The Progressive Corporation
2020 Annual Report

About
Progressive

The Progressive Group of Insurance Companies, in business since 1937, is one of the country's largest auto insurance groups, the largest seller of motorcycle policies, the market leader in commercial auto insurance, and one of the top 15 homeowners carriers, based on premiums written. Progressive is committed to becoming consumers' number one choice and destination for auto and other insurance by providing competitive rates and innovative products and services that meet customers' needs throughout their lifetimes, including superior mobile, online, and in-person customer service, and best-in-class, 24-hour claims service.

Progressive companies offer consumers choices in how to shop for, buy, and manage their insurance policies. Progressive offers personal and commercial auto, motorcycle, boat, recreational vehicle, and home insurance. We operate our Personal and Commercial Lines businesses through more than 40,000 independent insurance agencies throughout the U.S. and directly from the Company online, by phone, or on mobile devices. Our homeowners business is underwritten by Progressive Home, and other select carriers, throughout the United States.

Contents

Resilience

In mid-March 2020, our world changed with the onset of the COVID-19 pandemic. Our over 43,000 Progressive people found creative ways to meet the needs of our customers, communities, and agent partners while working safely from home. We faced struggles with balancing work, homeschooling, sickness, and, tragically, the loss of our loved ones. Incidents of racial injustice drew widespread attention and sparked a nationwide conversation about historic and contemporary inequality. Because Progressive's people and culture are so special, we remained resilient through it all. As a company, we dug deep into our Core Values, and recommitted to confronting our unconscious biases and building an environment of diversity and inclusion. Because of everything we have collectively endured, we chose "Resilience" as the theme for this year's report. Artist Aliza Nisenbaum's portraits of people connecting from home and heroes on the frontlines are a fitting tribute to the strength of the human spirit. Her personal engagement and earned relationships with her subjects exemplify her social practice and our shared respect for all individuals. A selection of Nisenbaum's work will join Progressive's growing collection of contemporary art.

Five-Year Financial Highlights

(billions – except per share amounts)

For the Year	2020	2019	2018	2017	2016
Net premiums written	$ 40.6	$ 37.6	$ 32.6	$ 27.1	$ 23.4
Growth over prior year	8%	15%	20%	16%	14%
Net premiums earned	$ 39.3	$ 36.2	$ 30.9	$ 25.7	$ 22.5
Growth over prior year	8%	17%	20%	14%	13%
Total revenues	$ 42.7	$ 39.0	$ 32.0	$ 26.8	$ 23.4
Net income attributable to Progressive	$ 5.70	$ 3.97	$ 2.62	$ 1.59	$ 1.03
Per common share	$ 9.66	$ 6.72	$ 4.42	$ 2.72	$ 1.76
Underwriting margin	12.3%	9.1%	9.4%	6.6%	4.9%

(billions – except shares outstanding, per share amounts, and policies in force)

At Year-End	2020	2019	2018	2017	2016
Common shares outstanding (millions)	585.2	584.6	583.2	581.7	579.9
Book value per common share	$ 28.27	$ 22.54	$ 17.71	$ 15.96	$ 13.72
Consolidated shareholders' equity	$ 17.0	$ 13.7	$ 10.8	$ 9.3	$ 8.0
Common share close price	$ 98.88	$ 72.39	$ 60.33	$ 56.32	$ 35.50
Market capitalization	$ 57.9	$ 42.3	$ 35.2	$ 32.8	$ 20.6
Return on average common shareholders' equity					
Net income attributable to Progressive	35.6%	31.3%	24.7%	17.8%	13.2%
Comprehensive income attributable to Progressive	39.3%	35.0%	23.8%	21.7%	14.9%
Policies in force (thousands)					
Personal Lines					
Agency – auto	7,617.0	6,994.3	6,358.3	5,670.7	5,045.4
Direct – auto	8,881.4	7,866.5	7,018.5	6,039.1	5,348.3
Special lines	4,915.1	4,547.8	4,382.2	4,365.7	4,263.1
Total Personal Lines	21,413.5	19,408.6	17,759.0	16,075.5	14,656.8
Growth over prior year	10%	9%	10%	10%	6%
Commercial Lines	822.0	751.4	696.9	646.8	607.9
Growth over prior year	9%	8%	8%	6%	9%
Property	2,484.4	2,202.1	1,936.5	1,461.7	1,201.9
Growth over prior year	13%	14%	32%	22%	12%
Companywide total	24,719.9	22,362.1	20,392.4	18,184.0	16,466.6
Growth over prior year	11%	10%	12%	10%	7%
Private passenger auto insurance market[1]	NA	$ 247.4	$ 240.9	$ 222.3	$ 206.6
Market share[2]	NA	12.4%	11.1%	10.1%	9.4%

Stock Price Appreciation[3]	1-Year	3-Year	5-Year
Progressive	41.4%	24.5%	29.1%
S&P 500	18.3%	14.1%	15.2%

NA = Final comparable industry data will not be available until our third quarter report.

[1] Represents net premiums written as reported by A.M. Best Company, Inc.

[2] Represents Progressive's private passenger auto business, including motorcycle insurance, as a percent of the private passenger auto insurance market.

[3] Represents average annual compounded rate of increase and assumes dividend reinvestment.

Four
Cornerstones

Our four cornerstones—who we are, why we are here, where we are headed, and how we will get there—are the construct Progressive uses to think about having a competitive advantage. These cornerstones permit all people associated with us to understand what we expect of ourselves and each other and how we conduct our business.

Core Values > Who we are

Progressive's Core Values serve as the foundation for our corporate culture. They govern our decisions and define the manner in which we conduct our business and how we interact with all interested parties. We want them understood and embraced by all Progressive people.

Integrity We revere honesty. We adhere to high ethical standards, provide timely, accurate, and complete financial reporting, encourage disclosing bad news, and welcome disagreement.

Golden Rule We respect all people, value the differences among them, and deal with them in the way they want to be dealt with. This requires us to know ourselves and to try to understand others.

Objectives We strive to communicate clearly Progressive's ambitious objectives and our people's personal and team objectives. We evaluate performance against all these objectives.

Excellence We strive constantly to improve in order to meet and exceed the highest expectations of our customers, agents, shareholders, and people. We teach and encourage our people to improve performance and to reduce the costs of what they do for customers. We base their rewards on results and promotion on ability.

Profit We seek to earn a profit by offering consumers products and services they want. Profit is how the free-enterprise system motivates investment and rewards companies that consistently create value.

Purpose > Why we're here

True to our name. Progressive.

Vision > Where we're headed

Become consumers' and agents' #1 choice and destination for auto, home, and other insurance.

Strategy > How we'll get there

We will achieve our Vision through four Strategic Pillars:

1. Ensuring that our people and culture collectively remain our most powerful source of competitive advantage;
2. Meeting the broader needs of our customers throughout their lifetimes;
3. Maintaining a leading brand recognized for innovative offerings and supported by experiences that instill confidence; and
4. Offering competitive prices driven by industry-leading segmentation, claims accuracy, and operational efficiency.


Resilient
COURAGE
Still I Rise
THRIVE
Survivor
ENDURE
Stand Up
#PGR STRONG
PRIDE
Persist
RES PECT
Together

Letter to Shareholders

What a year! Each year when I choose the theme for the annual report, I have an internal debate with myself over the exact right word or words to help describe that given year. That did not happen this year. I knew very early on that “Resilience” was the perfect expression of 2020.

In March 2020, when the first of hundreds of conversations with my team began, we knew that times such as these required a cogent plan with a lot of flexibility as the pandemic unfolded. I imagine that many companies did not have a clear blueprint for managing through these extraordinary events, including the social unrest that soon followed, and scrambled to react to the incoming obstacles. Thankfully, our guidance is very clear and led by our five Core Values. As we made decisions that would impact our employees, customers, agents, communities, and shareholders, we reflected on always striving to do the right thing given the circumstances. Through our newly created Apron Relief Program, a nod to our iconic apron that stands for hard work, progress, and protection, we provided support for our constituents knowing that every dollar of assistance would help to ease their burden.

It was clear early on that shelter-in-place orders would limit vehicle miles driven and we saw that happen in April when miles driven reached its nadir. Since then, miles driven have varied based on specific state restrictions and expansion and contraction of COVID-19 cases. That said, early on we knew that the right thing to do, following our Golden Rule core value, was to provide $1.1 billion of relief quickly in the form of credits to our personal auto policyholders. We normally like to be more surgical when approaching a problem, but we knew that time was of the essence. In addition, from April through December, we filed personal auto rate changes that averaged a decrease of approximately 3% in over 40 states that represent approximately 85% of our countrywide personal auto premium, thereby providing our customers aggregate annualized savings estimated at $800 million. Also, during the first couple of months of the pandemic, we granted billing leniency, where we did not cancel policies for nonpayments, and gave options to customers who needed our assistance with paying their premiums. I’ve heard directly from many customers regarding how appreciative they were with how they have been treated during this tumultuous time. I could go on and on, but I thought that sharing this email from a claim representative helps to show how we think about the customers that we are so privileged to serve.

"Good morning Progressive family! I recently had a claim where I had to total a car our insured was living inside with his young daughter and it broke my heart. After shedding a tear (many tears), it immediately reminded me of how important our jobs are here at Progressive. How every interaction we have with our customers is an opportunity for us to make a positive impact in our customers lives. While we couldn't do anything about their car, we were able to walk them through a difficult situation they knew little about.

So, if you're having a bad day, stressed out or are going through something yourself, it is always good to stop… take a deep breath…and remind yourself about the golden rule to treat our customers like they are family."

This email also reminds us that homelessness happens for many reasons and is always tragic, especially so during a global pandemic. Along with donating to causes to help curb homelessness, in 2019 we decided to partner with a non-profit organization, Humble Design, to address this societal issue.

This new relationship extends our community outreach platform to include furnishing homes for the homeless, in addition to our annual veteran vehicle giveaways through our Keys to Progress® program. Humble Design's mission is to serve individuals, families, and veterans emerging from homelessness by furnishing empty homes with donated furniture and household goods. Statistics show that approximately 50% of homeless families placed in permanent housing return to shelters within 12 months. According to Humble Design, its transformation of empty houses into warm and welcoming homes has reduced that number to less than 1% for the more than 1,500 homes transformed since its inception in 2009. Humble Design's dedication to helping homeless families move forward aligns very well with Progressive's commitment to making progress and continuously striving to do better.

