

The Progressive Corporation
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PROGRESSIVE REPORTS APRIL RESULTS

MAYFIELD VILLAGE, OHIO -- May 20, 2020 -- The Progressive Corporation (NYSE:PGR) today reported the following results for April 2020:

(millions, except per share amounts and ratios; unaudited)	April		
	2020	2019	Change
Net premiums written	\$ 3,764.2	\$ 3,669.8	3 %
Net premiums earned	\$ 3,634.3	\$ 3,348.3	9 %
Net income attributable to Progressive	\$ 952.6	\$ 487.8	95 %
Per share available to common shareholders	\$ 1.62	\$ 0.83	96 %
Total pretax net realized gains (losses) on securities	\$ 537.3	\$ 131.6	308 %
Combined ratio	83.4	87.4	(4.0) pts.
Average diluted equivalent common shares	587.2	586.7	0 %

(thousands; unaudited)	April		
	2020	2019	Change
Policies in Force			
Personal Lines			
Agency – auto	7,237.1	6,687.2	8 %
Direct – auto	8,269.2	7,427.8	11 %
Total personal auto	15,506.3	14,115.0	10 %
Total special lines	4,618.1	4,444.2	4 %
Total Personal Lines	20,124.4	18,559.2	8 %
Total Commercial Lines	764.6	721.7	6 %
Property business	2,282.7	2,024.8	13 %
Companywide Total	23,171.7	21,305.7	9 %

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

April 2020

(millions)

(unaudited)

	Current Month	Comments on Monthly Results¹
Net premiums written	\$ 3,764.2	
Revenues:		
Net premiums earned	\$ 3,634.3	
Investment income	82.7	
Net realized gains (losses) on securities:		
Net realized gains (losses) on security sales	135.4	
Net holding period gains (losses) on securities	401.9	
Total net realized gains (losses) on securities	537.3	
Fees and other revenues	44.3	
Service revenues	20.7	
Total revenues	4,319.3	
Expenses:		
Losses and loss adjustment expenses	1,743.8	
Policy acquisition costs	298.5	
Other underwriting expenses	525.4	
Policyholder credit expense	506.5	
Investment expenses	1.6	
Service expenses	17.5	
Interest expense	18.8	
Total expenses	3,112.1	
Income before income taxes	1,207.2	
Provision for income taxes	254.6	
Net income	952.6	
Other comprehensive income (loss)		
Changes in:		
Total net unrealized gains (losses) on fixed-maturity securities	248.7	
Net unrealized losses on forecasted transactions	0	
Other comprehensive income (loss)	248.7	
Total comprehensive income attributable to Progressive	\$ 1,201.3	

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

April 2020

(millions)

(unaudited)

	Year-to-Date		% Change
	2020	2019	
Net premiums written	\$ 13,635.5	\$ 12,909.7	6
Revenues:			
Net premiums earned	\$ 13,065.0	\$ 11,808.1	11
Investment income	323.9	333.8	(3)
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	450.6	68.9	NM
Net holding period gains (losses) on securities	(466.9)	501.5	(193)
Net impairment losses recognized in earnings	0	(24.3)	(100)
Total net realized gains (losses) on securities	(16.3)	546.1	(103)
Fees and other revenues	197.8	181.0	9
Service revenues	72.3	60.8	19
Total revenues	13,642.7	12,929.8	6
Expenses:			
Losses and loss adjustment expenses	7,899.0	7,991.2	(1)
Policy acquisition costs	1,081.3	991.4	9
Other underwriting expenses	1,935.3	1,635.3	18
Policyholder credit expense	506.5	0	NM
Investment expenses	6.9	8.6	(20)
Service expenses	65.0	54.2	20
Interest expense	66.8	63.2	6
Total expenses	11,560.8	10,743.9	8
Income before income taxes	2,081.9	2,185.9	(5)
Provision for income taxes	430.2	615.2	(30)
Net income	1,651.7	1,570.7	5
Net (income) loss attributable to noncontrolling interest (NCI) ¹	0	(4.5)	(100)
Net income attributable to Progressive	1,651.7	1,566.2	5
Other comprehensive income (loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	311.5	295.6	5
Net unrealized losses on forecasted transactions	0.2	0.2	0
Other comprehensive income (loss)	311.7	295.8	5
Other comprehensive (income) loss attributable to NCI ¹	0	(2.1)	(100)
Total comprehensive income attributable to Progressive	\$ 1,963.4	\$ 1,859.9	6

NM = Not Meaningful

¹On April 1, 2020, we acquired all of the remaining outstanding stock of ARX Holding Corp., pursuant to a negotiated purchase agreement.

