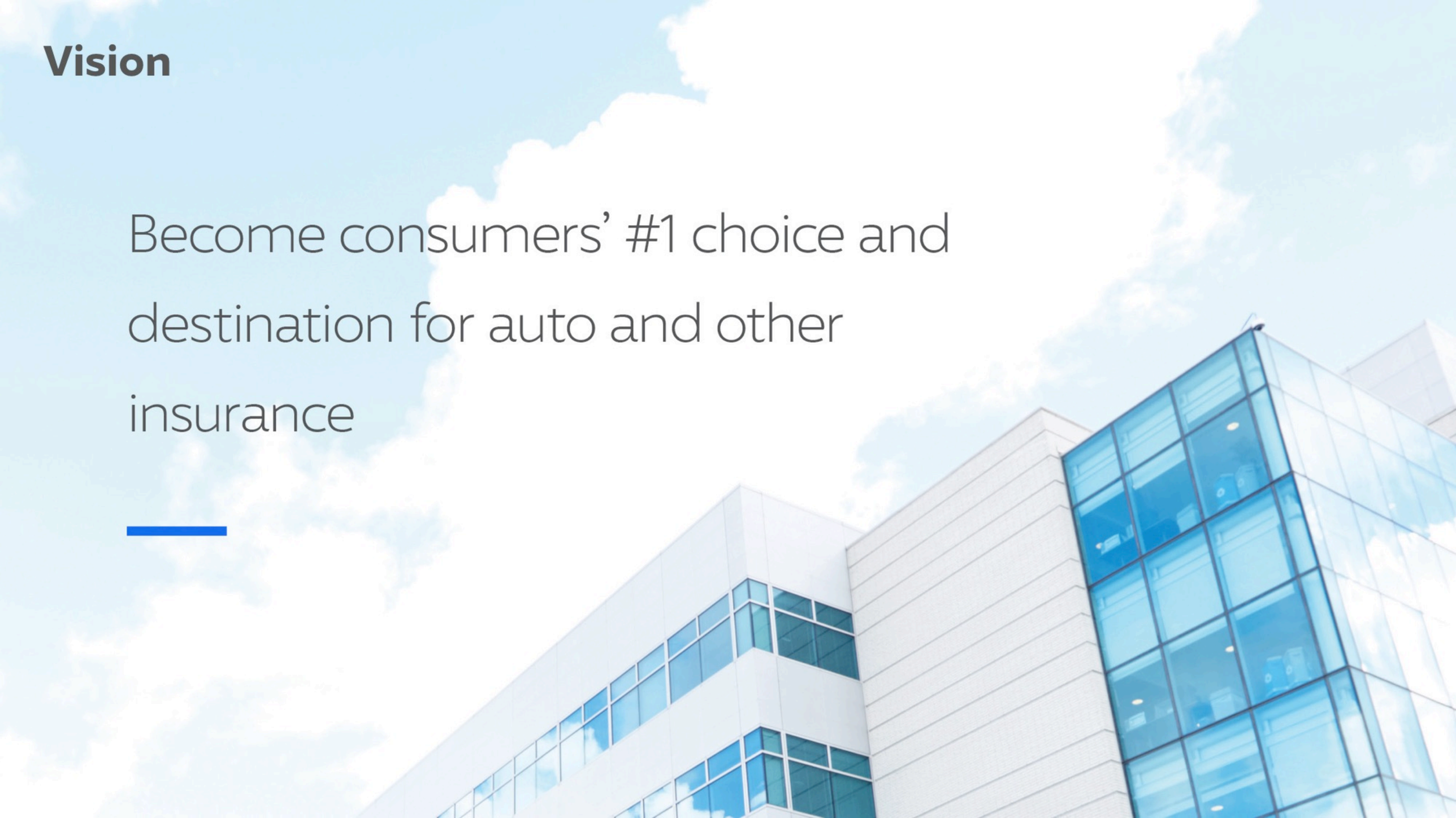
Vision

Become consumers' #1 choice and destination for auto and other insurance



Expanding our addressable market

2017 PPA & HOMEOWNERS:
ESTIMATED INDUSTRY PREMIUM ($BIL)

	CAPTIVE AGENT	INDEPENDENT AGENT	DIRECT	TOTAL
 Sam	8	13	8	28
 Diane	24	15	26	65
 Wrights	27	23	18	69
 Robinsons	86	54	23	163
Total	145	106	75	325

~ $90B

~ $230B



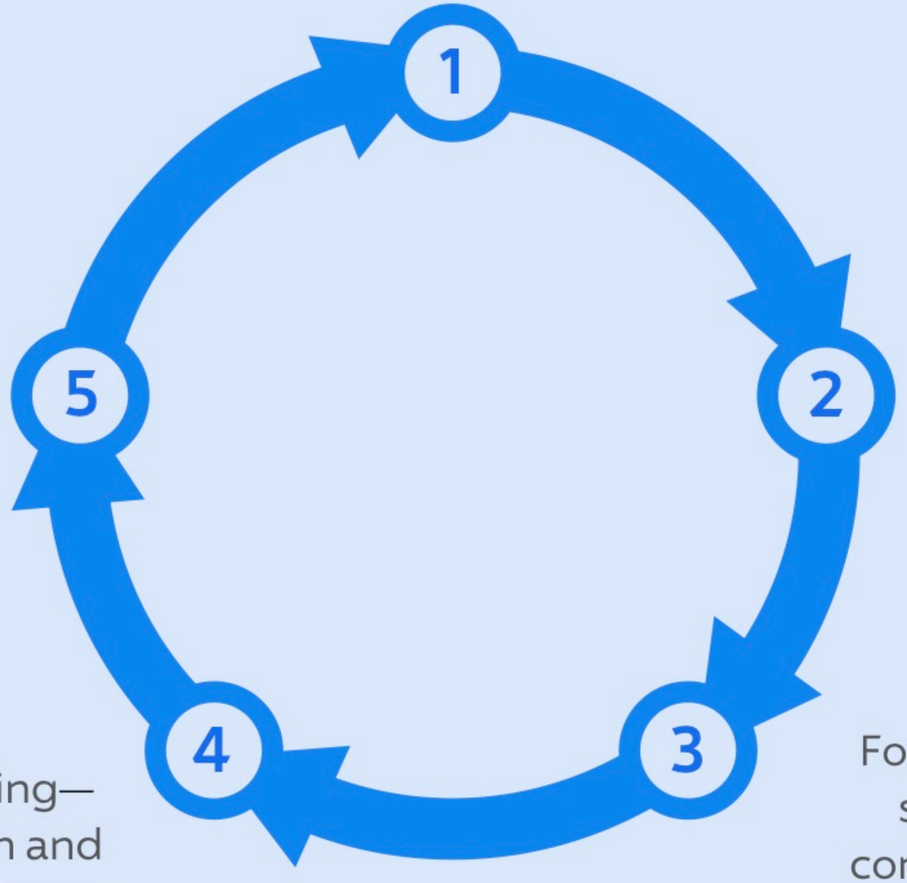
Source: S&P Global Market Intelligence and Progressive estimates.

Product Tactics

- Continuously improve matching of rate to risk
- Deploy competitive and stable rates for preferred and bundled households
- Leverage verification to ensure rate accuracy
- Enhance segmentation through Snapshot® and other third-party data
- Advance rating accuracy while preserving ease of use for agents and consumers



The Virtuous Cycle of Risk Selection



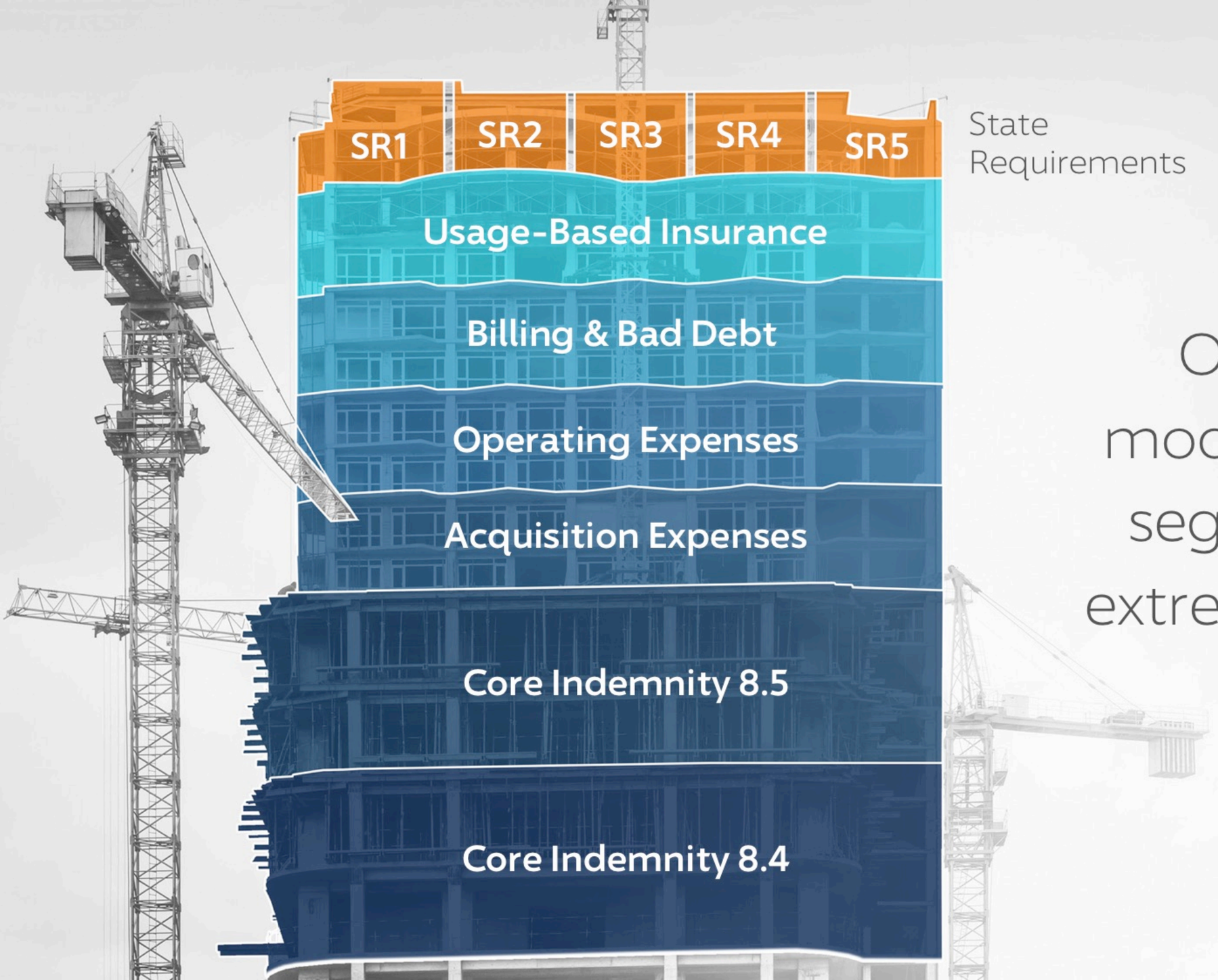
1. We deploy highly segmented product models and manage rate level to drive profitable growth
2. More competitive rate drives conversion and retention of better risks
3. Forces adverse selection—competitor mix worsens, trends increase, they raise base rates
4. Drives shopping—their retention and conversion for better risks falls
5. Our growth and scale lowers costs and improves our segmentation



