

The Progressive Corporation
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PROGRESSIVE REPORTS JULY RESULTS

MAYFIELD VILLAGE, OHIO -- August 19, 2020 -- The Progressive Corporation (NYSE:PGR) today reported the following results for July 2020:

(millions, except per share amounts and ratios; unaudited)	July		
	2020	2019	Change
Net premiums written	\$ 4,109.3	\$ 3,675.6	12 %
Net premiums earned	\$ 3,781.4	\$ 3,426.9	10 %
Net income attributable to Progressive	\$ 812.0	\$ 384.9	111 %
Per share available to common shareholders	\$ 1.38	\$ 0.65	111 %
Total pretax net realized gains (losses) on securities	\$ 333.4	\$ 49.0	NM
Combined ratio	83.5	90.3	(6.8) pts.
Average diluted equivalent common shares	587.8	587.4	0 %

NM = Not meaningful

(thousands; unaudited)	July		
	2020	2019	Change
Policies in Force			
Personal Lines			
Agency – auto	7,435.4	6,832.8	9 %
Direct – auto	8,634.4	7,599.2	14 %
Total personal auto	16,069.8	14,432.0	11 %
Total special lines	4,854.8	4,545.2	7 %
Total Personal Lines	20,924.6	18,977.2	10 %
Total Commercial Lines	785.7	740.5	6 %
Property business	2,368.3	2,095.5	13 %
Companywide Total	24,078.6	21,813.2	10 %

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 primary liability and physical damage insurance, and 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

July 2020
(millions)
(unaudited)

	Current Month	Comments on Monthly Results¹
Net premiums written	\$ 4,109.3	
Revenues:		
Net premiums earned	\$ 3,781.4	
Investment income	75.0	
Net realized gains (losses) on securities:		
Net realized gains (losses) on security sales	107.0	
Net holding period gains (losses) on securities	226.4	
Total net realized gains (losses) on securities	333.4	
Fees and other revenues	56.1	
Service revenues	22.7	
Total revenues	4,268.6	
Expenses:		
Losses and loss adjustment expenses	2,432.6	
Policy acquisition costs	315.6	
Other underwriting expenses	450.8	
Policyholder credit expense	14.4	Represents additional policyholder credits issued to personal auto customers.
Investment expenses	1.7	
Service expenses	20.5	
Interest expense	18.8	
Total expenses	3,254.4	
Income before income taxes	1,014.2	
Provision for income taxes	202.2	Includes excess tax benefit of \$12.8 million related to the vesting of employee equity awards and distributions of deferred compensation.
Net income	812.0	
Other comprehensive income (loss)		
Changes in:		
Total net unrealized gains (losses) on fixed-maturity securities	117.2	
Net unrealized losses on forecasted transactions	0.1	
Other comprehensive income (loss)	117.3	
Total comprehensive income	\$ 929.3	

¹See 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 2019 audited consolidated financial statements included in our 2019 Shareholders' Report, which can be found at www.progressive.com/annualreport.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPREHENSIVE INCOME STATEMENTS

July 2020

(millions)

(unaudited)

	Year-to-Date		% Change
	2020	2019	
Net premiums written	\$ 24,120.6	\$ 22,042.0	9
Revenues:			
Net premiums earned	\$ 22,860.7	\$ 20,711.4	10
Investment income	560.0	603.8	(7)
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	682.2	136.2	401
Net holding period gains (losses) on securities	(11.6)	549.9	(102)
Net impairment losses recognized in earnings	0	(42.7)	(100)
Total net realized gains (losses) on securities	670.6	643.4	4
Fees and other revenues	339.1	316.9	7
Service revenues	133.3	111.1	20
Total revenues	24,563.7	22,386.6	10
Expenses:			
Losses and loss adjustment expenses	13,909.2	14,298.2	(3)
Policy acquisition costs	1,893.9	1,735.6	9
Other underwriting expenses	3,299.6	2,860.5	15
Policyholder credit expense	1,047.8	0	NM
Investment expenses	11.5	14.5	(21)
Service expenses	120.8	100.3	20
Interest expense	123.2	110.6	11
Total expenses	20,406.0	19,119.7	7
Income before income taxes	4,157.7	3,266.9	27
Provision for income taxes	856.2	819.6	4
Net income	3,301.5	2,447.3	35
Net (income) loss attributable to noncontrolling interest (NCI)	0	(4.6)	(100)
Net income attributable to Progressive	3,301.5	2,442.7	35
Other comprehensive income (loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	747.4	532.1	40
Net unrealized losses on forecasted transactions	0.5	0.4	25
Other comprehensive income (loss)	747.9	532.5	40
Other comprehensive (income) loss attributable to NCI	0	(4.5)	(100)
Total comprehensive income attributable to Progressive	\$ 4,049.4	\$ 2,970.7	36

