

The Progressive Corporation
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PROGRESSIVE REPORTS DECEMBER RESULTS

MAYFIELD VILLAGE, OHIO -- January 25, 2023 -- The Progressive Corporation (NYSE:PGR) today reported the following results for December 2022 and the fourth quarter of 2022:

(millions, except per share amounts and ratios; unaudited)	December			Quarter		
	2022	2021	Change	2022	2021	Change
Net premiums written	\$ 3,574.0	\$ 3,113.3	15 %	\$12,460.2	\$10,749.3	16 %
Net premiums earned	\$ 4,030.0	\$ 3,613.2	12 %	\$12,891.5	\$11,601.4	11 %
Net income	\$ 5.8	\$ 393.3	(99) %	\$ 826.4	\$ 962.3	(14) %
Per share available to common shareholders	\$ 0.01	\$ 0.67	(99) %	\$ 1.40	\$ 1.63	(14) %
Total pretax net realized gains (losses) on securities	\$ (411.1)	\$ 222.3	(285) %	\$ (72.8)	\$ 425.3	(117) %
Combined ratio	93.3	94.6	(1.3) pts.	93.9	94.7	(0.8) pts.
Average diluted equivalent common shares	587.1	586.4	0 %	587.1	586.3	0 %

(thousands; unaudited)	December		
	2022	2021	Change
Policies in Force			
Personal Lines			
Agency – auto	7,766.3	7,879.0	(1) %
Direct – auto	10,131.0	9,568.2	6 %
Total personal auto	<u>17,897.3</u>	<u>17,447.2</u>	3 %
Total special lines	<u>5,558.1</u>	<u>5,288.5</u>	5 %
Total Personal Lines	<u>23,455.4</u>	<u>22,735.7</u>	3 %
Total Commercial Lines	1,046.4	971.2	8 %
Total Property business	<u>2,851.3</u>	<u>2,776.2</u>	3 %
Companywide Total	<u><u>27,353.1</u></u>	<u><u>26,483.1</u></u>	3 %

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 insurance 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 2022

(millions)

(unaudited)

	Current Month	Comments on Monthly Results¹
Net premiums written	<u>\$ 3,574.0</u>	
Revenues:		
Net premiums earned	\$ 4,030.0	
Investment income	152.5	
Net realized gains (losses) on securities:		
Net realized gains (losses) on security sales	(205.2)	
Net holding period gains (losses) on securities	(205.2)	
Net impairment losses recognized in earnings	(0.7)	
Total net realized gains (losses) on securities	<u>(411.1)</u>	
Fees and other revenues	56.8	
Service revenues	20.1	
Total revenues	<u>3,848.3</u>	
Expenses:		
Losses and loss adjustment expenses	3,070.4	
Policy acquisition costs	328.6	
Other underwriting expenses	419.1	
Investment expenses	1.6	
Service expenses	22.7	
Interest expense	21.1	
Total expenses	<u>3,863.5</u>	
Income (loss) before income taxes	(15.2)	
Provision (benefit) for income taxes	(21.0)	Includes \$15.7 million of tax benefits primarily related to an increase in state deferred tax assets, in part driven by a decline in the valuation of certain equity investments.
Net income	<u>5.8</u>	
Other comprehensive income (loss)		
Changes in:		
Total net unrealized gains (losses) on fixed-maturity securities	22.1	Includes \$8.6 million of tax benefits related to an increase in state deferred tax assets due to a decline in valuation of certain fixed-maturity securities during the year.
Net unrealized losses on forecasted transactions	0	
Foreign currency translation adjustment	0	
Other comprehensive income (loss)	<u>22.1</u>	
Total comprehensive income (loss)	<u>\$ 27.9</u>	

¹ For a description of our financial reporting and accounting policies, see Note 1 to our 2021 audited consolidated financial statements included in our 2021 Shareholders' Report, which can be found at www.progressive.com/annualreport.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPREHENSIVE INCOME STATEMENTS

December 2022

(millions)

(unaudited)

	Full Year		% Change
	2022	2021	
Net premiums written	\$ 51,081.1	\$ 46,405.2	10
Revenues:			
Net premiums earned	\$ 49,241.2	\$ 44,368.7	11
Investment income	1,260.3	860.9	46
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	196.5	614.3	(68)
Net holding period gains (losses) on securities	(2,100.1)	899.9	(333)
Net impairment losses recognized in earnings	(8.6)	(5.0)	72
Total net realized gains (losses) on securities	(1,912.2)	1,509.2	(227)
Fees and other revenues	722.1	691.8	4
Service revenues	299.3	271.4	10
Total revenues	49,610.7	47,702.0	4
Expenses:			
Losses and loss adjustment expenses	38,122.7	33,627.6	13
Policy acquisition costs	3,917.0	3,712.8	5
Other underwriting expenses	5,859.6	5,654.7	4
Investment expenses	24.3	25.5	(5)
Service expenses	296.7	252.8	17
Interest expense	243.5	218.6	11
Goodwill impairment	224.8	0	NM
Total expenses	48,688.6	43,492.0	12
Income before income taxes	922.1	4,210.0	(78)
Provision for income taxes	200.6	859.1	(77)
Net income	721.5	3,350.9	(78)
Other comprehensive income (loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	(2,842.5)	(891.1)	219
Net unrealized losses on forecasted transactions	0.4	0.7	(43)
Foreign currency translation adjustment	(0.6)	(0.6)	0
Other comprehensive income (loss)	(2,842.7)	(891.0)	219
Total comprehensive income (loss)	\$ (2,121.2)	\$ 2,459.9	(186)