PRODUCT DESIGN



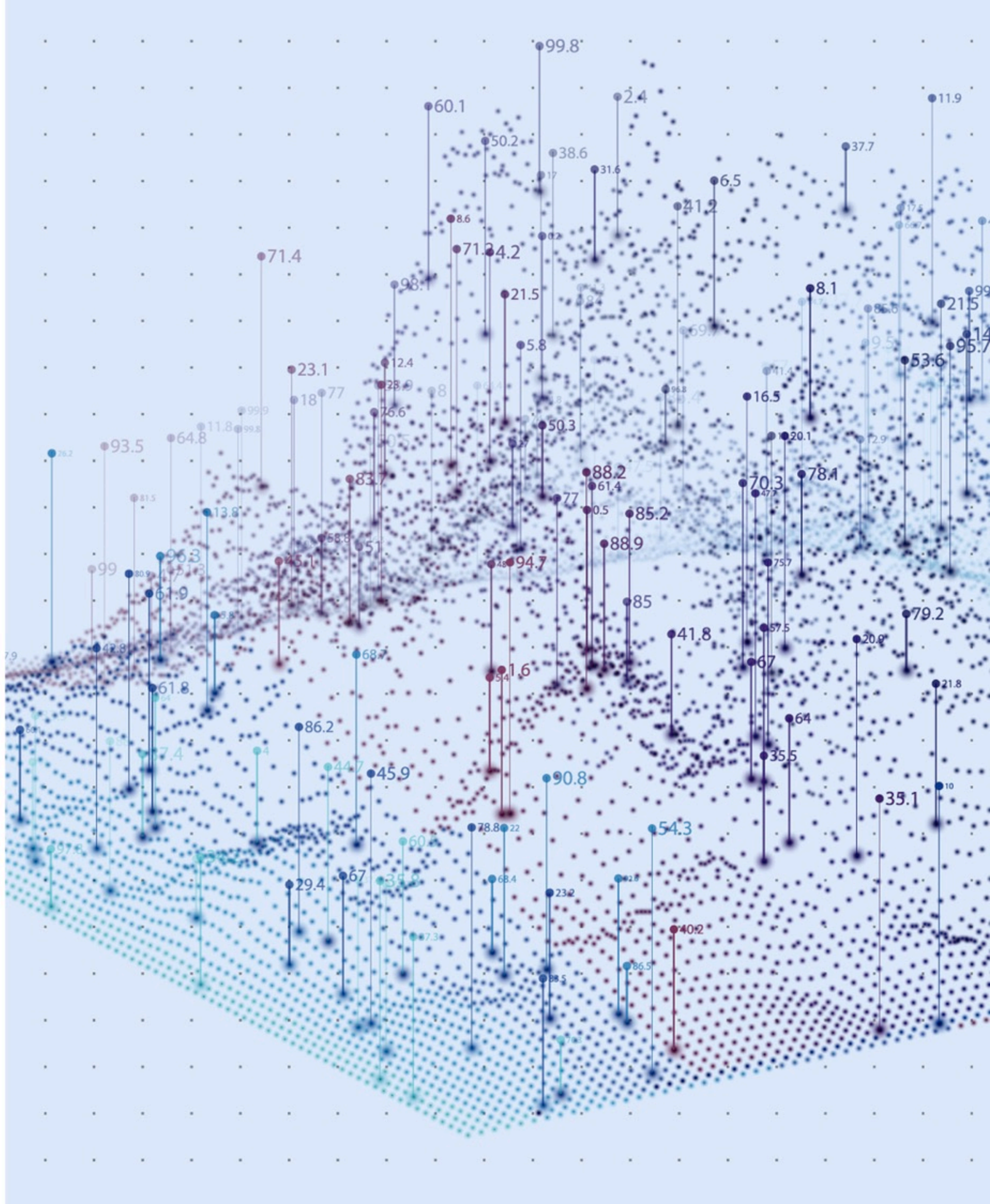
PRODUCT CUSTOMIZATION & DEPLOYMENT



Our product models are highly segmented and extremely complex

Data verification is essential to model predictiveness

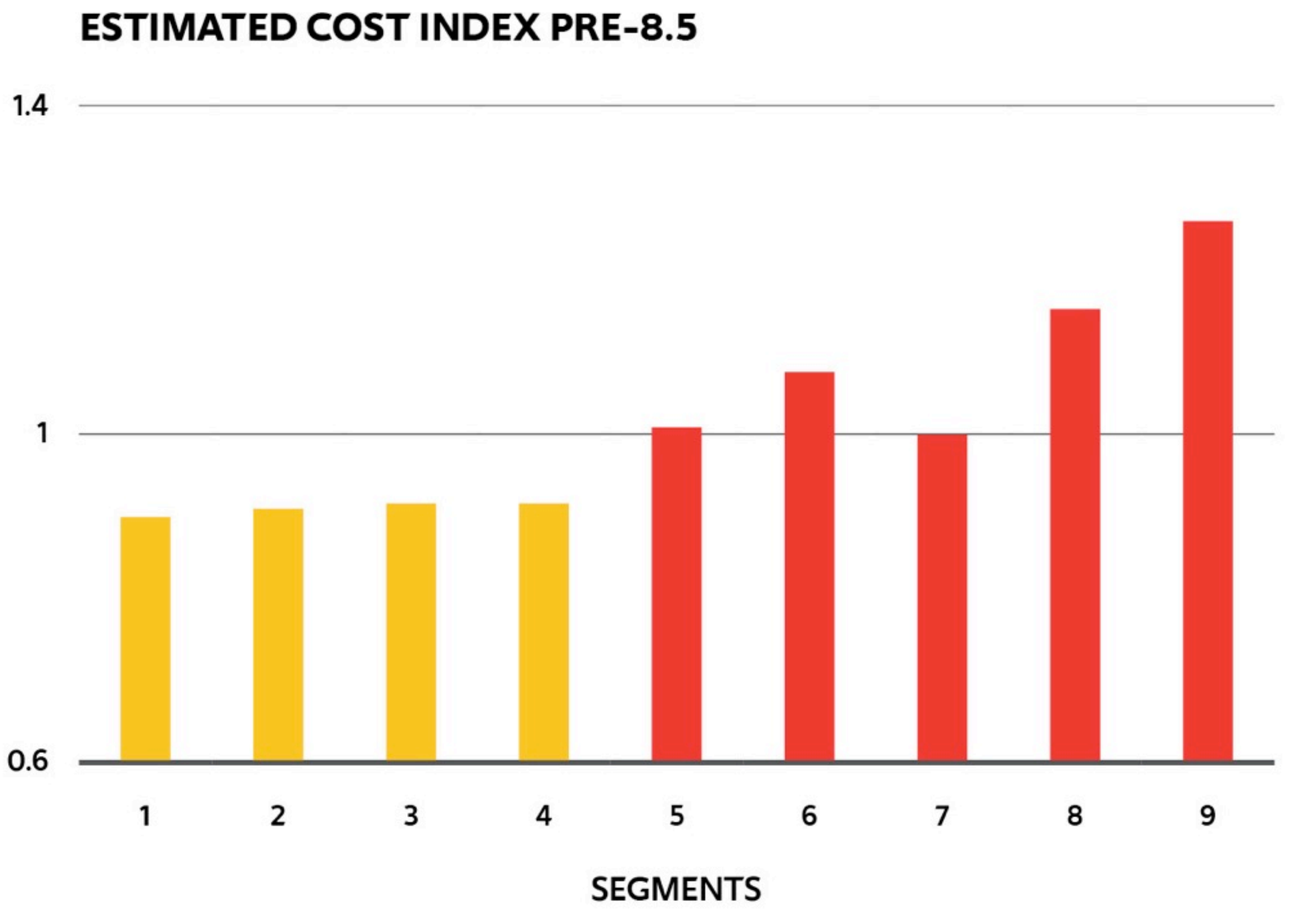




Our latest product model preserves our core while enhancing competitiveness for preferred customers

