

The Progressive Corporation
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PROGRESSIVE REPORTS DECEMBER RESULTS

MAYFIELD VILLAGE, OHIO -- January 26, 2022 -- The Progressive Corporation (NYSE:PGR) today reported the following results for December 2021 and the fourth quarter of 2021:

(millions, except per share amounts and ratios; unaudited)	December			Quarter		
	2021	2020	Change	2021	2020	Change
Net premiums written	\$ 3,113.3	\$ 2,789.1	12 %	\$10,749.3	\$ 9,542.3	13 %
Net premiums earned	\$ 3,613.2	\$ 3,164.2	14 %	\$11,601.4	\$10,208.8	14 %
Net income	\$ 393.3	\$ 706.0	(44) %	\$ 962.3	\$ 1,684.3	(43) %
Per share available to common shareholders	\$ 0.67	\$ 1.20	(44) %	\$ 1.63	\$ 2.85	(43) %
Total pretax net realized gains (losses) on securities	\$ 222.3	\$ 340.9	(35) %	\$ 425.3	\$ 760.2	(44) %
Combined ratio	94.6	85.2	9.4 pts.	94.7	88.4	6.3 pts.
Average diluted equivalent common shares	586.4	587.5	0 %	586.3	587.6	0 %

(thousands; unaudited)	December		
	2021	2020	Change
Policies in Force			
Personal Lines			
Agency – auto	7,879.0	7,617.0	3 %
Direct – auto	9,568.2	8,881.4	8 %
Total personal auto	<u>17,447.2</u>	<u>16,498.4</u>	6 %
Total special lines	<u>5,288.5</u>	<u>4,915.1</u>	8 %
Total Personal Lines	<u>22,735.7</u>	<u>21,413.5</u>	6 %
Total Commercial Lines	971.2	822.0	18 %
Total Property business	<u>2,776.2</u>	<u>2,484.4</u>	12 %
Companywide Total	<u><u>26,483.1</u></u>	<u><u>24,719.9</u></u>	7 %

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 STATEMENT

December 2021

(millions)

(unaudited)

	Current Month	Comments on Monthly Results¹
Net premiums written	<u>\$ 3,113.3</u>	
Revenues:		
Net premiums earned	\$ 3,613.2	
Investment income	82.9	
Net realized gains (losses) on securities:		
Net realized gains (losses) on security sales	1.6	
Net holding period gains (losses) on securities	221.1	
Net impairment losses recognized in earnings	<u>(0.4)</u>	
Total net realized gains (losses) on securities	222.3	
Fees and other revenues	53.2	
Service revenues	<u>20.2</u>	
Total revenues	<u>3,991.8</u>	
Expenses:		
Losses and loss adjustment expenses	2,747.6	
Policy acquisition costs	297.8	
Other underwriting expenses	427.2	
Investment expenses	2.2	
Service expenses	18.4	
Interest expense	<u>17.2</u>	
Total expenses	<u>3,510.4</u>	
Income before income taxes	481.4	
Provision for income taxes	88.1	Includes \$8.6 million of tax benefits primarily related to dividends that were declared in December on shares held in our ESOP that are deductible for income tax purposes.
Net income	<u>393.3</u>	
Other comprehensive income (loss)		
Changes in:		
Total net unrealized gains (losses) on fixed-maturity securities	(69.8)	
Net unrealized losses on forecasted transactions	0	
Foreign currency translation adjustment	<u>0.1</u>	
Other comprehensive income (loss)	<u>(69.7)</u>	
Total comprehensive income	<u>\$ 323.6</u>	

¹ 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.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPREHENSIVE INCOME STATEMENTS

December 2021

(millions)

(unaudited)