Despite the COVID pandemic and with our assistance, Humble Design established a Cleveland presence in 2020—setting up its fifth local operation (they also have locations in Chicago, Detroit, San Diego, and Seattle). By mid-summer, Progressive employees were helping them fill the Cleveland warehouse with furnishings and household goods to enable Humble Design Cleveland to serve several local families through either curbside delivery of furniture and needed household items or a full home design experience (called "home decos").

Humble Design is on pace to do at least one curbside delivery or full home deco throughout Cleveland weekly throughout 2021. Providing funding for expansion into other cities where Progressive operates is under consideration as we better understand the pandemic situation and the local needs of the homeless population in those communities.

As if a pandemic headwind wasn't enough, as a country we encountered many tragic events during 2020 that highlighted the need for Progressive to make an even greater commitment to equality. I highlighted some of our initiatives in my third quarter letter to shareholders and thought it was important to reiterate our assurance that we will aggressively work on the following:

- maintaining a fair and inclusive work environment
- contributing to our communities
- reflecting the customers we serve
- having our leadership reflect the people they lead

We know that when people can bring their whole selves to work, we all benefit and it just makes work seem a lot less like, well work. Having been at Progressive for over 33 years, it has been a joy to be a part of getting the company to where it is with our Diversity and Inclusion initiatives and I'm thrilled to lead, alongside the entire Progressive leadership team, the next wave of objectives. Make no mistake that we still have much work to do, and our commitment has never been stronger.

Creating a better future for our employees, agents, communities, shareholders, and the millions of customers who trust us to protect what's most important to them is very important to us. Recently, we published our inaugural Corporate Sustainability Report. We've made considerable progress over the years, and we believe now is the time to publicly share what we've accomplished and the work that lies ahead of us. Please take the time to view the report on our Investor Website at *progressive.com/sustainability*.

Details of the Year

The information provided in the business unit operating summaries gives more complete particulars but suffice it to say that 2020 was a year of uncertainty and that uncertainty remains as we head into 2021. The key, of course, is to focus on being nimble while concentrating on our customers. We are doing our best to personalize every conversation when customers need our help and we are being as flexible with them as we can during these trying times. We also provide our usage-based insurance offerings (Snapshot®, SmartHaul® and Snapshot Proview®), in both our Personal and Commercial Lines businesses, as another way that consumers and customers are able to help control the cost of their vehicle policies based on their driving behaviors. In turn, we hope that they will show support with their decision to choose, and stay, with Progressive. Our retention (measured by policy life expectancy or PLE) shows consistent improvement throughout the year, although we believe a portion of the PLE increase is due to billing leniency efforts in place during part of 2020.

The year ended with a companywide combined ratio (CR) of 87.7 and year-over-year net premiums written (NPW) growth of 8%. We are delighted with these results given both the amazing prior year results and all that came our way during this turbulent year. Our ultimate measure of growth is policies in force (PIFs). On a companywide basis, PIFs increased 11% and we continue to narrow the gap on the competition. We know we have a long way to go but are more than up for that challenge.

Our Personal Lines CR ended the year at an 86.8, reflecting lower frequency of accidents partially offset by higher severity and the credits we gave personal auto policyholders. NPW growth was 7% and personal auto PIF growth was 11%. Special lines, our recreational vehicle products, had a good year as well, with very strong PIF growth of 8%, reflecting the desire for people to enjoy the outdoors while also social distancing.

Commercial Lines wrapped up the year with solid NPW growth of 11% at a CR of 87.0; however, it was a tale of two cities. We had very impressive growth in our for-hire transportation business market target, reflecting the greater demand for shipping services in light of the pandemic. In addition, our Business Owners Policy (BOP) was active in 17 states in the agency channel at year end and, during the fourth quarter 2020, BOP was added to our BusinessQuote Explorer® (BQX) platform in the direct channel. On the other hand, our transportation network company (TNC) premiums declined during the year because premiums for this product are based on actual miles driven, which decreased significantly as the shelter-in-place restrictions were in effect. Nevertheless, it is very exciting to see our investments in many of our Horizon Two initiatives come to fruition.

The 2020 Atlantic hurricane season was the most active on record with 30 named storms through November. Twelve of these storms made landfall in the contiguous United States, breaking the record of nine set in 1916. These storms contributed to the underwriting loss in our Property segment, which ended the year with a CR of 107.1. Our Property NPW growth continued to be strong at 13% and we feel confident that we have the pricing and product enhancements in place to get closer to our target margins.

In 2020, our investment portfolio achieved a fully taxable equivalent total return of 7.9%. The returns were very similar to last year, however the path to achieving those gains was very different. While 2019 saw steadily increasing markets, 2020 saw heightened volatility brought on by the COVID pandemic and the economic shutdowns that followed. We were fortunate to enter the year with a relatively conservatively structured portfolio that allowed us to add some very attractive investments during the sharp market selloff. Our fixed-income portfolio earned a 6.7% return as lower interest rates and our ability to navigate volatile credit markets drove strong performance. Our equity portfolio earned an annual return of 24.3%, as a large first quarter decline was followed by gains throughout the rest of the year.

Another year of strong, profitable growth on both the operating and investing sides of our business pushed the size of our portfolio to over $47 billion by the end of the year. With this continued growth in the portfolio, we are expanding our investment team to ensure a continued focus on both protecting the balance sheet and earning a strong risk-adjusted return on our investments.

During each quarter in 2020, we paid a regular dividend of 10 cents per common share. In December 2020, the Board of Directors declared an additional $4.50 per share, or $2.6 billion. Both the fourth quarter and annual 2020 dividends were paid on January 15, 2021.

Our Strategic Pillars

Our quest to having an enduring business through questioning everything and having an always growing mindset was even more critical in 2020. At every turn, we challenged ourselves on how we wanted to connect with all of our constituents employing the successful four cornerstone construct that we put into place many years ago.

At the heart of everything are our Core Values (who we are) and our Purpose (why we are here). These two tenets serve as the underpinnings of our special culture. We overlap that with our Vision (where we are headed) and then, where the ultimate rubber meets the road, with our Strategy (how we are going to get there).

We make investments in each of our four strategic pillars and regularly debate and discuss tradeoffs to ensure that we are driving closer to our ultimate goal, while remaining flexible in an ever-changing environment like we witnessed this year.

There are so many elements that are essential and need to fall into place in order to be successful and that starts with my team. In a normal year, I wouldn't call out this team, but I feel so honored and am privileged to work side-by-side with this incredible group of leaders. We worked together on a daily basis with great alacrity, while also having lively discussions where we challenged each other, making the ultimate outcomes on so many topics better. The power in having these discussions is that, in the end, we are unified as a team and are able to swiftly achieve more collectively.

People and Culture: People and our culture are our most important source of competitive advantage and these are advantages that are earned and nurtured over the long-term. When I present to new hire classes or interview people who wish to join Progressive, the primary topic that I attempt to explain is our amazing culture. I give concrete examples of how we live our Core Values and share our efforts around Diversity, Inclusion, and the importance of personal development. The stories resonate, but there is nothing like living through a crisis or two, as a country and company, to bring an already magnificent culture to life. It is times such as these that we shine.

During the pandemic, we were proud to be able to continue to keep Progressive people employed and our primary goal has been, and continues to be, their health and safety. Due to decreased driving and shopping for insurance, there were certainly periods, especially early in the pandemic, when we had more than ample staff. We quickly pivoted and stopped hiring for a period and ensured our people had adequate time to plan for their and their families' personal safety and security. In addition, we provided financial relief, including advances on a portion of our annual bonus program, additional vacation days, and paid time off for those who were unable to work.

We also established the Progressive Employee Relief Fund that currently grants from $500 to $2,500 to eligible employees facing unforeseen personal hardship. Employees with ongoing needs are eligible to seek

assistance from the Progressive Insurance Foundation twice in a 12-month period. This program was something we have talked about creating for some time and we sprang into action to get it set up in 2020.

Here are a few anonymous quotes that tell the story better than I can.

"This grant in some ways saved my life! The grant helped me stay current with my monthly bills and gave me piece of mind while taking the time to care for my children and their health during the current pandemic. It helped my day-to-day life because I was able to stay current in a time of uncertainty and the best part was being able to take care of my family's day-to-day needs with the assistance."

"When I got approved, I cried. I take care of my daughter who lost her job and my granddaughter as well. It's not easy but this program blessed my family and kept me from getting an eviction notice."

"The reason I applied for the grant assistance is because my husband's job had a shut down in March due to COVID-19 which caused us a financial hardship. The grant allowed us to make a mortgage payment and not fall behind on our home loan. The grant was a huge help as it took a lot of stress off our shoulders in regards to our home payment which would be a great benefit to anyone in the same position."

In addition, Progressive employees donated over $1 million of their vacation time to their co-workers in need, providing additional paid time off for employees who need to care for themselves or their families.

During this time, we also invested in other stakeholders that we expected needed assistance, specifically our agents, body shops, and first responders.

While agents are independent from Progressive, they often feel like family and, just as our Core Values state, we treat them in the way that they want to be treated. This note that we received from a valued West Virginia agent is a fitting example of how our employees bring their whole selves to work each and every day.

"I was heartbroken to hear of Velesia's (an inside sales representative who was with Progressive for 21 years) passing. We had a business relationship that grew into a friendship many years ago as we started sharing stories of our families. Velesia, or "Flo" as I affectionately called her, even met my wife and children during one of her office visits. I certainly am not the largest Progressive Agent but have built a nice book of business, which is a direct reflection of "Flo" and her manager guiding me. I want to thank Progressive for having such outstanding people to work with. I strongly value my relationship with the company."

Since March, I received thousands of personal notes from the incredible people of Progressive where we shared our fears, vulnerabilities, and hopes for the future. Those notes lifted me up more than they can ever know and cemented what an honor it is to be able to lead the 43,000+ Progressive people.