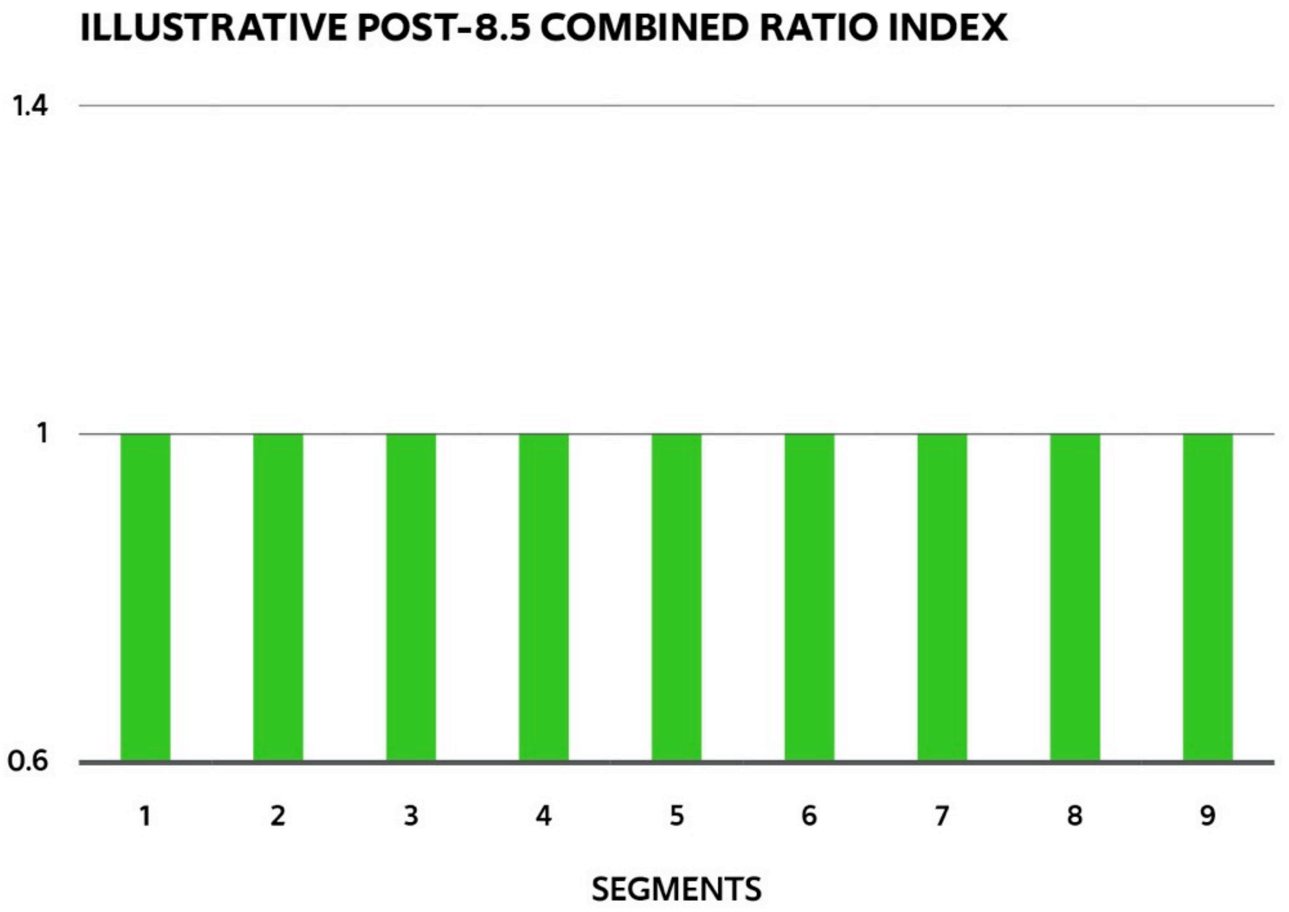


Leveraging existing data to identify new segmentation



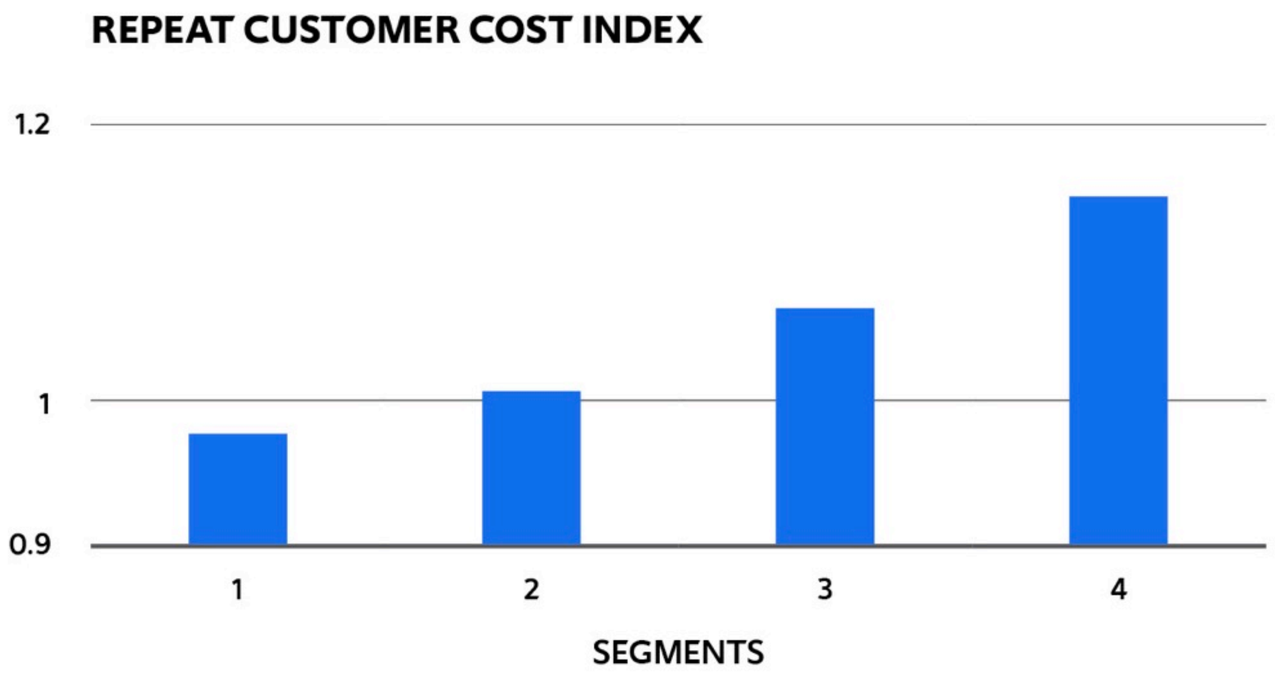
Note: Segments are not equally sized

Post-8.5 Combined Ratio



Note: Segments are not equally sized

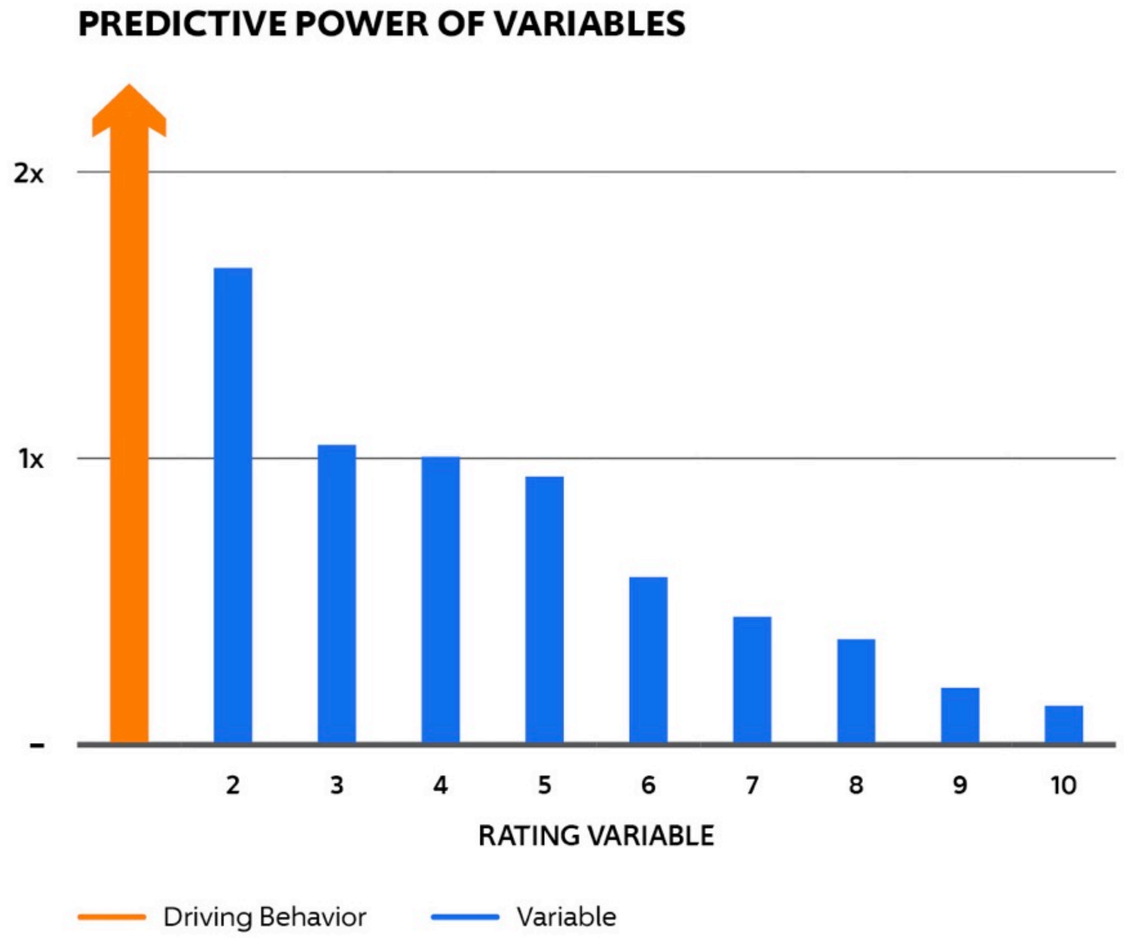
Leveraging customer behaviors in rating

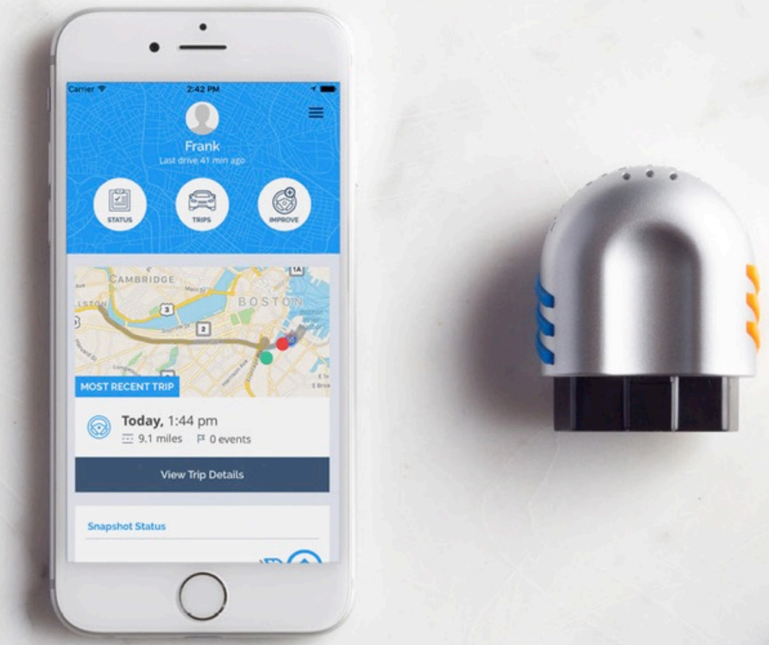


~10% of new customers have had recent Progressive policies

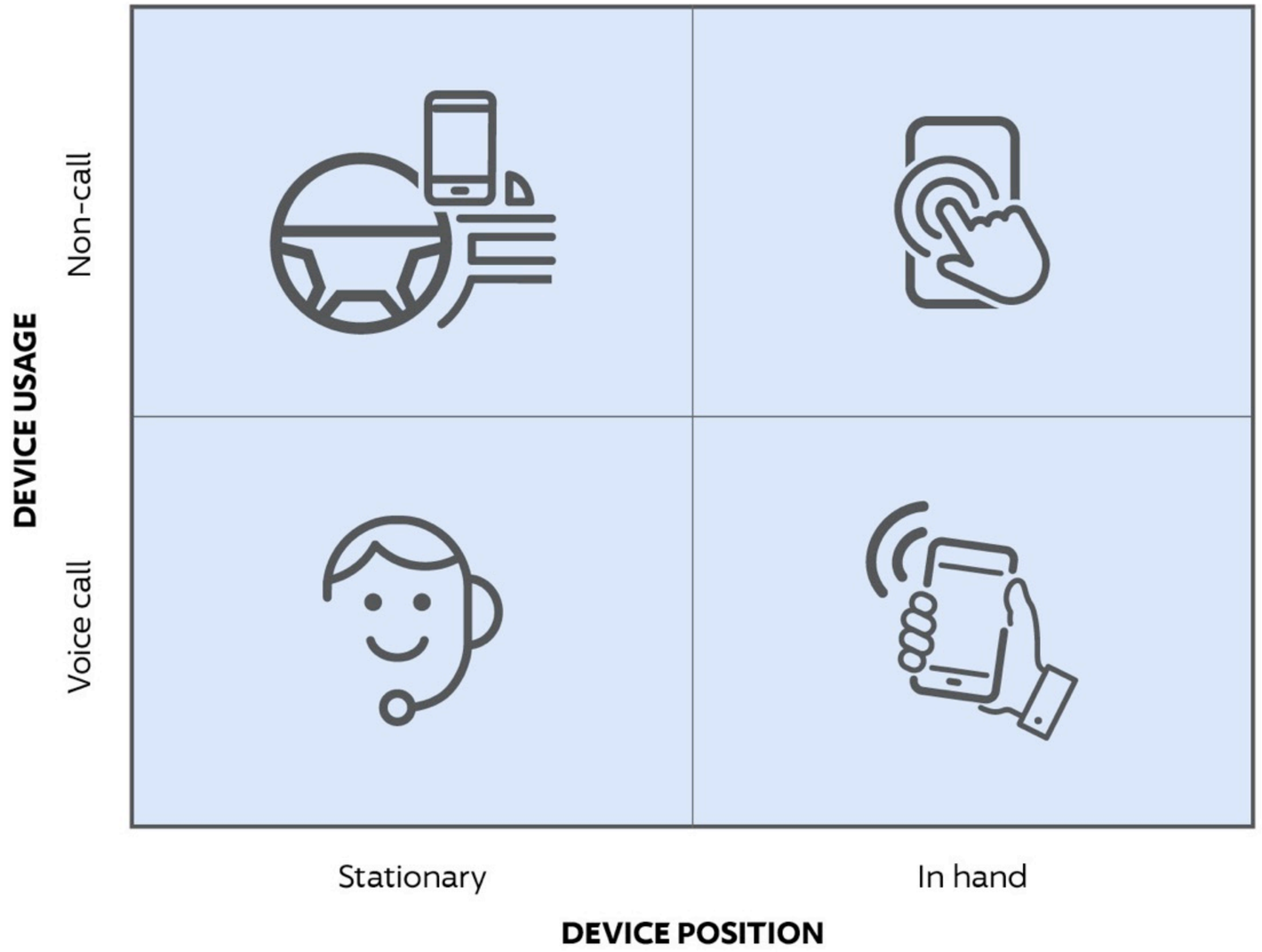
Customer behavior is predictive of future loss costs