	Full Year		% Change
	2021	2020	
Net premiums written	\$ 46,405.2	\$ 40,568.7	14
Revenues:			
Net premiums earned	\$ 44,368.7	\$ 39,261.6	13
Investment income	860.9	936.6	(8)
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	614.3	914.7	(33)
Net holding period gains (losses) on securities	899.9	715.3	26
Net impairment losses recognized in earnings	(5.0)	0	NM
Total net realized gains (losses) on securities	1,509.2	1,630.0	(7)
Fees and other revenues	691.8	603.5	15
Service revenues	271.4	226.4	20
Total revenues	47,702.0	42,658.1	12
Expenses:			
Losses and loss adjustment expenses	33,627.6	25,121.8	34
Policy acquisition costs	3,712.8	3,273.2	13
Other underwriting expenses	5,654.7	5,570.0	2
Policyholder credit expense	0	1,077.4	(100)
Investment expenses	25.5	20.0	28
Service expenses	252.8	205.5	23
Interest expense	218.6	217.0	1
Total expenses	43,492.0	35,484.9	23
Income before income taxes	4,210.0	7,173.2	(41)
Provision for income taxes	859.1	1,468.6	(42)
Net income	3,350.9	5,704.6	(41)
Other comprehensive income (loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	(891.1)	586.5	(252)
Net unrealized losses on forecasted transactions	0.7	0.8	(13)
Foreign currency translation adjustment	(0.6)	0	NM
Other comprehensive income (loss)	(891.0)	587.3	(252)
Total comprehensive income	\$ 2,459.9	\$ 6,291.9	(61)

NM = Not Meaningful

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET INCOME AND COMPREHENSIVE INCOME PER SHARE
&
INVESTMENT RESULTS
December 2021
(millions – except per share amounts)
(unaudited)

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

	Current Month	Full Year	
		2021	2020
Net income	\$ 393.3	\$ 3,350.9	\$ 5,704.6
Less: Preferred share dividends	2.3	26.9	26.9
Net income available to common shareholders	<u>\$ 391.0</u>	<u>\$ 3,324.0</u>	<u>\$ 5,677.7</u>
Per common share:			
Basic	\$ 0.67	\$ 5.69	\$ 9.71
Diluted	\$ 0.67	\$ 5.66	\$ 9.66
Comprehensive income	\$ 323.6	\$ 2,459.9	\$ 6,291.9
Less: Preferred share dividends	2.3	26.9	26.9
Comprehensive income attributable to common shareholders	<u>\$ 321.3</u>	<u>\$ 2,433.0</u>	<u>\$ 6,265.0</u>
Per common share:			
Diluted	\$ 0.55	\$ 4.14	\$ 10.66
Average common shares outstanding - Basic	583.8	584.5	584.9
Net effect of dilutive stock-based compensation	2.6	2.6	2.7
Total average equivalent common shares - Diluted	<u>586.4</u>	<u>587.1</u>	<u>587.6</u>

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

	Current Month	Full Year	
		2021	2020
Fully taxable equivalent (FTE) total return:			
Fixed-income securities	0.0%	(0.1)%	6.7%
Common stocks	4.5%	33.4%	24.3%
Total portfolio	0.4%	2.6%	7.9%
Pretax annualized investment income book yield	2.1%	1.9%	2.4%

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION

December 2021

(\$ in millions)

(unaudited)

Current Month						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 1,150.4	\$ 1,258.3	\$ 2,408.7	\$ 518.3	\$ 186.3	\$ 3,113.3
% Growth in NPW	6%	8%	7%	35%	17%	12%
Net Premiums Earned	\$ 1,323.8	\$ 1,461.3	\$ 2,785.1	\$ 642.4	\$ 185.4	\$ 3,613.2
% Growth in NPE	6%	9%	8%	54%	17%	14%
<u>GAAP Ratios</u>						
Loss/LAE ratio	74.8	80.2	77.7	66.1	85.7	76.0
Expense ratio	18.8	17.2	17.9	19.0	27.1 ¹	18.6
Combined ratio	93.6	97.4	95.6	85.1	112.8 ¹	94.6
Net catastrophe loss ratio ²			0.3	0.3	38.2	2.2
<u>Actuarial Adjustments</u> ³						
Reserve Decrease/(Increase)						
Prior accident years					\$	20.6
Current accident year						(2.6)
Calendar year actuarial adjustment	\$ 11.0	\$ 13.3	\$ 24.3	\$ (4.9)	\$ (1.4)	\$ 18.0
<u>Prior Accident Years Development</u>						
Favorable/(Unfavorable)						
Actuarial adjustment					\$	20.6
All other development						36.5
Total development					\$	57.1
Calendar year loss/LAE ratio						76.0
Accident year loss/LAE ratio						77.6

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 24.6 and a combined ratio of 110.3.