NM = Not Meaningful

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET INCOME AND COMPREHENSIVE INCOME PER SHARE
&
INVESTMENT RESULTS
July 2020
(millions – except per share amounts)
(unaudited)

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

	Current Month	Year-to-Date	
		2020	2019
Net income attributable to Progressive	\$ 812.0	\$ 3,301.5	\$ 2,442.7
Less: Preferred share dividends	2.3	15.7	15.7
Net income available to common shareholders	<u>\$ 809.7</u>	<u>\$ 3,285.8</u>	<u>\$ 2,427.0</u>
Per common share:			
Basic	\$ 1.38	\$ 5.62	\$ 4.16
Diluted	\$ 1.38	\$ 5.59	\$ 4.13
Comprehensive income attributable to Progressive	\$ 929.3	\$ 4,049.4	\$ 2,970.7
Less: Preferred share dividends	2.3	15.7	15.7
Comprehensive income attributable to common shareholders	<u>\$ 927.0</u>	<u>\$ 4,033.7</u>	<u>\$ 2,955.0</u>
Per common share:			
Diluted	\$ 1.58	\$ 6.86	\$ 5.03
Average common shares outstanding - Basic	585.0	584.8	583.6
Net effect of dilutive stock-based compensation	2.8	2.8	3.8
Total average equivalent common shares - Diluted	<u>587.8</u>	<u>587.6</u>	<u>587.4</u>

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

	Current Month	Year-to-Date	
		2020	2019
Fully taxable equivalent (FTE) total return:			
Fixed-income securities	0.9%	5.6%	4.6%
Common stocks	5.8%	2.2%	19.7%
Total portfolio	1.3%	5.2%	5.8%
Pretax annualized investment income book yield	2.2%	2.5%	3.1%

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION

July 2020
(\$ in millions)
(unaudited)

Current Month						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 1,626.6	\$ 1,786.7	\$ 3,413.3	\$ 520.7	\$ 175.3	\$ 4,109.3
% Growth in NPW	9%	12%	11%	20%	14%	12%
Net Premiums Earned	\$ 1,532.3	\$ 1,644.8	\$ 3,177.1	\$ 453.9	\$ 150.4	\$ 3,781.4
% Growth in NPE	8%	13%	11%	8%	13%	10%
GAAP Ratios						
Loss/LAE ratio	65.3	64.6	64.9	65.4	48.1	64.3
Expense ratio	17.0	19.8	18.5	19.7	32.3 ¹	19.2
Combined ratio	82.3	84.4	83.4	85.1	80.4 ¹	83.5
Net catastrophe loss ratio ²			0.6	0.1	(0.7)	0.5
Actuarial Adjustments³						
Reserve Decrease/(Increase)						
Prior accident years						\$ 2.9
Current accident year						25.1
Calendar year actuarial adjustment	\$ 2.0	\$ (0.1)	\$ 1.9	\$ 0	\$ 26.1	\$ 28.0
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment						\$ 2.9
All other development						1.2
Total development						\$ 4.1
Calendar year loss/LAE ratio						64.3
Accident year loss/LAE ratio						64.4

¹Included in both the expense ratio and combined ratio is 3.1 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 29.2 and a combined ratio of 77.3.

²Represents catastrophe losses incurred during the period, including the impact of reinsurance, if any, as a percent of net premiums earned. The 2020 catastrophe losses and associated allocated loss adjustment expenses (ALAE) in the Property business have not exceeded the \$375 million annual retention threshold under our catastrophe aggregate excess of loss reinsurance program and, therefore, we have not recorded a reinsurance recoverable related to these losses and ALAE. The negative Property catastrophe losses primarily reflect lower than originally anticipated losses from catastrophes that occurred earlier this year, which more than offset the 9.2 points that we incurred for new events that happened during the month.

