PROGRESSIVE

Investor Relations

COMMERCIAL LINES
UPDATE

2019



Safe Harbor Statement

UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995:

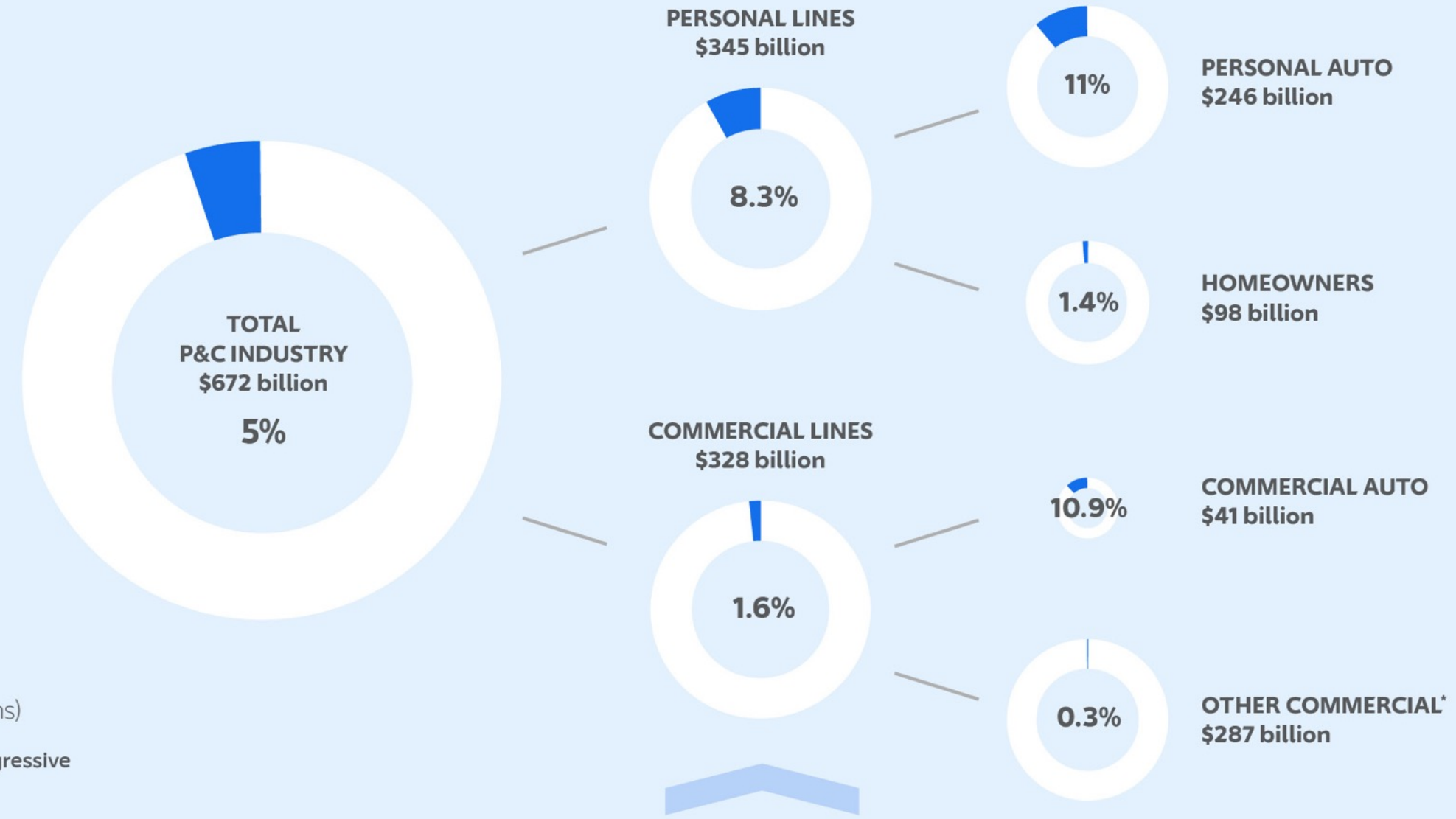
Investors are cautioned that certain statements in this report not based upon historical fact are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. These statements often use words such as "estimate," "expect," "intend," "plan," "believe," and other words 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, including our efforts to enter into new business areas with which we have less experience; 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, and our ability to respond to changes in catastrophe loss trends; 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 ability to maintain adequate staffing levels, and the sources from which we obtain talent; 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

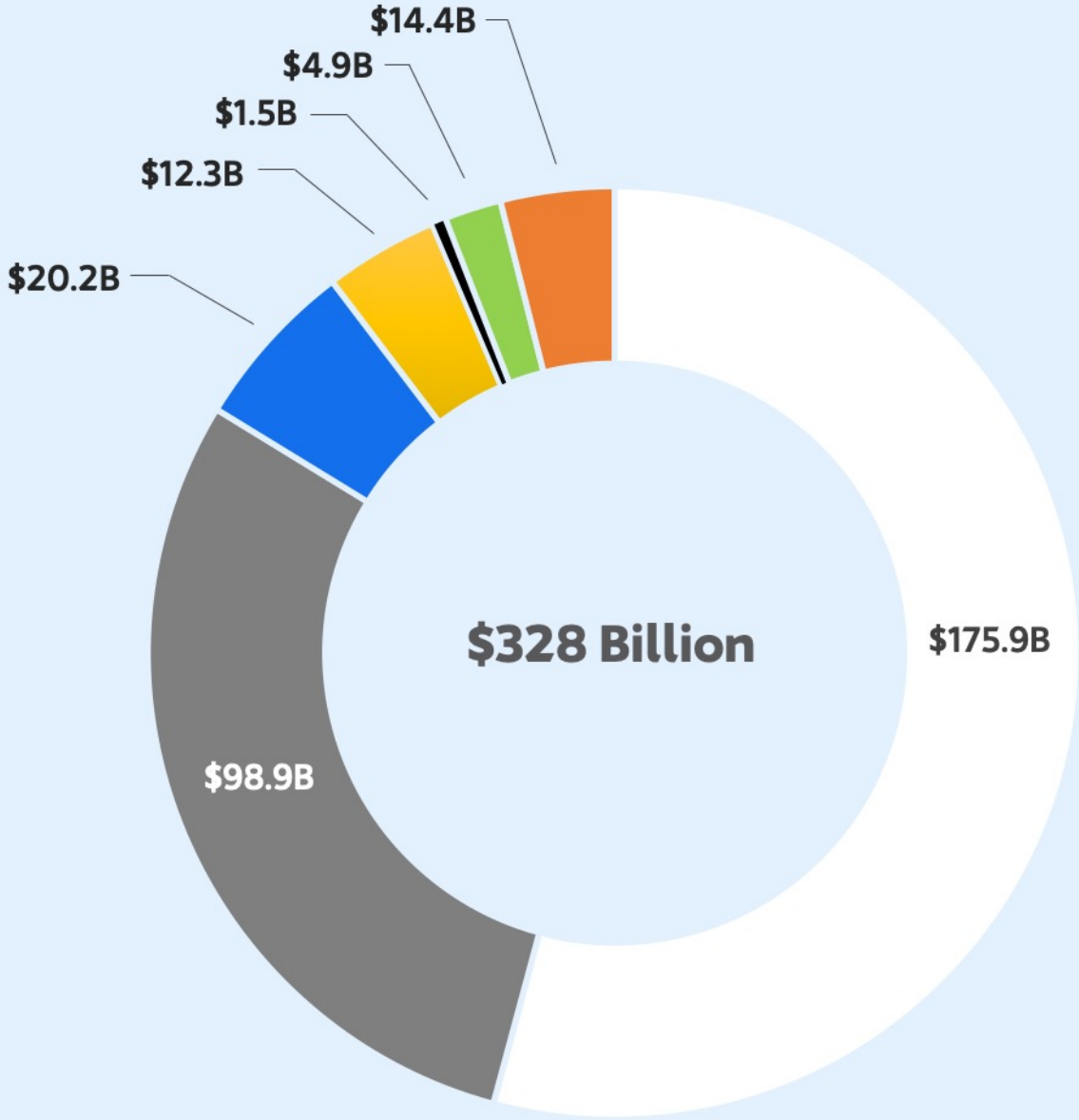
Large addressable market



Source: S&P Global Market Intelligence. *Represents all other statutory lines of P&C insurance excepting Personal Auto Liability & Physical Damage, Homeowners Multi-Peril and Commercial Auto Liability & Physical Damage.

Commercial Lines

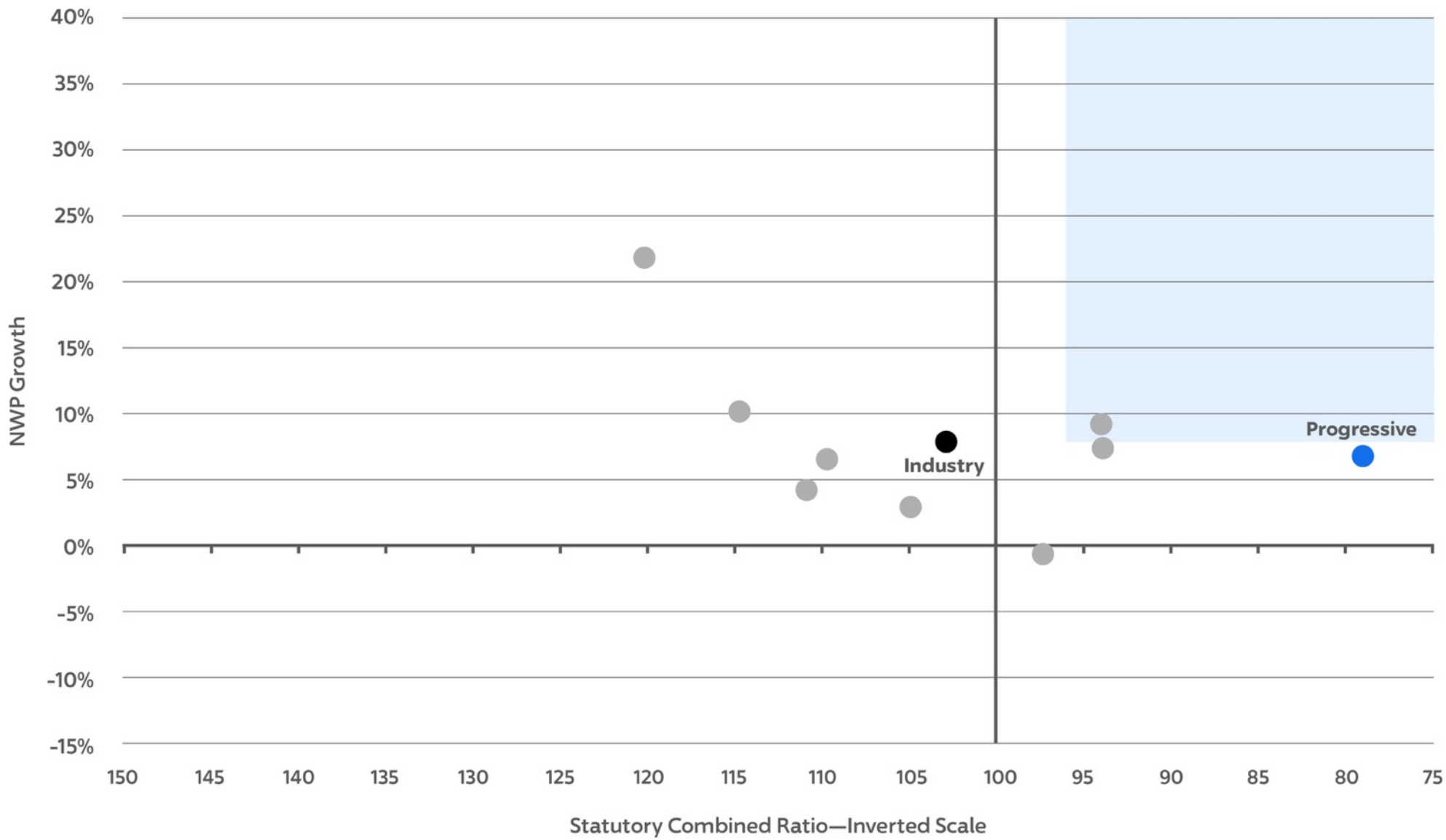
- **Commercial Auto -** Monoline
- **Commercial Auto -** Small Fleet
- **Transportation Network Companies** (TNC)
- **Commercial Auto -** Bundled with GL/BOP
- **Small Business -** GL/BOP
- **CA, CMP, and Other Liability Not Considering**
- **Other Commercial Lines**

