

The Progressive Corporation
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PROGRESSIVE REPORTS JANUARY RESULTS

MAYFIELD VILLAGE, OHIO -- February 16, 2022 -- The Progressive Corporation (NYSE:PGR) today reported the following results for January 2022:

(millions, except per share amounts and ratios; unaudited)	January		
	2022	2021	Change
Net premiums written	\$ 4,585.2	\$ 4,104.2	12 %
Net premiums earned	\$ 4,474.8	\$ 3,947.8	13 %
Net income	\$ 25.8	\$ 557.5	(95) %
Per share available to common shareholders	\$ 0.04	\$ 0.95	(96) %
Total pretax net realized gains (losses) on securities	\$ (347.9)	\$ 108.2	(422) %
Combined ratio	92.9	86.3	6.6 pts.
Average diluted equivalent common shares	586.2	587.2	0 %

(thousands; unaudited)	January		
	2022	2021	Change
Policies in Force			
Personal Lines			
Agency – auto	7,833.5	7,696.7	2 %
Direct – auto	9,556.2	9,022.7	6 %
Total personal auto	<u>17,389.7</u>	<u>16,719.4</u>	4 %
Total special lines	<u>5,299.6</u>	<u>4,936.2</u>	7 %
Total Personal Lines	<u>22,689.3</u>	<u>21,655.6</u>	5 %
Total Commercial Lines	979.9	833.4	18 %
Total Property business	<u>2,783.4</u>	<u>2,505.2</u>	11 %
Companywide Total	<u><u>26,452.6</u></u>	<u><u>24,994.2</u></u>	6 %

Progressive offers personal and commercial insurance throughout the United States. Our Personal Lines business writes insurance for personal autos and special lines products. Our Commercial Lines business writes auto-related liability and physical damage insurance, workers' compensation coverage primarily for the transportation industry, and business-related general liability and property insurance, predominantly for small businesses. Our Property business writes residential property insurance for homeowners, other property owners, and renters.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPREHENSIVE INCOME STATEMENTS

January 2022

(millions)

(unaudited)

	January ¹		% Change
	2022	2021	
Net premiums written	\$ 4,585.2	\$ 4,104.2	12
Revenues:			
Net premiums earned	\$ 4,474.8	\$ 3,947.8	13
Investment income	72.4	67.0	8
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	(21.9)	86.8	(125)
Net holding period gains (losses) on securities	(325.3)	21.4	NM
Net impairment losses recognized in earnings	(0.7)	0	NM
Total net realized gains (losses) on securities	(347.9)	108.2	(422)
Fees and other revenues	65.1	58.7	11
Service revenues	23.8	20.1	18
Total revenues	4,288.2	4,201.8	2
Expenses:			
Losses and loss adjustment expenses	3,283.9	2,595.8	27
Policy acquisition costs	365.6	330.5	11
Other underwriting expenses	574.5	539.9	6
Investment expenses	2.0	2.1	(5)
Service expenses	21.9	17.7	24
Interest expense	17.1	18.8	(9)
Total expenses	4,265.0	3,504.8	22
Income before income taxes	23.2	697.0	(97)
Provision (benefit) for income taxes ²	(2.6)	139.5	(102)
Net income	25.8	557.5	(95)
Other comprehensive income (loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	(397.1)	(97.9)	306
Net unrealized losses on forecasted transactions	0.1	0.1	0
Foreign currency translation adjustment	(0.1)	0	NM
Other comprehensive income (loss)	(397.1)	(97.8)	306
Total comprehensive income (loss)	\$ (371.3)	\$ 459.7	(181)

NM = Not Meaningful

¹ See the Monthly Commentary at the end of this release for additional discussion. For a description of our financial reporting and accounting policies, see Note 1 to our 2020 audited consolidated financial statements included in our 2020 Shareholders' Report, which can be found at www.progressive.com/annualreport.

² Includes tax benefit of \$7.4 million related to the vesting of employee equity awards and distributions of deferred compensation.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET INCOME AND COMPREHENSIVE INCOME PER SHARE
&
INVESTMENT RESULTS
January 2022
(millions – except per share amounts)
(unaudited)

The following table sets forth the computation of per share results:

	January	
	2022	2021
Net income	\$ 25.8	\$ 557.5
Less: Preferred share dividends	2.2	2.2
Net income available to common shareholders	<u>\$ 23.6</u>	<u>\$ 555.3</u>
Per common share:		
Basic	\$ 0.04	\$ 0.95
Diluted	\$ 0.04	\$ 0.95
Comprehensive income (loss)	\$ (371.3)	\$ 459.7
Less: Preferred share dividends	2.2	2.2
Comprehensive income (loss) attributable to common shareholders	<u>\$ (373.5)</u>	<u>\$ 457.5</u>
Per common share:		
Diluted	\$ (0.64)	\$ 0.78
Average common shares outstanding - Basic	584.3	585.2
Net effect of dilutive stock-based compensation	1.9	2.0
Total average equivalent common shares - Diluted	<u>586.2</u>	<u>587.2</u>