Enhancing & expanding our usage-based insurance offering

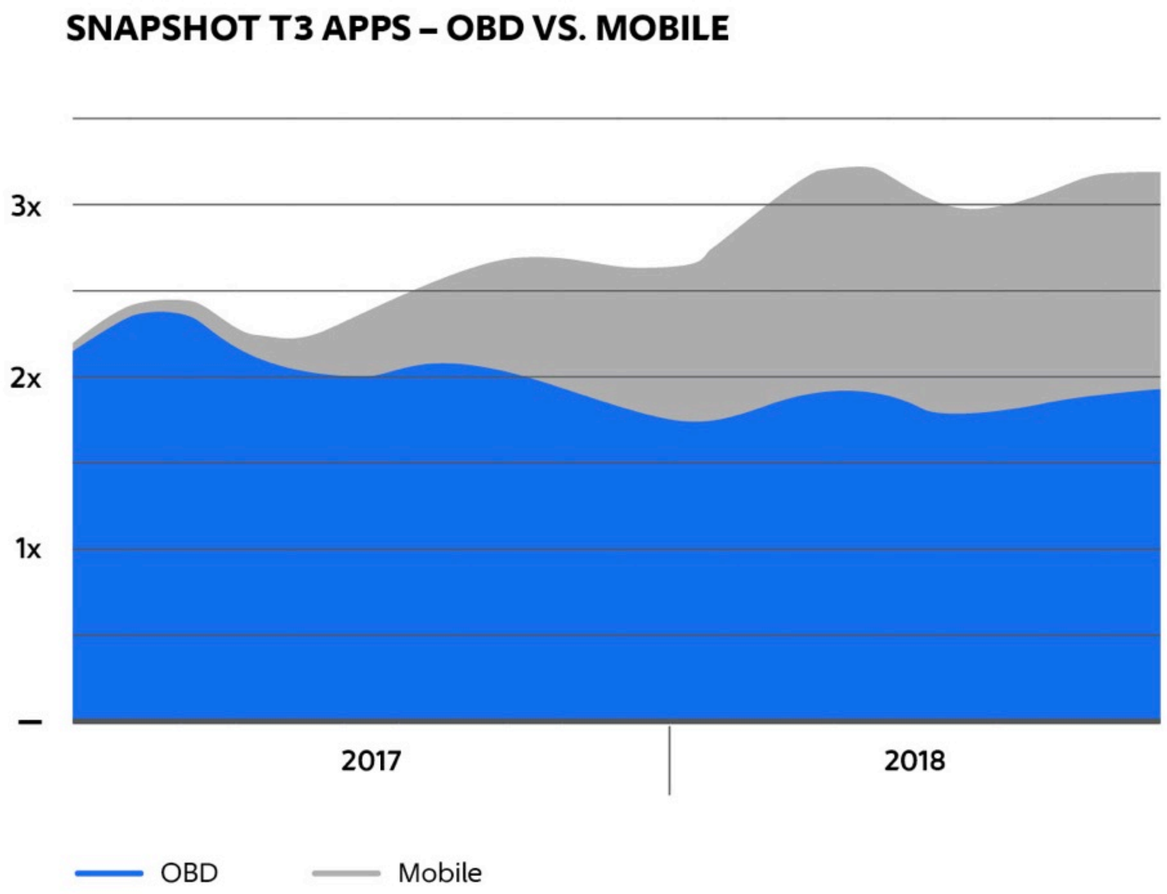


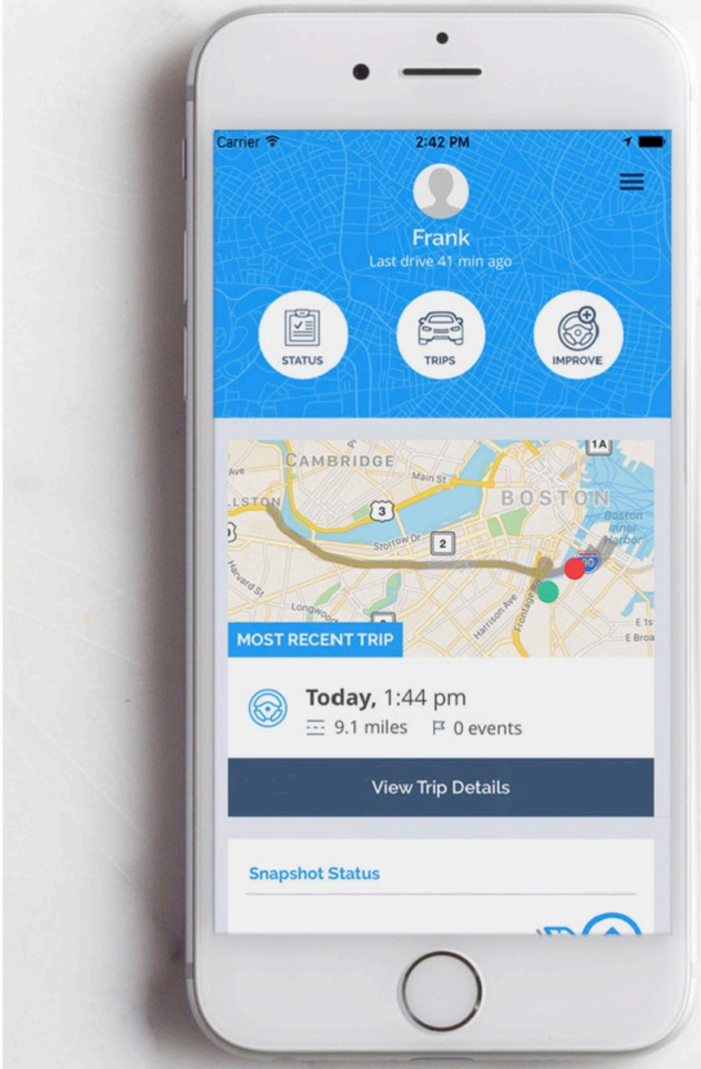


New data source: Snapshot® app for distracted driving

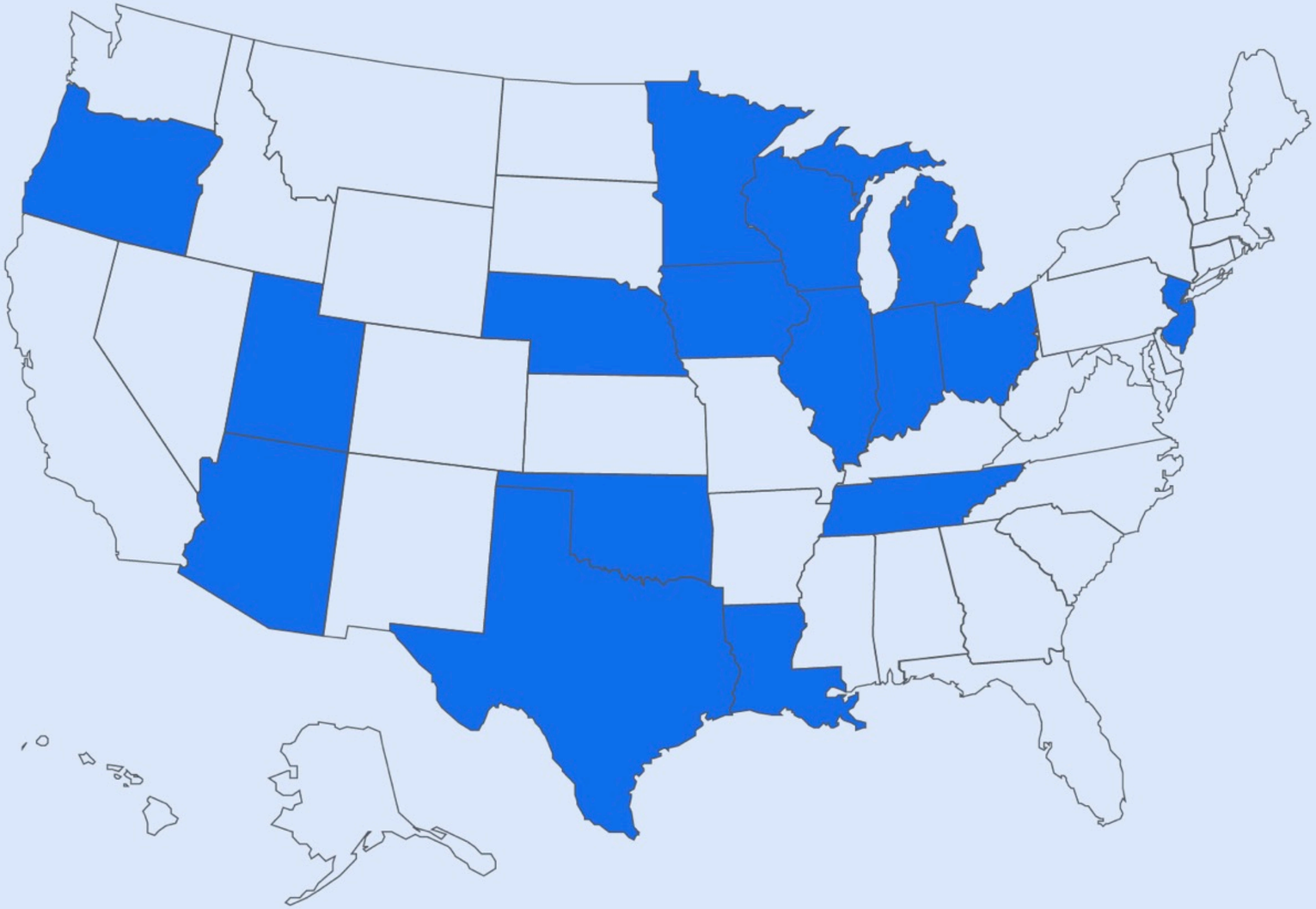


Expanding availability—Mobile UBI

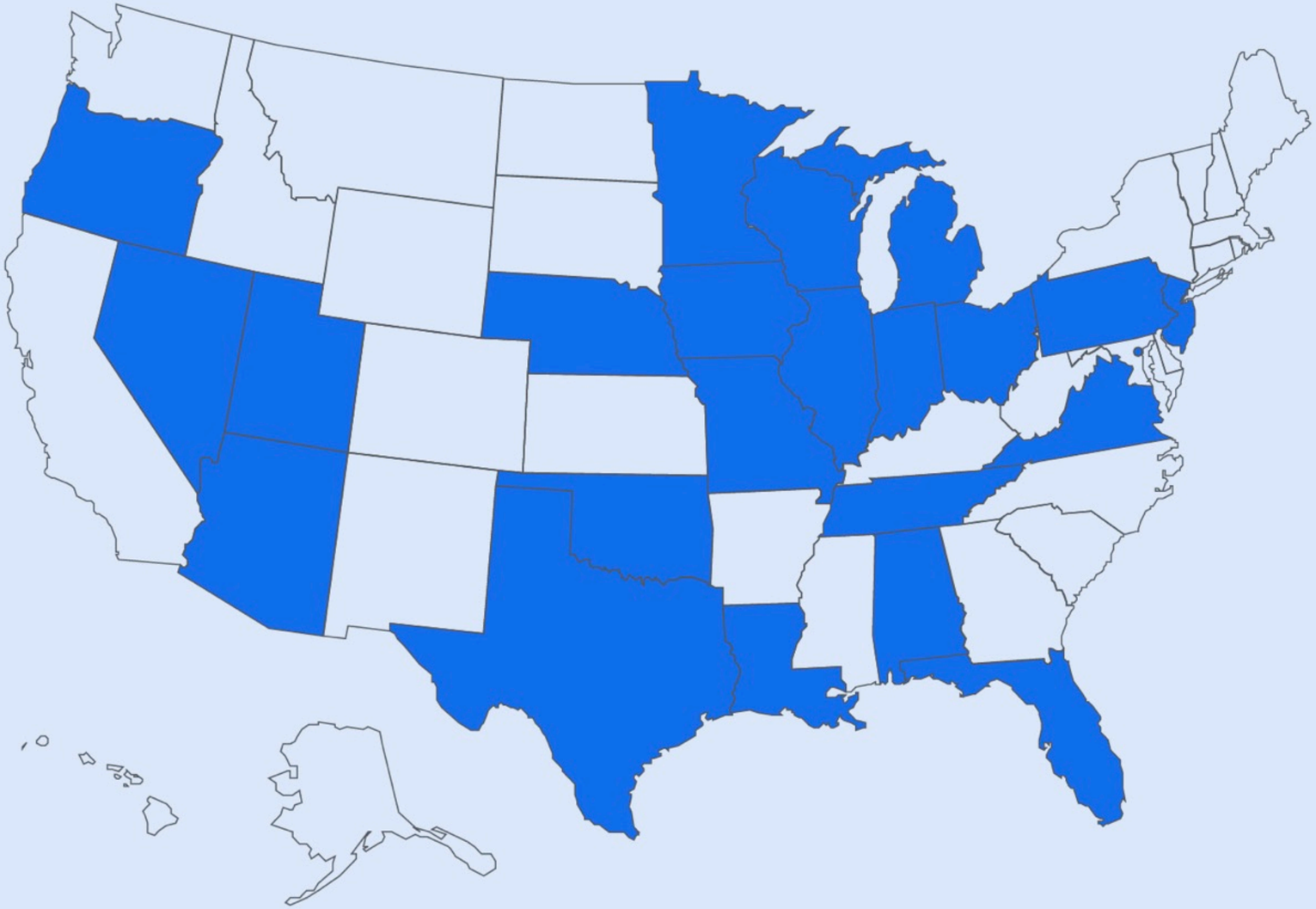




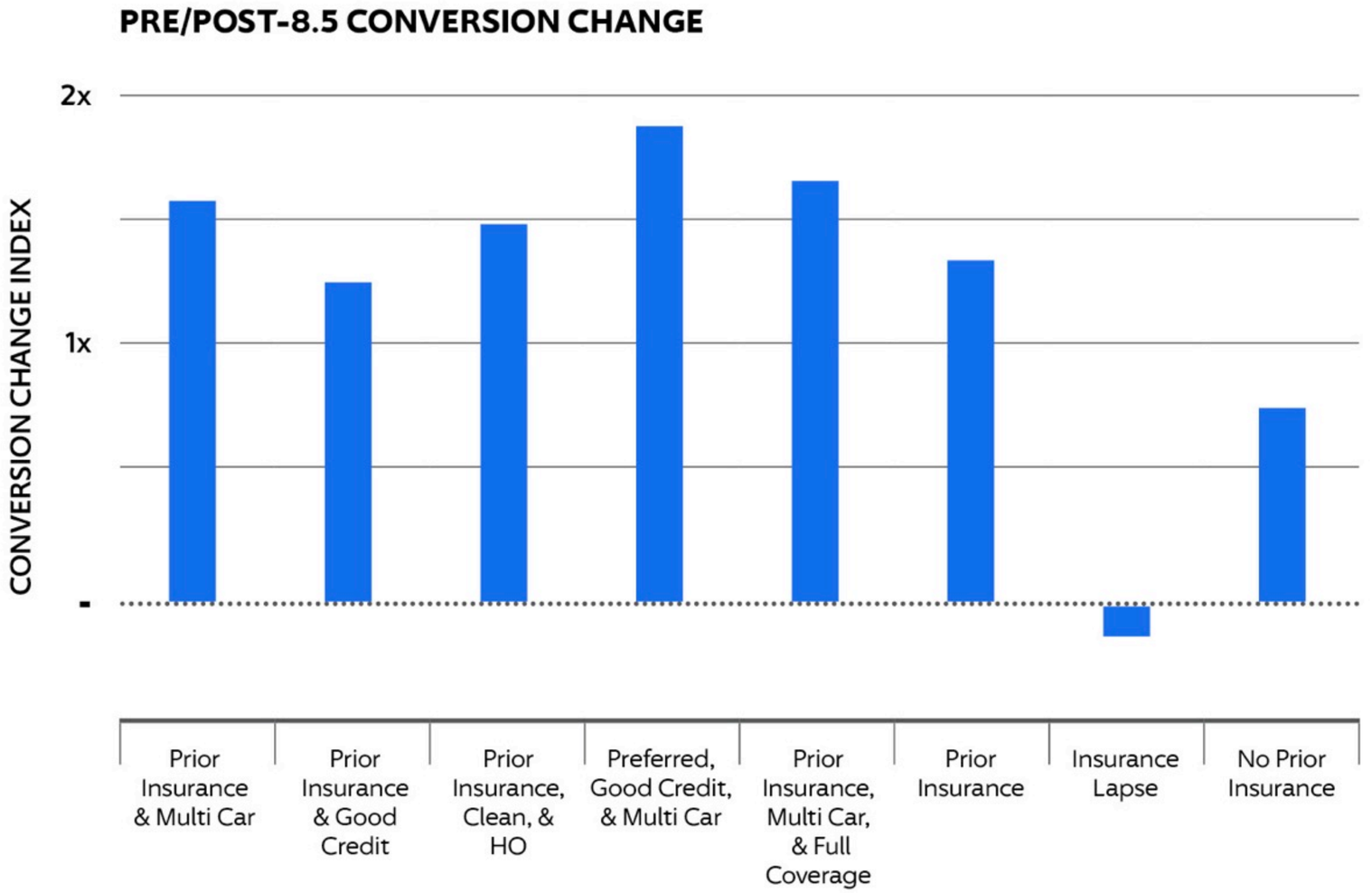
8.5 deployment—today



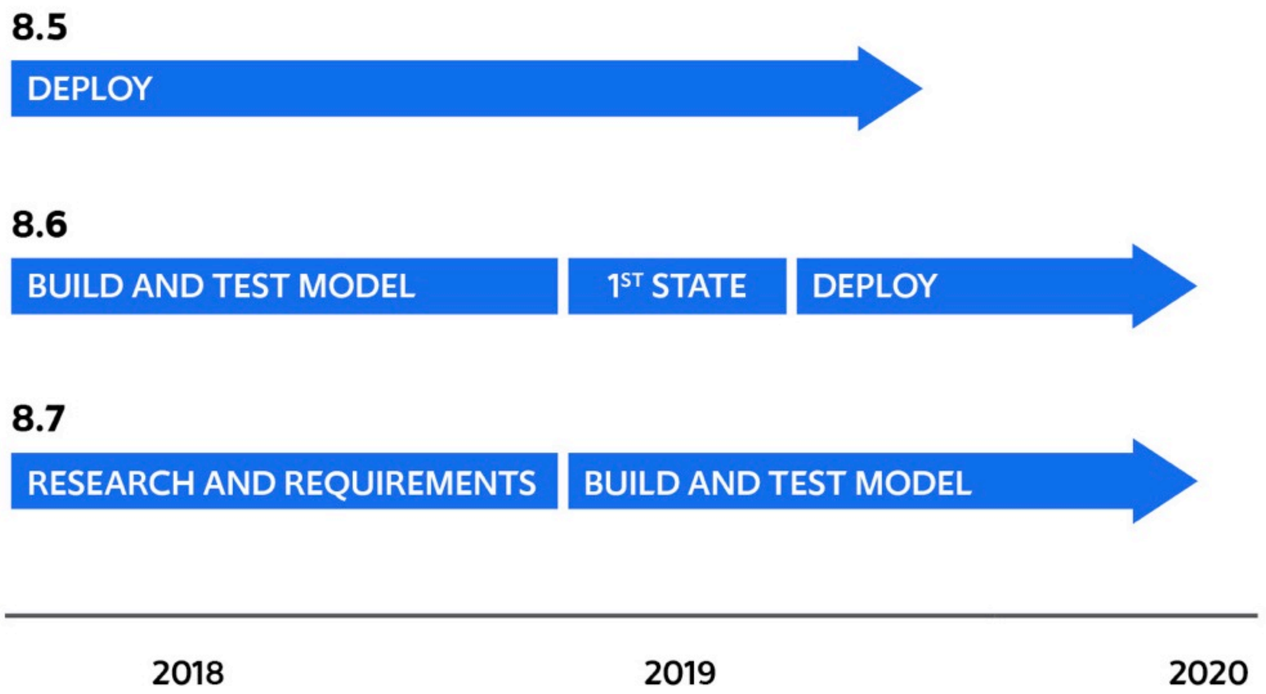
Expected 8.5 footprint by end of year



Enhanced segmentation drives our mix of business