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
COMPUTATION OF NET INCOME AND COMPREHENSIVE INCOME PER SHARE
&
INVESTMENT RESULTS
April 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	\$ 952.6	\$ 1,651.7	\$ 1,566.2
Less: Preferred share dividends	2.2	8.9	8.9
Net income available to common shareholders	<u>\$ 950.4</u>	<u>\$ 1,642.8</u>	<u>\$ 1,557.3</u>
Per common share:			
Basic	\$ 1.63	\$ 2.81	\$ 2.67
Diluted	\$ 1.62	\$ 2.80	\$ 2.65
Comprehensive income attributable to Progressive	\$ 1,201.3	\$ 1,963.4	\$ 1,859.9
Less: Preferred share dividends	2.2	8.9	8.9
Comprehensive income attributable to common shareholders	<u>\$ 1,199.1</u>	<u>\$ 1,954.5</u>	<u>\$ 1,851.0</u>
Per common share:			
Diluted	\$ 2.04	\$ 3.33	\$ 3.16
Average common shares outstanding - Basic	584.8	584.7	583.5
Net effect of dilutive stock-based compensation	2.4	2.3	3.1
Total average equivalent common shares - Diluted	<u>587.2</u>	<u>587.0</u>	<u>586.6</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	1.6%	2.8%	2.6%
Common stocks	13.0%	(10.2)%	17.6%
Total portfolio	2.3%	1.7%	3.8%
Pretax annualized investment income book yield	2.6%	2.6%	3.1%

THE PROGRESSIVE CORPORATION AND SUBSIDIARIES
SUPPLEMENTAL INFORMATION

April 2020
(\$ in millions)
(unaudited)

Current Month						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 1,570.8	\$ 1,630.5	\$ 3,201.3	\$ 407.7	\$ 155.2	\$ 3,764.2
% Growth in NPW	2%	8%	5%	(16)%	10%	3%
Net Premiums Earned	\$ 1,490.0	\$ 1,573.0	\$ 3,063.0	\$ 428.0	\$ 143.3	\$ 3,634.3
% Growth in NPE	7%	10%	9%	5 %	14%	9%
GAAP Ratios						
Loss/LAE ratio	44.0	40.5	42.3	50.3	164.2	48.0
Expense ratio	36.4	37.8	37.1	24.8	29.6 ¹	35.4
Combined ratio	80.4	78.3	79.4	75.1	193.8 ¹	83.4
Net catastrophe loss ratio ²			2.7	0.6	102.0	6.3
Actuarial Adjustments³						
Reserve Decrease/(Increase)						
Prior accident years						\$ (1.8)
Current accident year						(3.2)
Calendar year actuarial adjustment	\$ 2.9	\$ 1.9	\$ 4.8	\$ 0	\$ (9.8)	\$ (5.0)
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment						\$ (1.8)
All other development						27.9
Total development						\$ 26.1
Calendar year loss/LAE ratio						48.0
Accident year loss/LAE ratio						48.7

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 26.3 and a combined ratio of 190.5.

²Represents catastrophe losses incurred during the period, including the impact of reinsurance, if any, as a percent of net premiums earned. During April, the great plains, central, and southeast United States experienced wind, tornado, and hail storms. 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.

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

April 2020
(\$ in millions)
(unaudited)

Year-to-Date						
	Personal Lines Business			Commercial Lines Business	Property Business	Companywide Total
	Agency	Direct	Total			
Net Premiums Written	\$ 5,597.3	\$ 5,927.9	\$ 11,525.2	\$ 1,551.8	\$ 558.5	\$ 13,635.5
% Growth in NPW	6%	8%	7%	(6)%	13%	6%
Net Premiums Earned	\$ 5,318.7	\$ 5,565.4	\$ 10,884.1	\$ 1,617.0	\$ 563.9	\$ 13,065.0
% Growth in NPE	9%	11%	10%	14 %	16%	11%
GAAP Ratios						
Loss/LAE ratio	58.9	58.6	58.7	63.4	85.1	60.4
Expense ratio	24.3	26.8	25.6	23.0	30.0 ¹	25.5
Combined ratio	83.2	85.4	84.3	86.4	115.1 ¹	85.9
Net catastrophe loss ratio ²			1.1	0.2	33.3	2.4
Actuarial Adjustments³						
Reserve Decrease/(Increase)						
Prior accident years						\$ (11.3)
Current accident year						(1.6)
Calendar year actuarial adjustment	\$ 6.5	\$ 7.2	\$ 13.7	\$ (9.1)	\$ (17.5)	\$ (12.9)
Prior Accident Years Development						
Favorable/(Unfavorable)						
Actuarial adjustment						\$ (11.3)
All other development						(106.7)
Total development						\$ (118.0)
Calendar year loss/LAE ratio						60.4
Accident year loss/LAE ratio						59.5

¹Included in both the expense ratio and combined ratio is 3.4 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 26.6 and a combined ratio of 111.7.