The following table sets forth the investment results for the period:

	January	
	2022	2021
Fully taxable equivalent (FTE) total return:		
Fixed-income securities	(1.1)%	0.0%
Common stocks	(5.5)%	0.9%
Total portfolio	(1.5)%	0.1%
Pretax annualized investment income book yield	1.8%	1.9%

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION

January 2022

(\$ in millions)

(unaudited)

January						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 1,630.7	\$ 1,921.9	\$ 3,552.6	\$ 877.0	\$ 155.5	\$ 4,585.2
% Growth in NPW	3%	7%	5%	52%	14%	12%
Net Premiums Earned	\$ 1,657.7	\$ 1,831.6	\$ 3,489.3	\$ 793.7	\$ 191.6	\$ 4,474.8
% Growth in NPE	6%	9%	7%	48%	19%	13%
<u>GAAP Ratios</u>						
Loss/LAE ratio	73.7	77.6	75.7	68.8	49.5	73.3
Expense ratio	17.8	20.6	19.3	18.8	27.5 ¹	19.6
Combined ratio	91.5	98.2	95.0	87.6	77.0 ¹	92.9
Net catastrophe loss ratio ²			0.3	0.2	2.8	0.4
<u>Actuarial Adjustments</u> ³						
Reserve Decrease/(Increase)						
Prior accident years					\$ 10.3	
Current accident year						(1.0)
Calendar year actuarial adjustment	\$ (3.2)	\$ (1.5)	\$ (4.7)	\$ (0.8)	\$ 14.8	\$ 9.3
<u>Prior Accident Years Development</u>						
Favorable/(Unfavorable)						
Actuarial adjustment					\$ 10.3	
All other development						(193.6)
Total development						\$ (183.3)
Calendar year loss/LAE ratio						73.3
Accident year loss/LAE ratio						69.2

¹Included in both the expense ratio and combined ratio is 2.5 points of amortization expense predominately associated with the acquisition of a controlling interest in ARX. Excluding these additional expenses, the Property business would have reported an expense ratio of 25.0 and a combined ratio of 74.5.

²Represents catastrophe losses incurred during the period, including the impact of reinsurance, as a percent of net premiums earned.

³Represents adjustments solely based on our normally scheduled actuarial reviews. For our Property business, the actuarial reserving methodology includes changes to catastrophe losses, while the reviews in our vehicle businesses do not include catastrophes.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
BALANCE SHEET AND OTHER INFORMATION

(millions - except per share amounts)
(unaudited)

	January 2022	December 2021 (adjusted) ¹
CONDENSED GAAP BALANCE SHEET:		
Investments, at fair value:		
Available-for-sale securities:		
Fixed maturities ² (amortized cost: \$45,584.3 and \$43,794.2)	\$ 45,148.0	\$ 43,873.1
Short-term investments (amortized cost: \$571.6 and \$942.6)	571.6	942.6
Total available-for-sale securities	<u>45,719.6</u>	<u>44,815.7</u>
Equity securities:		
Nonredeemable preferred stocks (cost: \$1,544.4 and \$1,571.8)	1,582.2	1,639.9
Common equities (cost: \$1,261.4 and \$1,264.1)	4,773.2	5,058.5
Total equity securities	<u>6,355.4</u>	<u>6,698.4</u>
Total investments ³	52,075.0	51,514.1
Net premiums receivable	9,507.2	9,399.5
Reinsurance recoverables (including \$4,754.0 and \$4,733.6 on unpaid loss and LAE reserves)	4,999.1	4,980.5
Deferred acquisition costs	1,356.8	1,355.6
Goodwill and intangible assets	565.1	570.0
Other assets	3,320.4	3,312.6
Total assets	<u>\$ 71,823.6</u>	<u>\$ 71,132.3</u>
Unearned premiums	\$ 15,666.4	\$ 15,615.8
Loss and loss adjustment expense reserves	26,393.7	26,164.1
Other liabilities ³	7,022.9	6,222.0
Debt	4,899.1	4,898.8
Total liabilities	<u>53,982.1</u>	<u>52,900.7</u>
Shareholders' equity	17,841.5	18,231.6
Total liabilities and shareholders' equity	<u>\$ 71,823.6</u>	<u>\$ 71,132.3</u>
Common shares outstanding	584.8	
Common shares repurchased - January	0.26	
Average cost per common share	\$ 102.29	
Book value per common share	\$ 29.66	
Trailing 12-month return on average common shareholders' equity		
Net income	15.6 %	
Comprehensive income	8.9 %	
Net unrealized pretax gains (losses) on fixed-maturity securities	\$ (431.4)	
Increase (decrease) from December 2021	\$ (502.8)	
Debt-to-total capital ratio	21.5 %	
Fixed-income portfolio duration	3.1	
Weighted average credit quality	AA-	