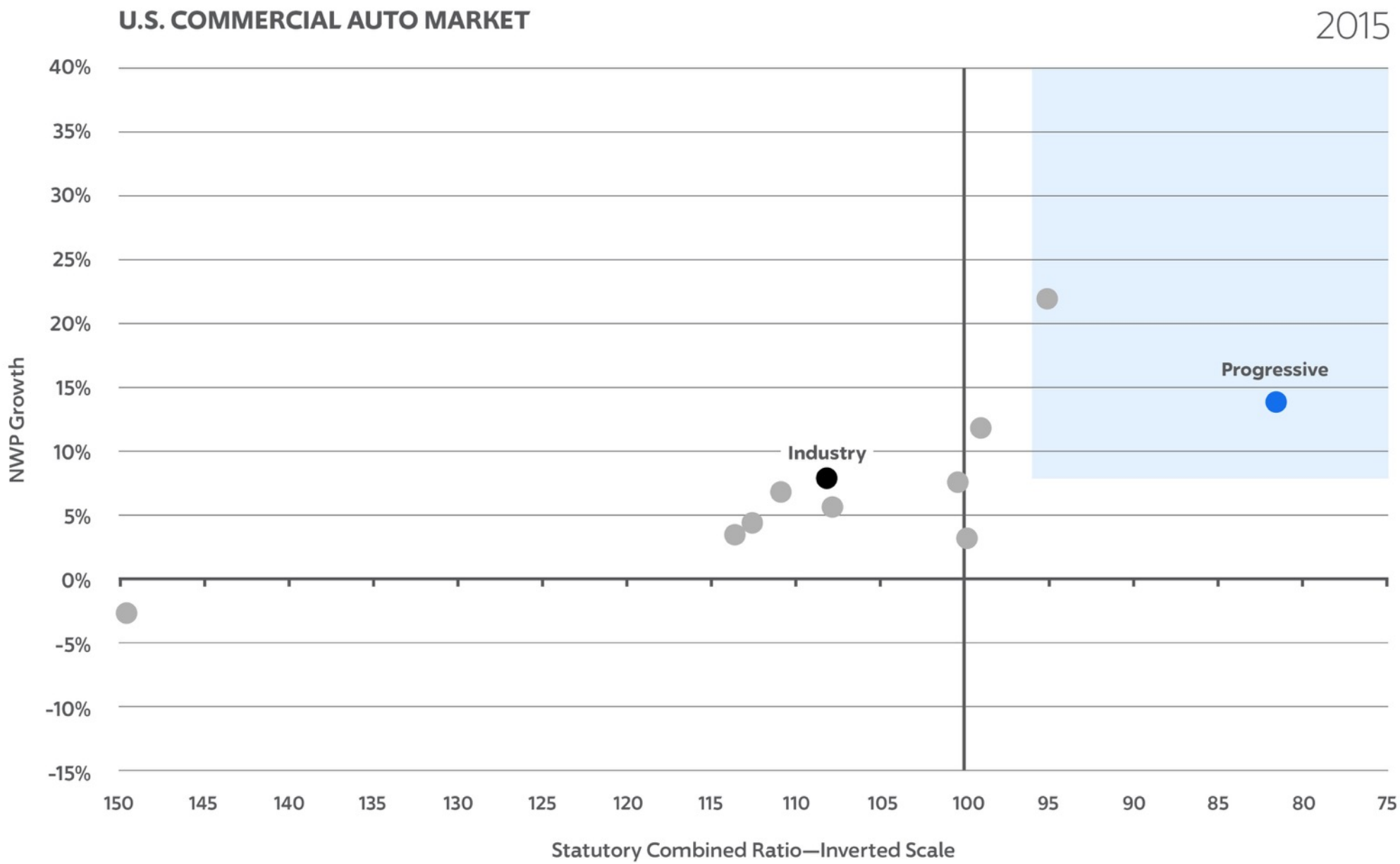


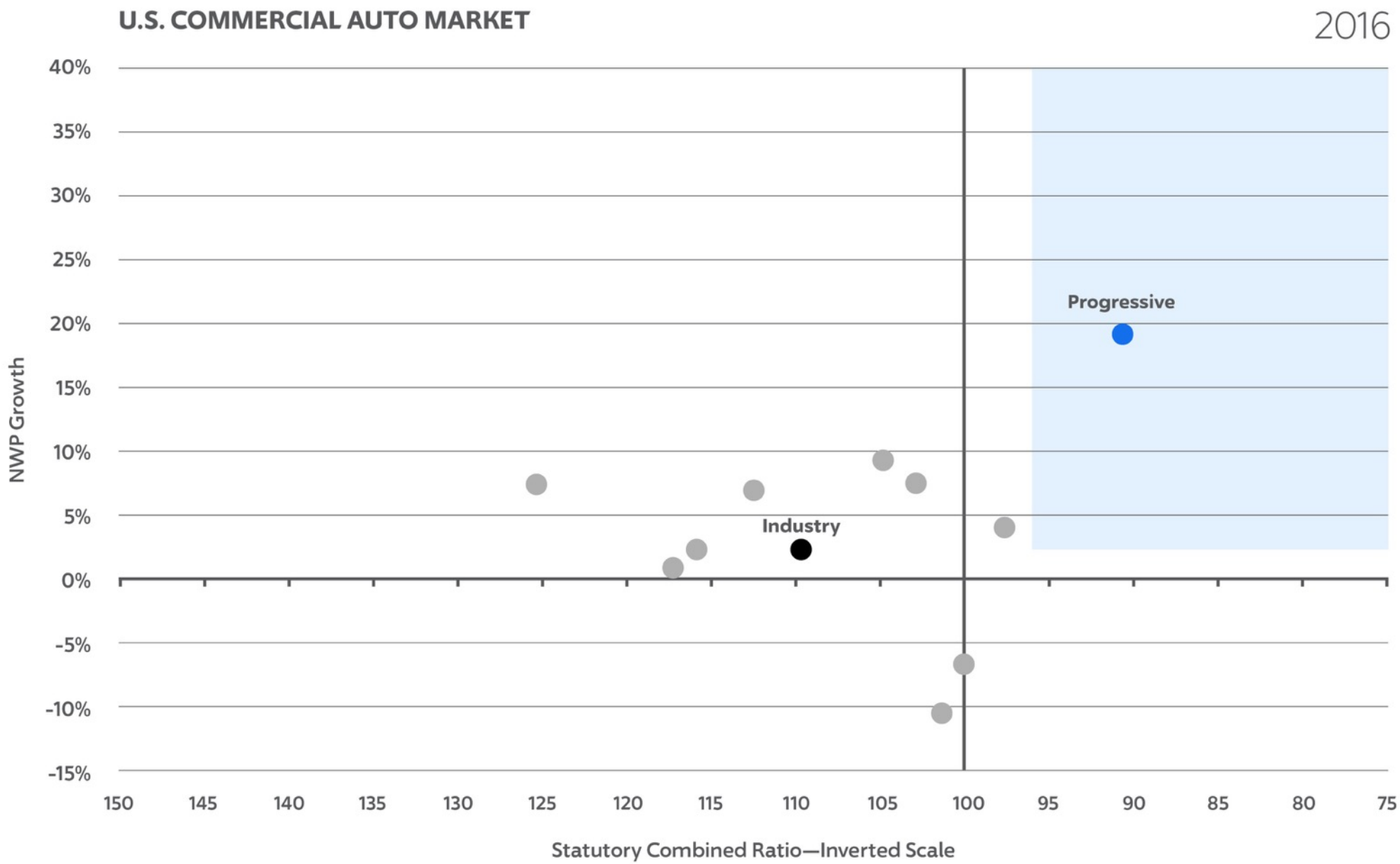
INCREASING THE SIZE OF OUR ADDRESSABLE MARKET TO **MORE THAN 3X**

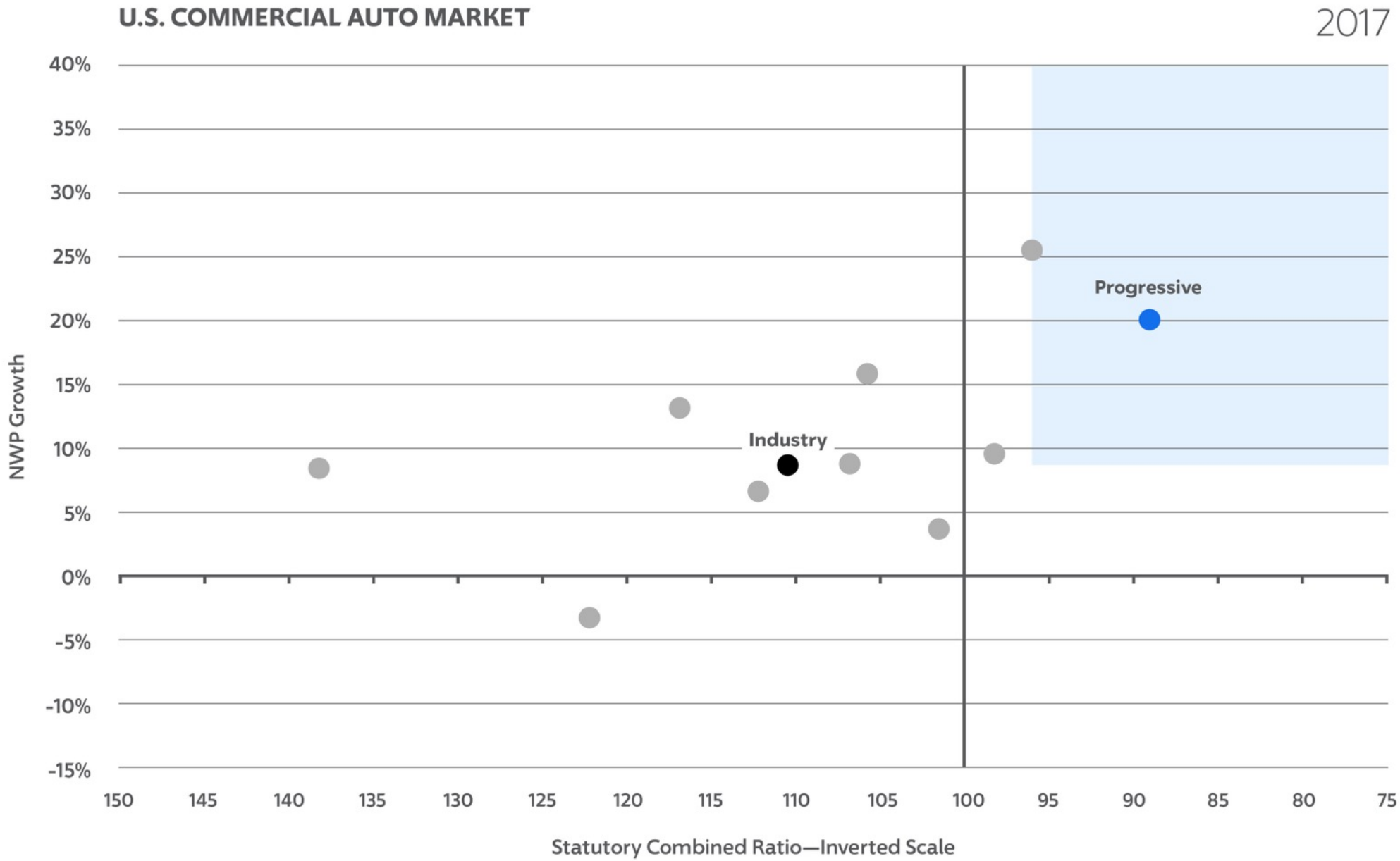
U.S. COMMERCIAL AUTO MARKET

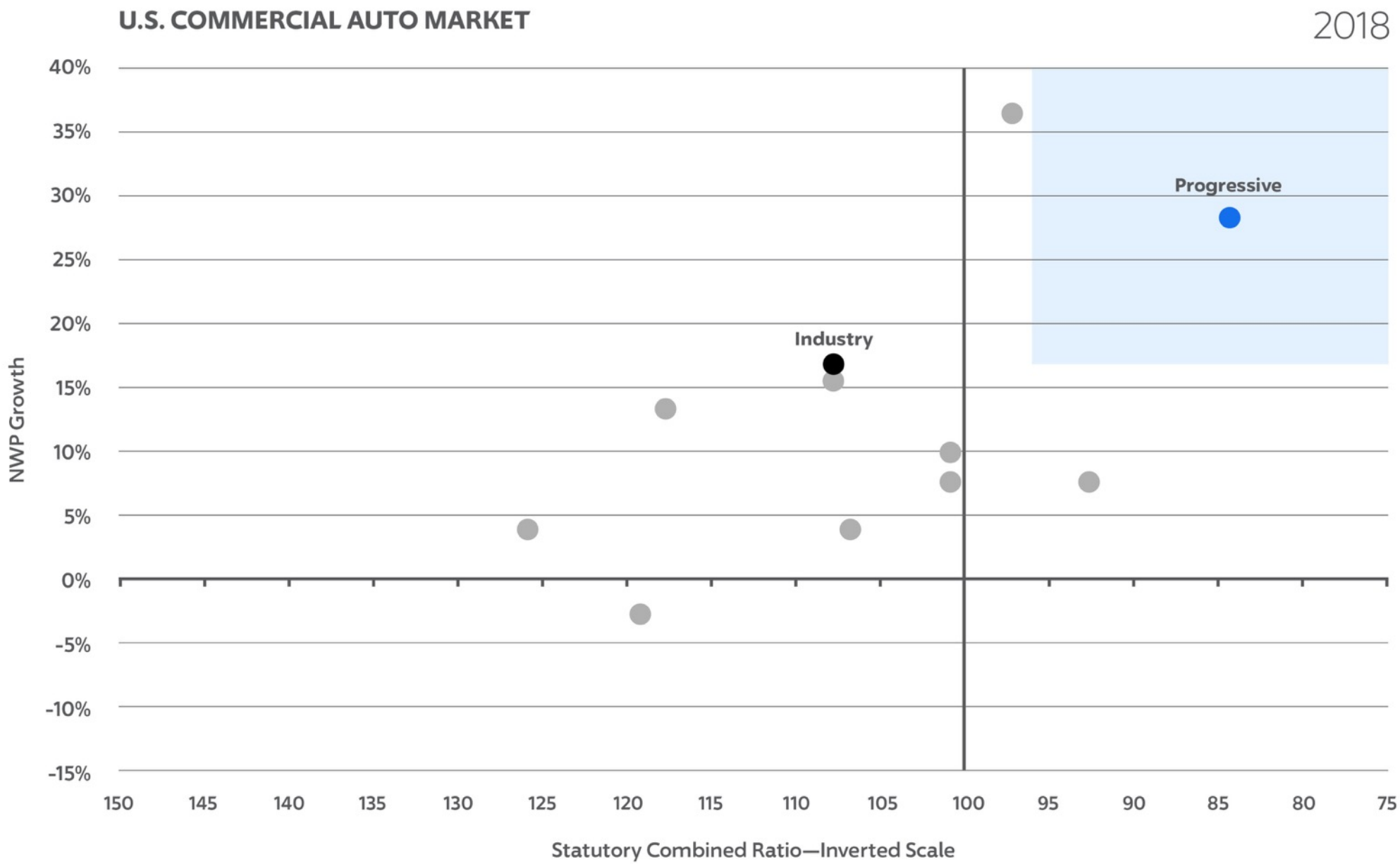
2014




U.S. COMMERCIAL AUTO MARKET
2015
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
NWP Growth
Industry
Progressive
150
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
Statutory Combined Ratio—Inverted Scale


U.S. COMMERCIAL AUTO MARKET
2016
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
NWP Growth
Progressive
Industry
150
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
Statutory Combined Ratio—Inverted Scale


U.S. COMMERCIAL AUTO MARKET
2017
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
NWP Growth
Progressive
Industry
150
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
Statutory Combined Ratio—Inverted Scale


U.S. COMMERCIAL AUTO MARKET
2018
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
NWP Growth
Progressive
Industry
150
145
140
135
130
125
120
115
110
105
100
95
90
85
80
75
Statutory Combined Ratio—Inverted Scale