Accelerating segmentation to market



Reduce model build cycle time:

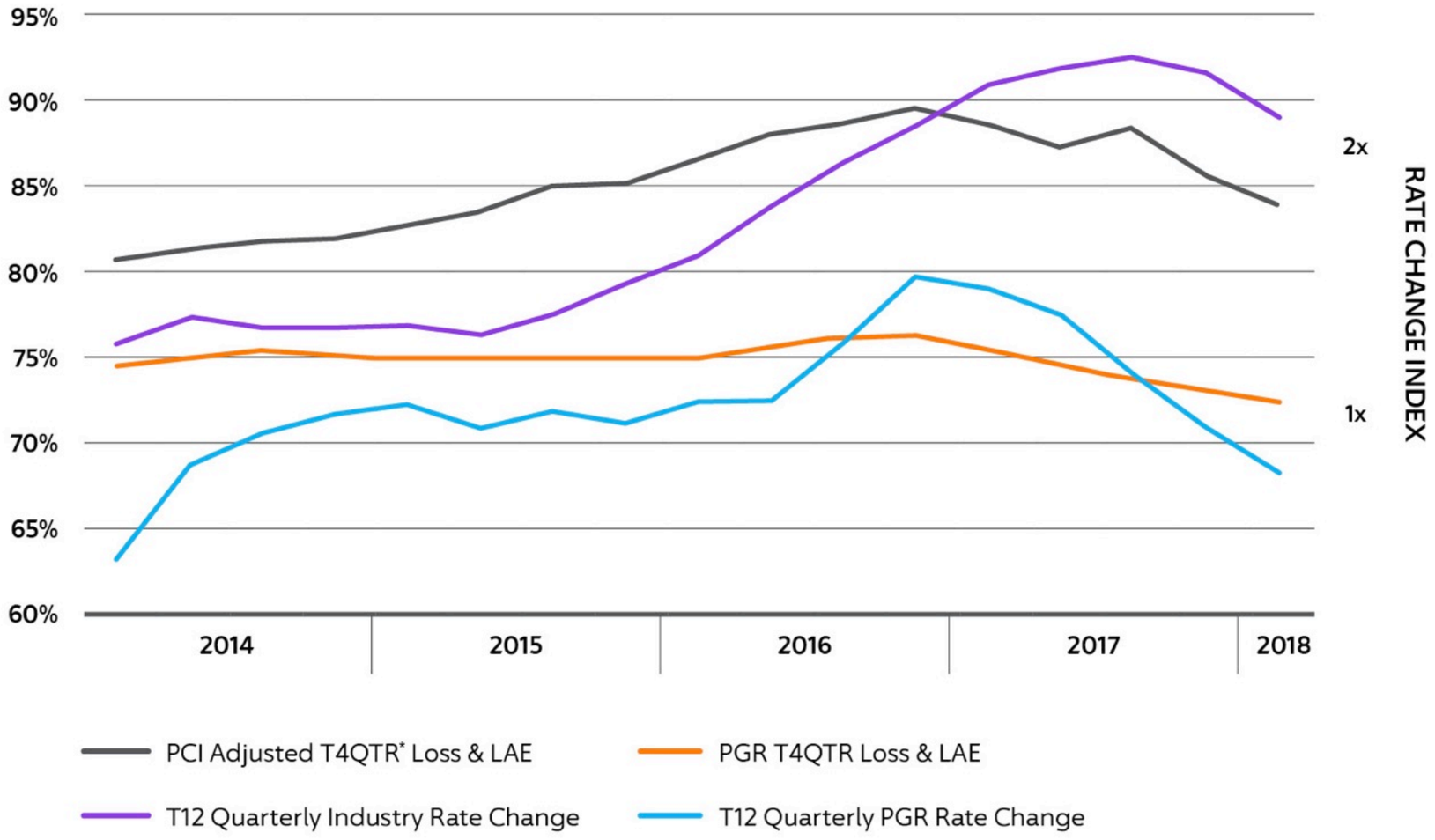
- Dedicated development team
- Continuous development

Increase deployment capacity:

- Process optimization
- Leverage offshore

The risk selection cycle in practice

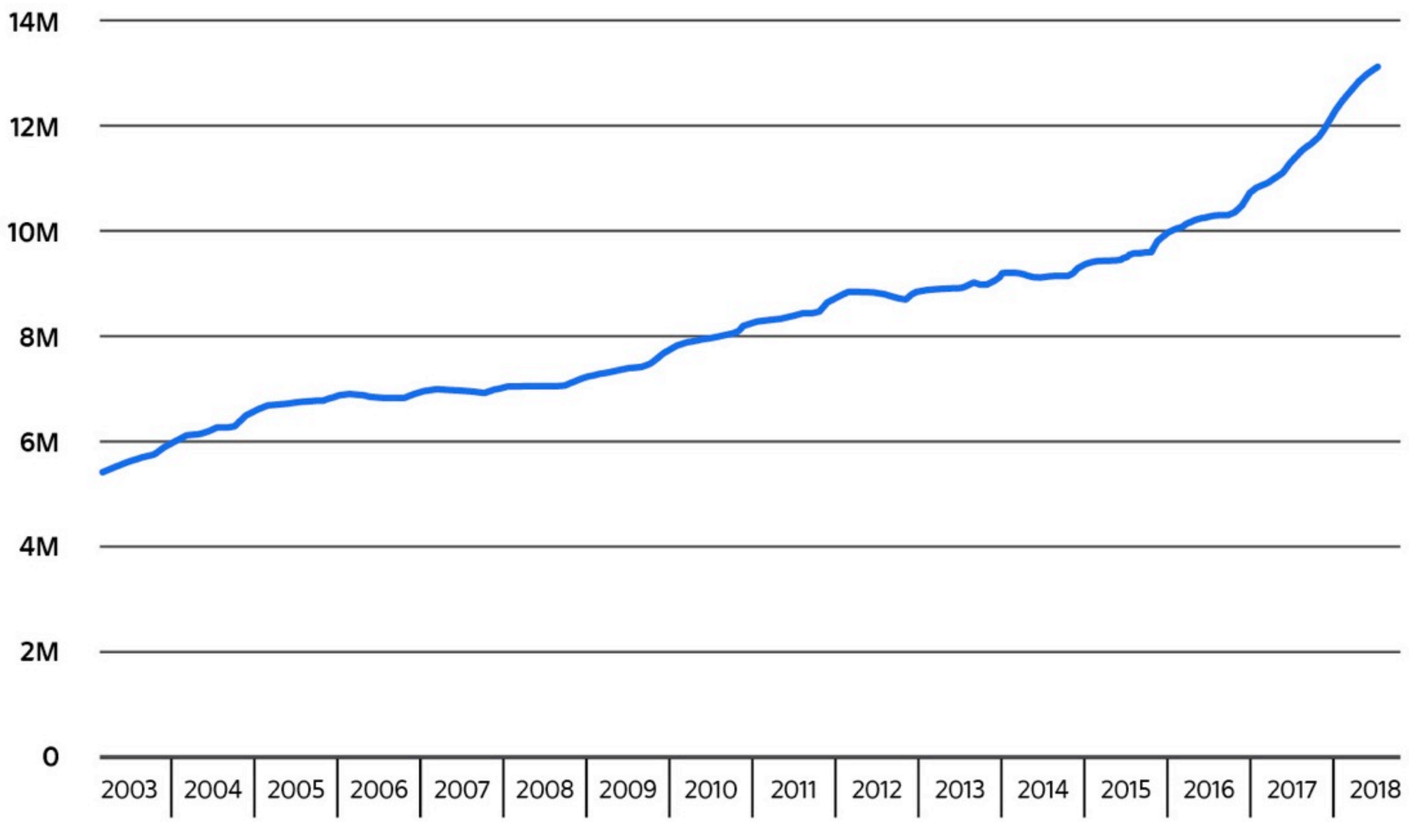
PGR VS. INDUSTRY (LOSS AND LAE VS. RATE CHANGE)



*PCI adjusted for PGR state mix. Source: Loss & LAE from PCI Fast Track & PGR analysis. Rate change data from S&P Global Research & PGR analysis.