¹ Based on guidance issued in early February 2022 from the Michigan Department of Insurance and Financial Services, our December 2021 balance sheet has been adjusted to reflect a \$541.5 million increase in both our other assets and our other liabilities. The equal and offsetting increases in the asset and liability accounts relate to a refund that we will receive from the surplus of the Michigan Catastrophic Claims Association (MCCA) and are required to pass through to the applicable Michigan policyholders. This transaction has no effect on our liquidity, financial condition, cash flows, or results of operations.

² As of January 31, 2022, we held certain hybrid securities and recognized a change in fair value of \$4.9 million as a realized loss during the period we held these securities.

³ At January 31, 2022, we had \$855.8 million of net unsettled security transactions classified in "other liabilities."

Monthly Commentary

- In January, we experienced unfavorable prior accident year development of 4.1 points. Our personal auto products incurred about 80% of the unfavorable development, primarily reflecting the continued increase in the cost to repair vehicles and higher severity in our physical damage, collision, and comprehensive coverages.

Events

Our fourth quarter Investor Relations conference call is currently scheduled to be held on Tuesday, March 1, 2022, at 9:30 a.m. eastern time. The call and live webcast is scheduled to last 90 minutes and will begin with an approximate 45-minute presentation on managing rate levels, followed by a question and answer session with Tricia Griffith, our CEO, and John Sauerland, our CFO. We plan to post our 2021 Shareholders' Report online and file our Annual Report on Form 10-K with the SEC on Monday, February 28, 2022. If the dates of our events, which are always subject to change, are rescheduled, we will announce the change in a press release as soon as practical and publish it on our investor website. Details regarding access to the teleconference, or any event changes, will be available at: <https://investors.progressive.com/events>.

We plan to release February results on Wednesday, March 16, 2022, before the market opens.

About Progressive

Progressive InsuranceSM makes it easy to understand, buy and use car insurance, home insurance, and other protection needs. Progressive offers choices so consumers can reach us whenever, wherever and however it's most convenient - online at [progressive.com](https://www.progressive.com), by phone at 1-800-PROGRESSIVE, on a mobile device or in-person with a local agent.

Progressive provides insurance for personal and commercial autos and trucks, motorcycles, boats, recreational vehicles, and homes; it is the third largest car insurer in the country, a leading seller of motorcycle and commercial auto insurance, and one of the top 15 homeowners insurance carriers.

Founded in 1937, Progressive continues its long history of offering shopping tools and services that save customers time and money, like Name Your Price[®], Snapshot[®], and HomeQuote Explorer[®].

The Common Shares of The Progressive Corporation, the Mayfield Village, Ohio-based holding company, trade publicly at NYSE: PGR.

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:

- 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;
- the highly competitive nature of property-casualty insurance markets;
- whether we innovate effectively and respond to our competitors’ initiatives;
- whether we effectively manage complexity as we develop and deliver products and customer experiences;
- how intellectual property rights could affect our competitiveness and our business operations;
- whether we adjust claims accurately;
- our ability to maintain a recognized and trusted brand;
- our ability to attract, develop and retain talent and maintain appropriate staffing levels;
- compliance with complex laws and regulations;
- litigation challenging our business practices, and those of our competitors and other companies;
- the impacts of a security breach or other attack involving our computer systems or the systems of one or more of our vendors;
- the secure and uninterrupted operation of the facilities, systems, and business functions that are critical to our business;
- the success of our efforts to develop new products or enter into new areas of business and navigate related risks;
- our continued ability to send and accept electronic payments;
- the possible impairment of our goodwill or intangible assets;
- the performance of our fixed-income and equity investment portfolios;
- the potential elimination of, or change in, the London Interbank Offered Rate;
- our continued ability to access our cash accounts and/or convert securities into cash on favorable terms;
- the impact if one or more parties with which we enter into significant contracts or transact business fail to perform;
- legal restrictions on our insurance subsidiaries’ ability to pay dividends to The Progressive Corporation;
- limitations on our ability to pay dividends on our common shares under the terms of our outstanding preferred shares;
- our ability to obtain capital when necessary to support our business and potential growth;
- evaluations by credit rating and other rating agencies;
- the variable nature of our common share dividend policy;
- whether our investments in certain tax-advantaged projects generate the anticipated returns;
- the impact from not managing to short-term earnings expectations in light of our goal to maximize the long-term value of the enterprise;
- impacts from the outbreak of the novel coronavirus, or COVID-19, and the restrictions put in place to help slow and/or stop the spread of the virus; 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, 2020.

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 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.