John Barbagallo

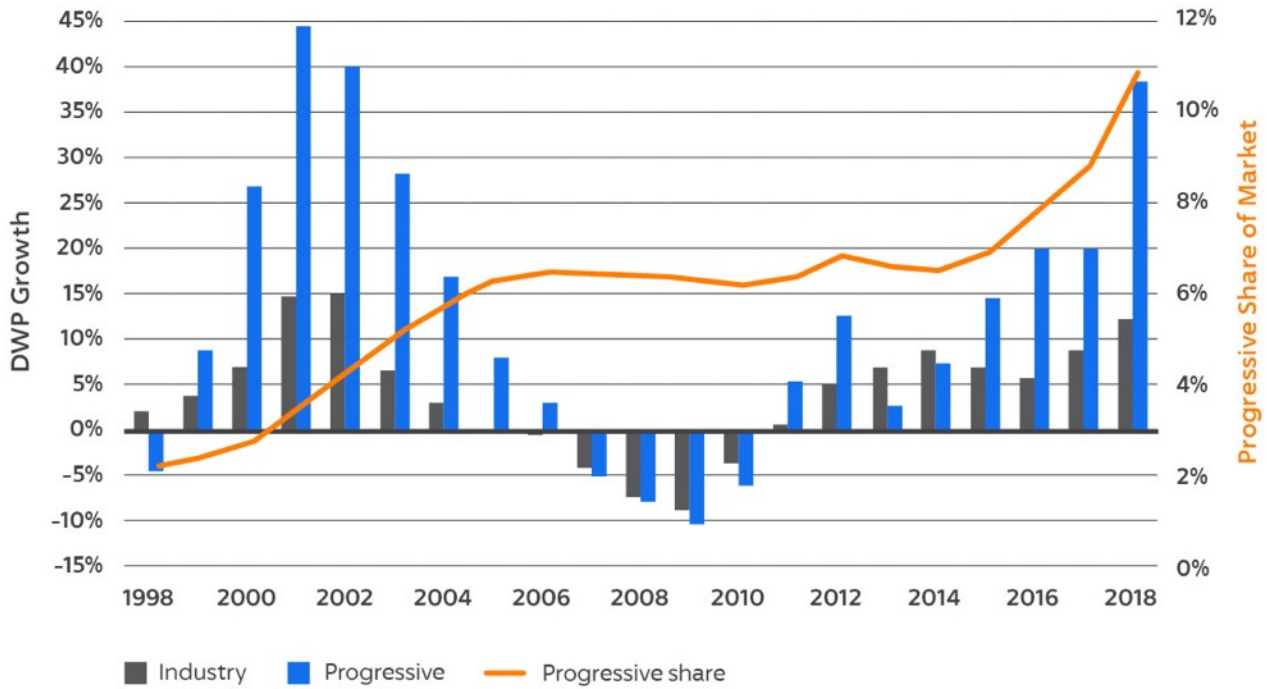
COMMERCIAL LINES PRESIDENT

Karen Bailo

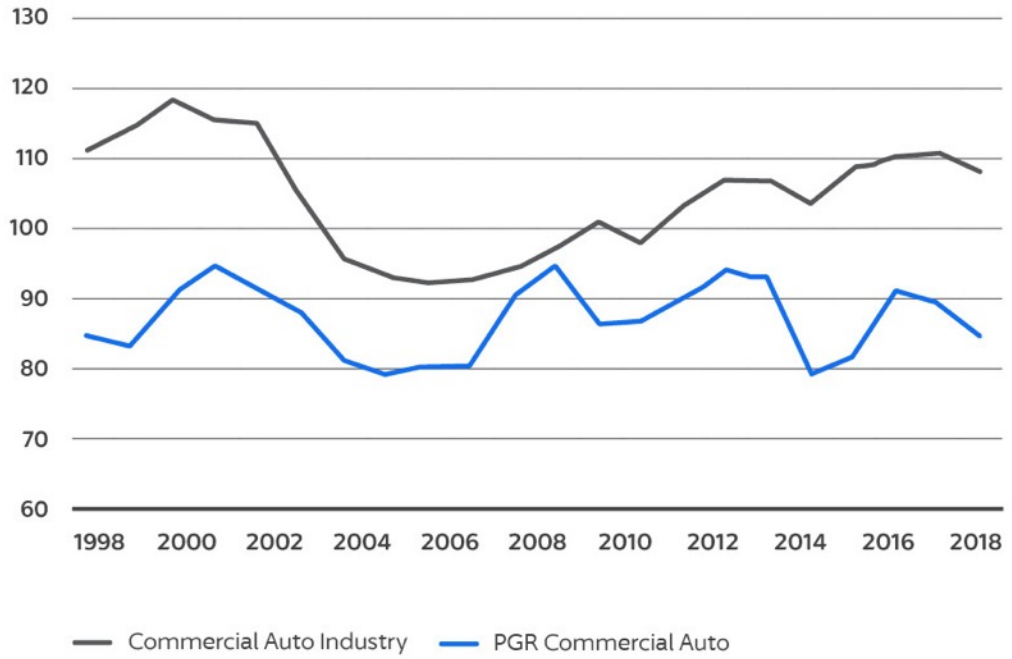
SENIOR CONTROLLER
COMMERCIAL LINES

Growth and profitability

COMMERCIAL AUTO



STATUTORY COMBINED RATIO



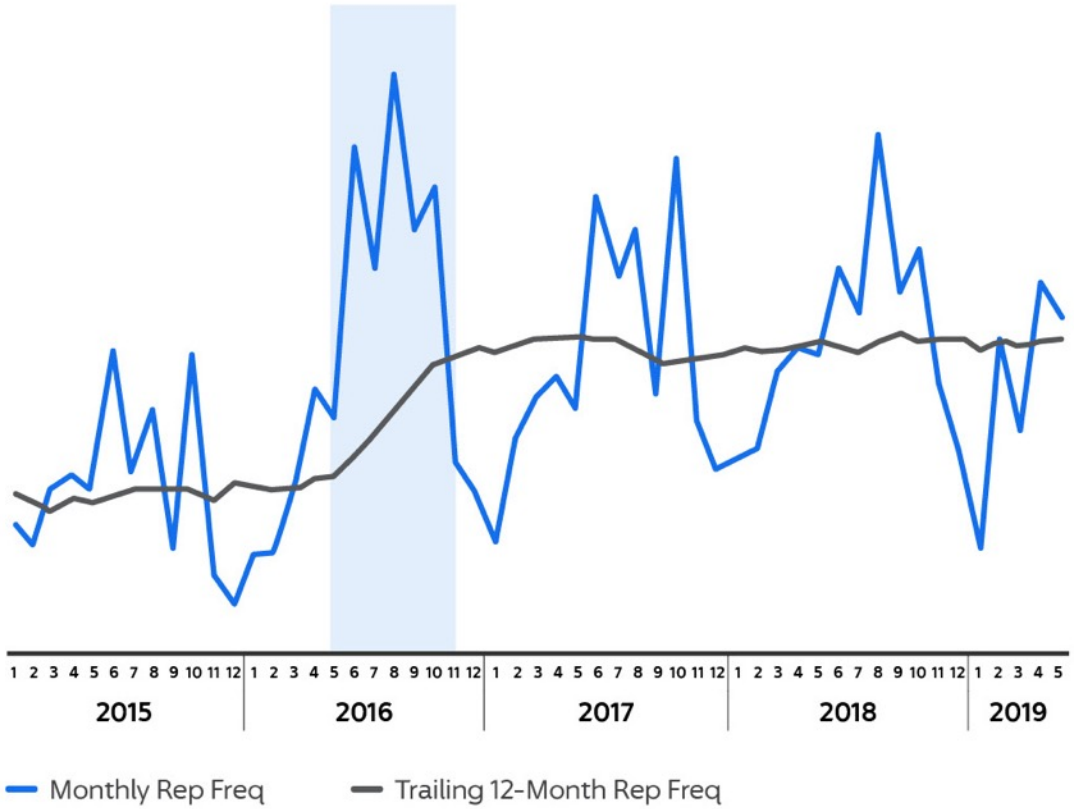
Source: S&P Global Market Intelligence Statutory Insurance Data for Commercial Auto Liability and Commercial Auto Physical Damage lines of insurance.

Business Market Targets (BMTs)

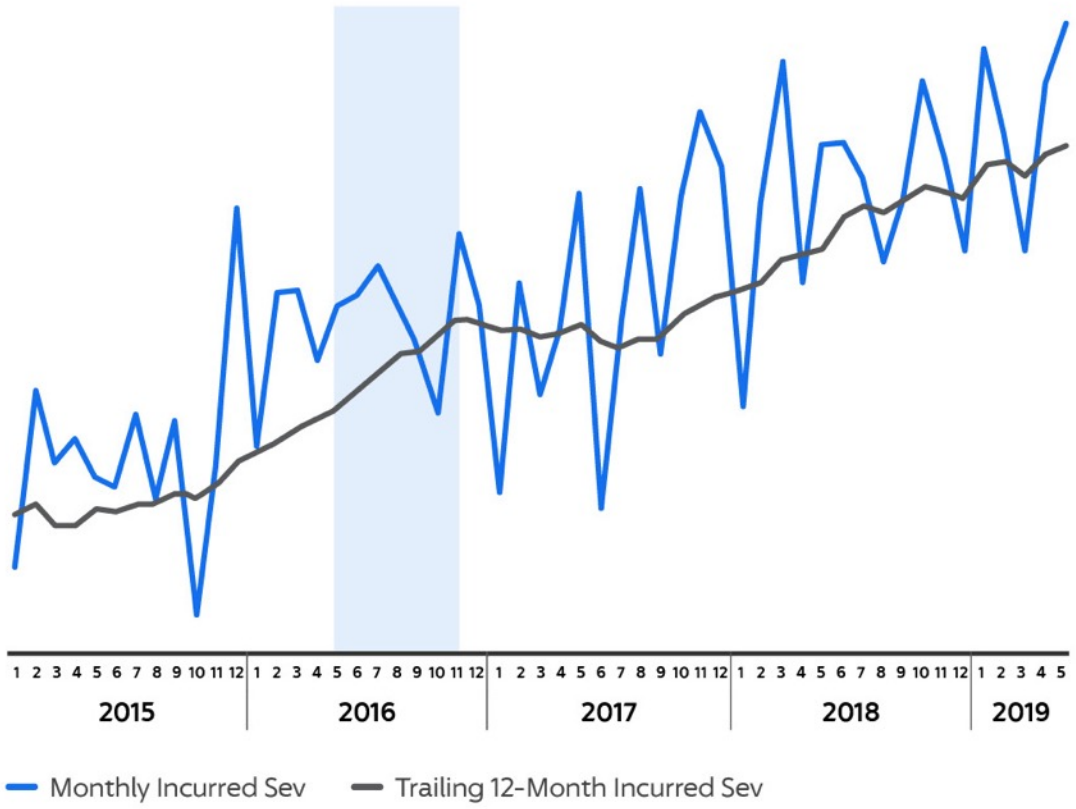
	BUSINESS AUTO & CONTRACTOR PROGRAMS		HEAVY TRUCK PROGRAMS		
					
	BUSINESS AUTO PROGRAM Broad variety of vehicle types used in many industries	**CONTRACTOR PROGRAM** Vehicles used in contractor businesses	**FOR-HIRE TRANSPORTATION PROGRAM** Freight trucks that haul goods for others	**FOR-HIRE SPECIALTY TRUCK PROGRAM** Work trucks focused on specific niches or hauling for others	**TOW PROGRAM** Tow trucks with hooks (wreckers) and rollbacks (car carriers)
VEHICLES/ BUSINESSES	Consultants Janitorial services Retail shops Religious/nonprofit organizations Farming & livestock Couriers Wholesale distributors Food truck vendors/delivery For-hire livery ... & more	Contractors Carpenters Plumbers Electricians Landscapers Snowplowers Heavy construction Concrete & asphalt Construction General trades ... & more	Owner-operators Expeditors General freight haulers Agriculture hauling Household movers Tractor-trailers ... & more	Dirt, sand & gravel haulers Log haulers Garbage, waste & debris haulers Tractor-trailers Coal haulers ... & more	Tow services Gas stations Auto repair shops Anytime roadside assistance ... & more