Our ability to communicate and rely on each other, albeit virtually, was our strong suit this year. My team and I sent videos and written documents to Progressive employees and had countless virtual town halls. We talked about the feelings that many of us have experienced during COVID, racial injustice, and a contentious election. We had many sessions on what we call "courageous conversations" where we educated ourselves using hypothetical scenarios that presented diversity and inclusion challenges then discussed how we would and could approach those situations. Those brave conversations helped us to identify our own unconscious biases and turn those biases into change.

I'm elated to report that since we began measuring engagement with Gallup, our 2020 results were at an all-time high. In addition, our employee turnover is the lowest it has been since the labor market disruptions from the great recession and our service levels have been excellent even after we have returned to robust new customer and policyholder growth.

Broader Needs of Our Customers: We are in the business of trust. Trust is somewhat easy when everything goes right in a relationship. Trust is tested during times when you may need it the most. Enter COVID and financial struggles for so many of our customers.

Aside from the credits and rate reductions that we have shared publicly, it was about the personal conversations that we had with our customers and where we gave them relief from the stress of what they were experiencing.

I thought that I would share with you a very small portion of some sentiments from our customers shared by our sales and service consultants who have been on the front line supporting our customers when they have needed us most.

"Due to COVID-19 I was laid off. My policy was not only renewed, you worked with me until I could pay my policy in full. Thank you so much for all that you do! And for considering how this event affected so many, I know for me it meant more than words can express."

"Everyone was so nice as my life was crumbling around me. I couldn't stop crying when the agent granted me a lee way. I had been placed in quarantine from a job with no benefits. It was the hand offering help I needed."

"The customer service rep that helped me was very pleasant and understanding with my situation. She helped me figure out what I could do to keep my insurance even during the COVID-19 pandemic."

"Thank you very much for your support while the country is going through a tough time. The phone agent was amazing and solved my issue."

"Oh my God! Oh my God! I'm sorry I don't mean to cry but thank you so much. You just don't know how much that means to us. I feel like I can't breathe! Thank you so much. Thank you for making my day. I really appreciate you today. Well I'm a forever customer now for sure. God bless you so much. Have a beautiful life."

We continue to invest in serving our customers in the way in which they desire to interact with us. We want the choice of where, when, and how they choose those interactions to be what works best for them.

Our investments in our mobile native application, HomeQuote Explorer® on the Personal Lines side and BusinessQuote Explorer® on the Commercial Lines side, are just a few examples of giving our customers choices. We've always been about choice from our early days comparing our rates with the rates of the competition, even if our rate wasn't the lowest, and transparency remains part of our DNA.

Using our product comes in the form of a claim. This year, we were challenged by the inability to physically be by the side of cars to perform inspections. Because we had previously tested using photos and videos as an alternate method of inspection, we didn't miss a beat in making sure that our estimates were both timely and accurate while working remotely.

Our customers live in the same communities where our employees live, and we took this year to make sure to help out our fellow neighbors and friends through giving to a variety of charities. It was just the right thing to do and we hope that our involvement helped in some small way.

In the end, everything we do is with our customers in mind and this year proved that over and over.

Charitable Contributions

Feeding America	$ 4,000,000
Insurance Institute for Highway Safety	3,623,000
American Red Cross	2,500,000
Big I Agent Relief Fund	2,000,000
Direct Relief	2,000,000
National Alliance to End Homelessness	1,500,000
Apron Relief (employee assistance) Fund	1,491,000
Equal Justice Initiative	1,000,000
Keys-to-Progress	710,000
Humble Design	500,000
United Way Worldwide (Mask Challenge)	500,000
The Arc of the United States	250,000
CenterLink, Inc.	250,000
Dress for Success Worldwide	250,000
Family Promise	250,000
Fisher House Foundation, Inc.	250,000
National Coalition for the Homeless, Inc.	250,000
Together We Rise	250,000
	$ 21,574,000

Leading Brand: The year 2020 challenged us to define *who* we are as a brand. Our brand isn't just an 11-letter company name, it's over 43,000 employees, 40,000 independent agents, 24 million policyholders, and the millions of people who we share our communities with.

The year 2020 also challenged us to think about *why* we exist as a company. Our product is insurance, but we're in the business of protection. Doing what we can to ensure that our employees, agents, customers, and communities are safe and cared for, especially as we embarked upon an unprecedented journey, is why we do what we do.

Marketing is often the most outward expression of a brand. While 2020 certainly brought some unknowns, the year helped us to focus on what matters most. For us, it was about more than words. It was about *action*. We let our brand promise guide us—**When it matters to you. It matters to us. And we'll help you protect it**—and we put our words into action to prove it.

It's not typically in our nature to talk about our actions, but we thought it was important for our constituents to know how we were responding, so we updated a national TV spot originally aired in 2013, that shared a bit about the importance of our iconic apron and the details of the Apron Relief Program. It was my first time recording a voice-over for a commercial, but it wouldn't be our last pivot for how to handle marketing in the middle of a pandemic and social distancing.

We embraced our new virtual lifestyle, and virtually headed to Hollywood to create a series of *Work from Home* spots featuring our beloved Super Store characters. This production was a first of its kind with seamless collaboration between our internal and external advertising agency partners. It was 100% virtually directed, shot on mobile devices, with talent handling their own make up, wardrobe, set, and lighting, from the comfort and safety of their own homes. *Work from Home* cut through the somber sea of sameness, and its relevance connected with people in an authentically on-brand way. Our funny-because-it's-true tonality was exactly what people needed, even when what we were living through was anything but funny.

Throughout the year, we relied on strategically led speed to keep our marketing plan in motion. We adjusted and pivoted based on the need of the moment. We reacted in real-time, pushing our own boundaries of where and how we could produce relevant, high-quality content. When we couldn't shoot in Los Angeles, we did it in Cleveland. As an example, when we needed a specific camera angle but wanted to be distant from our actors, we used a baby monitor to record. Our cast of network characters—Flo, Jamie, Dr. Rick, Sign Spinner, Babyman, Motaur, and Baker Mayfield among others—continued to showcase their relatability and kept fans entertained and craving more. In 2020, we produced more television and online video content than ever before.

We teamed up with Whole Foods Market to introduce the Turkey Protection Plan to keep the most important meal of the year safe from Thanksgiving cooking mishaps, showing our quest for a combination of both relevance and humor.

COVID challenged us to question everything we knew about marketing. We had to out-create and out-think what could be possible in a world that was feeling sort of impossible. We are fortunate that our brand will come out of this stronger, with unflappable creative resiliency that will benefit us through whatever comes next—a silver lining to marketing through a pandemic.

Competitive Prices: Pricing segmentation, cost efficiency, accurate claims handling, and expense management are all key components of this strategic pillar. In 2020, we made very conscious decisions to balance the near-term and long-term across these components.

I'm also happy to report we are very well-positioned for further growth in 2021. Our expense ratio, excluding policyholder credits, was 21.0 points, which, while up 0.5 points versus 2019, is still very competitive. Our Personal Lines non-acquisition expense ratio (which excludes advertising and commission costs) was down 0.3 points versus 2019. Our loss adjustment expense ratio was also down 0.3 points. And again, and most importantly, we've supported our people and retained our culture which we know pays huge dividends going forward.

As with all decisions that we make, we weigh the importance of expense management with current events and our culture and values.

Let's Wrap Up 2020

To state the obvious, COVID-19, the emotional toll of social unrest, and a contentious presidential election sure made for a pernicious year. In some way, shape, or form, we were all affected through the loss of loved ones, fear of violent actions, and lives interrupted.

However, with all that occurred in 2020 and even into 2021, I remain sanguine about the future of our great country and most of all Progressive.

The resilience that the people of Progressive and this country have shown was not surprising but nonetheless amazing. I'm so proud on many levels.

I am eager to see what 2021 brings and, while I believe things will never be quite the same, I believe that we will look back on 2020 as a year where there were many silver linings and that the experiences we all lived through gave us time to reimagine an even better and stronger Progressive.

Best,

Tricia Griffith

Tricia Griffith
President and Chief Executive Officer

Operations
Summary

We write personal and commercial auto insurance, commercial liability and property insurance, residential property insurance, and other specialty property-casualty insurance and provide related services throughout the United States. Our Personal Lines segment writes insurance for personal autos and recreational vehicles. Our Commercial Lines segment writes auto-related primary liability and physical damage insurance, and general liability and property insurance, predominantly for small businesses. Our Property segment writes residential property insurance for home-owners, other property owners, and renters. We distribute our products through both the agency and direct channels.

Personal Lines

Our operating philosophy is to grow as fast as possible, subject to the constraints of our 96 combined ratio goal and our ability to provide high-quality customer service. This philosophy is unwavering; however, our ability to drive profitable growth is always subject to influence from market conditions, competitor actions, weather patterns, and other external forces. The year 2020 is a prime example of external forces affecting our business performance and, given the unprecedented events, we can review the year in three distinct periods: Pre-COVID, Spring/early Summer shutdown, and Fall recovery. During these times, we continued to execute our business model, assisted our customers and agents, and enjoyed continued growth across our Personal Lines products. Our Personal Lines business unit, comprised of our personal auto and special lines products, produced an 86.8 combined ratio (CR) and increased policies in force (PIF) 10% during 2020. Profitability improved by 3.7 points versus 2019, driven primarily by reduced accident frequency, which was partially offset by increases in accident severity and credits given to policyholders. Personal Lines net premiums written grew more than $2 billion, to end the year at over $33 billion in net premiums written, or a 7% increase over 2019. Revenue growth was primarily driven by unit growth through adding over 2 million policyholders and crossing over 21 million PIFs.