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)

April 2020

CONDENSED GAAP BALANCE SHEET:	
Investments, at fair value:	
Available-for-sale securities:	
Fixed maturities ¹ (amortized cost: \$33,360.1)	\$ 34,207.0
Short-term investments (amortized cost: \$3,111.8)	3,111.8
Total available-for-sale securities	<u>37,318.8</u>
Equity securities:	
Nonredeemable preferred stocks (cost: \$1,045.1)	1,010.0
Common equities (cost: \$1,113.1)	2,944.3
Total equity securities	<u>3,954.3</u>
Total investments ²	<u>41,273.1</u>
Net premiums receivable	7,537.2
Reinsurance recoverables (including \$3,462.1 on unpaid loss and LAE reserves)	3,646.1
Deferred acquisition costs	1,116.6
Goodwill and intangible assets	661.8
Other assets	2,603.9
Total assets	<u>\$ 56,838.7</u>
Unearned premiums	\$ 12,725.1
Loss and loss adjustment expense reserves	18,136.8
Other liabilities ²	5,020.2
Debt	5,394.2
Total liabilities	<u>41,276.3</u>
Shareholders' equity	15,562.4
Total liabilities and shareholders' equity	<u>\$ 56,838.7</u>

Common shares outstanding	585.3
Common shares repurchased - April	0
Average cost per common share	\$ 0
Book value per common share	\$ 25.74
Trailing 12-month return on average common shareholders' equity	
Net income attributable to Progressive	29.8 %
Comprehensive income attributable to Progressive	33.4 %
Net unrealized pretax gains (losses) on fixed-maturity securities	\$ 853.7
Increase (decrease) from March 2020	\$ 314.8
Increase (decrease) from December 2019	\$ 394.3
Debt-to-total capital ratio	25.7 %
Fixed-income portfolio duration	3.0
Weighted average credit quality	AA-

¹ As of April 30, 2020, we held certain hybrid securities and recognized a change in fair value of \$6.8 million as a realized loss during the period we held these securities.

² At April 30, 2020, we had \$8.7 million of net unsettled security transactions classified in "other liabilities."

Monthly Commentary

- During April, our results continued to be impacted by the spread of the novel coronavirus, COVID-19, and federal, state, and local social distancing and shelter-in-place restrictions that were enacted ("COVID-19 restrictions"). Net premiums written, losses and loss adjustment expenses (LAE), and underwriting expenses experienced the most significant changes during the month.
 - New applications decreased 14% and 26%, on a year-over-year basis, for Personal Lines and Commercial Lines, respectively, thus deflating the net premiums written growth rate for April. Policies in force growth was consistent with March 2020 month end as increases in renewal applications in part offset the decreases in new applications and due to the billing leniencies in place.
 - The companywide loss/LAE ratio for April was 18.7 points lower than the ratio reported in April 2019, reflecting the significant decrease in auto accident frequency that we experienced as a result of the COVID-19 restrictions.
 - During the month, we continued to evaluate the recoverability of our premiums receivable in light of the billing leniencies we had in place (including our program to not cancel or non-renew due to non-payment and to pause collection efforts) and considering the impact of the moratoriums in place through May 15, 2020. Based on this analysis, we recognized an additional allowance for doubtful accounts, which increased our underwriting expense ratio and combined ratio about 1.8 points.
- During April, we incurred \$506.5 million, or 13.9 points on the companywide expense ratio, pursuant to our previously announced plan to issue a credit to personal auto customers with a policy in force on April 30, 2020, in response to the reduction in auto accident frequency resulting from COVID-19 restrictions. The credits and payments are equal to 20% of the monthly premiums on the applicable policies. We expect to incur a similar amount of additional expense in May for customers with a policy in force on May 31, 2020.

Events

We plan to release May results on Wednesday, June 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.