Intense focus and quick response to trends have produced superior results

COMMERCIAL AUTO BODILY INJURY REPORTED FREQUENCY

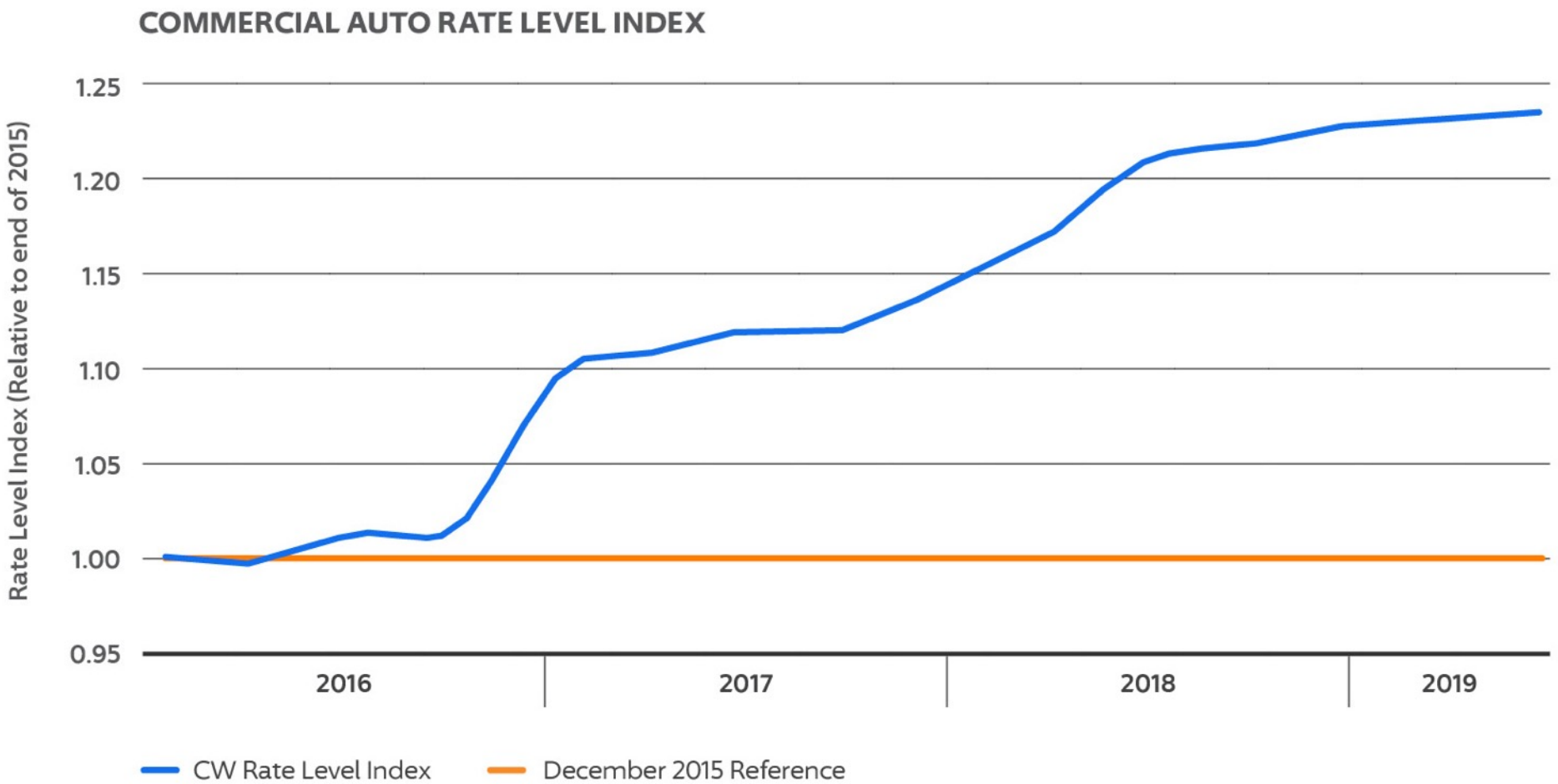


COMMERCIAL AUTO BODILY INJURY INCURRED SEVERITY



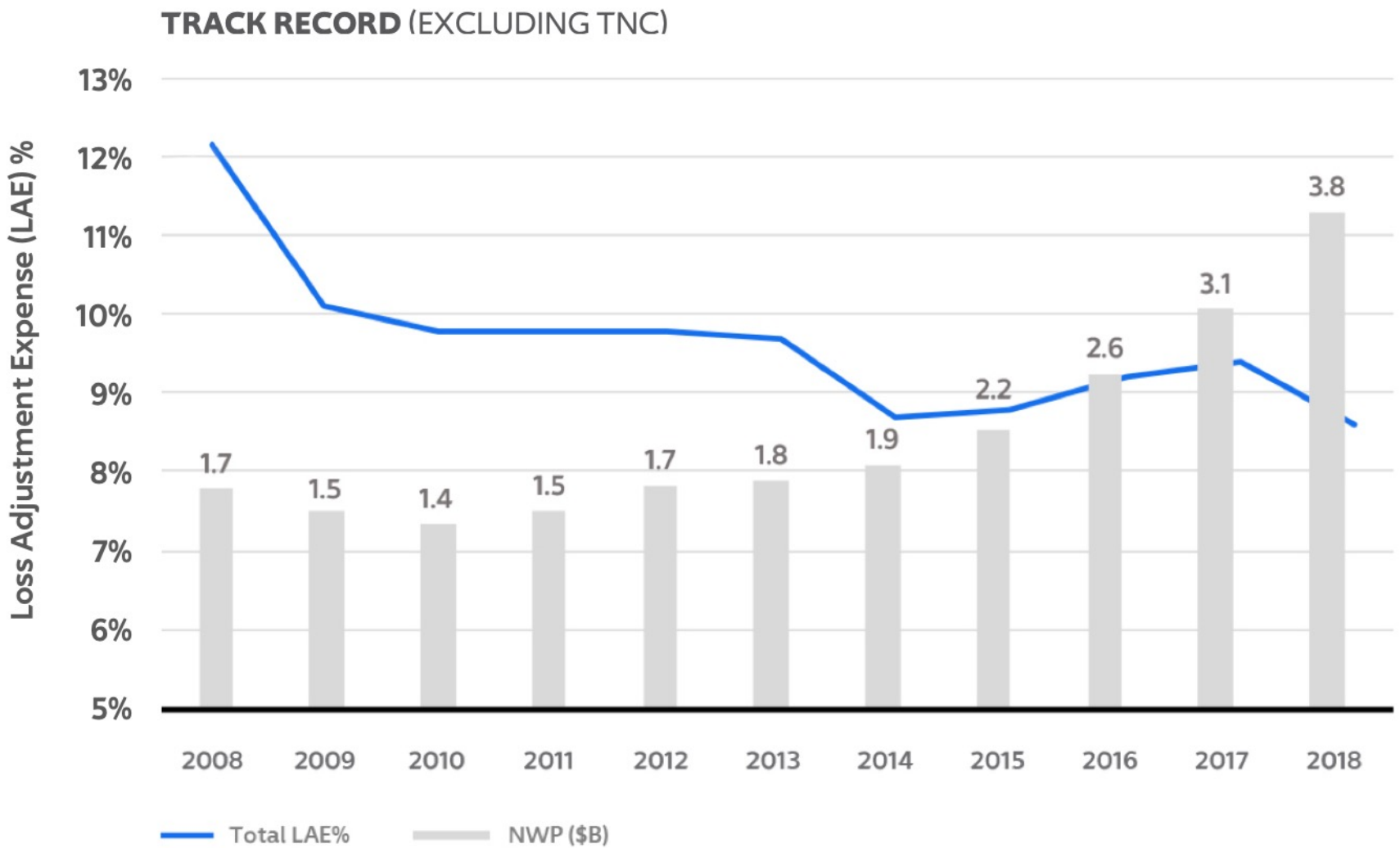
Source: Internal data

Intense focus and quick response to trends have produced superior results



Source: Internal data

Accurate and efficient claims handling



Source: Internal data

An effective and highly specialized Commercial Claims Organization

FIRST NOTICE OF LOSS

Core Claim Operations

URBI	MED PAY	GLASS
ARBI	PIP	MANAGED REPAIR
LLL	FILE OWNER	NETWORK
LIT	FIRE & THEFT	
LL	SIU	

Specialty Commercial

- CL INJURY
- HEAVY EQUIPMENT
- CARGO
- TNC
- LIAISON
- BOP
- VERIFICATION
- SUPPORT

Specialty Units

SUBRO | SALVAGE | NCRT | NSC | PEG

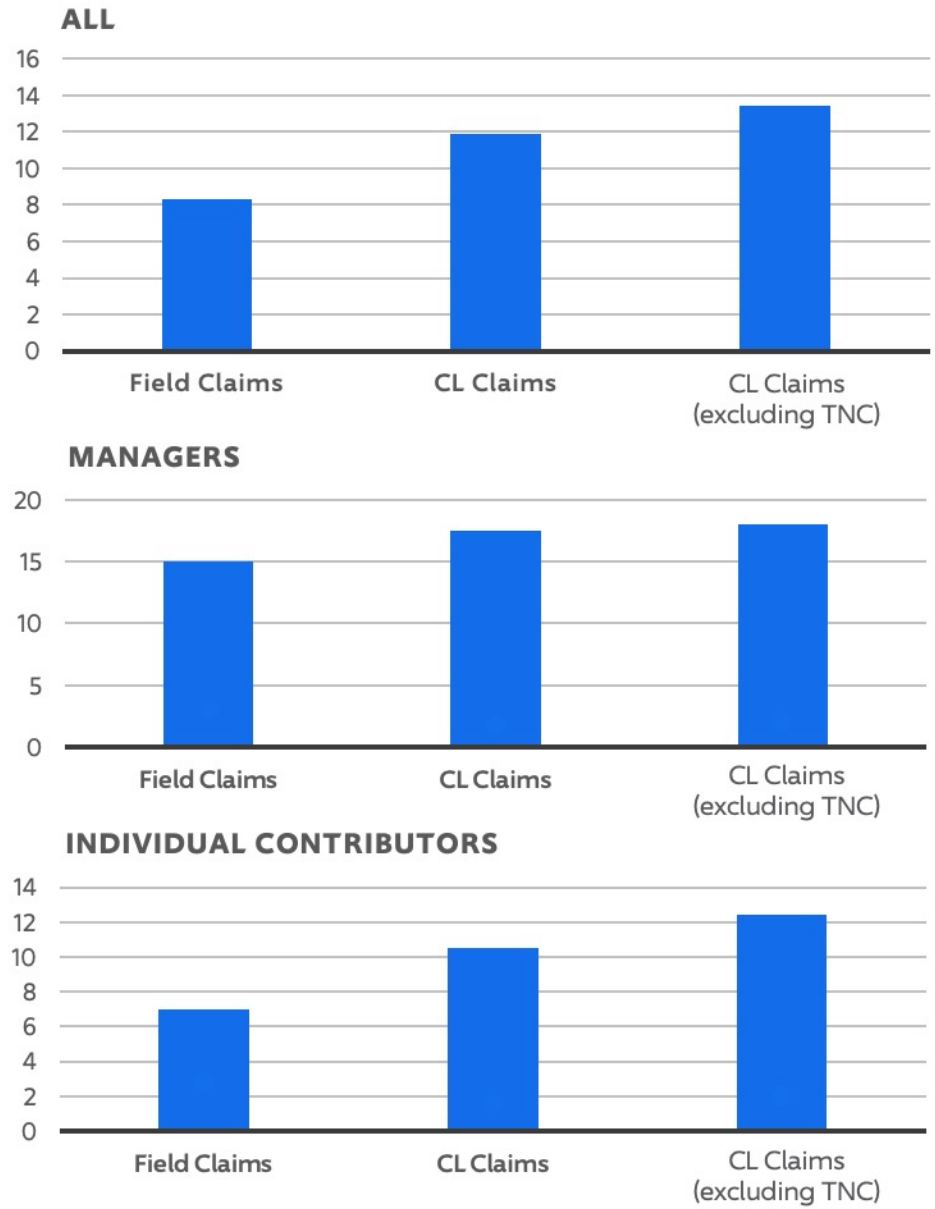
An effective and highly specialized Commercial Claims Organization

Specialty Commercial

	Headcount
CL INJURY	115
HEAVY EQUIPMENT	284
CARGO	32
TNC	206

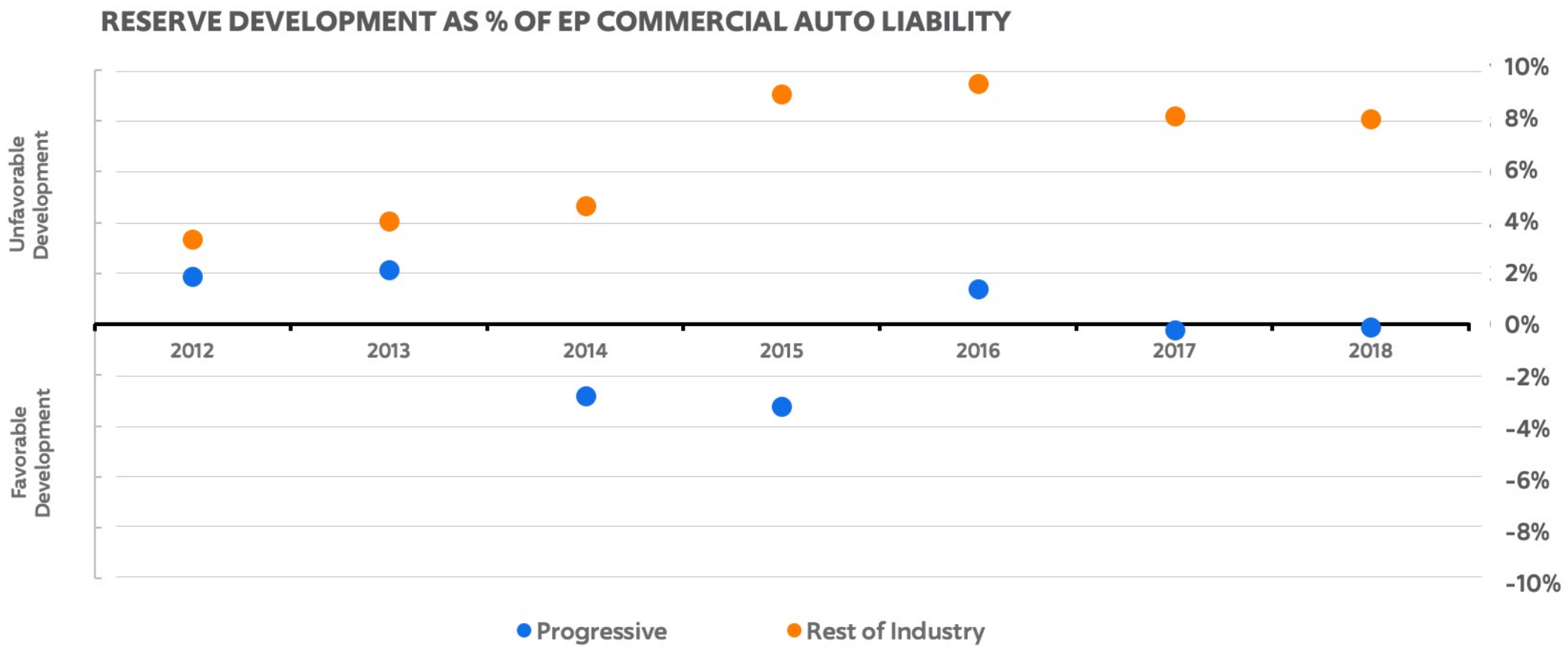
LIAISON	BOP
VERIFICATION	SUPPORT

Average Company Tenure



Source: Internal data

Reserve development



Source: S&P Global Market Intelligence Statutory Insurance Data for Commercial Auto Liability.