To set the stage for a discussion of 2020, it's important to start with a quick look back at 2019 market conditions and business performance. The U.S. auto insurance market has historically lost money on an underwriting basis; however, 2019 represented the second year in a row (and only the second time over the past decade) that the U.S. private passenger auto market as a whole delivered an underwriting profit. This period of profitability (and strong industry premium growth) resulted from many competitors aggressively reacting to rate need in 2016–2018. As loss trends abated in 2018 and rate increases earned in, most major carriers rapidly altered course to stimulate growth, however, the 2019 industry premium growth rate was reduced significantly compared to prior years. Despite these softening market conditions, we were well positioned with strong volume momentum and competitive prices and delivered another record year for our total Personal Lines business in 2019 with $31 billion in net premiums written and 9% policy in force growth at a 90.5 combined ratio. As we entered 2020, competitors were slowing the pace of rate decreases, which when combined with our own targeted rate reductions, left us optimistic about continuing our multi-year run of growth and profitability.

Pre-COVID January and February played out exactly as we had planned, with double-digit quotes and sales growth. However, as we all know, by mid-March life took a dramatic turn with the closure of many schools and widespread state-level shelter-in-place mandates that virtually shut down the economy, and started what we refer to as the Spring/Summer shutdown period. Not surprisingly, new business volume in both distribution channels dropped immediately in March and April as people appropriately focused on health, safety, and economic concerns and stopped shopping for insurance, resulting in new policy sales declines of 20% and 15% in March and April, respectively. The shutdown also rapidly drove down vehicle miles traveled by 30–40% and incurred losses about 35% during the early shelter-in-place periods. We quickly responded by launching our Apron Relief Program designed to support our customers, agents, communities, and employees. In total, we invested almost $1.2 billion across these groups including returning $1.1 billion to our personal auto customers in the form of credits of 20% of April and May premiums. Our program also included processes designed to help our customers navigate these uncertain times which included a customer leniency program and waiving of fees for a period of time to offer flexibility and continuous insurance to customers. We put in place a countrywide moratorium on cancellation and non-renewal of policies for non-payment with suspension of collection of unpaid earned premium from mid-March through mid-May. For our independent agents, we quickly created a program to provide financial assistance to them through relief funds established by the two national agent associations, while also opening up early payout options on contingent compensation programs and adjusting program targets to better reflect the reality of market conditions.

Both of our distribution channels experienced a drop in volume at the start of the shelter-in-place period. Our Direct channel started to recover earlier than our Agency channel, which experienced the multiplicative effect of reduced customer shopping, closure of agents' physical offices, and an aversion to in-person retail transactions. Our rapid volume recovery in Direct during May through July was due in part to significant increases in planned advertising spend for the year coupled with rapid redeployment of media impressions in response to changing consumer behavior. For example, when the shelter-in-place orders curtailed virtually all in-person sporting events for March and April, our in-house media team did a phenomenal job responding quickly to find and execute alternate means of reaching consumers who gravitated towards linear TV viewing of cooking, home improvement, and news programming. As the shelter-in-place restrictions began to lift, these changes to our media placements helped drive new business growth as widespread cancellation moratoria were coming to a close during May, June, and July. During this period, consumers shopped and, in many cases, switched carriers.

Our Agency distribution channel started to slowly recover in late June and early July as some states/regions opened up due to temporary reductions in infection and transmission rates. The Robinson consumer segment (i.e., bundled home and auto) continues to be a strategically important growth opportunity within the Agency channel and, despite the pandemic, we continued to expand our Platinum agent footprint and deployed products and tools to help agents place more preferred business with Progressive. During the year, we added more than 200 additional Platinum agencies, closing the year near 4,000 in total. We also completed the rollout of our portfolio quoting platform for agents, designed to improve their ease of use in quoting and selling Progressive products to multi-product Robinson customers.

The second half of 2020 represented what we call the slow Fall recovery, with widely varied shopping and new business growth rates and corresponding loss costs across states and channels as businesses and schools opened and closed and associated vehicle miles traveled increased or decreased throughout the third and fourth quarters. During this second half of 2020, our slow but volatile recovery in new business applications was driven primarily by growth in our Direct channel.

Despite significant market disruption, we continued to deploy enhanced segmentation through product model upgrades that help us accurately match rate to risk, which enable us to offer highly competitive rates. During the year, we completed 22 auto model upgrades across channels and our latest product design, 8.6, is now in market in more than 30 states representing more than two-thirds of countrywide premium. This model brings more competitive rates for consumers with prior insurance and multiple cars and continues to drive growth and penetration among more preferred market segments. As some markets started opening up and we had more certainty around expected future loss costs, we started lowering rates in conjunction with product model deployment where we were both confident that the decreases were actuarially sound and, given the uncertainty, could reverse quickly if necessary. From April through December, we filed personal auto rate changes that averaged

a decrease of approximately 3% in over 40 states that represent approximately 85% of our countrywide personal auto premium, thereby providing our customers aggregate annualized savings estimated at $800 million.

As many states work to help their residents recover from COVID and address concerns regarding racial and social justice, we continue to see elevated levels of legislative and regulatory challenges to the foundation of insurance—risk-based pricing. We're highly engaged with regulators, industry trades, and other industry leaders to collectively identify and implement solutions to address their concerns. We believe in accurately matching rate to risk and that doing so ensures every insurance customer pays for the cost of indemnifying the risk they individually represent. We believe it is unfair to ask one consumer to knowingly subsidize the costs of another consumer, and as an industry, we need to vigorously defend this element of our healthy insurance system. While affordability is a real challenge for certain households, that can be addressed through other means and we believe that attacking the basic fundamentals of insurance pricing by forcing pricing inaccuracies and mass subsidization isn't the answer. We believe that removing highly predictive variables from the voluntary insurance market this year will create significant consumer disruption and lead to unnecessary market turmoil at a time when many families have been materially affected by pandemic economic distress and are completely unprepared to manage through this disruption.

A key element in improving the accuracy of our rating is Snapshot®, our usage-based insurance offering. During the pandemic, we've seen higher consumer adoption of this offering, particularly in the Agency channel, as people recognize the value of pricing based in part on their individual driving behavior. Our latest Snapshot model, which offers discounts up to 30% for driving safe and driving less, is available in states representing about two-thirds of our countrywide premium. To provide those driving less with greater ability to control their insurance costs, we're also shortening our Snapshot monitoring period for our existing customers not currently in the program and we expect to begin promoting this accelerated monitoring and faster impact to our customers during the first quarter 2021.

In light of the pandemic and the social distancing requirements, our special lines products experienced record growth as more consumers purchased and insured recreational vehicles (motorcycles, boats, RVs) in 2020, enjoying alternatives to travel and other discretionary activities. As a leader in protecting these products, our new business applications grew materially year over year and, in the aggregate, we finished the year with special lines PIF growth of 8%. While growth in usage of these seasonal products during the year also drove up our combined ratio on this line of business, we continued to meet our internal targets.

While the COVID disruption to our customers, the economy, and our country cannot be overstated, as we reflect on how our team and our business performed during this incredibly volatile period, the word *Proud* comes to mind. We're *Proud* of the way all Progressive people effectively transitioned to the work-from-home environment and quickly adapted to this completely new operating model. We're *Proud* of how quickly we were able to process $1.1 billion of customer credits and get that money back in the hands of our customers in need. We're *Proud* of the way our internal teams collaborated cross-functionally, always with the mindset of "how can we help" and "what's the right thing to do." We're *Proud* of how our field sales teams have engaged with the small business owners in our Agency channel to understand and help them through these incredibly challenging times. We're *Proud* of what we've been able to do for our local communities during this time of need. While we won't be able to fully assess some of the second and third-order lasting effects the pandemic will have on our business, we're *Proud* of what we've accomplished to date and confident that we have the tools and systems in place to manage our business effectively despite what we hope are one-time or short-term dislocations.

The year 2020 will go down in infamy for many different reasons, but as we look back and assess where we were in mid-March and where we ended up the year, we're *Proud* to have continued to make progress towards becoming consumers' and agents' #1 choice and destination for auto, home, and other insurance despite these incredibly challenging times.

Commercial Lines

The Commercial Lines business continued to build on the momentum of the last several years, finishing 2020 with 11% net written premium growth and 9% policy in force growth. The business crossed $5 billion in net premiums written with notable growth in the for-hire transportation business market target and in our direct channel. While we continue to receive tremendous support from the independent insurance agent channel, which grew 14% year over year, our direct channel business picked up the pace with growth of 28% for our core commercial auto products, albeit on a much smaller base. Our years of investment in building our direct business are paying off as pandemic-related shopping patterns appear to be accelerating the move to even more digital commercial insurance shopping.

In 2020, the commercial auto market continued its 10-year struggle to produce a combined ratio below 100. Over the last decade, commercial auto profitability challenges have been driven by loss costs that have outpaced consistent and significant premium increases aimed at covering these rising costs. Despite lower frequencies and pure premiums due to COVID-19, the market is seeing higher severities and adverse loss development trends. The industry has responded to continued poor underwriting results with rate increases and underwriting restrictions, especially in market segments like for-hire transportation. These rate actions, along with growth in the truck market, drove elevated shopping and, as a result, we enjoyed profitable growth in quotes and sales.

The commercial auto business showed remarkable resilience during an unprecedented year. The combination of our focused initiatives to assist customers with their changing insurance needs and business support and better than anticipated customer payment behavior contributed to strong results during the first half of the year, exceeding our expectations. Our focus on the general transportation truck sectors, particularly new ventures, and pricing and risk segmentation discipline positioned us well for growth as economic conditions improved in the second half of the year.

We expanded our transportation network company (TNC) business in 2020 and at the end of the year provided insurance coverage for Uber's rideshare and food delivery business in 13 states and Lyft's rideshare business in 8 markets. This was a challenging year for the rideshare industry. The spread of COVID-19 severely reduced the demand for rides as entertainment, travel, and commuting drastically decreased during the shelter-in-place restrictions starting in early spring, which in turn decreased premiums written in this business. As economic conditions improved, ridesharing mileage began to recover and show improvements as rideshare usage increased. Going into 2021, we continue to strengthen our relationship with Uber and Lyft through business development efforts tailored to each partner. We remain committed to this business market segment and maintain a positive view of this market segment's long-term contributions to our business.