PERSONAL AUTO POLICIES IN FORCE





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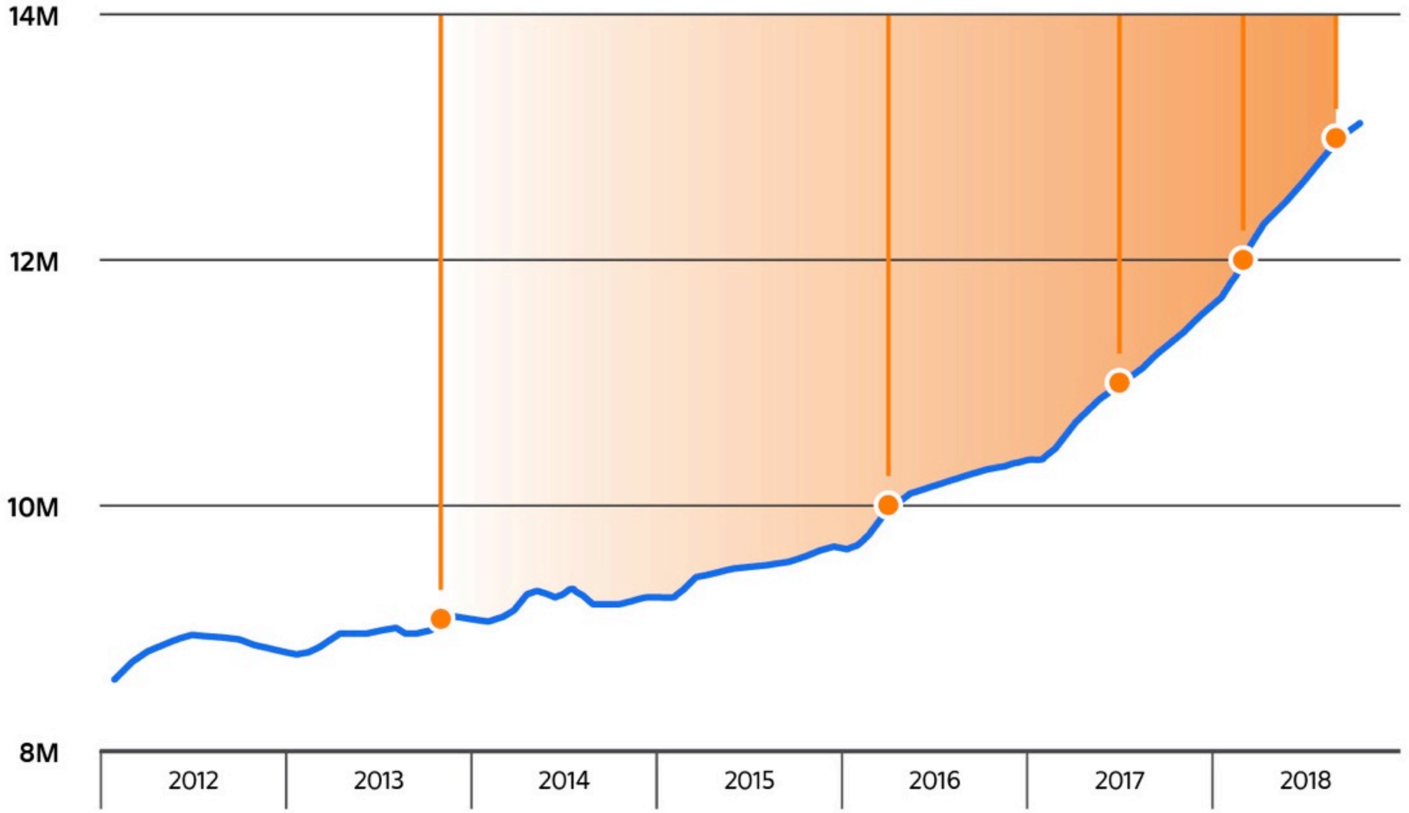



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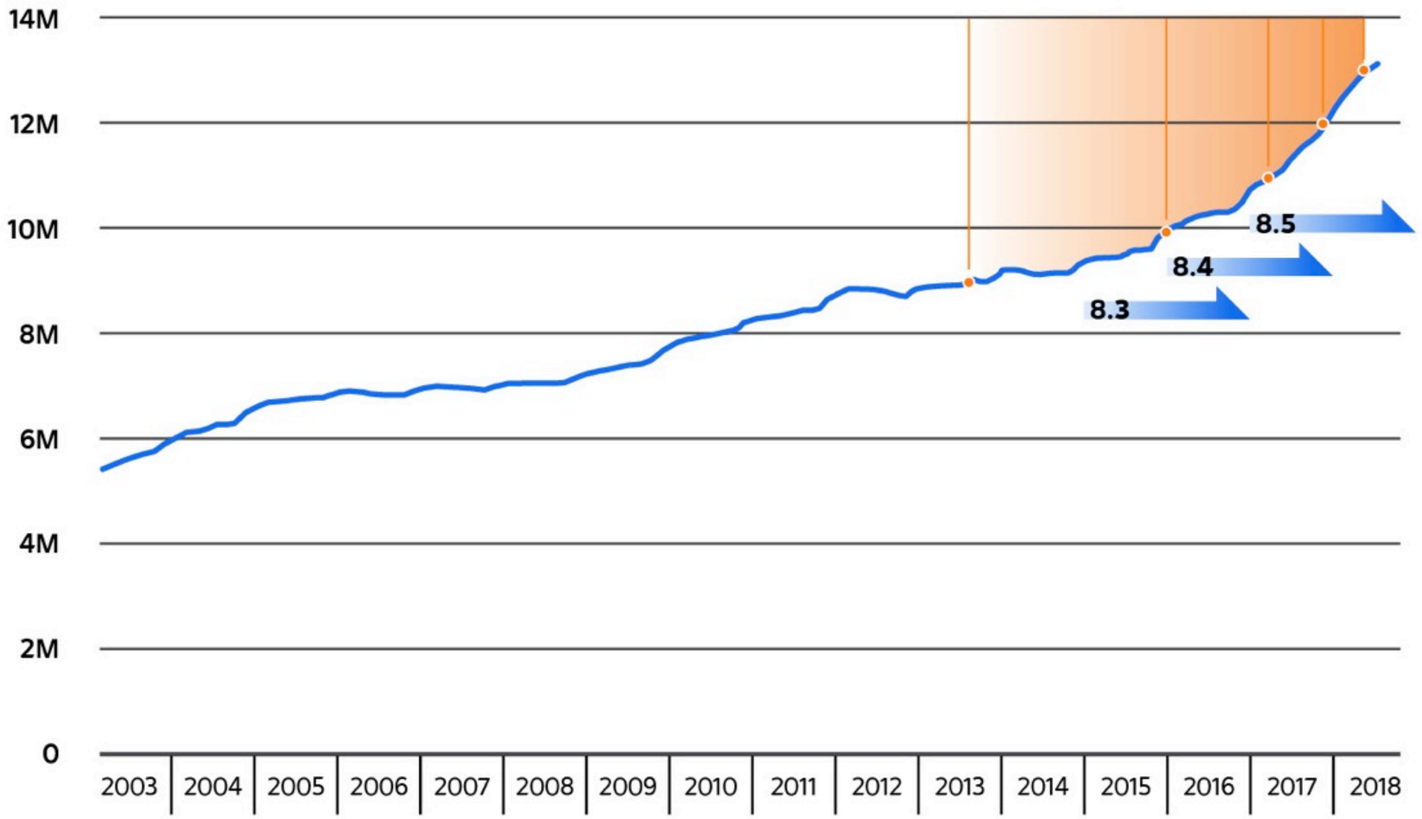
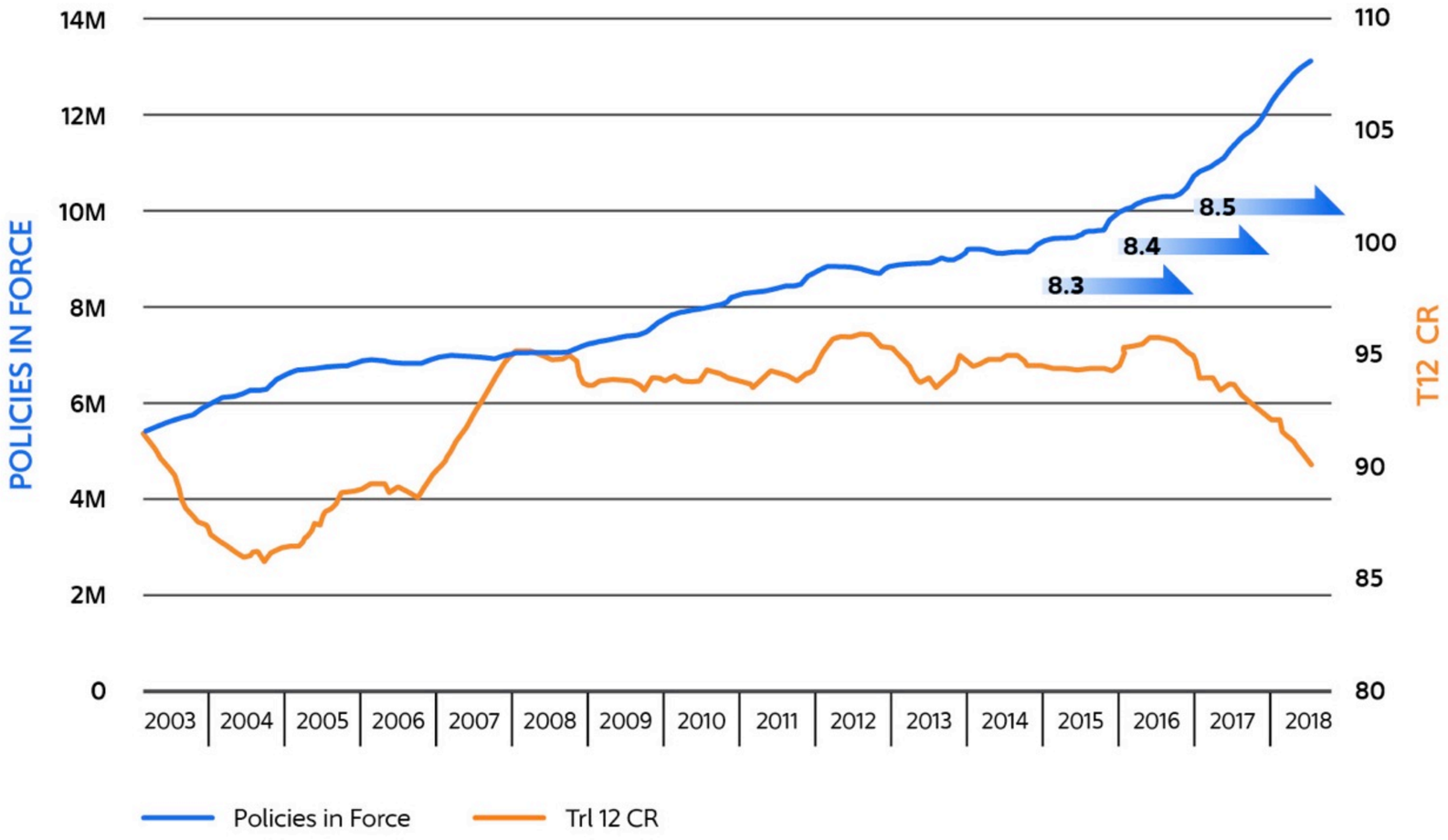