Karen Bailo

SENIOR CONTROLLER
COMMERCIAL LINES

Roadmap for Growing Commercial Lines

PURSUE UNTAPPED COMMERCIAL AUTO POTENTIAL

EXPAND DISTRIBUTION

EXPAND PRODUCT OFFERING

There is untapped potential in the Core Auto Business

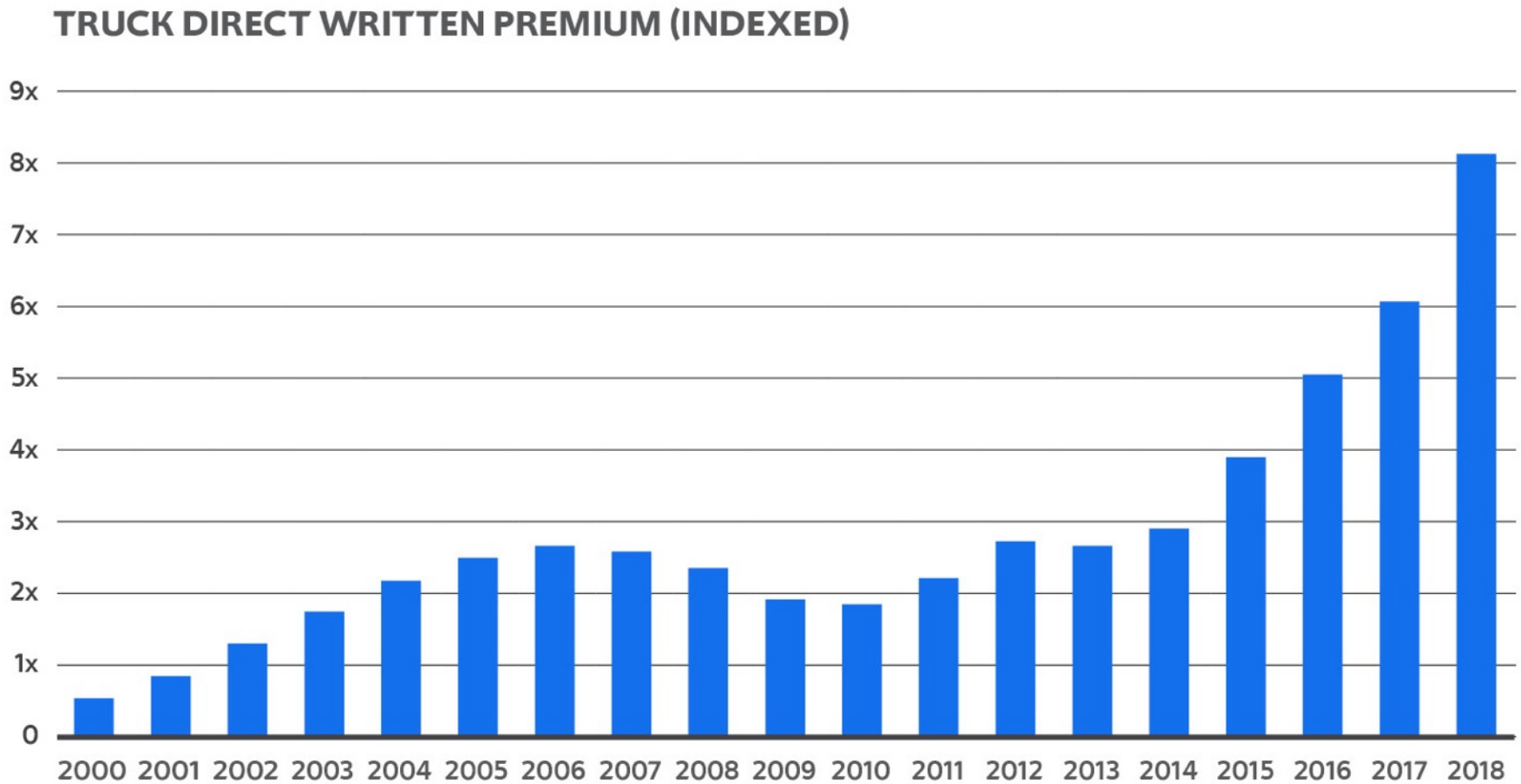








Investments and hard market conditions have fueled truck growth



Source: Internal Data

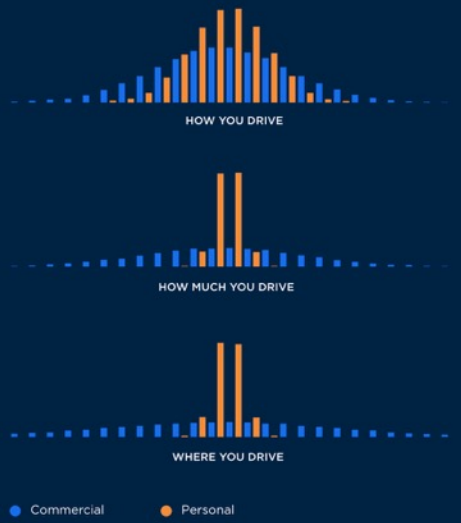
FEDERAL MANDATE WILL USHER IN UBI FOR OWNER-OPERATORS AND SMALL FLEETS

Progressive Assets

- Leadership in telematics for personal auto
- Big data capabilities
- Early investment in understanding truck driving patterns
- Relationships with ELD vendors

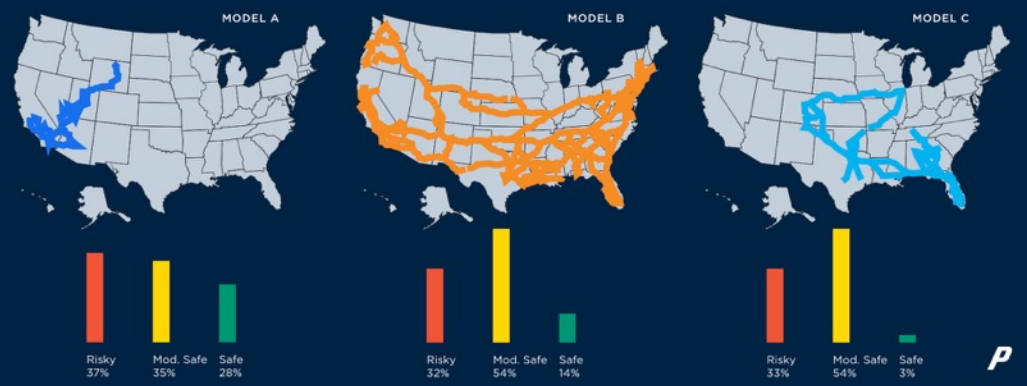


COMMERCIAL DRIVING DATA SHOWS SIGNIFICANTLY MORE VARIANCE IN OPERATOR BEHAVIOR



WHERE THEY DRIVE

Driving Territory

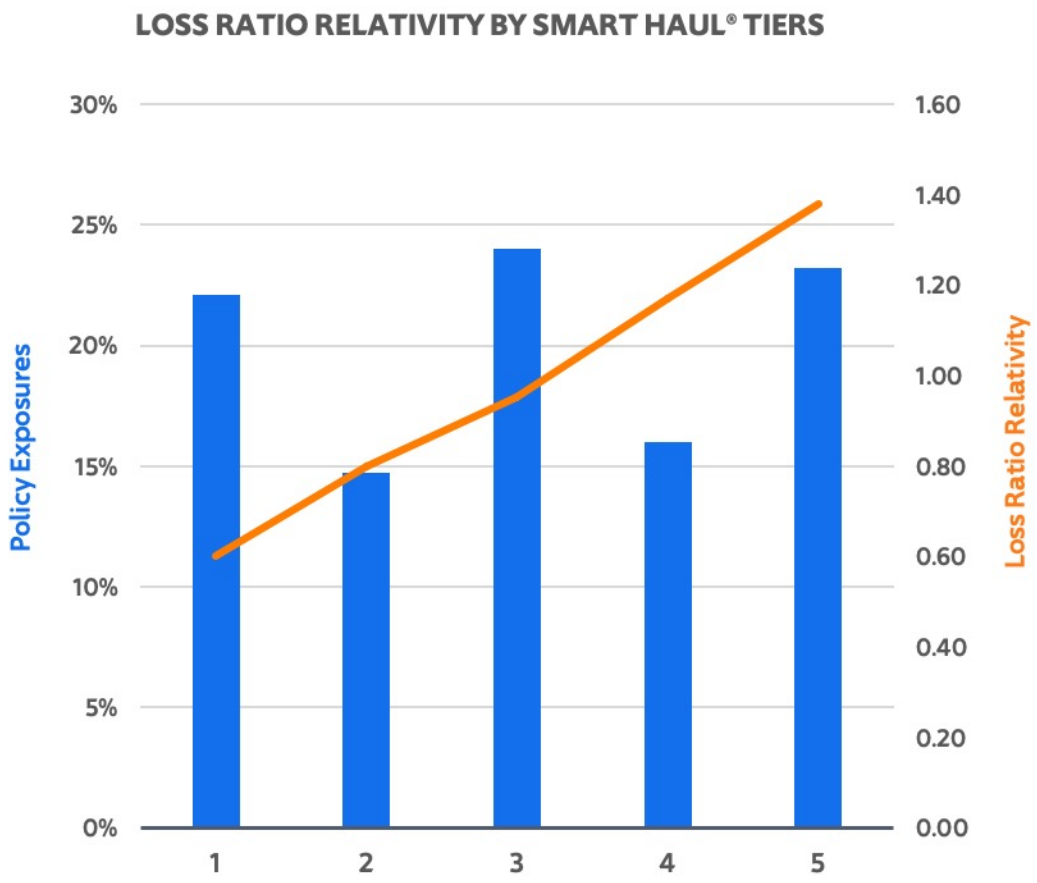


WHERE THEY DRIVE

Radius of Operation



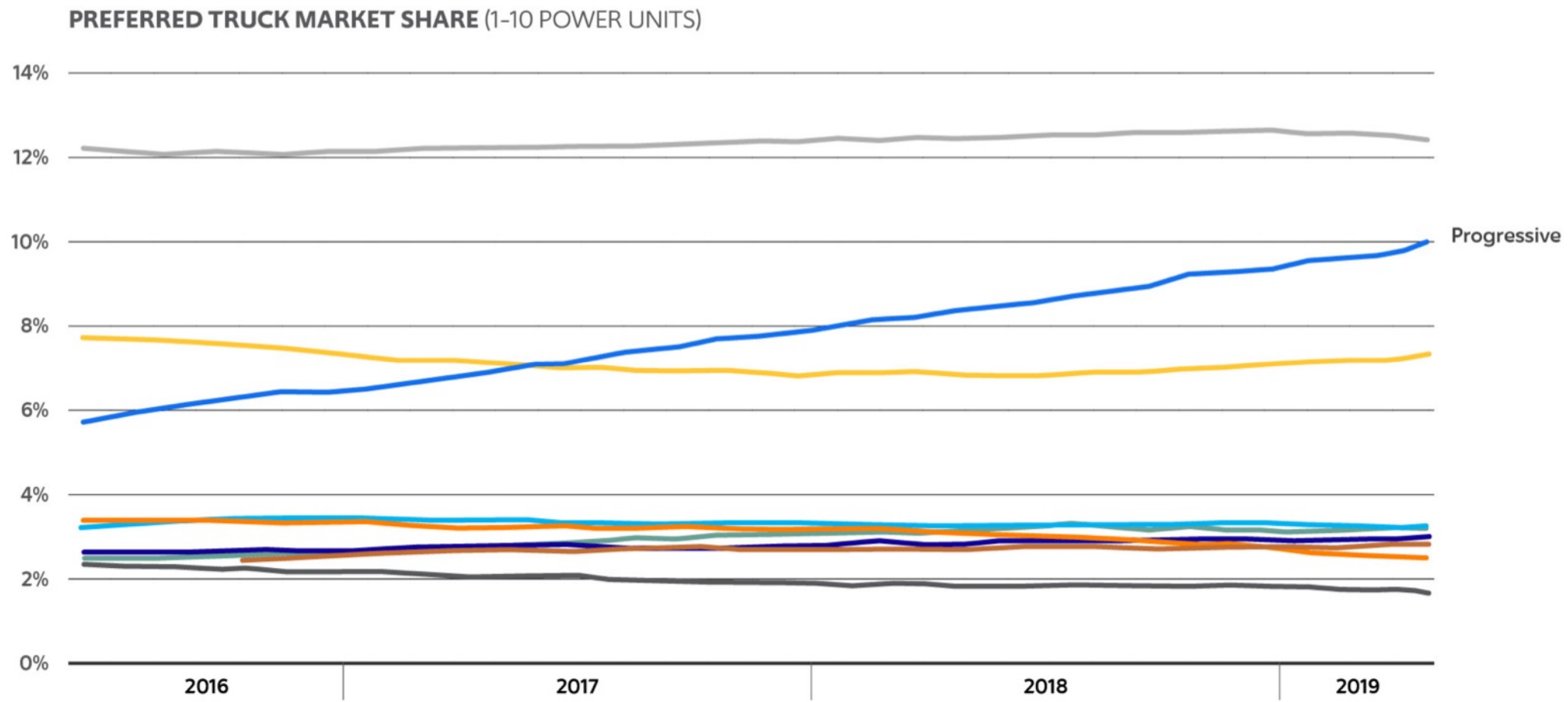
Telematics is the engine that will drive future growth



Source: Internal data

SMARTHAUL®

We have grown significantly and still have room to grow Preferred Truck



Source: Federal filings data from the FMCSA, filtered on MCS150 power unit count (1-10)

Revamping our approach will unlock the $4B small fleet market

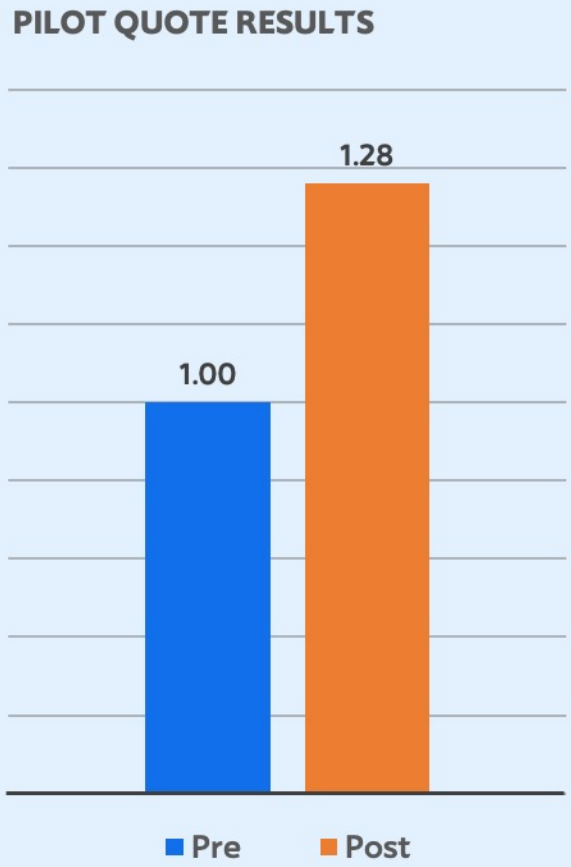


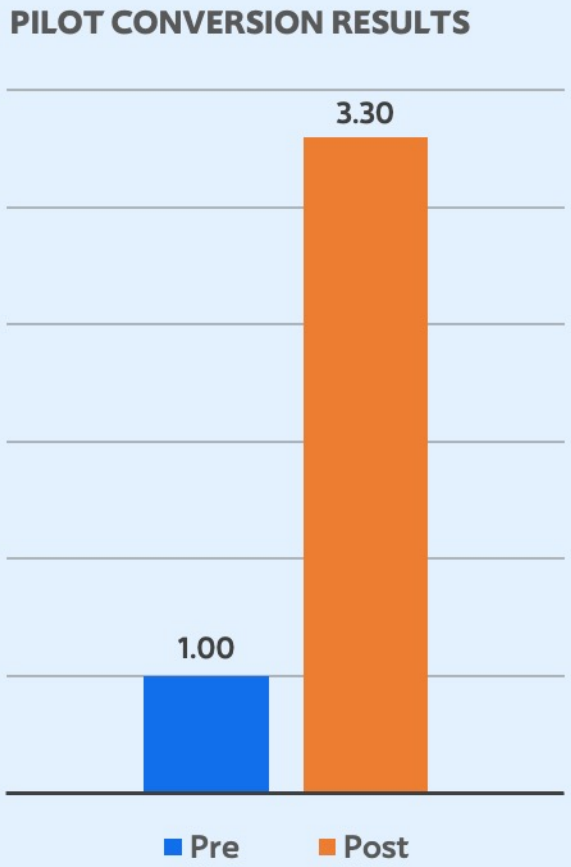
New enhancements targeting fleet opportunity being rolled out this year