Advancements in our commercial auto product segmentation and underwriting capabilities continued in 2020. Our 7.9 commercial auto product model is now in 30 states representing 70% of our commercial auto net premiums written on a trailing 12-month basis. Momentum is building in the rollout of our 8.0 commercial auto product along with our new policy administration system with 8 states successfully operating on our new system as of year-end. The new product model is improving the accuracy of our pricing and competitiveness for more stable and established businesses with better retention. Moving to a new policy administration system is also a key driver of our plans for increasing efficiency and extending our market leading expense advantage. Ongoing investments will target automation, self-service capabilities, and experiences that improve our ease-of-use and low-cost value proposition.

In the three years ending December 2020, we nearly doubled our annual preferred truck premiums and believe that we are the #1 writer for preferred motor carriers with a fleet size of fewer than 10 power units by having grown our market share by more than 60% over that period. We've made these gains by applying telematics and new product enhancements for rate, rate stability, and coverage to intentionally target this segment and improve our competitiveness. Our small fleet program, targeted at businesses with 10–40 vehicles, was completely revamped in 2019 and is gaining significant traction. Investments in product segmentation, underwriting capabilities, and service level workflows have improved our competitiveness in this market segment, and we have grown our fleet premium 15%. We have been investing for a long time in the truck market segment and are pleased with our progress and the opportunity ahead.

Utilization of our usage-based insurance (UBI) Smart Haul® program for trucks continues to grow and has reached nearly $400 million of net premiums written, a 51% increase over

2019. Snapshot ProView® expanded and is now in 45 states. This program will further expand our UBI offerings beyond truck and could help more customers save money by switching to Progressive. Ongoing investments in our UBI programs will contribute to extending our product segmentation advantage and improving our competitiveness and ability to grow across all our business market target segments.

We made good progress this year on our ongoing efforts to expand our Commercial Lines addressable market through product extensions and new lines of business. In 2019, we expanded our product offering with our own Business Owners Policy (BOP). This line of business provides a product that fits with our customer set and creates an opportunity to extend relationships with our customers. We successfully deployed a new BOP product model with expanded business classes and coverage and launched 13 new states in 2020, bringing the state footprint to 17 states. We also added Progressive BOP to our digital BusinessQuote Explorer® (BQX) platform this year to serve the direct small business consumer. With the expansion onto the BQX platform, we are now serving customers in both channels and operating in states that represent approximately 31% of the total commercial multiperil market.

This has been a remarkable year that will forever be a reference point in our history. As we reflect on 2020, it's our people and how we came together in the face of significant change and uncertainty that will be remembered. Our teams demonstrated tremendous flexibility and adaptability in response to the pandemic. We quickly and effectively transitioned to a virtual work environment and assembled working teams to prioritize efforts to support each other and our customers. We came together as a team to assist our small business customers by providing billing and payment leniency and other business support for those who experienced financial hardship. In addition to assisting our individual small business customers, we made several investments to show appreciation for truckers and small business owners as they continued to provide services during the pandemic. We deepened our partnership with SCORE, an organization that provides free business mentoring and education, with a $100,000 sponsorship for their Coronavirus Small Business Resiliency Program. We also made a $100,000 donation to the Trucker's Relief Fund, also known as the St. Christopher's Fund. Their mission is to provide financial support to truckers who are sick or injured on the job. We are honored to support and assist the many truckers and small business owners who continue to support the economy and serve our communities.

While 2020 posed some challenges to our Commercial Lines business, we are proud of how we responded and how we continue to make progress in pursuing commercial lines opportunities that will fuel future growth. As we enter 2021, we will continue to capitalize on the investments we have made in this business, respond to the ever-changing market conditions, and continue to look for other opportunities to offer the products and services that meet the needs of small business owners.

Property

Our Property strategy is meant to complement our multi-channel auto offerings with leading property products in order to increase our share of the bundled home and auto (i.e., Robinsons) market. In the agency channel, we offer residential property insurance for homeowners, other property owners, and renters. In the direct channel, we offer residential property insurance policies written by Progressive Home to consumers both on and offline. While we also distribute property policies from other carriers in addition to the Progressive Home offering, this discussion focuses solely on our indemnity Property business.

During 2020, our Property business had net premiums written of $1.9 billion, an increase of 13% over last year. Policies in force also grew by 13%, ending the year at nearly 2.5 million.

The Property business combined ratio for 2020 was 107.1, which includes 3.2 points of amortization expense related to the acquisition of ARX. Underwriting expenses and non-weather losses were close to our expectations during the year, but catastrophe losses were substantially higher than we expected and contributed 24.0 points to our Property combined ratio. The 2020 Atlantic hurricane season was the most active on record with 30 named storms, 12 of which made landfall in the contiguous United States. In total, we experienced losses from 69 industry-declared catastrophe events, including wildfires in Oregon and California, the April Derecho (straight line windstorm) in Iowa, and many other wind and hail events. Our estimate of the ultimate direct loss and allocated loss adjustment expenses (ALAE) for the Property business due to the 2020 catastrophe events is $620 million, more than double what we incurred in losses and ALAE on a direct basis from 2019 catastrophe events.

We purchase substantial levels of reinsurance to both protect our capital against severe catastrophe events and reduce volatility. In 2020, we ceded $121 million in incurred losses and loss adjustment expenses to reinsurers in our aggregate catastrophe reinsurance program. During 2020, we increased our per-event retention to $80 million in our catastrophe per-event reinsurance program. As of year-end, Hurricane Laura was the only one of the 12 named storms making landfall to reach the $80 million retention limit, with an estimated ultimate loss and ALAE of $90 million producing a $10 million reinsurance recovery.

We remained focused on three priorities for our Property business during 2020: 1) improving profitability; 2) driving volume in our agency channel through improved ease of use for quoting and selling Progressive Home policies; and 3) driving volume in our direct channel through increasing consumer awareness and maximizing sales yield. We made progress against all three of these goals during 2020.

We increased rates by 11% across all of Progressive Home's product portfolio in 2020, with larger increases for the homeowners product in states exposed to substantial modeled hail risk. Our comparison of actual historical losses vs. modeled wind and hail losses using new and enhanced resources and predictive tools has given us increased confidence in our future wind and hail loss forecasts. We will continue to further refine our processes and adjust our pricing to reflect expected future losses from these severe convective storms. In many of the hail-prone states, we also introduced minimum wind and hail deductible requirements and began requiring actual cash value coverage for roofs nearing the end of their useful life. These coverage requirements were first introduced in Texas and Colorado in 2018. After several years of what we viewed as poor results in these states, we achieved our target profit margin in both states in 2020.

We now have nearly 4,000 Platinum agents, up more than 200 from the end of 2019. In addition, we continued our portfolio quoting rollout during 2020, so it's now available to agents in all 47 jurisdictions where we offer Progressive Home products. Portfolio makes it easier for our agents to support quoting of bundled policies for our customers.

In the direct channel, we rolled out online buying functionality for homeowner shoppers in nine more states, bringing the year-end total to 23 active states. We plan to continue to expand this capability during 2021. This allows users of our HomeQuote Explorer® shopping service to complete their policy purchase online, often without needing to talk with one of our in-house agents. We also enabled online buying through mobile devices, so that customers can use their phone or tablet to complete their home or renters policy purchase. Direct channel sales now account for 26% of home and condos policies and 51% of new renters policies sold.

While the active storm season impacted our profitability during 2020, we are still pleased with all that we were able to accomplish during the year. We were fortunate that the pandemic did not have the impact on the homeowners product like it did with auto. While we will continue to focus on our top priorities throughout 2021, we feel we are well positioned as we start the new year.

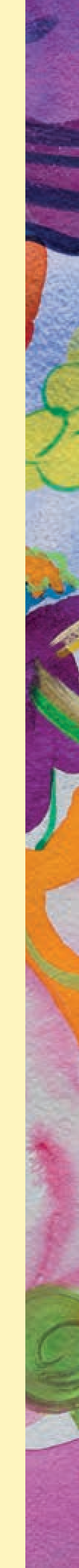
Operating Results

($ in billions)

	2020	2019	Change
Personal Lines			
Net premiums written	$ 33.3	$ 31.1	7%
Net premiums earned	$ 32.6	$ 30.2	8%
Loss and loss adjustment expense ratio	63.2	70.6	(7.4) pts.
Underwriting expense ratio[1]	23.6	19.9	3.7 pts.
Combined ratio[1]	86.8	90.5	(3.7) pts.
Policies in force (thousands)	21,413.5	19,408.6	10%
Commercial Lines			
Net premiums written	$ 5.3	$ 4.8	11%
Net premiums earned	$ 4.9	$ 4.4	10%
Loss and loss adjustment expense ratio	64.5	68.5	(4.0) pts.
Underwriting expense ratio[1]	22.5	21.1	1.4 pts.
Combined ratio[1]	87.0	89.6	(2.6) pts.
Policies in force (thousands)	822.0	751.4	9%
Property			
Net premiums written	$ 1.9	$ 1.7	13%
Net premiums earned	$ 1.8	$ 1.6	14%
Loss and loss adjustment expense ratio	77.3	71.2	6.1 pts.
Underwriting expense ratio[2]	29.8	30.5	(0.7) pts.
Combined ratio[2]	107.1	101.7	5.4 pts.
Policies in force (thousands)	2,484.4	2,202.1	13%

[1] For 2020, includes 3.3 points and 0.7 points of policyholder credits and other billing credits issued, respectively, to personal auto and commercial auto customers.

[2] For 2020 and 2019, includes 3.2 points and 4.3 points, respectively, of amortization expense associated with intangible assets acquired in an acquisition.



Objectives & Policies

Consistent achievement of superior results requires that our people understand Progressive's objectives and their specific roles, and that their personal objectives dovetail with Progressive's. Our objectives are ambitious, yet realistic. Progressive monitors its financial policies continuously and strives to meet these targets annually. Experience always clarifies objectives and illuminates better policies. We constantly evolve as we monitor the execution of our policies and progress toward achieving our objectives.

Objectives

Profitability Progressive's most important goal is for our insurance subsidiaries to produce an aggregate calendar year underwriting profit of at least 4%. Our business is a composite of many product offerings defined in part by product type, distribution channel, geography, customer tenure, and underwriting grouping. Each of these products has targeted operating parameters based on level of maturity, underlying cost structures, customer mix, and policy life expectancy. Our aggregate goal is the balanced blend of these individual performance targets in any calendar year.