PERSONAL AUTO POLICIES IN FORCE VS. T12 CR



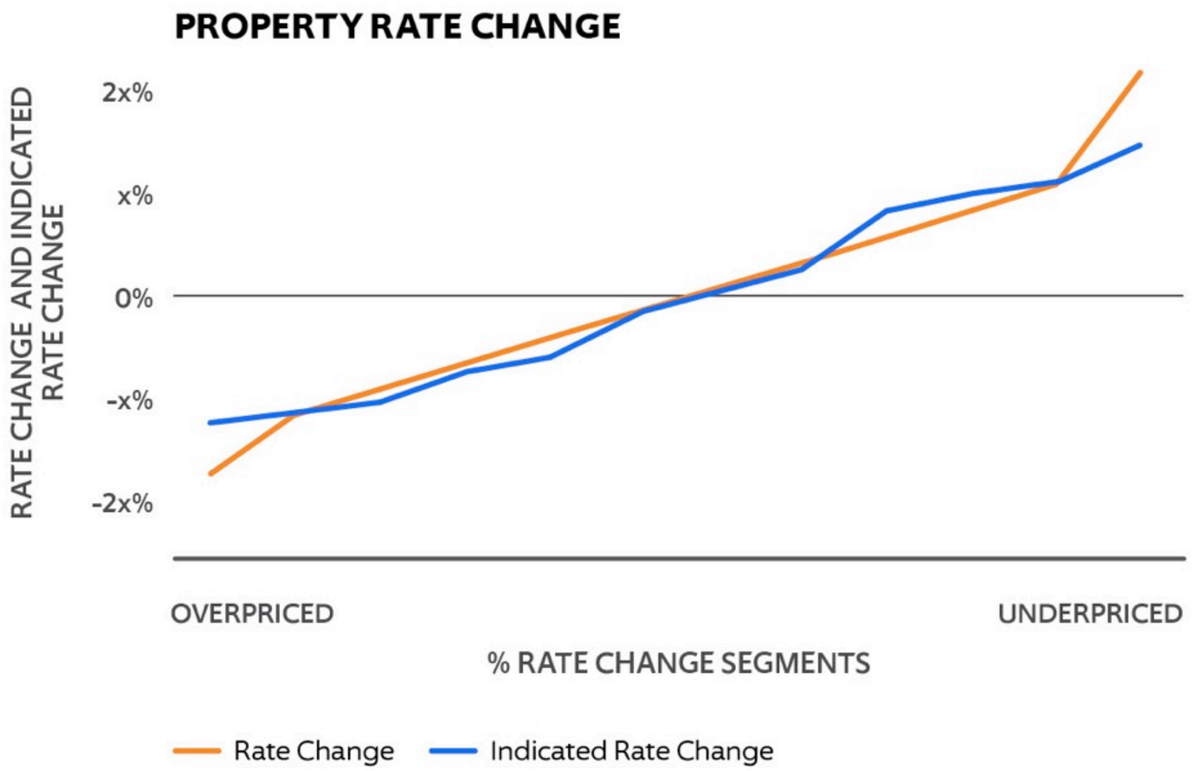


Advancing property segmentation

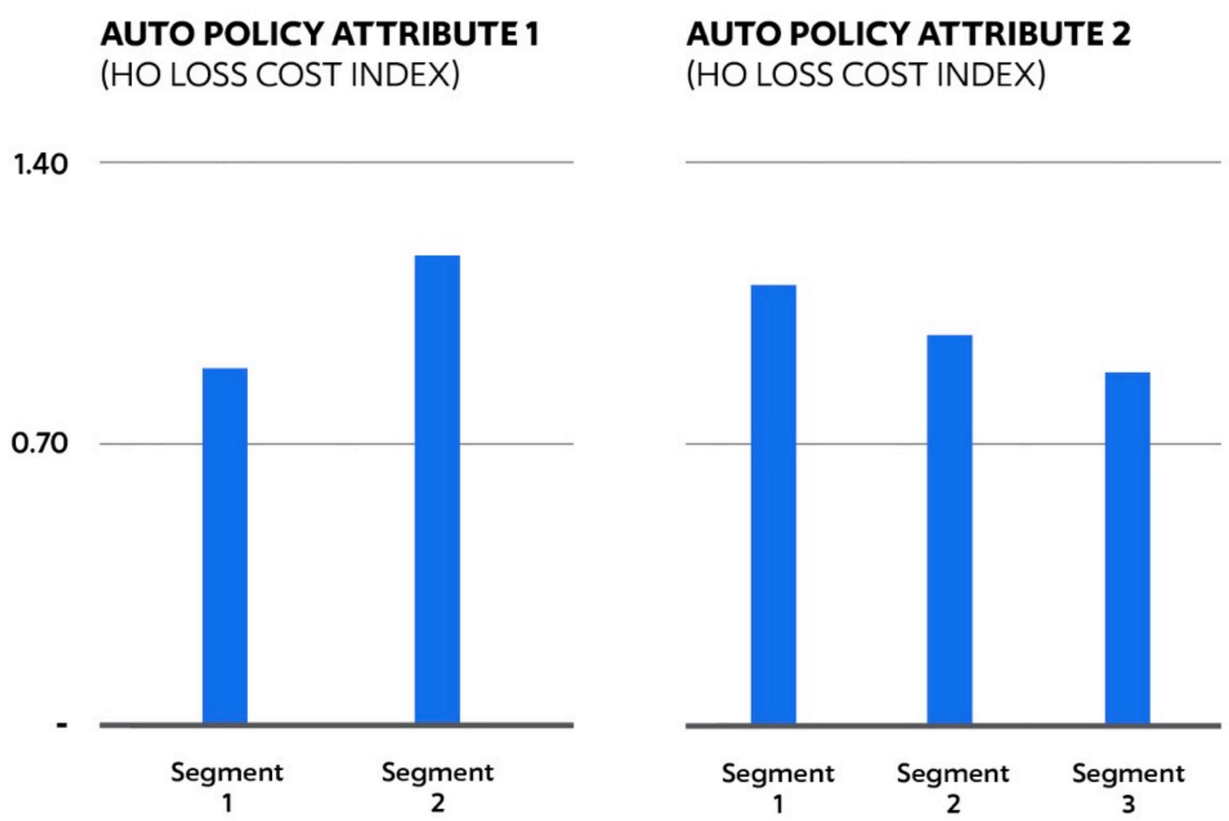
Solution methodology

New variables

Improved accuracy



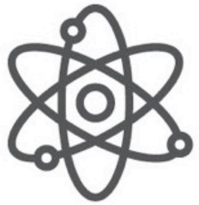
Combining Auto & Property data for holistic household pricing