²Represents catastrophe losses incurred during the period, including the impact of reinsurance, as a percent of net premiums earned. During the month, we incurred catastrophe losses related to storms and tornadoes throughout the United States, as well as wildfires in Colorado, which predominately impacted our Property business. In addition, we recognized 0.4 points of companywide favorable development on our prior period catastrophe losses, primarily driven by revised estimates of our ultimate exposure from Hurricane Ida on our vehicle business.

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
SUPPLEMENTAL INFORMATION

December 2021

(\$ in millions)

(unaudited)

Full Year						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 17,257.9	\$ 18,910.9	\$ 36,168.8	\$ 8,015.9	\$ 2,216.2	\$ 46,405.2
% Growth in NPW	7%	10%	8%	51%	16%	14%
Net Premiums Earned	\$ 16,881.0	\$ 18,492.3	\$ 35,373.3	\$ 6,945.2	\$ 2,042.5	\$ 44,368.7
% Growth in NPE	7%	10%	8%	42%	16%	13%
GAAP Ratios						
Loss/LAE ratio	75.6	77.2	76.4	69.3	86.4	75.7
Expense ratio	18.5	19.4	19.0	19.6	28.9 ¹	19.6
Combined ratio	94.1	96.6	95.4	88.9	115.3 ¹	95.3
Net catastrophe loss ratio ²			1.8	0.4	31.0	3.0
Actuarial Adjustments³						
Reserve Decrease/(Increase)						
Prior accident years					\$ (78.5)	
Current accident year						103.9
Calendar year actuarial adjustment	\$ 50.8	\$ 55.3	\$ 106.1	\$ (34.8)	\$ (45.9)	\$ 25.4
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment					\$ (78.5)	
All other development						83.2
Total development					\$	4.7
Calendar year loss/LAE ratio						75.7
Accident year loss/LAE ratio						75.7

¹Included in both the expense ratio and combined ratio is 2.8 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 26.1 and a combined ratio of 112.5.

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)

**December
2021**

CONDENSED GAAP BALANCE SHEET:	
Investments, at fair value:	
Available-for-sale securities:	
Fixed maturities ¹ (amortized cost: \$43,794.2)	\$ 43,873.1
Short-term investments (amortized cost: \$942.6)	942.6
Total available-for-sale securities	<u>44,815.7</u>
Equity securities:	
Nonredeemable preferred stocks (cost: \$1,571.8)	1,639.9
Common equities (cost: \$1,264.1)	5,058.5
Total equity securities	<u>6,698.4</u>
Total investments ^{2,3,4}	51,514.1
Net premiums receivable	9,399.5
Reinsurance recoverables (including \$4,733.6 on unpaid loss and LAE reserves)	4,980.5
Deferred acquisition costs	1,355.6
Goodwill and intangible assets	570.0
Other assets	2,771.1
Total assets	<u>\$ 70,590.8</u>
Unearned premiums	\$ 15,615.8
Loss and loss adjustment expense reserves	26,164.1
Other liabilities ²	5,680.5
Debt	4,898.8
Total liabilities	<u>52,359.2</u>
Shareholders' equity ⁴	18,231.6
Total liabilities and shareholders' equity	<u>\$ 70,590.8</u>
Common shares outstanding	584.4
Common shares repurchased - December	0
Average cost per common share	\$ 0
Book value per common share	\$ 30.35
Trailing 12-month return on average common shareholders' equity	
Net income	18.6 %
Comprehensive income	13.6 %
Net unrealized pretax gains (losses) on fixed-maturity securities	\$ 71.4
Increase (decrease) from November 2021	\$ (95.5)
Increase (decrease) from December 2020	\$ (1,135.2)
Debt-to-total capital ratio	21.2 %
Fixed-income portfolio duration	3.0
Weighted average credit quality	AA-

¹ As of December 31, 2021, we held certain hybrid securities and recognized a change in fair value of \$7.5 million as a realized gain during the period we held these securities.

² At December 31, 2021, we had \$143.4 million of net unsettled security transactions classified in "other liabilities."

³ Includes \$4.2 billion, net of unsettled security transactions, of investments in a consolidated, non-insurance subsidiary of the holding company.

⁴ The Board of Directors declared an annual common share dividend of \$1.50 per share and a quarterly common share dividend of \$0.10 per share in December 2021, of which \$876.5 million was paid during the month relative to the annual dividend.

Monthly Commentary

- The Company has no additional commentary regarding December's results.

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 January results on Wednesday, February 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.