PRODUCT

PROCESS

ACQUISITION



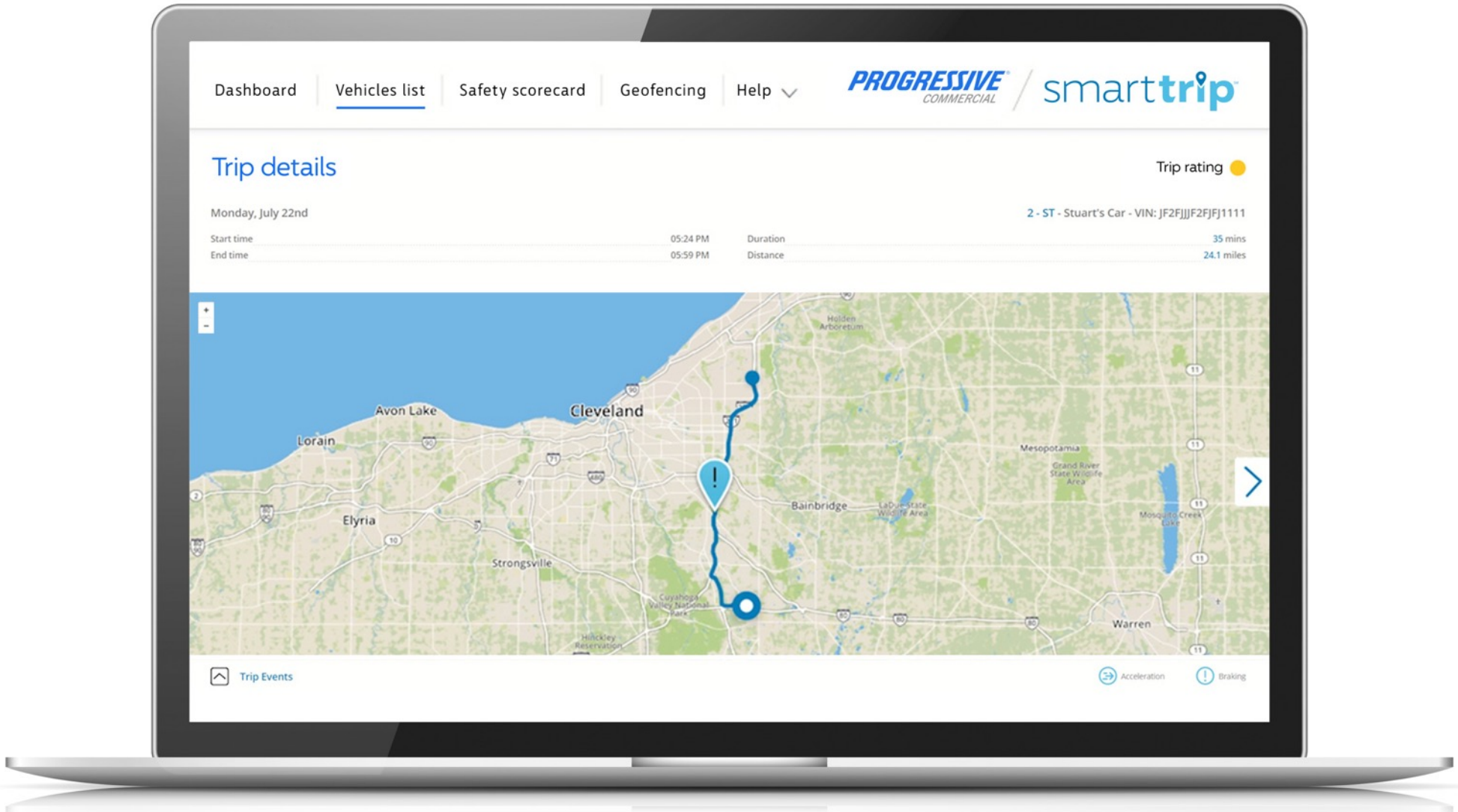


Source: Internal data

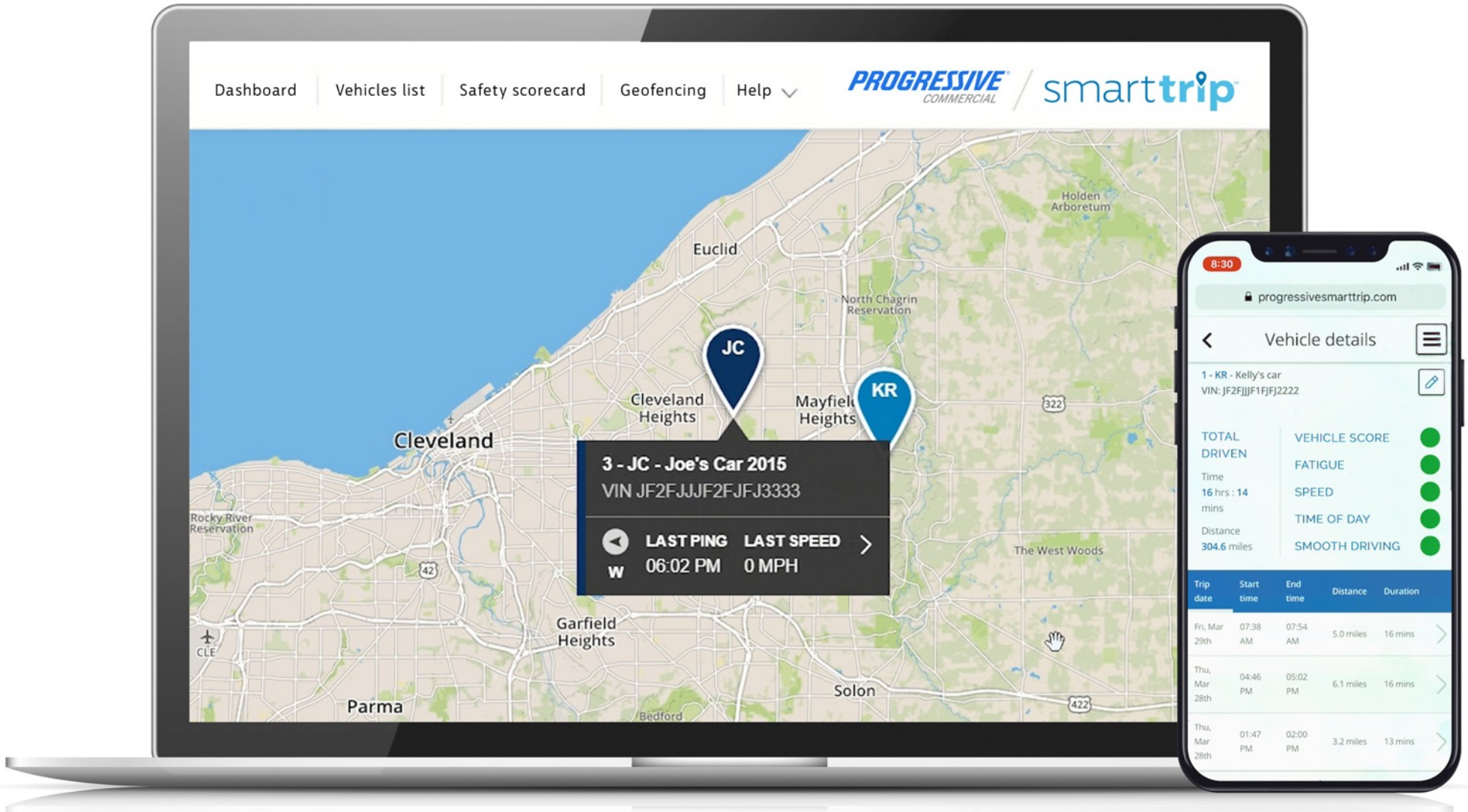
Telematics can meet the fleet management demand for small business



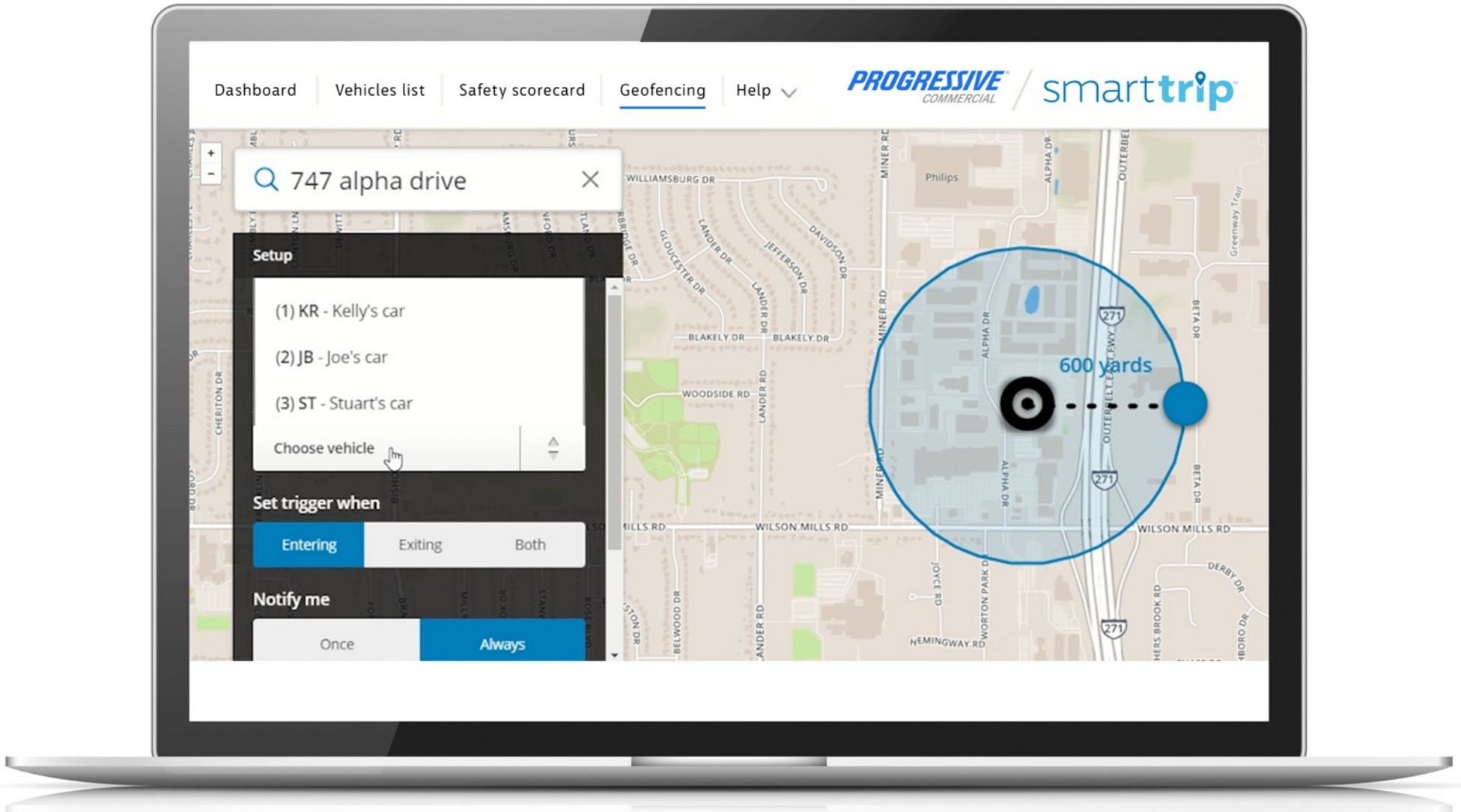
SmartTrip™ enables savings through value added services



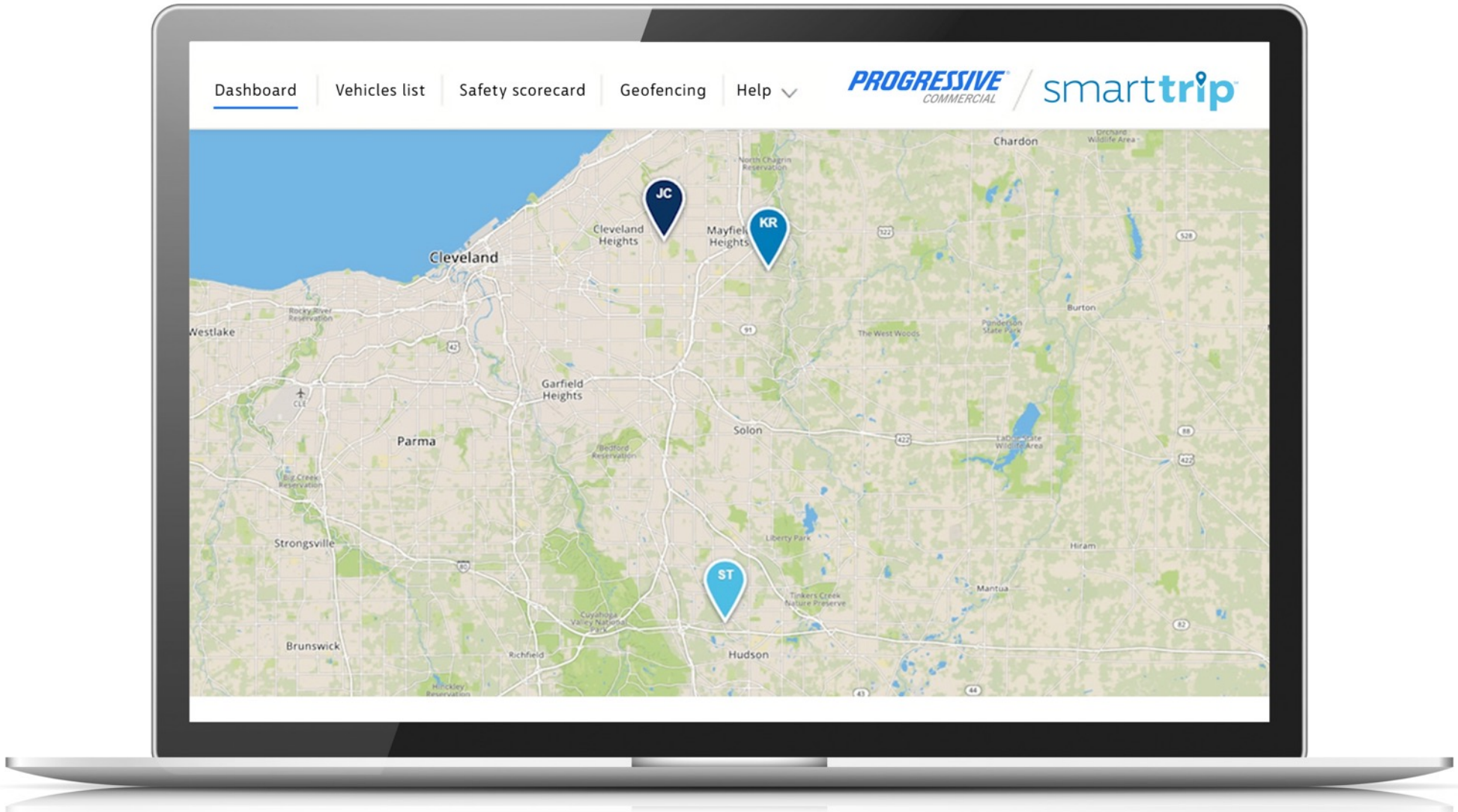
Monitoring and enforcing safe driving behaviors