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

July 2020
(\$ in millions)
(unaudited)

	Year-to-Date					
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 9,757.8	\$ 10,410.9	\$ 20,168.7	\$ 2,859.9	\$ 1,092.0	\$ 24,120.6
% Growth in NPW	8%	12%	10%	3%	13%	9%
Net Premiums Earned	\$ 9,280.0	\$ 9,805.1	\$ 19,085.1	\$ 2,771.9	\$ 1,003.7	\$ 22,860.7
% Growth in NPE	8%	12%	10%	11%	14%	10%
GAAP Ratios						
Loss/LAE ratio	60.0	59.0	59.4	63.3	80.8	60.9
Expense ratio	24.7	27.0	25.9	23.7	30.2 ¹	25.8
Combined ratio	84.7	86.0	85.3	87.0	111.0 ¹	86.7
Net catastrophe loss ratio ²			1.2	0.3	27.5	2.2
Actuarial Adjustments³						
Reserve Decrease/(Increase)						
Prior accident years						\$ (9.3)
Current accident year						55.3
Calendar year actuarial adjustment	\$ 12.4	\$ 17.0	\$ 29.4	\$ (7.7)	\$ 24.3	\$ 46.0
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment						\$ (9.3)
All other development						(102.7)
Total development						\$ (112.0)
Calendar year loss/LAE ratio						60.9
Accident year loss/LAE ratio						60.4

¹Included in both the expense ratio and combined ratio is 3.3 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 26.9 and a combined ratio of 107.7.

²Represents catastrophe losses incurred during the period, including the impact of reinsurance, if any, 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)

July 2020

CONDENSED GAAP BALANCE SHEET:	
Investments, at fair value:	
Available-for-sale securities:	
Fixed maturities ¹ (amortized cost: \$33,321.4)	\$ 34,730.8
Short-term investments (amortized cost: \$4,955.4)	4,955.4
Total available-for-sale securities	<u>39,686.2</u>
Equity securities:	
Nonredeemable preferred stocks (cost: \$1,205.4)	1,225.6
Common equities (cost: \$1,130.3)	3,350.8
Total equity securities	<u>4,576.4</u>
Total investments ²	<u>44,262.6</u>
Net premiums receivable	7,971.4
Reinsurance recoverables (including \$3,569.5 on unpaid loss and LAE reserves)	3,717.8
Deferred acquisition costs	1,189.1
Goodwill and intangible assets	647.6
Other assets	2,539.5
Total assets	<u>\$ 60,328.0</u>
Unearned premiums	\$ 13,373.3
Loss and loss adjustment expense reserves	18,835.5
Other liabilities ²	5,146.3
Debt	5,394.9
Total liabilities	<u>42,750.0</u>
Shareholders' equity	17,578.0
Total liabilities and shareholders' equity	<u>\$ 60,328.0</u>
Common shares outstanding	585.6
Common shares repurchased - July	0.43
Average cost per common share	\$ 87.87
Book value per common share	\$ 29.17
Trailing 12-month return on average common shareholders' equity	
Net income attributable to Progressive	33.5 %
Comprehensive income attributable to Progressive	38.3 %
Net unrealized pretax gains (losses) on fixed-maturity securities	\$ 1,405.5
Increase (decrease) from June 2020	\$ 148.4
Increase (decrease) from December 2019	\$ 946.1
Debt-to-total capital ratio	23.5 %
Fixed-income portfolio duration	3.0
Weighted average credit quality	AA-

¹ As of July 31, 2020, we held certain hybrid securities and recognized a change in fair value of \$3.9 million as a realized gain during the period we held these securities.

² At July 31, 2020, we had \$372.6 million of net unsettled security transactions classified in "other liabilities."

Monthly Commentary

- During July, auto accident frequency continued to be lower on a year-over-year basis due to restrictions put in place to help slow and/or stop the spread of the novel coronavirus, or COVID-19, which contributed to our companywide loss/LAE ratio for the month being 5.8 points lower than the ratio reported in July last year. In addition, our expense ratio was 1.0 point lower than the ratio reported in July last year, in part reflecting about a 2 point net reduction in our allowance for doubtful accounts based on our reevaluation of the recoverability in our premiums receivable relative to the personal and commercial auto policies that were subject to moratoriums and granted billing leniency from mid-March through mid-May 2020.

Events

We plan to release August results on Thursday, September 17, 2020, before the market opens.

About Progressive

The Progressive Group of Insurance Companies makes it easy to understand, buy and use auto insurance. Progressive offers choices so consumers can reach us whenever, wherever and however it's most convenient - online at 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 auto 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, 2019, and our Quarterly Report on Form 10-Q for the period ending March 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.