Sanjay Vyas

CLAIMS SENIOR CONTROLLER



STATES ARE COMPLEX



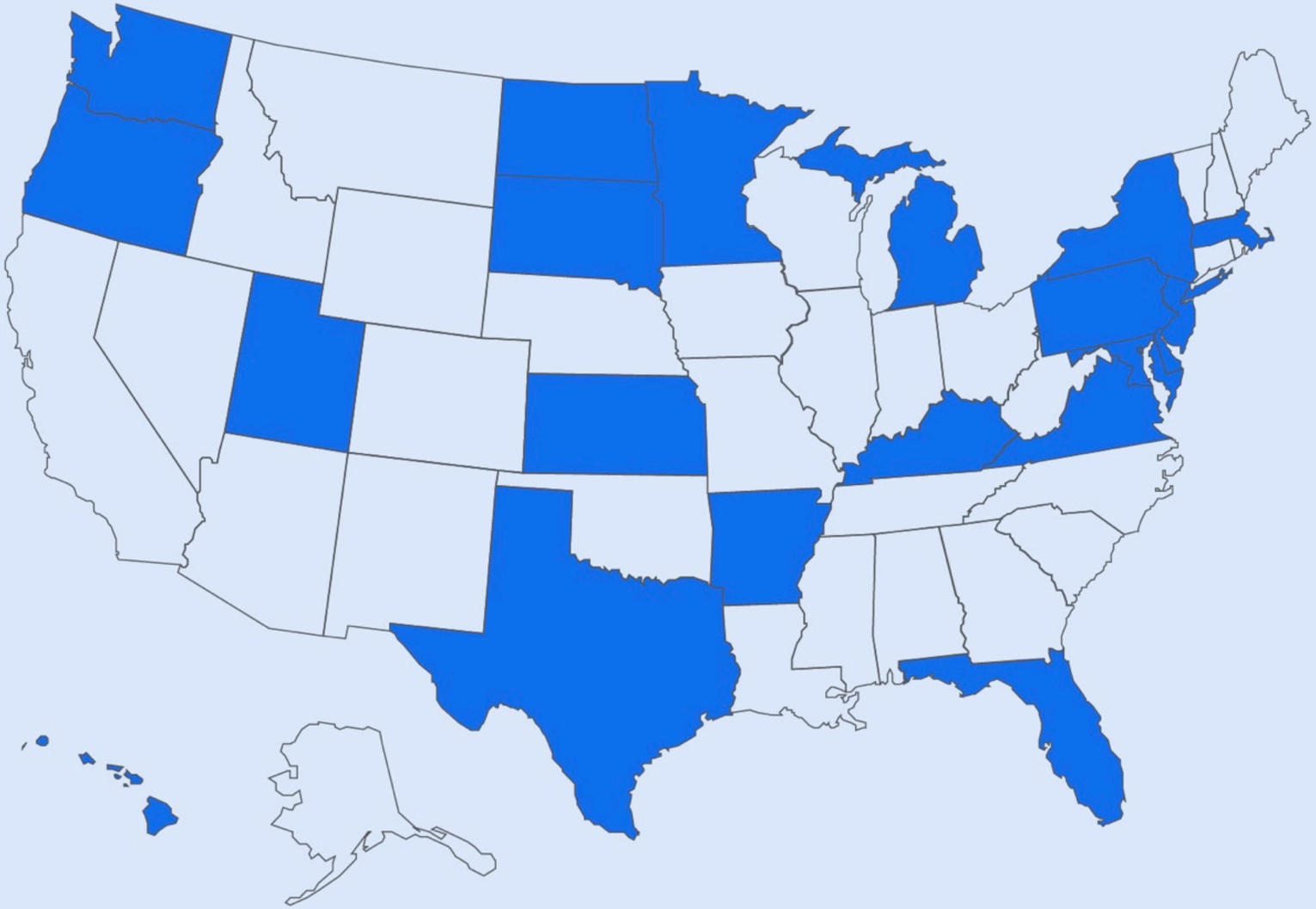
PRODUCT MANAGER RUNS THE STATE



MORE THAN JUST NUMBERS PEOPLE



Personal injury protection vs. no personal injury protection



Product structure prescribed by state





STATES ARE COMPLEX



PRODUCT MANAGER RUNS THE STATE



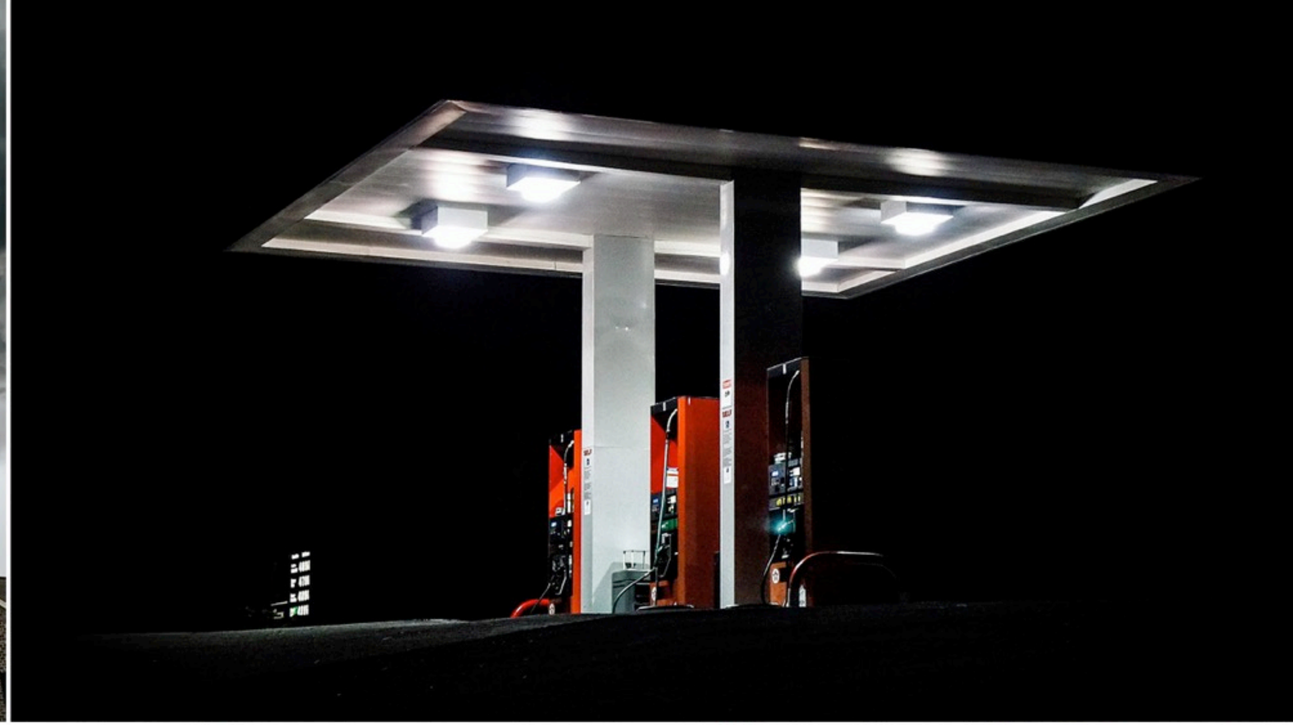
MORE THAN JUST NUMBERS PEOPLE

ninety-six

96







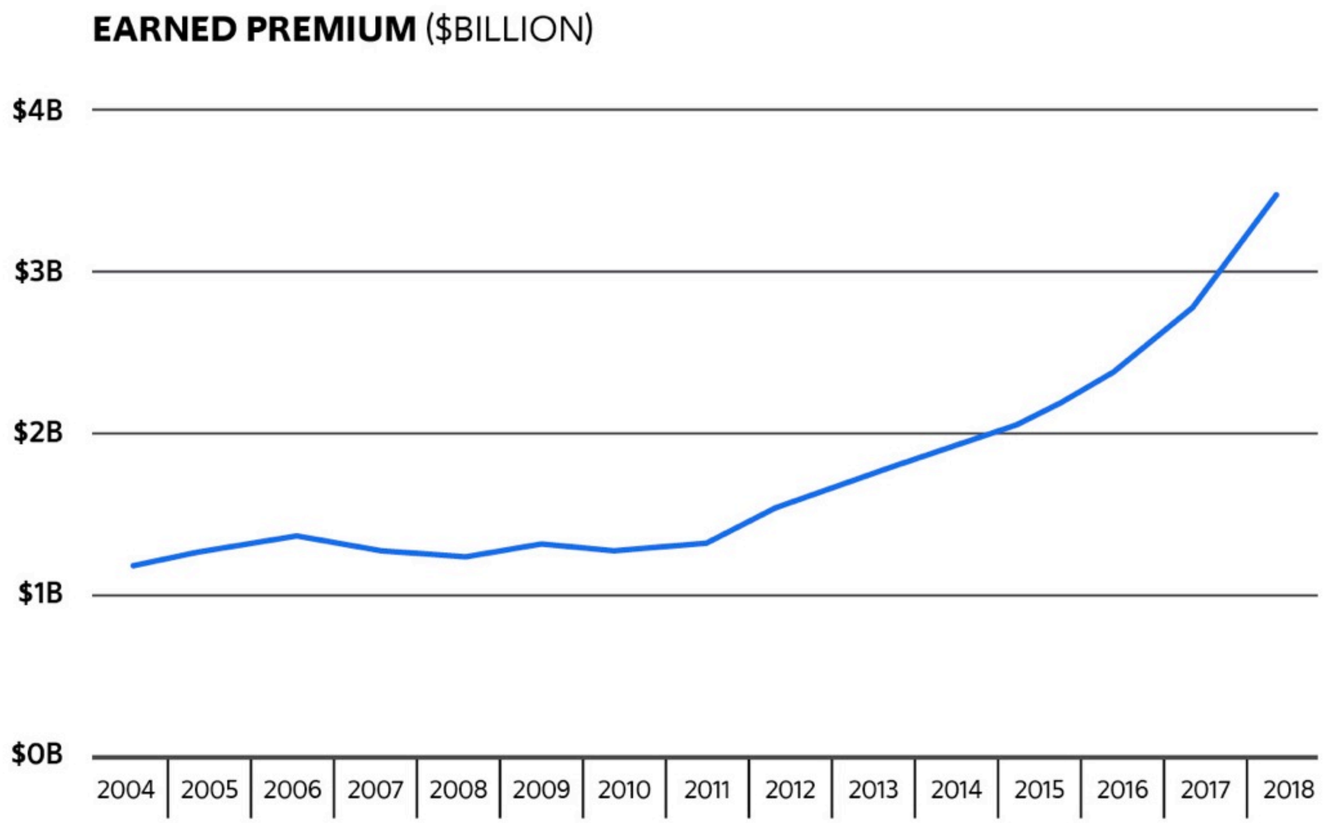






Setting rates
can be like
“riding a wave”

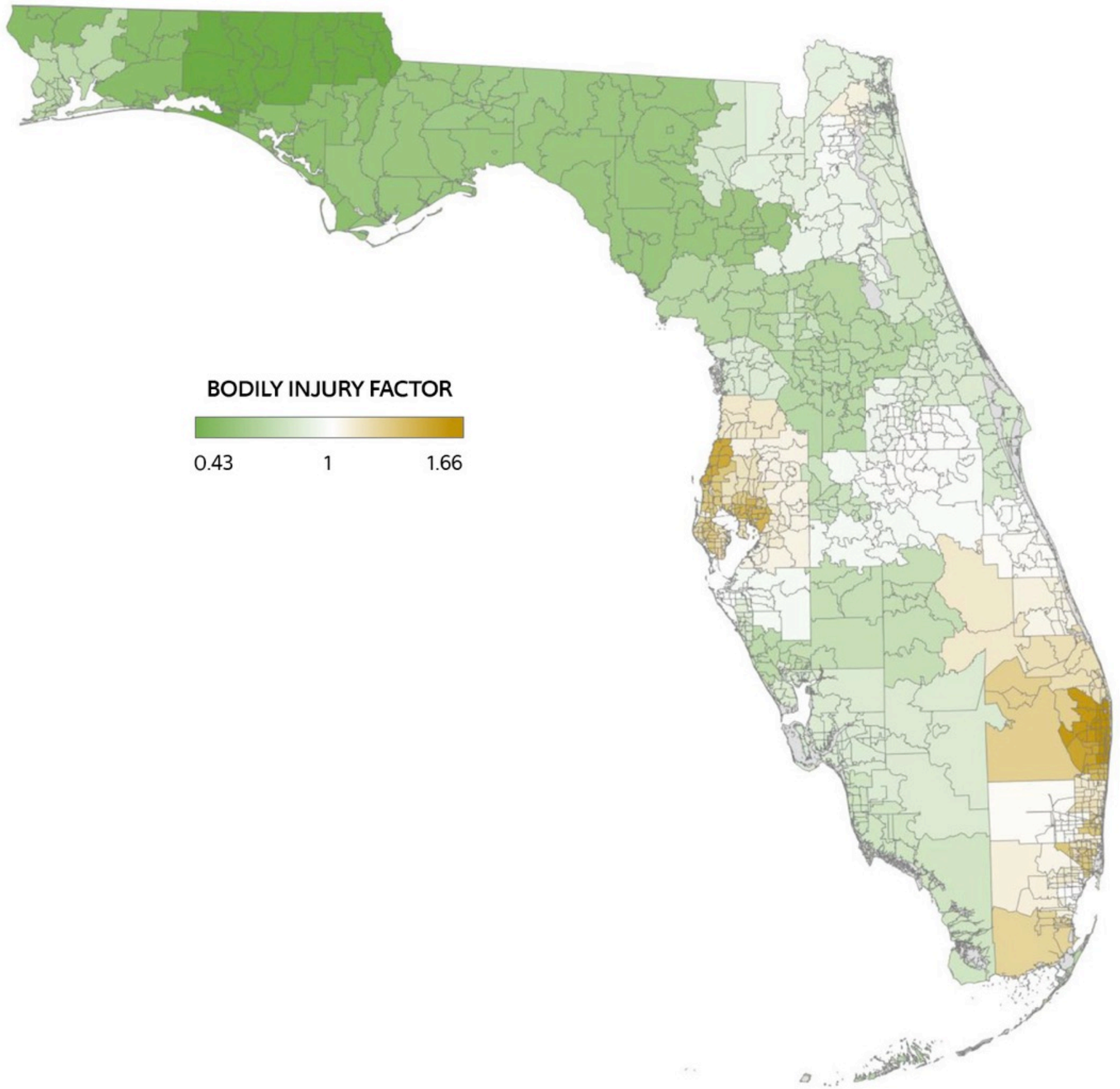
Earned premium in Florida



Product management involves advancing the segmentation



State-specific segmentation



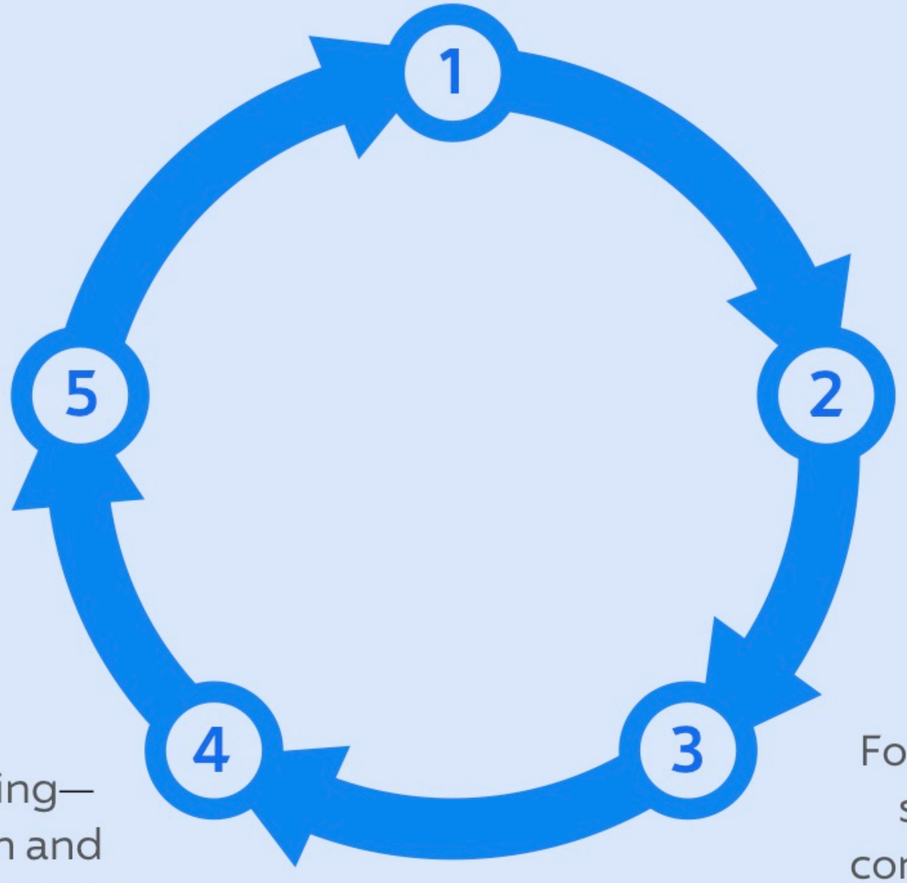
Territory model



Local market considerations


Washington
Olympia
Salem
Oregon
Helena
Montana
Boise
Idaho
Wyoming
North Dakota
Minnesota
South Dakota
Pierre
St Paul
Wisconsin
Michigan
Madison
DETROIT
Lansing
Iowa
CHICAGO
Des Moines
Nebraska
Cheyenne
Carson City
Salt Lake City
Nevada
Utah
Denver
Colorado
Lincoln
Kansas
Topeka
Jefferson City
Springfield
Indiana
Indianapolis
Ohio
Columbus
Charleston
KY
WV
Frankfort
Virginia
Richmond
Raleigh
Illinois
Missouri
Nashville
North Carolina
Tennessee
Columbia
South Carolina
Arkansas
Oklahoma
Oklahoma City
Santa Fe
Arizona
PHOENIX
New Mexico
Little Rock
Mississippi
Atlanta
Georgia
Montgomery
Jackson
Alabama
DALLAS
Texas
Louisiana
Tallahassee
Baton Rouge
NEW ORLEANS
Orlando
Florida
Austin
HOUSTON
CIUDAD JUÁREZ
Hermosillo
Chihuahua
Mexicali
California
Baja California
MIAMI

The Virtuous Cycle of Risk Selection



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STATES ARE COMPLEX



PRODUCT MANAGER RUNS THE STATE



MORE THAN JUST NUMBERS PEOPLE




Sun
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Driving and finding new opportunities



Getting to “ground truth”


We are driven.



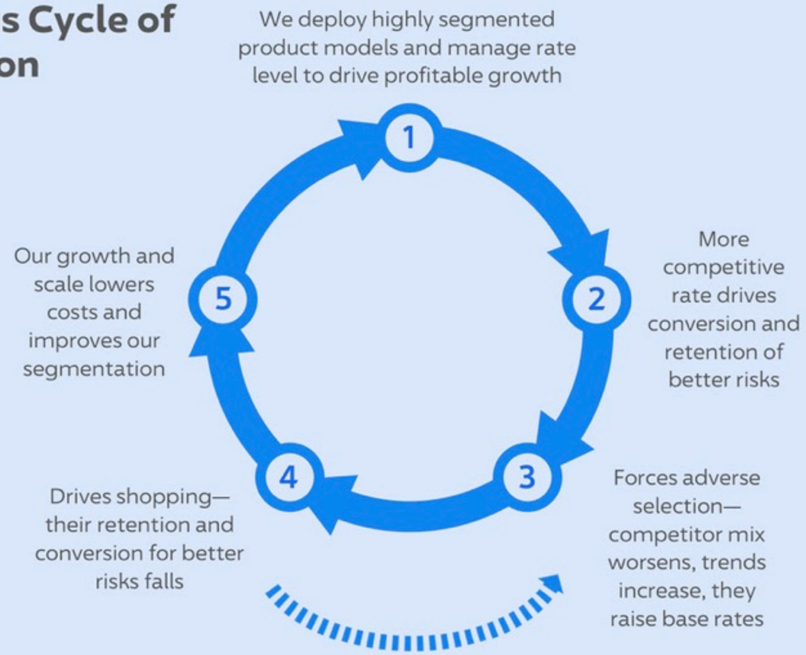
Our product models are highly segmented and extremely complex

STATES ARE COMPLEX

PRODUCT MANAGER RUNS THE STATE

MORE THAN JUST NUMBERS PEOPLE

The Virtuous Cycle of Risk Selection



Vision

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