NM = Not Meaningful

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

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

	Current Month	Full Year	
		2022	2021
Net income	\$ 5.8	\$ 721.5	\$ 3,350.9
Less: Preferred share dividends	2.3	26.9	26.9
Net income available to common shareholders	<u>\$ 3.5</u>	<u>\$ 694.6</u>	<u>\$ 3,324.0</u>
Per common share:			
Basic	\$ 0.01	\$ 1.19	\$ 5.69
Diluted	\$ 0.01	\$ 1.18	\$ 5.66
Comprehensive income (loss)	\$ 27.9	\$ (2,121.2)	\$ 2,459.9
Less: Preferred share dividends	2.3	26.9	26.9
Comprehensive income (loss) attributable to common shareholders	<u>\$ 25.6</u>	<u>\$ (2,148.1)</u>	<u>\$ 2,433.0</u>
Per common share:			
Diluted ¹	\$ 0.04	\$ (3.68)	\$ 4.14
Average common shares outstanding - Basic	584.5	584.4	584.5
Net effect of dilutive stock-based compensation	2.6	2.7	2.6
Total average equivalent common shares - Diluted	<u>587.1</u>	<u>587.1</u>	<u>587.1</u>

¹ Basic earnings per share is disclosed where a comprehensive loss attributable to common shareholders is reported since diluted earnings per share are antidilutive.

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

	Current Month	Full Year	
		2022	2021
Fully taxable equivalent (FTE) total return:			
Fixed-income securities	(0.1)%	(6.6)%	(0.1)%
Common stocks	(6.8)%	(19.4)%	33.4%
Total portfolio	(0.4)%	(7.8)%	2.6%
Pretax annualized investment income book yield	3.3% ¹	2.4%	1.9%

¹ During December we recorded approximately \$21 million (or a 0.5% contribution) of additional investment income on our asset-backed securities under the retrospective method of accounting. See Note 1 to our 2021 audited consolidated financial statements for a description of our financial reporting and accounting policies.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION

December 2022

(\$ in millions)

(unaudited)

Current Month						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 1,348.3	\$ 1,521.6	\$ 2,869.9	\$ 497.8	\$ 206.2	\$ 3,574.0
% Growth in NPW	17%	21%	19%	(4)%	11%	15%
Net Premiums Earned	\$ 1,440.8	\$ 1,676.0	\$ 3,116.8	\$ 715.3	\$ 197.6	\$ 4,030.0
% Growth in NPE	9%	15%	12%	11%	7%	12%
GAAP Ratios						
Loss/LAE ratio	74.4	77.5	76.1	75.1	78.3	76.0
Expense ratio	18.1	13.6 ¹	15.7	21.7	26.5	17.3
Combined ratio	92.5	91.1	91.8	96.8	104.8	93.3
Net catastrophe loss ratio ²			0.8	0.3	18.0	1.6
Actuarial Adjustments³						
Reserve Decrease/(Increase)						
Prior accident years					\$	5.6
Current accident year						(19.7)
Calendar year actuarial adjustment	\$ (2.5)	\$ (1.3)	\$ (3.8)	\$ (25.5)	15.2	\$ (14.1)
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment					\$	5.6
All other development						33.0
Total development					\$	38.6
Calendar year loss/LAE ratio						76.0
Accident year loss/LAE ratio						77.0

¹ December Direct expense ratio is lower than the full year primarily due to lower advertising expense.

² Represents 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 primarily related to winter storms, wind, and thunderstorms throughout the United States.

As previously announced, during December 2022, we updated our incurred loss estimates related to Hurricane Ian, which made multiple landfalls beginning in late September 2022. During the month, our estimate for our vehicle losses, which includes boats and recreational vehicles, was essentially unchanged. For our Property business, prior to giving effect to reinsurance, our estimate of loss and allocated loss adjustment expenses (ALAE) was reduced \$400 million during the month, bringing the current estimate of ultimate losses and ALAE to \$1 billion at year end 2022. Given that we exceeded our \$200 million retention threshold under our reinsurance contracts in September 2022, this change in estimate for our Property losses and ALAE did not impact our results of operations for December.