Growth Our goal is to grow as fast as possible, constrained only by our profitability objective and our ability to provide high-quality customer service. Progressive is a growth-oriented company and management incentives are tied to profitable growth.

Aggregate expense ratios and growth rates disguise the true nature and performance of each business. As such, we report Personal Lines, Commercial Lines, and Property business results separately. We further break down our Personal Lines' results by channel (Agency and Direct) to give shareholders a clearer picture of the business dynamics of each distribution method.

Financial Policies

Progressive balances operating risk with risk of investing and financing activities in order to have sufficient capital to support all the insurance we can profitably underwrite and service. Risks arise in all operational and functional areas, and, therefore, must be assessed holistically, accounting for the offsetting and compounding effects of the separate sources of risk within Progressive.

We use risk management tools to quantify the amount of capital needed, in addition to surplus, to absorb consequences of events such as unfavorable loss reserve development, litigation, weather-related catastrophes, and investment-market corrections. Our financial policies define our allocation of risk and we measure our performance against them. We will invest capital in expanding business operations when, in our view, future opportunities meet our financial objectives and policies. Underleveraged capital will be returned to investors. We expect to earn a return on equity greater than its cost. Presented is an overview of Progressive's Operating, Investing, and Financing policies.

Operating **Maintain pricing and reserving discipline**

- Manage profitability targets and operational performance at our lowest level of product definition
- Sustain premiums-to-surplus ratios at efficient levels, and at or below applicable state regulations, for each insurance subsidiary
- Ensure loss reserves are adequate and develop with minimal variance

Investing **Maintain a liquid, diversified, high-quality investment portfolio**

- Manage on a total return basis
- Manage interest rate, credit, prepayment, extension, and concentration risk
- Allocate portfolio between two groups:

  Group I: Target 0% to 25% (common equities; nonredeemable preferred stocks; redeemable preferred stocks, except for 50% of investment-grade redeemable preferred stocks with cumulative dividends; and all other non-investment-grade fixed-maturity securities)

  Group II: Target 75% to 100% (short-term securities and all other fixed-maturity securities)

Financing **Maintain sufficient capital to support our business**

- Maintain debt below 30% of total capital at book value
- Neutralize dilution from equity-based compensation in the year of issuance through share repurchases
- Use underleveraged capital to repurchase shares and pay dividends

Our Business Model

For us, a 96 combined ratio is not a "solve for" variable in our business model equation, but rather a constant that provides direction to each product and marketing decision and a cultural tipping point that ensures zero ambiguity as to how to act in certain situations. Set at a level we believe creates a fair balance between attractive profitability and consumer competitiveness, it's deeply ingrained and central to our culture.

With clarity as to our business constant, we seek to maximize all other important variables and support with appropriate axioms:

Grow as fast as we can subject to our ability to provide high-quality service. Our preferred measure of growth is in customers, best measured by policies in force.

Extend policy life expectancy. Our preference is for the flexibility of shorter policy periods, highlighting, however, the importance of retaining customers at policy renewal. As part of our Destination Era strategy, our focus is inclusive of all points throughout a customer's tenure and is a never-ending focus, tailored for every consumer segment.

Clarity as to our objectives means other elements of the business model must be appropriately designed to strongly support, but not necessarily amplify, the risk of maximizing all things at the same time. Our articulation of our most critical investment objective is a good example:

Invest in a manner that does not constrain our ability to underwrite all the profitable insurance available to us at an efficient premiums-to-surplus leverage. We often refer to underwriting capacity as the protected asset and for us it is a clear determination of where the risk of leverage is best allocated.

The importance of net income, earnings per share, and return on equity is never lost on us, and we view achieving strong, long-term performance of these measures as stemming from our consistent focus on the primary elements of our business model.

Objectives & Policy Scorecard

		Target	2020	2019	2018	5 Years[1]	10 Years[1]
Underwriting margin:	- Progressive[2]	4%	12.3%	9.1%	9.4%	8.9%	8.1%
	- Industry[3]	na	|||||||	1.8%	2.7%	(1.2)%	(1.3)%
Net premiums written growth:	- Progressive	(a)	8%	15%	20%	15%	11%
	- Industry[3]	na	|||||||	3%	8%	6%	5%
Policies in force growth:	- Personal auto	(a)	11%	11%	14%	11%	7%
	- Special lines	(a)	8%	4%	0%	4%	3%
	- Commercial Lines	(a)	9%	8%	8%	8%	5%
	- Property	(a)	13%	14%	32%	18%	nm
Companywide premiums-to-surplus ratio		(b)	2.7	2.7	2.8	na	na
Investment allocation:	- Group I	≤ 25%	14%	12%	14%	na	na
	- Group II	≥ 75%	86%	88%	86%	na	na
Debt-to-total capital ratio		< 30%	24.1%	24.4%	28.9%	na	na
Return on average common shareholders' equity:							
- Net income attributable to Progressive		(c)	35.6%	31.3%	24.7%	26.6%	23.0%
- Comprehensive income attributable to Progressive		(c)	39.3%	35.0%	23.8%	29.2%	24.7%

(a) Grow as fast as possible, constrained only by our profitability objective and our ability to provide high-quality customer service.

(b) Determined separately for each insurance subsidiary.

(c) Progressive does not have a predetermined target for return on average common shareholders' equity.

na = not applicable

nm = not meaningful; Property business written by Progressive prior to April 2015 was negligible.

[1]Represents results over the respective time period; growth represents average annual compounded rate of increase (decrease).

[2]Expressed as a percentage of net premiums earned. Underwriting profit is calculated by subtracting losses and loss adjustment expenses, policy acquisition costs, and other underwriting expenses (including policyholder credits) from the total of net premiums earned and fees and other revenues.

[3]Industry results represent private passenger auto insurance market data as reported by A.M. Best Company, Inc.
The industry underwriting margin excludes the effect of policyholder dividends. Final comparable industry data for 2020 will not be available until our third quarter report. The 5- and 10-year growth rates are presented on a one-year lag basis for the industry.

Achievements

We are convinced that the best way to maximize shareholder value is to achieve these financial objectives and policies consistently. A shareholder who purchased 100 shares of Progressive for $1,800 in our first public stock offering on April 15, 1971, would have owned 193,065 shares, including dividend reinvestment, on December 31, 2020, with a market value of $19,090,267, for a 20.5% compounded annual return, compared to the 9.9% return achieved by investors in the S&P 500 during the same period. In the one, five, and ten years ending December 31, 2020, Progressive shareholders have realized compounded annual returns, including dividend reinvestment, of 41.4%, 29.1%, and 21.3%, respectively, compared to 18.3%, 15.2%, and 13.9% for the S&P 500.

We have consistently paid dividends since we went public in 1971. Assuming dividends were not reinvested, a shareholder who bought 100 shares at the initial public offering would now hold 92,264 shares and would have received cumulative dividends of $1,488,954 including $244,500 in 2020. In addition to paying dividends, over the years when we have had adequate capital and believed it to be appropriate, we have repurchased our shares. As our Financial Policies state, we will repurchase shares to neutralize the dilution from equity-based compensation programs and return any under-leveraged capital to investors. During 2020, we repurchased 1,303,196 common shares. The total cost to repurchase these shares was $112 million, with an average cost of $85.65 per share. Since 1971, we have spent $9.2 billion repurchasing our shares, at an average cost of $7.63 per share.

Financial Review

Basis of Presentation The accompanying consolidated financial statements include the accounts of The Progressive Corporation, its subsidiaries, and affiliates. These financial statements should be read in conjunction with the complete Consolidated Financial Statements, including the complete Notes to the Consolidated Financial Statements, as well as Management's Discussion and Analysis of Financial Condition and Results of Operations and Supplemental Information, which are included in Progressive's 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement.

CEO and CFO Certifications

Susan Patricia Griffith, President and Chief Executive Officer of The Progressive Corporation, and John P. Sauerland, Vice President and Chief Financial Officer of The Progressive Corporation, have issued the certifications required by Sections 302 and 906 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations with respect to Progressive's 2020 Annual Report on Form 10-K, including the financial statements provided in this Report and in the 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement. Among other matters required to be included in those certifications, Mrs. Griffith and Mr. Sauerland have each certified that, to the best of their knowledge, the financial statements, and other financial information included in the 2020 Annual Report on Form 10-K, fairly present in all material respects the financial condition, results of operations, and cash flows of Progressive as of, and for, the periods presented. See Exhibits 31 and 32 to Progressive's 2020 Annual Report on Form 10-K for the complete Section 302 and 906 Certifications, respectively.

Internal Control Over Financial Reporting

Progressive's management is responsible for establishing and maintaining adequate internal control over financial reporting. Based on Progressive's evaluation under the framework in *Internal Control—Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), management concluded that Progressive's internal control over financial reporting was effective as of December 31, 2020. The complete "Management's Report on Internal Control over Financial Reporting," as required by Section 404 of The Sarbanes-Oxley Act of 2002 and applicable SEC regulations, along with the related report of PricewaterhouseCoopers LLP, is presented in the 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of The Progressive Corporation

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of The Progressive Corporation and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2020 (not presented herein) appearing in the 2020 Annual Report to Shareholders of The Progressive Corporation, which is attached as an Appendix to The Progressive Corporation's 2021 Proxy Statement and have issued our report thereon dated March 1, 2021, which included an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Cleveland, Ohio
March 1, 2021

Consolidated Statements of Comprehensive Income

(millions – except per share amounts)