Asset management and monitoring



Providing services creates a market opportunity





PROGRESSIVE COMMERCIAL / smarttrip

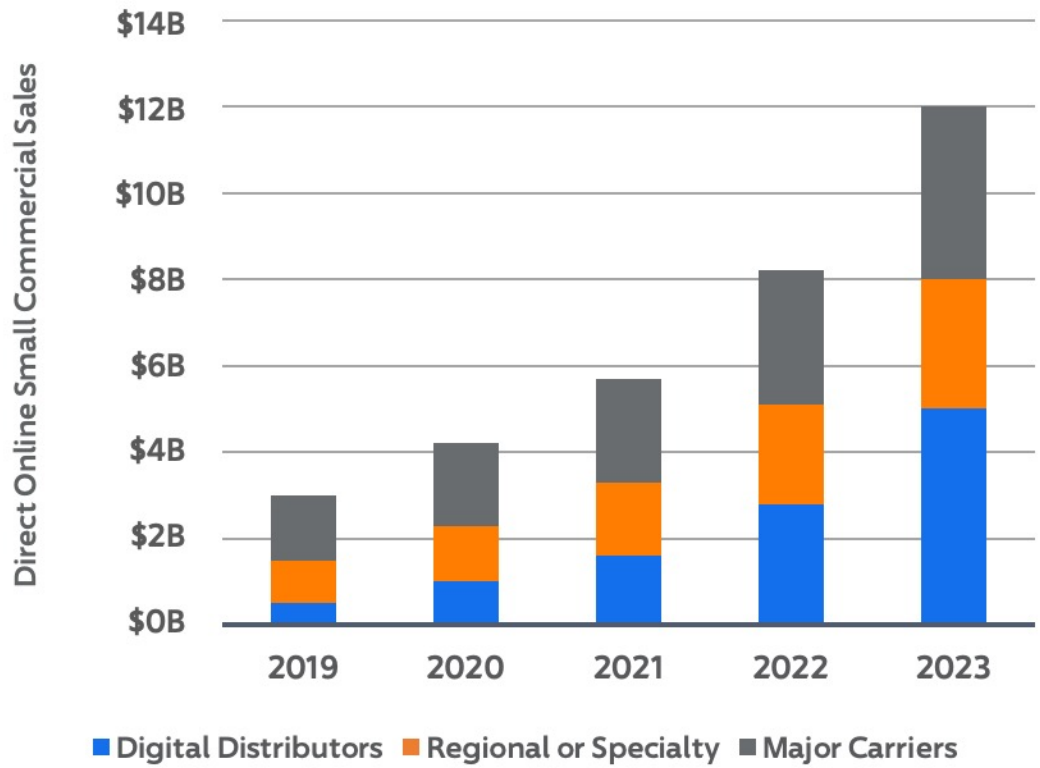
NOW PILOTING IN:

Connecticut
Georgia
Massachusetts
North Carolina
Pennsylvania
Ohio

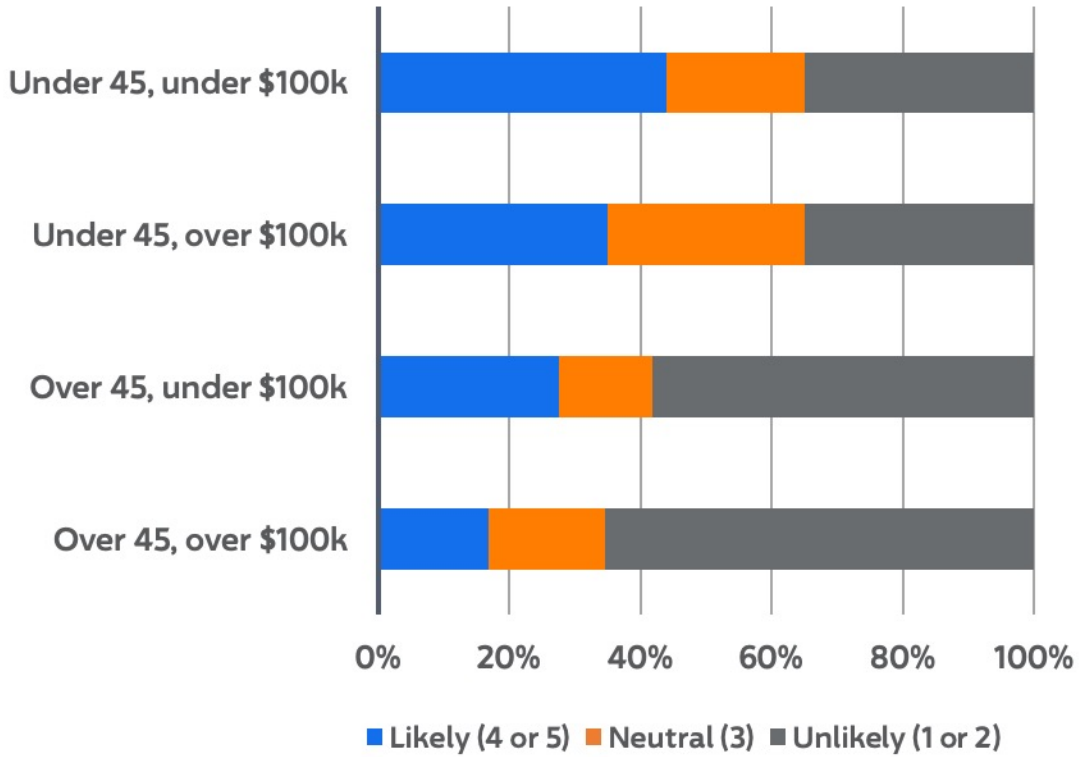
Expand Distribution with Small Business Direct

Why Small Business Direct

ESTIMATED DIRECT ONLINE SMALL COMMERCIAL SALES GROWTH, 2019 – 2023



"HOW LIKELY ARE YOU TO CONSIDER BUYING BUSINESS INSURANCE COMPLETELY ONLINE, IF POSSIBLE" BY AGE OF BUSINESS OWNER AND REVENUE OF BUSINESS

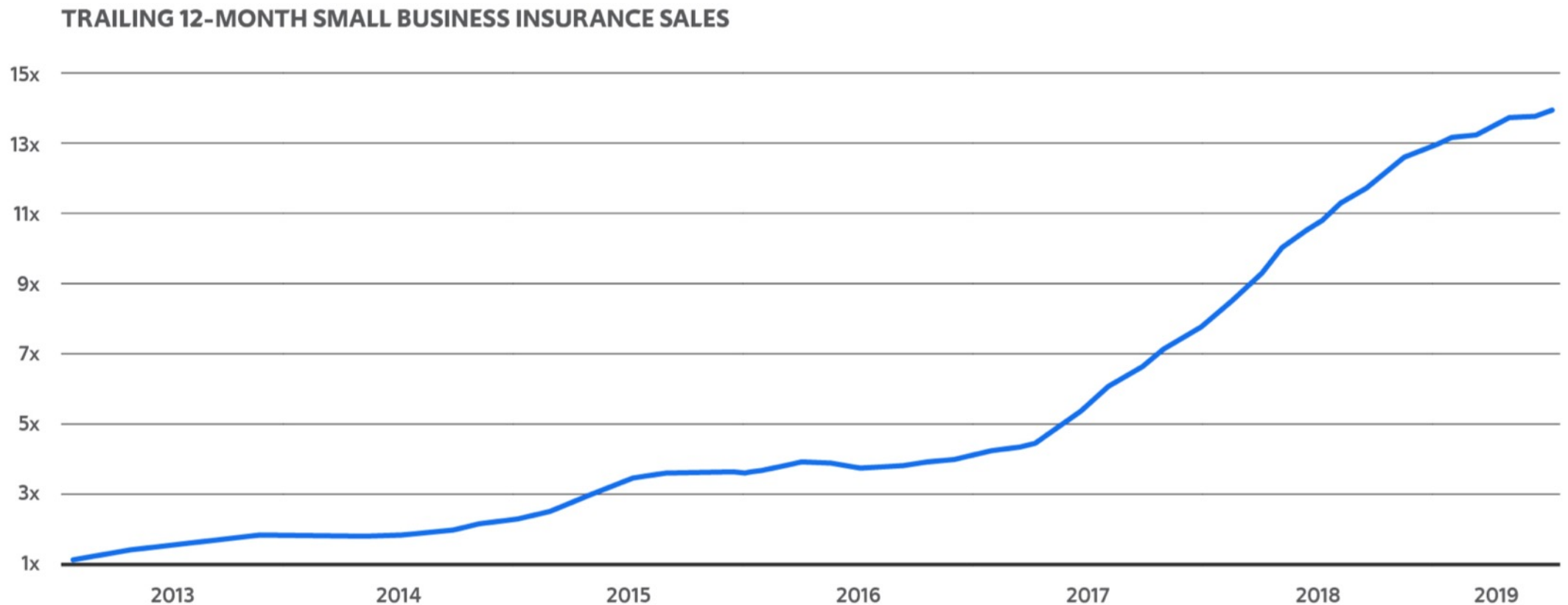


Source: Novarica, Inc.