³ Represents 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 2022

(\$ in millions)

(unaudited)

Full Year						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 18,334.2	\$ 20,944.3	\$ 39,278.5	\$ 9,398.8	\$ 2,401.7	\$ 51,081.1
% Growth in NPW	6%	11%	9%	17%	8%	10%
Net Premiums Earned	\$ 17,744.7	\$ 20,135.5	\$ 37,880.2	\$ 9,088.3	\$ 2,270.0	\$ 49,241.2
% Growth in NPE	5%	9%	7%	31%	11%	11%
GAAP Ratios						
Loss/LAE ratio	78.1	78.6	78.3	71.5	83.3	77.3
Expense ratio	17.8	17.6	17.7	19.6	27.2	18.5
Combined ratio	95.9	96.2	96.0	91.1	110.5	95.8
Net catastrophe loss ratio ¹			2.8	0.4	25.6	3.4
Actuarial Adjustments²						
Reserve Decrease/(Increase)						
Prior accident years					\$ (105.5)	
Current accident year						(83.8)
Calendar year actuarial adjustment	\$ (33.1)	\$ (0.7)	\$ (33.8)	\$ (112.4)	\$ (43.1)	\$ (189.3)
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment					\$ (105.5)	
All other development						191.8
Total development					\$ 86.3	
Calendar year loss/LAE ratio						77.3
Accident year loss/LAE ratio						77.5

¹ Represents catastrophe losses incurred during the period, including the impact of reinsurance, as a percent of net premiums earned.

² Represents 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
2022**

CONDENSED GAAP BALANCE SHEET:	
Investments, at fair value:	
Available-for-sale securities:	
Fixed maturities ¹ (amortized cost: \$50,264.0)	\$ 46,651.9
Short-term investments (amortized cost: \$2,861.7)	2,861.7
Total available-for-sale securities	<u>49,513.6</u>
Equity securities:	
Nonredeemable preferred stocks (cost: \$1,364.2)	1,213.2
Common equities (cost: \$826.1)	2,821.5
Total equity securities	<u>4,034.7</u>
Total investments ^{2,3}	<u>53,548.3</u>
Net premiums receivable	10,416.9
Reinsurance recoverables (including \$5,559.2 on unpaid loss and LAE reserves)	5,832.1
Deferred acquisition costs	1,544.4
Goodwill and intangible assets	314.2
Other assets ²	3,809.1
Total assets	<u>\$ 75,465.0</u>
Unearned premiums	\$ 17,293.6
Loss and loss adjustment expense reserves	30,359.3
Other liabilities	5,532.8
Debt	6,388.3
Total liabilities	<u>59,574.0</u>
Shareholders' equity	<u>15,891.0</u>
Total liabilities and shareholders' equity	<u>\$ 75,465.0</u>
Common shares outstanding	584.9
Common shares repurchased - December	0.07
Average cost per common share	\$ 128.60
Book value per common share	\$ 26.32
Trailing 12-month return on average common shareholders' equity	
Net income	4.4 %
Comprehensive income	(13.5)%
Net unrealized pretax gains (losses) on fixed-maturity securities	\$ (3,537.6)
Increase (decrease) from November 2022	\$ 17.1
Increase (decrease) from December 2021	\$ (3,609.0)
Debt-to-total capital ratio	28.7 %
Fixed-income portfolio duration	2.9
Weighted average credit quality	AA

¹ As of December 31, 2022, we held certain hybrid securities and recognized a change in fair value of \$74.5 million as a realized loss during the period we held these securities.

² At December 31, 2022, we had \$34.4 million of net unsettled security transactions classified in "other assets."

³ Includes \$4.4 billion, net of unsettled security transactions, of investments in a consolidated, non-insurance subsidiary of the holding company.

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, February 28, 2023, at 9:30 a.m. eastern time. The call and webcast is scheduled to last 90 minutes and will begin with an approximate 45-minute presentation on usage-based insurance, followed by a question and answer session with Tricia Griffith, our CEO, and John Sauerland, our CFO. We plan to post our 2022 Shareholders' Report online and file our Annual Report on Form 10-K with the SEC on Monday, February 27, 2023. 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 15, 2023, before the market opens.

About Progressive

Progressive Insurance® makes it easy to understand, buy and use car insurance, home insurance, and other protection needs. Progressive offers choices so consumers can reach us however it's most convenient for them — online at [progressive.com](https://www.progressive.com), by phone at 1-800-PROGRESSIVE, via the Progressive mobile app, 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.

Regulation FD Disclosure Outlets

The Company disseminates information to the public about the Company, its products, services and other matters through various outlets in order to achieve broad, non-exclusionary distribution of information to the public. These outlets include the Company's website ([progressive.com](https://www.progressive.com)) and its investor relations website (investors.progressive.com). We encourage investors and others to review the information the Company makes public through these outlets, as such information distributed through these outlets may be considered to be material information.

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 and the continued availability of reinsurance and performance by reinsurers;
- 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 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 and changing 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 acquire or 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 impact on our investment returns and strategies from regulations and societal pressures relating to environmental, social, and other public policy matters;
- the elimination of 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;
- the impacts of the COVID-19 pandemic and measures taken in response; 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, 2021.

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.