For the years ended December 31,	2020	2019	2018
Revenues			
Net premiums earned	$ 39,261.6	$ 36,192.4	$ 30,933.3
Investment income	936.6	1,042.0	820.5
Net realized gains (losses) on securities:			
Net realized gains (losses) on security sales	914.7	334.6	170.7
Net holding period gains (losses) on securities	715.3	757.9	(507.9)
Net impairment losses recognized in earnings	0	(63.3)	(68.3)
Total net realized gains (losses) on securities	1,630.0	1,029.2	(405.5)
Fees and other revenues	603.5	563.7	472.2
Service revenues	226.4	195.0	158.5
Total revenues	42,658.1	39,022.3	31,979.0
Expenses			
Losses and loss adjustment expenses	25,121.8	25,470.5	21,721.0
Policy acquisition costs	3,273.2	3,023.2	2,573.7
Other underwriting expenses	5,570.0	4,975.1	4,195.8
Policyholder credit expense	1,077.4	0	0
Investment expenses	20.0	24.6	24.3
Service expenses	205.5	178.9	134.1
Interest expense	217.0	189.7	166.5
Total expenses	35,484.9	33,862.0	28,815.4
Net Income			
Income before income taxes	7,173.2	5,160.3	3,163.6
Provision for income taxes	1,468.6	1,180.3	542.6
Net income	5,704.6	3,980.0	2,621.0
Net income loss attributable to noncontrolling interest (NCI)	0	(9.7)	(5.7)
Net income attributable to Progressive	5,704.6	3,970.3	2,615.3
Other Comprehensive Income (Loss)			
Changes in:			
Total net unrealized gains (losses) on fixed-maturity securities	586.5	466.4	(99.3)
Net unrealized losses on forecasted transactions	0.8	0.8	0.8
Other comprehensive income (loss)	587.3	467.2	(98.5)
Other comprehensive (income) loss attributable to NCI	0	(4.6)	3.3
Comprehensive income attributable to Progressive	$ 6,291.9	$ 4,432.9	$ 2,520.1
Computation of Earnings Per Common Share			
Net income attributable to Progressive	$ 5,704.6	$ 3,970.3	$ 2,615.3
Less: Preferred share dividends	26.9	26.9	21.4
Net income available to common shareholders	$ 5,677.7	$ 3,943.4	$ 2,593.9
Average common shares outstanding – Basic	584.9	583.8	582.4
Net effect of dilutive stock-based compensation	2.7	3.4	4.3
Total average equivalent common shares – Diluted	587.6	587.2	586.7
Basic: Earnings per common share	$ 9.71	$ 6.75	$ 4.45
Diluted: Earnings per common share	$ 9.66	$ 6.72	$ 4.42

Notes to the Consolidated Financial Statements are included in Progressive's 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement.

Consolidated Balance Sheets

(millions – except per share amounts)

December 31,	2020	2019
Assets		
Available-for-sale securities, at fair value:		
Fixed maturities (amortized cost: $35,589.1 and $32,643.1)	$ 36,810.9	$ 33,110.3
Short-term investments (amortized cost: $5,218.5 and $1,798.8)	5,218.5	1,798.8
Total available-for-sale securities	42,029.4	34,909.1
Equity securities, at fair value:		
Nonredeemable preferred stocks (cost: $1,358.7 and $971.3)	1,447.9	1,038.9
Common equities (cost: $1,187.3 and $1,125.5)	4,053.0	3,306.3
Total equity securities	5,500.9	4,345.2
Total investments	47,530.3	39,254.3
Cash and cash equivalents	76.5	226.2
Restricted cash	0	1.2
Total cash, cash equivalents, and restricted cash	76.5	227.4
Accrued investment income	176.4	181.3
Premiums receivable, net of allowance for credit losses of $356.2 and $283.2	8,160.1	7,507.3
Reinsurance recoverables	4,019.4	3,378.9
Prepaid reinsurance premiums	368.1	626.5
Deferred acquisition costs	1,237.2	1,056.5
Property and equipment, net of accumulated depreciation of $1,291.4 and $1,138.1	1,106.0	1,213.7
Goodwill	452.7	452.7
Intangible assets, net of accumulated amortization of $326.1 and $314.0	171.4	228.3
Other assets	800.2	783.6
Total assets	$ 64,098.3	$ 54,910.5
Liabilities		
Unearned premiums	$ 13,437.5	$ 12,388.8
Loss and loss adjustment expense reserves	20,265.8	18,105.4
Net federal deferred income taxes	310.0	118.0
Dividends payable on common shares	2,694.5	1,375.4
Accounts payable, accrued expenses, and other liabilities[1]	4,955.8	4,617.0
Debt[2]	5,396.1	4,407.1
Total liabilities	47,059.7	41,011.7
Redeemable Noncontrolling Interest (NCI)[3]	0	225.6
Shareholders' Equity		
Serial Preferred Shares (authorized 20.0)		
Serial Preferred Shares, Series B, no par value (cumulative, liquidation preference of $1,000 per share) (authorized, issued, and outstanding 0.5)	493.9	493.9
Common shares, $1.00 par value (authorized 900.0; issued 797.5, including treasury shares of 212.3 and 212.9)	585.2	584.6
Paid-in capital	1,672.9	1,573.4
Retained earnings	13,354.9	10,679.6
Accumulated other comprehensive income (loss):		
Net unrealized gains (losses) on fixed-maturity securities	947.3	360.8
Net unrealized losses on forecasted transactions	(15.6)	(16.4)
Accumulated other comprehensive income attributable to NCI	0	(2.7)
Total accumulated other comprehensive income (loss) attributable to Progressive	931.7	341.7
Total shareholders' equity	17,038.6	13,673.2
Total liabilities, redeemable NCI, and shareholders' equity	$ 64,098.3	$ 54,910.5

[1]See *Note 1 – Reporting and Accounting Policies* for *Commitments and Contingencies* and *Note 12 – Litigation* for further discussion.

[2]Consists of both short-term and long-term debt. *See Note 4 – Debt* for further discussion.

[3]See *Note 15 – Redeemable Noncontrolling Interest* for further discussion.

Notes to the Consolidated Financial Statements are included in Progressive's 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement.

Consolidated Statements of Changes in Shareholders' Equity

(millions – except per share amounts)

For the years ended December 31,	2020	2019	2018
Serial Preferred Shares, No Par Value			
Balance, beginning of year	$ 493.9	$ 493.9	$ 0
Issuance of Serial Preferred Shares, Series B	0	0	493.9
Balance, end of year	493.9	493.9	493.9
Common Shares, $1.00 par value			
Balance, beginning of year	584.6	583.2	581.7
Treasury shares purchased	(1.3)	(1.3)	(1.4)
Net restricted equity awards issued/vested	1.9	2.7	2.9
Balance, end of year	585.2	584.6	583.2
Paid-In Capital			
Balance, beginning of year	1,573.4	1,479.0	1,389.2
Amortization of equity-based compensation	89.4	90.1	76.2
Treasury shares purchased	(3.6)	(3.2)	(3.3)
Net restricted equity awards issued/vested	(1.9)	(2.7)	(2.9)
Reinvested dividends on restricted stock units	18.2	10.6	12.2
Adjustment to carrying amount of redeemable noncontrolling interest	(2.6)	(0.4)	7.6
Balance, end of year	1,672.9	1,573.4	1,479.0
Retained Earnings			
Balance, beginning of year	10,679.6	8,386.6	6,031.7
Net income attributable to Progressive	5,704.6	3,970.3	2,615.3
Treasury shares purchased	(106.7)	(86.8)	(74.3)
Cash dividends declared on common shares ($4.90, $2.65, and $2.5140 per share)[1]	(2,865.9)	(1,548.4)	(1,466.0)
Cash dividends declared on Serial Preferred Shares, Series B ($80.625, $53.75, and $27.024 per share)[1]	(40.2)	(26.8)	(13.5)
Reinvested dividends on restricted stock units	(18.2)	(10.6)	(12.2)
Cumulative effect of change in accounting principle	0	0	1,300.2
Reclassification of disproportionate tax effects	0	0	4.3
Other, net	1.7	(4.7)	1.1
Balance, end of year	13,354.9	10,679.6	8,386.6
Accumulated Other Comprehensive Income (Loss) Attributable to Progressive			
Balance, beginning of year	341.7	(120.9)	1,282.2
Attributable to noncontrolling interest	2.7	(4.6)	(0.1)
Other comprehensive income (loss)	587.3	467.2	(98.5)
Cumulative effect of change in accounting principle	0	0	(1,300.2)
Reclassification of disproportionate tax effects	0	0	(4.3)
Balance, end of year	931.7	341.7	(120.9)
Total shareholders' equity	$ 17,038.6	$ 13,673.2	$ 10,821.8

[1]See *Note 14 – Dividends* for further discussion.

There are 5.0 million Voting Preference Shares authorized; no such shares have been issued.

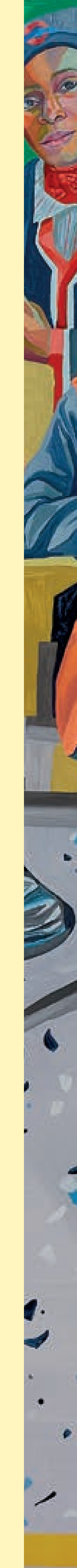
Notes to the Consolidated Financial Statements are included in Progressive's 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement.