Small Business Direct investments are driving sales

IR 2019 Q2

Direct Commercial Auto & Carrier Distributed Products

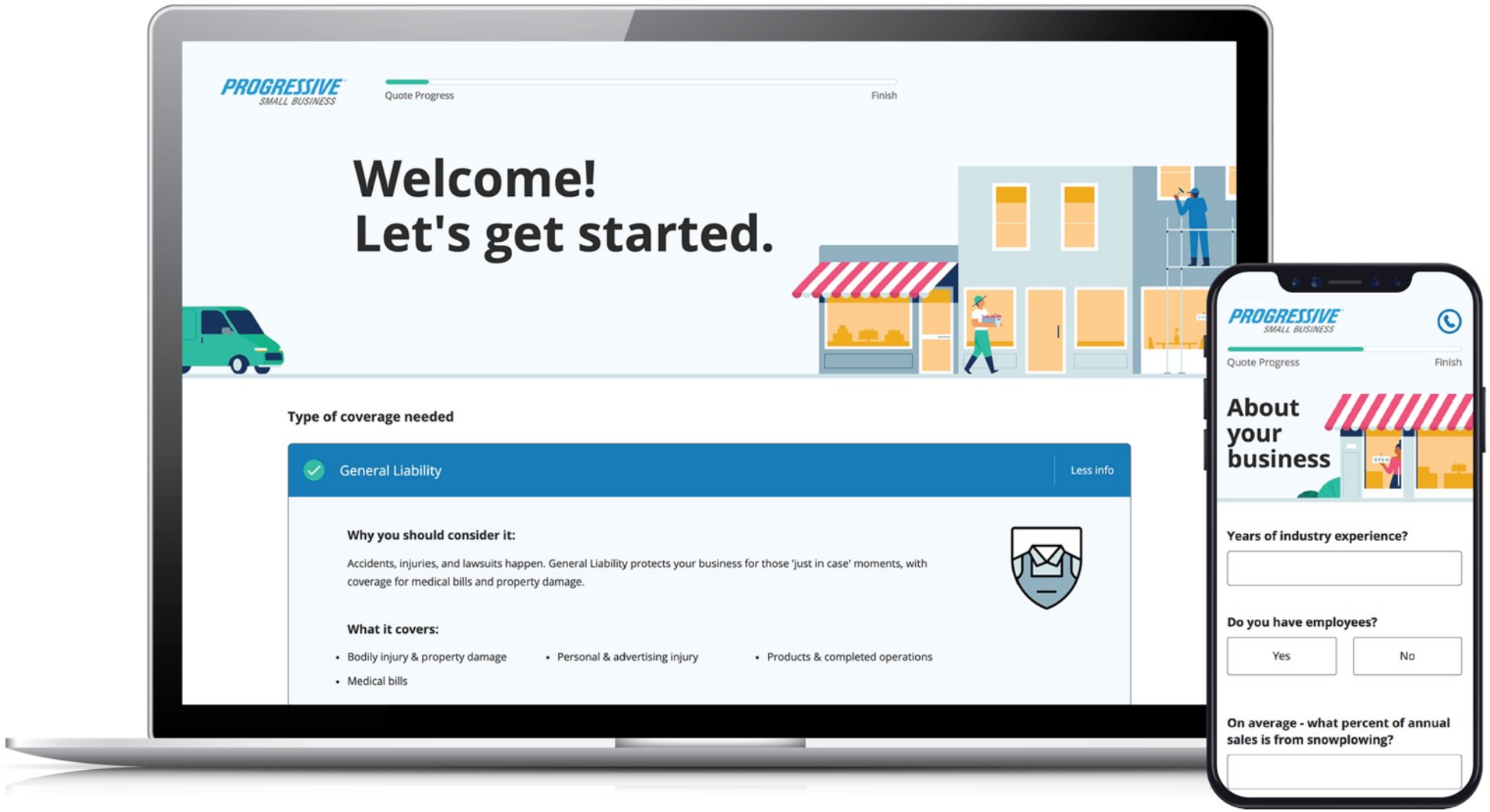


Source: Internal Data

Direct Small Business owners have options for how to buy



Business Quote Explorer® (BQX) makes insurance buying intuitive and easy

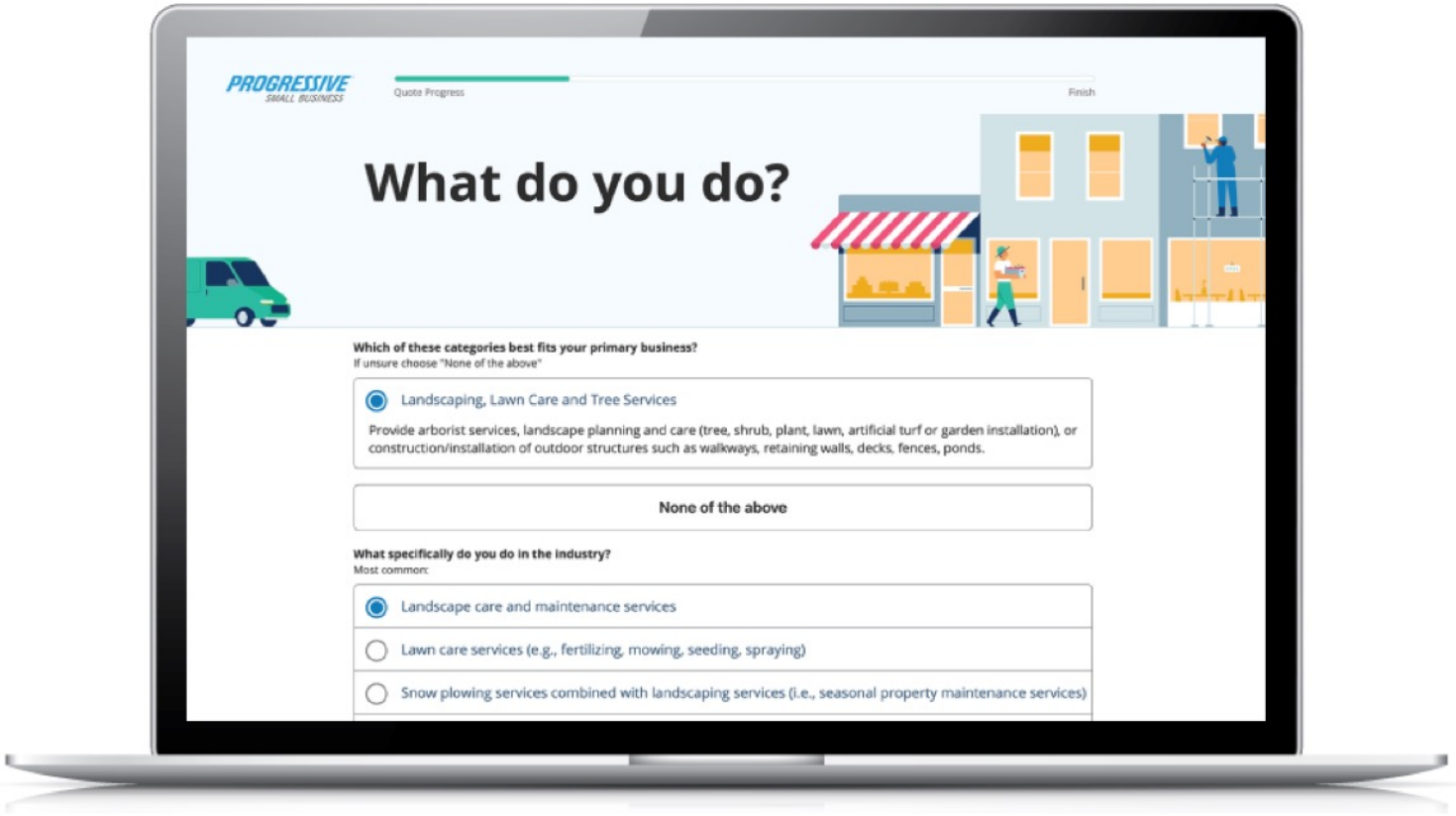


Quoting improvements will increase sales

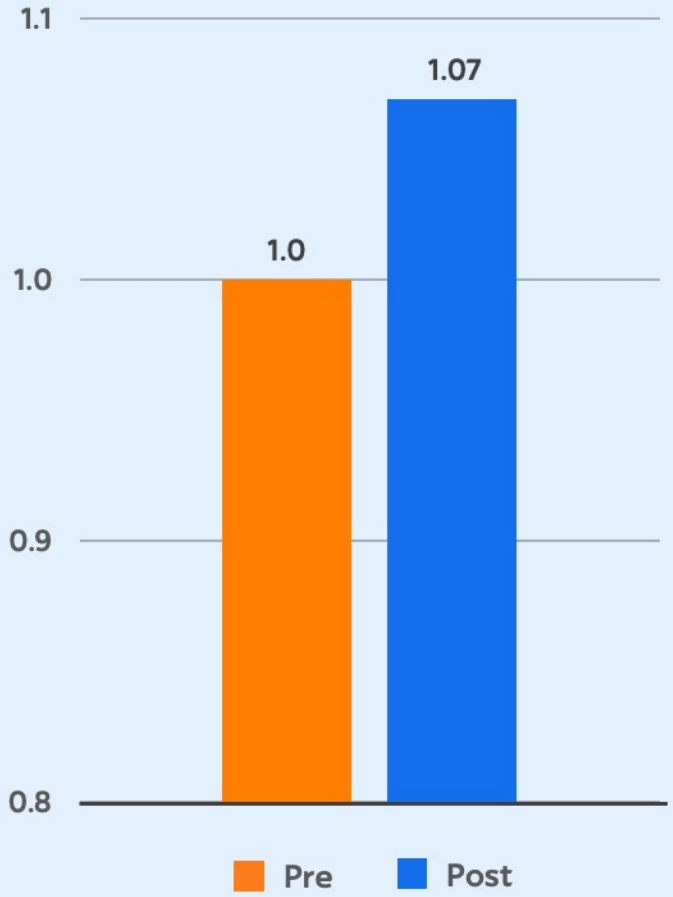
- Business Classification Improvements
- Risk to Carrier Appetite Matching
- Increase Capacity
- Online Buy



Using AI to improve business classification and consumer engagement



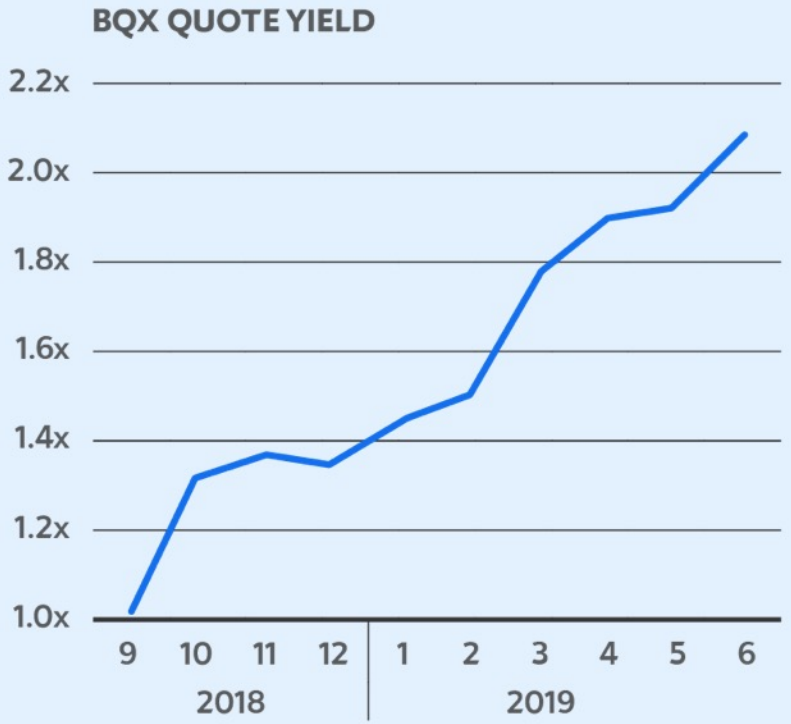
CUSTOMER QUOTES SUCCESSFULLY SELECTING BUSINESS CLASS



Source: Internal Data

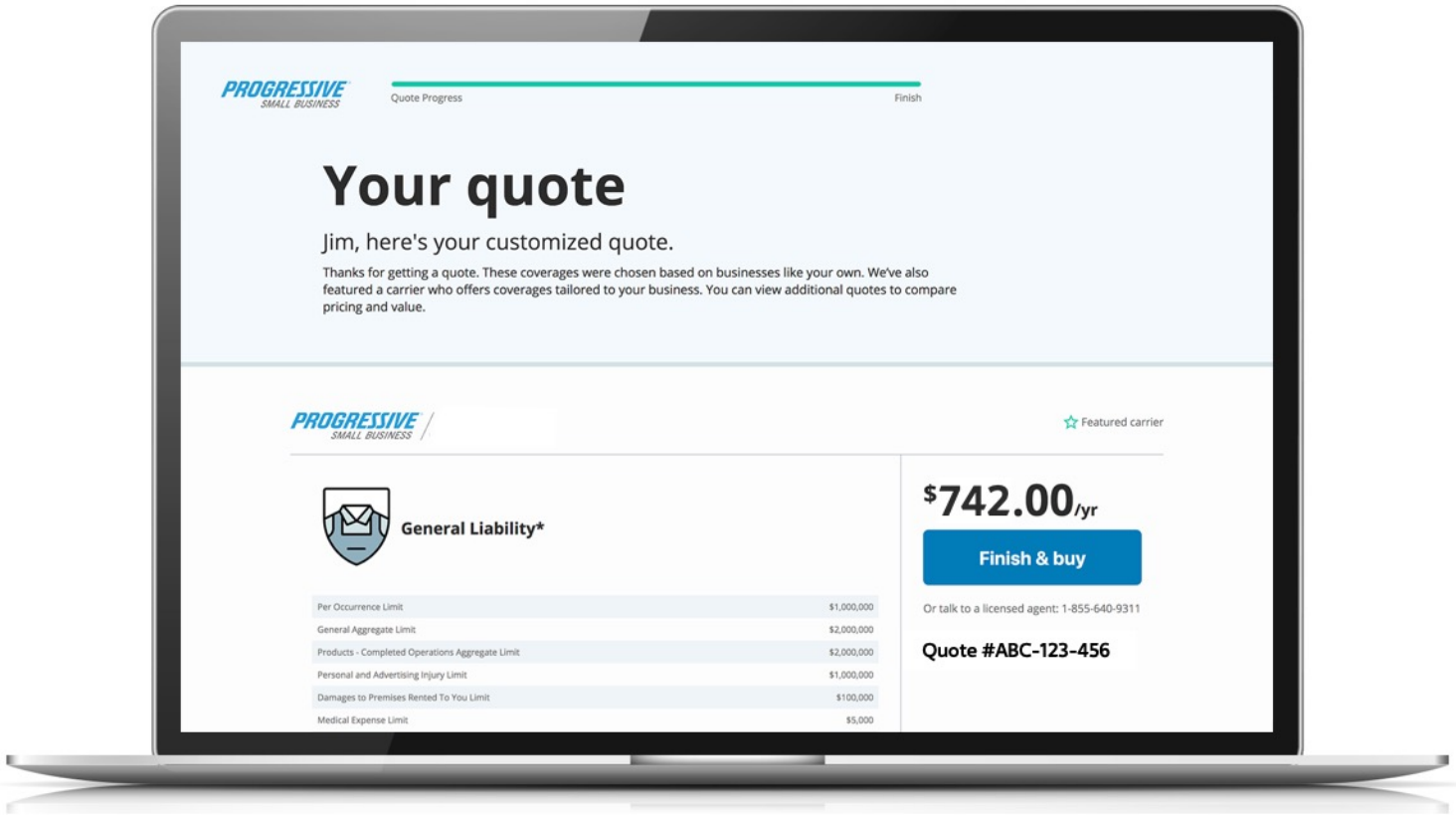
Investments improved quote yield



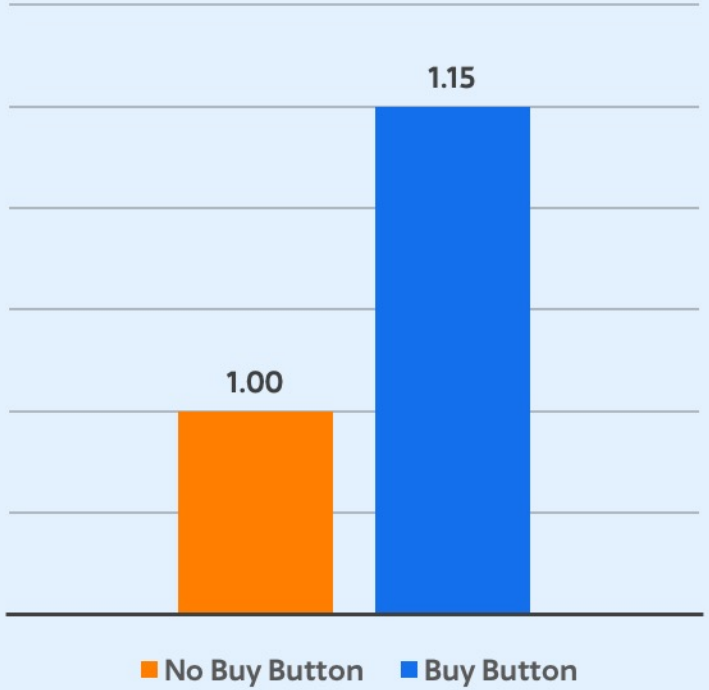


Source: Internal Data

Online Buy Button has increased sales



OVERALL LIFT FROM ONLINE BUY
CONVERSION (SALES/QUOTE FINISH)



Source: Internal Data

Expand Product Offering with Manufactured Business Owners Policy

Manufactured Business Owners Policy (BOP)

TARGET SEGMENTS

Category	Count of Business (<20 Employees)	Sample Classes
Contractors	3.5 M	Plumber, Electrician, House Cleaner
Offices	5.0 M	Accounting, Real Estate
Restaurants	0.5 M	Fast Food, Casual Dining
Retail & Services	4.5 M	Apparel Store, Beauty Salon
Wholesale Distributors	0.5 M	Floral Distributor, HVAC Equipment

About half of the 31 million small businesses in the U.S.

OUR STRATEGIES:

LOW COST, EASE-OF-USE, AND PRICING SEGMENTATION



What Agents are saying...

"The Progressive BOP System is the easiest business owners quoting system that I have in my agency."

- Jim Baehr, Baehr Insurance

"I can complete a quote in 3 – 5 minutes."

- Kim Hauser, Brimfield Insurance

"I can't get over how easy the system is."

- Patrick Novak, Novak Insurance

OUR VISION

“Become consumers’ and agents’ #1 choice and destination for Auto, Home, and other insurance”

PROGRESSIVE

Investor Relations

COMMERCIAL LINES
UPDATE

2019