Consolidated Statements of Cash Flows

(millions)

For the years ended December 31,	2020	2019	2018
Cash Flows from Operating Activities			
Net income	$ 5,704.6	$ 3,980.0	$ 2,621.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	274.9	239.8	190.4
Amortization of intangible assets	56.9	66.3	72.0
Net amortization of fixed-income securities	100.9	33.3	34.3
Amortization of equity-based compensation	89.4	90.2	77.2
Net realized (gains) losses on securities	(1,630.0)	(1,029.2)	405.5
Net (gains) losses on disposition of property and equipment	12.5	11.0	32.1
Changes in:			
Premiums receivable	(652.8)	(1,010.2)	(1,074.6)
Reinsurance recoverables	(640.5)	(682.8)	(422.7)
Prepaid reinsurance premiums	258.4	(316.8)	(106.4)
Deferred acquisition costs	(180.7)	(104.9)	(171.1)
Income taxes	(23.1)	227.2	(158.7)
Unearned premiums	1,048.7	1,702.3	1,783.0
Loss and loss adjustment expense reserves	2,160.4	2,704.6	2,313.9
Accounts payable, accrued expenses, and other liabilities	328.9	611.6	746.6
Other, net	(2.9)	(260.8)	(57.7)
Net cash provided by operating activities	6,905.6	6,261.6	6,284.8
Cash Flows from Investing Activities			
Purchases:			
Fixed maturities	(32,037.5)	(28,765.2)	(21,153.0)
Equity securities	(951.2)	(379.9)	(538.8)
Sales:			
Fixed maturities	22,727.2	18,412.7	7,835.6
Equity securities	431.8	471.4	823.5
Maturities, paydowns, calls, and other:			
Fixed maturities	7,109.4	6,145.5	5,099.8
Equity securities	113.8	49.9	26.6
Net (purchases) sales of short-term investments	(3,393.2)	31.5	1,116.3
Net unsettled security transactions	83.6	6.0	11.7
Purchases of property and equipment	(223.5)	(363.5)	(266.0)
Sales of property and equipment	21.9	53.3	9.4
Net cash used in investing activities	(6,117.7)	(4,338.3)	(7,034.9)
Cash Flows from Financing Activities			
Dividends paid to common shareholders	(1,551.0)	(1,643.2)	(654.9)
Dividends paid to preferred shareholders	(26.8)	(26.8)	(13.5)
Acquisition of treasury shares for restricted stock tax liabilities	(68.7)	(84.4)	(78.6)
Acquisition of treasury shares acquired in open market	(42.9)	(6.9)	(0.4)
Acquisition of additional shares of ARX Holding Corp.	(243.0)	(11.2)	(296.9)
Net proceeds from debt issuance	986.3	0	1,134.0
Proceeds from exercise of equity options	7.3	1.6	3.3
Net proceeds from issuance of Serial Preferred Shares, Series B	0	0	493.9
Payments of debt	0	0	(37.1)
Net cash provided by (used in) financing activities	(938.8)	(1,770.9)	549.8
Increase (decrease) in cash, cash equivalents, and restricted cash	(150.9)	152.4	(200.3)
Cash, cash equivalents, and restricted cash – beginning of year	227.4	75.0	275.3
Cash, cash equivalents, and restricted cash – end of year	$ 76.5	$ 227.4	$ 75.0

Notes to the Consolidated Financial Statements are included in Progressive's 2020 Annual Report to Shareholders, which is attached as an Appendix to Progressive's 2021 Proxy Statement.



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.

Corporate Information

Principal Office

The Progressive Corporation
6300 Wilson Mills Road
Mayfield Village, Ohio 44143
440-461-5000
progressive.com

Annual Meeting

The Annual Meeting of Shareholders will be held on May 7, 2021, at 10:00 a.m., eastern time. The meeting will be held by online webcast only. You will be able to attend the Annual Meeting, vote, and submit your questions during the meeting via live webcast by visiting www.virtualshareholdermeeting.com/PGR2021. To participate in the meeting, you must have your 16-digit control number that is shown on your proxy card. You will not be able to attend the Annual Meeting in person. There were 1,896 shareholders of record on December 31, 2020.

Online Annual Report and Proxy Statement

Our 2020 Annual Report to Shareholders can be found at: progressive.com/annualreport.

Our 2021 Proxy Statement and 2020 Annual Report to Shareholders, in a PDF format, can be found at: progressiveproxy.com.

Shareholder/Investor Relations

Progressive does not maintain a mailing list for distribution of shareholders' reports. To view Progressive's publicly filed documents, shareholders can access our website: progressive.com/sec. To view our earnings and other releases, access: progressive.com/financial-releases.

For financial-related information or to request copies of Progressive's publicly filed documents free of charge, write to: The Progressive Corporation, Investor Relations, 6300 Wilson Mills Road, Box W33, Mayfield Village, Ohio 44143, email: investor_relations@progressive.com, or call: 440-395-2222.

For all other company information, call: 440-461-5000 or access our website at: progressive.com/contactus.

Transfer Agent and Registrar

Registered Shareholders: If you have questions or changes to your account and your Progressive common shares are registered in your name, write to: American Stock Transfer & Trust Company, Attn: Operations Center, 6201 15th Avenue, Brooklyn, NY 11219; phone: 1-866-709-7695; email: info@astfinancial.com; or visit their website at: astfinancial.com.

Beneficial Shareholders: If your Progressive common shares are held in a brokerage or other financial institution account, contact your broker or financial institution directly regarding questions or changes to your account.

Common Shares and Dividends

The Progressive Corporation's common shares are traded on the New York Stock Exchange (symbol PGR). Progressive currently has a dividend policy under which the Board expects to declare regular, quarterly common share dividends and, on at least an annual basis, to consider declaring an additional variable common share dividend. The dividend policy can be found at: progressive.com/dividend.

Counsel

Baker & Hostetler LLP, Cleveland, Ohio

Corporate Governance

Progressive's Corporate Governance Guidelines and Board Committee Charters are available at: progressive.com/governance.

Accounting Complaint Procedure

Any employee or other interested party with a complaint or concern regarding accounting, internal accounting controls, or auditing matters relating to Progressive may report such complaint or concern directly to the Chairperson of the Audit Committee, as follows: Patrick H. Nettles, Ph.D., Chair of the Audit Committee, auditchair@progressive.com.

Any such complaint or concern also may be reported anonymously over the following toll-free Alert Line: 1-800-683-3604 or online at: www.progressivealertline.com. Progressive will not retaliate against any individual by reason of his or her having made such a complaint or reported such a concern in good faith. View the complete procedures at: progressive.com/governance.

Contact Non-Management Directors

Interested parties have the ability to contact the non-management directors as a group by sending a written communication clearly addressed to the non-management directors to either of the following:

Lawton W. Fitt, Chairperson of the Board, The Progressive Corporation, email: chair@progressive.com; or

Daniel P. Mascaro, Secretary, The Progressive Corporation, 6300 Wilson Mills Road, Mayfield Village, Ohio 44143 or email: secretary@progressive.com.

The recipient will forward communications so received to the non-management directors.

Whistleblower Protections

Progressive will not retaliate against any officer or employee of Progressive because of any lawful act done by the officer or employee to provide information or otherwise assist in investigations regarding conduct that the officer or employee reasonably believes to be a violation of federal securities laws or of any rule or regulation of the Securities and Exchange Commission. View the complete Whistleblower Protections at: progressive.com/governance.

Directors & Officers

Directors

Philip Bleser [3, 5, 7]
Retired Chairman of Global Corporate Banking,
J.P. Morgan Chase & Co.
(financial services)

Stuart B. Burgdoerfer [1, 7]
Executive Vice President and Chief Financial Officer,
L Brands, Inc.
(retailing)

Pamela J. Craig [3, 6, 7]
Retired Chief Financial Officer,
Accenture PLC
(global management consulting)

Charles A. Davis [4, 7]
Chief Executive Officer,
Stone Point Capital LLC
(private equity investing)

Roger N. Farah [2, 3, 5, 7]
Former Executive Director,
Tory Burch LLC
(retailing)

Lawton W. Fitt [2, 4, 5, 7]
Chairperson of the Board,
Retired Partner,
Goldman Sachs Group
(financial services)

Susan Patricia Griffith [2]
President and
Chief Executive Officer,
The Progressive Corporation

Devin C. Johnson [7]
Chief Operating Officer,
The SpringHill Company
(global consumer and entertainment)

Jeffrey D. Kelly [1, 7]
Retired Chief Operating Officer and Chief Financial Officer,
RenaissanceRe Holdings Ltd.
(reinsurance services)

Patrick H. Nettles, Ph.D. [1, 6, 7]
Executive Chairman,
Ciena Corporation
(telecommunications)

Barbara R. Snyder [3, 7]
President,
The Association of American Universities
(higher education)

Jan E. Tighe [6, 7]
United States Navy,
Vice Admiral, Retired
(military)

Kahina Van Dyke [4, 7]
Global Head, Digital Channels and Client Data Analytics,
Standard Chartered PLC
(international banking)

[1] Audit Committee Member
[2] Executive Committee Member
[3] Compensation Committee Member
[4] Investment and Capital Committee Member
[5] Nominating and Governance Committee Member
[6] Technology Committee Member
[7] Independent Director

Corporate Officers

Lawton W. Fitt
Chairperson of the Board
(non-executive)

Susan Patricia Griffith
President and
Chief Executive Officer

John P. Sauerland
Vice President and
Chief Financial Officer

Daniel P. Mascaro
Vice President, Secretary,
and Chief Legal Officer

Patrick S. Brennan
Treasurer

Mariann Wojtkun Marshall
Vice President,
Assistant Secretary, and
Chief Accounting Officer

Charitable Contributions

We contribute annually to: (i) The Insurance Institute for Highway Safety to further its work in reducing the human trauma and economic costs of auto accidents; (ii) Humble Design, a non-profit organization we partnered with to furnish homes for families and veterans transitioning from homelessness; and, (iii) The Progressive Insurance Foundation, which provides matching funds to eligible 501(c)(3) charitable organizations to which employees contribute. Over the last five years, the matching funds provided by The Progressive Insurance Foundation averaged approximately $4 million per year. In 2020, we also contributed about $21.5 million to a variety of charitable organizations to assist shareholders, customers, employees, agents, and communities aimed at lessening the economic impact caused by the spread of the novel coronavirus, COVID-19.

Social Responsibility and Sustainability

Progressive uses an online format to communicate our social responsibility efforts, and we see sustainability as part of the value we bring to our shareholders, customers, employees, agents, and communities. Our social responsibility and sustainability reports can be found at: progressive.com/socialresponsibility and progressive.com/sustainability, respectively.

24-Hour Insurance Quotes, Claims Reporting, and Customer Service

	Personal Autos, Motorcycles, Recreational Vehicles, Homeowners, Other Property, and Renters	Commercial Autos/Trucks, Business Property, and General Liability
To Receive a Quote	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-888-806-9598 progressivecommercial.com
To Report a Claim	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-PROGRESSIVE (1-800-776-4737)
For Customer Service If you bought your policy through an independent agent or broker	1-800-925-2886 (1-800-300-3693 in California) progressive.com/agent	1-800-444-4487 progressivecommercial.com
If you bought your policy directly through Progressive online or by phone	1-800-PROGRESSIVE (1-800-776-4737) progressive.com	1-800-895-2886 progressivecommercial.com

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front cover detail *Jenna, Friday Night in Brooklyn*

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